MARKET ANALYSIS-BASED MARKETING AND SALES STRATEGY

A case study of AddSecure Smart Rescue

Author: Niklas Baarman
Abstract

Through internationalisation companies can expand their operations to new markets with their existing products to serve more customers while improving their competitiveness. The primary purpose of this thesis project was to provide necessary information for a client organisation, AddSecure Oy to effectively start the sales of their product AddSecure Smart Rescue in Finland.

To explicate the information needed by AddSecure Oy to gain a smooth entry to the Finnish market, a series of analyses was conducted to provide a basis for all proposed actions. As a part of these, the product itself was subjected to critical analysis of its features and an external market environment analysis was used to investigate the Finnish market, security industry in general and the potential competitors. In addition, a customer segmentation was performed to identify the most potential customers and their needs. Finally, as a pricing comparison was done between Smart Rescue and two separate competitor products, a major pricing issue which requires action was raised.

As an outcome of this research, it was concluded that Finland is a potential market for personal alarm solutions such as Smart Rescue. However, the profitability of the market is limited due to several restricting features and high competition. Based on the market research, a marketing and sales strategy was created which identified that the most potential customer segment comprised of cities and municipalities. As a part of the sales strategy, it was displayed that the most prominent way to reach the selected customer segment is utilising a distributor channel strategy which employs strategic partnerships.

Keywords

Internationalisation, AddSecure, market research, competitor analysis, marketing, sales, segmentation, channel strategy
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1 INTRODUCTION

As markets get more competitive, internationalisation is a major trend. Many companies search for new markets to increase their revenues and to gain cost-savings. One of these companies is AddSecure Ab, a company specialised in critical communication solutions. AddSecure Ab has a wide product portfolio of various different solutions which it aims to serve in all of its markets through its subsidiaries. As a part of this process, AddSecure aims to bring a new product to the Finnish market, AddSecure Smart Rescue. This thesis is produced for AddSecure Oy, a Finnish subsidiary of AddSecure Ab, to aid in the implementation of the new product to their portfolio. The aim of this research is to analyse the potential of the Finnish market for the sales of Smart Rescue and according to those findings, create a marketing and sales strategy. This will help AddSecure Oy to fulfil the expectations set by AddSecure Ab, by planning the best suited actions for the Finnish market.

The research work for this thesis consisted of independent research done on available secondary data from Internet sources to analyse the Finnish market and competitors as well as interviews with potential clients and one partner. Data for the market research was provided mostly in reports published by Finnish governmental agencies. The interviews were conducted for a carefully selected sample audience which was purposely selected to provide information rich answers.

Structure wise, this thesis first presents the relevant theories and the methodology on which the research is based on, followed by a more thorough introduction of AddSecure. The theoretical section acts as a foundation for the research by providing the framework. Methodology defines qualitative research and its properties as well as justifies its use in this research. In the introduction of AddSecure, an analysis of AddSecure Ab’s internationalisation provides better basis knowledge for all of their actions. All findings are presented in their own chapters throughout this thesis and the following chapters build on the basis provided by prior chapters. Finally, in the end, the conclusion chapter gathers all observations and interpretations to a one summary.
2 THEORETICAL BACKGROUND

This chapter provides the theoretical background for the research of this thesis. Relevant theories that cover the internationalisation process, the external market conditions and marketing and sales strategies are presented and discussed. The research for this thesis, is conducted based on these theories which act as a foundation for the research conducted. All presented theories are employed in the analyses chapters.

2.1 Internationalisation motives

The motives for internationalisation are numerous and vary highly between different industries and companies, yet they are often classified by certain factors. These motives and their classifications have been widely discussed in literature, spawning a wide genre of different interpretations and theories. According to Vernon (1966, 190-207) the internationalisation motives change in relation to the product's life cycle, whereas Hollander (1970) saw sales as a driver of internationalisation and divided the motives to commercial and non-commercial factors. In addition to these theories, many other researchers have contributed to this discourse regarding internationalisation motives. Certain theories are used more often than other, however. One classical and highly utilised theory categories the internationalisation motives according to the incentives they are based on. The theory highlights the stimuli that spawn the internationalisation motives, and classifies those to proactive and reactive. If a company is going international as it pursues strategic changes to improve its operations, the motivation is based on proactive stimulus. These proactive stimuli can be for example the pursuit of increased profits or economies of scale effects, improved capitalisation of technological advantages, or exclusive expertise on a certain market. Irrespective of the specific stimulus, proactive stimuli are characterised by the pursuit of improved market position through strategic actions. On the other end of the spectrum, those companies who are forced to go international due to external reasons, are internationalising due to reactive stimuli. Increased pressure on the market caused by increased competition or saturation, are excellent examples of reactive stimuli. The changing market environment forces the company to explore new markets to avoid the deteriorating host country conditions. (Czinkota and Ronkainen 2011, 256-259.)

Most existing theories, such as the proactive and reactive stimuli theory, disregard some of the possible internationalisation motives which is a result of different perspective on each theory. As noted by Glowik (2016, 110-115), the difference in the publishing eras affects the perspective of each theory as globalisation and other trends have altered the market environments globally. Combined with the fact that most of these theories lack the underlying theoretical logic, therefore appearing atheoretical and purpose built, the end result is a wide range of different theories which are difficult to compare against each other. Cuervo-Cazurra, Narula and Un (2015) present a model that is based on behavioural economics, a theory which focuses on the role of managers in the decision making. Variety of decision-making biases, such as limited and imperfect information, affect the managers who are responsible for the company’s strategy and therefore internationalisation decisions too. Managers are less probable to make optimised decisions than aiming to satisfy
expectations. This particular theory places the manager as the main factor in the initial internationalisation decision, as it entering new markets is a strategic choice made by the management. Managerial expectations can be divided into two types: exploitation or exploration of resources, which is driven by economic reasoning, and the search of or avoidance of environmental conditions, driven by psychology. The first dimension, driven by economic reasoning, is a separation between exploiting the current resources and exploration of new ones. Exploiting existing resources has managers looking for ways of using the current ones more intensively, whereas the exploration of resources refers to searching for new resources to obtain. The second dimension, driven by psychology, separates the search of better and less worse markets. Both dimensions provide a lot of reasoning for internationalisation and compared to most other models it more in-depth. These two dimensions combined create the four motives for internationalisation.

**Sell more**
Company with a motivation to sell more goes international to employ its existing competitive advantage with the current resources and capabilities. As the company’s operations spread to a new market, the size of overall market it operates in grow larger which enables the company to benefit from cost savings generated from the larger production numbers, also known as economies of scale. As existing sources of advantage are exploited, the company gains additional revenue and its profitability is probable to grow. (Cuervo-Cazurra et al. 2015, 30)

**Buy better**
If the internationalisation is motivated by Buying better, the company has decided to expand to new markets to benefit from existing resources while evading the poor conditions of the home market, therefore aiming to reduce the relative comparative disadvantage. Compared with the selling more motive, it may be possible that in this case the company reduces operations in the home country while increasing them in a new market. (Cuervo-Cazurra et al. 2015, 30)

**Upgrade**
Company with an upgrade motive is going international to harness its existing benefits of the home country with the help of newly found resources and abilities from foreign markets. To reach these new resources, acquisitions, which will be described more thoroughly in the chapter 2.3.7, are often selected as a market entry method. By harnessing the comparative advantage of a new market and its companies, it is possible to spread these advantages through the whole company, therefore improving the position in the home market. (Cuervo-Cazurra et al. 2015, 32)

**Escape**
A company that is exploring new resources and avoiding poor home country conditions is motivated by escape. In current situation, the company has a disadvantage with its resources and the host country leading to adverse situation. Securing new advantageous resources in a new market benefits the company notably, as it also enables the company to operate in a less unfavourable market. Similarly to the buy better motive, it is probable that the company will reduce its operations
in the home country, as the new market is more favourable for the operations. (Cuervo-Cazurra et al. 2015, 32)

These four motives form one theory to why companies go international, and compared to most others, it has more theoretical background to support it. Similarities can also be seen between this theory and many alternatives. For example, if compared with the model presented by Czinkota and Ronkainen (2011, 256-259), especially the second dimension of this theory has clear resemblance to its stimuli. Escaping poor home country conditions can be classified as a reactive stimulus created by deteriorating host country conditions whereas a search for new potential markets is an example of strategic choice backed up by a proactive stimulus. Despite some shared features, the differences are more important when comparing these theories. The main advantage of the model presented by Cuervo-Cazurra et al. (2015) comes from the comprehensiveness of the theory, as it also takes into notion the effect of humans making the decisions. Most other theories handle internationalisation motives rather objectively while in fact the actual decision makers perceive them much more subjectively. This means that the human error and several biases that affect the internationalisation decision making, are accounted for while most other theories disregard them. As the selection of market entry methods is strongly linked to the internationalisation motives, the more comprehensive understanding of those reasons provides better understanding for other analyses on the subject.

2.2 Market analysis

When a company decides to go international, it is crucial to conduct a market analysis of possible markets. Understanding the characteristics of a market aids in the selection of which markets to enter and the appropriate entry method. For each market environment consists of several external factors that a company has limited power to affect, it is critically important to understand the limitations, threats and opportunities each market provides. For the market analysis, a vast amount of data is available, yet the interpretation of it, often is the major challenge. To aid in the interpretation, several methods have been constructed to be used as tools in the process.

2.2.1 PESTLE analysis

In this thesis, PESTLE method is used as a tool to analyse the potential of Finland as a market. PESTLE is a common tool used in strategic planning as it provides a frame for analysis of certain external environment factors. The name is mnemonic of the words Political, Economic, Social, Technological, Legal and Environmental. These aspects of the external environment set the core perspective for the analysis. For effective use of the method, the trends should be identified and described as well as their cause and effect analysed. (Warner 2010, 28-29, 39.)

The origin of PESTLE is in 1967, when Francis J. Aguilar first discussed the ETPS analysis, analysing the aspects of Economic, Technical, Political and Social factors. The first author to introduce the PESTLE method in its final form is unknown, but several varying versions of it have been discussed by Fahey, Mecca, Porter, and others along the years. First mentions of PESTLE are from 1980s, and
the long history of the method emphasises the potential of it as an analysis tool. (Rastogi and Trivedi 2016, 386.)

**Political**

As all businesses are directed by laws and regulations, the political environment has a vast effect on a market and the companies operating on it. In addition to this, political factors often affect other aspects of the market as well. For example, government issued fiscal policies directly affect the economic environment and as Rastogi et al. (2016, 385) state, these policies can even alter the operating environment so drastically, that the whole revenue structure of an industry can be changed as a result. First part of the political environment analysis is identifying the structure of the political system. In addition to nation’s own political organisations, many cross-border entities, such as the European Union now have an increased role in the legislative process, and it is therefore crucial to understand which organisations take part in the political processes of the country. As these entities are not necessary located inside the target market, they demand more thorough analysis as the trends need to be identified and analysed from a broader perspective. Disregarding these factors is probable to result in a narrow analysis which may even contain incorrect interpretations of the political process due to ignored trends. Additionally, these memberships in different unions, trade agreements and similar often include shared legislation on trade barriers and other similar factors. Therefore, the information on possible memberships is highly significant as it affects the market conditions notably. Political processes and decision making are also affected by the political stability, which measures the political systems capability to endure changes and pressure while staying intact is one of the most important factors of the political environment. Its importance is extremely high as it reflects the adaptability and the overall security of the political system, and the likelihood of political conflicts. A low level of political stability increases the risks of investing in a country as the future is less predictable due to the possibility of significantly market altering events, such as conflicts. As such events could have dire consequences on the companies operating in the country, even loss of the investment, politically unstable countries are not seen as very attractive markets due to the high risks. (Aunger 1981, 39; Czinkota and Ronkainen 2007, 125; Warner 2010, 30-31.).

When planning a market entry, the general political attitude towards foreign companies is one of the most significant factors. Certain countries either directly limit the operations or have an immense amount of bureaucracy for foreign businesses which as a result may either prevent the entry altogether or make it unreasonably expensive in comparison with the probable benefits gained from reaching that market. The attitude towards foreign companies is reflected in many policies but the regulations concerning FDI are a good indicator. If foreign investments are heavily regulated, it is likely that the political environment does not encourage the operations of foreign businesses. (Perera 2017, 9.)

