Joonas Tikkanen

RUSSIAN TRADE OF URHEILU & KALASTUS PALLAS PRODUCTS

Thesis
Kajaani University of Applied Sciences
School of Business
BBA
Spring 2009

Kajaanin ammattikorkeakoulu
University of Applied Sciences

THESIS

ABSTRACT

School Business	Degree Programme International Business
Author(s) Joonas Tikkanen	
Title Russian Trade of Urheilu & Kalastus Pallas Products	
Optional Professional Studies	Supervisor(s) Abdelazim Hannoura
	Commissioned by Sirkka Pyhtilä, Urheilu & Kalastus Oy
Date Spring 2009	Total Number of Pages and Appendices 59 (2)

The main purpose of this study was to help Urheilu & Kalastus Oy to develop the export trade of Pallas ice hockey equipment products to Russia. The study aimed at finding out reasons for the fluctuating sales and how to make Pallas more attractive to the local distributors in Russia. Urheilu & Kalastus Oy is a wholesale company based in Oulu doing both domestic and export trade. The company has a few very well functioning Pallas export trade destinations and they want to develop the Russian trade to be similar. Stable annual sales and active business relationships with the existing Russian retailers are the main medium term aims.

The research was done utilizing a questionnaire, which was sent to the three main Russian trade partners. The qualitative method was mostly used in the questionnaire, even though quantitative questions were included as well. The most important things to find out were recognizing who the Pallas end-users were, where the products ended up, as well as information on competitors, and the competitiveness of the Pallas products. The company also wanted some information on how to promote the goods in the Russian market.

The research showed that Pallas was sold mainly to regular customers and teams in Russia. The Russian ice hockey equipment market proved to be similar to many of the European markets where big corporations are market leaders. The Pallas products were found competitive in terms of their price, quality and service, but the end-users are not yet familiar enough with the brand. Some ideas on marketing Pallas in Russia were found, although none of them were clear cut.

Language of Thesis	English
Keywords	distribution, business to business marketing, end-user, marketing channels
Deposited at	☒ Kaktus Database at Kajaani University of Applied Sciences ☒ Kajaani University of Applied Sciences Library

OPINNÄYTETYÖ

TIIVISTELMÄ

Koulutusala Kaupallinen ala	Koulutusohjelma International Business
Tekijä(t) Joonas Tikkanen	
Työn nimi Russian Trade of Urheilu & Kalastus Pallas Products	
Vaihtoehtoiset ammattiopinnot	Ohjaaja(t) Abdelazim Hannoura
	Toimeksiantaja Sirkka Pyhtilä, Urheilu & Kalastus Oy
Aika Kevät 2009	Sivumäärä ja liitteet 59 (2)

Työn päätarkoitus oli auttaa Urheilu & Kalastus Oy:tä kehittämään Pallas-jääkiekkovarusteiden vientiä Venäjälle. Työllä haluttiin selvittää syitä vaihteleviin myyntilukuihin ja sitä miten Pallaksesta saataisiin mielenkiintoisempi venäläisille jakelijoille. Urheilu & Kalastus Oy on oululainen tukkumyyntiyritys, joka tekee sekä kotimaan- että ulkomaankauppaa. Yhtiöllä on muutamia todella hyvin toimivia vientikohteita Pallas-tuotteille, ja Venäjän kaupasta halutaan myös kehittää paremmin toimiva ja luotettava. Vakaat vuosittaiset myyntiluvut ja aktiiviset liikesuhteet olemassa olevien Venäjän liikekumppaneiden kanssa ovat tärkeimpiä päämääriä keskipitkällä tähtäyksellä.

Tutkimus tehtiin käyttämällä kyselylomaketta, joka lähetettiin kolmelle pääliikekumppanille Venäjällä. Kyselyssä käytettiin enimmäkseen kvalitatiivista metodia, vaikka siihen kuului myös kvantitatiivisia kysymyksiä. Tärkeimpiä selvitettäviä asioita olivat selvittää Pallas-tuotteiden lopullisia käyttäjiä, sekä tietoa kilpailijoista ja Pallas-tuotteiden kilpailukyvystä Venäjän markkinoilla. Yritys halusi myös tietoa siitä, miten Pallas-tuotteita kannattaisi markkinoida Venäjällä.

Tutkimus näytti, että Pallas-tuotteita myydään enimmäkseen tavallisille kuluttajille sekä joukkueille. Venäjän jääkiekkovarustemarkkinat osoittautuivat samankaltaisiksi kuin monet Euroopan maiden markkinat, joissa isot suuryritykset ovat markkinajohtajia. Pallas-tuotteiden hinta, laatu ja palvelu osoittautuivat kilpailukykyisiksi, mutta lopullisilla käyttäjillä ei ollut tarpeeksi tietoa tuotteista. Joitakin markkinointi-ideoita löytyi, mutta ei mitään selkeää suoraa ratkaisua.

Kieli	Englanti
Asiasanat	jakelijat, organisaatiomarkkinointi, lopullinen käyttäjä, markkinointikanavat
Säilytyspaikka	☒ Kaktus Database at Kajaani University of Applied Sciences ☒ Kajaani University of Applied Sciences Library

PREFACE

This thesis process has been much different from anything I have previously done with studies. It has taken its time but as a learning experience it has been useful.

I want to thank the people at Urheilu & Kalastus Oy very much for their help and ideas once this project begun. Pertti, Armi and Sirkka provided me with all the information on the company and the questionnaire was also done through the company. I had done my practical training at the company so writing my thesis was a sensible continuum really.

I would also like thank my parents and my girlfriend for pushing me through and providing support when I needed it. My tutoring teacher Abdelazim Hannoura also helped to share the burden and came up with many valuable ideas which were, at times, really needed.

In Oulu, 10.02.2009

Joonas Tikkanen

CONTENTS

FIGURES

1 INTRODUCTION

This research was conducted for Urheilu & Kalastus Oy in Oulu. The main purpose was to help Urheilu & Kalastus Oy to develop Pallas ice hockey equipment`s export trade to Russia. The study aimed at finding out reasons for the fluctuating sales and how to make Pallas more attractive to the local distributors in Russia.

Urheilu & Kalastus was originally founded in 1930. It has now operated solely as a wholesaler of sports equipment for many years, previously having a sports shop in Oulu city centre as well. Despite the name, fishing was dropped out of the company's collections years ago and the company is currently importing hunting ammunition in great amounts. Urheilu & Kalastus Oy acts as the Finnish distributor for sport brands like Uhlsport, Graf, Norma, RC and some others. (Pyhtilä 2008)

Urheilu & Kalastus Oy decided this work would be a part of a process to get the Russian trade on a certain level which would bring back regular profit. At the moment the company is finding the sales too inconsistent and is looking to develop its marketing and market knowledge in order to develop its business with the Russian business partners. A key point here is that Urheilu & Kalastus Oy is particularly looking to develop business with the existing trade partners in Russia, rather than making potentially expensive and risky changes.

Qualitative research was used in this study. The customer survey was sent to three Russian trade partners, in the form of an e-mail questionnaire. For any business to business firm it is important to know the end customer as well. This was one of the main goals, so that the company would then get ideas on how to market Pallas products for the Russian market. Also, market structure and competition were under research. In addition Urheilu & Kalastus wanted to find out whether it could negotiate terms differently or develop the products in some ways to stabilize its Russian business. Making questions to business clients has to be regarded with certain reservation and not take the answers in without consideration. Business clients might use certain information as a part of future negotiations, so the questions had to be assembled carefully especially concerning market share and product position. The answers have been described pretty specifically. This is because the company wants to develop cooperation with the current retailers and due to the small amount of manageable answers. SWOT analysis was also utilized. It was found to be a useful tool in the discussion part.

The theory part of this work includes distribution, especially selecting distribution channels and strategies. This section also includes business to business marketing, which is regarding very much of the company's business issues as well. The links between the theoretical section and real life are shown in the company information chapter and the discussion part.

2 VALUE CHAIN STRATEGY

As an introduction to the theory, the value chain strategy needs to be defined. A value chain is the group of vertically aligned organizations which add value to a good in the process of it moving from basic supplies to finished products for consumers and organizational end users. In managing the value chain, managing the channels of distribution is the main issue. A functional and efficient distribution channel gives all the member organizations a useful strategic edge over their competitors. A distribution strategy is the means of a firm to reach its market targets. (Cravens & Piercy 2009, 319)

2.1 Supply Chain

According to Simchi-Levi (2003, 1-2), in a typical supply chain raw materials are purchased, and the products are manufactured in one or more locations, sent to warehouses for temporary storage and from there delivered to retailers or even consumers. Therefore, an effective supply chain has to note all actions at different levels of the supply chain, in order to diminish costs and improve service. The logistics network, the supply chain, includes the suppliers, manufacturing plants, warehouses, wholesalers, retailers, and also the raw materials, work-in-process inventory and eventually the finished products or services that go through the facilities. Supply chain management concerns integrating all the chain members like factories, warehouses and suppliers to produce and distribute goods in the right quantities and at the right time as efficiently as possible keeping in mind service level requirements.

Gorchels, Marien & West (2004, 45) give a current issue of supply chain management: Many manufacturers have traditionally shipped a product out to their dealers and distributors with the attitude that they just have to sell it. The distributor is thought to be their customer, and no thought is given to what happens to the products beyond that point. Companies are currently looking towards the end of the chain more, at the end-users and the channel at their own supplier's supplier as well. This research process is the one of the most important things that determines the channel strategies at many companies today. It is also the main concern of supply chain management.

Manufacturers have traditionally focused most of their resources on managing the orders coming in internally to meet the distributor's needs. The next challenge now is to develop supply chains to get the firm out of the pricing game and differentiate through supply chain strategic initiatives. Manufacturers are negotiating with distributors to improve the supply chain in terms of efficiency and the flow of materials to get a competitive advantage while improving trading partner`s financial results. (Gorchels et al 2004, 47)

According to Cohen (2004, 9-10), many companies only think about the supply chain if something goes wrong like customer service or a late shipment. Other companies use it as a strategic weapon; it can be developed into a competitive advantage. He gives five critical configuration components for a company to get the best out of its supply chain: Operations Strategy, Outsourcing Strategy, Channel Strategy, Customer Service Strategy, and Asset Network. All of these decisions and the strategies functioning together define how the company's supply chain strategy pans out. Operations strategy means decisions about how a firm produces its goods. The strategy could be: make to stock, make to order or manufacturing outsourced. The channel strategy is discussed in detail later.

