

Saimaa University of Applied Sciences
Faculty of Business Administration, Lappeenranta
Degree Programme in International Business

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Marketing Strategy and Promotion Plan of a Web Store In Finland. Case Company X

Thesis 2015

Abstract

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Instructor: Lecturer Sami Lanu, Saimaa University of Applied Sciences

The purpose of this thesis was to create a modern marketing strategy for a Finnish webstore and to develop an appropriate marketing plan for promotion of a new brand.

The data for the theoretical part of this thesis were collected from secondary data resources, including literature, articles and the Internet. The primary and the secondary data for the empirical part of this thesis were gathered in the Internet from various articles, thematic forums and official statistics of Finland.

The final result of this thesis was an integrated marketing strategy that focused on issues of segmentation, targeting, differentiation and value proposition, and a comprehensive marketing plan for delivering value to potential customers with a correct product, reasonable pricing strategy, by suitable marketing channels and through relevant communication channels respectively to the chosen target audience and its characteristics.

Keywords: marketing, marketing strategy, marketing plan, marketing research, segmentation, targeting, value proposition, marketing mix

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1 Introduction

1.1 Background and objectives

In a modern globalized world international marketing plays crucial role that can hardly be overestimated. Companies are expanding worldwide and targeting different segments of population in terms of demography, geography and culture. According to Kotler & Armstrong, marketing is about creating mutually valuable relationship with a customer. This means understanding customer needs and designing products that fulfill these needs, as well as providing a reasonable pricing, distribution and promotion strategy. (Kotler & Armstrong 2012, p.4.) However, people are all different and the same are customers. A product that carries value for one customer may not do it for another and thus going international requires understanding of what customers in that country are seeking for.

Globalization is developing intensively and one of the things pushing it really fast is the Internet. According to the Internet World Stats the number of Internet users has grown 741% from 360 million users in 2000 to more than 3 billion users in 2014. It means that the Internet has dramatically changed the game, biting a huge piece of the B2C world trade pie. Customers have got access to a gigantic pool of information as well as variety of goods, which are often more attractive due to lower prices. Traditional media advertising is no more the best way to acknowledge customers with a brand. Consequently, traditional marketing strategies have become less effective while modern marketing means grab marketers' attention. Marketing is becoming more and more targeted because modern companies realize that successful customer relationship requires deeper customers' involvement in a brand and what surrounds it. "The new communications approaches let marketers create deeper customer involvement and a sense of community surrounding a brand—to make the brand a meaningful part of consumers' conversations and lives" (Kotler&Armstrong 2012, p.17).

Owner of the case company X has come to a conclusion that the product may have high market potential because of the advantages mentioned above. To

assess market potential, marketing research is going to be undertaken later. More, the owner has attempted to set up relationship with Finnish large hardware firms, such as K-Rauta, but, unfortunately, has faced a lack of trust. The fact that Finnish companies are not willing to work with little-known foreign brands means that there is a need for building a strong brand and getting brand awareness for the product. The idea is to turn from the traditional approach of going from wholesale to retail and go in the opposite direction: from retail to wholesale, by building a strong brand that provides superior value and promoting it directly to a final consumer.

In this case, the market entry mode has already been chosen by the company: export model and a web-based retail store in Finnish and English languages. Promotion of a webstore and a new brand is going to be done according to the modern marketing strategy and plan that are going to be the result of this thesis. The objective of this study is to create a consistent and effective modern marketing strategy and plan that are going to be a starting point for launching new product into Finnish market. Main questions the plan must answer are:

1. What is the company's target segment(s) and target audience?
2. How does the company have to differentiate and position itself from competitors at the market? What is the right value proposition for the company?
3. What is the right marketing mix for the strategy?

Due to the fact that this thesis is not a research but an action-based study the evaluation of the author's knowledge and professional capabilities is required. Firstly, the author is pursuing the degree in the field of International Business, following the co-named degree program. The program contains 23 credits of courses that focus narrowly on marketing, mostly on the international marketing (Figure 1).

INTERNATIONAL MARKETING	305824	0.0	Compulsory
<u>Consumer Behavior</u>	KLI0044	3.0	Compulsory
<u>Productisation and Branding</u>	KLI1145	3.0	Compulsory
<u>Business-to-Business Marketing</u>	KLI0591	3.0	Compulsory
<u>Services Marketing</u>	KLI1160	3.0	Compulsory
<u>Personal Selling and Customer Service</u>	KLI1161	3.0	Compulsory
<u>Managing Customer Relationship</u>	KLI1053	3.0	Compulsory
<u>Business Correspondence</u>	KLI0637	3.0	Compulsory
INTRODUCTION TO BUSINESS	300501	0.0	Compulsory
<u>Principles of Marketing</u>	KLI1141	2.0	Compulsory

Figure 1. An extract from the SoleOps IB11 group's curriculum.

Secondly, the degree program has provided the author with all of the skills that the study requires, such as professional literature search or academic writing skills.

Provided that, the author consider his knowledge sufficient enough for taking a responsibility of designing a marketing plan that may afterwards be used as a guiding tool in planning company's marketing strategy.

1.2 Delimitations

Generally, this thesis covers three major subjects, mentioned above: marketing strategic planning, marketing mix planning, and marketing research. However, it is crucial to define more limited theoretical framework in order for the study to be more focused on achieving the set goals. Therefore, the author has set several delimitations that are going to channel this study in a right direction.

Firstly, all of the theories in this study are taken into account from the B2C point of view, and B2B is not considered. Secondly, the author is going to focus on the strategy and planning from the point of view of identifying target audience and correct value proposition with the help of appropriate marketing mix tools. Branding is covered externally. Moreover, there are delimitations related to promotion tools described in the thesis. Although the author designs promotion mix, he focuses primarily on identifying a comprehensive scope of promotion tools while a detailed plan of implementation of those tools is subject to further planning.

1.3 Theoretical aspects and structure of the study

The study consists of two parts, first the theoretical and then the empirical. The theoretical part is going to include theories and concepts relating to the problem of this thesis, namely: international marketing in general, product launch, marketing strategy and marketing plan design, and marketing research. All of the theories are to be extracted from authoritative sources and competent authors and best practices of firms whose success is proven and known by the public.

In the empirical part the author is going to implement the concepts provided in the theoretical part and create a marketing strategy for a product including a marketing plan based on a marketing mix.

1.4 Research method

In the process of doing the thesis the author is not going to use either quantitative or qualitative research methods since the thesis neither tests any hypotheses nor intends to create one. Therefore, this study is a process of designing a strategy and plan for further actions in order to promote a product in a foreign market.

2 Theoretical background

2.1 Role of marketing

Today, we can see a great abundance of goods and services all around us. All of those firms competing with each other are trying to attract customers' attention in order to sell their products. What they actually are trying to do is to solve customer problems by fulfilling customer needs. Marketing is used for reaching customers and showing them that a product is capable of fulfilling a need. In the traditional forms of marketing, marketers have been trying to communicate features of their products to a target audience choosing the right marketing channels. However, modern marketing approach is a lot more complex and innovative. It is about interacting with target audience in order to identify changing needs and quickly respond to it by developing better products that are a better solution of customer problems and thus carry higher value. (Kotler&Armstrong 2012.)

For example, Apple has set a new standard for a cell phone after it had introduced the first iPhone back in 2007. Potential customers may not even have realized the benefits of such a phone unless Apple had shown all its features and benefits. It is a great example of completely re-engineering a solution (Michael Hyatt 2012, p.5).

In fact that computers and the Internet have changed an approach to running businesses. Today people dedicate increasingly higher amount of time searching for information, thus making the Internet a powerful weapon that can be hardly underestimated. Companies tend to focus on e-business and some of them already leave traditional brick-and-mortar stores in favor of online operations. As a result, marketing strategies and plans of those companies are changed at root. The trend is so massive that marketing changes globally and so do strategic and tactic planning. Marketing has become more specialized as companies strive for targeting smaller groups of customers (Paley, 2000, p.8).

To sum up, a comprehensive modern marketing strategy is an essential part of any business. In the century of harsh competition and tones of similar products

marketing can be a tool for creating outstanding products and grabbing customers' attention.

2.2 Explaining typical marketing process

In order to create a consistent marketing strategy it is important to understand marketing in a nutshell. As Kotler and Armstrong suggest it, marketing is about creating value and building a strong relationship with customers on purpose of getting value in return. According to their book, "Principles of Marketing", a simple model of a marketing process consists of five steps (Figure 2).

In order to achieve the final goal- capture value from customers- a marketer must provide customer with some value. The process implies understanding the marketplace and customer needs and wants, designing a customer-driven marketing strategy, constructing an integrated marketing program that is to deliver value and finally building profitable relationships and creating customer delight. In fact, creating customer delight means exceeding customer expectations regarding the experience of being a customer. As a result, customers tend to become extremely loyal to a brand.

However, creating a valuable product is not enough. William M. Luther 2001 argues that a company has to be able to develop the product and service it, and, most importantly, all of claimed valuable features have to be practically possible when the product is introduced into the market (Luther 2001, p.3). For example, when the NFC technology had appeared in new Apple Iphone models, it was a breakthrough in payment methods but it was useful in the US but not in other international markets such as Russia due to unavailability of accompanying technologies.

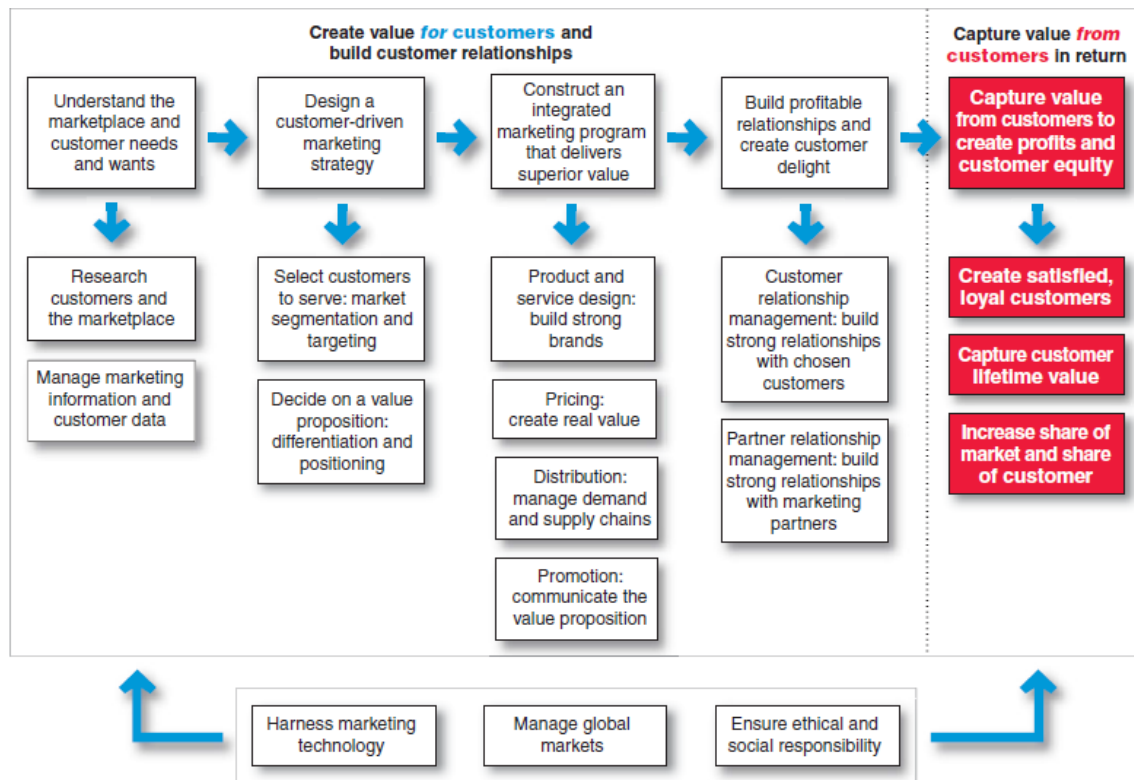


Figure 2. Expanded model of a marketing process. (Kotler&Armstrong 2012)

2.2.1 Understanding marketplace and customers

According to Kotler and Armstrong, a market is a set of actual and potential buyers of a product/service who share a particular need or want that can be satisfied through exchange relationships. The work of marketer is to create those relationships through search of buyers, identification of their needs, creating good market offerings, promotion and their distribution. Such activities are the core for marketing. Due to the fact that the main role of marketing is to provide superior customer value, a marketer must understand the market that he targets to reach and buyers who form the market. It is essential to know whether the product that is to be marketed is capable of successfully solving customer problems and thus fulfilling customer needs and wants. At this stage, there is a need for an analysis of a marketing environment and management of marketing information in order to get customers insights. (Kotler&Armstrong 2012, p. 6-8.)