In some instances, legal environment is analysed as a part of the political aspects as the legal system is a closely connected to the political system. Political system affects the legal system heavily and as Warner (2010, 30) states new legislations and regulations often are reflections of larger
trends in a society. In this thesis the analysis of political aspects includes the legal system whereas the separate legal environment focuses on the existing legislation and its effects on the market. (Warner 2010, 31.)

**Economic**

The general economy of the market largely defines the conditions on which all companies operate. Therefore, the second aspect of the model focuses on the trends and changes in this general economic environment. These are changes in interest rates, employment, inflation or other economic factors that determine the economy’s performance. Identifying the ongoing changes and their magnitude as a part of the economic environment analysis is crucial as the economic environment is important due to its long-term effects on all companies operating on the market. (Warner 2010, 32-33.)

One of the most common measurements of an economy’s performance is the Gross Domestic Product, abbreviated as GDP. It measures the monetary value of all final goods and services produced within a country inside a time frame, usually a year. GDP is used to measure the overall size of an economy but the changes in it are considered as an indicator of the performance of the economic system. The growth of the GDP is interpreted as an indication of a healthy and growing economy whereas decrease in GDP indicates an economic slowdown or even a recession. GDP is used as a measurement as it provides a general indication of the growth of the market, which aids companies to make decisions to on the attractivity of the market. As a poor performance of the economy decreases the purchasing power and changes the buying behaviour significantly, it usually results to a decrease in demand. As all businesses are dependent on their customers, decreasing purchasing power is very harmful for their operations and profitability. Even though the purchasing power is measured from the consumer’s perspective, it should be noted that though companies dealing directly with consumers experience more immediate effects; the changes in demand are likely to mirror to the demand of business-to-business companies as well, therefore affecting the entire market. (Callen 2008, 48-49; Warner 2010, 32.)

In addition to the effects caused by the general economic environment, certain industries are more dependent on the changes of specific economic factors. For example, as Warner (2010, 33) states, the automotive industry is directly affected by the interest rates as most consumers purchase their vehicles with loans. Therefore, high interest rates are likely to affect the sales of new cars and possibly shift it more towards used car sales. As all industries have unique features, it is important to identify which factors affect the specific industry a company is operating in, and focus especially on the analysis of those factors to provide accurate information on possible threats and opportunities caused by these economic trends.

**Social**

Social or, in some references, sociocultural aspects that affect the operating environment include a range of different factors which can be roughly split in two categories: demographics and culture. Demographics measure the population structure with different variables such as age, gender, area
of residency, and education level. The data about demographic changes is especially interesting in terms of strategic choices as it can be a contributing factor whether a market is desirable or not. All products are targeted for a specific customer group, if the demographic data shows that the size of a target group is declining, it might not be worth investing in that specific market area.

Demographic changes also indicate possible changes in consumption patterns as the society structure reshapes as the background of consumers strongly affects their purchase behaviour. For example, the population’s concentration to urban areas increases the local demand whereas the demand in rural areas decreases. As demographic data is collected in most countries, trends can often be observed rather easily from statistics and reports many governmental agencies publish. (Warner 2010, 34-35; Rastogi et al. 2016, 385, 387.)

In addition to demographic data, the cultural knowledge acts in a vital part in market entry as diverse cultures around the globe have significantly different values and norms. Values are difficult to measure on their own but the surrounding society often reflects many of them in form of laws and regulations. Value changes are challenging to identify within a short term, as the changes happen slowly and are difficult to measure. Despite these challenges, values are an immensely important part of the social environment and have strong effects to the operations of all companies within the market. Companies need to be able to adapt to the cultural environment of the market to be effectively reach its customers. For example, cultural enables the marketing personnel to plan and execute marketing activities that are relatable and appeal to the correct customer group in the target market. Insufficient understanding of the culture may lead to culturally inappropriate actions which can harm the reputation of the company in the market or even globally. (Warner 2010, 35-36.)

**Technological**

Technological development can change the operating environment drastically within a relatively short time span. Combined with the fact that analysing technological trends at an early stage is notoriously difficult due to the challenges of predicting the capabilities and benefits of future developments makes the technological environment analysis extremely troublesome to conduct. Despite this, its importance as a part of the external market analysis is high as technological developments both inside the industry as well as external to it can have a great impact on the market conditions. Industry’s internal technological developments can alter the competitive abilities of the companies participating in the market in various ways. can be more cost-effective or even force all existing companies to switch to newer technology, making the market entry easier for new competitors. (Warner 2010, 36-37.)

External development can bring new variant solutions to customers therefore altering the demand for solutions provided by the original industry. This is caused by the fact that customers buy solutions rather than products, as stated by Hooley, Piercy and Nicoulaud (2008, 22). This implies that if a company from another industry brings forward a new solution that solves the same customer need as a product of another industry, it is probable that some customers will shift to the new solution. For example, it is probable that if a company would be able to bring a teleportation
solution to the market, the demand for automotive industry’s products would greatly decrease as the new-found travelling option would replace the need for cars for many customers. Hence, conducting a comprehensive enough analysis requires identifying which other alternative solutions could replace the products of the company. (Warner 2010, 37-39)

**Legal**
The analysis of the legal factors accounts for the legislation present within the market. Labour laws, taxation, regulations governing imports and exports, all these have a direct effect on how a company can operate in a certain country. Some affecting laws might not necessarily be targeted specifically on foreign companies yet still have effects on them. Labour laws for example concern all companies but from a foreign companies’ perspective they are interesting as they affect the cost of labour in the market, thus affecting the potential profitability. Some legislations are more targeted on foreign companies, for example those that control FDI. It should also be noted that laws and regulations exist not only to restrict the operations of companies but to protect them as well. Intellectual property rights are an example of laws that benefit the companies by protecting them. Regardless of the type, it is important to aim to identify all laws and regulations that can affect the operations of the company in any way. (Czinkota and Ronkainen 2007, 119; Rastogi et al. 2016, 385.)

The changes in legal factors are most often issued by governmental agencies and are tied to the legal system, which is analysed in the political aspect of the market environment. As these factors are so directly linked together, both should be analysed alongside to provide a complete and in-depth understanding of the subject. Due to the close relation, some researchers analyse the legal environment as a part of the political environment. This thesis will, however, analyse them separately to reach maximal clarity. (Warner 2010, 30.)

**Environmental**
As described by Rastogi et al. (2016, 385), environmental aspect aims to describe and analyse such factors as climate, contamination, geographical variables and other similar that are part of the natural environment. These factors have a notably different impact within different industries: agriculture is dependent on fertile soil and favourable climate whereas for the retail industry the environmental conditions are more indifferent. Nonetheless, all industries are affected by the environment, whether it is via transportation requirements or the sheer desirability of the operation location. As the effects of environmental factors is so largely industry dependent, before conducting the last part of the PESTLE analysis, it is important to define which kind on factors affect the specific industry a company is operating in.

As consumers in many countries are increasingly aware of the climate and the environmental effects of their consumption, the environmental aspect of the PESTLE model now often analyses the environmental issues and attitudes regarding them as well. Unlike other environmental factors, these issues have more general effects on the whole market, though certain industries face more pressure than others. Increasing environmental awareness, caused by improved knowledge and
research on climate change, especially in developed countries is likely to lead to increased environmental pressure on a more general level in the near future. (Rastogi et al. 2016, 387.)

2.2.2 Industry and Competitor analysis

A major aspect of the market environment is formed by other companies operating on it, more specifically the competitors. Understanding one’s competitors enables choosing the correct strategies to most effectively compete with them. Before the analysis, it is first important to define the need that potential customers might seek to solve with a purchase, as has been already pointed earlier, customer buy solutions rather than products. Without an understanding of the customer need, it is likely that the competitor analysis is done with a too narrow view, which leads to overlooking some competitors. The output of a competitor analysis should contain the current strategy or positioning of competitors, their strengths and weaknesses, possible opportunities and threats, as well as estimation of their reactions to changes in the market. The analysis is, of course, based more on estimations and is therefore less detailed than if analysing one’s own company. Even so, it improves the understanding of the market a company is operating in and is therefore extremely important. (Fried and Zehle 2008, 61-62.)

A SWOT analysis is often used as one of the tools for competitor analysis. SWOT is an acronym of Strengths, Weaknesses, Opportunities and Threats. This analysis is used as it allows looking the strengths and weaknesses in the context of opportunities and threats, providing good overall understanding of the subject, while being a quick tool to use. The end result should be no more than a page and observations are often marked in bullet points. Partly due to this, it should be noted that a SWOT analysis is needs other analyses to support it as on its own it is a rather rudimentary tool. As it depicts the factors as seen by the researcher, the results are always subjective. (Fried and Zehle 2008 85-86; Vuorinen 2013.)

Competitor analysis that is only conducted as a SWOT analysis is prone to disregard certain factors. The most common mistake with is that only direct competitors are identified and analysed even though the pursuit of profits is also affected by several other factors. In addition to these, all industries have underlying structures that define them. These profitability altering structures can be analysed with the Porter’s Five Forces model, which are illustrated in Figure 1. According to Porter (2008, 25-26) these five forces affect the profits that can be made within an industry as intensive forces weight the profits down whereas benign forces are more favourable for companies. The model provides a framework for the analysis of industry’s structure and thus provides understanding for a basis to the strategy formulating made by the company. The advantage of the five forces model is that as it focuses on structures rather than factors, it provides more future proof interpretations. Even if a certain factor or a trend creates an opportunity at the time of analysis, it is not guaranteed that the market conditions would stay the same indefinitely as underlying structures are more constant than fleeting factors and trends.
Figure 1. Porter's Five Forces model. (Porter, 2008.)

Five forces model presents the rivalry among existing competitors as one of the forces. If numerous existing competitors compete for the customers, it is probable the effects can be seen in, for example decreasing price levels, increased marketing activities and pressure to further develop the product, as the companies are employing several strategies to gain edge over the competitors. Therefore, the higher the rivalry within the industry is, the lower the profitability is likely to be. (Porter 2008, 32-33.)

In addition to existing competitors, the threat of new entrants is one of the forces. Desirable markets are likely to attract new companies to enter the market in hope of new customers, and an increasing number of competitors results to increased rivalry which again weighs down the profitability. If the new entrants are entering the industry to increase the overall market they serve, they often can levy their existing strengths and expertise to conquer notable market shares in the field, posing a considerable threat to competitors. Industries with a high threat of new entrants have a limited profitability potential as the threat forces companies to keep their prices low or to seek technological advantages to stay ahead of possible new competitors, both of which decrease the profitability. The probability of new entrants is closely tied to entry barrier of the industry as they affect the overall attractiveness of the market. High entry barriers force companies that consider entering the market to evaluate the potentiality; if the investments required to enter the market are deemed high in relation to the overall attractiveness, it is unlikely that a company would enter such a market. (Porter 2008, 26-29.)
As already mentioned in the earlier part of this chapter, concerning the technological aspect of PESTLE, customer do not buy products but solutions, this implicates that if new products can solve the same problem, a threat of substitution is present. As the initial solutions an industry provides to its customers are substituted, the demand decreases as some of the customers change to these substitute solutions. The possible substitute products can differ greatly from the original product but if the customers perceive them as solution to the same need, they are to be considered as substitutes. Substitute products are particularly challenging as they can be based on very different technologies, resulting to a different cost price. Combined with the fact that these substitutes set a price cap for the market, it can be hard to for a company to compete with them while trying to be profitable. The threat of substitutes can be decreased with differentiation and marketing methods by creating perceived customer value. For example, successful creation of brand loyalty reduces the risk of customers changing to substitutes. Additionally, creating switching costs to existing customers decreases the probability of shifting to substitute products. (Porter 2008, 31-32.)

Bargaining power of suppliers results to decreasing profitability as a supplier changes their pricing. As the cost price of a product increases, the profit margin decreases if sold to customers at the same price as before. The bargaining power of a supplier is often high if the supplier has a strong position compared to the companies it serves. If an industry depends heavily on the products of the supplier, while the supplier is not very dependent on the industry as customers, the supplier has a very strong position. Similarly, the same logic applies of substitution applies with suppliers as well, only in reverse: if the suppliers has created high switching costs or if the products are clearly differentiated or no substitute exists, it grants more power to the supplier who can define the price of its products, decreasing the profit margin within an industry. (Porter 2008, 29-30.)

