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# REENGINEERING MARKETING STRATEGIES

Case: Eclipse Systems Tmi

LAHTI UNIVERSITY OF APPLIED SCIENCES
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ABSTRACT

This thesis is a convincing piece of work that has elaborately defined new strategies and new marketing means for the case company. By so doing, it has successfully fulfilled its main objective. The case company, Eclipse Systems Tmi is a sole proprietorship that was founded in 2010 by an economist, entrepreneur and engineer, Lah Emmanuel. Being a service provider in the shipping industry, it faced hardship in its early days, requiring some hard work and vigor to rejuvenate it. The research questions were formulated to cover situations in both the case company and the shipping industry in Finland.

The author had to rely on both new and old business and marketing theories in order to justify any assertions or suggestions he made. The Uppsala internationalization model is used whereby the stages of the internationalization process are described. Even though Michael Porter's five forces have been analyzed, it was not used in analyzing the shipping industry in Finland due to its complex nature.

It is rare to find uncovered topics in marketing literature nowadays. However, given the situation at hand, particularly the present situation of the case company, the author adopted the qualitative approach in order to explore issues in marketing that would reveal results that are close to reality if not realistic themselves.

Data are collected from marketing and business literatures. Other data are collected from primary sources like interviews, and empirical research from the case company. The findings are rather positive. The author in collaboration with the company owner uncovered several strategies that will lead the case company to its ultimate goals. However, the ways in which these strategies are to be implemented are not included in this research. It falls amongst those areas suggested for future research.

Key words: Marketing strategies, marketing planning, reengineering, niche marketers and market follower.

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# 1 INTRODUCTION

This chapter highlights the thesis topic, defines major terms that will accompany the thesis to its conclusion and discusses the aim of the thesis. The research questions will also be disclosed under this chapter. The theoretical framework and it application in time space will be considered under this chapter.

## Thesis Background

The traditional strategies have guided corporations to success stories. Many have successfully stood the challenges of contemporary approaches. Then came the more aggressive strategies generally referred to as the dotcom. The dotcom have made many attempts to discard the traditional approaches but they have somehow become their own Frankenstein (self-destructive) and today, it is not certain whether the traditional strategies will disappear, nor is it certain whether the dotcom will lead corporations to achieve their ultimate goals, which seem forever unfulfilling. However, one author has pointed out that the dotcom era in the history of marketing will probably be remembered exclusively for its contribution towards innovation based marketing**.** One of the reasons for these uncertainties is because the business landscape is ever-evolving. For over two decades now, managers have been learning to play by a new set of rules. Companies must be flexible to respond rapidly to competitive and market changes. Positioning, one of the most solid considerations at the core of strategy, has become archaic and rendered redundant due to dynamic markets and changing technologies (Mazzucato 2007, 10). Conditions are changing; customers are becoming continuously sophisticated; competition is getting stiffer, thereby shrinking profit margins considerably, meanwhile entrepreneurs are being stretched to their limits and they frown at how their motives of venturing into business are reduced to a sham. Marketing strategies have simply become paper tigers as realities have steadily deviated from the rules and norms of strategies. The gap between theories and practice keeps widening, thereby frustrating the academicians on one hand who are bent upon acquiring knowledge on these strategies and their possible application or implementation, and on the other hand, businessmen who build their businesses on the foundations of one or more of these strategies.

The case company finds itself in one of the most competitive lines of business and the author of this thesis has the tedious task of energizing and re-engineering the competitive strategies which have hitherto guided the company to a limited success.

### 1.1 Thesis Objectives and Research Questions

The main objective is to create new marketing strategies for the case company. Another objective is to investigate new marketing means and business potentials that will lead the case company to its ultimate goals. Eclipse Systems Tmi has been carrying out its business operations on a low profile. It has been implementing basic strategies and because of that, returns have been low, making it necessary to energize operations by adopting vigorous strategies. The author therefore gets additional motivations from the company's owner who has endorsed his exploration capabilities.

The research questions are as follows:

1. What is the current market situation of the case company?

2. What are the existing marketing strategies of the case company?
3. What are the latest trends in marketing strategies?
4. Who are the case company's customers?
5. Are there idle potentials that the company can benefit from?
6. What are the new marketing strategies to better serve customers?
7. Who are the major players in the industry?

## 1.2 Theorectical Framework

This research is entirely based on grounded theories and will evolve on existing marketing strategies.

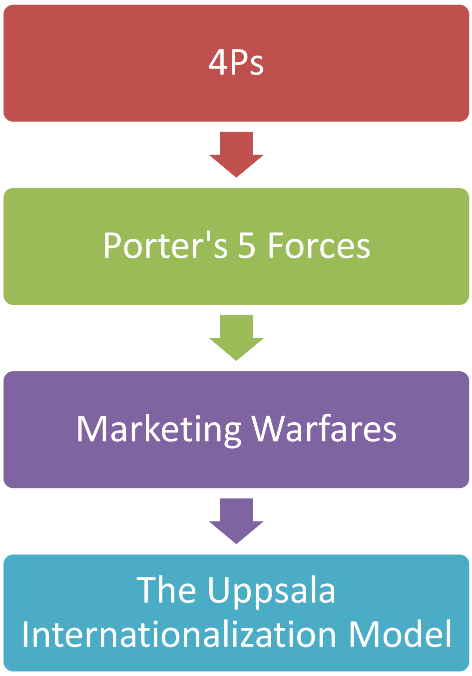



Figure 1: theoretical framework

The 4Ps marketing mix principle is a globally recognized and used model for all forms of business. Analyzing the price, product, place and promotion (the components of 4 Ps) is indispensable for an insight understanding of the nature of business, company analysis and market development. Even though all Ps have been accorded equal importance, this author will focus more on the promotion part of the marketing mix which will shed more light in the reengineering process.

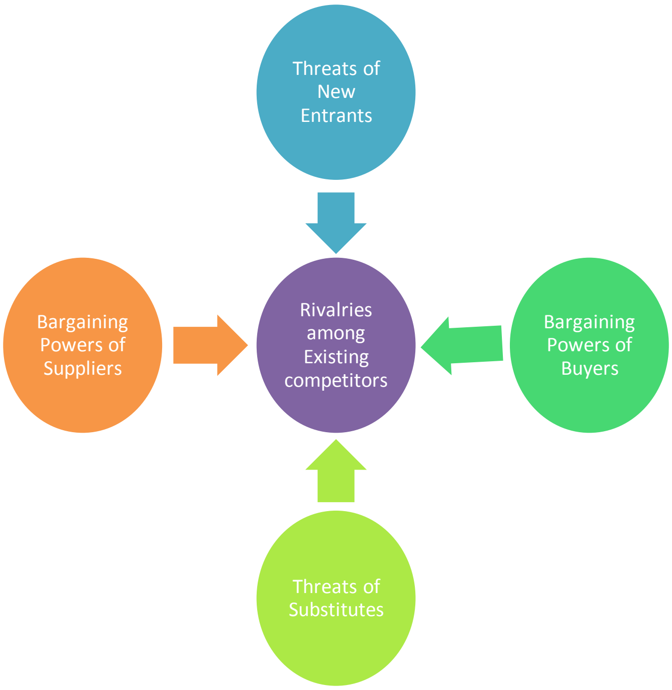



Figure 2 Industry analysis (adapted from Kotler 2010)

Michael Porter's five forces analysis is a model used in determining the degree of competition, justifying the attractiveness or repulsiveness of an industry. Three of the five forces analyze competition in the market and external determinants. The two other forces deal with internal threats within the company. A mastery of the first two models will help the author to guide and perhaps reorient the case company's current marketing strategies, thereby re-engineering the entire processes, which is the core concept of this research.

Marketing warfare strategies is a modification, innovation and transformation of previous military tactics used in war fronts into marketing strategies. Business people these days use military terms to describe their business situation. Terms like "price war", "border clashes", "skirmishes" and "market invasion" are common business terms nowadays. A company's advertisement is its "propaganda arm"; its salesmen are its "shock troops"; and its market research is the company's "intelligence" (Baker, 2001). They describe various ways of getting involved in fierce competition. From the Napoleonic Revolution to Hitler's Blitzkrieg, the military tactics used by these leaders have been successfully translated into business and marketing, guiding businesses and companies to success stories. However, selecting the right strategies or tactics depends very much on the nature of war, the strength of the enemies, the resources at hand and other surrounding factors. Some authors have devised specific military strategies for specific industries. They talk of "guerrilla warfare" in the coffee market; "border clash" and "skirmish" among major computer manufacturers (Baker, 2001). There are several techniques available for marketers but they can be broadly grouped under offensive marketing strategies and defensive marketing strategies.

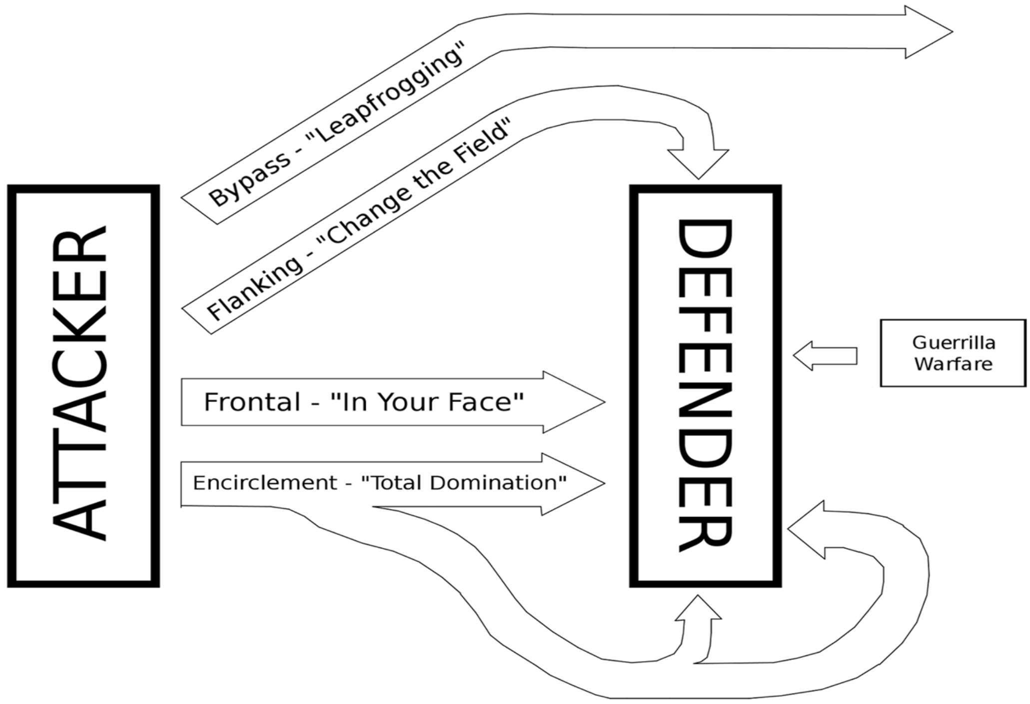



Figure 3 marketing warfare (adapted from Consumer warfare: implications for marketing strategy, 2008).

These will be closely examined in the later chapters of this research.

## 1.3 Research Methods and Data Collection

### Research Method

This research is a case study and since it will be exploring numerous business strategies, the qualitative research method will be the most appropriate. Unlike quantitative analysis whereby data collection is restricted to predetermined categories, qualitative research will enable the researcher to go beyond any limits set by quantitative research. The deductive approach will be applicable here, whereby general principles and applications will be reduced to adapt to the specific case under consideration.

One other reason for adopting a deductive approach is the fact that the researcher intends to establish proofs beyond reasonable doubts such that any suggestions made (like alternative strategies) to the case company will lead to a conclusion that is unanimously accepted as the way forward, contrary to inductive reasoning which leads to a conclusion who’s truth is only a probability or an unlikely false (Internet Encyclopedia of Philosophy, 2003).

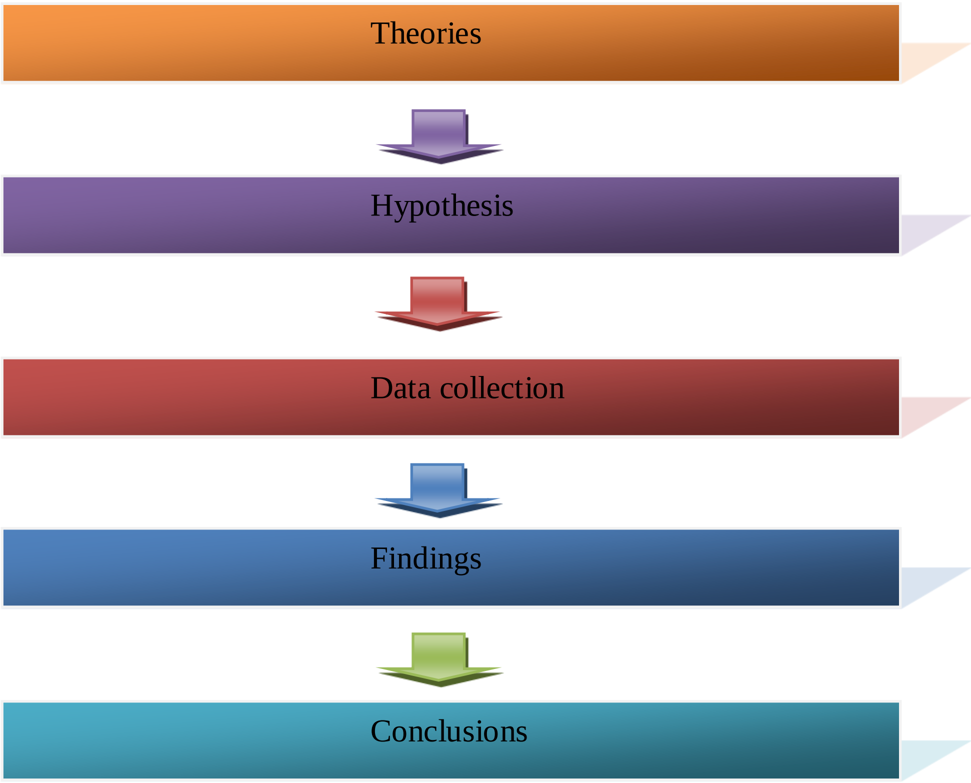



Figure 4 Research Method

Data Collection

Data will be collected from both primary and secondary sources. Primary data will be collectedthrough interviews and imperical sources. Secondary data will be collected from previous researches and literatures of business and marketing.

Table 1 Data Collection

| Data Collection Methods | Source | Unit of Analysis |
|---|---|---|
| **Case company** | Primary | Eclipse Systems |
| **Interviews** | Primary | CEO, Owners and Partners |
| **Books, articles, journals**<br><br>**Websites, reports and previous researches** | Secondary | Marketing strategies, Marketing mix and marketing warfare |

## 1.4 Scope and Limitation

The study intends to focus more on the marketing strategies for the case company. This goal will be achieved by exploring grounded theories. The current corporate strategies will be examined and the researcher will seek better strategies for the company by ways of reengineering existing strategies. Therefore, exploration of marketing strategies will be the main borders of this research. The actual implementation of the strategies will be excluded by the researcher. Other elements such as financial activities, profitability, returns and rates of turnover will not be considered in this research, thereby defining the limitations of this paper. Also, the six sigma model used in analyzing business management strategy will be reserved for future research, due to the fact that the case company is just a startup.

## 1.5 Thesis Structure

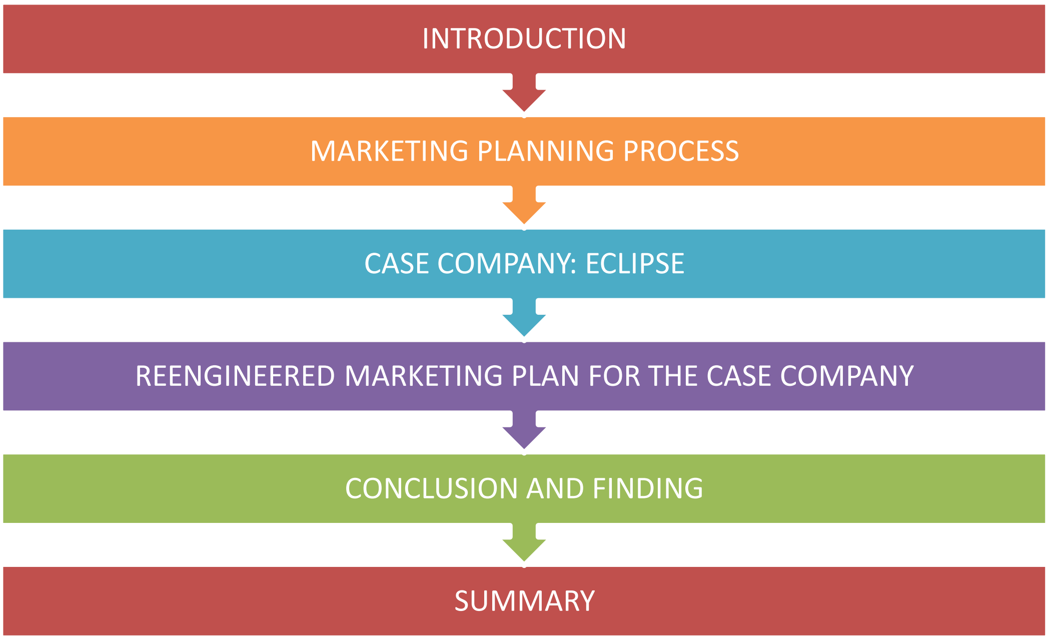



Figure 5 Thesis Structure

This thesis will follow the structure outlined on the figure above.