Practically, in the first step of a marketing process the author's objective is to undertake marketing environment analysis and manage marketing information

in order to find out what are our potential buyers' needs and if the company is capable of providing value by satisfying customer needs with its products.

Marketing environment research

In order to reach goals that were described above, the author as a marketer needs to carefully study marketing environment that is present in the Finnish market. Any marketing environment consists of micro- and macroenvironment. The microenvironment includes the company, suppliers, marketing intermediaries, customers, competitors and the public. The macroenvironment consists of the forces that put an impact on the microenvironment: demographic, economic, natural, technological, political and cultural forces.

In order to create, develop and successfully market its products a company should constantly keep an access to the information on market players and market forces to which they are exposed to. However, the marketing information has to be managed properly through marketing research on markets potential, core customer needs and brand experiences. (Kotler&Armstrong 2012, p. 96-97.)

Getting customer and market insights

In fact, establishment of a mutually valuable relationship between a company and a customer requires a deep analysis from the marketer of what customers actually need and want. Authors say that the competitive advantage that a company has against its rivals comes from well-developed marketing information as it provides a company with customer and market insights (Kotler&Armstrong 2012, p. 98). Paul Laughlin, managing director of Laughlin Consultancy marketing agency gives his definition of customer insight in his blog at the IDM blogging website: A customer insight is "*a non-obvious understanding about your customers, which if acted upon, has the potential to change their behavior for mutual benefit*" (Laughlin, 2015).

Marketing information system (MIS) (Figure 3) is responsible for assessing information needs, developing the right information and helping the information users (marketing management, internal/external partners) to identify prone-to-action customer and market insights (Kotler&Armstrong 2012, pp. 99-100).

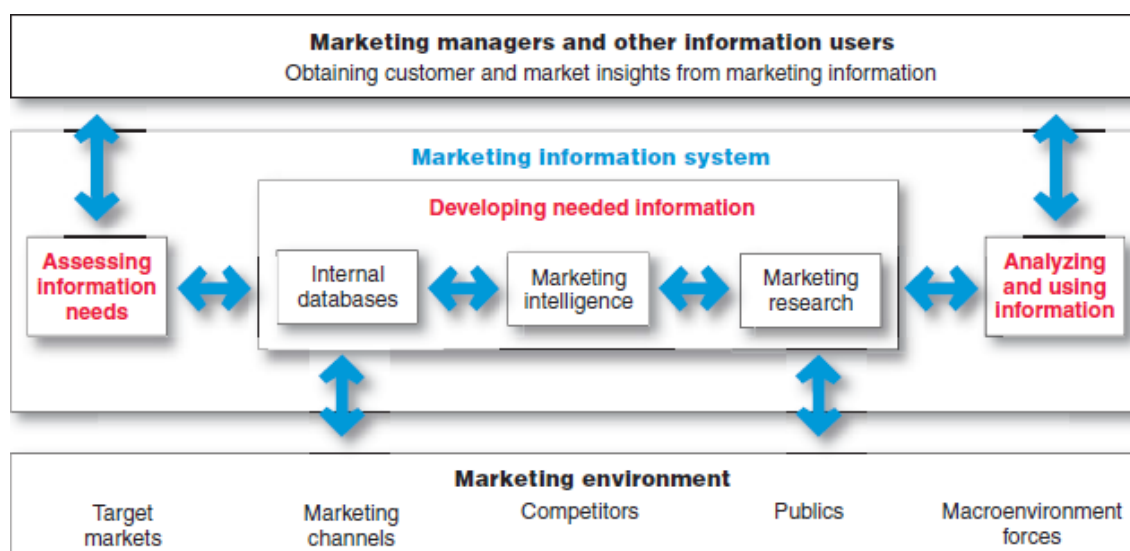


Figure 3. Marketing information System (Kotler&Armstrong 2012)

According to the system, information users' role is to define information needs. Then MIS interacts with the marketing environment in order to develop necessary information through internal databases, marketing intelligence and marketing research. After that, with the help of MIS, information users analyze the developed information and, finally, make marketing decisions and manage customer relationships (Kotler&Armstrong 2012, pp. 99-100).

In the assessment of the information needs part there are many peculiarities, such as availability of needed information or its worthiness related to the cost of its development. Marketers should understand their own capabilities and capabilities of MIS in order to be objective in the information goal setting. Moreover, often an information user might be unaware of some types of information sources and therefore might not express the need correctly. In this case, the MIS must carefully monitor the marketing environment and be guided by the goal that information users have in mind rather than habitual approaches.

When moving to the development stage, there are three types of sources: internal data, marketing intelligence and marketing research.

Unfortunately, as the company X is a startup company that has no previous business experience on the Finnish market, no internal information is available yet. Therefore, this source is not considered in the author's research plan.

Marketing intelligence is the systematic collection and analysis of publicly available information about consumer, competitors, and developments in the marketplace (Kotler&Armstrong 2012, p. 101). Main purpose of the competitive marketing intelligence is to improve company's competitive strategic position by monitoring and understanding the consumer, competitive and marketplace environment in order to successfully identify current or potential opportunities and threats.

Marketing research is the 3rd element of a marketing information system. According to the definition from the book Marketing Research by Nair, Surja R. marketing research is "*the systematic and objective search for and analysis of information relevant to the identification and solution of any problem in the field of marketing*" (Nair 2009, p.3). Marketing research is used in addition to the first two elements of the MIS in order to get more specific customer and market insights. (Kotler&Armstrong 2012, p. 103)

Marketing research process is integrated in an ongoing process of business planning which results in the development of strategies, programs and action and provides the purpose of the research. In turn, the MIS supports the planning process by anticipating the type of information required by decision makers and organized data that has been collected to make it available when it is needed. (Aaker D., Kumar V. 2001, pp. 41-59)

Although the company X is yet a startup company and does not have an established MIS, all of the information, such as market overview, potential or essential insights for creating a strategy is going to be collected through a marketing research. "*Marketing research gives marketers insights into customer motivations, purchase behavior, and satisfaction. It can help them to assess market potential and market share or measure the effectiveness of pricing, product, distribution, and promotion activities*" (Kotler&Armstrong 2012, p. 103).

Marketing research planning

Marketing research process involves five essential parts that form the scope of the research design. They are listed below:

1. Research purpose

Firstly, marketing research starts with identifying specific marketing problems that are going to be the cornerstone of the marketing research plan. Any research is conducted on the purpose of finding relevant, actual and timely information that concerns a specific problem and then undertaking a decision that is based on the findings. Managers are exactly the ones who are aware of the specific problems and their task is to express these problems to a research team. (Figure 4)

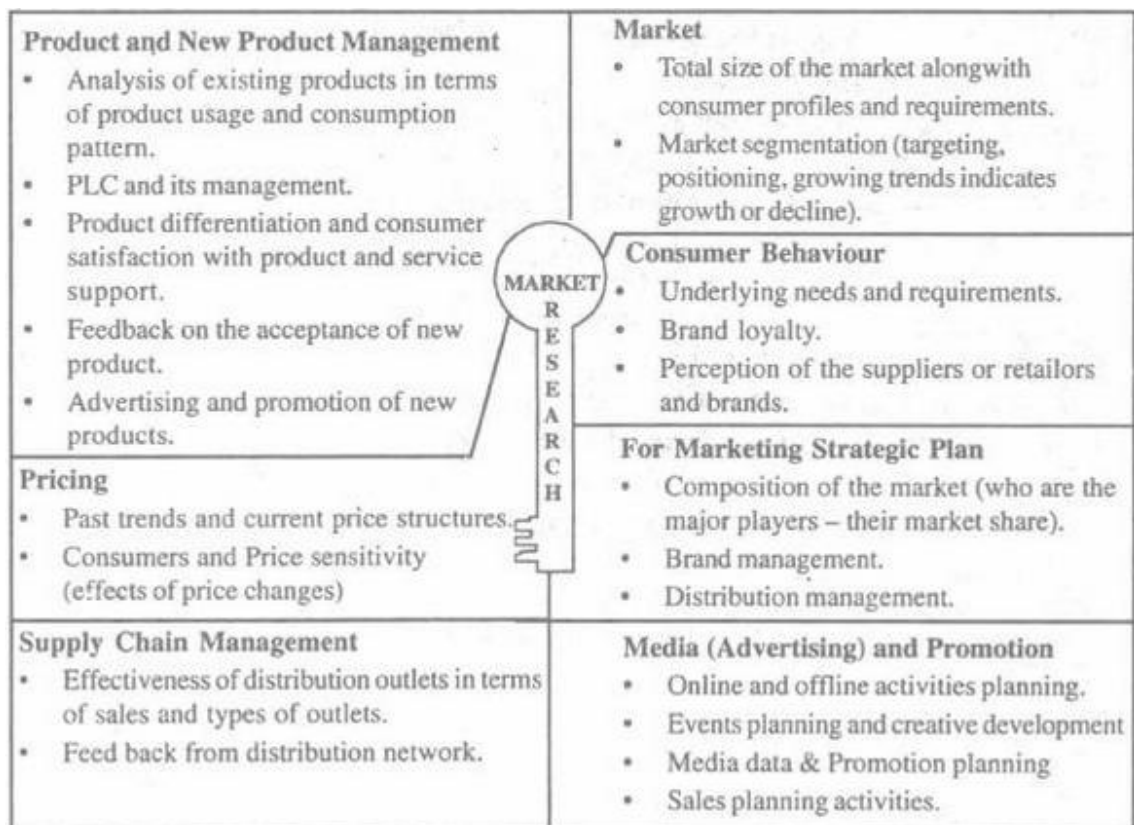


Figure 4. Common information sought by market research (Nair 2009, p. 52)

2. Research objectives

Secondly, after the problem has been identified and defined, a marketer together with the management makes the research objectives. Basically it means that at this stage researchers should identify the specific needs for the research and understand what questions they have to answer in the research. The development of the research purpose that links the research to the decision making and the formulation of research objectives that serve to guide the research are unquestionably the most important steps in the research process. It is very important to translate objectives into the exact questions to be asked (Aaker D., Kumar V. 2001, pp. 41-59).

3. Research value

Thirdly, the worthiness of the research must be analyzed. The main question here is if the value possessed as a result of the research is going to be higher than the cost of the research?

4. Research design

Fourth stage is to understand how to design the research in order to reach the objectives. "The usefulness of a research project depends on the overall quality of the research design and on the data collected and analyzed based on the design" (Aaker D., Kumar V. 2001, p. 71).

Generally, there are three main types of a research: exploratory, descriptive and causal type. The aim of an exploratory research is to find insights into the general nature of a problem, potential decision options and essential variables to be searched for. In other words, it is used to get the preliminary information that will help to define the problem. The aim of a descriptive research is to provide an accurate picture of some parts of a market environment. Its' goal is to describe, for example, market potential for a product or characteristics of a potential target audience, ranging from demographics and geographics to consumer behavior or attitudes to the product. Causal research is not considered in this thesis.