Bargaining power of customers is an opposite for bargaining power of suppliers. If a company is more dependant on its customers than the customers are of the company’s products, the customers have a strong power to dictate the actions of the company. The profitability of an industry is reduced as the customers can require lower prices or require better solutions, increasing the costs. A situation where buyers have a lot of power of suppliers arise when the factors presented in the earlier paragraph are reversed. Thus, if there are little to no switching costs or if the solutions offered to customers have not been differentiated or can be easily substituted. To decrease the threat, a company should have a clear differentiation to competitor products and high switching costs. (Porter 2008, 30-31.)

2.3 Market entry strategies

The conducted market analysis combined with an internal analysis provides the basis for the market entry strategy. The motivation for internationalisation affects the objects of a company and the market entry strategy should be suitable for achieving these set goals. The following strategies each have their own benefits as well as limitations and challenges and therefore the strategic selection of the best one is one of the most critical choices. Due to long term effects, it is often costly to change
the mode of entry once selected and can make the difference between success and fail. (Glowik 2016, 131-132.)

2.3.1 Exporting

One of the simplest methods of accessing new markets is exporting. It does not require establishing new operations in a foreign market as manufacturing and R&D can be done in the home country. Accessing new markets also enlarges the overall market a company reaches, therefore granting notable economies of scale effects. Exporting can be either done directly or indirectly. Indirect exporting can be desirable especially if the resources a company can afford to invest in the export process are very limited. Indirect exporting is also an easier way to enter foreign markets if the company has very little or no experience of foreign trade as an intermediary company is responsible for the search of customers, importers, and the contract negotiations. However, in indirect exporting the profit margin is reduced by the commission fee taken by the intermediary company. Contract negotiations are also more limited as intermediaries most often negotiate with premade contracts meaning that the customers have to either take contract as it is or leave out of it. (Glowik 2016, 156-159.)

Direct exporting differs from indirect by the lack of an intermediary. The sales to end customers can still be done through an intermediary even in direct exporting but the company employs their own resources to search for the importers in the target market and the following negotiations. Direct exporting requires more knowledge about the targeted foreign market and sufficient resources but it also enables better profit margins, a direct market access and more flexible relationships with customers which can outweigh the costs of direct exporting. Both modes of exporting share the same major challenges to face. Cross-border barriers affect some or all of exports, depending on the legislation. (Glowik 2016, 156-159.)

2.3.2 Licensing

Market entry by licensing is valid method for a company that possesses intellectual property, IP, such as a patent for specific technological innovation or a cartoon character. A contractual agreement between the company owning this IP, licensor, and an organisation or an individual wishing to use it, licensee, is made, allowing the licensee to employ the intellectual assets for an agreed royalty. It is important to note that the licensor does not forfeit these assets to licensee but rather only grants the right to employ it. Licensing is a common method used especially in case of valuable brands; the leading licensor in 2016 being Walt Disney Company (Fullerton 2017), though it most often is especially attractive to smaller companies with limited resources. From a strategic perspective however, licensing enables the generation of increased revenue from existing assets. For the licensor, the advantage of licensing comes from minimal risks and required investments for opening a foreign market, as the licensee bears most of the risks and employs own resources for
the establishment of operations. As a downside however, the licensor has no control over the operations of the licensee, though some limitations and requirements can be made in the licensing agreement. Due to the lack control, the coordination of strategic actions is difficult for the licensor. Licensee’s actions can also affect the licensor’s reputation negatively if the produced products are inferior quality or otherwise negative for the brand image. (Glowik 2016, 164-165; Sherman 2004, 361-363.)

2.3.3 Franchising

Franchising which is often associated with fast food chains, is an advanced form of licensing. The key difference between these two modes being that as a part of the agreement the franchisor grants the franchisee the right to establish a business under the franchisor’s proven business concept and brand. The brand includes everything from logo to design of the stores, everything the customers associate with the brand and that creates brand loyalty, therefore providing an existing customer base for the franchisee’s business. Franchisor is responsible for providing commercial, administrative and technical assistance to the franchisee. Based on the agreement, franchisee may need to pay a starting fee, monthly royalties as well as advertising fees to the franchisor. As franchisees have local cultural knowledge and will use their own resources, franchising is a relatively fast market entry method for the franchisor. It does however, bind more resources than licensing as most support functions are provided by the franchisor. Many of the limitations and challenges are similar with licensing. Though franchisors have more control over their franchisees than licensors over licensees, the control is still limited as the franchisee is not a direct employee of the franchisor. Therefore, the same problems with inferior products or services causing possible reputational risks are still a valid threat. For successful franchising, the relationship between the parties needs to be cared for. If the franchiser’s expectations and provided support do not meet, it is highly unlikely that the franchisee may succeed. To achieve lasting and prosperous operations, commitment is needed from both. (Glowik 2016, 166-167; Sherman 2004, 11-19.)

2.3.4 Contract manufacturing

In many cases manufacturing a product in a foreign market might be economically reasonable. By entering a new market via contract manufacturing, company can benefit from lower production costs as well as reduced logistics costs as the production is located closer to customers. As the products are manufactured under the brand of the contractor, the selling price is similar as if the products were made by the contractor. With the lower manufacturing costs this leads to higher profit margins for the contractor. Simultaneously, the production for the new market does not require resources in manufacturing which means that the contractor can focus its resources into support functions such as R&D and marketing. In many cases, entering a market with contract manufacturing is also faster than through foreign-direct investment and has a lower risk than establishing own operations. (Glowik 2016, 159-162.)
2.3.5 Management and turnkey contracts

Management contract enable a company to use its expertise and personnel to provide a service to a client in a foreign market. Company utilises its human resources to train the personnel in the receiving company and improve their competitiveness. By offering these consulting services, the company accesses a new market and in return for the managerial expertise receives agreed consulting fees. It is also possible to sell complete operations rather than just expertise. In a turnkey contract company establishes new operations in a foreign country, trains the personnel and gives the necessary consultation. After the operations have been established and are running, the company hands it to a buyer, “turning a key over”, hence the name turnkey. These contracts can be especially attractive for companies that possess complex technological knowledge. Turnkey contracts are dependent on the market environment. (Glowik 2016, 167-169.)

2.3.6 Foreign direct investment

A company wishing to establish operations in a foreign market may also consider foreign direct investment, FDI, as a market entry method. Often however, it is done after the initial operations have already been established and the company wishes to enlarge its presence in the foreign market. A company wishing to enter a new market with an FDI can either establish completely new operations, invest in a partial share of an existing business or acquire a complete existing company. This choice is mostly dictated by available resources as well as the objectives of the internationalisation. All forms of FDI share many key benefits as well as disadvantages. The main benefits arise from the high control over all operations yet the downside is FDIs pose much larger risks for the company due to their nature.

One of the options is to establish completely new operations in the target market. These foreign start-ups are often called greenfield investments. Company employs its own resources to establish the new operations which is also the strength of a greenfield investment.

Acquisition is an FDI variant where a company takes over existing operations in the market instead of building new ones. By acquiring an existing company, new resources are secured and it often is easier to reach the target market than with a greenfield investment. As the existing company already operated in the targeted market, the acquiring company invests in existing market knowledge, employee expertise as resources that can likely be combined with its own. If the acquired company had strong brand reputation, that is also a major advantage as it can be levied for future products and services as well. Acquisitions can be dived into two categories: horizontal acquisition, where a company from the same position of the industry chain is acquired and vertical acquisition, where foreign supplier or distributor is acquired. Horizontal acquisitions are done to increase the overall market share thus leading to economies of scale effects by increasing demand. Vertical acquisitions instead provide more control over the supply chain which are probable to result in cost savings. (Glowik. 2016, 192-195.)
2.4 Marketing and sales strategy

Sales are the most crucial aspect for all companies as they without the revenues, there would be no money for salaries, electricity, rental costs, or anything else. To attract these customers, companies need marketing, to make their customers aware of their existence and the solutions they can offer. Sales and marketing are often divided into their own separate functions even if in practice they are closely connected. Consistent sales and marketing strategies benefit each other and help the company to achieve profitable growth. For example, a market research and segmentation are done as a part of marketing strategy which both act as a basis for the selection of distribution channels which are a part of sales strategy. As they are so closely related, in this thesis both strategies will be constructed alongside.

2.4.1 Market segmentation

As internationalisation makes markets more competitive than ever, knowing one’s customers is the key to success. Targeted marketing has mostly replaced the mass marketing of the past and modern advertising channels such as Facebook Ads and Google Ads allow marketers to target very specific groups for the most cost-effective results (Google 2019; Facebook 2019). Market segmentation is a process in which the desired market is defined and partitioned into a number of segments. In the process, customers are grouped according to a variety of factors, as the customer within a segment are probable to act and react similarly due to similar properties. The behaviour of more specific segments is easier to predict whereas within a broader segment the customers’ reactions are more prone to variation. The factors that can be used in the segmentation process vary, yet some, such as geographic and business demographic factors, are used more commonly than others. (Weinstein 2004, 4-8.)

A defining characteristic of segmentation is the creation of unique marketing strategies for the different segments. However, different organisations can execute the segmentation strategy in different ways. These execution options an organisation can choose can be divided into differentiation, concentration and atomisation. An organisation which employs the differentiation strategy targets two or more of the segments it has identified and creates unique marketing strategies for the segments. Concentration strategy, however, focuses on a single segment while disregarding other opportunities outside of the selected segment. It is often chosen due to smaller costs compared to differentiation, even if at the cost of missed opportunities. The last and most extreme version of segmentation is atomisation which targets customers at an individual level. As a strategy it suits well with highly customisable products and services, though it must be noted that the required resources are much greater than with concentration or differentiation. In addition to atomisation can also be used in conjunction with either of one the other techniques. (Weinstein 2004, 7-11.)
The objective of segmentation is improving the competitive position of a company by understanding which customers to target. Weinstein (2004, 26-30) presents a three-level model for segmenting, which factor by factor defines the segment more precisely. This model is illustrated in figure 2. By incorporating more factors on each level, the model makes segmentation as a process easier by providing suitable points of view for consideration.

The model starts with a very broad segment, defined only by the geographic location of the market (1) which sets the frame for the segmentation. By identifying the current solutions and services offered, the product market (2) can be defined. To avoid too narrow views of the possible opportunities the market can offer, the generic market (3) should also be identified. Identification of the generic market improves the understanding of on which general field does the company compete in and ensures that various and diverse opportunities are considered. The relevant market (4), the objective of the first level, is the appropriate market compared to a company’s resources, objectives and the operating environment. As can be noted, the relevant market segment is broader than the product segment. The level two of the model divides the relevant market to penetrated market (5) and the untapped market (6). Penetrated market consists of existing customers with the current offerings the company has, whereas the untapped market includes the possible prospects of the relevant market who are not currently customers. The defined market (7) rules out those customers from the penetrated market as well as the untapped market that are not profitable enough to serve. At the third and final level, the defined market (7) is partitioned into segments by various factors, leading to a segmented market (8). Out of these individual segments, a company...
then chooses a number of them according to their strategy, as mentioned earlier in chapter 2.4. These selected segments are the target markets (9) which will be targeted in the future operations. (Weinstein 2004, 26-32.)

2.4.2 Buying behaviour analysis on B2B sales

An important part of knowing one’s customers, is the understanding of their buying behaviour. Consumers and business customers have their own defining characteristics but the analysis itself has the same basic principles for both. It is also notable that both the consumer market and the business customer market are affected by each other. Most products and services are either directly or indirectly linked to consumer demand, if the demand of a company that produces consumer goods decreases, this will decrease the demand of materials for their goods, thus decreasing the demand of their supplier’s goods and so forth.

In B2B sales, purchase decisions are rarely made by a single person, in most cases a group formed of managers, advisors, specialists or such, makes these decisions. The purchase behaviour is affected by a large number of factors which can be classified into three categories: environmental, organisational and personal. These factors and the categories are illustrated in figure 3. At the outmost layer the environmental factors consider the outside effects to the company. These factors are political context, economic situation, demand level, competition, and technological evolution. While they are factors that the buyer or seller can affect very little, they are equally important part of the purchase decision. Even if the organisational and personal factors would favour a certain purchase decision, external factors can still prevent it. For example, buying a product from a company that disrespects human rights, is unlikely even if all other factors would be in favour. (Viardot 2004, 63-83)
The structure and the purchasing process of the buyer organisation logically have a major effect in the buying behaviour as well. In addition, all purchases are guided by the objectives of the company as the purchases have to be in line with these. As these factors are internal to the company, they can be classified as organisational factors that affect the buying behaviour.