# 2 MARKETING PLANNING PROCESS

In this chapter, the author will start by defining the key words which form the foundation of the thesis topic. Next, he will examine the various marketing strategies, market planning and the marketing mix. After a careful examination and analysis of the governing theories business world, the chapter will highlight on the new means of efficient market. Though this chapter calls for a marketing plan, marketing plan is one of those topics that have been excluded in the scope of this thesis. However, certain elements of the marketing plan will be losely considered in this chapter.

Companies have a lifetime duty to find ways to discover unfulfilled customers' needs and then provide the market with the goods or services that satisfy those needs. This therefore calls for careful situational analysis as the stepping stone to the marketing planning process.

## 2.1 Marketing Strategies

The American Marketing Association (AMA, 2007) defines marketing as "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual's and organizational objectives". This definition invariably includes elements of the marketing mix like product, price, place and promotion.

Another source defines marketing from a different angle. It states marketing impacts every area of the business from identifying and attracting customers to getting and keeping customers, who are the only sustaining force in business (Marketing Wizdom, 2012). Philip Kotler disqualifies marketing definition as "telling and selling" as being old fashioned and very limited in scope. He thus comes up with a hybrid definition of marketing which incorporates the old ideology and the latest trends. He defines marketing as "the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return". (Kotler, 2010). According to Philip Kotler, the definition of marketing is incomplete if it does not incorporate all elements of the marketing mix. This marketing mix will be discussed in detail in the later part of this chapter.

Marketing strategies vary from one company and industry to the other and from one target group to the other. Whatever strategies a company adopts, their ultimate goal is to convince non-consumers of a product to start consuming that product, or to persuade existing customers to remain loyal to that product or brand.

The word “strategy” is not as simple as it sounds. Business people and marketers have difficulties defining it, let alone implementing it. Formerly used as a military term, it was taken up as a marketing term as competition began to take the shape of a battle in business. Since 1952 when the term ‘strategy’ was first used in business literature, it still has not been demystified by authors of marketing books. They still have conflicting views as to the real meaning of the word ‘strategy’. (West 2010, 36). No sooner has a simplistic definition been put in place, that it is challenged by other authors or new trends in the market. Strategy defined as ‘the means an organization uses to achieve its goal’ is clear and simple but does not establish a distinct boundary between strategy and tactics and it sort of ignores the influence of business environment on strategic development (West *et al* 2010,37).

Douglas West then defines strategy as the overall plan for deploying an organization’s resources to establish a favorable position in the market. Referring to the previous works of Mintzberg and Quinn (1996), strategy is defined from a multi-angular perspective, with the 5Ps; plan, ploy, pattern, position and perspective. (West *et al* 2010, 37)

While strategy is viewed by some researchers as a rational and deliberate process (the design school), others view it as an evolutionary process which emerges from experimentation and trial and error (the evolutionary and Processual Schools). Strategy is all about organizational change and any action which allows a firm to become better than its competitors, is strategic, especially if the competitive advantage is sustainable. (Mazzucato 2007, 8).

Another approach towards the attempts of defining and understanding strategy is by way of distinguishing corporate strategy and corporate policy. In business, ‘policy’ is used to define a company’s principal goals and objectives and to prescribe the company’s operational domain. Corporate policies define a company’s raison d’être, what the company does and where the company does it. Strategy on the other hand is a design or plan for achieving a company’s policy goals and objectives. Simply put, policy defines a company’s reason of existence and sets the parameters within which it intends to achieve its purpose why strategy is a design or plan that defines how policy is to be achieved. (Davies, 2000)

Three dimensions of strategy have been recognized in real life strategic problem situation. The three dimensions are listed as: strategy process, strategy content and strategy context. Strategy process deals with the *how, who* and *when* questions of the strategy. How is and should, strategy be made, analyzed, formulated, implemented, changed and controlled; who is involved and when should the necessary activity take place? These questions are all answered in strategy process. (Meyer, 2004)

Strategy content is concerned with the (*what)* question of the strategy. What is and should be the strategy of the company is answered in the strategy content. (Meyer, 2004)

The last dimension is strategy context. Strategy context is the circumstance under which strategy process and strategy content are determined. It is concerned with the *where* question of the strategy. Where are the strategy process and strategy content embedded, is answered in strategy context. The so-called dimensions are illustrated on the figure below.

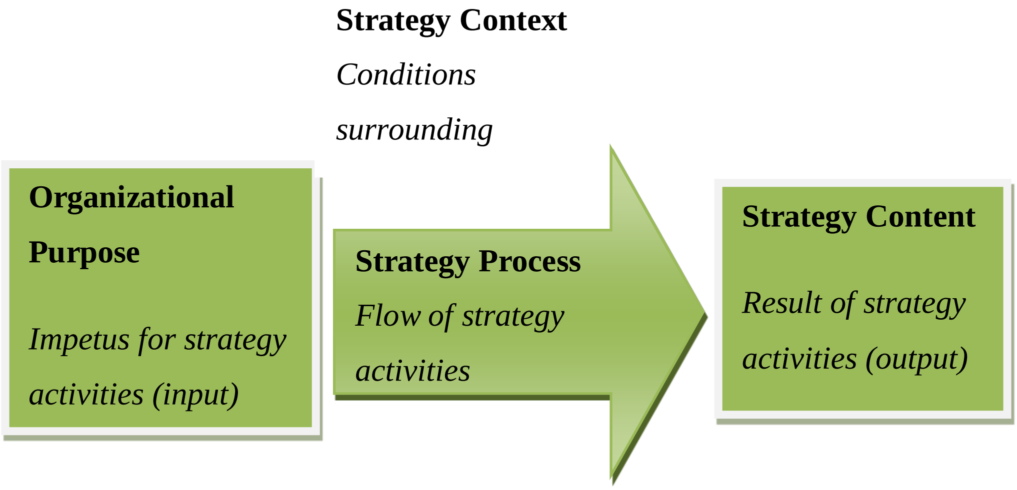



Figure 6 Dimension of strategy and the organizational purpose adapted from De Wit (2004, 5).

It might be difficult, in fact wrong to view these dimensions as different parts of a strategy. Each strategy situation is by its nature three dimensional, having a process, content and context. (De Wit 2004, 5).

As aforementioned, there are uncountable numbers of marketing strategies. Some of these strategies are adaptable to each company's unique situation whereas others are of general application. However, for the sake of this paper, the strategies will be generally classified to suit the needs of four main groups namely; strategies for market leaders, strategies for market challengers, strategies for market followers and strategies for niche marketers.

### 2.1.1 Market leaders

Within the last two decades, the term "globalization" has become the common word of tongues in the business world. Thinking globally and acting locally is not new either. Managers of global stock portfolios used three generic dimensions to find out which has greater effects on returns: country of origin, industry and company's specific factors. Previous studies dating as far back as the 1970s revealed that country was the most influential, followed by industry and the last was company's specific factors. Studies from the 1990s saw the country factor bypassed by industry. (Bruner, 2004) This is proof of the fact that national borders are no longer an issue as most companies from the developed economies have resorted to move the manufacturing plants to developing and emerging economies. This move towards globalization has largely been spearheaded by market leaders, who saw their positions in the local market threatened meanwhile their profit margins, were shrinking.

Business dictionary defines a market leader as a brand, product or firm that has the largest percentage of total sales revenue in a specific market. It further explains that a market leader often dominates its competitors in customer loyalty, distribution coverage, image, perceived value, price, profit and promotional spending. (BusinessDictionary.com, 2012)

There are globally established market leaders in every industry and every sector with the above characteristics. In the fast food sector, McDonald's is the leading player, but not exclusively. In the soft drink sector, coca cola distinguishes itself. In the automobile industry, Toyota is the leader; in the smart phone technology, Apple is showing the way; meanwhile google is the search engine master. Wal-Mart leads the way in the groceries business, with Tesco taking a great toll in the UK. In Finland, the K-group and S-group are the distinguished oligopolies. In sea transportation business, Asian companies are the leaders. Nippon Yusen Yabushiki Kaisha (NYK) is followed by China's Evergreen Maritime Corporation; meanwhile Danish Maersk is fourth on the table. (10 Largest Container Shipping in the World, 2012)

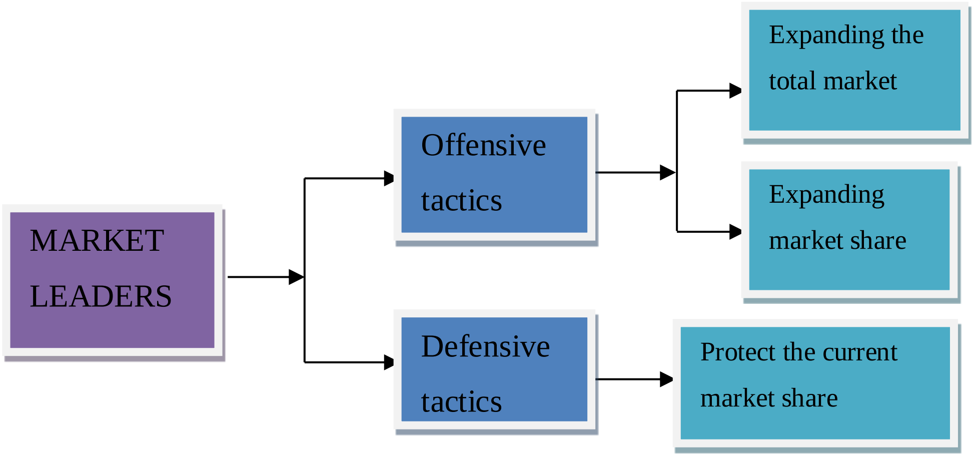



Figure 7. Competitive strategies for Market Leaders (modified from West et al. 2010, 133).

However, globalization is no longer the "zone of comfort" for market leaders nowadays. National borders have not ceased to exist only to some companies. When country borders break, the whole world is open to every company and profitability from abroad becomes optional. There is a new trend that is used to describe a new and different global reality; one in which most businesses will face fierce competition from businesses from everywhere for everything. This new trend is known as "globality" and it is thought to be the next generation of globalization. One of the main reasons why market leaders, also referred to as "incumbents" decide to go abroad, especially to developing or emerging markets has been to reduce production costs, which has a direct impact on the prices offered in the local market, as price competition is taking a central stage.(Sirkin *et al* 2008)

### 2.1.2 Market Challengers

Globality is the new generation worldwide trade and economic development where there will be no single geographic center; no ultimate model for success and no generally accepted strategy for innovation and growth. Businesses from every part of the world will compete for same customers, same resources, same talents and the same intellectual capital. (Sirkin *et al* 2008)

Leaders, who had hitherto won, owned or secured specific markets across the globe will have to battle hard to defend those markets from their challengers. Globality has set a stage where organizations in the emerging economies (where market leaders from developed economies sought refuge), have mobilized to confront these leaders and compete with them in every aspects. Globality sets a much fiercer stage for competition than globalization by defying accepted business conventions defined by globalization. Organizations from the developed economies, with their “high quality” product standard find themselves lagging behind emerging economies’ “good-enough” product standard. Local organizations in the emerging markets have home ground advantage and their products have a longer history of existence and have always served the needs of their customers. Acquiring and managing resources for high quality products becomes challenging for leaders, as the final product cannot outsell the “good-enough” product standard in terms of price competition.

Even though globality is spearheaded by market leaders, the main forces behind this new competitive strategy are the global market challengers. Challengers are the ones driving market leaders to a new dimension of competition. They start by working closely with established industry leaders in their home market and evolve into their rivals. By so doing, they revolutionized accepted standards and practices for managing global businesses. Challengers have certain characteristics and strategies that pose serious threats to the leaders. They are very patient and innovate only when it is necessary. (Sirkin *et al* 2008). Also, challengers mine the markets that has been ignored or neglected by leaders. Blackberry rose to fame by targeting less economically developed economies which provide a huge market share.

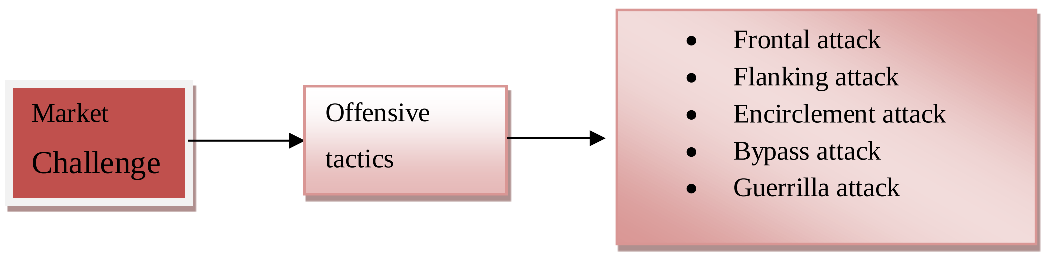


Figure 8 Competitive strategies for market challengers (modified from West et al. 2010, 133).

Challengers use offensive warfare against the incumbent leaders. Since they have worked closely with the leaders, they know the weaknesses of the leaders. Mindful of their leaders' strength, they explore some handicaps in those strengths and attack from there. They are very careful in the way they initiate the attack. A direct head-on attack might be fatal to challengers. They launch the attack and keep the front as narrow as possible. Challengers face the competition battle on two different fronts. While they exploit the weak points of leaders, they also have to watch their backs of the threats posed by market followers. (Trout, 2010)

### 2.1.3 Market Followers

Followers are companies, brands or products that were not fortunate enough to be first in the market. They have a very small market share compared to leaders and challengers. They are happy only to follow the leaders and their main advantage is that they take the market opportunities that have been created by the leader. They are sometimes referred to as "imitators" and successful followers do not go to market to "steal" the customers of leaders. Instead they present similar products side-by- side with tthose of the leading brand.

Being a follower does not necessarily mean that these companies are operating without strategies. Followers must understand customers' needs perfectly in order to hold onto them on one hand, and they should know how to expand their market share on the other hand. They thus try to bring distinctive advantages to the customers in terms of location, services and distribution channels. Since they are under the constant threats of challengers and the watchful eyes of leaders, they must keep production cost low, without compromising their quality and must follow a path that does not attract competitive retaliation from leaders or challengers. (ADMIN, 2006)

There are four main categories of market followers. *Counterfeiters* duplicate the leader's products and package and sell them in the black market. Asian companies have posed serious problems to Apple computers, Nike products and other leading brands. *Cloners* emulate the leader's product, name and packaging with slight differentiation. In Finland, S-Group's private label, Rainbow produces the Rainbow Kola put in a bottle whose shape is between coca cola and Pepsi cola bottles. *Imitators* copy items from leaders but maintain differentiation in packaging, location, advertisement and pricing policy. *Adapters* take the leader's product; then, adapt, modify, improve and sell in a different market. Adapters are a greater threat as they develop to challengers and begin to control a greater share of the market that was formerly under the leaders. (ADMIN, 2006).

The competitive tactics for market followers can be best explained using the diagram below.

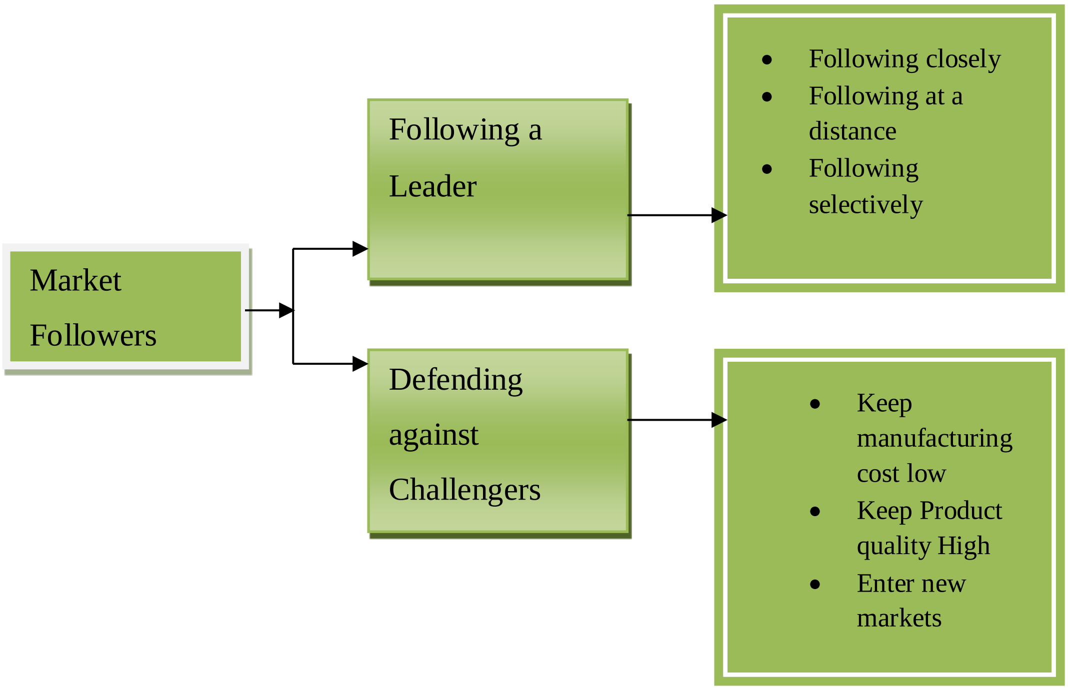



Figure 9: Competitive strategies for market followers (modified from West et al. 2010, 133).

As shown on the diagram, while the market follower must follow a leader carefully, they must at the same time defend their market share from challengers, who are the most aggressive players on the market.