It is a normal practice to start with exploratory research and then proceeds with descriptive research in order to reach as many objectives as possible (Aaker D., Kumar V. 2001, pp. 71-89) (Kotler&Armstrong 2012, p. 103).

Mainly, this stage is associated with two primary questions. The first of them is what kind of data is to be used in the research: primary or secondary? The second question refers to how to collect the type of the data chosen.

Secondary data research- desk research

Secondary data is the data that is already available and have been collected by someone else and for some other purpose. Such kind of secondary data research is also called a desk research. Today, there is much of secondary data available and the abundance of the Internet-based data sources makes this kind of research very popular. Secondary data has certain advantages compared to the primary data. According to Nair 2009, they are: (Figure 5)

1. Secondary data collection and analysis may be enough to reach the research objectives.
2. Secondary information search always costs less and takes less time than respecting primary data.
3. Secondary data may be a base for new ideas of further primary data collection, as well as it can help to understand methods and techniques that are used in the secondary data in order to plan own primary data research.

Despite its' strong advantages, secondary data has limitations as well. Some of them are listed below:

1. Secondary data has been collected in the past and for other purposes. Consequently, it may be irrelevant.
2. It is difficult for the researcher to find out how secondary data has been collected and estimate how accurate it is in terms of the errors.

Nevertheless, desk research is an essential part of any research because it at least helps to better understand the research problem, develop ideas and plan the primary data collection. However, the researcher should always check the data if its characteristics correspond to the following qualities:

1. Reliable in terms of who collected it and how accurate it was
2. Suitable in terms of the project
3. Adequate (accurate and sufficient in terms of study objectives) (Nair 2009, pp. 94-97).

<i>Advantages and Limitations of Secondary data</i>
<p>Advantages:</p> <ol style="list-style-type: none"> 1. It involves low cost (time and money). 2. Compared to primary data, less effort is required. 3. Earlier studies can familiarise researcher to avoid similar deficiencies and problems. 4. It can be used for comparative base with primary data and better understanding of current study. 5. At times certain information can only be obtained from secondary sources. <p>Limitations:</p> <ol style="list-style-type: none"> 1. Originally collected for some other purposes 2. May be difficult to find data to suit the project under study. 3. Difficult to ascertain the accuracy/reliability of secondary sources. 4. It may be outdated. 5. It may be difficult to find the accurate unit of measurement due to the time gap. 6. May not meet the current research requirements and a number of assumptions may have to be made.

Figure 5. Advantages/limitations of secondary data (Nair 2009, p. 97)

Basically, sources of the secondary data are divided into two categories: internal and external. Internal data can be obtained from within the company (Figure 6). It includes information from company's sales reports, accounting reports and other departmental documents. Unfortunately, in the case of this thesis, internal data is not available but in perspective it is a comprehensive source of insights due to the following advantages:

1. It is readily available
2. It can be accessed on a continuous basis
3. It is relevant to company's requirement

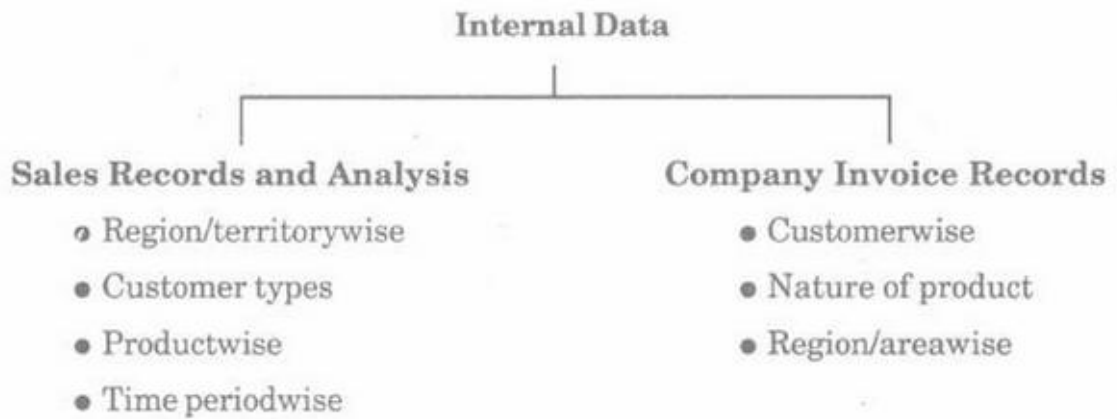


Figure 6. Sources of internal data (Nair 2009, p. 100)

External data can be obtained from sources other than inside of the company for which the research is organized. External data may appear in the form of printed or published reports, news articles, trade journals, etc. Sources of the secondary data can be:

1. The Internet
2. Public libraries
3. Census data
4. Registration data
5. Private institutions/organizations
6. Marketing agencies engaged in syndicated research

Primary data research

Primary data is the data collected on purpose of an exact research case. There is a need for a primary data analysis if the desk research has not been sufficient enough to answer the questions that were asked in the research. Basically, primary data analysis is represented by two main research types: quantitative and qualitative, respectively to the type of data used in the research.

Quantitative research is in question when there is an objective to measure the market in terms of market size, size of market segments, purchasing frequency, distribution network size, etc. Quantitative research implies large piles of data to be statistically analyzed. Normally, to achieve a certain level of accuracy, a sample is chosen out of the total population and results are extrapolated to the

general population. Sample is extracted out of the whole population by applying one of sampling methods. It is very important to define the population accurately. (Nair, Surja R., 2009, p. 78)

The main source of quantitative data is a survey. A survey can be conducted in several ways through:

- Interviews
- Questionnaires

It is a matter of researcher's decision how to arrange interviews. He/she may conduct it personally, by phone, by the Internet means (Skype, etc.). (Figure 7) What refers to questionnaires, there are also many ways to interact with the sample: by mail, by email. Nowadays, the Internet has become a powerful platform for collecting data. The popularity of Social Media has made it convenient to get access to the sample online. Surveys that are done through social media platforms such as Facebook and others are increasingly popular due to its relatively low costs and fast pace of responds.

Qualitative research is done by asking questions from the sample as well but results are not extrapolated to the general population. Qualitative research is used in order to gain and understand the underlying reasons/motives of some phenomenon, attitudes to a product, uncover trends in consumers' opinion and provide insights into setting a problem. (Snap Surveys, n.d.)

Main methods of collecting qualitative data are:

- Individual interviews
- Group interviews
- Focus groups
- Action research

● TABLE | 4.3 Strengths and Weaknesses of Contact Methods

	Mail	Telephone	Personal	Online
Flexibility	Poor	Good	Excellent	Good
Quantity of data that can be collected	Good	Fair	Excellent	Good
Control of interviewer effects	Excellent	Fair	Poor	Fair
Control of sample	Fair	Excellent	Good	Excellent
Speed of data collection	Poor	Excellent	Good	Excellent
Response rate	Poor	Poor	Good	Good
Cost	Good	Fair	Poor	Excellent

Source: Based on Donald S. Tull and Del I. Hawkins, *Marketing Research: Measurement and Method*, 7th ed. (New York: Macmillan Publishing Company, 1993). Adapted with permission of the authors.

Figure 7. Strengths and weaknesses of contact methods (Kotler&Armstrong 2012, p. 110)

Qualitative and quantitative research complements each other and often developing marketing decisions require both types. (Figure 8) This approach is called pluralistic and it allows possessing advantages of both types of research consequently making the findings more accurate and relevant.

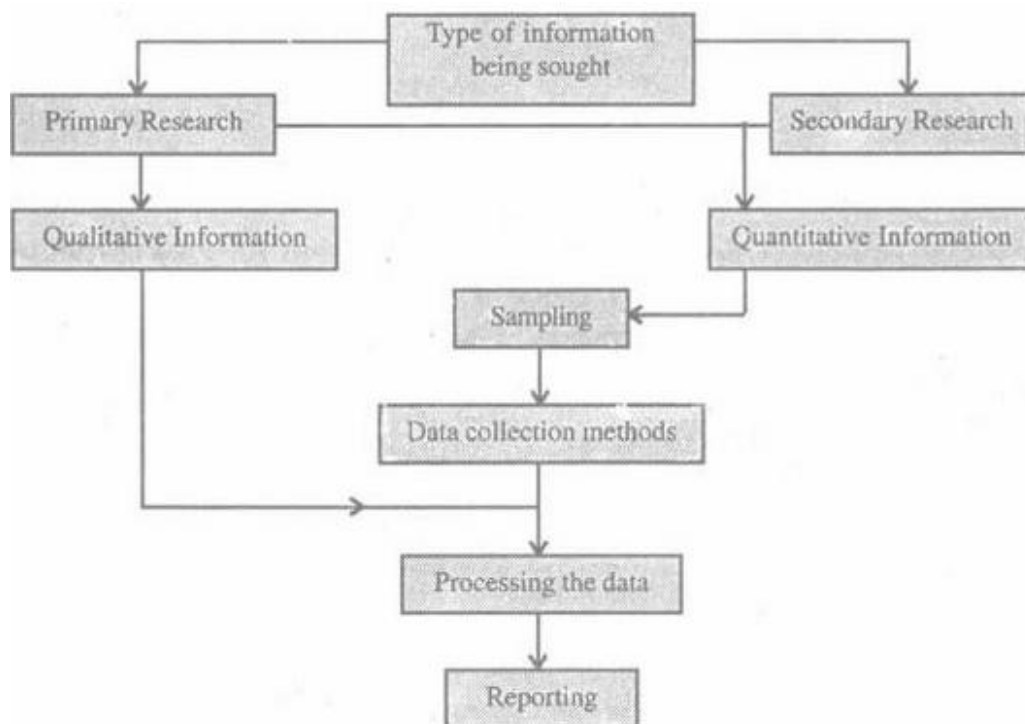


Figure 8. Main options of planning a suitable marketing research (Nair 2009, p. 56)

5. Research results management

Finally, stage number five. At this stage researchers should understand how they are going to manage the results of the research. In other words, they should define the process of analysis, interpretation and utilization of the collected data. (Aaker D., Kumar V. 2001, pp. 41-59)

Customer data and relationship management

Paley 2000 claims that one of the most important strategic issues for a company is creating customer, supplier and rival relationship networks in order to gain an additional competitive advantage (Paley 2000, p. 103).

Customer relation management (CRM) “...refers to capturing and using customer data from all sources to manage customer interactions and build customer relationships” (Kotler&Armstrong 2012, p.119). Customer data, such as address, region, age, income, family members, birthdays, activities, interests, and opinions, buying preferences, frequency, and monetary value of past purchases is extremely valuable as it allows more accurate targeting, which results in creating higher value for customers by better satisfying their needs. The data mentioned above is usually collected at different touch points between a company and its customer. The touch points can be customer purchases, contacts of sales staff, service and support contacts, website visits, surveys and market research studies (Kotler&Armstrong 2012). After the data have been collected, it has to be stored and managed. Modern CRM platforms provide these functions and make the process of customer data collection, storage, and management an integrated process.

2.2.2 Customer-driven marketing strategy design

Customer-driven marketing strategy design (Figure 9) is a second step in the typical marketing process. Based on the results of the marketplace environment analysis, such as market potential analysis results and understanding consumer needs and wants, a strategy design can be started.

Generally, there are four steps in designing a customer-driven strategy: segmentation, targeting, differentiation and positioning. The purpose of the first

two steps, segmentation and targeting, is to choose the customers to serve. *“By trying to serve all customers, they may not serve any customers well. Instead the company wants to select only customers that it can serve well and profitably”* (Kotler&Armstrong 2012, p. 9).

The last two steps, differentiation and positioning, allow the marketer to decide on the value proposition. It is an essential part of the strategy as a company has to be different of its competitors and provide a unique value to its customers. *“Companies today recognize that they cannot appeal to all buyers in the marketplace—or at least not to all buyers in the same way. Buyers are too numerous, widely scattered, and varied in their needs and buying practices. Moreover, the companies themselves vary widely in their abilities to serve different segments of the market.”* (Kotler&Armstrong 2012, p. 190.)