It was already pointed out in the chapter 2.1, that managers, who are the decision makers in a company, are affected by certain decision-making biases. These same principles apply to buying behaviour as well, and it is therefore important to aim to know the decision makers. Factors such as education, perception, personal attitude, and revenues all shape the way individuals make decisions. Individuals position in the company is likely to affect their judgement as well, a CFO and a sales manager of the same company are prone to have very different perspectives, even though the external and organisational factors are the same. It is also important to bear in mind that when evaluating solutions, after reaching a certain minimum level of performance, the physical details of the product affect the purchase less than intangible aspects such as the credibility of the supplier. This is partly due to risk aversion; many buyers choose to rather play safe than take risks deemed unnecessary. (Viardot 2004, 83-92.)

2.4.3 Distribution channels

The channel selection is a one part of a sales strategy. These channels are way through which the company and the customers interact with. The selection is often influenced by two factors; the quality of customer experience and the costs. Companies can either opt to concentrate on a specific channel or employ a multichannel strategy where they effectively use several channels side by side.
The benefit of having multiple channels comes from the support these channels gain from each other as all of them have advantages but also their limitations. Nevertheless, employing multiple channels is logically more expensive than concentrating on one channel. The channel selection is practically a prioritising task where the company decides how it will aim to reach its customers. One element that should be considered, is the targeted customer segment. If the customer analysis is done well enough to provide in-depth understanding of the customers’ behaviour, it can be combined with the knowledge of each channel’s advantages and disadvantages to select the most suitable channel(s). (Cuevas, Donaldson & Lemmens 2015, 122-124.)

The most traditional channel is personal selling with the company’s own sales organisation. This channel enables developing deep customer relationships with the end customers. Such relationships create customer loyalty and improved satisfaction, while returning valuable first-hand customer experience of the product. Additionally, compared to certain other channels, company has more control over the activities and brand image while operating through their own salesforce and it is possible to benefit from the same customers with several products as the salespeople can offer additional services to them. Many of these benefits are invaluable to the company but as always there are downsides as well. Maintaining its own sales organisation is expensive for the company, even more so if the requires salesforce is large. This sales channel requires considerable resources and commitment from the company. If the salespeople leave the organisation, they might take some of their customers with them while the recruiting and training of replacements requires more investments. (Cuevas et al. 2015, 123)

Due to technological development, the Internet has grown to be a very important sales channel for many companies, especially within the consumer market and a very considerable channel in the B2B market as well. It is always available everywhere, even globally if the company wishes so, and compared to most other channels, it is very cost-effective. Internet possesses its challenges too, as the increased value of this channel has also led to increased threats. Security is always an issue and can require considerable investments to cyber security software. It is also the least personal channel and products are often compared only by price. (Cuevas et al. 2015, 123.)

Distributor sales are form of indirect sales, meaning that there is an intermediary company who sells the solution to the end customer. This channel is very useful for companies with limited sales resources as the distributor often provides an additional salesforce. The additional salesforce enables reaching more customers if compared to company’s own sales organisation. Many distributors have industry expertise and a large existing customer base which can benefit the company as well, granting valuable knowledge and an access to a wide range of potential customers. On the disadvantage side, distributors can be complex to manage and require significant resources to nurture the relationship. As the distributor sells the solutions to end customer, they can also affect the end price, meaning either that the manufacturing company gains less profit as their distributor prices are likely to be lower than end customer prices, or the end price will be higher than if sold directly which decreases the products competitiveness. Many distributors also carry a
wide selection of products on their portfolio which might lead to low loyalty to one company. (Cuevas et al. 2015, 124.)

As the company has succeeded in the channel selection, the selected channels need to be managed and attuned appropriately. As markets evolve constantly it is important that the sales channels tune accordingly or else they might become irrelevant. This channel management requires that managers have processes that aid them to constantly observe and improve the strategy. (Cuevas et al. 2015, 125.)
This thesis employs qualitative research methods as the aim is to provide in-depth understanding of AddSecure Oy’s possible customers and their needs. Qualitative research can be defined as a type of research that aims to reach an in-depth understanding of the investigated phenomenon. It is often presented as an opposite of quantitative research, though it is not fully accurate as qualitative research methods include a wide range of different tools, some of which, similarly to quantitative research, heavily rely on statistics. Qualitative and quantitative differ mostly in the type of research they are as qualitative research relies more on interpretations than quantitative research. This difference reflects the aim of both: quantitative research identifies and describes phenomenon whereas qualitative research aims for the knowledge behind the phenomenon, trying to provide understanding of the causes of a phenomenon. As qualitative research relatively heavily relies on interpretations to produce these explanations, it is often considered to be subjective rather than objective. Despite this, it is used as it provides better tools for an analysis that aims to understand trends and not just observe them. (Klenke, Wallace, and Martin 2015, 3-9.)

Though qualitative research is not as dependent on the sample size as quantitative, it does still matter. Too small sample might not accurately represent the researched entity and might distort the results. Large samples are, however, slower to analyse with qualitative methods, for which reason finding the balance between the two extremes is crucial. One possible solution to this, is using purposive or theoretical sampling instead of random sampling when gathering data. This means that the participants of the study are purposely chosen as it is suspected they can provide information that is rich and in-depth. This is enabled by the flexibility of qualitative research methods. These research methods are usually not standardised but rather react to the situation. Unlike quantitative research, qualitative methods allow the research protocol to change in the process which might lead to uncovering information that even the researcher would not have realised to search after. This also contributes to the fact that typically, qualitative reports are very descriptive.

As mentioned in the first paragraph of this chapter, this thesis utilises qualitative research methods. The used qualitative research method was interviews of which several were conducted as a research. Interviews were selected as a tool due to the versatility of the information they offered as the questions could be formed and changed in the interview situation. The sample sizes are small but they are an example of purposive sampling. These certain individuals were selected because of their organisations and their long background in these specific fields. All interviewees shared information that has been extremely crucial for the analyses of this thesis. However, as a disclaimer, it needs to be noted that as these interviews have been conducted with AddSecure Oy’s actual customers and prospects, the interviewees and the organisations they represent have been pseudonymised and will not be published. For the very same reason, the writing style aims to be as little descriptive as possible to ensure the anonymity of these interviewees.
THE INTERNATIONALISATION OF ADDSECURE

AddSecure is a group that provides secure data and critical communication solutions for its customers. It is headquartered in Stockholm, Sweden, and has operations throughout Europe, with an office in 12 countries. Employing more than 450 employees, AddSecure is the Europe’s largest operator in its field. AddSecure operates as a corporate group and one of the wholly owned subsidiaries is AddSecure Oy which operates in Finland. AddSecure Oy is responsible for most of AddSecure’s operations in Finland. Its product line is a mixture of Finland-exclusive products and common products with the rest of the corporation. At the moment AddSecure Oy’s turnover consist mainly of alarm transfer and secure connection services.

This chapter will analyse the internationalisation motives and methods of AddSecure. However, as AddSecure has already entered the Finnish market, this analysis is included only to provide more in-depth understanding of AddSecure’s operations. No market analysis is included in this chapter, as the chapter discusses about the internationalisation of AddSecure in general and not within a specific market. A product-oriented market analysis will be presented later on in the chapter 6. This chapter also presents the AddSecure product that is being implemented to AddSecure Oy’s product line.

4.1 The internationalisation motives

The internationalisation motives of AddSecure are strongly linked with the owners and therefore it is important to understand some basics about private equity, also known as PE, companies which are financial intermediaries who manage investments for their investors. The capital raised from these investors is invested in a number of portfolio companies with the aim of creating value through the growth of these companies. Most PEs concentrate on certain sized companies who are operating in a specific industry as the PE can employ its expertise to aid the management of the company. As the strategy of PEs is based on buying stakes in companies, later on to be sold with a profit after a set amount of years, it is in the interest of PEs that the net worth of the companies increases during the ownership. Investor profit is based on the profit made from these sales. Understanding the strategy model of PE’s provides a better understanding for analysing AddSecure’s motivation for internationalisation as the company is owned by a PE company. In June 2016, AddSecure was acquired by Abry Partners, an US based PE. At that time AddSecure employed 120 employees, who were located in Sweden and Norway, and had a turnover of 35 million euros. In June 2019, AddSecure employed over 300 employees in eleven European countries and had an estimated yearly turnover of roughly 100 million euros. This immense growth would not have been possible without internationalisation as the Swedish and Norwegian market could not have provided enough customers. Abry Partners proceeded to sell a majority of the stocks to Castik Capital, a German PE, in September 2019. Despite staying as a minor shareholder of the company, Abry Partners undoubtedly made significant profits for their investors with the sale. Since the new ownership, Castik Capital has followed the same strategy as the prior owners. (AddSecure 2019; Dorbian 2019; Hedge 2016; Kumpf 2013, 17, 23; Kupila 2019.)
Understanding of the strategy model of PE’s and especially the growth requirement for the companies in their portfolio, provides a lot background for AddSecure’s actions. Combined with the analysis method of internationalisation motives presented in the chapter 2.1, allows an in-depth understanding of AddSecure’s internationalisation motives. As mentioned in that chapter, the motives can be analysed with two different dimensions, the first being the exploitation of existing resources versus the exploration of new resources. In 2016, AddSecure already offered products that could have been utilised in other markets as well. Therefore, if analysed with a too narrow perspective, it could be easily mistaken that AddSecure is motivated by an exploitation of existing resource. This interpretation, however, would be incorrect, as though AddSecure did possess valuable resources to begin with, the company has also acquired numerous new resources along the way. The following market entry method chapter 4.1.2, will discuss AddSecure’s market entry methods more, but for the analysis of motives it is crucial to know that the company has entered foreign markets by acquiring other companies. Besides AddSecure’s products, the other resources they possess would not be sufficient for these market entries. (AddSecure, 2018.)

Growth requires increased revenue and as all markets have their limits, the local markets in Sweden and Norway did not provide enough growth potential, as AddSecure already had a significant market share in both countries in 2016. Therefore, entering new markets in other European countries has increased the overall market size AddSecure now competes in. As high market shares in existing countries could be interpreted as a result of successful operations and good host country conditions, AddSecure’s motivation is to search for better markets instead of escaping poor ones. By increasing demand by accessing new markets while using existing resources, AddSecure has achieved significant economies of scale benefits as well as increased their total revenue. As observed, AddSecure is exploring for new resources while trying to search for better markets and is therefore a prime example of the Upgrade motivation.

4.1.1 AddSecure’s market entry method

AddSecure’s objective is to grow significantly and fast, and therefore the internationalisation strategy emphasises FDI as a market entry method. More specifically, AddSecure uses acquisitions for entering new markets. As noted earlier in the chapter 2.1, this is a very common method for companies with an Upgrade motive as it quickly secures new resources for the company, improving its competitiveness. In addition to the traditional benefits of an acquisition presented in chapter 2.3.7, AddSecure first and foremost increases its net worth quickly with this entry method.

The potential companies AddSecure targets, are located within Europe and operate with some form of communication solutions. After the acquisitions, AddSecure has direct operations in the market in question as well as employees who have a long history of operating in said market. As most of these companies are focused on critical communications, AddSecure then aims to add their existing products to the newly acquired company’s product portfolio. In late 2017, AddSecure entered the Finnish market by acquiring the alarm transfer business from Prevent 360. (Kupila, 2019.)
5 ADDSECURE SMART RESCUE

Smart Rescue is originally a product of a Swedish company, Contal Security AB, which was later on
acquired by AddSecure AB. The original name for Smart Rescue was TeleCall Alert, but AddSecure
Finland rebranded the solution as AddSecure Smart Rescue. In Sweden, Contal already had an
operating history of over 20 years with Smart Rescue and had reached a considerable market share.
(Åhlström 2019-11-13.)

The following service description defines AddSecure Smart Rescue as offered to the Finnish market
in November 2019. AddSecure Smart Rescue is a local alarm solution that utilises multichannel
communication in order to construct a secure and reliable network for local transfer of information.
The communication is based on premade scenarios which can be triggered either automatically or
manually. These scenarios spread information accordingly and enable fast response to all kinds of
incidents. Before the implementation of the service, these scenarios are designed with the customer
to reflect the possible threats they face. Each scenario contains certain actions, such as an alert
message to specific users, and help to act fast under stressful situation. Smart Rescue is primarily
sold as a cloud-based solution for the Finnish market, meaning that customers do not need on-
premise servers, unless they specifically wish to have them. The servers running the cloud service
are located in Sweden but should the sales get enough volume, new servers are likely to be placed
in Finland. The cloud service is the core of the system, around which all other functions are built on.
As a highly customisable solution, Smart Rescue can be tailored to customer needs and it allows
the integration of existing security solutions, such as electronic locks, intruder alarms, and fire alarm
systems. Smart Rescue has been developed to ensure critical communication in any situation or
environment necessary. The user interface, UI, of Smart Rescue consists of a combination of two
devices: pagers and smartphones. (AddSecure 2019c.)