The outsourcing strategy requires the company to know its strengths but also the actions with low importance, because it is these actions that the firm can consider to outsource. It can be cheaper and more effective. The customer service strategy can be based on two issues. There is the overall volume and profitability of one's customer accounts and then there is the issue of understanding the real requirements of the customers. Both are integral and help a company to focus and prioritize. Should all the customers get the same treatment or are there different service levels? It is also critical to know who the high-value customers are. The service strategy should be tailored to get each customer segment the best cost/service trade-off. The asset network regards the decisions on the assets like factories, warehouses and offices. The locations, sizes and missions all have a major impact on a company's supply chain results. (Cohen 2004, 11-18)

2.1.1 Distribution

Rushton (2006, 56) gives a useful definition on distribution. Physical distribution is a term which is used to explain the methods of how a product or products are actually physically transferred all the way from the production to the point of where they are being made available to the final consumer. The end point is often a retail store, shop or even factory but it can also be the customer's home since there are certain channels which go past the shops directly to the consumer. In addition to a physical channel, there also exists the trading or transaction channel. The trading channel is not only concerned with getting the goods all the way to the consumers, but about the non-physical aspects of the transportation as well. These are the sequences of negotiation, buying and selling of the goods as well as the ownership and responsibility of the goods as they are transferred through the channel. He adds that the channel structures differ very much from company to company, and the main differences are the types of intermediaries, the amount of levels of intermediaries and the intensity of distribution at each level. Companies can also have different products and types of customers, which lead to different channels being used within the company's distribution operation. (Rushton, Croucher & Baker 2006, 60)

According to Procter (2000, 96), a firm also has to consider the trends taking place in the choices of channels and what new channels might be emerging in the future. The firm has to see who actually has the power within the channel and how that is going to develop in the future as well. He states that an access to an effective and efficient channel "*is often a key success factor*".

Paley (2001, 242) gives three reasons why the choice of distribution channel is of significant importance to a firm:
1. It requires long-term commitment with other firms.
2. It can limit the portion of the markets the company can reach.
3. It has an effect on all the other marketing decisions and means.

Sealing contracts with distributors usually involves notable up-front money, so a firm not sticking to its commitments would be throwing away money. This is not good for a firm's reputation either. The price/product/support package must be in shape for a firm to get to the best retailers who attract the wanted target groups. If this is not possible then the next best solution should be taken. If the distribution is very exclusive then the price for the end-customer will be higher, but if the market is covered intensively the producer usually has to select a low-price policy. Advertising and packaging also have to reflect a firm's choice of channel. (Paley 2001, 242-243)

2.1.2 Selecting the channels

According to Cravens et al (2009, 330), the major channel-strategy decisions for management are:
1. Choosing the type or different types of channels utilized
2. Deciding on the needed intensity of distribution.
3. Selecting the configuration of the channel.

According to Rope (2000, 246), the selection of marketing channels is always a strategic decision for a company and the major factors that belong to this are as follows:
1. What are the most functional channels for the firm to get the product to the customer base?
2. How many intermediaries the channel will include?
3. What are the roles of each intermediary, and the duties in taking the product all the way from producer to its end-user?
4. How to ensure the products path in the wanted way through the channel to the end-user?

According to Rushton et al (2006, 61-62), the channel selection is always different at each company, but it is possible to define some general points that are relevant and which should normally be considered by a company:

- The product has to be readily available to the consumers at the market it is aimed at.
- A company should want to better their prospects of making sales.
- Achieving cooperation with all relevant distribution factors.
- A certain level of service required by customers has to be achieved.
- The costs and logistics have to be minimized.
- A channel should also provide fast and accurate feedback.

Below is the figure of long and short distribution channels (1.Distribution channels). The main point here for the manufacturer is to select the channels and types of outlets, that are *"most appropriate"* for the end-user. When the market is geographically wide, the long channel is usually used. The picture is one example but generally a long channel is one where there are a number of storage points and transportations before the product is finally at the hands of the end user. Short channels are used when there is only small number of buyers in a small geographic area. Therefore it is the market characteristics which are one of the main considerable issues directing the choice of channel structure. (Rushton et al 2006, 63)

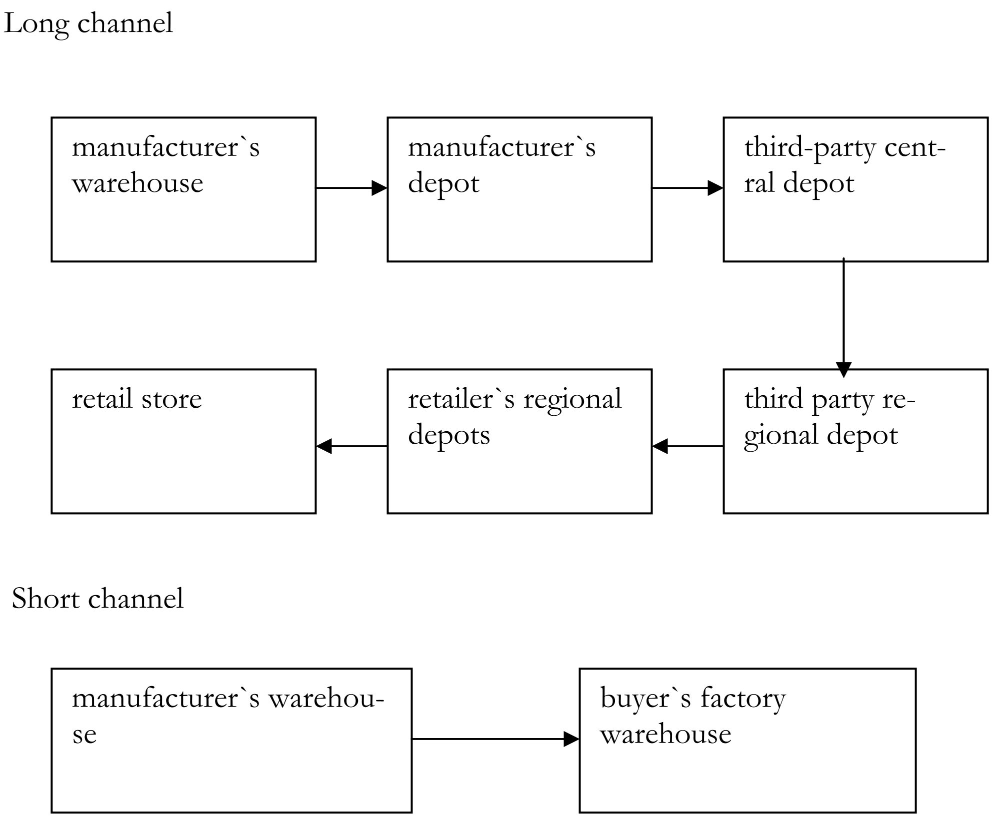

Figure 1. Distribution channels (Rushton et al 2006, 63)

It is also important to consider the product characteristics when selecting the channel. For example, complex products require direct selling because an intermediary might not be able to explain its functions to potential customers. New products need to be marketed directly because traditional outlets might be unwilling to take a chance with them. The characteristics of the channel itself should be considered as well. The channel is to supply or serve the customer in the way required and as efficiently as possible. The competitive characteristics that need be considered concern the activities and decisions of the competitors. The decisions are whether to sell alongside similar products, or to try exclusive outlets to avoid competition. Consumers may well prefer a wide choice so the company has no other option but supply the same outlets. It is essential to ensure the service provided is at least as good as that the key competitors provide. This is a possible main competitive advantage, especially with products that are difficult to differentiate with price and quality. (Rushton et al 2006, 64-65)

This is the dilemma with many markets when there is no option but select the same distributor as your competitors. Also, why should the distributor give your products any special treatment in selling and serving your customers? A firm should be able to provide something for that to happen.

The channel decision comes down to company resources. Usually, only larger companies can afford to set up their own distribution structure. Smaller companies with less financial security have to rely on intermediaries to perform their distribution function. All these factors have to be taken notice of and the following approach might be taken on formally when designing the channel structure. (Rushton et al 2006, 65) The following figure is a generalized process figure of this (2. The channel decision process):

Set and co-ordinate distribution objectives

↓

Specify the distribution tasks

↓

Develop alternative channel structures

↓

Evaluate the relevant variables

↓

Choose the best channel structure

↓

Select the channel members

Figure 2. The channel decision process (Rushton et al 2006, 65)

Cravens et al (2009, 328-329) gives those same processes as in the figure, which influence the choice of channel. It is vital to know the *end-user* and the intermediaries should provide a way to them. He also mentions product characteristics, manufacturer's capabilities and resources, required functions and availability and skills of intermediaries.

2.1.3 Types of channels

A company can select from many different types of channels. Cravens (et al 2009, 324-327) give the following four different channels types, which also have variations within them.

1. Conventional channel

Conventional channel is a group of vertically linked independent organizations with each member looking out mainly for themselves. The focus is on buyer-seller transactions.

2. Vertical marketing systems (VMS)

An increasing number of firms are beginning to use some type of vertical marketing systems as they realize the advantages gained by coordinating the channel as a programmed system of participating organizations. One firm that is the channel manager coordinates the whole channel and there are rules and guidelines that tell each participant what their responsibilities are. Ownership VMS, Contractual VMS and Administered VMS are the types of vertical marketing systems, along with Relationship VMS in which there is more collective managing of the channel by all the participants.

3. Horizontal marketing systems

This system exists when unrelated companies put together resources to utilize marketing opportunities. The horizontal marketing system is actually close to co-operations like joint venture or a strategic alliance arrangement.

4. Digital channels

This is a relatively new development, mainly internet based distribution channel. Many products, like music and e-books, can be sold in digital format. With others like tickets, the customer can purchase easily and print or write down the required information quickly at home or work.