### 2.1.4 Niche Marketers

There have been varying meanings attributed to the term "niche". However, one researcher has combined several definitions from other researchers to come up with a definition that has given a clarification to the term. That researcher defines "niche" as a method of marketing to meet consumer needs through tailoring goods and services for small markets, focusing on a small segment or positioning into a small, profitable homogeneous market segments which have been ignored by others. (Toften *et al*, 2010)

Niche has also been used to describe small share brands with high loyalty (Goodman, 2005). Niche marketing, also known as concentrated marketing has been identified as the best option for startup companies. Through concentrated marketing, the firm imposes itself and consolidates it market position by virtue of its better understanding of the market needs in the niche and the acquired fame. Two operational advantages have been associated with niche players. Effectiveness and efficiency are the greatest strengths of niche businesses. Niches can market their products more effectively by fine-tuning their products, prices and programs to the needs of carefully defined segments. They can market more efficiently, targeting their products or services, channels and communication programs towards only consumers that they can serve best and most profitably. (Kotler 2010, 228).

Niche marketing is a market strategy whereby the firm finds favor in market sectors that have been ignored or overlooked by mainstream providers. Therefore, neither the quality of the products/service nor value to the customers should be compromised with, since business relations between niches and their targets are built on special relationships for sustainability. (Toften *et al*, 2010)

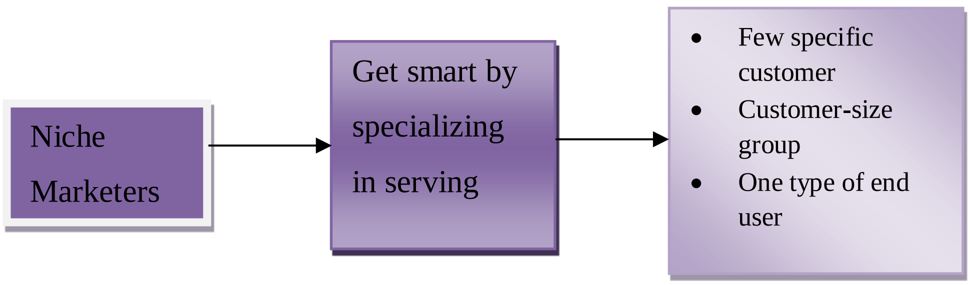



Figure 10: Competitive strategies for Niche marketers (modified from West et al. 2010, 133)

Niche marketers are low profile players, but they serve their market segment the best. Niche marketers should be distinguished from segmenters for a better understanding. A segmenter selects a group of customers in a market whose needs can be met only by a smaller section of the industry, whereas a niche marketer selects a group of customers within a market whose needs can be met economically by only one company. (West 2010, 133).

Niche's focused strategy is based on differentiation, aimed at securing a competitive advantage by offering customers the product they perceive better adapted to their unique taste and preference (Toften *et al,* 2010). The target segment or niche can be identified in terms of geographic uniqueness, specialized requirements in using the product or service or special characteristics that appeal only to niche members. Some niche marketers sell their entire products to a single customer. Other niche players are referred to as "price-quality" niche, targeting the extreme ends of the market. They supply both to premium customers and the low level customers (Kotler 2010, 568). Blackberry is a good example of a quality-price niche marketer. They have consolidated their positions in markets of the poorer economies by providing free call applications, while maintaining a strong position in bigger economies.

Service niche marketers offer services not available in the market or not provided by most firms. The case company of this research is a service niche marketer who acts as a broker or a middleman between customers and the shipping companies, facilitating customers' tasks on one hand, while shortening the time lapse of the shipping process. Among all the attributes relating to niche marketers, their pricing policies are usually uncalled for. The reason for this is that if they attempt to undersell their products or services, this move will attract competitors and niche players will be the first to be kicked out of that segment. (Kotler 2010, 568).

Two major risks are associated with niche marketing. The niche market may dry up. For instance, a niche marketer that supplies its entire product or service to a single customer will go out of business if the customer relocates or goes bankrupt. The second risk is that the niche market may grow larger, thereby attracting larger companies to compete. To secure their positions, most companies practice what is referred to as multiple niching, developing two or more niches. Some large firms have developed the multiple niching strategies in order to target the entire market. (Kotler 2010, 568).

## 2.2 Marketing Planning

Marketing planning can be defined as a set of techniques and activities that assist an organization in achieving an appropriate alignment of external and internal environment and internal capabilities in order to achieve specific results. Once marketing planning is determined through organizational behavior, it could add value to the customers or exploit the customer if it is identified in an opportunistic way. (Pulendran *et al* 2003)

It has been stated that the main purpose of marketing planning and its principal focus is identification and creation of sustainable competitive advantage (McDonald, 2008). Modern organizations have recognized the onerous process of marketing planning and have made it strategic, making it a long term or a sustainable plan. While some marketing planning activities are aimed to be realizable in the following year, others are designed for a two or three year forecast. A further distinction has been made between strategic and tactical planning. Strategic planning is about doing the right thing while tactical planning is doing things the right way. The little difference between the two is that while strategic planning is effective, tactical planning tends to be efficient. Given its surrounding circumstances, a company will not be wrong in adopting either of them at a time. However, the new trend is that companies find it more reasonable to adopt effective strategies and efficient tactics in order to strengthen their position in the fiercely competitive market. (West 2010, 53).

Whatever objective a marketing planning has, there is always the corporate mission in consideration. Promoting corporate mission must be one of the aims of the marketing planning, failure which might render the entire planning futile. A successful marketing planning depends on how well it helps the company to achieve the corporate mission.

## 2.3 Marketing Mix

About half a century ago, McCarthy offered the marketing mix which is often referred to as the “four Ps”, product, price, place and promotion. Since then, the marketing mix has been considered as a practical means of translating marketing planning into reality. The “four Ps” can be summarized as follows: The product (including intangible products like services), adapted for maximum customer benefit is priced in accordance with the buyer’s ability to afford the product (price), made available for the customer to buy in a specific location (place) and promoted in order that potential customers have as much information as required about the product offered. (Bennet, 1997).

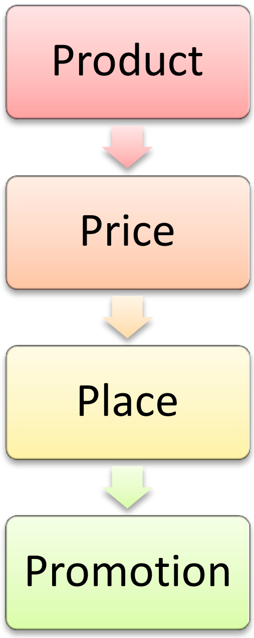



Figure 11: 4Ps of the marketing mix.

On his part, Kotler, referring to the marketing mix, says it is a set of controllable, tactical marketing tools that a firm blends to produce the result it wants in the target market. The marketing mix is simply every action a firm can undertake to influence its products (Kotler 2010, 76). From the time marketing mix was first defined with the four Ps variables till today, there have been some amendments. In an article that researched on the impact of rapid change in computing to marketing mix, one other P was introduced, making an extension to the generic four Ps. The use of information technology to gather data about the markets, competitors and customers became known as the fifth P, “Provision of information” (Peattie, 1997).

Other researchers, while reiterating Kotler’s description of the marketing mix, make a distinction as to how the marketing mix is applicable to mere products on one hand and services on the other. In their opinion, companies whose outputs are tangible products use the traditional four Ps, while the service companies use an extended version of the marketing mix, referred to as the seven Ps (7Ps) (Ivy, 2008). To the traditional four Ps (4Ps), they have added three other variables: people, physical facilities and processes. This section will however concentrate more with the traditional four Ps, with very little allusion made to the other three Ps.

Elements of the four Ps marketing mix will be disintegrated and closely examined individually for better understanding of its applicability. Kotler has carefully outlined the contents of each variable as illustrated on the diagram below.

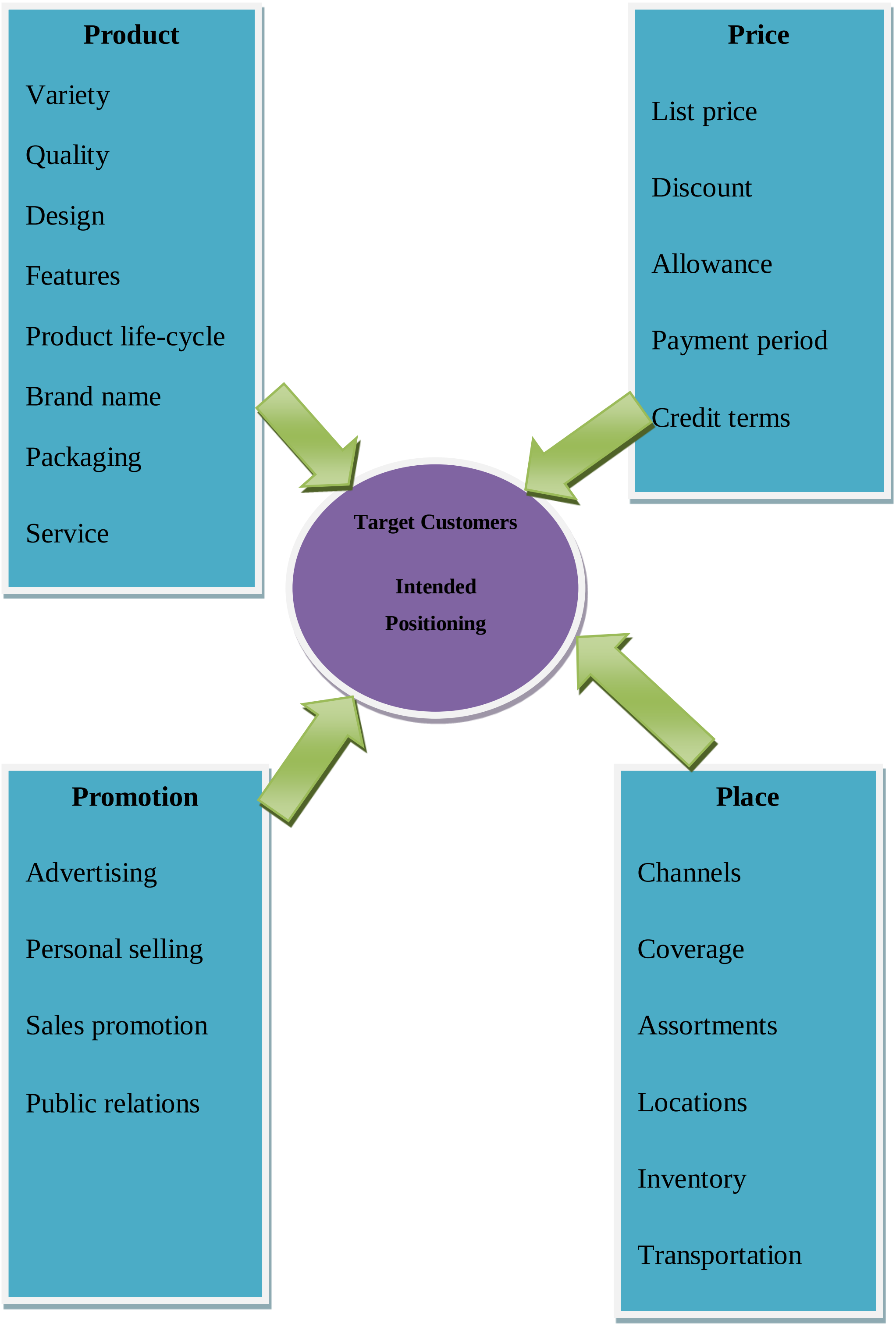



Figure 12: the four Ps of the Marketing Mix (adapted from Kotler 2010, 76)

### 2.3.1 Product

The product is simply the finish output of the company that is being sold or offered for sale to the customer. Product in this case also includes service which accompanies the product as a package, or the service which might be the ultimate output of the company. Some researchers have described it to comprise the entire complex bundle of benefits that satisfy customers' needs (Ivy, 2008) and it is also regarded as being at the heart of the marketing exchange (Pettitt 2000, 261). There has been a more formal definition of product which goes beyond the mere bundle of benefits offered to the customers. That definition includes ideas and even people. The author defines product as follows:

“A product is a physical good, service, idea, person or place that is capable of offering tangible and intangible attributes that individuals or organizations regard as so necessary, worthwhile or satisfying that they are prepared to exchange money, patronage or some other unit of value in order to acquire it” (Pettitt 2000, 262).

This definition has a wider perspective as it brings to mind what has been termed today as “modern slave trade”; the sales of people (like sports personalities or music idols) right up to places such as holiday resorts and touristic sites (Pettitt 2000, 262).

Product is the leading element of the marketing mix. It sets the stage for the other Ps to go operational. It is the ultimate answer to the question as to whether the organization has understood its customers. Customers purchase a product in order to solve a problem or to upgrade their lives and in addition to the functional terms, customers also have a psychological need that must be satisfied. A good product is therefore one that satisfies these needs and capable of enticing the customer to remain loyal to that specific product or brand (Pettitt 2000, 262).

Whatever shape a product takes, one of its most important attribute is that it must be capable of being broken down into bundles of benefits that mean different things to different buyers (Pettitt 2000, 262).

The basic structure of a product shows that a product has four major parts, representing the core product, the tangible product, the augmented product and the potential product. The concentric rings below illustrate the structure of a product.

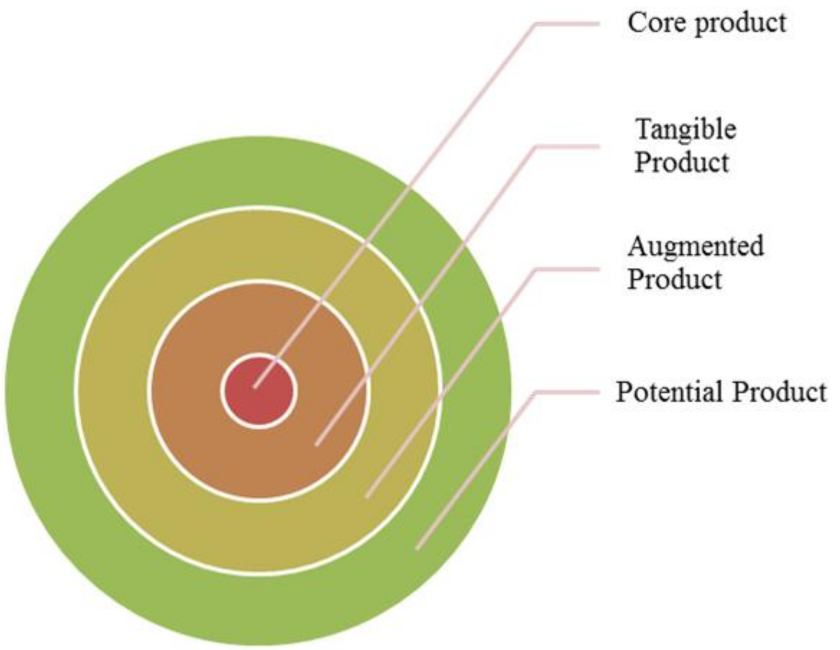



Figure 13: the anatomy of a product adapted from Brassington, Pettitt (2000, 263).

The core product is at the heart of the product and the reason for the existence of that product. In other words, the core product is the dominant benefit or satisfaction that a customer expects from a good or service acquired (InvestorGuide, 2012). The core benefit of a product maybe functional or psychological and marketers must be able to identify the differential advantage of the core product and position such product the right way. (Pettitt 2000, 262)

Kotler (2010, 250) refers to this core product as the core customer value. The core benefit obtained from a product is said to vary from one customer to another. At first the core benefits for mobile phones were to make or receive calls and send or read text messages. Today, these functional values have been bypassed by other functions such as music applications, social networking and picture applications. Any car is capable of moving someone from point A to B but some non-rational factors such as comfort, space, sleekness fuel consumption and safety will justify why a customer would prefer and Audi to a Renault or Mercedes to a Toyota. (InvestorGuide, 2012)

The next layer of the product anatomy, the *tangible product* is directly influenced by the core product. The tangible product is the means by which the marketer puts flesh on the core product, making it real, communicating the offer of the core benefit (Pettitt 2000, 263). Kotler (2010, 250) defines the tangible (actual) product to include attributes like brand name, design, quality level, packaging and features.

The *augmented product* is add-on extra that does not form an intrinsic element of the product, but maybe used by the producers or marketers to increase the product’s benefits or attractiveness. Kotler (2010, 250) defines the augmented product to include attributes like after-sales service, warranty, product support, delivery and credit. HPs sell their computers with a six month Microsoft office application and Norton antivirus program for two months. Other companies augment their products by offering extra guarantees, delivery services or breakdown insurance. Though these do not themselves make part of that product, they are included in the package to give a good memory to the customer, creating a path to customer loyalty (Pettitt (2000, 263).

The *potential product* layer recognizes the strategic nature of the product. While the first three layers describe the product as it is, final layer looks a little far ahead. It looks how the product could and should be in the near future. A differing view of the potential product is that of Doyle (1998). He thinks that the potential product reflects such high level of value added and differentiation that it is better protected against competitors or substitutes.

### 2.3.2 Price

Price is narrowly viewed as the amount of money charged for a product or service. From a broader perspective, price is the sum of all values that a customer gives up in order to obtain the benefits of having or using a product or service. In other words, price is the forgone alternative for obtaining the benefits in a good or using a service. To profit oriented companies, price is the most important element of the marketing mix due to its impact on profitability, be it negative or positive. It is the only element that brings revenue to the company, since all other elements are associated to cost. Therefore, the pricing policy of a company should be reasonably flexible in order to adapt to the changing and competitive market environment. Kotler (2010, 314).