One of the main elements of Smart Rescue is the paging system. The pager network consists of few
parts. The network is created by a transmitter unit with a power of either 5W or 25W. The required
power is determined by the are the network should cover. The power supply for the transmitter is
backed up with a battery so that the transmitter works even in a blackout situation. The transmitter
is installed on customer’s premises and also acts as an on-site core for the service with 8 inputs and
4 outputs for the integration of other systems. The transmitter utilises POCSAG, mnemonic of the
words Post Office Code Standardization Advisory Group, broadcasting protocol for the transmitting
of messages. Two options of pagers are offered as a part of the system and both are battery
powered. The pagers are: QUAD X15 for only receiving messages and TRIO for two-way
communication. QUAD is intended for those who need to receive messages but are not necessarily
required to send them or can utilise the app for it, TRIO can send out alarms as well. TRIO has a
panic button and a built-in fall sensor which can trigger alarms and therefore it is recommended for
those who work in possibly dangerous situations or alone. When TRIO triggers an alarm, it also
sends the location of the unit based on built-in GPS. As GPS information is often not very accurate
indoors, Bluetooth beacons are used for indoor positioning. These beacons act as reference points
and when near one, a pager will announce the name of the beacon and the proximity to it. TRIO
Pagers are also equipped with a SIM cards for the GPRS back channel in case the pager network is unavailable for some reason. The key benefit of pager network is reliability. As an independent network, it is less prone to interferences than public networks. As the POCSAG protocol it utilises is a broadcasting protocol, it means that the network will not get jammed under a heavy stress. Pager networks also have a great penetration through walls due to operating at low frequencies, and therefore suit well for usage inside buildings and even underground. (AddSecure 2019c; Hickerson; Swissphone 2019; Åhlström 2019-11-13.)

Second part of Smart Rescue’s UI is the smartphone application which is available for Android and iOS platforms. The app offers an unlimited selection of scenarios and therefore more diverse alerts. The application is currently based on SMS messages between mobile phones and the server, meaning that a push of an alert button, send an SMS message to the server which then launches the actions that were programmed on it. If it includes messages to phones, these will be delivered as SMS messages as well. AddSecure AB will launch a new that adds several features such as location services for the alarms triggered in-app and alarms via push notifications, as well as improving the overall design of the UI. The improved app is also planned to have an interface with one of AddSecure’s existing products, AddView, which is a browser-based user interface that helps the end users view and manage the alarms. The official release schedule for the new app has not yet been published. (AddSecure 2019c.)

One of the key points, as already mentioned, is that Smart Rescue can integrate existing solutions to be a part of the system, one of which is the Tetra network. Tetra, also known as Terrestrial Trunked Radio, is actually a standard for digital trunked radio. The name is Tetra is, however, often used to refer the networks itself. These networks are used mainly by officials in their operations. By integrating Smart Rescue to Tetra network, it is possible to communicate cross platforms and alarms can be received in Tetra network devices as well. Many other devices can be integrated as well. With the eight inputs in the transmitter, different devices, such as fire alarms, can be integrated to the system. This enables automatic alarms from other system to trigger certain scenarios if necessary. Whereas the four outputs provide the option to control other devices when certain scenarios are triggered. An example case of both could be a fire alarm. The fire alarm system is connected to an input and delivers the alarm to Smart Rescue system. When a fire alarm scenario is triggered, the system sends a signal to the info screens, which will display a message containing the information where the gathering point will be. By integrating both of these systems as a part of Smart Rescue, the combined value of these systems is greater than any one of them separately. (AddSecure 2019c.)
6 MARKET ANALYSIS OF FINLAND

To understand the opportunities, limitations and threats the Finnish market possesses, this chapter employs a PESTLE analysis which aims to identify and understand trends that affect the Finnish Market and a competitor analysis. As AddSecure has already entered the Finnish market prior to Smart Rescue, the following analysis will mainly focus on the perspective of Smart Rescue. The structure of the analysis is as follows. First each element of the PESTLE method is discussed separately, followed by a competitor analysis. The last subchapter will conclude all of these findings and make appropriate interpretations of the validity of Finland as a market for Smart Rescue.

6.1 Political

Finland is a parliamentary republic located in Northern Europe with a population of 5.5 million (Tilastokeskus 2019a). The sovereign power is, according to the Constitution, held by the Finnish people, who are represented by the Parliament which consists of 200 representatives. These representatives are elected every four years and all Finnish citizens of age are entitled to vote. Within the Parliament operates the Finnish Government. The current Government is lead by the prime minister Antti Rinne, and comprises of 19 ministers, including himself. These ministers lead 12 ministries which are responsible for the preparation of matters under their mandate. Finland follows a form of the separation of power model, according to which the legislative, executive and judiciary power are to be separated to different governing bodies. According to this model, the Finnish parliament holds the legislative power, while the Government has the executive power. Judiciary power is separated from the legislative and the executive power as the Finnish judicial system is independent. (Oikeusministeriö 2019a; Oikeusministeriö 2019b; Valtioneuvosto 2019a; Valtioneuvosto 2019b.)

Finland has a long history of participating in the European cooperation. In 1961, the country joined EFTA, the European Free Trade Association, and continued to develop the cooperation which lead to joining European union in January 1, 1995 as well as part of the Eurozone in 1999. Finland currently has the Presidency of the Council of the European Union till the end of the year 2019. During the presidency, it intends to develop the cooperation between all EU members. Though being an active member of the EU, Finland aims to be non-allied, as the Government’s Security and Defence Policy states. Therefore, Finland has not applied for a membership of the North Atlantic Treaty Organization, NATO, unlike many other EU members. The non-allied policy is mostly justified by the Finnish history, as Finland has had a history of political pressure from both east and west, due to the geopolitically important location. Therefore, it has elected to aim for neutrality in international politics. (Puolustusministeriö; Ulkoministeriö 2019; Valtioneuvoston kanslia 2019.)

As a conclusion, Finland is a safe market with a high political stability. This is confirmed by the political stability index comparison conducted by The World Bank in 2017, as Finland ranked 22 out of 195 countries (TheGlobalEconomy.com 2019). No signs of political trends that could cause
significant threats or opportunities are observed. High political stability and the EU membership are probable to imply that most political changes are observable well in advance. Due to EU membership, a large part of new legislation and regulations originate from EU. The threat of directly impacting trade tariffs is also non-existent due to the free movement of goods within the EU single market as the hardware needed for the Smart Rescue system are supplied from other locations within the EU. No indicators of new legislation that would possess a threat to Smart Rescue can be observed either.

6.2 Economical

According to the Economic Survey, Autumn 2019, published by the Ministry of Finance, the GDP of Finland continues to grow in the 2019 through 2021, even though the growth will slow down. This slowdown of economic growth is caused by a variety of factors, one of which, is the fact that the Finnish economy heavily depends on exports. As the uncertainty of international markets reflects to the demand of exported goods, many Finnish companies struggle with their significantly decreased sales. The uncertainty of international markets during 2019, has largely been caused by international conflicts and the resulting trade sanctions. Especially the EU imposed trade sanctions against Russia have had dire consequences for many Finnish companies that have been exporting to the Russian market. Finnish economy’s competitiveness in foreign markets also has disadvantages from the relatively high price level Finland has. According to Eurostat, in 2018, Finland had the fourth highest price level index in EU, which in turn decreases Finland’s competitiveness among other European countries. (Eurostat, 20.6.2019; Suomalais-Venäläinen kauppakamari 2019; Valtiovarainministeriö 2019-10-07.)

As a part of the European union and the Eurozone, the Finnish economy is also heavily dependent on those of other member countries and the inflation rates are affected by the general inflation of Euro and by certain national factors. The slowdown of the German economy during 2019 has reflected to all of Eurozone and the possible United Kingdom’s withdrawal from the union has caused uncertainty in the market. The general economic uncertainty has reflected to fiscal policies as well and at the moment, most interest rates are at historical lows. In June 2014, European Central Bank (ECB) introduced negative interest rates which have decreased even further. Germany’s economy is forecasted to recover next year which would help stabilise the Eurozone and improve international markets. (Nordea, 2014-09-12; Valtiovarainministeriö 2019-10-07.)

Public sector is heavily influenced by the poor economic situation. While the economic growth slows down, the current government has added both temporary and permanent expenses. At the same time, the Finnish population is aging which also adds public expenses, and the size of the working age population decreases, leading to less revenue from income taxation. As a result, the government expenditure continues to exceed the revenue, and the proposed budget for 2020 would increase governmental debt by 2 billion euros which in turn will add pressure to cut costs on other expenses. (Valtiovarainministeriö, 2019-10-07.)
Private sector struggles with these uncertain markets as well. The slowing economic growth is a clear trend in Finland which will affect AddSecure and the sales of Smart Rescue service. Due to increased financial pressure on both public and private sector, the demand for expensive solutions such as Smart Rescue are likely to decrease as well. The need itself might not decrease but the poor economic conditions lead to situations that the customers just cannot afford to buy the solution.

6.3 Social

As noted in the PESTLE theory, the social factors consist of two categories: demographics and values. The first major demographic trend in Finland concerns the age distribution. As already mentioned in the discussion concerning public expenditure, the Finnish population is aging quickly. From 2000 to 2018, the number of people aged over 85 has increased by 88.3% while the number of children up to 19 years old has decreased by 7.1%. All forecasts suggest that this population development will continue in the following years, eventually leading to decreasing population by 2031. This shifting population structure reshapes the market drastically in most customer segments. As the aging population increases the demand for certain services, such as social services and health care, more security solutions are also needed in these segments whereas the need in other segments either decreases or changes to different solutions. For example, the class sizes in primary education are forecasted to plummet in the future, which combined with the rising expenses in health care, is probable to lead to closing down smaller schools and centralising students into larger schools. This is likely to decrease the amount of total security solutions but more is demanded from the fewer ones. (Tilastokeskus 2019b.)

The second demographic change is also largely connected with values. Immigration, refugees and asylum seekers reshape the Finnish population. At the end of 2018, more than 400 000 people with foreign backgrounds lived in Finland. The number of people with foreign backgrounds has doubled in a decade. This has also led to rising tension between some of the native Finnish citizens and people with foreign backgrounds. According to study by Rinta-Kiiikka, Yrjölä & Alho (2018), the attitudes towards immigrants and foreign workers clearly divides the Finnish people into two groups with opposing opinions. These attitudes were strongly tied to age and education. Especially in 2015, when a record number of over 32 000 asylum seekers entered Finland, certain parts of the public and the representatives of one political party started demanding closed borders and claimed that these asylum seekers would be harmful for the safety of Finland. Despite the fact that the amount of asylum seekers quickly returned normal in following years, these claims have continued in the following years. The increased tension and many of its side effects have affected the feeling of security in Finland. The increased feelings of insecurity contribute to the increasing demand for security solutions. (Haka 2019-06-30; Konttinen 2019-09-21; Pakolaisapu 2019; Rautio and Juutilainen 2016-02-19; Tilastokeskus 2019a.)

As the society and the world are undergoing major changes, the highest-ranking value in Finland is security. This is likely explained by international conflicts and increased tension in the home country.
It is likely, that the rise of security as a value, is a sort of reflection on the lack of feeling of security. If the feeling of security was high throughout society, more individual values would likely be ranked higher. From the point of view of security solutions, the market looks extremely promising. The demand for security solutions has a quite direct link to social factors and most trends that can be observed at the Finnish market, only profit the sales of security solutions. The increased feeling of insecurity forces organisations to assess their security measures and to invest in new solutions in case of possible threats. (Rinta-Kiikka et al. 2018.)

6.4 Technological

Finland is often considered a very technologically oriented country (Somauroo 2019-05-08; Kanellos 2008-01-17). Finland has a high level of investments to R&D and in 2017, was ranked the 5th highest on the R&D intensity, which is measured as a percentage of GDP invested in R&D, in EU (Eurostat 2019-01-10).