A strategy is designed by following the steps and then it is brought to life by creating a comprehensive marketing program with the help of tactical marketing tool- the four P’s. (Kotler&Armstrong 2012, p. 188)

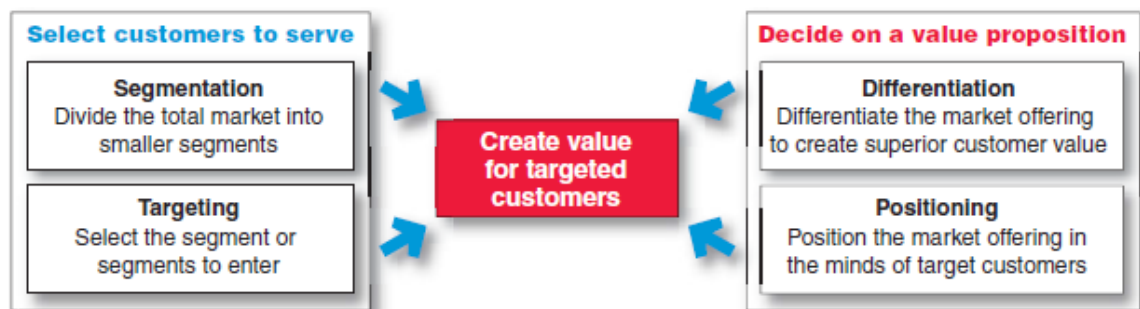


Figure 9. Designing a customer-driven marketing strategy (Kotler&Armstrong 2012, p. 191)

Market segmentation and targeting

Obviously, different customers have different needs and it is practically impossible to satisfy the needs of every customer. Modern marketers firstly choose customers to serve and then decide on the value proposition that will satisfy the chosen customers best. Therefore, marketers have moved away from mass marketing towards target marketing: dividing markets into segments, selecting one or several segments and developing products and marketing programs targeted at each segment. Paley 2000 defines segmentation as

dividing the total market into smaller sub segments that are more similar to each other than with the generic market. Positive outcomes of market segmentation are identification and satisfaction of the specific needs of individual customers inside of chosen segment, and, as a result, improvement of market position. Segmentation can refine company's competitive ranking by converging company's strengths and opposing them against competitors' weaknesses. (Paley 2000, p. 124.)

According to Kotler&Armstrong 2012, the very first step in a segmentation process is market identification. Before dividing a market into segments, it is necessary to define that market. In this case a market is the aggregation of all of the products that are believed by consumers, current and potential, to satisfy a particular need. After the market has been identified, there is time to choose a base (variable) for segmenting population. As we are speaking about consumer segmentation, there are major segmentation bases that should be considered:

- Geographic
- Demographic
- Psychographic
- Behavioral

Geographic segmentation is based on dividing customers into such geographical units as world regions, countries, cities, or even according to differences in density or climate where customers live. Companies may choose in which and how many units to operate and how to interpret and respond to customers' needs and wants in those units (Kotler&Armstrong 2012, p. 190).

Demographic segmentation divides markets with such variables as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation or nationality. Demographic segmentation is very popular due to the fact that customer needs, wants and usage characteristics vary closely with demographic variables (Kotler&Armstrong 2012, p. 191).

Psychographic segmentation divides buyers into different segments based on social class, lifestyle or personality traits. Buyers of the same demographics can

be different in psychographics (Kotler&Armstrong 2012, p. 194). Variables that are often used in this base can be the following:

- Activities
- Interests
- Opinions
- Attitudes
- Values

AIO survey (activities, interests, opinions) is one tool that can be used in a lifestyle measurement (Netmba.com 2015).

Behavioral segmentation divides buyers into segments based on their knowledge, attitudes, uses, or responses to a product. Due to the fact that behavioral base obtains the advantage of using the variables that are relatively close to a product (benefits sought, usage rate, brand loyalty, user status, readiness to buy, occasions such as holydays, events), it is a quite direct starting point for segmentation. (Netmba.com 2015) In fact, as behavioral segmentation is based on the actual customer behavior, it requires a thorough consumer behavior analysis in order to identify segmentation variables. (Sublimebehavior.com 2012)

There are several requirements that for market segmentation. According to the NetMBA article about market segmentation the author states that for a segment to be practical, it has to be evaluated against a couple of criteria:

- Identifiable: differentiating variables are applied to segments must be measurable in order to be identified
- Accessible: it has to be reachable through communication and distribution channels
- Substantial: segment has to obtain sufficient value in order to be profitable in terms of spent resources required to target it
- Unique needs: to be considered different, segments have to respond to different marketing mixes in different ways

- Durable: segments need to obtain a relative stability in order to get rid of undesired expenses from frequent changes (Netmba.com 2015).

Principally, a marketer has to know his market well and be capable of identifying the similarities that combine customers into segments and differences that distinguish one segment from others. On condition that he is capable of doing that, it is then possible to find a base for defining segments. What is more, segmentation variables depend very much on the nature of the need that buyers share and product's purpose/intended use.

Marketers rarely limit themselves to segment customers to only one or two variables. In contrast, they try to identify smaller and better-defined target groups in order to satisfy buyer need deeper by providing more value (Kotler&Armstrong 2012, p. 198).

After the segmentation has been done, it is time to determine what are the segments that a company will choose to serve (targeting). Obviously, a company wants to operate in the most profitable segments but at the same time it wants to serve customers whose needs can be satisfied in the best way. Therefore, an evaluation of segments is needed and it is done by evaluating segments against three factors:

1. Segment size and growth
2. Segment structural effectiveness
3. Company objectives and resources

First of all, in order to determine the size and growth rate of a segment, sales data has to be collected and search for growth rates and expected profitability has to be done. To choose the right segment of the right size, a company has to evaluate its skills and resources and make estimates if it obtains enough of them to compete with other companies whose skills and resources are aligned with the segment. (Kotler&Armstrong 2012, pp. 200-201)

Secondly, a company must measure a segment structural effectiveness- factors that have impact on the long-term segment attractiveness. Kotler and Armstrong suggest the Porter's five forces analysis as a powerful tool of

determining attractiveness. Threat of new entrants, threat of substitute products, bargaining power of buyers, bargaining power of suppliers and intensity of competitive rivalry are the forces that have to be analyzed.

Thirdly, however attractive/unattractive a segment can be, a company has to choose it based on its strategic objectives and resources in order to maximize customer value that it has to create and exchange with customers, thus creating competitive advantage (Kotler&Armstrong 2012, pp. 200-201).

According to Kotler&Armstrong 2012, there are four levels at which target marketing can be carried out: undifferentiated (no targeting at all), differentiated (concentration on one segment), niche (targeting only unoccupied part of a segment) and micromarketing (focused to the extent of individual) (Kotler&Armstrong 2012, p. 202).

While undifferentiated and micro- (one-to-one in this book) segmentation levels are described by C. McDaniel, F. Hair and C. Lamb, 2008 in the same way as by Kotler&Armstrong, 2012, other two categories- differentiated and niche marketing- are combined and the level is named as 'concentrated marketing'. Moreover, niche is defined as 'one segment of a market' and purpose of concentrated marketing is described as focusing marketing effort on one segment of a market. Besides this difference, Mc.Daniel et al. 2008 distinguish one more level called 'multisegment marketing', which purpose is to target several segments. (Mc.Daniel et al. 2008, pp. 221-224)

Kotler and Armstrong 2012 provide a set of criteria that can help in targeting strategy choice:

- Company resources: the more limited the resources are, the more sense it has to move focus on the concentrated marketing, i.e. to some niche
- Degree of product variability: uniform products suit undifferentiated marketing while products that significantly vary in design/quality are subject to differentiation or concentration
- Product life-cycle stage: at the introduction stage, with one version only, undifferentiated targeting is durable. But if the product stage is more mature, targeting is needed

- Market variability: are consumer preferences and consumer response to products the same among customers or do they differ so that segments might be identified?
- Competitors' marketing strategies: company has to try to find a competitive advantage by correctly choosing its targeting strategy relatively to what strategies competitors use. (Kotler&Armstrong 2012, p. 205.)

When planning company strategy Peter Cheverton 2004 suggests applying the Ansoff matrix in order to determine the type of market entrance, assess risk of chosen growth strategy and take actions to prevent negative outcomes of dealing with risk by managing it properly. The Ansoff matrix (Figure 10) consists of 4 elements that represent modes of market penetration: introducing existing products to existing markets, or market penetration, which carries the least risk of 35% and the highest chance for succession (65%); selling new products to existing markets, or market extension, which accounts for 65/45% of risk/success rate; new product development (NPD) which implies launching new products to existing markets and stands for 30/70% of the same rate; and diversification mode, which carries 85% of risk and 15% of success chance.

There are two modes that are worth of describing: penetration and market extension. The former is considered to be the safest mode and is advised for companies who are minor players at their market. However, it is going to lose its attractiveness as soon as the company reaches a relatively large share of the market and further growth would be considered monopolistic. The latter mode is more challenging: products must be reviewed to enter new market as they have been designed for another market and may require modification. (Cheverton 2004, pp. 106-108.)

Existing Markets	Penetration 65%	New Product Development 30%
	Market Extension 45%	Diversification 15%
New	Existing	New
	Products	

Figure 10. The Ansoff matrix (Cheverton, 2004, p. 106)

Deciding on the value proposition: differentiation and positioning

After a company has decided on the segments which it wants to serve, it must decide how it is going to differentiate itself of its competitors. *“Differentiation involves actually differentiating the market offering to create superior customer value”* (Kotler&Armstrong 2012, p. 216). Value of a brand has to be differentiated in minds of target customers. Namely, differentiation is a process of deciding which of the product features that create a competitive advantage are going to differentiate a market offering from other market offerings. Consequently, a brand has to be positioned accurately in the minds of chosen target customers, relatively to competing products. In fact, today there is just too much information about different products so it would be difficult to evaluate a product every time. Rather consumers organize goods into categories and position them in their minds, with or without the marketers’ help. Though, marketers do not miss a chance to position their products accurately in order to maximize a brand’s visibility. *“Product’s position is the complex set of perceptions, impressions, and feelings that consumers have for the product compared with competing products.”* (Kotler&Armstrong 2012, p. 207.)

Furthermore, Luther (2001) suggests small companies to gain a competitive advantage on their size. He states that usually small companies are more

flexible in quickly responding to changing customer needs and improving their products or market offerings (Luther 2001, p.104).

There are three steps to cover when carrying out a differentiation and positioning task. First of all, a company has to determine possible value differences and competitive advantages. Competitive advantage is “*an advantage over competitors gained by offering greater customer value, either by having lower prices or providing more benefits that justify higher prices*” (Kotler&Armstrong 2012, p. 210). A company can differentiate itself on the market through several options:

- Product differentiation: differentiation based on product features, performance, style and design.
- Services differentiation: adding value to the market offering by providing higher quality or more services than competitors (faster delivery, higher customer care).
- Channel differentiation: gaining competitive advantage by improving channel’s coverage, expertise, performance, etc.
- People differentiation: differentiation by hiring and training better employees than competitors do.
- Image differentiation: improving company’s public perception and making it more distinctive than competitors’. (Kotler&Armstrong 2012, p. 211.)

Secondly, marketers have to choose competitive advantages that are going to be in the center of a positioning and differentiation strategy. In fact, one or several differences can be chosen. The key point in the decision is that a product/brand has to stay the best in the proposed competitive advantage. However, competitive advantages can be of different weight and importance (from customer’s point of view). To be considered a good differentiator, an advantage has to comprise with the following criteria:

- Important: provides highly valued benefit
- Distinctive: not offered by competitors or company can offer it in a more distinctive way
- Superior: it is superior to other ways how customers can possess it

- Communicable: it can be communicated and it is visible
- Preemptive: it cannot be easily copied
- Affordable: customers can afford it
- Profitable: can be introduced by the company profitably
(Kotler&Armstrong 2012, p. 212.)