In highly competitive markets, where customers are very sensitive to price changes, any action to change the price will affect the profit level of the company. Due to the importance of the price element, marketers have designed some guiding principles to help companies in setting the prices for their products. The printer industry has developed the razor-and-blade strategy whereby they sell their main product (the printer) at a no profit price but recoup the profit through their overpriced and high-margin replacement ink cartridges (Kotler 2010, 365). To secure this source of profit, the companies have made it impossible to adapt one ink cartridge brand into a different printer brand. For instance HP printers cannot use any other ink cartridge except HP ink cartridges, and vice versa. These industries therefore give away their razors and make profits on their blades.

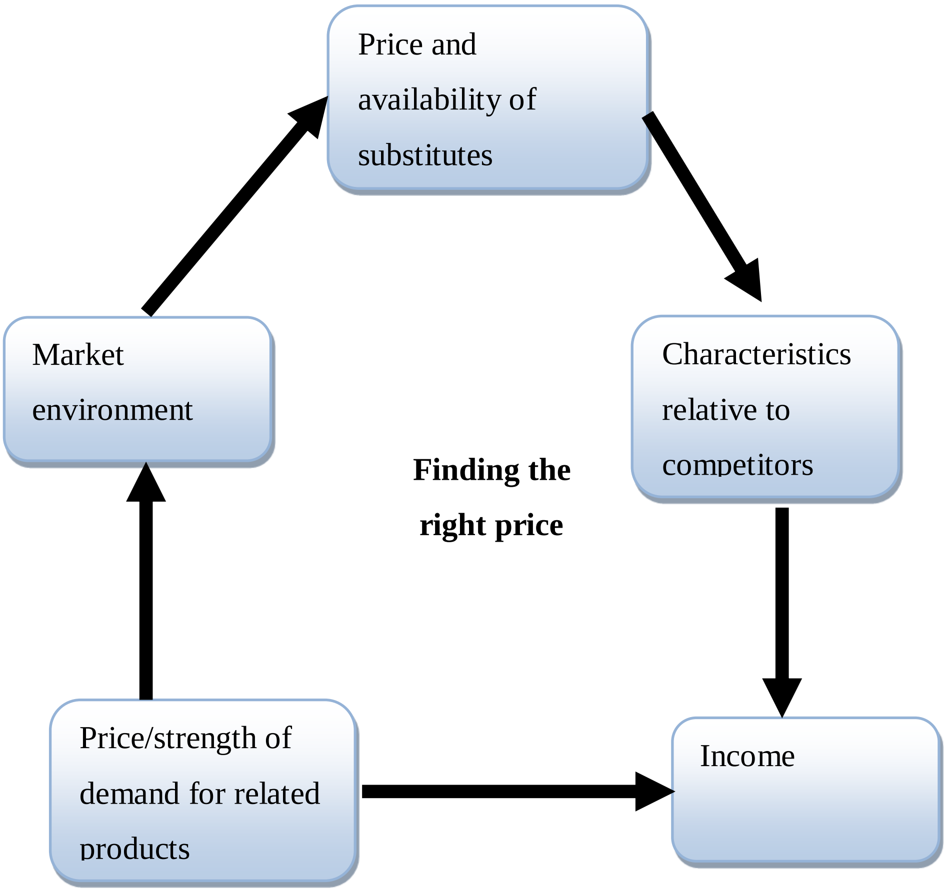



Figure 14: price setting methods. Adapted from (Peter, 2010)

Even though it is widely known that in a free market economy the market price is naturally set through the interaction of the forces of demand and supply, sometimes, companies desire to appropriate prices for their products is thwarted by laws and regulations governing fair play in pricing and also public policy considerations. The powers of monopolies are also checked through these legislations that regulate business practices. (Kotler 2010, 365)

When setting the price of a product, the first thing to consider is the availability of substitute goods or service. If is easy for consumers to switch to close substitutes, a slight increase in the price of the product in question will lead to a massive customer loss to rival products. If the substitutes are however priced beyond the product in question, any price increase which falls below the price of the substituted product will increase marginal revenue. This is the case with low cost airliners like Ryanair, easyjet and Bluejet (Kotler 2010, 318). An increase in the prices of a product which takes the price of the product beyond substitute products might lead to an increase in demand and revenue nonetheless, if that increase in price is accompanied by relative improvement in quality or value added to the product.

Discounting is directly associated to this first step. In this case, there are three types of discounts to be considered. The first is quantity discount which are deductions from a seller’s list price, offered to encourage customers to buy in bulk. Smart travel agencies use this tactic quite often, like offering a travel package to a family whereby children below the age of six travel free of charge. The second type of discount is trade discount which is a deduction from a list price offered to buyers in payment for the marketing functions they will perform. The third type of discount is the direct cash discount granted to buyers for paying in cash or within a specified time period.

The second consideration is the characteristics relative to competitors. The special feature cannot be considered without making recourse to the nature of the product. If it is an entirely new product entering an existing market, the price can be reasonably higher for a while, awaiting competitors to join the race. However, the level of competition sometimes dictates the price to be set for the new product. (Pettitt 2000, 25-26)

If the consumers’ perception about the product is the key factor to determining the price, the producers cannot design a new product and set its price. This is the basis of value-based pricing. On the other hand, cost-push or cost-based pricing is product driven. The company designs what it deems will be a good product, then, set a price based on the whole production cost plus the target profit (Kotler 2010, 365). The problem accompanying this choice is that if the cost-push price is not sufficient, rescuing the product becomes a tough task since competitors are quick in learning a rival’s mistakes and correcting by launching more realistic priced products (Pettitt 2000, 25-26).

Given the problems associated with setting a satisfactory price for new or existing products that will be acceptable by customers and manufacturers at same time, the EVA technique is usually employed as a guiding tool for setting prices based on industrial buyer's perception. Economic Value Added (EVA) attempts to set the price based on the perceived economic value of the seller's product relative to closely competing. The price of competing products is used to establish a "reference value" against which seller's product is compared. The reference value is the life-cycle costs the buyer will incur by purchasing or using that product. The seller then sets a price that provides buyers with total life-cycle costs that are less than those provided by the reference product (competing products). The EVA model has been highly criticized and supplemented by the stochastic EVA model whereby many uncertainties present in the EVA model are solved. In this stochastic EVA model, the risk associated with providing life-cycle costs to the buyers that exceed those provided by the reference product is limited. Also, the risk of not generating the desired profits by sellers is minimized. (Thompson *et al,* 1997)

Other authors have sought for the solution to the above problem in price skimming and penetration. In order to skim, prices are set high to attract the least price-sensitive market segments. The target customers here are those members of the society who are seeking distinguished status. One main advantage of price skimming is that it helps the organization to establish a quality brand image that could serve as a stepping stone for future development of lower priced products. It is easier to reduce prices than raising them. If the high prices meet resistance in the market, they can be systematically reduced till they reach an acceptable level. The challenge here is that high prices also raise high expectations and if these two variables are inconsistent, the corporate image might be damaged beyond repairs. The main aim of price skimming is to gain market recognition. (Pettitt 2000, 425)

Penetration pricing is a pricing strategy aimed at gaining as large share of a market as possible in the shortest possible time. The organization might price aggressively below the existing competition, deliberately compromising profit margins for the sake of volume. This strategy is necessary if the company needs to engage in mass production in order to cover cost, break even or achieve economies of scales in production. Penetration pricing might be very useful in a market where the demand for the goods is very elastic where price becomes a critical instrument. The associated risk is that it might give the company a poor brand image. It might be difficult to raise the price in future even if the strategy succeeds, contrary to price skimming which might instead have to bring in low priced products after the skimming strategy succeeds. ( Pettitt 2000, 425)

The third consideration (income) has been partly discussed above. Customers' perception to the value of the product is largely influenced by their level of income. In other words, the income elasticity of consumers demand is an important indicator reflecting the relationship between consumer demand and income (Dang Luo, 2012). The level of income also provides a guide to market segmentation. Marketers therefore have the duty to carry out a market survey, identifying the various income groups and position their product in a manner that will target all the various income groups. It must be noted here that based on the various levels of income, the company's product can access the market through any or both of the above mentioned pricing strategies. Both price skimming and penetration pricing strategies can be used for same product to access a given market. Other differential factors can be used in order to distinguish or categorize the customers (Pettitt 2000, 425).

Price/strength of demand for related products, the fourth consideration which requires that when setting a price, every other cost incurred in the process of producing the product or rendering the service should be taken into account. If the product is to be maintained by the producer for a long period of time, the need for insurance and warranty arises (Peter, 2010).

Market consideration is the final consideration to be taken into account before setting the price for a product. Recent research on market orientation reveals that consumers' needs have become diversified; technology is developing on the fast track, pushing companies to compete intensively in order to secure or expand market shares. Traditional consumer-oriented companies and the factors of market environment have become crucial determinants of marketing activities (Kim, 2003). Due to these diversification and changes in market conditions, product values can raise and fall at any time, without recourse to amendments. It is of utmost importance for companies to keep track of the changes in the market, and respond to them by regulating their prices, based on the market environment. Has the demand for a particular product suddenly risen? Has it fallen? Has the product become a complement for a new product? (Peter, 2010).

However, there are some market conditions that maybe in favor of the company, but raising the price of their product or service at that moment will be profitable at that moment, but becomes detrimental in the long run (Peter, 2010). Examples here include hotel companies seeking to raise their prices due to large demands as a result of a natural disaster whereby people’s homes are destroyed. They will make the abnormal profit, but the long term brand image will be radically damaged (Peter, 2010). Same applies to transporters who jack up their prices because one other transportation mode is dysfunctional. Companies should have a price regulatory mechanism that is flexible enough in order to respond to changing market conditions, capable of facing competition in all its forms, adjusting to individual customer’s financial conditions and which covers the entire cost of bringing that product to the market.

### 2.3.3 Place

Efforts to create and communicate favorable brand images constitute a considerable part of contemporary development strategies for places (Andersson, 2009). Place is a dynamic and fast moving area of marketing, related to the movement of products from one point to another. Place involves the structure of distribution channels, from mail order companies that relate directly with end customers and the complex supply chain that involves the passing of goods between the intermediaries before reaching the company on the one hand (inbound logistics) and to the retailers on the other hand (outbound logistics (Pettitt 2000, 428).

The relevance of place in the marketing mix has somehow been compromised in the digital era, as information technology begins to play a central role in marketing. The most cherished protocol of the distribution chain has been disrupted since end users can easily have direct deals with the companies. Below is the classical distribution channel which Kotler refers to as the indirect distribution channels, compared to what the distribution channel in the dotcom era might (but not necessarily) look like.

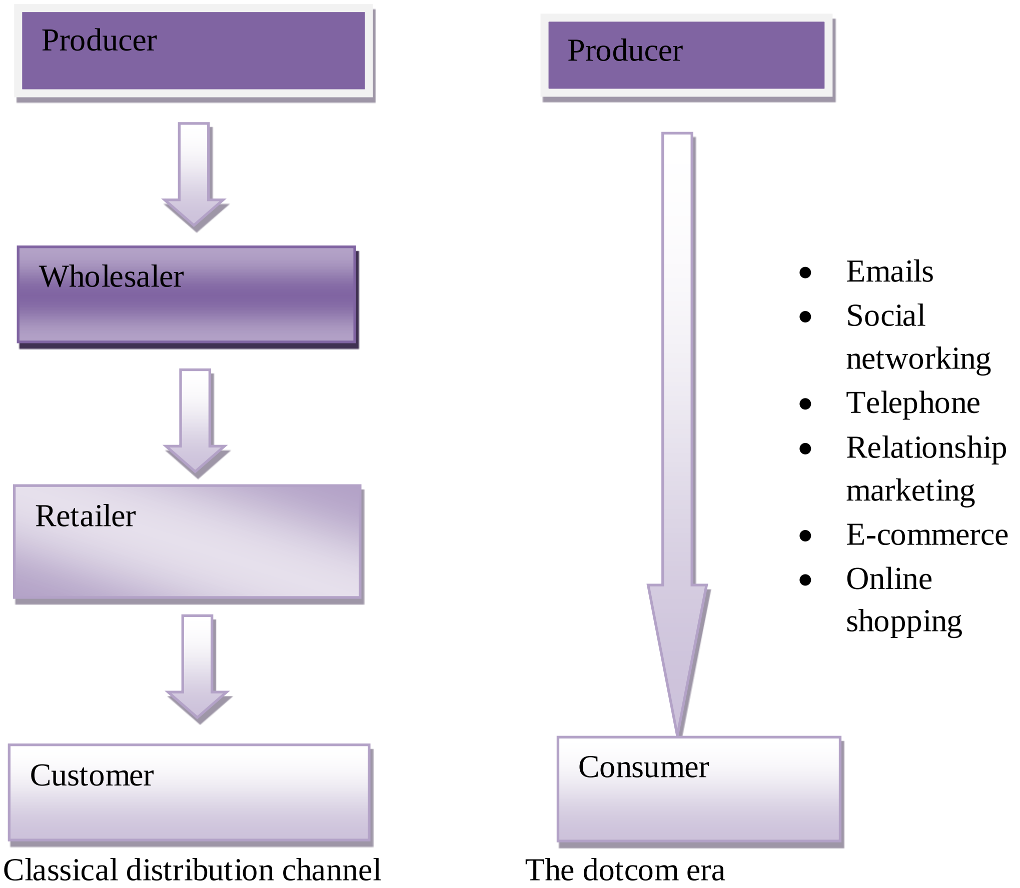



Figure 15: Distribution (customer marketing) channels modified from kotler (2010, 365)

Through technological advancement, a direct relation has been established between end-users and producers. Customers can interact with manufacturers to give direct feedback, give product specifications and on the hand; some customers find it more convenient to interact directly with the producers in order to facilitate the reverse logistics procedure.

Establishing direct relationship between the producer and the consumer might cause certain conflicts along the supply chain. When wholesalers and retailers lose customers to the manufacturer, there will be a vertical conflict. By bypassing different levels on the channel to get to the producer, the costs are considerably reduced and these customers get lower prices for the products and might want to maintain this relationship as long as possible. (Kotler 2010, 366)

### 2.3.4 Promotion

Once a product has been made, a price is set and a place found to distribute this product, the next step is market communication, which is identified as promotion, the fourth “P” of the marketing mix. Promotion ensures that customers are aware of the product offered by a specific organization. The main goals of a promotional strategy include (but not limited to), to increase sales, maintain or improve market share, create or improve brand recognition, create a favorable market climate for future sales, create a competitive advantage relative to competitor’s products or market position, inform and educate the market and improve promotional efficiency. (Rowley, 1998)

Promotional mix is the combination of various promotional channels that are used to communicate the promotional message to the customers or market. The various components of promotional mix include advertising, direct marketing, sales promotion, public relations and publicity, personal selling and sponsorship (Rowley, 1998).

Advertisement is one of the most important components of promotional mix. Barron’s Marketing Dictionary defines advertisement as a sponsored informational public notice appearing in any of the print communications media that is designed to appeal to a mass audience in order to persuade, inform, promote, motivate or otherwise modify behavior toward a favorable pattern of purchasing, supporting or approving a particular product, service, idea or organization (Imber, 2012). This same source makes a small distinction between advertisement and commercials. When the advertiser’s message appears in the broadcast media (electronic instrumentation of radio and television, including local radio and television stations, radio and television networks and cable television systems), it is called commercial (Imber, 2012). Commercials are therefore more expensive due to their ability to reach vast number of people, and can go global via cable television networks. Another article merely states that advertisement is any paid form of non-personal presentation and promotion of ideas, goods or services by any identified sponsor (Rowley, 1998).

One school of thoughts makes a distinction between the traditional advertisement and the contemporary advertisement referred to as “adaptive advertisement”, which is technologically driven. While traditional advertisement strategy was based on a massive ads bombardment over a generic audience, advertisement companies in the dotcom era are always highly interested in newer communication media and advertisement strategies that the technological development could provide (Rosi, 2010). The main difference between the traditional advertisement strategies and the more recent method is that while the former targeted its audience indiscriminately, more expensive and even annoying (when it got to the wrong audience), and had the risk of being counter-productive, the latter uses web ads technologies, exploiting browser cookies, information that requires users to subscribe and create a self-provided public profile. With this adaptive advertisement, companies’ products or services are certain to be delivered to users potentially interested in them (Rosi, 2010), thereby eliminating the guess work that was present in the traditional advertisement strategies, and also minimizing the distance between the customers and manufacturers. This is one of the justifications for companies to own their own websites through which in addition to advertising, they liaise with customers, receiving feedback about the quality, nature and processes relating to their products.

Writers have identified Four important decisions that marketing managers must make when developing an advertisement program, namely: setting advertising objectives, setting the advertising budget, developing strategies (message decisions and media decisions), and evaluating advertising campaigns. (Kotler 2010, 454)

Advertising objective is based on past decisions about the market, positioning and the marketing mix. It contains specific details on communication task, the target audience and the time period. Advertising is more informative when introducing a new product meanwhile advertising becomes more persuasive as competition grows stronger. After setting the advertising objectives, the next step is to set the advertising budget.