During recent times there has been a lot of development within low-cost channels and growth in vertical, horizontal and multi-channel systems. There has been a decline in the added value of the channel with the movement to higher volume channels. At the beginning of distribution a company would need a specialist channel, when it develops a customer base. There can be movement towards higher volume chains and eventually mass merchandising channels with less added-value.
There is also a trend towards vertical marketing systems where one of the channel members takes responsibility of integrating and managing the channel, reducing costs, minimizing co horizontal marketing systems, a strategic alliance or network facilitates a co-operation of two or more maybe even competing firms, reducing their risks and providing accesses to other distribution channels thereby also accelerating market penetration. In multi-channelling a producer tries to meet different product, service and price needs of different customers/market segments. In this case there is a danger of conflict between channel members however, so the producer has to make sure it is being as fair as possible in dealings with these members. (Procter 2000, 218)

Chernev (2007, 126-127) categorizes the types of channels slightly differently and gives three different distribution structure types: direct, indirect and hybrid distribution.
In direct distribution the manufacturer and end-customer are in direct exchange without any intermediaries. The advantages are clear. It is an effective system through good coordination of aspects of value-delivery process, great cost-efficiency with no intermediaries. There is also great control over customer service, product display and complementary offerings with the manufacturer getting first-hand feedback and information about the customer's needs. However, there are disadvantages as well. Launching a direct channel takes time and often a large upfront fixed cost investment. It is more difficult to reach all the desired customers with a more narrow distribution rather than with multiple intermediaries. In addition, not

many manufacturers have the required assets and competencies available to develop and manage a distribution chain.

Indirect distribution is a business model in which the manufacturer reaches the end customer via intermediaries like retailers and wholesalers. The advantage here is broad coverage that makes it possible to reach nearly all the target customers. This distribution can be implemented rapidly. Manufacturers can benefit from assets and competencies that the intermediaries posses. There can be a possibility to utilize the economies of scale (if increasing expenditures on all inputs, with the prices constant, increase the output quantity by a larger percentage, with the average cost of producing each output declining (Pugel 2007, 91)), since intermediaries often perform similar functions to other manufacturers as well. Investing heavily upfront is not needed in this system because through intermediaries it is cheaper to get shelf space for goods. On the other hand, a complex channel system can decrease the efficiency of distribution. Intermediaries can add extra profit margins which can increase the total costs, (and also decrease demand if competitors can sell more cheaply). Manufacturer loses the control of the selling environment in this system and cannot nearly so easily get direct customer feedback. There is a potential for conflicts in this system as well, with intermediaries possibly having different strategic goals and profit –optimization strategies.

Hybrid distribution involves using a number of different channel types, for examples mixing both systems that have already been mentioned. The advantages and disadvantages come from above, depending in each case on various factors and the structure of that particular distribution system. One especial problem with hybrid distribution is the possibility of targeting the same customer as one's intermediaries, thus taking business off them. This conflict is called a multi channel conflict. (Chernev 2007, 126-127)

In different types of channels there can also be vertical or horizontal conflicts. A vertical channel conflict occurs when there are differences in the profit-optimization strategies between the parties of the distribution chain. A retailer might only want to have the most profitable products in their collection while the manufacture would like them to have the whole collection of products. Horizontal channel conflict involves parties from the same channel level, like two retailers. Here both of these parties target the same customers with the same or identical/substitutable products. The retailers would commonly have different cost structures and profit margins but both stocking the same goods. (Cherney 2007, 132-133)

2.1.4 International channels

There are many options a company can take with international distribution as well as with domestic distribution. Cravens et al (2009) give examples of the international channels in the following figure (3. International distribution channels):

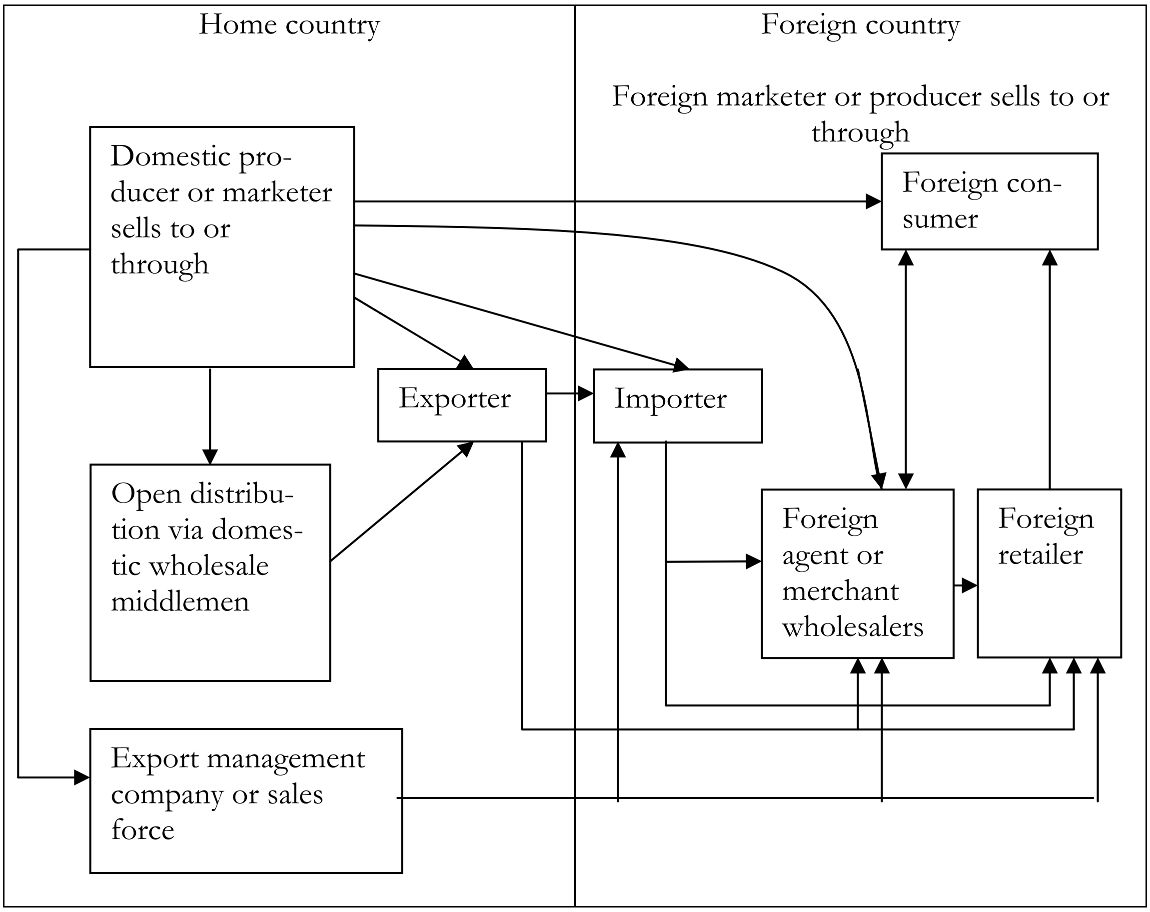

Figure 3. International distribution channels (Cravens & Piercy 2009, 341)

Factors affecting global channel selection

Many situational factors affect channel decisions in different countries. The choice for international channels if influenced by cost, capital requirements, control, coverage, strategic product-market match, and middlemen's longevity in the business. The country's security and stability have become important things to consider as well. There may also develop a problem if the prices in domestic and foreign countries for the same product are very different. Overseas customers may try to access a cheaper domestic product through Internet, or domestic customers might try to get it from the international channel and even import the product back. There is a risk when differentiating the value offers of domestic and international channels. (Cravens et al 2009, 342-343)

According to Brierty, Eckles & Reeder (1998, 30), business market channels are usually short and direct, since the need to minimize inventory costs and get the products as quickly as possible from the production line to the end user. Here, wholesalers perform the critical part of producer's marketing strategy. They perform selling and customer service and often take a credit risk, but essentially they broaden the producer's ability to get into the target market. Also a very notable aspect of international business channels is that a producer trying to access a foreign market often needs a lot of support from the distribution channel members to succeed in the market. (Brierty et al 1998, 30)

2.1.5 Distribution channel strategy

After deciding the distribution chain a company has to decide the distribution strategy and implement it correctly.

Armstrong (2006, 37-38) defines the concept of selecting a distribution strategy through the amount of market exposure the company requires. Therefore the choice of channel strategy will depend on the nature of the product or service, the technicality of the product, its servicing arrangements and the image the company wants to show its consumers. He identifies three main distribution strategies:

- Intensive distribution is often used by companies who produce fast-moving consumer goods, as well as by those who produce electronics like refrigerators or wood products like furniture, when the aim is to get the goods available in maximum number of outlets for maximal exposure at point of sales.
- In selective distribution manufacturers focus on the most attractive, and hopefully profitable, outlets. In this case, retail facilities and also other resources and image can have an impact on the consumers, so for example selective distribution can be used

with expensive perfumes. Many food products require certain facilities, which affect the choice of retailers as well.

- Exclusive distribution means using only carefully selected limited number of retailers that are designed to improve and preserve the brand image of the goods. Often used in car distribution where one outlet only distributes the brand.

According to Paley (2001, 247) exclusive distribution is often used with high-class products like cars. It protects this firm against encroachments in the area in question but also prevents the middleman from selling other similar goods. The producer has big control and responsibility over the trade. With intensive distribution the situation is opposite. It is used with goods like chocolate bars. The consumer expects to make this purchase without much effort. Selective distribution is between the other two, being suitable for goods like clothes (semi durable goods). Selective distribution costs less than intensive, allowing shared cost advertising between producer and retailer.

For selecting and coordinating distribution, Armstrong (2006, 38) gives the following four steps:

1. Determine what level of output of service each customer needs.
2. Have a look at the duties the channel members have to perform in order for the end customers to get a decent delivery.
3. Channel members have to be motivated to carry their duties out - use fitting measures to do this (economic or other).
4. Have mechanisms in place to deal with potential conflicts between the channel members.

According to Cravens et al (2009, 330-331), when choosing the channel strategy, a firm has to evaluate the following factors:

1. Market access

The market target decision should be closely coordinated with channel strategy. This is because the channel connects the products with the desired people, the potential end-users. Often there are multiple market targets which require more than one channel.