Finally, an overall positioning strategy has to be chosen. Overall positioning of a brand is called a brand's value proposition. Value proposition *"is the full mix of benefits of which it is composed"* and the possible options can be the following: (Figure 10) (Kotler&Armstrong 2012, p. 212).

		Price		
		More	The same	Less
Benefits	More	More for more	More for the same	More for less
	The same			The same for less
	Less			Less for much less

These are winning value propositions.

Figure 11. Possible value propositions. (Kotler&Armstrong 2012, p. 213)

After the value proposition has been chosen, marketers have to communicate the position to the target audience. Marketing mix is a set of tools to deliver the proposed value to customers and it supports the positioning strategy (Kotler&Armstrong 2012, p. 213).

2.2.3 Marketing mix development

Marketing program (or plan) is the next step in the execution of a typical marketing process. Marketing program is a set of actions that have to be taken in order to deliver the value that has been identified as a central basis for a company-customer profitable relationship. Guided by a marketing strategy, a company designs a marketing mix- basement for a marketing program.

(Kotler&Armstrong 2012.) Paley (2000) explains marketing mix as a combination of four elements (product, price, distribution and promotion) that are central potential drivers in creation of a competitive strategy (Paley 2000, p. 57).

Generally, it is a set of the four factors: product, price, place and promotion. Paley (2000) provides features of each of the marketing mix elements in detail (Figure 11) while Kotler&Armstrong show how marketing mix is positioned into the whole scope of marketing activities. (Figure 12)

Product	Price	Promotion	Distribution
Quality	List price	Advertising:	Channels:
Features	Discounts	• Customer and trade	• Direct sales force
Options	Allowances	Personal selling:	• Distribution
Style	Payment period	• Incentives	• Dealers
Brand name	Credit terms	• Sales aids	Market coverage
Packaging		• Samples	Warehouse:
Sizes		• Training	• Locations
Services		Sales promotion:	Inventory control:
Warranties		• Demonstrations	• Systems
Returns		• Contests	Physical transport
Versatility		• Premiums	
Uniqueness		• Coupons	
Utility		• Manuals	
Reliability		Telemarketing	
Durability		Internet	
Patent protection		Publicity	
Guarantees			

Figure 12. Creating strategies out of the marketing mix (Paley 2000, p. 58)

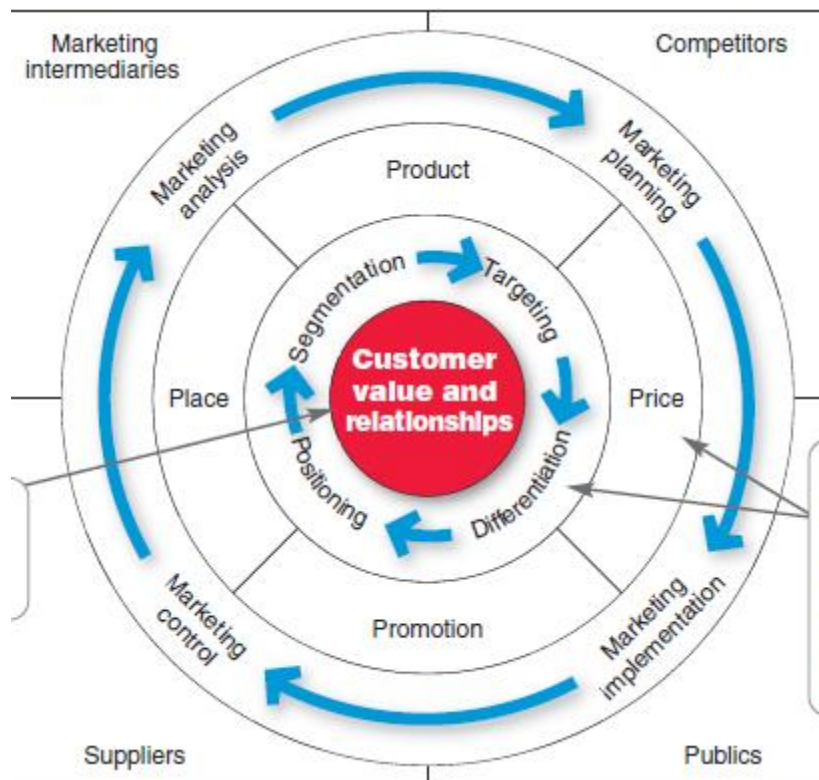


Figure 13. Position of marketing mix in the overall marketing activities (Kotler&Armstrong 2012, p.48)

Product

Product in terms of marketing mix means a “goods-and-services combination” that is offered to the target customers. Product includes all of the features and add-ons, as well as warranty and even package. Product is not a solo object or service, but it is a comprehensive targeted offering. (Kotler&Armstrong 2012, p.51.)

Product in its broad sense can be purely (in-) tangible but in the case of the Company X it is a mix of tangible product and accompanying service. Moreover, according to Kotler&Armstrong, firms differentiate their offerings not only by producing them but they strive for creating an experience of dealing with their brand or company. *“A brand, product or service is more than just a physical thing. Humans that connect with the brand add meaning and value to it”.* (Burnett, 2008, p. 21)

When planning a product, a marketer should consider three levels. (Figure 12) The first level is the most basic level and it contains the core customer value,

problem-solving benefits that a target customer is actually seeking for in the product. Next levels bring additional value to the core value (Kotler&Armstrong 2012).

At the second level the core benefits have to be transformed into an actual product by developing product or service features, design and packaging as well as quality level and a brand name (Kotler&Armstrong 2012).

Finally, in the 3rd level, planners build a so-called augmented product, where the core value and actual product are combined with additional consumer services and benefits that leverage customer satisfaction and create superior customer value. They include after-sale service, warranty, product support and delivery and credit matters (Kotler&Armstrong 2012).

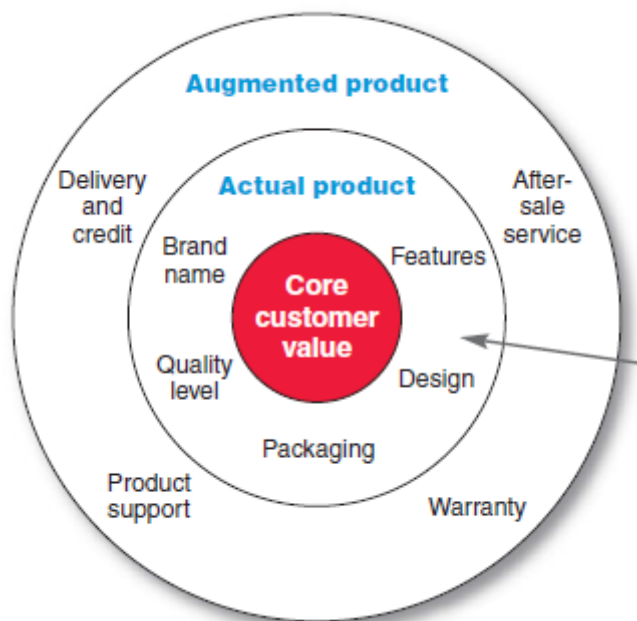


Figure 14. Three levels of product (Kotler&Armstrong 2012, p.226)

Furthermore, products are divided into categories by the intention for use. They can be either consumer or industrial goods. Since the Company's X product is aimed at final consumer use the author is going to consider theories relating to consumer goods and services.

There are several marketing considerations for consumer goods. (Figure 12)

Marketing Considerations	Type of Consumer Product			
	Convenience	Shopping	Specialty	Unsought
Customer buying behavior	Frequent purchase; little planning, little comparison or shopping effort; low customer involvement	Less frequent purchase; much planning and shopping effort; comparison of brands on price, quality, and style	Strong brand preference and loyalty; special purchase effort; little comparison of brands; low price sensitivity	Little product awareness; knowledge (or, if aware, little or even negative interest)
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution; convenient locations	Selective distribution in fewer outlets	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	Mass promotion by the producer	Advertising and personal selling by both the producer and resellers	More carefully targeted promotion by both the producer and resellers	Aggressive advertising and personal selling by the producer and resellers
Examples	Toothpaste, magazines, and laundry detergent	Major appliances, televisions, furniture, and clothing	Luxury goods, such as Rolex watches or fine crystal	Life insurance and Red Cross blood donations

Figure 15. Marketing considerations for consumer products (Kotler&Armstrong 2012, p.227)

These considerations are convenience, shopping, specialty and unsought goods. Goods are classified according to how consumers go about them. Depending on the classification of goods, parameters such as buying behavior, price, distribution or promotion may differ and so the practical implication of marketing actions.

When designing and marketing products, marketers have to carry out specific decisions regarding products. There are three levels of decisions: individual, product line decisions and product mix decisions.

Branding

Along with product decisions there are more decisions related to launching a new company. These are branding decisions. Kotler and Armstrong say that “*a brand represents everything that a product or service means to consumers*” (Kotler&Armstrong 2012, p.243).

Brand matters very much and building a strong brand requires a thorough planning and takes the process to a strategic level. To design a comprehensive brand strategy marketers have to carry out major strategic decisions regarding

the following issues: brand positioning, brand name selection, brand sponsorship and brand development. (Figure 13)



Figure 16. Major brand strategy decisions (Kotler&Armstrong 2012, p.243)

According to Luther (2001), a brand requires to be perceived as a unique, memorable, desirable and believable personality. Moreover, brand positioning has to become an unexpected but favorable experience for customers; this will result in exceeding their expectations and creating delight. It has to be a surprise both for competitors and the industry (Luther 2001, p.102).

Pricing

Pricing is the next element of a marketing mix. Pricing decisions are one of the most important elements because price is the element that generates revenue for a company. All other three P's are costs: product development and design, distribution or promotion- cost a lot. Pricing has to support marketing mix by generating turnover. More, price has to be accurate in terms of supply-demand relationship; otherwise there will not be enough sales and company will lose profit. (www.learnmarketing.net 2015)

Pricing is the object for strategic planning. There are three major pricing strategies:

1. Value-based pricing

Due to the fact that marketing strategy is designed in such a way that a customer and his needs are the core of the strategy, pricing, like each element of a marketing mix, has to be customer-oriented as well. Kotler and Armstrong suggest that a value-based pricing should replace a cost-based pricing because *“reducing prices unnecessarily can lead to lost profits and damaging price wars. It can cheapen a brand by signaling to customers that price is more important than the customer value a brand delivers. Instead, no matter what the state of*

the economy, companies should sell value, not price. In some cases, that means selling lesser products at rock-bottom prices. But in most cases, it means persuading customers that paying a higher price for the company's brand is justified by the greater value they gain". (Kotler&Armstrong 2012, p.290.)