The advertising budget is highly determined by the product life cycle stage. Usually, new products require bigger advertising budgets than existing ones due to the need to build awareness. After the budgeting phase comes the advertising strategy development phase. This phase consists of two main activities: creating the advertising message and selecting the advertising media. The message strategy must identify the attributes that will appeal positively to the consumers, taking into account the benefits which consumers hope to gain by using their products. A strategic advertising message is one that reiterates the company's position and customer value strategy at the same time. With advancement in technology and corporate ingenuity, advertising message can be generated by the consumers in several ways. On company's websites, the company can tap ideas through feedback from customers or the company can sponsor ads-creating contests. Through this means, they use familiar words among customers, thereby strengthening their relationship. (Kotler 2010, 462-3)

Media selection is the driving tool that conveys the advertising message to the target customers. The first step is to decide on the reach, frequency and impact of the media. Then choose among the major media types, select the media vehicle and finally deciding on media timing. (Kotler 2010, 463)

Table 2: Media Comparison

| Medium | Advantages | Limitations |
| --- | --- | --- |
| Television | Good mass-marketing coverage; low cost per exposure; combines sight, sound and motion; appealing to the senses | High absolute cost; high clutter; fleeting exposure; less audience selectivity; needs repetition for the ads to rise above the clutter |
| The Internet (search engines, social media, email; banner advertising and yellow pages) | High selectivity; low cost; immediacy; interactive capabilities; easy to make updates or remove from the webpage is the results are negative; social media sites are great to build customer relationship and the offers the opportunity to reach customers in a totally new way; potential for viral (word-of-mouth) marketing. | Relatively low impact; the audience control exposure; banner advertising like flashing banners, popups, interstitials are annoying and highly intrusive. |
| Newspapers | Gives access to reach a huge number of people in a given geographic area; flexible in deciding the ads size and placement within the newspaper; can | Ad space can be very expensive; short lifespan; poor reproduction quality and |

| | | |
|---|---|---|
| | communicate as much story as the company can tell; exposure to the ad is not limited as the reader owns the newspaper (he can return to the ad many times); ads on newspapers can reflect the changing market conditions; flexibility; timeliness; acceptability and high believability. | readability; competitors' ads can be placed alongside with the company's ad; with the rising popularity of the internet, newspapers are facing declining readership (readers prefer the online version of the publication) |
| Direct mail | High audience selectivity; flexibility; no ad competition within the same medium; allows personalization; effectiveness of response can be measured; total control over the advertising message. | High cost per exposure; ads can be treated as "junk mail"; long lead time required for creative printing and mailing. |
| Radio | Good local acceptance; universal medium available all the time and everywhere for everyone; specifically target a market segment most likely to respond | Radio users are spread over different stations, an ad is done simultaneously on different radio stations in |

| | | |
|---|---|---|
| | positively to the ad | order to reach the target group. |
| Telemarketing (sales over telephone) | Effective system for introducing a company to prospective customers; provides a forum for interaction between the company and customers; cost-effective (compared to direct sales); results are highly measurable; good tool to improve relationship and maintain contacts with customers. | An increasing number of people have become adverse to telemarketing; governments are putting tougher measures to curb unscrupulous telemarketers. |

Source: Blended from (Kotler 2010, 465) and (Pleshette, 2012)

Another component of promotional mix is direct marketing, which shall be considered alongside relationship marketing for a better understanding. Direct marketing is a business strategy whereby organizations create a direct connection with a well-defined market segment with the aim of getting new customers while cultivating a lasting customer relationship, using catalogue, mail-order, telemarketing, email and other tools to communicate directly with customers. Relationship marketing is used by organizations to build long term relationships with their customers, focusing on building trust between sellers and buyers so that loyalty develops with time. One school of thoughts points out that relationship marketing is all about identifying, establishing, maintaining, enhancing and occasionally terminating relationships with customers. The main objective of relationship marketing is to give mutual benefit through the exchange and fulfillment of promises as well as communication (Harridge-March, 2008).

The similarity between direct marketing and relationship marketing is that both are involved with acquiring new customers and keeping the existing ones. The bottom line is that organizations should have both acquisition and retention strategies in order to successfully maintain the market base. Based on this, creating a loyalty program becomes indispensable.

Loyalty program is the brainchild of relationship marketing and direct marketing. It includes both attitudinal and behavioral dimensions and it helps marketers to categorize their customers according to their behavioral loyalty. (Harridge-March, 2008). “Loyal” customers are given preference over one-off transaction customers and marketers use the information to build a customer database through which other promotional mix can be used to make offers to the customers. Using the customers’ information from the database, the customers are kept abreast with the company’s product through direct mail, email and other promotional mix attributes. Tracking customers or follow-up for sales promotion can equally be facilitated.

Peattie (1995) define sales promotion as “marketing activities usually specific to a time period, place or customer which encourage a direct response from consumers or marketing intermediaries, through the offer of additional benefits”. Sales promotion has hitherto been considered inferior to mass media advertising. To this regard, the term has been synonymous with “below-the-line” marketing communication, while mass media advertising was “above the line” communication. The budgets allocated for both revealed the supremacy of mass media communication over sales promotion. However, towards the close of the 1980s, global expenditure on sales promotion in some sectors (manufacturing and retail trade) had equaled expenditure on advertisement. The driving factors behind the surge in sales promotion are very explicit. (Peattie, 1995)

In the first place, the soaring prices and advertising “clutter” eroding its cost-effectiveness as consumers become increasingly desensitized to mass media advertising. Secondly, sales promotion is increasingly becoming respectable due to its constant use by market leaders and increasing professionalism among sales promotion agencies (Peattie, 1995). The time required to plan an advertisement is lengthy meanwhile the advertisement might last only for about a minute on the TV. Time factor in this case gives sales promotion an upper hand over mass media advertisement. Micro-marketing approaches gives sale promotion an advantage as it can provide more tailored and targeted communication than mass media. The final factor is the “snowball” effect. In a market where promotion is very common, firms are virtually obliged to follow suit or live with the risk of losing their market share and competitive position (Peattie, 1995).

Despite the above categorization, one school of thoughts points out that all depends on circumstances whether mass media advertisement or non-advertising form of marketing communication be given priority. Whereas advertisement offers reasons to buy a product or service, sales promotion offers reasons to buy a product or service at a specific time period (Kotler 2010, 499). Both of them are therefore very effective if they are employed within the main objective of the marketers.

There are several sales promotion tools that assist marketers in their sales promotion implementation. The tools that are most commonly used are termed “price-based promotions” and they include price deals, coupons and refund offers (Peattie, 1995). The other set of sales promotion tools are termed “value-added” promotions and they may include promotional products, point-of-sales (POP) promotion, premiums, contests, event management and sweepstakes. These leave the price and quantity of the core product untouched, but rather bundle something else with it to increase value to consumers. The “something else” can be a free gift, a complementary product or any specialty good. This gesture is particularly important to customers who associate the price of a product or service to its quality. This set of customers will not respond favorably to price-based promotion because they live with the impression that a price reduction is directly proportionate to a reduction in quality.

Public relations have been identified as the management function that establishes and maintains mutually beneficial relationships between an organization and the public on whom its success or failure depends (O'Dwyer, 2005). On his part, Stanley (1982,40) defines public relations as a management function that determines the attitudes and opinions of organization's public, identifies its policies with the interests of its public, and formulates and executes a program of action to earn the understanding and goodwill of its publics.

Public relations are used to promote products, people, places, ideas, activities, organizations and nations (Kotler 2010, 472). Unlike advertisement whose nature is limited by the soaring cost of space and time, public relations can be a powerful connotation on public awareness at a much lower cost, but with greater efficiency. Writers have examined the underlying trends and core issues relating to the contemporary increasing importance of public relations. In fact the public relations industry has witnessed tremendous expansions, thanks to some identifiable driving forces. Some of these forces include: the growing value placed by industry on corporate and product branding, continued corporate and environmental crises requiring pre-emptive ad remedial media campaigns, continued change in the European Union (EU) and Eastern Europe creating commercial opportunities and the threats for PR consultants and their clientele, increasing use of marketing communications by the professions, and the maturing and increasing professionalism of the PR industry. (Lages, 2003)

Public relations personnel employ some tools to reach their objectives. One of the major tools used is news. The PRO creates favorable news about the company, products and/or its people. Alternatively, they could create an event that would create the news. In these events, they could make a speech that publicizes the company, its products or people. Another important tool is by organizing special events varying from press conference, multimedia presentation, press tours and grand openings. They can also use written materials such as annual reports, brochures, articles, newsletters, magazines, to reach their target audience. (Kotler 2010, 474)

Personal selling has been identified as one of the most effective tool at certain point in the buying process, with matters relating to building the customers' preference, conviction and actions (Kotler 2010, 441). It has also been identified as one of the strongest tool of the promotion mix when building customers relationships. Another writer has defined personal selling as:

“An interpersonal communication tool which involves face to face activities undertaken by individuals, often representing an organization, in order to inform, persuade or remind an individual or group to take appropriate action, as required by the sponsor’s representative.” (Fill 1999. 7) It must be noted however that personal selling is increasingly becoming a more business-to-business phenomenon, unlike the above definition seems to suggest.

Some authors have identified two main arms of personal selling in order to ease an understanding of the phenomenon. These include adaptive selling and customer-oriented selling. The practice of adaptive personal selling is defined as the altering of sales behaviors during a customer interaction or across customer interactions based on perceived information about the nature of the selling situation. Salespeople adopt this approach when they use a unique way for each customer and make adjustments during each interaction. (Herche, 1996)

Customer-oriented selling is the degree to which salespeople practice the marketing concept by trying to help their customers make purchase decisions that will satisfy customers’ needs (Herche, 1996).


Figure 16: tasks of a sales representative. Adapted from (Brassington, Pettitt (2000, 691)

Personal selling is not limited to the face-to-face interactions but extends to telemarketing, sales via e-mail, video conferencing, and other means. However, sales force strategy and structure varies from one company to another. Philip Kotler has identified two main sales force structures which companies can variably adapt to. They include territorial sales force structure and customer sales force structure, simply reiterating the two constructs (adaptive and customer-oriented selling) that have been described above. Geographic structure is designed such that each sales representative is assigned to a well-defined territory and represents all or a specified number of the company's product within that geographic range. The advantage is that transport cost is minimized and sales representative have a proper mastery of their location, mindful of the economic changes. Call duplications can be avoided since one sales representative is in charge of a given region.

The product-based structure requires that individual sales representatives specialize in selling only a limited number of products from the entire company's product range. The organization trains personnel in particular product technologies who later act as consultants or problem-solving agents. The main drawback here is that sales representative might have to go across geographic borders, thereby increasing the products cost as a result of increasing transportation cost. Duplication of calls will increase, especially when a customer wants to purchase a wide range of products. Several sales agents may have to answer to a single customer's call since they are charged with different product responsibilities.

The customer-based structure is designed to meet the needs of different customers, than being product centered. A proper understanding and mastery of customers' needs is pivotal. Transportation cost might be a hindrance here if the customers are dotted everywhere nation-wide or across any well-defined region. A company might be in a safer position if it adopts two or more of the structures, while keeping its cost structure within sights.

It should nonetheless be mentioned here that there is no one-fit-all approach or one which is right for all sales representative. The reason is that the main strength of personal selling is the human contact and the infinite flexibility of the sales representative to create a unique and tailored approach for each prospective customer. (Pettitt 2000, 698)


Figure 17: personal selling process. Adapted from Brassington, Pettitt (2000, 699).

The figure above shows the various stages of a personal selling process. Although the stages have been clearly outlined, it is not a generally accepted formula for any given circumstance. Depending on the market, the nature of the product and the organization's philosophy, the above stages can be safely reshuffled to meet given objectives under specified circumstances.  Though the actual selling process ends after sales are close, there is an additional stage that requires a follow-up to ascertain that customers' satisfaction is attained, and also to fortify the customer relationship which might also be the basis for a customer loyalty.

Sponsorship has been defined by Wilmshurt (1993, 367) as:

> "…the provision of financial or material supports by a company for some independent activity…not usually directly linked to the company's normal business, but from which the sponsoring company would hope to benefit."

Many companies now sponsor routinely as part of their promotional activities (Dolphin, 2003), yet their objectives are rather vague. The reasons why sponsorship has registered a tremendous importance in the last few decades have been partly due to the rising cost of media advertising and partly because of its attractiveness as a supporting attribute of the promotional mix.

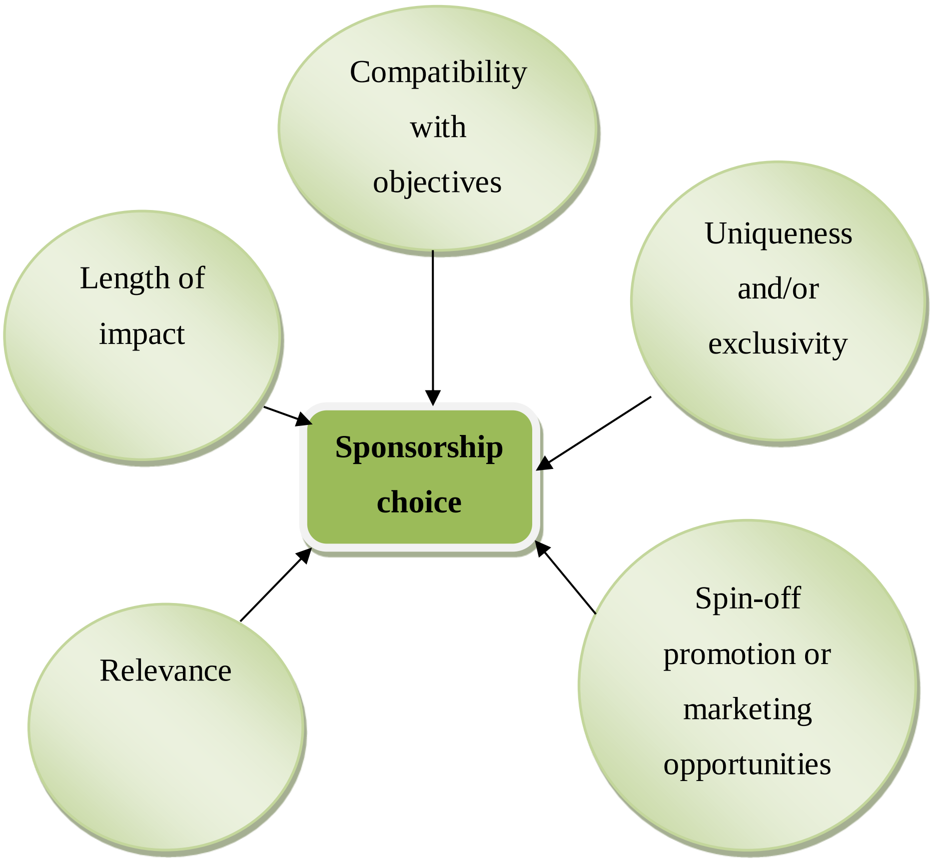



Figure 18: Factors affecting sponsorship choice. Adapted from Brassington, Pettitt (2000, 813)

The figure above outlines important factors that influence the choice of sponsorship. The most important consideration is relevance both to the sponsoring organization and the audience that the sponsorship is aiming. If the sponsorship is relevant to one but not to the other, it is not worthy of any investment. That is one of the reasons why tobacco companies find it difficult to sponsor events.

The length of impact is also important as it determines how much is absorbed by the targeted audience. One-off events like the Olympics, football world cup and others like the European football championship are high profile events, capable of establishing the familiarity of the sponsors. But other one-off low profile events do not build such continuity as the sponsors' names fade away as the event comes to an end.

Uniqueness and exclusivity is a rare consideration, especially with large international events. Companies vying to sponsors such events share sponsorship responsibility, even if these companies' products or services are totally unrelated to the events so sponsored. (Pettitt 2000, 813)

The potential for spin-off promotion and other marketing activities is given a vital consideration. Goddard (1999) emphasized on the importance of spending more on advertising and promotion to maximize the impact of the actual sponsorship.

How compatible is the activity with the sponsor's overall objective, is an important question to answer. This consideration is closely related to the relevance of the entire sponsorship. Relevance and compatibility test should be done unemotionally, taking into accounts, the cost effectiveness.

As earlier mentioned, the 4Ps has been seen as being too narrow, focusing too much on internal variables, while paying little or no attention to the external ones which form part of the marketing planning system. As result, three other variables were added to the traditional 4Ps, making the marketing mix of up to 7Ps. These three elements are people, processes and physical evidence which shall however not be considered in this paper since they are only supportive to main theory which has already been closely examined.

## 2.4 Situational Analysis

A situational analysis examines the internal strengths (S), weaknesses (W), external opportunities (O) and threats (T) affecting an organization (Barron's Educational Series, 2012). Also referred to as the SWOT analysis, a situational analysis is one of the useful tools needed when developing a marketing plan and when making forecast for the proposed market activities.

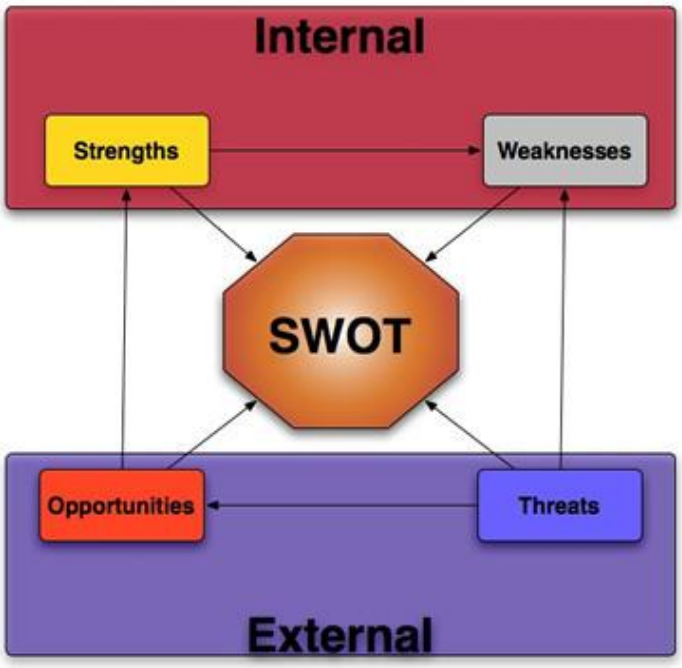



Figure 19: Elements of situational analysis (Wilson, 2012)

As shown on the above diagram, SWOT has two distinctive categories; the internal and the external forces. Internal forces include the strengths and the weaknesses, meanwhile opportunities and threats make up the external forces.