2. Value-added competencies

The channel selected should offer the greatest value-added competencies. The company has to know the competencies of each participant and the trade-offs regarding financial and flexibility and control considerations.

3. Financial considerations

The company must be financially able to create the channel decided. The alternative channels have to be searched and revenue cost impact evaluated (including cash flow, return on investment, operating capital requirements etc.).

4. Flexibility and control considerations

Both of these aspects should be considered. Flexibility is about how easy the channel is to enter to and exit from. If it is easily accessible, like conventional channel, there is little control a firm can exert. A vertical marketing system (VMS) is often more easily controllable for the firm.

5. Channel strategy evaluation

If there is an option available as regards to the channel selection it is then simply about putting the options next to each other and evaluating the attributes.
(Cravens et al 2009, 330-331)

All in all, the marketing channel solution's execution is a process like any operational marketing solution (like the pricing process). Rope (2000, 263) gives this process model:

Background factors

- company factors
- product factors
- target group factors
- competition factors

↓

Objectives

- volume/market share
- image
- contribution margin
- the ease of nursing the function

↓

Channel decisions

- channel policy
- channel intermediaries
- channel selection

↓

The execution of the channel decisions

- the recruitment of the channel members
- building the channel function models
- education
- allocating resources

↓

The execution of the channel marketing decisions

- the activity planning
- the execution of the activities

Figure 4. Execution of the marketing channel (Rope 2000, 263)

According to Gorchels et al (2004, 28), orientating on the end-user is a major factor in business growth. This also improves the profitability of the channel trading partners, even helping them to survive in some cases. The further the firm is from the end-users, the more difficult it is to know what happens with the product.

3 BUSINESS TO BUSINESS MARKETING

3.1 What is business to business marketing?

Business to business marketing is an accepted term that is generally used in marketing goods and services to organizations. (Brennan, Canning & McDowell 2007, 3)

In business to business marketing the buyer is always a company or some other organization. In the marketing terms though, it makes no difference whether the buyer is a consumer or a person hired by an organization. The buying item does not make a difference either, whether it is a service or a good, because the marketer's got to be able to make their own supply better, more beautiful and desirable than the ones of its competitors. It is important to notice in business to business marketing that no organization has ever bought anything but it is always a person buying. Whether the person acts as representatives of an organization or as a consumer in the markets, this will only create certain circumstances to his/her action. (Rope 1998, 9-10)

The consumer market and business to business market are not very different actually but like Brierty et al (1998, 29) write, it is important to know the specialities when doing business to business marketing. When a product is being sold to business customers, even if it had the same performance capabilities as in the consumer trade, intangibles like consultation before sales and the service provided afterwards, become much more important. Just-in-time delivery could enable a well running production line with no costly shutdowns, to give one example.

Francese (1996, 2) gives another specification of the topic. In consumer marketing a producer has to know the customer, which is the fundamental rule. However, for business to business companies this is a bit more complicated: they have to know the customer's customer too. In providing a service or product to another business, it is always useful if one can help develop a product or service to better serve the eventual consumers. Notably, he also states that coming up with good ways to do this is not expensive or time-consuming. Even statistics on the market can provide good help. Providing a short report on the latest fashion or taste can make your clients feel good about your company and that you are interested in their success. In business to business the fundamental rule is therefore to know the customer and the customer's customer. (Francese 1996, 2)

The nature of business marketing is that the emphasis is on personal selling. Advertising creates a base for the sales meeting or call, rather than being the main communication tool. Most of the advertising in business markets is to build image and to try and get a door open for the sales force. Price is not of the same importance as in the consumer trade, although with the same offerings of two suppliers the business buyers will also buy on price. Financial arrangements do serve as a deciding factor very commonly. (Brierty et al 1998, 30-31) This includes payment time and potential reductions of price within certain time limits for example, not just straight-on price.

3.2 Business to Business Markets

According to Brennan et al (2007, 10), the special characteristics of business to business markets compared to consumer markets show in market structure, buyer behaviour and marketing practice. For example, in business markets personal selling is the main promotion tool, while in consumer markets it is advertising. In business markets there are often a few powerful buyers (market structure) who use purchasing professionals (buying behaviour). In consumer markets the demand is usually equally divided through the public with no one having any real personal buying power and ability to affect the prices.

Demand in business markets is often derived, meaning that the buyers want the goods to enable them to produce their own products. Consumer markets in their simplest form are direct, with the consumers wanting the goods just to meet their needs. Also, business firms do not usually buy things because they want them like consumers often do. They buy them because they need them to deliver the goods or services on to their customers. The consumer demand is usually direct, while the demand from businesses is called derived. Business customers have less choice as whether to purchase the good. There are often so few suppliers, that the demand is not very price elastic. In fact, another hypothesis states that in business markets a reverse price elasticity of demand is more common. A price increase actually brings an increase in demand because business buyer will assume the demand for this supply is growing and their company cannot be left without these inputs for critical business processes. If there are no other suppliers of similar goods, this is even more the case because companies need critical inputs to be able continue with their business. The business markets are much more complex, fragmented and heterogeneous than consumer markets. There are so many different sorts of organizations. (Brennan & al 2007, 8-14)

One can classify the customers belonging in the field of business to business marketing as follows:

1. Business organizations
   - Industrial; service or business companies (like in Urheilu & Kalastus` case)
2. Public organizations
   - State or town bureau
   - Society service (eg. hospitals, schools)
3. Ideological organizations
   - Sports clubs, cultural organizations
   - Event organizations (eg. competitions, parties)

For all of these, the essential collective factor regarding marketing is that the product is not bought for own use, but for the need of the organization. (Rope 1998, 13)

3.2.1 Organizational buying process

Depending on the nature of the purchase, the buying behaviour varies in terms of the following aspects: the magnitude of the purchase for the buyer, the length of the buying/marketing process, the ambiguity of the decision, the numbers taking part in the process, the quality of the consumer relationship and the personality of the purchase, the buying decision criteria of the organization and the formality of its decision making. The consequence is that the business to business marketing changes in many ways, always regarding the situation and there is no model that can always be recommended. (Rope 1998, 15)

The following figure (5. The buying decision process) gives a better visual of the whole situation and its many variables. As it can be seen from the figure, the product, competition, the buyer and the buying situation all affect the buying, with the arrows indicating all the causations.

Product factors

- Physical qualities
- Visional qualities ↔
- Intended use

↕

Company and competition factors

- Image
- Conspicuousness
- Market position
- The amount of supply

↕

Organizational factors

- Size of organization
- Field of business ↔
- Individuals
- Buying groups
- Buying policy
- The roles in buying process
- Organizational culture

Situational factors

- Product's implications for company
- The frequency of buying situation
- The geographical factors
- The physical environment
- Technology

↓

The completion of the buying decision process

Figure 5. They buying decision process (Rope 2000, 62)

As the figure shows, there are effects and dependencies on in every direction; this creates many different situations, like there are cases in real business life. (Rope 2000, 62)

According to Brierty et al (1998, 29) business market buyers are more technically and professionally trained than regular customers. They base their buying decisions more on costeffectiveness and dependability of supply rather than social and psychological factors. Like shown later, the decision will be based on the opinion of multiple individuals, since it can include major financial commitments. Business buyers have stable relationships with their suppliers, which have often taken time to develop. Changes are infrequent since they would consume so much time which often seems better spent on other business activities. Buyer-seller interfaces are various too. There are many different negotiations going on, on different levels, and once these relationships develop even on a personal level and become more durable, it becomes nearly impossible for new firms to break into the buying pattern.

According to Brennan et al (2007, 50), the supply expectations of the buyer do not fundamentally focus on product exchange. The buyer organization will also have relationship expectations of suppliers, depending on the importance of this supplier and product to the buyer. A company should take this into consideration when creating the marketing strategies to affect the customer's buying decisions.

Earlier has been mentioned the relationship between the supplier and business customers, and another major aspect in the organizational buying process is the pricing. Price is an important factor in developing long –term relationship with the distributors and even more important are price reductions and arrangements. This is noted by Brennan & al (2007, 332): major firms expect continuous price reductions from their suppliers. It is usually justified with the fact that it is bringing greater volume and stability of business with long term cost savings for the supplier. He also states a study (Kalwani & Narandayas 1995, 1-16) saying that the firms engaging in long-term customer relationships have performed better than comparable transactional marketing firms in terms of return on investment, despite the fact that their gross profit margins went down.

3.2.2 Phases of the buying process

According to Rope (2000, 64-67), the phases of the buying process always follow this route:

1. Determining the needs

Determining the needs begins the buying process. The need is going to be either a function need or a complement need. Function needs are raw materials connected with the organizations basic function. These are quite necessary purchases. Complement needs are needs for market researches and consultation services. The organization can do without complement needs; they are not necessary purchases like function needs.

2. Finding out options for solutions

This includes searching for such models, which bring solutions to the need (e.g. hiring a cleaning company, hiring a cleaner, cleaning oneself). The marketer should be able to show that the solution offered by him is a notable option, so that the buying process progresses according to the marketer's interests. Another critical point here comes if the marketer has a new solution. He has to make the customer trust that the new solution is a remarkable option as well.

3. Searching for sources to buy from

This includes the company searching for information about such suppliers who can give a functional solution to the company's need. The supplying firm has to create awareness to its customer base so that it is recognized as a source to buy from. Therefore it can be said that also in the business to business markets making a company known is quite meaningful. Having a good reputation and being successful in this stage means that the buyer will go on and find out how this company can supply for their need.

4. Evaluating options

Often in this stage the buyer asks for written offers to evaluate options. The supplier has to remember though that it is not the company making decisions but the people in it. Personal affections become decisive.

5. The buying phase

The buying phase is built from two parts: the decision where to buy from and the actual purchase. This is because in reality these are two different things and the buyer might have to buy from a different source than what was originally thought to be the most affectionate. There could be problems with delivery time. Normally the buying decision has a straight connection to the actual purchase. Here the buyer makes the purchase exactly as it had been planned. For the supplier, making your own offer the most affectionate is the critical success factor in business to business-marketing's this phase.