In the value-based pricing strategy it is not the sellers' cost but a buyers' perception of value that determines a price. Unlike in the cost-based pricing, price is set along with other marketing mix elements. (Figure 14)

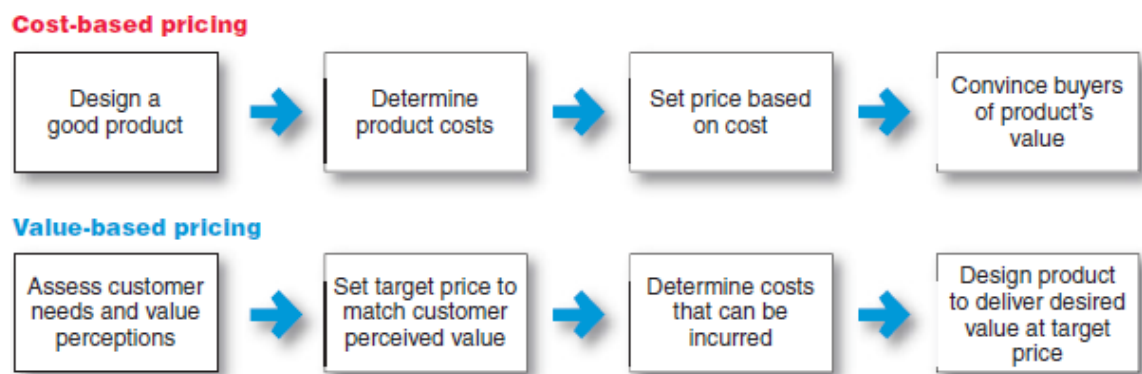


Figure 17. Cost-based pricing versus value-based pricing (Kotler&Armstrong 2012, p.290)

Value-based pricing appears in two types: good-value pricing and value-added pricing. Good-value pricing is based on a right combination of “*quality and good service at a fair price*” (Kotler&Armstrong 2012, p.292). Good-value pricing technique is used to reach a compromise between a customer and a company: price for a valuable good is not too low to have a harmful impact on the profit but in the same time it is not too high to be harmful for a customer. In this way, prices are going to be somewhere in between low-price discount goods and high-price luxury. (marketsaurus.com 2014)

Value-added pricing (more for more) is about attaching value-added features and services to differentiate an offer and charge a higher price (Kotler&Armstrong 2012, p.292). This strategy suits premium products that are positioned as providing superior value. Customers who look for value are willing to pay for it.

2. Cost-based pricing

Unlike the value-based pricing that uses customers' value perception as a ceiling for a price, cost-based pricing uses seller's costs to set the floor for a price. Some companies want to become price leaders and try to push their costs down as much as possible. They have small profit margins but the volume of their sales makes their business profitable and customers stay loyal due to their low prices. At the same time, other companies produce goods with higher costs intentionally because their clients want more value and, as a result, higher quality. (Kotler&Armstrong 2012, p.297)

3. Competition-based pricing

Competition-based pricing sets prices accordingly to competitors' prices/pricing strategies. In fact, marketers have to be aware of competitors' prices in spite of what pricing strategy their company uses. Nevertheless, competition-based pricing may be useful to examine what market or part of a market to target. To evaluate and analyze competition, marketers have to find answers for a couple of questions. First of them is about company's products' value against competitors'. If the value is lower or greater than of the competitors' the company can play with prices or customers' perception of value to justify higher prices. (Kotler&Armstrong 2012, p.299.)

In conclusion, there are several pricing strategies but one has to be chosen in accordance with market competition and positioning strategy (or overall marketing strategy and objectives) that the company has chosen, as well as costs that a company faces in its operations. Furthermore, pricing strategy also depends on market and demand factors such as:

- Different types of market: pure competition, monopolistic competition, oligopolistic competition or pure monopoly
- Price-demand relationship (represented by a demand curve)
- Price elasticity of demand
- Economy trends: boom/recession, inflation and interest rates as factors strongly affecting consumer spending, consumer perceptions of a product's price and value and company's costs of producing and selling a product

- Legal and social concerns. (Kotler&Armstrong 2012, p.303.)

Distribution channels

The case company is not the producer of the products that it is going to sell- it will be an official distributor of the Russian-based manufacturer. Therefore, it is an intermediary who works close with manufacturer in order to distribute products and provide value to its customers. This is what is called a distribution or marketing channel: “a set of interdependent organizations that help make a product or service available for use or consumption by the consumer or business user” (Kotler&Armstrong 2012, p.341).

A marketing channel is composed of different channel levels and each of the levels represents all of the intermediaries that perform each certain function of delivering product to a final consumer in a channel. Channels can be of different length, starting with direct channels that include no intermediaries and ending with indirect channels that include one or more intermediaries. The Company X is an intermediary in the indirect distribution channel. (Figure 15, Channel 2)

All of the channel members participate in different flows: the physical flow of products, the flow of ownership, the payment flow, the information flow, and the promotion flow. Besides the flows that occur in channels, there are people who interact to reach individual, company and channel goals; therefore, channels are complex behavioral systems (Kotler&Armstrong 2012).

There are two types of distribution systems: the conventional distribution system and a vertical marketing system. (Figure 16) A conventional distribution channel implies no central regulatory authority (assigning roles, resolving conflicts) and the entire members act according to personal company goals. Members are independent and maximize their profits (Kotler&Armstrong 2012, p.345). A vertical marketing system is a unified system composed of producers, wholesalers and retailers. One channel has the authority of ownership over the others and has contracts with them, or has so much power that other channel members have to cooperate (Kotler&Armstrong 2012, p.345).

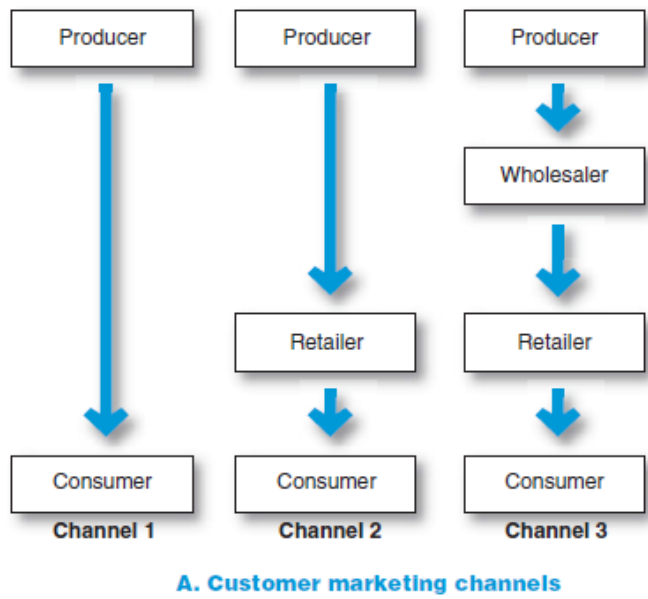


Figure 18. Customer marketing channels (Kotler&Armstrong 2012, p.343)

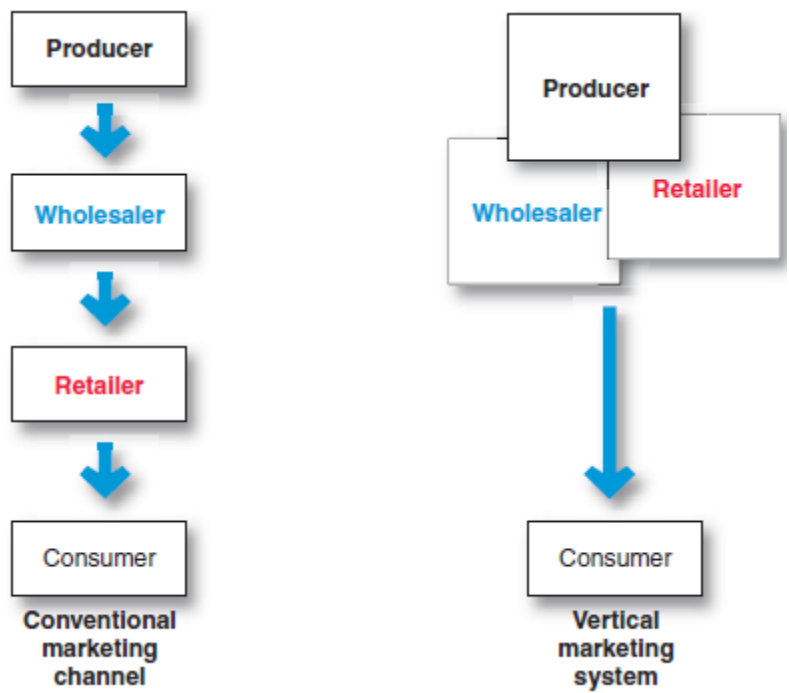


Figure 19. Comparison of conventional distribution channel and a vertical marketing system (Kotler&Armstrong 2012, p.346)

Although vertical marketing systems and even multi-channel distribution systems are increasingly popular, there is a tendency for disintermediation (cutting out marketing channel intermediaries by producers). The reasons are technological: the development of the Internet pulls the development of different

direct marketing channels, and that happens because it is today much easier to reach a target audience with the help of the Internet. The need for the traditional brick-and-mortar store decreases and producers' own web stores replace them. However, leading innovation and adding value is going to help intermediaries to not be swept aside. (Kotler&Armstrong 2012, p.350.) In this sense, the Company X has to design its distribution channel in such a way that its retailing business is protected from producer's attempts to disintermediate the marketing channel and take the control over operations in Finland.

Online-store retailing grows worldwide and Finland is not an exception. According to the e-commerce-europe.eu, in 2014 the total population of Finland accounted for 5.5 million people and 94% of them use Internet, while 4 million of Internet users shop online. The e-commerce sales reached €7.2 billion and showed 14.2% growth compared to year 2013. (e-commerce.eu) Decisions related to planning distribution through the online store depend heavily on the marketing strategy considerations such as segmentation, targeting, differentiation and positioning. (Kotler&Armstrong 2012, p.383)

Designing a distribution channel means making decisions about the following issues:

Analyzing consumer needs: *“Do consumers want to buy from nearby locations or are they willing to travel to more distant and centralized locations? Would customers rather buy in person, by phone, or online? Do they value breadth of assortment or do they prefer specialization? Do consumers want many add-on services (delivery, installation, repairs), or will they obtain these services elsewhere? The faster the delivery, the greater the assortment provided, and the more add-on services supplied, the greater the channel's service level”.* (Kotler&Armstrong 2012, p.351.)

Setting channel objectives: *“a company should state channel objectives in terms of targeted levels of customer service”* say Kotler and Armstrong (2012, p.352). A company has to choose a segment to serve and it wants to minimize the total channel cost of meeting the customer-service requirements. It has to decide on the distribution channel chain length and consider factors influencing

it. Moreover, the company has to analyze environmental factors that influence the distribution channel. (Kotler&Armstrong 2012, p.352.)

Responsibilities of the channel members: They have to come to an agreement about price policy, sale conditions, and territory rights of other intermediaries and specific services to be performed by each of them (Kotler&Armstrong 2012, p.352).

Whole-channel view: The fact that the case company is going to be involved in the channel that consists of members from different countries (Russia and Finland), therefore it is going to be an international distribution channel. That requires a company to take a whole-channel view (Figure 17): there are two major links that connect a seller to a final consumer. The first link, channels between nations, moves products from a producer to the target nation's borders; the second link, channels within nations, moves products from their market entry to final consumers. The whole-channel view considers the entire global supply chain and marketing channels. (Kotler&Armstrong 2012, p.354)

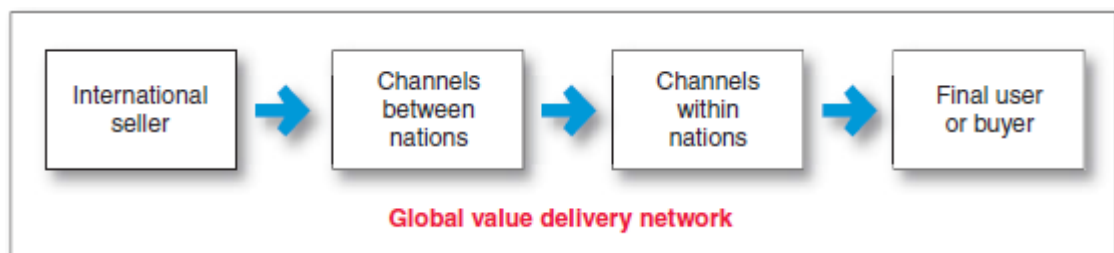


Figure 20. Whole-channel concept for international marketing (Kotler&Armstrong 2012, p.354)

Marketing channel design is yet the first step in the establishment of an efficient distribution channel. Marketing channels require a thorough and effective management that includes:

Selecting individual channel members: define what characteristics make them appropriate and successful. Important considerations are each channel member's years in business, other lines carried, growth and profit record, cooperativeness, and reputation. (Kotler&Armstrong 2012, p.355.)