Strengths are those elements inside the organization or internal to the organization that help the organization or the business to achieve its objectives. These may include the personnel, the nature of the company’s product, location of the company or the business site, service, available support, appropriate financing availability, ease of securing raw material sources and newness of the business type/idea (Wilson, 2012).

Weaknesses constitute those attributes that are also inside the organization or internal to the business that can be harmful or hindrances to achieving corporate objectives. Examples of weaknesses may include slow procedures, lack of financial backings, ineffective personnel and time factors.

Opportunities are external attributes that can help the organization to achieving its goals. These attributes may include low level of competition in the market, new market opportunities, new transportation facilities, partnership or integration and new trends in the market that are in favor of the company.

Threats are external conditions that are harmful to achieving corporate goals. They are external deterrents whose long term persistence can lead to a close down situation. They may include new business legislation, technological changes, lower economic growth forecasted for the area and high cost of labor within a specific profession.

The most important outcome of SWOT analysis is to ascertain if an objective is achievable or not. If it cannot be achieved, the process might need to be repeated, bringing in new strengths and opportunities. If the objectives are however achievable, the next step is to make strategic planning to achieve those goals. This entails maximizing the strengths attributes towards achieving the goals, while minimizing the weaknesses at the same time. With the external opportunities, it becomes necessary to figure out how to take advantage over those opportunities, while reducing the corresponding threats which might lead to business failure. This leads to the TOWS analysis which is the strategy part of the SWOT analysis.

Table 3 TOWS Strategic Alternative Matrix

| | External Opportunities (**O**) | External Threats (**T**) |
|---|---|---|
| Internal Strengths (**S**) | **SO**<br><br>"Maxi-Maxi" strategy<br><br>Strategies that use strengths to maximize opportunities. | **ST**<br><br>"Maxi-Mini" strategy<br><br>Strategies that use strengths to minimize threats. |
| Internal Weaknesses (**W**) | **WO**<br><br>"Mini-Maxi" strategy<br><br>Strategies that minimize weaknesses by taking advantage of opportunities. | **WT**<br><br>"Mini-Mini" strategy<br><br>Strategies that minimize weaknesses and avoid threats |

Source: (MindTools, 2012).

Based on the TOWS matrix above, the decision makers can identify alternatives that can address any unanswered questions during the SWOT analysis process.

Though the SWOT analysis is considered as one of the most important strategic planning tools, it is not void of inherent weaknesses. In the first place, it is just one of the several productive tools to achieving objectives. Since the SWOT is a list making tool, much time is usually wasted on listing than on the actual problem solving phase. Most often, some elements of the SWOT attributes are undiscovered and when they come to the surface, there might be need for deviations in order to reach the objectives. This is especially the case when these elements are attributes of weaknesses or threats. This notwithstanding, the SWOT analysis is the compass that points to the right direction.

## 2.5 Porter's Five Forces

Michael Porter's five forces is one of the most used business models especially when it comes to analyzing corporate profitability in an industry. It was derived from industrial organization economics that determines competitive level of an industry thereby justifying the market attractiveness or unattractiveness. His book, "Competitive Strategies" published in 1980 owes it success to the five forces framework which is thought to have broadened the supply-demand analysis of individual market in many ways (G.D. Karagiannopoulos, 2005). Porter's five forces emphasized extended competition for value rather than just competition among rivals.

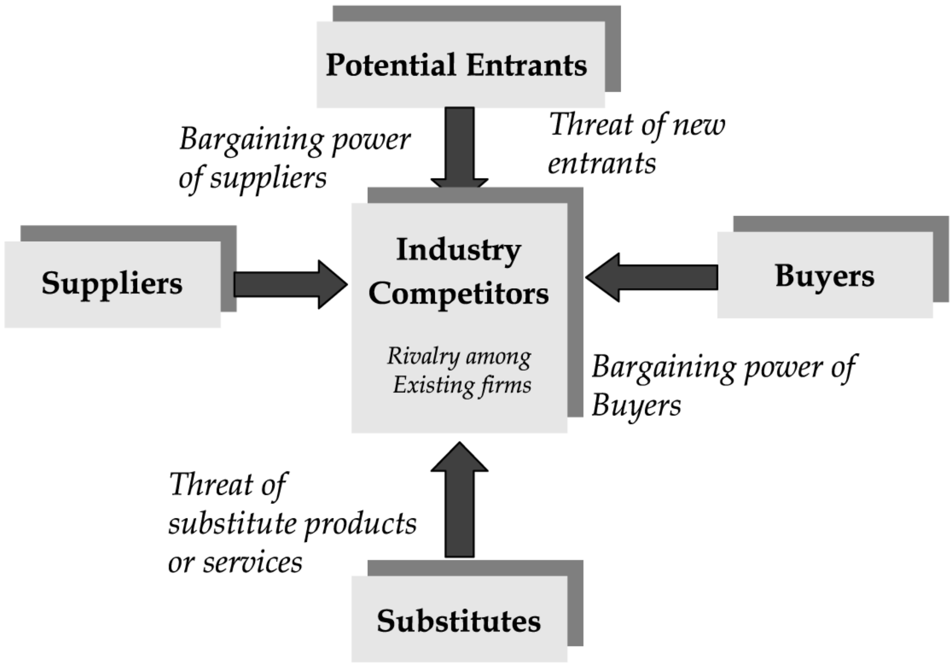



Figure 20: Porter's Five Forces. Adapted from (G.D. Karagiannopoulos, 2005).

Porter's five forces identify two main categories of competition. These include horizontal competition (which includes competition from substitutes, competition from entrants and competition from established rivals) and vertical competition (which includes the bargaining power of suppliers and the bargaining power of buyers) Mazzucato 2007, 81-82. The strength of each of the competitive forces is determined by a number of variables.

Force 1 Threats from substitutes

| Competition from Substitutes |
|---|
| • Buyer propensity to substitute<br>• Relative price performance of substitutes |

Adapted from Mazzucato 2007, 83

The price customers are willing to pay for a good or service depends largely on the availability or absence of substitutes products. The absence of close substitutes takes away the buyer's power to determine the price he is willing to pay, making demand perfectly inelastic. But when the products have close substitutes, demand becomes perfectly elastic and buyers become hypersensitive to any price changes. The extent to which substitutes determine prices and profits depends on the propensity of the consumers to substitute between alternatives (Mazzucato, 2007, s. 84). The difficulties of discerning performance difference lead to buyer's reluctance to substitute on the basis of price difference.

Force 2 Threat of new entrants

| Threat of new entrants |
| --- |
| • Economies of scale<br>• Absolute cost advantages<br>• Capital requirements<br>• Product differentiation<br>• Access to distribution channels<br>• Government and legal barriers<br>• Retaliation by established producers |

Source: adapted from Mazzucato 2007, 83

Any industry earning a return on capital (ROC) in excess of its cost of capital possesses an attractive force to firms outside the industry. If there are no entry barriers, many firms will flood that industry, forcing the industry to earn only normal profits. When an industry does not have a sunk cost (investing in an industry's specific assets whose values cannot be recovered upon exiting that industry) requirement, such industry will be subject of hit-and-run. This happens when firms enter into the industry and leave as soon as they can if they cannot make the anticipated profits or when established firms in that industry raise their prices beyond competitive levels.

The capital needed to get established in industry can be so enormous that aspirers get discouraged to enter that industry. Also, in capital intensive industry where efficiency requires large scale operations, new entrants are faced with the dilemma of either entering on a small scale, while accepting high unit costs or enter on a large scale and running the risk of severe underutilization of capacity, while building up sales volume Mazzucato 2007, 85. Closely associated to this is the fact that established firms have an absolute cost advantage by virtue of their early entry. They can easily secure low cost sources of raw materials.

Established firms have the advantage of brand recognition and customer loyalty in an industry where products are differentiated. New entrants have to make one of two choices, if they wish to stay in that industry. Either they accept a niche position in the market or they can compete only by cutting prizes. Given their high production cost, trying to undersell their established rivals can only lead to losses, thereby driving them out of that industry.

Government regulations and legal barriers are great hindrances to new entrants into an industry. The need for licenses granted by public authorities, environmental regulations and safety standards requirements hit hard on new entrants because compliance costs weigh on them more than on the established firms in the industry. In addition to legal barriers and government regulations that can make entry tedious, established companies may take matters in their own hands by retaliating in one way or the other. They may engage in aggressive price cutting, increased advertising, sales promotion or litigation.

Force 3 Rivalry between established competitors.

| Rivalry between established competitors |
| --- |
| • Concentration<br>• Diversity of competitors<br>• Product differentiation<br>• Excess capacity and exit barriers<br>• Cost conditions |

Adapted from Mazzucato 2007, 83

In most industries, threats from new entrants are only secondary. The nature of competition and the level of profit are determined by the firms within that industry. When firms within that industry decide to engage in a price war, the entire industry might incur losses as prices might be pushed below production costs. The impact of cutting prices of products is huge on operating profits. It has been pointed out that 1% reduction on the price of a product causes a disproportionate 12%-15% reduction on operating profits (pricingsolutions, 2012). It is therefore of utmost importance for firms in an industry to engage in wars other than pricing wars. Alternatively, firms might decide to engage in a non-price battle and instead focus on advertising, innovation or expanding to new markets. Six factors have been identified (as listed on the above figure) with important roles in determining the nature and intensity of competition between established firms. Mazzucato 2007, 87

In an oligopolistic market, where few companies dominate, price competition might be restrained either by direct collision or parallelism of pricing decisions. Grocery business in Finland is dominated by the two giants groups, S-group and K-group (Finnish-Grocery-Trade-Association, 2012). Due to the high cost of production, these oligopolies cannot engage in a price war, thereby justifying the importance of advertisement and sales promotion in the Finnish economy. The diversity of the firms in the industry can be used as a price competition avoidance tool. The diversification can vary from the origin of the firm, their objectives, cost and marketing strategies.

The desire to avoid price wars and their setbacks has spurred firms to seek profits through product differentiation. Unfortunately, product differentiation is the prerogative of few industries. In a commodity industry (where rival firms' products are indistinguishable), price is the only basis of competition. This is reflected in low profitability in the grocery industry. Though they resort to private labeling, this is not enough to rip sufficient profits. In high-tech industries like the smart phone industry, price war is uncalled for. Technology alone is the sole distinguishing factor. Despite this, infringement is not uncommon. The latest case is the Apple vs. Samsung where both firms made counter-claims about copying (BBC, 2012). Though these two firms control over 50% of the global smartphone market, their products are not sufficiently differentiated to avoid infringements.

Force 4 Bargaining powers of buyers

| Bargaining power of buyers |
|---|
| **Price sensitivity** |
| • Cost of product relative to total cost<br>• Product differentiation<br>• Competition between buyers |
| **Bargaining power** |
| • Size and concentration of buyer relative to suppliers<br>• Buyers' switching costs<br>• Buyers' information<br>• Buyers' ability to backward integrate |

Source: Adapted from Mazzucato 2007, 83

Firms in an industry operate in two markets, name input market (where they acquire raw materials, components, outsourcing, labor and funding) and output markets (where they sell their outputs). Firms in the industry seek to rip some profits with both hands, but since they cannot have their cake and eat it still, their desire is quashed. Buyers' power is determined by two sets of factors: buyers' price sensitivity and relative bargaining power as shown on the table above.

The degree of buyers' sensitivity to the price charged for products depend on certain major factors. The more differentiated the products from the industry are, the higher the probability for buyers to switch to different distributors on basis of the price changed. Also, if the value of the product is proportionate to the total cost of bringing that product to the market, buyers will not be willing to pay extra charges on them, especially if the demand for these products is perfectly elastic.

The greater the perceived value of the industry's products, the less sensitive are buyers to the price charged. But when there is a strong competition among buyers, their eagerness for price reduction rises (Mazzucato 2007, 89) and they can unite to bring pressure on their suppliers to slash down prices.

The relative bargaining power stresses on the reluctance to deal with other parties, but in return gets a fair treatment. It is reciprocity between the buyer and the seller, a muted and mutual agreement to give up a right in return for better prices. The strength of such reciprocity is governed by certain elements. The fewer the buyers and the bigger their purchases, the greater the risk of losing one of them. In such a case, the seller will have little power in the bargain, giving the upper hand to the buyer.

The more informed buyers are about the suppliers, their prices, costs and processes, the better they can bargain. This is a justification for the reason firms in an industry invest considerably to know their customers better than these customers can ever understand their supply chain. If suppliers are inflexible and unwilling to adjust to changing customers' needs and nowadays, environmental requirements, they will lose in the bargain and can exit the industry ipso facto. A distinction has been made between potential buyer power and the buyer's willingness or incentive to use that power. Such willingness is derived from the risk of failure associated with product use (G.D. Karagiannopoulos, 2005).

Force 5 Suppliers' bargaining power.

The bargaining power between firms in an industry and their suppliers are analogous to the analysis of the relationship between producers and the buyers (Mazzucato 2007, 90). Supplier power has been described as the mirror image of buyer power and as such, analyzing supplier power focuses on the size and concentration of suppliers in relation to that of the firms in the industry and on the degree of differentiation in inputs supplied to these firms (G.D. Karagiannopoulos, 2005). If suppliers can successfully charge different prices to different firms, there is an indication that the market is characterized by high supply power and a corresponding low buyer power. But since suppliers of raw materials and components are usually smaller than the manufacturers (buyers), these suppliers are usually powerless in the bargain. They however resort to restore their powers through cartelization Mazzucato 2007, 9.

## 2.6 Marketing Objectives

There are guiding tools that help entrepreneurs to define their marketing objectives. The most used criteria when defining the marketing objectives is the S.M.A.R.T tool which not only defines marketing objectives but has also been seen as a motivation tool employed by companies to encourage their employees to attaining their goals in the company. SMART is an acronym for specific, measurable, attainable, realistic and timely.

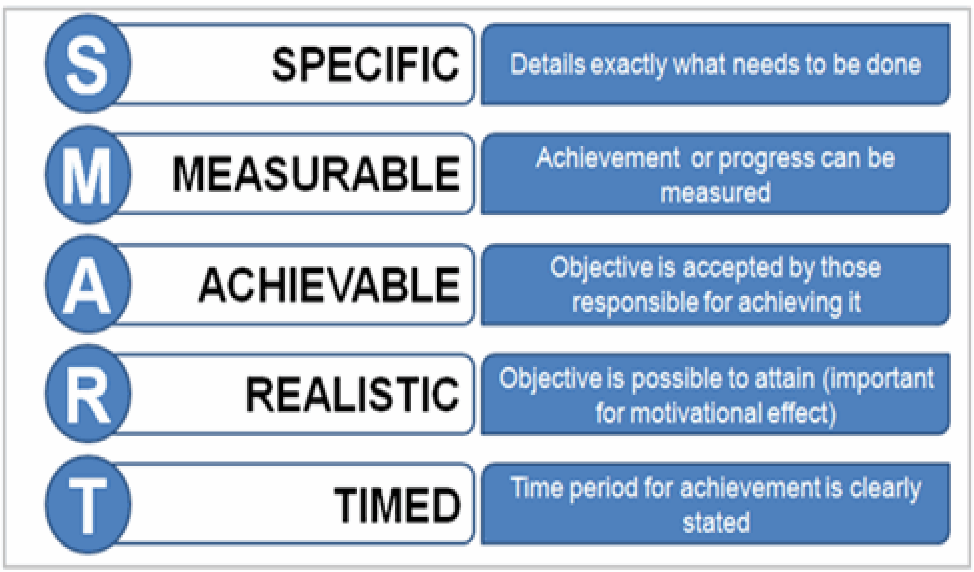



Figure 21:S.M.A.R.T goals. Adapted from (Riley, 2010)

Specific objectives defines what is to be accomplished and by whom. The objectives can specifically state that the firm will increase its market shares, or will lay off a certain number of workers, or acquire raw materials from specific sources rather than from others.

Objectives are measurable when they can be assessed numerically. A measurable objective would state that the firm will like to increase its market share by 10%, or raise sales by 5%. After a given period, the firm will compare the new figures and percentages with previous ones to measure the successfulness of the objective.

In order to set achievable objectives, the firm must step out and study the environment like the legal environment, socio-political and socio-cultural environment to ascertain if their objectives are achievable in those environments. Firms might be required to go abroad, or in worst case scenario, shot down their branches abroad temporally due to political instability or changes in foreign regulations.

Realistic objectives are set by reviewing the firm's resources and the capacity, coupled with other external factors. The raw materials needed to produce a given amount of product, the number employee, the capital requirement and financial resources, their competitors, market conditions, technological changes and other internal and external factors.

The time element of the S.M.A.R.T objectives refers to a given period of time within which the stated goals much be achieved. Time here could be monthly, quarterly, or annually. It could also extend to long run periods like within two years, three years or up to a decade.

## 2.7 Miscellaneous (Finland's Business Environment)

The subchapter will examine Finland's business environment and business relations between Finland the rest of the world. The aim of this subchapter is to determine certain goals of the case company and to redirect certain objectives.

Finland has been ranked by transparency international as the third least corrupt country in the world, thus a favorable investment ground for investors and businesses around the world.


Figure 22**:** LPI 2010 for Finland (World Bank, 2010)

The logistics performance index (LPI) shows that Finland has one of the most developed economies in the world, outclassing the United States, Japan, Germany and Great Britain on the scoreboard. The table below shows various elements of the LPI and Finland's scorecard.