6. The experience phase

For the marketer, ensuring positive experiences is essential. This is because business to business markets are: a tight market where everyone knows each other and word goes around very quickly, a limited market in terms of organizations where losing customers through failure cannot forever be replaced, a market that is loyal and when a deep relationship of trust is created with key personnel the competition becomes less of an issue. This is the fundamental focus area of business to business marketing: sustaining and caring the customer relationship, which ensures its continuity.

3.2.3 Persons taking part in the buying process

It is also useful for the supplier to know the persons who take part in the buying process or at least know the attributes and what each of the persons is looking at. Rope (2000, 67) gives the following definitions:

1. The users

The users view the purchase in terms of functionality and usability. The user's role is very important in determining the needs and creating the experiences.

2. The influencers

The influencer's role as an expert is strong throughout the buying process, especially when the purchase demands special knowledge.

3. The buyers

In large organizations, the professional buyers view the purchase very much in terms of its price, even though other factors influence the purchase too. These persons are usually very good in negotiating the terms to their liking.

4. The decision makers

The decision makers usually do not take active part in the buying process other than in the buying phase (the decision). For a marketer it is important to have and keep good relations to the decision makers, because they have to buy into the purchase every time before business can happen.

5. The coordinators

These persons are normally only in the big companies. The coordinators make sure the company does not purchase anything it already has, that the purchases are of good quality and that different purchases can be connected (for example market information from different sources).

Brennan et al (2007, 40), includes here also:

- Initiators, who request the purchase item and therefore, begin the decision-making process.
- Gatekeepers, who control the type and flow of information in and out of the company and members of the buying team.

Besides knowing the persons and their roles, the business marketer has to try and identify those that exert considerable influence. Assuming senior management always does this, a business marketer could also try and find employees who:

- work in the boundary roles, that go across department for instance,
- are very involved with the buying centre and the flow of activities,

- have links across the company departments an/or with the senior management.

(Ronchetto, Hutt & Reingen 1989, 12-19) ((Brennan et al 2007, 40-41))

Going even more into specifics Brennan et al (2007, 41) cite an article by Ghingold & Wilson (1998, 96-108) which said that the influence of managers does not stay the same in the decision making unit during different phases of the decision making process and therefore the business marketer also has to have a view on:

- the potential changes in the structure of the decision making unit during the different stages of the decision making process,
- the effect of that change on the communication and channels of influence within the decision making unit,
- the needs of information of the people in the unit during any point of the decision making process.

Also the time-frame for a marketing campaign has to be assessed. It can be said that marketing for the long-term is more beneficial than occasional, separate actions. All the marketing actions, publicity, should work for the same cause through a planned strategy. The goals are reached with the appropriate actions through an agreed time period. The marketing actions can also be evaluated and compared, when utilized in the long-tem for the same goal, in other words by the means of goal-oriented marketing communications. (The Starting Points of the Integration of Marketing Communications 2008)

3.3 Conclusion to business to business marketing

A business to business marketer should know the formal factors affecting decision-making in an organization and also the informal person based factors affecting here. A marketer should know the details to be able to consciously direct the buying process to his/her good. (In this study, the focus is on the distributor markets, which act as wholesalers and resell the product, rather than on business to business end-users who use the purchases as components in their own products.) Within the distributor markets, it is essential to realize that the product the distributor forwards is not so important for the distributor, rather than for them to have something to sell on and compete against other distributors. The producer will always have to market the products all the way down to the end-users, even though the distributor is its direct buyer. The distributor does not care what is bought from them, thus it is not fundamentally bothered to market any of the producer's goods. The producer should therefore always make sure the end-customers get the information rather than believe the middlemen will do it. It is not their task and the producer has to ensure it has an interested end-customer base. (Rope 2000, 74)

4 URHEILU & KALASTUS OY

4.1 Company Information

At first it is good to know some background information about the company. Urheilu & Kalastus is a private limited company based in Oulu, Finland. The company was founded in 1930. The area of business is importing sport and leisure equipment and producing them, exporting them, and selling them to retailers here in Finland. (Pyhtilä 2009)

The company imports to Finland products from Graf, Norma, RWS, RC, Uhlsport and Kempa, among others. These are their most notable sales articles, along company’s own trademark, the Pallas products. Despite the name, the last fishing products were sold in the 1980`s, since the competition grew and the company was starting to have too big a collection of products. The retail trade side of the business was sold to Rintamäki in 1985. Urheilu & Kalastus was also part of the same company with UKO-Auto until they were separated in 1986.

The company does not have any consumer trade but sells only to retailers. Goods are marketed to retailers primarily using face-to-face marketing. Salesmen travel around the country selling the goods in good time before the actual consumer market season. The company’s main customers are sports equipment chain shops like Intersport, Sportia-chain, Top Sport and Elmo Sport all around Finland. Matkahuolto and Transpoint are among the most used ways of delivering the orders around Finland. Along with Pallas, hunting ammunition like Norma and RC are high quality goods. Graf skates are also very popular even among top ice-hockey professionals.

4.1.1 Pallas

Pallas is an ice hockey equipment manufacturing label, with a long tradition. Many professionals use these products, whether it would be shin guards, elbow pads, shoulder pads, pants, suspensors, and gloves, throat protectors, playing socks or hockey bags. For the ice hockey season of 2008-2009, Pallas has two series of protection equipment, F-Line and Decra. F-line is a completely new professional line of equipment, which is good enough to be used at any level. The price of F-line is a little bit above Decra. Decra is very popular among junior players and sells quite well to retailers because of this. The products sit well and are quite light but nevertheless with enough shield needed in this rough sport. Both Decra and F-line have shin guards, elbow pads and shoulder pads with sizes covering all possible from peewees to extra large. With shin guards the sizes are marked inches, from 10 to 17. Player gloves (Appendix 2), pants, suspensors and other products are marked with a number.

Pallas also manufactures equipment for goalkeepers. (Appendix 2) The big goalkeeper shin guards and gloves are a useful marketing tool when professional goalkeepers wear them because they can be seen so well even from television pictures or newspaper photographs. Player gloves are the other important marketing tool, for the same reason. In the near pictures, as well as newspaper pictures they can be very well seen. Oulun Kärpät has a sponsorship deal with the company, JYP (Jyväskylä) have a deal and Vaasan Sport has a deal, along with various deals made with single players.
As for the raw materials, Pallas protective equipment is made of hard plastics along with different fabrics, man-made leather and cotton. (Nylund, 2008)

4.1.2 Production

Most of the Pallas player equipment production is outsourced to China, Philippines and Bangladesh. This brings its own problems with transport. Freights are expensive so the company tries to get at least a container full of goods with every order. The orders have to be made in good time so that there are no problems with delivering the goods on to retailers who have made their orders for certain delivery time beforehand. Also, the means of production do not take up so many resources anymore, compared to when the production was still in Finland, although the factories need much instruction in terms of how the Pallas goods need to be made. Every new Pallas line is still planned and designed in Oulu and then the information is sent overseas. The production machinery expenses have therefore decreased. Only custom made goalkeeper products are still manufactured hand-made in Oulu. These products are made exactly according to the customers needs and are used by a quite a few professionals in Finland and other countries. Goalkeeper products are also significant in marketing due to their large size and good visibility for the Pallas logos. (Pyhtilä, 2008)

4.2 Russian Trade

In the consumer good business Urheilu & Kalastus Oy is facing competition from huge American brands like Reebok, Bauer and TPS. This means that Pallas has to have its qualities in place. The products must be good, the price has to be competitive and the service has to be swift. (Pertti Huhtela, 2008) For many companies in this field of business, the opportunities to go abroad open up once the domestic trade makes enough money for investments on export to be made. If one looks at the sizes of the markets for ice hockey equipment these firms come from, it is easy to see the difference. In Finland there were 61684 registered players (playing officially), and 220 indoors ice hockey rinks, in the 2007-2008 season. In USA there were 466 000 players and 1800 rinks and Canada ,which is practically the same market with free trade agreement, had 558 173 players, 2451 indoor rinks and 11 000 outdoor rinks. (IIHF Annual Report, 2007-2008) The companies based in the United States have huge domestic market demand.

This shows how Reebok and the other competitors can make so much more money domestically, that they are able to go to an unstable market like Russia with more resources and less need for an immediate increase in profit. They have more workforce and therefore strength and time as well and the opportunity for Urheilu & Kalastus to take Pallas to Russia only really opened up when the big competitors set up their own distribution companies to Russia, leaving Russian firms without representations. (Huhtela 2008) It takes many years to open up export trade into a country, since the competition is very hard. The company has been able to find partners of roughly its size though, which have been suitable targets for export trade. (Huhtela 2009)

4.2.1 Current situation

Urheilu & Kalastus Oy currently has three main contacts (who have ordered goods annually/regularly for a time) in their Russian trade. There are two foreign country distributors and one home country exporter with whom the company is currently doing business with. Inus Ay is actually a company based in Lappeenranta, Finland, who has done business with Urheilu & Kalastus for several years. Inus sells Pallas in the St. Petersburg region. With Inus, Urheilu & Kalastus only do the export clarification, Inus deals with getting the goods physically to Russia. In Moscow region there is an importing firm called New Sport Company. Then there is a company called Viking, which is located in Kirov, who sells Pallas in that region in Russia.

There are two ways of delivery to Russia that the importing companies can choose from. The larger orders are usually delivered straight from the Far East factories, FOB Shanghai or FOB Manila (Philippines). In this case the Russian companies can order a larger amount with cheaper direct prices. The companies are responsible for the goods straight from Shanghai and have to have their own delivery and insurances in place, which makes it a little bit easier for Urheilu & Kalastus. The delivery from Finland though, is quicker and smaller orders can be delivered. These deliveries from Oulu are always EX WORKS. When using this trade term of Incoterms, the buying company is responsible for covering the costs for the entire transportation and ensuring of goods (Incoterms Definitions 2008). In practice, Urheilu & Kalastus does arrange the transportation in Finland using own freight contracts but invoice the buyer for this expense.