The technological trends which could affect Smart Rescue are new innovation in the security industry, especially considering secure communications. Security industry is highly competitive and therefore smaller companies struggle to operate in this market. A wide variety of very similar existing solutions has made the security market very saturated and it is often seen as an industry which only generates low profits if none at all. For these reasons, security industry is not a very innovative. By observing the industry, it is noticeable that most companies have a long history in the market and offer a wide variety of different security solutions. The new releases that were presented in the industry's largest national exhibition, FinnSec 2019, were mostly newer versions of existing solutions with the included features such as Cloud services or artificial intelligence powered properties. The inclusion of such features is one of the major trends in the field at the moment and most development seems to revolve around the inclusion of these to existing solutions. A rapid development with a new communication technology could be a major threat to Smart Rescue. However, the general trend with communication services currently focuses on development of solutions that are based on mobile networks and smartphone applications. A wide range of different apps have spawned in the recent years for everything and this is the case with security industry as well.

6.5 Legal

The Finnish legislation limits two of Smart Rescue’s functions. The first one is the pager network that acts in a critical role as a part of the Smart Rescue system, operates at radio frequencies varying from 146 MHz to 170 MHz. However, in Finland the radio frequencies from 9 kHz to 3000 GHz are strictly regulated by national and international regulations. Based on these laws and regulations, only two sets of specified frequencies are available for use with pagers: 169.61875 - 169.80625 MHz and 169.625 - 169.800 MHz. As the first one option is limited to a 12.5 kHz channel
separation, Smart Rescue is not compatible with it as it is designed with 25 kHz channel separation and therefore the second alternative must be used in Finland. To use this frequency, a permit is also required. (Traficom 2019-01-09.)

The second restricted feature is the Tetra network, better known as Viranomaisverkko VIRVE in Finland. Strictly from the technological side, Smart Rescue is Tetra network compatible. Due to VIRVE network being intended for officials, such as law enforcement and emergency services, in practice it is not as simple. Non-officials who wish to have access to VIRVE network, need to apply for a permit and to qualify for the permit, the applicant must operate in an industry where the access is necessary for the public safety. AddSecure itself does not qualify for the VIRVE permit but the possibility of gaining access for Smart Rescue may come from the customer. If the customer has access to VIRVE network, then theoretically a permit may be given to join that customers Smart Rescue installation to VIRVE network as well. This does, of course, require that the customer operates in an industry where they require the access. (Liikenne- ja viestintäministeriö, 2018.)

6.6 Environmental

Smart Rescue is mostly not dependent on the environment it is used on, and therefore the environmental factors have very little effect on it. The pager network is operable even in traditionally difficult conditions for communication solutions, such as at the coastal seas or cities. Smart Rescue has a proven record in Sweden with various challenging customer cases. (Åhlström 2019-11-13.)

As the environment itself has limited effects, the other aspects of the environmental factors of the PESTLE model, are the environmental issues and attitudes concerning them. The overall emphasis on environmental factors has grown recently in Finland. People are more aware of environmental factors and issues and many consumers try to find sustainable ways to consume. A recent study found out that almost 70% of the respondents felt that the health of the environment is more important than the economic growth (Rinta-Kiikka et al. 2018). Fortunately for Smart Rescue, it is not very prone to effects of the environmentalism either. Security solutions are rarely even considered from their environmental point of view as they are somewhat mandatory.

6.7 Industry and Competitor analysis

Smart Rescue is a versatile solution as are the markets it competes in. To better understand the unique challenges of the security industry, an industry analysis has been conducted utilising Porter’s five forces model. In addition to this industry analysis, by observing the security industry, several direct competitors for Smart Rescue have been identified and analysed with a SWOT analysis. Both of these analyses were presented earlier in the chapter 2.2.2.

Both the general security industry and its subsegment the personal alarm market is highly competitive. As the market demand for personal alarm solutions as of now is only developing in
most customer segments, currently several companies offer solutions for a rather small target market. Combined with the fact that even though the trends observed in the PESTLE analysis support the interpretation that the demand will grow in the future, as of now, growth is still rather sluggish. Markets with slow market growths often see high rivalry, as the only way to grow is to win market share, which is true in this industry as well. Most competitors, unlike AddSecure, are also heavily dependent on the market as they offer mostly or only personal alarm solutions, resulting to high exit barriers. Even if the earnings or profitability would be low, for these competitors exiting the market is not a valid option. These competitors do not wish to leave the market as their success is completely reliant on the success of their personal alarm solutions and exit from the market would rather likely result to going out of business. For these several reasons the rivalry among existing competitors is very high, limiting the profitability notably.

The general security industry usually sees very few new entrants as the entry barriers are very high. This is due to a combination of reasons such as that the security solutions are rather strictly controlled by regulations, existing companies have achieved notable economies of scale effects, and the competition, as already noted, is very high. Security industry favours large corporations with long operating history in the industry which makes the entrance for new companies very challenging. For new entrants, credibility as a supplier is also a major issue. Therefore, starting from the ground up is extremely challenging within the industry. As the personal alarm market is a subsegment of the security industry, the situation differs. As of now, only a fraction of the companies in the security industry take part in personal alarm solutions market. If these companies observe market growth, it is very probable that they will expand their operations to respond to this demand as well as a defining characteristic of the security industry in Finland is that most successful companies offer everything from locks to CCTV cameras. As these companies already possess large expertise on security solutions, it can be utilised effectively in new subsegments as well. For this reason, the threat of new entrants is high from within the industry but low outside of it.

The threat of substitutes is a major issue for Smart Rescue especially within the industry as differentiation is challenging. Even most existing competitor solutions have been executed very differently, utilising more cost-effective execution methods, and the needs of most customer segments can be satisfied with much lighter solutions than Smart Rescue for a fraction of the price. Traditionally in the security industry, the threat of substitution is lowered by high switching costs as the typically hardware heavy security solutions are sold as a one-time purchase with license fees. As the customers need to invest greatly in the hardware, the threshold to consider changing to competitor solution is high. Subscription billing models, such as the one employed with Smart Rescue, however, erode this advantage away as the customers are not required to invest in it. If the customer switches to a different provider, it is likely that they will only lose the original installation expenses. Such a low switching cost increases the threat of being substituted greatly.

The power of suppliers varies within the security industry. Certain suppliers have such a strong brand reputation that they have immense power over their customers, a traditional example of such
a supplier is Assa Abloy. On average however, most suppliers however have very little bargaining power over their customers. The bargaining power is decreased as such a wide variety of nearly equal solutions exist, giving companies the possibility to select their suppliers. Suppliers cannot therefore levy any advantage over their customers as most companies are not dependent on them. However, the bargaining power of customers is relatively high within the whole security industry and even higher within a specific submarket, such as personal alarm market. As already pointed out regarding the rivalry among existing competitors, the personal alarm market is very competed and the current number of customers is low. This makes the companies operating within the market very dependent on those few customers and very unwilling to lose them. Customers can utilise this in their advantage as a way to force the companies to provide better services for cheaper prices. Even the efforts to differentiate the products have not significantly improved the situation. Due to this rather high bargaining power from the customers, security industry has never been highly profitable.

Overall, the security industry has a very limited profit potential. High pressure from four of the five forces cause severe restrictions to the profitability. As a result of this, only larger companies, as noted earlier, tend to be successful within the industry. Very few small companies have sufficient resources to compete against these large competitors and as the potential profits are rather modest, most of them lack the motive as well. Despite these factors, several direct competitors were identified from the market, and it was noted that the solutions they offered differed from Smart Rescue significantly. As discussed in the technological analysis, the market trend seems to focus mostly on mobile applications and other solutions utilising on the mobile network. The same trend has been observed while conducting the competitor analysis. Despite being executed with different technologies than Smart Rescue, many of these solutions are direct competitors for Smart Rescue as they fulfil the same customer needs, and are therefore substitutes. As this thesis will later on compare the pricing with two pseudonymised competing solutions, the names of those competitors identified will not be published in this thesis as it would otherwise defeat the purpose of this pseudonymisation. The names of the identified competitors will only be published for AddSecure Oy’s own use as an additional document.

By observing the market communication of these identified competitors, it was observed that their solutions mainly focused in the social services and healthcare sector. This observation was based on the existing customer references displayed on the web pages, as well as the general content of marketing materials. Despite this heavy focus, all of these competitors advertised their solutions as versatile and suitable to other industries as well, even if only few references of these existed. This trend can be interpreted as a display of the fact that the market demand for personal alarm solutions is currently still developing in many industries, whereas the healthcare sector has had a demand for these services for a long time already. It is also very probable that these competitor solutions have originally spawned from that demand and are now aiming to expand to new segments as well. As these competing solutions shared a notable amount of similarities and the company names could not be published, a general competitor SWOT analysis was conducted and can be seen in figure 4.
### General competitor SWOT analysis

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Existing customer base</td>
<td>• Not suitable for all segments</td>
</tr>
<tr>
<td>• Proven solution</td>
<td>• Dependent on mobile network</td>
</tr>
<tr>
<td>• Lots of reference cases in Finland</td>
<td>• Use of application under stress difficult</td>
</tr>
<tr>
<td>• Versatile solution</td>
<td>• Small market shares</td>
</tr>
<tr>
<td>• Competitive pricing</td>
<td>• Heavily focused on specific segment</td>
</tr>
<tr>
<td>• Very little regulation concerning the product</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increasing market demand</td>
<td>• New competitors</td>
</tr>
<tr>
<td>• Social trends support sales</td>
<td>• Economic slowdown</td>
</tr>
<tr>
<td>• Growing share of smart phones</td>
<td>• Limited profitability</td>
</tr>
<tr>
<td></td>
<td>• Small market with slow growth (currently)</td>
</tr>
</tbody>
</table>

Figure 4. General Competitor SWOT analysis matrix.

The biggest strength of the competing solutions comes the existing customer base which can be considered as a strength for several reasons. First of all, existing customers act as references for new prospects. To prospects these references are an implication that the solution is trustworthy and has a proven track record, both of which give the competitor more credibility compared to AddSecure Oy, which lacks any reference cases in Finland. This gives the competitors a notable advantage over AddSecure Oy, which was also observed during all of the interviews: the lack of reference cases in Finland clearly decreased interest on the product (Person 1 2019-10-11; Person 2 2019-08-08; Person 3 2019-07-13). The second benefit of existing customer bases is that is considerably easier, and often also more beneficial, to develop existing relationships deeper instead of building completely new ones as existing customers provide valuable customer feedback which aids in further product development, and in some cases, can lead to new business opportunities as well. Another strength comes from the strong focus on the applications: as these solutions require little to no hardware, the pricing is very competitive. Selling software gives a more flexible approach to pricing compared to hardware heavy solutions which have higher cost prices. If a solution requires hardware, the purchase price of it sets a certain minimum price for the solution, otherwise the company would sell the solution at loss whereas the development and maintenance costs for cloud-based applications are mostly fixed, meaning that even notable discounts can be made before selling the solution at a loss. The other main benefit of this focus is that compared to radio networks, applications also face very little regulations. Not being forced to deal with regulations, these competitors do not have to allocate resources for the application of permits or to any other duties related to those regulations Smart Rescue faces.
The strong focus on applications and the heavy dependency on mobile networks, however, can be one of the main weaknesses for these competitors. Certain customers require personal alarm solutions which are operable in areas and situations where smartphones and mobile networks are not. If a customer operates for example underground, or considers the mobile network not reliable or secure enough, which could be the case with critical infrastructure, these competitor solutions cannot respond to those needs. Therefore, these competitor solutions are not suitable for all customer segments as they lack features that certain customers require. Being dependent on one communication technology is a clear weakness for competitors as it limits the usage for their solution. Additionally, it should be borne in mind that under a stressful situation, the simpler the alarm button is, the better. More complex tasks are even more difficult to execute in fast and stressful situations, causing severe problems to a solution relying on an app. It is more than unlikely that under a violent threat or a similar situation person does not remember or have the time to grab their mobile device, search for a specific application and trigger an alarm. The heavy focus on healthcare sector could also be considered as a weakness. As the solutions have clearly been tailored to first and foremost respond to a specific customer segment’s needs, they are very specialised. Expansion to new customer segments requires development work to make the solutions more applicable for more general usage, requiring additional investments and resources. The expertise these competitors also possess, limits to this one segment as they have little to no experience working with customers from other industries.