Table 4: Scorecard for Finland's

| | Finland | |
|---|---|---|
| Overall **LPI** | score | 3,89 |
| | rank | 12 |
| **Customs** | score | 3,86 |
| | rank | 7 |
| **Infrastructure** | score | 4,08 |
| | rank | 8 |
| **International shipments** | score | 3,41 |
| | rank | 19 |
| **Logistics competence** | score | 3,92 |
| | rank | 10 |
| **Tracking & tracing** | score | 4,09 |
| | rank | 11 |
| **Timeliness** | score | 4,08 |
| | rank | 25 |

Source: LPI (World Bank, 2010)

The World Bank LPI ranking for 2012 puts Finland on the third position, a massive improvement from twelfth position in 2010.

Between 2010 and 2012, Finland made a remarkable improvement, frog lipping from the twelfth position in 2010 to the third position in 2012. The country performs best in logistics competence and tracking and tracing, scoring 4.14 on a total of 5 in both cases. Finland performed worst in international shipments, scoring 3.85 on 5. Even though the score for international shipment has improved from 3.41 to 3.85 in 2012, it remains a major detractor for Finland's LPI. The shipping industry is therefore under a huge pressure to improve their performance.

Table 5:Finland's LPI 2012

| Finland LPI rank: 3 | LPI Scores/5 |
|---|---|
| | |
| Overall LPI | 4,05 |
| Customs | 3,98 |
| Infrastructure | 4,12 |
| International Shipments | 3,85 |
| Logistics Competence | 4,14 |
| Tracking and Tracing | 4,14 |
| Timeliness | 4,1 |

Source World Bank (2012)

According to researches, Finland has shown little business interest towards Africa. Trade statistics reveals that African countries in general are not fertile markets for Finnish companies. However, the recent crises in the Euro zone, Europe and the USA have forced many companies to rethink their marketing strategies. This rethinking involves penetration of developing markets in less economically developed countries (LEDC). Fresh hopes for companies and businesses in these crisis-striken markets lie in Africa. (Markus Ranne 2012)

# 3 CASE COMPANY: ECLIPSE SYSTEMS TMI.

This chapter will be devoted to analyzing the case company, Eclipse SystemsTmi. The chapter will start with the company overview, internal analysis and will use Douglas West's analysis model (as designed below) to outline the corporate objectives and strategies. The company will be examined in close connection with the Uppsala internationalization model.The author will get the needed information by conducting several interviews with the company owner and partners.

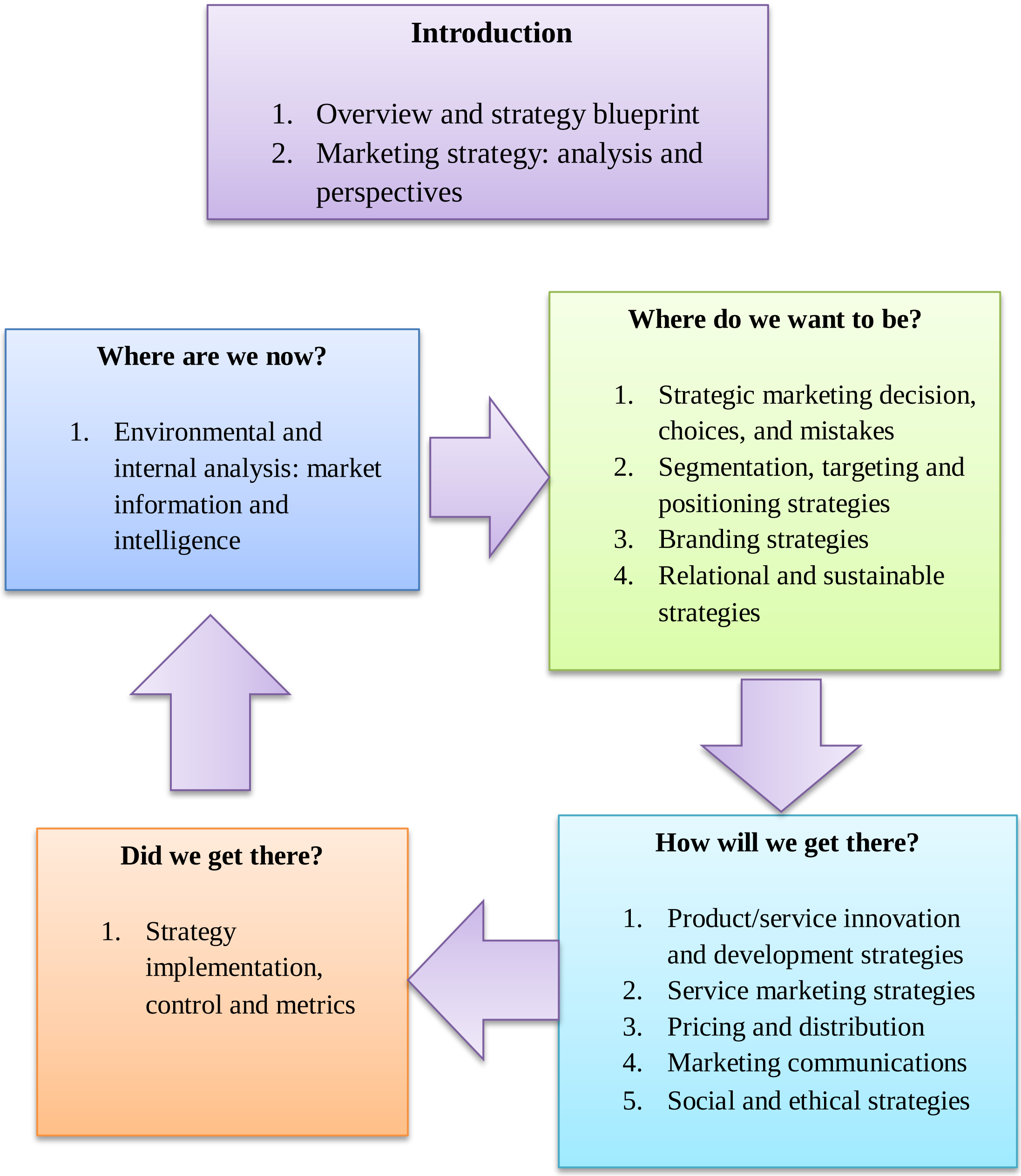



Figure 23: Strategy blueprint Adapted from (West, 2010)

## 3.1 Company Overview

Eclipse Systems Tmi is a sole proprietorship which went operational in 2010. It is located in Helsinki, Finland with a sub-branch in Hämeenlinna. It is a ship broker, acting between the main shippers and the individual customers. The core competence of the company is to facilitate the process between main customers and shippers. The company's responsibility is to carryout the paper work, procure containers and trucks, and make reservations with the main carriers and tracking the container until they reach the port of destination. They keep the customers updated on the movement of their goods from start to finish. Eclipse Systems Tmi therefore acts as a shipper itself though the containers, trucks and shipping services are outsourced to partner companies. Eclipse Systems Tmi is therefore service niche marketer.

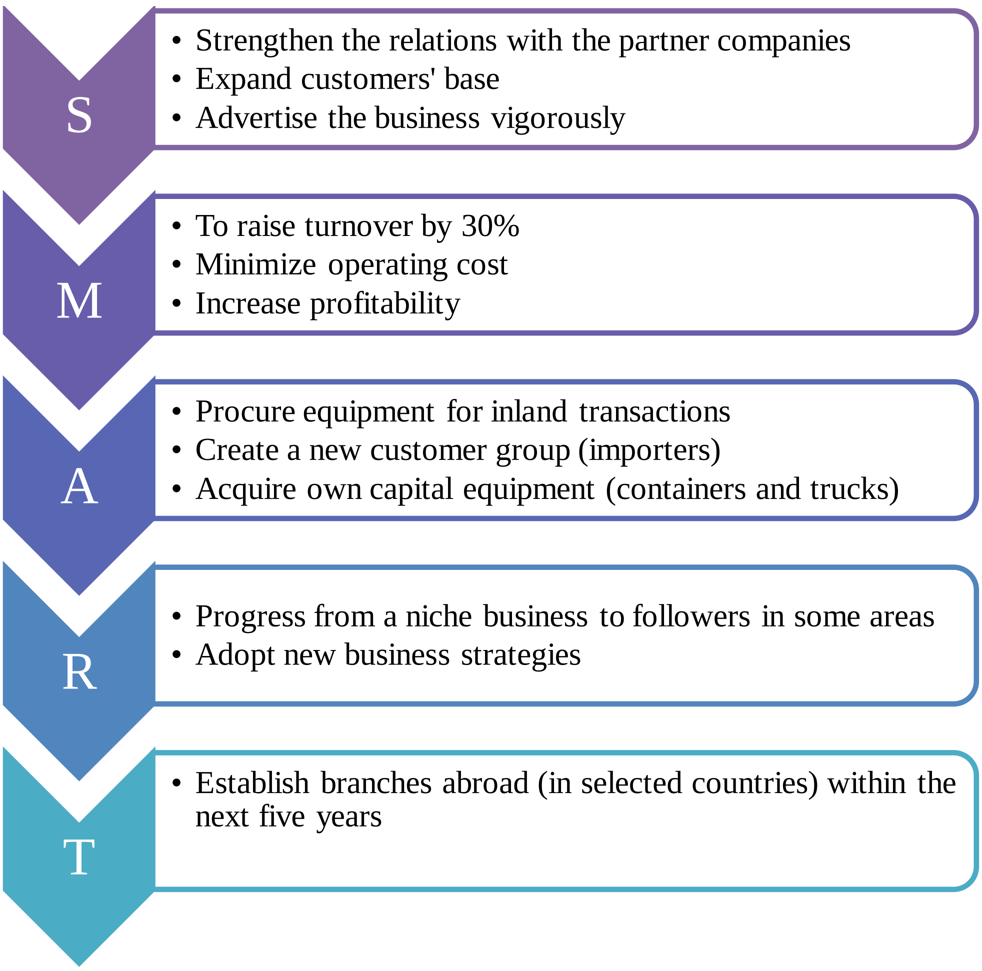
The founder and CEO of the company, Mr. Lah Emmanuel is an economist, entrepreneur and industrial designer. He designs metal product for Finnish companies and this and other activities are also considered as the core competence of Eclipse Systems Tmi since he carries out these activities under the canopy of his company.

So far the company has been shipping containers and automobiles to over five countries around the world. Main products shipped abroad are automobiles in containers (Lo-Lo). However, partner companies also have the Ro-Ro facilities and Eclipse Systems will take advantage of this facility in the nearest future as the customer segment expands. (Lah, 2012)

In addition, the global players have established more sophisticated systems that mostly serve big customers. Hitherto, some customers used to ship their goods abroad the hard way. They simply operated on the black market in the industry without any assurances and certainties. They bore total responsibilities of whatever happened to their goods on transit. As such, they were victims of theft, destruction, and all other associated risks. Eclipse Systems saw a market potential in that direction and therefore sought to help these customers, by creating a smooth, assured and risk-free path for them.

The company takes a greater responsibility in the shipping process, using the DDU incoterm (Delivered Duty Unpaid). By this term, Eclipse Systems takes responsibility in providing documentation services, insurance, proving the carrier and actually supervising the movement of the goods until they reach the port of destination. (Lah 2012a)

## 3.2 Company's Objectives




Source: (Lah 2012b)

## 3.3 Present Marketing Strategies

Eclipse Systems Tmi is a niche business targeting foreign business people and individuals in Finland. Its partners are the leading global shippers, Maersk and

Grimaldi (Finnlines) which are fully established organizations in the shipping industry. Given the present situation in the industry, price strategy has been the sole marketing strategy of the company. It has broadened its customers' base by virtue of the partnership with the Maersk and Grimaldi. By offering a unique service of its nature, Eclipse Systems enjoys a comfortable position, fearing no rival companies at the moment (the absence of threats from new entrants).

By offering services new to the industry, one of its main marketing strategies has been to customize services for regular customers, giving priorities to customers intending to ship a whole container abroad, than those who want to ship a single product which needs to be put into a container. The company can therefore categorize the customer segment into two main groups, with varying market needs. Eclipse Systems then has to position itself in such a way that both customers segments are served simultaneously.

The corporate mission is to effectively and efficiently facilitate the shipping process from start to finish. In this statement, effectiveness and efficiency are paramount. While guaranteeing safety on one hand, the company also affords to reduce the lead time, shortening the entire process and the stages which customers will need to follow in case they had interacted directly with the carriers. The cost is surprisingly lower for customers who cooperate with the case company than for those customers who carry out their transactions directly with the shippers. A 40ft container from an individual customer willing to ship directly with Maersk cost about 6,000€ meanwhile the same container from Eclipse Systems will cost only half of that price. (Lah 2012c)

Market leaders in shipping industry do not have customized services for small businesses or individual customers. So, the lead time is longer when customers go straight to the shippers and the process is even more complicated. Eclipse Systems' position in the industry is therefore highly solicited.

However, the costs of services vary among the two customer group. It has been estimated that 80% of the company's turnover comes from a meager group of 20% of the customers (container shippers) and the single product shipper make up a huge group of 80% that unfortunately contribute only 20% to the turnover. (Lah 2012d)

### 3.3.1 Target Customers

The target customers are the foreign individuals and businessmen resident in Finland and shipping products to their home countries or abroad. The customer group will soon be expanded to reach foreign businessmen or individuals importing products from abroad. To avoid competing with the major shippers, the company will focus on small scale businesses and individual customers. However, the target market will be expanded as the company’s roots go deeper in the industry. (Lah 2012e)

### 3.3.2 Marketing Means

The rather limited marketing strategies have been blamed on the limited marketing means and the time factor. The company has depended on two main ways of marketing its services, notably by network and relationship marketing. Its founder has been working singlehandedly, with very little time at his disposal, given the nature of his professional career. He successfully established business relations with few foreign businessmen and individual people and for the past one year, business has only been possible with these customers. (Lah, 2012)

There have been business transactions with customers in the USA thanks to the founder’s relations on that continent. This has however been on a low profile since there is no constant flow of business in that direction. Viral marketing has also been employed. There have not been huge expenses on marketing projects. The founder believes there are huge potentials in the market lying untapped and therefore the need to revitalize the existing strategies and give the company the lift it needs in order to face realities in the business world.

## 3.4 Eclipse Systems Tmi and the Uppsala Model

The Uppsala model is one of the best known internationalization process models in literature. The model states that firms first choose to enter nearby markets with low market commitment (Gabrielle Hansson, 2004).

Johanson and Vahlne, the authors of the Uppsala model identified the key features thus: “firms develop their activities abroad over time and in an incremental fashion, based on their knowledge development; and that this development is explained by the concept of psychic distance, with firms expanding first into markets which were psychically close, and into more distant markets as their knowledge developed”. Experimental knowledge (knowledge which can only be gained through personal experience) is a critical factor (rather than objective knowledge which can be taught) in international marketing. (Whitelock, 2002)

Johanson and Vahlne identified four stages in the internationalization of firms.

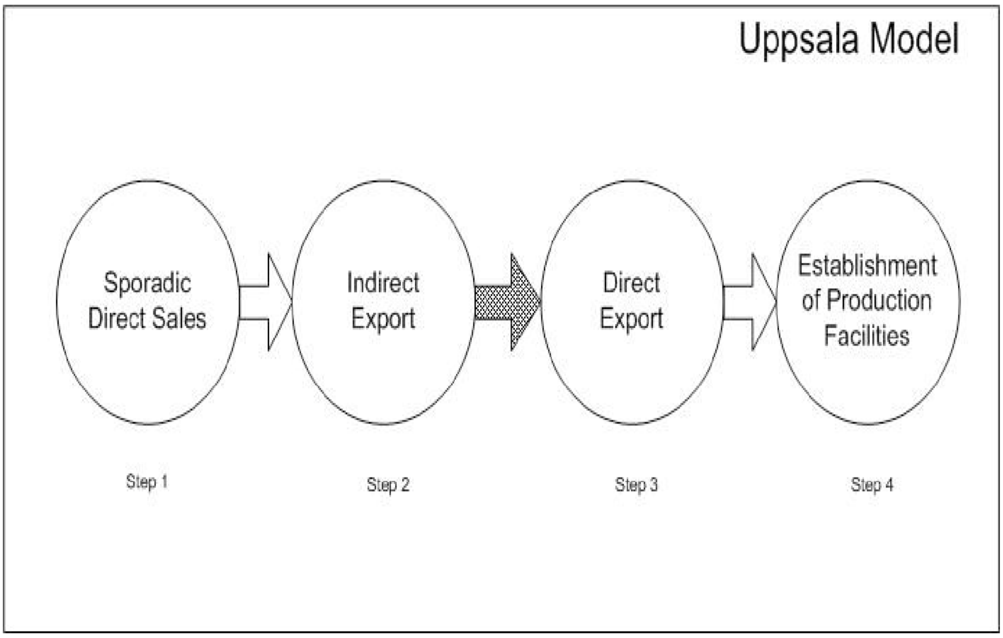



Figure 24: Uppsala internationalization model (adapted from C. Brüggemann, 2004)

The firm starts its internationalization process by direct but sporadically exporting to foreign countries. These foreign countries are selected countries which share a common market system with the host country, geographically close, similar import/export procedures, etc. On the second stage, the firm starts exporting via independent representatives like domestic agents. This stage is also known as indirect export. Thirdly, the firm builds a network of sales subsidiaries in the foreign market. The fourth stage requires the firm to establish a production or manufacturing facility in the foreign market. (C. Brüggemann, 2004)

In the case of Eclipse Systems, the first step will be to establish its branch in Germany, where most goods heading towards the African continent are intercepted. The mode of entry will be by agency. The company will solicit the services of a similar firm in Germany for about a year.