Managing and motivating individual channel members: to be successful, members have to be managed and motivated on a continuous basis. These functions can be carried by the partner relationship management that creates a long-term partnership that is supported by value delivery system that meets the needs of both company and its channel partners. (Kotler&Armstrong 2012, p.355) *“Just as they (companies) use CRM software systems to help manage relationships with important customers, companies can now use PRM and supply chain management (SCM) software to help recruit, train, organize, manage, motivate, and evaluate relationships with channel partners.”* (Kotler&Armstrong 2012, p.356.)

Evaluating their performance over time: channel members’ performance must be regularly evaluated against relevant standards such as sales, average inventory levels, delivery time, after sale service, returns and damaged goods service quality, and cooperation in promotion and training. Well-performers have to be recognized and rewarded and poor-performers have to be assisted in time, or replaced if there is no positive change. (Kotler&Armstrong 2012, p.356.)

Promotion

Promotion is the last of the marketing mix tools and its purpose is to clearly and persuasively communicate value to target customers. Promotion is a mix of tools used to deliver a consistent, explicit and gripping message about a company and its’ brands. (Kotler&Armstrong 2012, p.406)

A typical promotion mix, or marketing communications mix consists of mixture of several promotion tools: advertising, sales promotion and personal selling, public relations and direct marketing. Each of the tools is present in the mix at some extent due to the decisions of marketers based on the effectiveness of each tool relatively to the target audience. (Kotler&Armstrong 2012, p.409)

The world is changing and so does the world of marketing communications. There are several major trends that are shaping the industry. Firstly, consumers are changing. New wireless technologies shape consumer behavior in a way that consumers are more independent in getting the information they are

interested in. They are free to get the information about products and brands and share it with other customers. (Kotler&Armstrong 2012, p.409.)

Secondly, marketing strategies are changing. As a result of markets fragmentation marketing becomes more focused and many companies change their mass marketing strategies to more targeted strategies in order to establish closer relationships with their customers and provide greater value in order to capture value in return. (Kotler&Armstrong 2012, p.409.)

Last but not least, advances in technology change the ways how companies communicate with customers. Range of communication tools have expanded: smartphones and tablets to satellite and cable television to the Internet including e-mail, social networks, blogs, brand websites and others. For example, mobile search ads will account for \$12.85 billion in 2015 which is more than 50% of the total search market. (Cohen H., heidicohen.com 2014) Although traditional communication means are still important, their role is declining and marketers turn to modern technologies because they make it possible to target smaller groups of customers, to get closer to and provide interaction with them (Kotler&Armstrong 2012, p.410.)

Digitalstrategyconsulting.com provides an extract from the PricewaterhouseCoopers Entertainment and Media Outlook report that states: online advertising is going to account for 33% of the advertising market in 2018 (Figure 18) (digitalstrategyconsulting.com).



Figure 21. Proportion of global advertising revenue from entertainment and media, digital vs. non-digital (Global ad trends: Digital 'to account for third of all revenue by 2018', digitalstrategyconsulting.com)

Nevertheless, both traditional and digital marketing tools have to be combined into a modern marketing communication program that includes advantages of both and best communicates the message about a brand/product/organization. Therefore, today many companies tend to use the concept of integrated marketing communications which is aimed at finding all possible touching points a customer can face a company and its brands. (Figure 19) It is important that marketers have to evaluate what influence every communication experience will have at each touching point on a customers' buying decision. IMC's key role is to tie all company's messages and images together so that customers perceive the same message and image at every marketing communication channel (Kotler&Armstrong 2012, p.413).

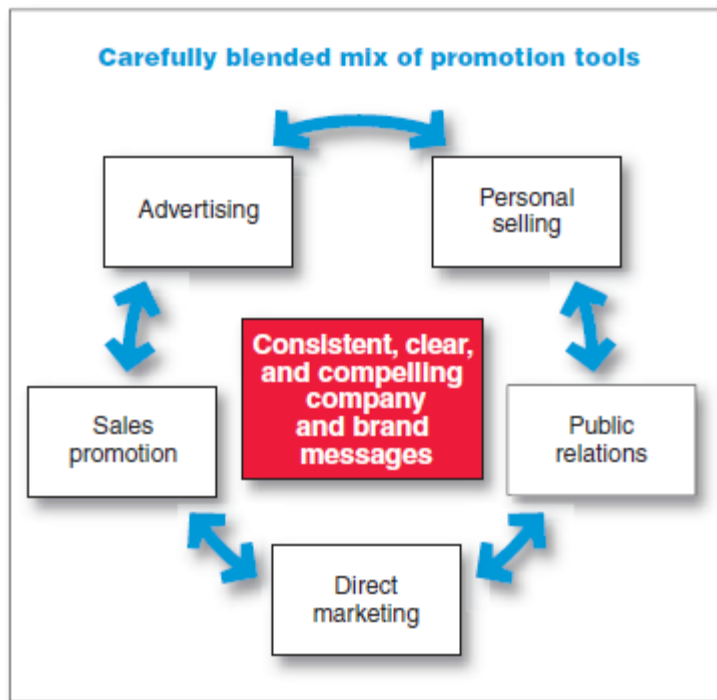


Figure 22. Integrated marketing communications. (Kotler&Armstrong 2012, p.413)

Kotler and Armstrong explain the content of the IMC: “*Integrated marketing communications involves identifying the target audience and shaping a well-coordinated promotional program to obtain the desired audience response.*” All customers are different and marketers are ready to take these differences into consideration. Communication programs should be prepared to be specific for different segments, niches and even individuals. Due to the fact that communication technologies today provide certain level of interaction, there is one more issue besides how to reach customers: customers have to be able to reach companies as well. (Kotler&Armstrong 2012, p.413.)

Steps in developing marketing communication

According to Kotler&Armstrong (2012, p.415) there are six steps in the process of developing communications program: identifying the target audience, setting communication objectives, designing message, choosing media to communicate the message, message source selection and, finally, collecting feedback.

1. Target audience may be represented by current or potential buyers or those who make or influence a buying decision. Selecting target audience is important because it will have a strong impact on decisions regarding the required message and its content, structure and format (Kotler&Armstrong 2012, p.415).
2. The second step is to define what response marketers want from the target audience. Although a purchase is always an ideal response, it is not always the result. There are six stages of buyer readiness and it is important for marketers to understand at which stage the target audience currently is and to what stage they want it to move. (Figure 20)



Figure 23. 6 stages of buyer readiness (Kotler&Armstrong 2012, p.415)

3. Designing a message is the next step. A successful message has to perform the following actions: get attention, hold interest, arouse desire and obtain action. Message design takes to decide on the message content (what to say) and message structure and format (how to say it).
4. Choosing media. This step requires marketers to choose communication channels which can be of two types: personal and non-personal. Personal channels involve two or more people directly interacting with each other. This includes phone, face-to-face, mail, e-mail or Internet chat interaction. However, the interaction can be done without company's direct control through consumer advocates, online buying guides and others who make statements to buyers (word-of-mouth channel). Decisions regarding products that are expensive, risky or highly visible can be subject to high impact by personal influence (Kotler&Armstrong 2012, p.419.)
 Non-personal channels include media that communicate a message without personal interaction. The representatives are: print media (newspapers, magazines, direct-mail), broadcast media (television and radio), and online media (websites, e-mail, online social and sharing networks), atmospheres and events (Kotler&Armstrong 2012, p.420.)

5. Selecting the source of message. For the target audience, the communicator means a lot and the success of the message communication depends on the credibility of a source. Companies have to be careful in choosing a representative for their brands because target audience's attitude to the representative shapes an attitude to the brand. (Kotler&Armstrong 2012, p.420.)
6. Collecting feedback. To understand how accurate the communication has been built, marketers have to get the target audience's feedback on the message. Important information to be included in a feedback is: do respondents remember the message, how many times they saw it, what details they remember, what were their feelings about the message, and comparison of their previous and current attitudes towards the product and company. Feedback is important because with its' help marketers can measure the effectiveness of the promotion program and make necessary changes. (Kotler&Armstrong 2012, p.420.)

There are major factors that influence the choice of tools in a promotion mix: the nature of each promotion tool and different promotion mix strategies. There are five major promotion tools and each of them has their specific characteristics and costs.

- Advertising: can reach huge geographically dispersed masses of customers repeatedly and at low cost per exposure. Advertising is a helpful tool in building company's image because it is seen as a legitimate tool due to its publicity. However, it is impersonal and provides only one-way communication so the audience does not feel like responding or giving feedback. Moreover, although there are low-cost advertising types, some of them, TV for example, can be very expensive. (Kotler&Armstrong 2012, p.424.)
- Personal selling: it is a very effective method, especially at the last three stages of buyer's readiness (in shaping buyer's preferences, convictions and actions). Personal selling involves personal interaction between two or more people and allows adjusting an offer in a real-time process by taking customers' needs and personal characteristics into consideration. Personal

selling heavily depends on the quality of a salesforce: sales people must be able to build long-term relationship with customers by solving their problems successfully. It is the most expensive promotion tool but at the same time one of the most effective ones. Kotler&Armstrong 2012, p.425.)

- Sales promotion: it is a tool that is used primarily in achieving of short-term goals. Sales promotion instruments, such as coupons, contests, premiums and others, call for immediate action and reward for quick response. Kotler&Armstrong 2012, p.425)
- Public relations (PR): according to the businessdictionary.com, PR is *“the profession or practice of creating and maintaining goodwill of an organization's various publics (customers, employees, investors, suppliers, etc.), usually through publicity and other nonpaid forms of communication. These efforts may also include support of arts, charitable causes, education, sporting events, and other civic engagements”* (businessdictionary.com). It is a tool that sends a message oppositely to a sales-directed communication. Customers feel it to be less intrusive and it can help to reach those customers who avoid salespeople and advertising. (Kotler&Armstrong 2012)
- Direct marketing: although there are many forms of direct marketing which ranges depending on different technologies (online marketing, email, catalogs, etc.), all of them share four common characteristics: direct media aims at delivering message to a specific person, it is immediate and customized, it evokes a dialogue between a company and its audience and it is an appropriate tool to use for highly-targeted marketing and building one-to-one relationship (Kotler&Armstrong 2012, p.425).

What refers to promotion mix strategies, there are two major: push strategy and pull strategy. (Figure 21) Push strategy puts an effort on such promotion tools as salesforce and sales promotion to push a product through marketing channels, while a pull strategy relies on investing heavily in those promotion tools that strongly encourage customers to buy products. Both strategies are often used as a combination. “Business-to-consumer companies usually pull more, putting more of their funds into advertising, followed by sales promotion, personal selling, and then PR”. (Kotler&Armstrong 2012, p.426.)