Many of the opportunities for competitors are based on the same trends as with Smart Rescue. The shift in the social environment analysed earlier, is a major factor which is probably to increase the market demand. This applies generally for the whole market, not only with certain competitors. More specific opportunity, that Smart Rescue lacks, is linked with the number of smartphones in use. As most mobile phones tend to be smartphone nowadays, application-based solutions become more potent. As smartphones are relatively familiar devices for most, it can be utilised as a sales argument against separate devices. Lack of need to purchase new hardware or train personnel to use new devices can be very convincing arguments if pitched right to the customer. Both bring savings to the customer, and even if safety is a concern, saving on expenses is often even bigger or at least an equal concern.

Similar to opportunities, on the threats, mostly the same trends affect the competitors as AddSecure. The economic slowdown decreases the market demand for all solutions and is therefore an equal threat to these companies as well. Additionally, there is the threat created by possible new companies entering the market. As AddSecure is entering the market, it already increases the total competition and it is likely that as the demand for these solutions grows, more competitors will expand their operation on this market. As the most major threat, based on the industry analysis, the personal alarm market has a very limited profitability potential. As the analysis displayed, the industry faces a lot of pressure from several forces which all decrease the profitability, especially in a short-term perspective as the current market is very small. Even if the trends predict that the market demand is probable to increase, the current small market with slow growth provides limited opportunities for all companies and if the future of the market differs from the predictions, the
growth of these companies ceases. Such a possibility is a major threat for all operators within the market and if such future actualises, it is likely that as a result of constantly increasing pressure to win market share from competitors, some of these companies are forced to shut down.

6.8 Market analysis conclusion

Finland can be seen as a potential market for Smart Rescue. As all markets, it has both limitations and opportunities. Fortunately for AddSecure, most of the limitations that were observed can be avoided or overcome. The most critical limiting factor is the slowdown of the economy as it is likely to decrease the demand, especially by customers on public sector. This trend, however, is the same in all of Europe at the moment and a potential market should not be disregarded due to that. Despite the economic situation, the current social environment in Finland strongly supports the sale of solutions such as Smart Rescue. Based on the trends on social environment, it can be predicted that the demand will increase in the future. Smart Rescue does face certain regulations in Finland but they do not prevent its sales, only cause some additional work. As a conclusion of the industry analysis, it can be stated that the security industry, and especially its subsegment for personal alarm solutions, have a very limited profitability potential. This market could be perceived as an unattractive one or at least challenging one, especially when combined with the high competition faced. In the market there are several competitors who provide similar services for a very limited customer group. Based on this, AddSecure is required to differentiate Smart Rescue successfully to win over any market share from the competitors. However, even with successful differentiation, it is probable that the profit margins will be very modest, almost unimpressive. If AddSecure Oy would make the decision to whether to enter this market, based on this analysis it would not be recommendable as the market is not very attractive. The entry decision has been made at the group level, rather than by AddSecure Oy, meaning that the results of this analysis will be used as basis for the planning and execution of future actions.
MARKETING AND SALES STRATEGY

To successfully attain its goals with the sales of Smart Rescue, AddSecure has to plan its actions thoroughly in advance. This requires creating a marketing and sales strategy for the solution to best reach these goals. Due to major differences with Smart Rescue and AddSecure Oy’s other products, it is crucial to evaluate the applicability of existing methods and actions, and if necessary, find new ones that suit Smart Rescue better. Therefore, in this chapter, a customer segmentation is done for Smart Rescue on based on which the existing channel strategy will be analysed to improve the understanding of it and to be able to evaluate its validity for the sales of Smart Rescue. Lastly, the pricing model of Smart Rescue will be analysed to find out whether it is competitive in the target segments.

7.1 Customer segmentation

Smart Rescue has a possibility to be beneficial within numerous industries. For the implementation in Finland, prior to this thesis, AddSecure had selected school safety as the number one target market segment. This chapter analyses that selected market segment as well as other possible segments that could be seen as opportunities for the product, utilising the segmentation model presented in the chapter 2.4.1. This market segmentation aims to find the most beneficial and potential customer segments for Smart Rescue.

Starting from the first level of the model, the outline for the market is defined by the geographical location of the market. As AddSecure Finland operates nationwide, this includes all of Finland. Being a market segmentation for the Smart Rescue service, the second component, product market, is defined. At the core, what Smart Rescue promises to customers, is a personal alarm solution. Even though it is an oversimplification, it is the reason that makes the customers consider Smart Rescue as a solution, and the product market definition. The general market definition can be seen as a parent category for the product market definition which also helps to identify the general market. A parent category for Smart Rescue, a personal alarm solution, would be a security solution. This is the general market it is competing in. With these two definitions, the relevant market can be pinpointed relatively easily. Personal alarm products are a subtype of alarm solutions which also is the relevant market.

The second level of the market segmentation model focuses on the relevant market, identified as a result of the first level. The relevant market is divided into two separate categories: the penetrated market consisting of existing customers and the untapped market which
consists of potential future clients. Thus, this division expects that the company already has existing clients within this relevant market. AddSecure Oy does have a large existing customer base but the difference between Smart Rescue and the other solutions the company provides, is that though they operate in the same general market, the relevant market differs. As the figure 6 illustrates, the main product of AddSecure, alarm transmission, operates under the same general market but the relevant market is different, even if extremely closely related. Many existing customers are probable to have interest on Smart Rescue as well but it is unlikely that AddSecure would benefit from the existing customer relationships. Due to these differing relevant markets, this segmentation analysis considers all of Smart Rescue’s relevant market as untapped. Therefore, as the relevant market equals the untapped market, the next step is identifying the defined market. To recap, the defined market aims to exclude those customers who are not profitable to serve.

![Figure 6. General Market for AddSecure's products.](image)

On the third and final level, the defined market is separated into segments and the most suitable ones are selected as target segments. Based on the segmentation done with the model, the most potential customer segment, cities and municipalities, has been selected as main focus for future sales of Smart Rescue. This does not mean that Smart Rescue could not be sold to any other segments or anything. Several segments have the potential to be very interesting but the main focus of AddSecure, should be on this main target segment.

Cities and municipalities form clearly the most potential customer segment for Smart Rescue as they have certain legal responsibilities concerning public safety and the security of supply. Due to these requirements these customers require communication solutions that are not based on the mobile network due to its unreliability in crisis situation. Despite having access to Virve network, they require other supporting solutions as well which makes them very potential customers for Smart Rescue. In addition to preparing for crisis situations, employees of cities and municipalities encounter threatening situations as a part of their normal work often on a weekly basis. This segment is a perfect target segment for AddSecure as other competitors cannot offer their solutions to customers who need a solution not dependent on the mobile network. By focusing on this
An important set of factors to bear in mind with this customer segment are the laws concerning purchases made by the public sector. European Union legislation concerning the matter is a directive 2014/24/EU which was made to equalise the varying national legislations within member countries. As a result of the directive 2014/24/EU, the Finnish parliament imposed the Act on Public Procurement and Concession Contracts, 1397/2016 (orig. Laki julkisista hankinnoista ja käyttöoikeissopimuksista). This act sets thresholds for the purchases made by the public sector. If the value of a purchase exceeds these thresholds, the organisation wishing to do this purchase is obliged to do a public tendering procedure. In case of services, which Smart Rescue is categorised under, the limit for national for tendering is EUR 60,000 without VAT included, as is stated in the §26 of the act. As Smart Rescue is billed on a monthly subscription fee basis, the estimated total value of the procurement needs to be calculated according to the §28. The estimated procurement valued is calculated by multiplying the monthly value with the duration of the fixed term contract, if the duration of the contract exceeds 12 months, estimated residual value needs to be included. This residual value however, does not have an effect in the case of Smart Rescue as AddSecure sells their products solely as services and the ownership of the hardware never changes. Therefore, as clients do not gain the ownership of the hardware, no residual value exist. With this considered, the value of the procurement is the monthly fee multiplied by the number of periods. With Smart Rescue, all contracts are fixed for 36 months which therefore is the number of periods used for calculating the estimated value. (Laki julkisista hankinnoista ja käyttöoikeissopimuksista 2016.)

As a conclusion of this customer segment, it is challenging yet very potential. Due to regulations concerning the purchases it is likely that larger deals need to be done with a tendering procedure. However, if the tendering is won, these clients can be very profitable to AddSecure as they have very large operations. This in an advantage as Smart Rescue suits to various operating environments, implying that the original customer relationship has potential to develop to other operations as well.

As mentioned earlier, when the decision to implement Smart Rescue to Finnish market was made, AddSecure chose school safety as a main focus. The education sector seems like an easy peak to enter a market with, as the safety of children and schools is something nobody will question. However, as AddSecure lacked a proper assessment of the Finnish market and the suitability of their solution for it, quite many challenges were overlooked.

There is a variety of factors that support AddSecure’s original selection of target segment. In the last 12 years, three school shootings have occurred in Finland, of which the most recent one happened on October 1, 2019. These horrid actions have increased the need for security measures in school throughout Finland to prepare for these worst-case scenarios. More training is conducted and all schools have actions plans in case of such incidents. In addition to such extreme cases, the general environment in schools has also turned for the worst. The same increased tension that can
be observed society wide, is present in schools as well. Acts of violence against both students and teachers are more frequent than ever and many teachers feel discomfort at the workplace. Such trends have led to increased security measures in many schools to ensure the safety of the students and faculty members. From the perspective of fulfilling these needs, Smart Rescue has a lot of potential for this market and therefore it is understandable that this was originally selected as the main segment. (Bjurström 2019-10-01; Person 2 2019-08-08; Person 3 2019-07-13; Rautio 2019-10-08.)

However, despite having a clear need for similar solution as Smart Rescue, it currently does not fit for this market segment very well. Very few schools can justify the expensive paging network as it is considered unnecessary and over the top (Person 2 2019-08-08; Person 3 2019-07-13). The price of the solution with the paging network is also high. As noted in the market analysis, the economic growth is slowing down and, even if very unfortunate, budget cuts often hit the education system hard. It is very unlikely that schools would get the necessary funding for the solution, despite it increasing the overall safety. Without the paging network Smart Rescue would be more suitable for this segment but as discussed earlier, without the pager network, which is the cornerstone of the solution, Smart Rescue is inferior to competitors’ products. Bearing in mind these factors, with the current solution this segment requires more resources to convince the buyers than it should, making it less profitable and as such, not a valid target segment for AddSecure on its own.

In combination with the main target segment, education sector has potential to be an additional customer group. As most schools are owned by municipalities and cities, it is probable that if there is an existing relationship with these customers, they might decide to extend the system to owned schools as well. In such a case, schools become potential targets but targeting schools separately requires more resources than it is likely to profit AddSecure. As a conclusion, the cities and municipalities segment is extremely potential both by itself as well as a gateway to other segments.

7.2 Channel strategy

With its other products, prior to implementation of Smart Rescue, AddSecure Oy has employed an indirect sales strategy. This signifies that the company approaches customers via intermediaries instead of direct sales to end-customers. This strategy is justified mostly by the limited resources AddSecure Oy has in its use. Even though AddSecure has over 450 employees in total corporation wide, AddSecure Oy only has ten employees. Out of these ten, only one employee is fully assigned to sales. Most other employees, such as the technical team and country manager, do support the sales process too but their main responsibilities lie on other duties. These limited sales resources quickly become a bottleneck if sales are only generated by one employee. AddSecure Oy also lacks all installation personnel and therefore either has to subcontract installations or use partners and resellers to install its hardware. However, as all channel strategies, distributor strategy too, has its disadvantages. As already has been established, AddSecure Oy has very limited resources and via the partners and distributors, it is possible to sell more than otherwise would be possible. This is one of the biggest advantages of distributor sales: the low amount of resources needed, enables larger
sales than what could be achieved with the company’s own resources. This is due to the fact that most work for the end-customer has been transferred to partners and distributors. This same benefit is also the largest disadvantage of this channel, as to gain partners and distributors, AddSecure has to make the partner and distributor models financially interesting to potential business partners. Therefore, the gross profit is lower than with services sold directly to end-customers. The distributor channel strategy is a trade-off in which AddSecure Oy gains more sales in total but with smaller gross profit than if operating independently.