The extent of the current Russian trade has been formidable for a company of Urheilu & Kalastus`s size. In 2007 the overall sales exceeded 100 000 euros, which was good in terms of the quantity of products shipped too. There has been a slight decrease on the collective sales this year though, and generally the sales have been changing up and down a bit too much. (Armi Faarinen, 2008) The Russian trade did still take up 37 percent of the export trade of Pallas in 2008, with only Slovakia as a bigger export country (Pyhtilä 2009), which just proves the potential of the market.

4.2.2 Issues from the company’s perspective

The year 2008 has been a bit lower on the sales to Russia than the last year but this is down to various reasons. The own activity of the companies in Russia has been an issue, in that they have not made their orders early enough. Urheilu & Kalastus handles a lot of their foreign trade customers at the ISPO fair in Germany every February. This is the time in which the companies get their catalogues and prices for the following ice hockey season which begins in July. Companies should get their orders in March or April in order for Urheilu & Kalastus to make the orders to the factories on time. Being late for this means getting the goods later too and the firms have less time to sell them on themselves. This can leave them with goods in warehouses and a smaller order to make to Urheilu & Kalastus the following year. Apparently there have also been problems with funding orders. The companies Urheilu & Kalastus does business with are not small firms, because they do have the resources to attend foreign trade fairs, and at least Inus Ay (Inus-Sport, 2008) and New Sport Company also import some other bigger ice hockey good manufacturers like Bauer. (Huhtela, 2008)

One of the main issues the Russian firms face with Pallas is the cost of delivery. Straight delivery from factories gets them the cheaper prices but in this case they have to make the orders in good time and also pay in advance (always the case in the current Russian trade). If they have not been able to sell their previous orders fully on, this can be difficult. In this way of delivery, the orders can be as big as the companies want them but also the orders have to have certain quantities of each item so that the factory will make this special order. Usually the amount has to be 100/200 times each item. (Pyhtilä, 2008)

In the orders delivered from Oulu, the companies cannot have so large quantities because there is always a limit to how much Urheilu & Kalastus have in stock. Also in these orders they have to pay the larger prices, in euros as well. The from-factory deliveries can be paid with American dollars and the current exchange rate is advantageous. (Armi Faarinen, 2008)

Shipping the goods from Far East to Finland/Russia in any case is expensive. Train delivery through Russia would be cheaper, but contains the risk of goods being stolen and apparently very expensive to insure. Therefore it is not used nowadays. (Nylund, 2008)

CEO Pertti Huhtela named the biggest issue currently in the Russian trade to be the Russian companies' willingness and ability (financially) to work for the Pallas – trademark (2008).

5 RESEARCH METHODOLOGY

The research was a questionnaire (APPENDIX 1) which was sent to the three Russian trade partners. This was done by e-mail. The research mostly utilized the qualitative method in that it had open questions which encouraged the companies to answer in their own words, because personal views and suggestions were sought. Some of the questions had options which the respondents had to choose from because in those cases sharp information was required. The aim was to get a personal answer from each of the participants and because there were so few of them, statistical information could not be sought.

The research was restricted because there were only three respondents and one of them did not answer at all. Therefore a large overall conclusion could not be sought but information from both of the responding companies had to be analyzed thoroughly. This was always going to be the case though, with Urheilu & Kalastus being a relatively small company that did not have many business partners in Russia. The validity of the research was aimed to be secured by only sending the questionnaire to the three permanent Russian trade partners. These companies had previously shown good international business communication skills and proved reliable business partners, showing a great willingness to develop the trade with Urheilu & Kalastus Oy Pallas products (Armi Faarinen 2008). That was important because business people do not always respond positively and answer honestly to questionnaires, a fact which had to be taken notice of.

The most important things to find out with this study were to identify the end users, people or organizations Pallas products ended up after being sold on by Urheilu & Kalastus`s Russian retailers because it is important to know this when making marketing decisions. This was asked in a multiple choice question. Also it was important to ensure the competition was what the company believed it to be; therefore the respondents were asked to identify the main brands of the market in question 4. The company needed information on possible development of trade and marketing and what the options to do that in Russia were. The commitment and other obligations of these firms were inquired in question 7, through asking which other brands they sell, along with Pallas.

From a theoretical viewpoint, the research was a critical instance case study. It examined three targets for a few main reasons. Because of the small amount of answers, there was little possibility or interest in high generalization and direct conclusions. (Sirviö 2009)

The answers were ambiguous in terms of their quality but at least some clear views were expressed by the respondents. As the amount of answer material was not big it is possible to go them all through quite specifically (see next chapter). It has to be written that the Russian companies would probably have preferred the questionnaires in Russian, the foreign languages also restricted the research, but they were able to produce adequate responses anyway.

The results for this thesis took their time, with the Russian companies answering only after some weeks. Answers from business partners/customers always have to be taken with certain reservation. Especially opinion questions cannot usually lead to any immediate action but the answers have to be analyzed with a bit of consideration. There was also no answer at all from the New Sport Company in Moscow, even with several attempts to receive a reply. They did not answer to the questionnaire which made conclusion-making a bit more difficult.

6 RESULTS AND DISCUSSION

The first question was about the end-users of Pallas in Russia. (See APPENDIX 1 for the whole questionnaire.) Inus Ay gave the information that they sell straight to consumers only. Viking from Kirov told they sell first and foremost to hockey teams directly.

The second question asked if Pallas was competitive in the Russian market in terms of its price and quality. Inus picked out junior gloves as too expensive, but senior gloves as competitive. Decra line was also quoted as competitive but the top quality F-line was said to be facing stiff competition. Generally the pricing was acceptable for Inus, so that meant it was reasonably competitive. As for the pricing, Kirov was quite positive, Pallas was generally competitive, but like in Inus`s case, there are always some articles a competitor is able to offer more cheaply. Viking did not specify those further.

The third question inquired which potential actions could be taken to increase the competitiveness of Pallas products. Inus picked out the Pallas brand name as something that should be changed to improve competitiveness as the companies were asked to provide ideas for further development of the business. This is something that has also occasionally arisen in the Finnish market. It is possible that the name is not sharp and stimulating enough for junior players to make the purchase, but it would also take a large market research to see if changing the name would bring any development in medium term sales. It can actually be argued just as legitimately that a name change would actually decrease the all important domestic sales in short and medium terms. Viking did not bring up any suggestions. For them the continuous supply of Pallas is most important.

The fourth question asked the respondents to name the biggest brands in the Russian ice hockey equipment market. Nike/Bauer, CCM, Reebok and Easton were named by both respondent companies to be the biggest brands among the Russian market. It turned out that they are the same as in the other countries Pallas is sold in. This reinforces the idea inside the company that Urheilu & Kalastus need to be top in service, price, quality and delivery to keep a position in a market which is dominated, like most sports equipment markets, by global corporations line Reebok.

The current development of the Russian market was the fifth question, and the sixth asked if KHL had increased the popularity of ice hockey in Russia in any particular areas. According to Inus, the Russian market has remained the same for the past year, despite the emergence of the big money top ice hockey league in Russia, KHL. Inus also did not pick up on any different market areas for growth. Viking from Kirov, coming from a bit smaller area, wrote that they felt smaller regions are developing as market areas but they could not pick out any particular ones. This supports the company strategy of keeping the current importers (Huhtela 2008) and if new ones were picked up they would come from obviously different and smaller areas than St. Petersburg or Moscow.

The seventh question inquired if the respondents were selling goods other than Pallas, in the Russian market. Inus have rights to a collection of ice hockey brands: Tackla, Nike/Bauer, Graf and CCM. According to Viking, they only do ice hockey business with Pallas. The idea of the question was to see how committed and busy the retailers are, and if Pallas have to compete with other brands in this part of the distribution chain.

Question number eight required the respondents to comment on the good feedback they had possibly received about Pallas products. Inus had received good feedback for price, which was important to know. Viking wrote that price and product quality had turned out to be positive. There was no mention of image from either respondent, even though it was an option. Neither respondent gave negative feedback about Pallas, which they were asked to provide in the ninth question.

Question number ten gave the respondents the opportunity to give their opinion on possible marketing options in Russia. Inus wrote that trade fair work in Moscow is an option but that they could not provide support for it at this moment. Inus came up with the idea of having a united stand at Russian sports fairs in Moscow with other Finnish brands, to cut costs. Finnish skiing companies have apparently done this with some success. Viking did not opt for sponsoring players or trade fairs, which were the main options, but would like something else. They did not indicate what, but it can be assumed that it is more traditional consumer marketing like newspaper advertisements that they want.

On the eleventh question of marketing Pallas especially as a Finnish product, Viking liked the idea, but as Inus pointed out the goods are manufactured in China which makes it a bit problematic. The consumers might get alienated by this but it is difficult to know. Actually having “Finnish design” label on the goods might have a positive impact.

Question number twelve was an open question. The respondents were asked to give their opinions on what conditions they could increase the Pallas Russian trade. Inus wrote that the customer's knowledge of Pallas is not very wide, which is something Urheilu & Kalastus has to be looking to develop, despite arguably scarce resources for international promotion. Viking indicated that they have been having problems with the advance payment system. They have to have the money available before ordering Pallas goods. They wrote that if they are doing well, they will do good business with Pallas.

Urheilu & Kalastus Oy has its channels of distribution to Russia in place and the question is about managing them, to make Pallas as attractive and almost compulsory to their Russian retailers as possible. This is business to business marketing.

Urheilu & Kalastus can be said to be currently using selective distribution in Russia, although there are not many Pallas distributors in the country. But none of them have exclusive rights. Selective distribution is often used by manufacturers whose products are typically being shopped around for by consumers. A majority of the consumers will make a conscious effort to search around for the best option from various outlets. For this reason the product does not have to be made available at every corner shop. There is no need to try to communicate with all potential distributors but closer relationships can be forged with those that are selected. This also gives a firm more control over the market. (Wilson, Gilligan & Pearson 1992, 397)

The channels Urheilu & Kalastus Oy use are quite short when viewed theoretically (Rushton et al 2006, 63) and enable a close contact with the business customers and personal service. One problem is that some of the competitors use the same channels.