In the second year, it will establish it a department in the partners' companies in that same country and other selected countries. In Africa, the stages will be followed but at a different periods. Finally, in the third stage, the company will build a network of clientele on the African continent, connecting all its branches in a way that "pickups" can be done easily in order to manage time, increase efficiency and effectiveness to better serve the customers.

The nature of the output of the company does not fit comfortably in the fourth stage of the Uppsala model. This falls within the few criticisms of the model which notwithstanding still provides useful guidelines for the internationalization process.

3.5 Situational Analysis

Table 6: SWOT analysis

| **Strengths** | **Weaknesses** |
|---|---|
| Sole service provider<br><br>Personalized service that meets specific needs<br><br>Flexibility (operates round the year)<br><br>Efficiency and assurance<br><br>Provides services at cheaper rates<br><br>Small in size (Niche business)<br><br>Operation costs are low | Low rate of turnover<br><br>Relies on basic marketing means<br><br>Very small customer segment |
| **Opportunities** | **Threats** |
| No direct rivals<br><br>Partners are born global companies<br><br>Other business potentials exist in the company<br><br>Many grounds for expansion<br><br>Easy to establish overseas branches<br><br>Diversification possibilities | Lack of capital resources<br><br>Depends entirely on partner companies<br><br>Difficulties in reaching the target customers<br><br>Black market plays a huge role in the business<br><br>Shutdown risk if competition emerges<br><br>Industry is open to new entrants |

# 4 REENGINEERED MARKETING STRATEGIES

This chapter will review the various marketing strategies which have already been explored in the previous chapters and make the necessary recommendations to the case company. This is the core chapter of this research paper and the author will work hand-in-hand with the company to obtain all the necessary information. The chapter will define new objectives for the company, and revitalize the existing marketing strategies and the marketing means.

## 4.1 New Objectives

The need for the company to take-off from one stage to another, calls for the need to define new objectives. These new strategies will be broadly defined in terms of turnover, catchment area, resources and operarions.

With the additional human and capital resources, mindful of market conditions, the company’s turnover should be raised by 50% in the next five years. By penetrating new markets, and carrying out aggressive marketing campaigns, working in close collaboration with partners, the 50% goal is achievable.

So far, the catchment area is Finland, with a very restricted customer segment. Though this is very common with niche businesses, there are potentials in the shipping industry that can enable the company to operate beyond the borders of niche players. As such, the new objective in this direction will be to operate like a distant market follower. This process has been facilitated by the fact that Eclipse Systems Tmi is working in partnership with market leaders in the industry.

Eclipse Systems Tmi will need additional resources (human and capital) for a prosperous future. Procuring own capital equipment will be the first step towards expansion. With their own containers, it will be easier to establish import/export relations between two or more countries. For instance, shipping Finnish products like computers, spare parts for car, building materials to Cameroon. The returning containers to Finland are loaded with Cameroon’s products like coffee, fruit crops and other semi-finished products. This will eventually lead to new business potential, viz supplying grocery shops in Finland with African products and supplying the African markets with Finnish goods.

### 4.2 New Marketing Strategies

The first major step to be taken will be to create the company’s webpage. As already discussed in the previous chapters, internet has become one of the most important advertisement media. Ads spending on internet increased by 12.1% in the first quarter of 2012 (Misrata, 2012). Even though it has an insignificant contribution to the total global ads spend, there are specific industries that stand to benefit abundantly by advertising online. Eclipse Systems Tmi belongs to this type of industry. The nature of its services is such that customers will like to have a prior knowledge about the company before making a decision. Hence, by creating the company’s website, the customer will know exactly what the company can offer, how to contact the company and get more details if need be. In addition, advertising on the web has numerous advantages, the most important of which are cost-effectiveness, and global catchment area.

The next important advertising medium suited for the company’s service is the newspaper. Considered the most important ads medium globally after television (Misrata, 2012), newspaper ads creates a great impact, especially in Finland where the case company is based.

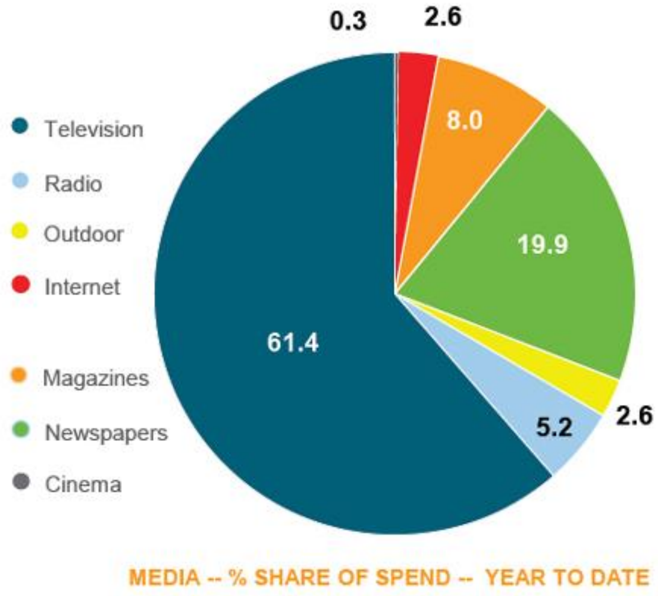



Figure 25: Global ads spending for the first quarter of 2012. Adapted from (Misrata, 2012)

The third strategy will be to follow the Uppsala internationalization model. Eclipse Systems Tmi sporadically exports its service (by virtue of the nature of its business). In order to answer the question “Where are we going”, it will be necessary for the company to target a specific region and a specific market. The area of focus will be the African markets, with specific countries as our targets.

Africa is generally portrayed as a war-torn zone, hunger-stricken continent, ravaged with desertification, and quagmire of famine, genocide, a destination of sybaritic safari or a masochistic aid mission (Kristof, 2012). This is just one face of Africa which is constantly losing grounds to a more prosperous Africa. The other face of Africa which is not so much on the Nordic and Western media is the economically prosperous Africa, with business opportunities, with various resources, striving industrial and service sectors with a high rate of urbanization (Babb, 2012).

Africa represents the next global economic frontier (Babb, 2012). Statistics reveal that by 2050, Africa will possess the largest work force in the world and by 2030 about 10% of the entire African population will attain the global middle class (Babb, 2012). Seven out of ten fastest growing economies in the world are in

Africa (French, 2012). Africa already has a larger middle class consumer than India, which has a larger population than the whole of Africa (French, 2012).

Economic and financial crises in the United States and Europe have made their economies less reliable for investment. Most investors in these regions are turning to emerging markets and there is an eye on the ever growing African markets (Ranne 2012). Based on the Africa's hope, the case company will carefully select countries to establish it branches from where specific regions will be covered.

In West Africa, the target country will be Ghana. Ghana is one of the fastest growing economies, with a stable political system and fertile for foreign investment. Its GDP-purchasing power parity (PPP) is ranked 81 (CIA, 2012). The biggest sector is the service (51%), followed by agriculture (30%) and industrial sector (18.6%). The entire West African region will be served from Ghana, with hopes to expand to Benin Republic in the coming years.

The Central African region will be served from Cameroon by virtue of its strategic location, economic development, and location of partner company (Maersk). Cameroon is ranked as the thirteenth growing economy on the African continent and it serves most of the landlocked countries of the Central African region (Chad, Central African Republic, Congo, etc.) with their port activities and sea transportation. In addition, the owner of Eclipse Tmi is a Cameroonian, with a perfect knowledge and mastery of business operations both in Finland and Cameroon. The author of this thesis takes this chance as an opportunity to serve both countries where he has acquired his education.

The third location will be the Republic of South Africa. This is by far most developed economy on the continent. With over eight major ports in the country, import/export activities are booming, making the country attractive for foreign investment. South Africa has a striving service sector (66.7%) and a vibrant industrial sector (30.8%) of GDP. South Africa's GDP is ranked 26$^{th}$ in terms of purchase parity power by The CIA World Factbook. The economic conditions in South Africa have made its neighboring countries like Namibia and Botswana to be the choice of foreign investment destinations (Ranne, 2012). South Africa is therefore a hub for the entire southern Africa region.

Egypt will be the fourth location for the case company to consider establishing its branch in order to serve the Maghreb region. Egypt has the second largest economy on the continent (after RSA), boasting of a population of about eighty-one million (as of 2010) with a GDP (PPP) more than three times larger than that of Finland, and a vibrant industrial and service sectors is the destination for many Western companies by virtue of its geographic location and proximity to the European continent. The partner company (Maersk) has two branches in Egypt (Suez Canal container terminal in Port Said and Alexandria International container terminals in Alexandria). Therefore establishing a branch office for Eclipse Tmi in one of these terminals becomes a necessity.

The Eastern region will be served via an office in Dar es Salaam (Tanzania) (instead of Kenya). From here, Kenya and other neighbors will be served, avoiding instabilities in nearby Somalia and piracy activities on the Indian Ocean. Here again, the case company will be operating alongside partner company Maersk. These will be Eclipse Systems Tmi's plan of action for the next few years. However, attention shall be paid to economic developments in other parts of the world and the company will be flexible enough to respond to rapid changes.

Another strategy will be to shift from C2C (whereby individual customers are the sole targets) to B2C, B2B business form and later to G2G (government-to-government), targeting companies, organizations and government bodies shipping their products or aid materials abroad or importing materials from abroad. B2B will be developed to focus more on the European and North American continents.

Sources have revealed that 1% of Finland's GNI is devoted to helping countries of the South. More than half of these countries are located in Africa, making Africa a big beneficiary of the aid funds. In addition, the Finnish government has taken the smart steps not to give direct cash to the corrupt governments of these poor countries, but to invest this money back into Finland in terms of materials purchase. Eclipse Systems will seek to be in close cooperation with the Finnish government (Ministry of Foreign Affairs) to target the countries of Finnish foreign aid. The government can thus buy our shipping services to ship the aid materials abroad.

## 4.3 New Marketing Means

In an interview with the company's owner, the previously suggested marketing means, (advertising on newspaper and internet) were discarded, due to the nature and complexity of the customer segment. First, readability of newspapers by foreign people in Finland is very low (Lah 2012). Secondly, creating a website for the sake of advertisement is irrelevant. Even though marketing is digitalized nowadays, the statistics above show that internet marketing does not yield much fruit (Misrata, 2012).

Considering the customer segment and market conditions, it will be necessary to improve the network marketing means previously adopted by the company. To do this, the company will target associations or places where foreign people commute. This will include multi-cultural centers, cultural associations (like the Chinese cultural organizations, Thai cultural association, Nigerians, Ghanaians, Cameroonians, etc.) around Finland.

The company will give invitations to members of these associations to take part in the company's presentation in a given place and time. Participation will be free. After the presentation, there will be a follow-up process whereby the company's acquisition and retention policies will be strategically implemented. (Lah 2012)

Another marketing means which was far from the author's imaginations is direct mail. The company will afford to pay any agencies (immigration department, post office department, trade registry department) in order to have access into their database. The mails can then be sent to these customers, followed by telemarketing with potential customers. The services are not to be sold over the phone. Calls can simply be made to tell about the services offered and leave a wide discretion with the customers.

Sponsorship is one of the strongest marketing tools for big and small companies. Eclipse Systems will sponsor low profile multi-cultural events. At such events, the company can negotiate a brief multi media presentation time. The sponsorship can range from financial support, offering of premise, transportation or any other activities or service to the event organizers. Viral marketing (go and tell) will play a huge role at this stage.

In the future, the company can adopt more vigorous marketing approach through the broadcast media like the radio in selected languages so that the target group can get the message. Also, the company’s brochure will be distributed at various shipping locations and with our partner companies.

Finally, the company will attend trade fairs around Finland in which business potentials can be discovered. Participation in trade fairs like subcontractor fairs will be aimed at creating partnership relations with other smaller companies shipping abroad. The main reasons for targeting smaller companies is avoid competing with the bigger players in the industry who are the company’s partners.

# 5 CONCLUSIONS

To round up the research, the author will make a flashback to the first chapter and answer the research questions according to his findings. He will justify the research’s validity based on his extensive exploration and information management and suggest grounds for further research.

## 5.1 Findings

Answering the research questions is simplified thanks to the profound and deep research that has been conducted throughout the research process. The research questions will be briefly answered in a tabulated form below.

Table 7: Findings

| **Research Questions** | **Findings** |
|---|---|
| What is the current market situation of the case company? | The case company is a startup whose marketing situation is still in its nascent state. |
| What are the existing marketing strategies of the case company? | The case company is a niche player that focuses on providing a specific service to a strategic customer segment |
| What are the latest trends in marketing strategies? | At the dawn of the 21st century, globalization was the trend. Now it is giving way to globality which is seen as the next generation marketing strategy. |
| Who are the case company's customers? | They are immigrants in Finland who ship their products abroad |
| What ar the new marketing strategies to better serve customers? | To customize processes to suit each customer's specific condition and needs |
| Are there idle potentials that the company can benefit from? | The company has competence to diversify to other lines of business like import/export and inland transportation. |
| Who are the major players in the industry? | The shipping industry in Finland is dominated by two big players; Maersk and Grimaldi. It is a duopolistic market. |

In Finland's population of 5.3 million, research reveals that about 5% (300,000) are foreign individuals (Tanner, 2011). About 10% of this figure can be targeted as potential customers needing Eclipse Systems' services within the few coming years. Though operations in the company have been on a low profile, the findings of this research have disclosed expansion possibilities, going across the borders of Finland.

## 5.2 Proposals for future Research

This research paper has explored theories of general and specific applications. The author used information and data dated more than half a century ago as well as information and data published only few weeks back from this very date. Processing these information and data, he has carefully traced the evolution of business strategies, analyzing business as it was, as it is and how it ought to be. He has even taken steps ahead of time through the case company to forecast how business will be in the coming future. As such this research paper is declared valid and fully (but not exclusively) reliable for business students on one hand and the case company on the other hand.

However, given the fact that the business landscape is evolutionary, there are several proposals for future research. Also, the abundance of information, time factor and problems associated with qualitative research approach have caused the author to leave many areas uncovered. These grey areas fall within the realms of the author's proposals for future research. They are categorized under the shipping industry in Finland, Eclipse Systems Tmi, Marketing and logistics.

The Shipping industry

- Analysis of the shipping industry in Finland in light of Porter's five forces.
- The role of the Finnish shipping industry in the LPI
- What is the future of the Finnish shipping industry in light of European crises?

Eclipse Systems Tmi.

- What means are available to lead the company to its goals?
- Strategy implementation
- Risk management
- Entry mode
- Competition

- New destinations

Marketing

- Strategic planning vs strategic marketing
- Who’s the next China?

Logistics

- Who are responsible for integrating logistics?
- The future of integrated logistics in economic/financial crises.

# 6 SUMMARY

The objective of this thesis was to create new marketing strategies for the case company. Chapter one decribed the thesis process and also outlined the thesis research questions that would later guide the author to the findings. The qualitative research method was adopted to conduct the research. Data was collected from interviews, published sources (books and articles) and internet. The second chapter was devoted to analyzing established business theories that would eventually be applied in the latter part of the thesis.

The author examined at least four different business models before getting to the case company analysis stage. These models are the yardstick of the theoretical framework. Some of them are theories of general applications while others are more specific

The strategy blueprint designed by Douglas West is adopted to analyze the case company, set new goals and create new strategies. Even though the author finds certain inadequacies in the strategy blueprint, he still adopts it due to its explicit nature.

The core of this thesis is the fourth chapter where the author had to rely mostly on his intuition and background studies. He however worked together with the company founder in creating new marketing strategies for the case company. After this stage, the author found it easy to figure out answers to the research questions. The theoretical data were backed up by empirical data which were obtained via semi-structured interviews with specialists in the marketing fields and entrepreneurs.

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**Interviews**

Markus Ranne 2012, Partner Manager in Finpro's Global Partner Management Team. Interview 10 October 2012

Lah Emmanuel, 2012. Founder and CEO of Eclipse Systems Tmi. Interview 20 October 2012

Lah Emmanuel, 2012. Founder and CEO of Eclipse Systems Tmi. Interview 25 October 2012

# APPENDICES

## Appendix 1

### Semi-Structured Interview Questions with Finpro (Markus Ranne)

1. Are there any business/market potentials on the African continent as a whole for Finnish companies/products?
2. If so, how are Finnish companies making use of these potentials?
3. What are the major challenges that Finnish companies face in Africa?
4. Which part of Africa is more favorable for Finnish businesses (North, South, East or West?).
5. How did recent events in Africa affect Finnish business?
6. Which are the biggest Finnish companies that are operating in Africa?
7. What are the most important Finnish products on the African market?
8. What is the percentage of African investors compared to other foreign investors in Finland?
9. Is Finland attractive enough for African investors?
10. How does Finpro assist foreign investors/entrepreneurs in Finland?
11. What is Finpro's success story on promoting/encouraging investment in Africa?
12. What is Finpro's greatest challenge on promoting/encouraging investment in Africa?
13. What message would you like to send to business students in Finland who are prospective entrepreneurs in Finland and abroad (Africa in particular)?

## Appendix 2

### Semi-structured interview questions for Eclipse Systems Tmi (Lah Emmanuel)

1. When did the company go operational?
2. What was the main motivation behind your creation?
3. Describe the main activity of the company.
4. What are the objectives of the company (S.M.A.R.T objectives)?

5. What are the current strategies of the company?
6. What is the core competence of Eclipse Tmi?
7. Who are the major customers of the company?
8. Who are Eclipse Systems Tmi's partners?
9. What is the company's target market?
10. What are the major challenges Eclipse Tmi has faced so far?
11. How would you describe the successes of the company?