Reflecting the current channel strategy to future sales of Smart Rescue reveals some similarities and some differences. The amount of resources AddSecure has in use, will still be limited. Even though Smart Rescue is added to AddSecure Finland’s product line, these resources will stay equal to the current situation. This sets its own restrictions to the selection of possible channels. Considering this and the already existing partners and distributors, it would be beneficial to utilize this existing network with Smart Rescue as well. Now, the differences with Smart Rescue arise from the size of the current network. With its other solutions, AddSecure has signed partnership contracts with all interested companies. With Smart Rescue however, it is recommended to use strategic partnerships as, unlike other AddSecure Finland products, Smart Rescue is a complete system and not just a part of one. A vast number of partners would only push the prices lower as these partners would compete against each other. Therefore, a selection of two to three strategic partners is recommended for the sales of Smart Rescue.

As the number of suppliers would be so limited with these strategic partnerships, it is crucial to select only quality partners who can perform well enough. The selected partners should be nationwide operators in Finland as with a limited number of partners a selection of a company that operates only locally would restrict the market area. The second benefit of these large companies that operate throughout Finland, is that they often have strong brand reputations and large clienteles. It is beneficial for AddSecure to build cooperation with partners that have valued brands as AddSecure is rather unknown still. The well-known brand of the partner provides credibility for the solution from the customer’s point of view. As noted in the chapter 2.5, the credibility of the supplier has an important role in the buying behaviour of the customer, and to benefit from this, AddSecure should partner with well-known and trusted companies who have a long operating history in the security industry. The operating history not only creates brand value but it also means that the partners can contribute their expertise to improve Smart Rescue as a solution and provide necessary guidance for the customer regarding the system setup. This expertise gained through the partnerships is equally invaluable for AddSecure and the customer. To reach these benefits though, the partners expertise must be relevant in a way that adds value to Smart Rescue and AddSecure. A suitable expertise also aids the customer with the planning and implementation of the system. The existing clientele of these strategic partners is also a major benefit for AddSecure as especially certain larger organisations are challenging to get in contact with, governmental, municipal and large corporation are prime examples of such challenging organisation. If a partner has already established a relationship with this organisation, the partnership offers a direct way of reaching this customer. While comparing possible strategic partners, this is a variable which is important to pay
attention to. In addition to all aforementioned factors, the necessary resources to guarantee optimal performance are crucial. As Smart Rescue is such a customisable system, it is also a complex one. The security expertise possessed by partners aids them with the sales but to successfully distribute the solution, sufficient resources need to invested in the system. Not only does it mean qualified salespeople but also in the support functions. Similarly to other solutions distributed by partners, the responsibility for customer service, technical support and installation is on the partner. A partner without sufficient resources is likely to harm the reputation of Smart Rescue and AddSecure if its operations do not fulfil the expectations.

Not all of the requirements fall on the partners side as these strategic partnerships of course have certain requirements for AddSecure Oy as well. As the partnerships are limited, AddSecure needs to allocate resources to partnership management as well. Sales management is one of the key components required from AddSecure Oy. It includes defining clear sales goals for the partners and overseeing the progress towards the goals. To achieve these goals, necessary support has to be offered for the partner as well to ensure the best possible foundation for partners sales. As a part of sales management, partners performing well should be acknowledged and rewarded, where as poorly performing ones should be guided and supported more. Continuous poor performance should, however, lead to a notice on short term. If, regardless all support actions, the poor performance continues, it should result in the termination of strategic partnership as this represents that the partner is capable of selling the solution. It is important to emphasize that the termination of partnership should not be done lightly and only in cases of poor performance regardless of extended support actions over an extended period of time. In addition to sales management, the strategic partnership requires nurturing as every other relationship as well. If the partners feel that AddSecure is only trying to manage their actions and not build a profitable relationship, the partner might terminate the partnerships. Therefore, AddSecure needs to provide sufficient support and be open for discussion with its strategic partners. All these requirements and expectations for both AddSecure and the partner signify that a comprehensive evaluation process is needed to select the best possible strategic partners for Smart Rescue. It is advisable to start this evaluation process with mapping the potential candidates from the existing partners as it is easier to develop an existing partnership than to build completely new ones.

7.3 Pricing

In addition to correct sales channels, the pricing is at least an equally important factor. If the pricing is not at all in line with the general market price, even with great salespeople, it is difficult to attain good results. An analysis of the pricing reveals whether the pricing is competitive and reasonable considering the features of the product. It is important to note that AddSecure Oy has no control over Smart Rescue’s pricing, as the prices are defined at the corporate level.

Before being acquired by AddSecure, Contal Security sold Smart Rescue with a different pricing model where customers invested in the hardware and the only recurring payments were support and license fees. However, identically to other services sold by AddSecure, the current pricing model
for Smart Rescue is based on monthly fees. To improve knowledge on the competitiveness of this pricing, a pricing comparison has been done. The following analysis is based on a pricing supplied by AddSecure, and as all prices were in Swedish Kronas, the prices have been converted to Euros with an exchange rate of 1 SEK = 0,094 EUR (2019-11-08). The comparison was done with the assist of Company A which has provided its customers with Products X and Y. These products were chosen for the comparison as they can be classified as competitors for Smart Rescue. All three products in the comparison share the same basic function of making personal alarms with location information. For the pricing comparison, four example customer cases have been constructed. These four imaginary customers have different needs and operating environments, and through them it is possible to compare on what kind of cases the pricing is competitive and which ones are more challenging. For the comparison, certain guidelines were created for the pricing. As both product X and Y have a pricing model where customers invest in the hardware and only pays yearly support and license fee, whereas Smart Rescue is based on monthly fees, all prices were calculated as total costs for 36 months. This time frame was chosen as the contracts for Smart Rescue are fixed for 36 months. The total costs of Smart Rescue summed the monthly fees, while products X and Y included the hardware costs and support and license fees for three years. All calculated prices also included an additional 20 percent discount from the list prices.

Case 1 includes a customer who has operations in 11 different locations and a combined workforce of 300 employees. Customer 1 does not require location services, only the ability to make certain alerts. The Smart Rescue solution suitable for this client includes 300 mobile application licenses and 11 location specific alarm scenario setups. Case 2 includes one location for operations with 50 rooms, and a workforce of 60 employees. This customer requires alarms with locating services for each room. The Smart Rescue solution for this customer would include 60 mobile licenses and 60 TRIO-pagers as well as Bluetooth location beacons for each room. In case 3 the customer has 150 employees and a single building with 290 rooms. This customer also requires room specific location accuracy for the alarms. This case is clearly the largest and requires 150 TRIO-pagers and 290 Bluetooth beacons. The last case, number 4, includes a customer with 350 employees who operate on a single building. The specialty of this case is that instead of room specific location information, only area specific is required for 20 pre-planned areas. Not all employees work under imminent threats and only 100 of them are required to have a panic button. This leads to a Smart Rescue solution with 100 TRIO-pagers, 350 mobile licenses and 20 Bluetooth beacons. Based on these example customer cases and the pricing guidelines presented earlier, the total prices were calculated for all three solutions. These calculated prices are illustrated in figure 7.
Figure 7. Example customer cases with competing solutions and pricing. (AddSecure 2019b; Company A, 2019.)

As the prices are compared, it is immediately noticeable that the pricing of Smart Rescue is in most cases remarkably higher than either product X or Y. Smart Rescue is cheaper than other alternatives only with the example case 1 which does not include any pagers. In all other customer cases, the included pagers increase the total price to exceed the pricing of other solutions by a considerable margin. This pricing problem grows exponentially more significant the larger the client case is as AddSecure’s pricing model is directly based on the number of users and units whereas Products X and Y are less dependent on the number of users. The underlying major challenge with the pricing comes from the pagers. With Smart Rescue, the expensive part of the solution is the included pagers while the Bluetooth beacons for indoor positioning are cheap. Compared to solutions X and Y, the actual alarm buttons are cheap but the indoor positioning units are expensive. In most cases this forms out to be a problem as the number of employees is likely to surpass the number of rooms. If the pagers are left out, the pricing is comparable to other solutions available on the market. However, as the pager network is what sets Smart Rescue apart from other solutions, it makes little sense to have solutions without it as the solution loses its key benefits. As the Smart Rescue mobile app is inferior to competitor solutions which are focused on the app, the cheaper price without the pager network does not justify the solution. With the current pricing, the customers have to have a need for a solution that cannot be dependent on mobile network.

This price comparison leads to several conclusions. First of all, the general pricing level of Smart Rescue is not in level with competitor solutions. As can be seen in figure 7, Smart Rescue is the most expensive solution in three of the four cases, and by considerable margins. In the worst case, number four, Smart Rescue’s price is 700% of that of Product X. The severity of the problem is underlined by calculating averages of all differences, as on average, Smart Rescue’s price is 305% of its competitors’ prices. It is very difficult to compete with prices that are three times the price of other solutions. The second conclusion is that the heavy focus on pager network makes Smart Rescue a solution that is fitting for very specific customer group. As the network requires expensive
components which drastically increase the overall price of the solution, the customer really needs to be motivated to pay considerably more money for this specific solution. This means that the customer needs to value the pager network as a feature enough to be willing to pay extra for it. With most customers, this is not the case. This combined with the already mentioned inferiority of the application, results to a solution that is, at its current form, eligible only for a very specific target market. This supports the market segmentation presented earlier, as both selected segments were fields where the communications are critical and uncertainty is not acceptable. Such customers are the only potential ones who could be willing to pay for Smart Rescue according to the current pricing. If AddSecure wishes to achieve larger markets with the solution, the pricing needs to be adjusted to be more in line with the average market price.
AddSecure has entered international markets largely guided by its private equity owner’s strategy. The strategy model of private equity companies requires growth in their portfolio and internationalisation has been a quick way to achieve it. The fast growth has required AddSecure to search for new markets in addition to its original ones, Sweden and Norway, and increase its resources to quickly establish new operations in other markets. The market entries motivated by this so-called Upgrade motive, are often done with an acquisition in the new market, which is accurate with AddSecure as well. As a result of this, AddSecure entered the Finnish market in late 2017 by acquiring an existing company. To fully utilise the acquired company AddSecure aims to spread its existing products to Finland through this company.

AddSecure Smart Rescue is a personal alarm solution which will be brought to the Finnish market. Its main benefits come from the pager network as it is highly reliable and independent of public networks. However, as the pager network has been the major focus, other user interface options have been neglected. This leads to a situation where the solution brings value to customer only with the pager network. In system configurations without the pagers, Smart Rescue is inferior to other options and cannot compete. As the pricing analysis also manages to show, the pricing model is not in line with the features of the product. A solution with the network is extremely expensive and limits the possible customers who could be seen as prospects for it, whereas a solution without the network is on average the same price as competitors offering but with less features.

Finland in itself has the potential to be very potential market for AddSecure Smart Rescue. Only few trends that threaten the market were observed versus the several ones that support the sale of security solutions. The shift of the social environment is the most beneficial for Smart Rescue. As demographic changes increase the tension between groups of people from different backgrounds, the feeling of security decreases. As citizens feel insecure, there is a pressure to increase the security measures throughout the society which increases demand for security solutions. As a part of the market analysis, an industry analysis was conducted which unfortunately displayed very low profit potential due to high pressure on the market. This combined with the high existing competition, results to an interpretation that the market is not the most attractive one. If AddSecure Oy wishes to succeed, a clear differentiation is needed to be separated from the competitors.

On the basis of the market analysis done, a marketing and sales strategy was constructed for AddSecure Oy. As a part of this strategy, a market segmentation identified the most potential market segment, formed by cities and municipalities. This segment was selected as the main focus for AddSecure Oy’s future sales as it the customers needs were the best suited for Smart Rescue and enable the usage of Smart Rescue’s strengths. The necessity of not being dependent on a mobile network makes Smart Rescue a perfectly suited solution for these customers and as the competitor analysis showed, only few competitors can match this feature. The education sector based on the analysis was not deemed as a suitable customer segment on itself as Smart Rescue only partly fits to the need of this segment. By targeting the main focus segment, however, it is also
possible to reach other segments through the customers as well. Most schools for example are owned by cities and municipalities and it is possible that these customer relationships later on expand to providing these solutions to schools as well.

Based on all this, it can be interpreted that to effectively sell Smart Rescue in Finland, the pricing model needs to be adjusted and the sales need to be targeted to customers who require a solution with an independent network. This does limit the overall applicability of the solution drastically but as it currently is, these actions are the most cost-effective use of resources. If AddSecure wishes to expand the market in Finland, the product needs to be developed further to make it more potential and suitable without the pager network as well.
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