A situation where a manufacturer has strictly only one intermediary in a certain geographical area is called exclusive distribution. That is where a dealer is granted exclusivity for the goods in return for agreeing not to sell competitive goods. In this case the manufacturer will get better commitment from the dealer and also better grasp of image and price. (Wilson et al 1992, 398) This is something Urheilu & Kalastus could consider to try to do. Clinching deals like that for the various market areas in Russia could prove very beneficial. This could work with Inus or Viking, and would be likely to be worth considering with middlemen in new areas in the future. According to a book on the Russian trade it is normal for a local Russian agent to ask for exclusive representation rights. The exclusivity can be agreed for a certain time period with the renewal depending on the performances of the retailer. "*The start-up cost to the agent may be higher than elsewhere and results, though slow in coming, may be to a scale reflecting the vastness of the market. Frequently a single contract justifies many months of painstaking work and even companies with years of experience trading in Russia are oblivious of the size of demand for practically everything.*" (Doing Business 1993, 185)

Increasing product awareness among the end users is something that should be managed in some ways. The options to do this seem to be sponsoring some top KHL players willing to use Pallas equipment or investing in attending some trade fairs. Sponsoring players is good in that not only the brand gets television visibility but also pictures of these players could be used in catalogues and other promotional material which can be made available to the end customers through the intermediaries with low cost. The television visibility should not be trusted everything though, as it could well be so that the matches are shown on television channels not available or affordable for the targeted customers. This could be behind the fact that none of the companies supported sponsoring players in their questionnaire answers.

Marketing in the field of business represented by Urheilu & Kalastus is totally different to marketing in retail trade. Young people want to buy goods that top athletes use (Huhtela 2009). Developing this promotional material further can be one solution and negotiating with the distributors on the best means of making those available and visible to the potential buyers. Pictures of top players wearing Pallas products are also essential in traditional consumer marketing means like newspaper and magazine advertisements. The research, however, did not produce clear solutions to end-user marketing in Russia.

It has become clear that the company's issues with the Russian retailers are in the end down to the interest in Pallas from the end-users. Like mentioned earlier, Francese (1996, 2) wrote: "*The fundamental rule in consumer marketing is to know the customer. Business-to-business firms must follow a slightly more complicated rule: they must know the customer and the customer's customer. If you provide a service or a product to another business, you can gain an advantage whenever you help develop or improve a product or service for consumers*". If Pallas is demanded from the Russian distributors, they have got to come and get it from Urheilu & Kalastus. Then the transportation costs and paying in advance become less of an issue. With relatively low funds and mental resources available for end-user marketing, this process takes time but with the size of the market known, it is a process which can be really profitable even if it takes time, some years, to do. Even during the recent years the sales have not been bad so it is important to keep doing this. Like mentioned earlier, the marketing goals are reached with the appropriate actions through an agreed time period. The marketing actions can also be evaluated and compared, when utilized in the long-tem for the same goal, in other words by the means of goal-oriented marketing communications. (The Starting Points of the Integration of Marketing Communications 2008) Most investment and working time will go to the domestic market which is most important, in order for the company to actually able to do foreign business. Pallas should utilize all good ideas and knowledge they have within the company in any case, to do well wholesaling business, for sports equipment business today has become a low profit and highly competitive industry with a high level of chaining (Kainuun Sanomat 2009, B5).

Sport fairs are more to do with marketing to business to business buyers, rather than end-users, although fairs can often be attended by regular customers as well. If a decision was made on finding new market areas and new distributors within these areas, attending a trade fair could well be the right channel. Trade fairs should be continued to be utilized in the current situation as well. An option would be to have people from the current distributing companies there to offer support, knowledge and relationships in the Russian business with the Urheilu & Kalastus employees taking the main responsibility on the promotional work. Like mentioned earlier, the costs of setting up a stand could be shared between some other Finnish brands if they were interested in the Russian market and promotion. At this moment most of the business to business marketing to the Russian trade partners is done annually at ISPO fair in Germany. The amount of business to business marketing could therefore be significantly increased by attending fairs in Russia.

The research question concerning marketing Pallas especially as a Finnish brand brought mixed response. According to Tarja Tiirikainen (2008) from the Finnish-Russian Chamber of Commerce St. Petersburg office, Finnish design is proven to be in good reputation in Russia and especially the St. Petersburg region. Therefore it is worth considering from a professional viewpoint in the future, when planning marketing. Like mentioned in the results chapter, Finnish design labels could be one useful marketing measure, if properly utilized. If a retailer knows the products are designed in Finland this can be a push factor in a sales situation.

There was a curious point in the questionnaire answer of Inus Ay about them selling the products straight to consumers which raised the question on how they do it. The company is based in Lappeenranta, Finland but they are selling Pallas in Russia. They do have an office in St. Petersburg, where they deliver the goods to consumers (Faarinen 2009). On page 12 figure, there is no line from exporter straight to foreign consumer. Therefore this situation is in a way against this theoretical figure with Inus having an office in St. Petersburg where they distribute the goods on, showing how many different options a company can take with its export trade. This brings up again the importance for the company of knowing where the goods end up. Not only in the marketing sense of knowing who the end customers are, but in reputation sense too. It would not be good for the reputation of the brand if the goods were sold in questionable locations (this is not the case here though). Arguably, travelling to Russia to see the actual operations would have its advantages here, especially if new partners were acquired at some point. Besides seeing the sales operation the company could do some marketing and business relations work simultaneously.

6.1 SWOT on Pallas Russian trade

	1. Opportunities	2. Threats
	• Hockey is increasing in popularity. • Unutilized markets/ market areas • Development does not need a lot of effort • Contractual possibilities	• Muscled out by corporations • Recession decreasing customers` liquidity • Other brands offer better terms to the same intermediaries
3. Strengths • Good product • Inventiveness • Price/quality relationship • Flexible and personal service • Experience in this field of business	5. Good products are always in demand and some promotion could easily increase sales. The sales have been decent so far but there is vast potential to be utilized through various developments. Unutilized contractual possibilities, exclusivity can be granted in return for commitment.	6. Flexibility, quality and service should be enough to keep a selected market share and experience in pricing should help in recession. It is important to keep producing and also inventing new products and designs as well.
4. Weaknesses • Advertising budget • Payment time conditions • Name difficult to connect to ice hockey • Lack of product awareness in Russia • Activity of importers	7. Despite lack of funds, it is important to get it across the selected market areas that Pallas is a seriously good brand. This will get distributors active. Their contracts could be reshaped if deemed possible as well.	8. Corporations invest Pallas out of the market. Another threat is that price inflexibility under recession could decrease the sales in great amounts. Intermediaries do not care for a product which is not in great demand among customers.

First it has to be mentioned that the SWOT analysis is restricted in that it is based mainly on assumptions and the results that the research gave, and executing many of the suggestions would be likely to involve further research. It was conducted as an additional part, for it is a simple tool for the company to analyse.

Many of the issues in the SWOT have already been mentioned in previous chapters but it is a useful tool in making the simple issues clear and visible. The columns 1-4 indicate simply Pallas` opportunities, threats, strengths and weaknesses in the Russian market. Columns 5-8 are conclusions. Number 5 shows opportunities which can be utilized through the company strengths. Number 6 shows how the potential threats can be countered utilizing the company's strengths. Number 7 shows how opportunities could be utilized to improve on the potential and actual weaknesses with Pallas Russian trade. Column number 8 shows the things and situations that have to be avoided at all costs and which should be the biggest sources of concern.

There are a few key points in the SWOT. Firstly, the little bits of promotional work suggested in chapter 6 could do wonders. Good products with flexible service are essential. Negotiating exclusivity contracts is a possibility. The company has an experienced workforce who have enough expertise to work the export prices right. Gradually enhancing Pallas` reputation both with customers and the intermediaries should see Russia become a stable and fruitful market area for Urheilu & Kalastus Oy.

The strengths and weaknesses showed in the SWOT and the research showed that the company's strong points and weaknesses in the Russian trade are very much in line with many other Finnish companies and their situation with export trade. Äijö (2008, 48-49) quotes a research which states that the strong points of Finnish companies export trade are essentially competitive products and customer related factors like service, whereas general weaknesses were lack of reputation (competitors` more stable customer relationships), lack of accurate market information, difficulties in finance (lack of ability to credit customers or carry the risks of the operation) and the distance from market and protectionism. This research has again shown that these are common difficulties and maybe the state could be looking into develop some of these issues for the companies' aid as well.

7 CONCLUSIONS

The main goals of the research were achieved. A key point gained from the research was that Pallas can sell well to regular consumers and teams, but the brand needs to make a bit more name among the buyer groups its Russian retailers have. The company will have to be looking for affordable ways of familiarizing potential Russian end customers with the goods. Like a book on the Russian market suggests, the considerations on which companies base their marketing policies in the developed countries do not yet fully apply in Russia. It is suggested that the consumers still have to go and find the goods rather than the goods coming to them. Many Western firms have found promoting their products very useful and advertising campaigns have played important roles. (Doing Business 1993, 175) Arguably there has been development since that was written, but what the research does not show is whether Russian end-users of Pallas have the access to all the information from Internet and other medias like most regular people do in many European Union countries.

According to Gorchels et al (2004, 28), orientating on the end-user is a major factor in business growth. This also improves the profitability of channel trading partners, even helping them to survive in some cases. The further the firm is from the end-users, the more difficult it is to know what happens with the product. Furthermore Rope (2000, 74) has concluded that the producer will always have to market the products all the way down to the end-users, even though the distributor is its direct buyer. The distributor does not care what is bought from them, thus it is not fundamentally bothered to market any of the producer's goods. The producer should therefore always make sure the end-customers get the information rather than believe the middlemen will do it. It is not their task and the producer has to ensure it has an interested end-customer base. The research answers did not give direct advice on the best consumer marketing options in Russia though, but the existing and suggested options have been analysed in chapter 6.

The research proved Russian ice hockey equipment market to be similar to many of the European markets where big corporations like Reebok and Nike/Bauer are market leaders. The Pallas products were found competitive in terms of their price, quality and service; although according to the respondents some articles were more price competitive than others.

The research also produced some ideas for potential general development of the Russian trade operation of Urheilu & Kalastus Oy, which were discussed more specifically in chapter 6.

One useful point gained through making the research was the ability of the Urheilu & Kalastus employees to come up with new ideas for researching and developing things within this thesis and obviously the Pallas Russian trade. Normal routines permitting, the company would do well to utilize facet knowledge a bit more. The people in the office and the salespeople gave a lot of help to this work and could be assumed to do the same for the international trade and Russian business too. They had a lot of knowledge and could probably be given additional responsibility in planning and executing the Russian trade, although often in the international business companies will want to deal with the executives of a company. According to both Pell (1999, 4) and Seperich (2006, 129), employees take more responsibility and are more committed to the work when they feel they can express their opinion and participate in planning and executing.

The whole thesis work has produced certain suggestions for improvement in the Russian trade that have been mentioned in the previous chapter and the research produced some useful information and securing some issues from the company's perspective. In my opinion, the research also showed that patience and building the work up gradually will pay dividends when operating with the Russian business partners. It is not easy to immediately get accurate feedback or information on the Russian market from business partners, who do have different interests compared to those of Urheilu & Kalastus Oy. Therefore planning in advance becomes very important as well. This gives more time to acquire the needed information from Russia. In addition, it is very much part of Russian business culture to do more business with people familiar from a long periods of time. A good business relationship will last (Azeem 2001, 62) This supports the company`s strategy to develop cooperation with the current business partners in the country.

8 RECOMMENDATIONS

The thesis showed that there are plenty of things that can be developed with the Pallas Russian trade. The first point is to learn more about the end-users that were found in the research: the regular customers and teams. Their buyer behaviour, preferences and financial positions are in fact a basis for a whole new marketing research. Travelling to Russia to see the whole operations could be added to that. It has been mentioned previously (see pages 39 and 42) why it is very important to know the details of the Russian distribution chain.

After enough market and end-user information was gathered, the company could launch a marketing campaign, if resources allowed this. It is worth mentioning again here that marketing goals are reached with the appropriate actions through an agreed time period. The marketing actions can also be evaluated and compared, when utilized in the long-tem for the same goal, in other words by the means of goal-oriented marketing communications. The marketing campaign should have a certain time frame and clearly defined means and goals. (The Starting Points of the Integration of Marketing Communications 2008) Business to business marketing could be increased by attending sport fairs in Russia (like mentioned on page 38).

This potential investment on the Russian trade can arguably be justified on the fact that Russian trade covered for nearly 40 percent of the whole Pallas export trade in 2008 (Pyhtilä 2009) and many actions are still to be utilized, like mentioned in the previous chapters.

SOURCES

Aarniovuori,P. 2007. The role of trust in business-to-business customer relationship. Lappeenranta University of Technology.

Aimo Kemppainen Oy yrityssaneeraukseen. 2009. Kainuun Sanomat 06.01.2009, B5.

Armstrong, M. 2006. Handbook of Management Techniques : A Comprehensive Guide to Achieving Managerial Excellence and Improved Decision Making (Revised 3rd Edition). London: Kogan Page, Limited.

Azeem, M. 2001. Venäjän Talouden ja Liiketoiminnan Oppikirja. Saarijärvi: Gummerus.

Brierty, E. G. Eckles, R. W. Reeder, R. R. 1998. Business Marketing (Third Edition). New Jersey (U. S. A): Prentice Hall.

Chernev, A. 2007. Strategic Marketing Analysis. Brightstar Media.

Cohen, S. 2004. Strategic Supply Chain Management. U.S.A: McGraw-Hill.

Cravens, D. W., Piercy, N. F. 2009. Strategic Marketing. Singapore: McGraw-Hill.

Doing Business in Russia (CD-ROM). Episode 2. Helsinki: Fintra

Doing Business in Russia. 1993. London: Alm Consulting, British Gas, Frere Cholmeley Bischoff, KPMG Peat Marwick.

Etelä-Karjalan Ammattikorkeakoulun julkaisuja. 2001. Venäjän Talouden ja Liiketoiminnan Oppikirja. Saarijärvi: Gummerus

Faarinen, A. 2008. Office worker, Urheilu & Kalastus Oy.

Francese, P. 1996. Know the Customer`s Customer. American Demographics 18/3, 2.

Ghingold, M. & Wilson, D.T. 1998. Buying centre research and business marketing practice: meeting the challenge of dynamic marketing. Journal of Business and Industrial Marketing 13(2), 96-108.

Gorchels, L. Marien, E. West, C. 2004. Manager`s Guide to Distribution Channels. Blacklick, USA: McGraw-Hill Companies.

Brennan, R. Canning, L. McDowell, R. 2007. Business to Business Marketing. London: Sage Publications.

Honkanen, M. Juutilainen, K. Heikkilä, M. Mattila, M. Rummukainen, E. 1995. Venäjän Kaupan Opas. Helsinki: Pienteollisuuden Keskusliitto ry

Huhtela, Pertti. 2008. Chief Executive Officer, Urheilu & Kalastus Oy.

Incoterms Definitions 2008. Web Document. Available from: http://www.sourcejuice.com/2008/07/15/incoterms-definitions-the-basics-to-the-advanced/
. (read 01.12.2008)

Inus-Sport 2008. Web Document. Available from: http://www.inus-sport.com/. (read 24.11.2008)

Kalwani, M. U & Narayandas, N. 1995. Long-term manufacturer-supplier relationships: do they pay off for supplier firms. Journal of Marketing.

Kotilainen, M. Kaitila, V. Widgren, M. Alho, K. 2003. Suomen ja Venäjän taloussuhteiden kehitysnäkymät. Helsinki: Elinkeinoelämän Tutkimuslaitos (julkaisija), Taloustieto Oy (kustantaja)

Lehto, J. 1998. Venäjän Kauppa ja Markkinat. Helsinki: Kauppakaari Oy, Yrityksen Tietokirjat

Nylund, M. 2008. Sales Chief, Urheilu & Kalastus Oy.

Ollus, S-E & Simola, H. 2006. Russia in the Finnish economy. Helsinki: Sitra.

Paley, N. 2001. Marketing Strategy Desktop Guide. London: Thorogood.
Pell, A. R. 1999. Complete Idiot's Guide to Managing People. U.S.A: Alpha Books.

Procter, T. 2000. Strategic Marketing: An Introduction. London: Routledge.

Pugel, T. A. 2007. International Economics. Singapore: McGraw-Hill International Edition.

Pyhtilä, S. 2008. Financial Chief, Urheilu & Kalastus Oy.

Ronchetto, J.R. Hutt, M. D. & Reingen , P. H. 1989. Embedded patterns in organizational buying systems. Journal of Marketing 36, 12-19.

Rope, T. 1998. Business to Business-Markkinointi. Helsinki: WSOY.

Rope, T. 2000. Suuri Markkinointikirja. Helsinki: Kauppakaari Oyj.

Rushton, A. Croucher, P. & Baker, P. 2006. Handbook of Logistics and Distribution Management (3rd Edition). London: Kogan Page, Limited.

Seperich, G. J. 2006. Managing Power and People. U.S.A: M. E. Sharpe Inc.

Simchi-Levi, D. 2003. Managing the Supply Chain. U.S.A: McGraw-Hill Professional.

Sirviö, J. 2009. Lecture Notes. Kajaani University of Applied Sciences.

The Starting Points of the Integration of Marketing Communications 2008. Web Document. Available from: http://www.scribd.com/doc/974251/B2Bmarkkinointiviestinnan-integraation-lahtokohdat. (read 10.12.2008)

Tiirikainen, T. 2008. Director of the St. Petersburg Region, Finnish-Russian Chamber of Commerce.

Tiri, M. 2007. Venäjän Liiketoiminnan Perusopas. Helsinki: Suomalais-Venäläinen kauppa-kamariyhdistys.

Urheilu & Kalastus Oy 2008 a. Web Document. Available from: http://www.ukpallas.fi/pallas.htm. (read 24.11.2008)

Urheilu & Kalastus Oy 2008 b. Web Document. Available from: http://www.ukpallas.fi/palmav.htm. (read 24.11.2008)

Äijö, T. 2008. Kilpailukyky Huippukuntoon: Suomalaisyritys Kansainvälistyy. Helsinki: WSOYPro.

LIST OF APPENDICES

APPENDIX 1

QUESTIONNAIRE

1. Do you sell Pallas on to:
a) retailers, __
b) team(s), __
c) regular customers __
d) sports equipment chains __
e) internet-trade? __

Please select all that are relevant and set numbers, 1= most important, 5=least important

2. Are the prices and quality for selling Pallas a) not competitive, b) competitive or c) very competitive?

3. What actions in your opinion should be taken in order to make Pallas-products more competitive?

4. What are the biggest brands in the ice hockey equipment market in Russia? Please name (1=biggest, 2=second and so on)

1. ______________________
2. ______________________
3. ______________________
4. ______________________
5. ______________________

5. How has Russian ice hockey equipment market developed this year?
a) has grown
b) stayed still
c) decreased (gone down)

6. Is KHL increasing the popularity of ice hockey in Russia? Where in particular?
a) Moscow,
b) St. Petersburg,
c) other major cities, which? ______________
d) smaller towns/regions, which? ______________

7. Which other products do you sell, apart from Pallas?

8. What do you like about Pallas/ what good feedback have you got from your customers about Pallas?
a) products
b) image
c) price
Please describe.

9. What do you dislike about Pallas-collection/products?

10. What would be an efficient way to promote Pallas products for the Russian market? Select from 1 to 3 (1 most important, 2 less important and so on)
a) Sport fairs in Russia __
b) sponsoring players __
c) other, which? __ ____________________

11. Should Pallas be marketed in Russia especially as a Finnish product? Please describe.

12. On what condition could you increase or make wider the Pallas products sales in Russia? Please describe.

APPENDIX 2

PALLAS PRODUCT EXAMPLES

These ones pictured above are professional ice hockey gloves F-110. (Urheilu & Kalastus Oy 2008 a)

Below are goalkeeper's shin guards: model 2219 PM Cyber pictured. (Urheilu & Kalastus Oy 2008 b)