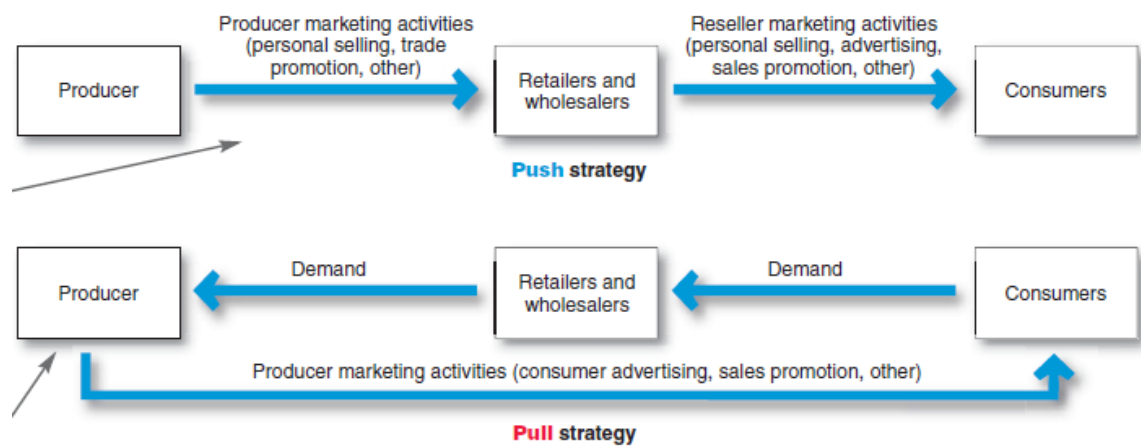


Figure 24. Push versus pull strategies (Kotler&Armstrong 2012, p.426)

Moreover, choice of the strategy depends on the product lifecycle. Kotler and Armstrong describe this relationship in the following paragraph: *“The effects of different promotion tools also vary with stages of the product life cycle. In the introduction stage, advertising and PR are good for producing high awareness, and sales promotion is useful in promoting early trial. Personal selling must be used to get the trade to carry the product. In the growth stage, advertising and PR continue to be powerful influences, whereas sales promotion can be reduced because fewer incentives are needed. In the mature stage, sales promotion again becomes important relative to advertising. Buyers know the brands, and advertising is needed only to remind them of the product. In the decline stage, advertising is kept at a reminder level, PR is dropped, and salespeople give the product only a little attention. Sales promotion, however, might continue to be strong.”* (Kotler&Armstrong 2012, p.426.)

3 Designing marketing strategy and program

3.1 Understanding marketplace and consumers

3.1.1 Assessment of the information needs

Purpose of the marketing environment research in this thesis is to develop decisions related to creation of a marketing strategy, program and actions for the Company X. The author is undertaking the research in order to find answers for the following questions:

- Market definition
- Finnish market overview: what is the market potential for the product? What is the market size? What is the market growth? What is the nature of competition? What are the major economic, political, legal, cultural and technological factors and trends could potentially influence the company's business in Finland?
- What is the right segment of the heating technologies market to enter (Porter's 5 forces analysis)
- Who is the firm's potential customer?
- What are potential buyers' needs and what makes value for them?

Market definition

First of all, it is necessary to define the market that is going to be under the research. Generally, the company X intends to research the total market of the heating systems of private houses. However, at the same time, the company is going to consider only the market of electric heating systems due to the fact that in the beginning of its business it would be easier to persuade potential buyers to change their electric heating equipment for the more energy-efficient infrared heaters. Private house in this work relates to any house that belongs to any of the following categories: detached houses or free-time residences. It is essential to define these groups of buildings. According to the definitions of Official Statistics of Finland, "Detached houses: one and two-dwelling houses, semi-detached houses and other detached and semi-detached houses. Free-

time residential buildings: detached summer cottages or free-time residences mainly intended for private use.”

3.1.2 Marketing research

Research objectives: Estimating the size of the total household heating systems market identifying market potential trends (growth/decline) are the most important objectives of the following market research. Furthermore, potential segments identification and evaluation of the competition in the market are the points that must be studied in order to continue with creating marketing strategy.

Research methodology: Secondary qualitative and quantitative data analysis is going to be used in the research. The author has chosen the secondary research method because the research project is limited in funds and time and the secondary research is a convenient approach that saves time and money. Finnish heating industry is the object for continuous research in many areas so there is plenty of information regarding the questions.

Methods of collecting data:

- Online sources (websites, forums, social media, official Finnish statistics) analysis
- Trade journals, magazines, etc.

Research process and data management

In order to estimate the defined market, the author has decided to extract the data about the number of detached and summer houses currently available in Finland from the publicly available sources such as stat.fi. (Figures 22, 23)

Table 2. Number of buildings by intended use in 2013

	Buildings	Per cent of total buildings (%)
BUILDINGS TOTAL	1 483 990	100,0
A. Residential buildings	1 265 547	85,3
Detached houses	1 128 366	76,0

Table 2. Number of buildings by intended use on 31 Dec. 2014

	Buildings	Per cent of total buildings (%)
BUILDINGS TOTAL	1 497 534	100,0
A. Residential buildings	1 277 699	85,3
Detached houses	1 139 290	76,1

Figure 25. Building stock, years 2013-2014 (Official Statistics of Finland, 2014)

Number of free-time residences by Region and Year

	2014
Whole country	500.422

Figure 3. Number of free-time residences 1970–2013

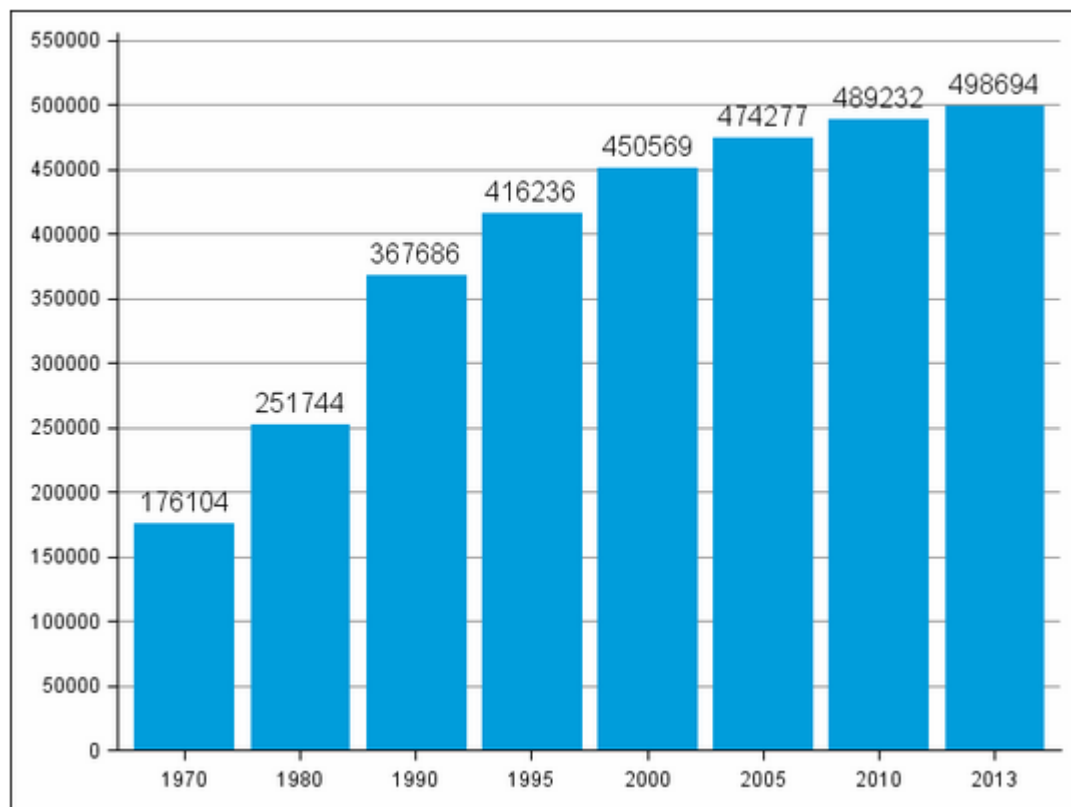


Figure 26. Number of summer houses, years 2013-2014 (Official Statistics of Finland, 2014)

Finally, the data about energy consumption has been reviewed. Official Statistics of Finland provides free information on the energy consumption in

different years by source of energy. Unfortunately, the data for the year 2014 is not yet available but in order to find trends and decide what segments of the market exist the data for years 2012-2013 is sufficient enough. (Figure 24)

Energy consumption	FUELS, TJ		% of change	DISTINCT HEATING, TJ*		% of change	ELECTRICITY, TJ*		% of change	TOTAL, TJ		% of change
	2012	2013		2012	2013		2012	2013		2012	2013	
Residential buildings	91 913	84 943	-8%	69 523	65 919	-5%	49 089	47 639	-3%	210 526	198 502	-6%
Detached houses	77 887	71 652	-8%	7 862	7 391	-6%	35 107	34 330	-2%	120 858	113 373	-6%
Terraced houses	2 946	3 106	5%	11 020	10 382	-6%	6 944	6 448	-7%	20 910	19 936	-5%
Residential blocks of flats	3 886	3 479	-10%	50 634	48 139	-5%	4 154	4 082	-2%	58 673	55 701	-5%
Free-time residential buildings	7 194	6 706	-7%	7	7	0%	2 884	2 779	-4%	10 085	9 492	-6%

* - in the original source the figures are presented in GWh's, but to be able to compare the results they are transferred into TJ's at the website: <http://www.convert-measurement-units.com/conversion-calculator.php?type=energy>

Figure 27. Energy consumption by source, years 2012-2013 (Official Statistics of Finland, 2014)

To begin with, the author has an intention to estimate an approximate size and growth of the market. The main idea underlying there is to estimate the size and growth of the market of private detached and summer houses and correlate the figures and trends with the market of electric heating equipment. More precisely, the author wants to estimate the approximate annual increase in the number of detached and summer houses as well as annual renovation rate of these two groups of buildings.

Firstly, the secondary data research shows the dynamics in the amount of detached houses, as well as summer houses in Finland in years 2013-2014. The total number of detached houses in 2013 has grown by 6051 and the number of summer houses has changed by about 2500. In year 2014, the number of detached houses has increased by 10924 and the number of summer houses has grown by 1728. (Official Statistics of Finland, 2014)

Secondly, renovation is a potential source of business and clients for the company as well. Every year, households are given more than 4.5 thousand renovation permits. (Figure 25) In 2013, as much as €5.7 billion has been spent for renovation of residential houses in Finland. Of that, €2.8 billion has been

spent for renovation of detached and semi-detached houses. (Official Statistics of Finland, 2014)

	2012 Total	2013 Total	2014 1&2 quarter
Renovation permits	4612	4903	2331

Figure 28. Building permits for building renovation, 2012-2014. (Official Statistics of Finland, stat.fi 2014)

As it was mentioned above, in 2013 there was a growth in the number of detached houses as well as in the number of summer houses. However, the amount of energy consumed by detached houses and summer houses has decreased by 6% in each segment. Out of this 6% decrease, the usage of electricity in the heating of detached houses has decreased by 2% while the rest sources- fuels and distinct heating- have lost 8% and 6% respectively. The usage of electricity in the heating of summer houses has decreased by 4%- less than fuels- 7%. In 2014, out of 1139290 detached houses 487334 or 42.8% of buildings have been using electricity as a source of heating. If we represented those metrics by the amount of square meters heated by a particular source of heating, it would be that electricity is used to heat 70'450'632 m² out of the total 160'058'577 m², or 44% of the heated space. (Official Statistics of Finland) (Figure 26)

	Total	Long-distance or regional heating	Oil, gas	Electricity	Coal, coke	Wood, peat	Ground heat	Other or unknown
	Gross floor area (m2)	Gross floor area (m2)	Gross floor area (m2)	Gross floor area (m2)	Gross floor area (m2)	Gross floor area (m2)	Gross floor area (m2)	Gross floor area (m2)
WHOLE COUNTRY								
Detached houses	160,058,577	11,202,607	37,462,363	70,450,632	722,261	30,068,953	7,491,249	2,660,512

Figure 29. Square meters heated by a particular source of heating. (Official Statistics of Finland)

The fact that the number of detached and summer houses is growing every year but the amount of energy consumed by heating systems is decreasing means that:

1. The market of heating systems is growing steadily: it shows that a market of heating equipment is growing as well;
2. There is a trend of improving the energy-efficiency of the heating systems: it means that a technology of energy-efficient infra-red heaters obtains high potential among Finnish consumers. Statistics shows that around 22% of the money spent for renovation of detached houses is used for improvement of the energy efficiency, energy or water saving. (Official statistics of Finland, 2014.) (Figure 27)
3. Electricity becomes a more favorable source of heat than fuels or at least it shows a certain level of stability unlike the rest heating sources.

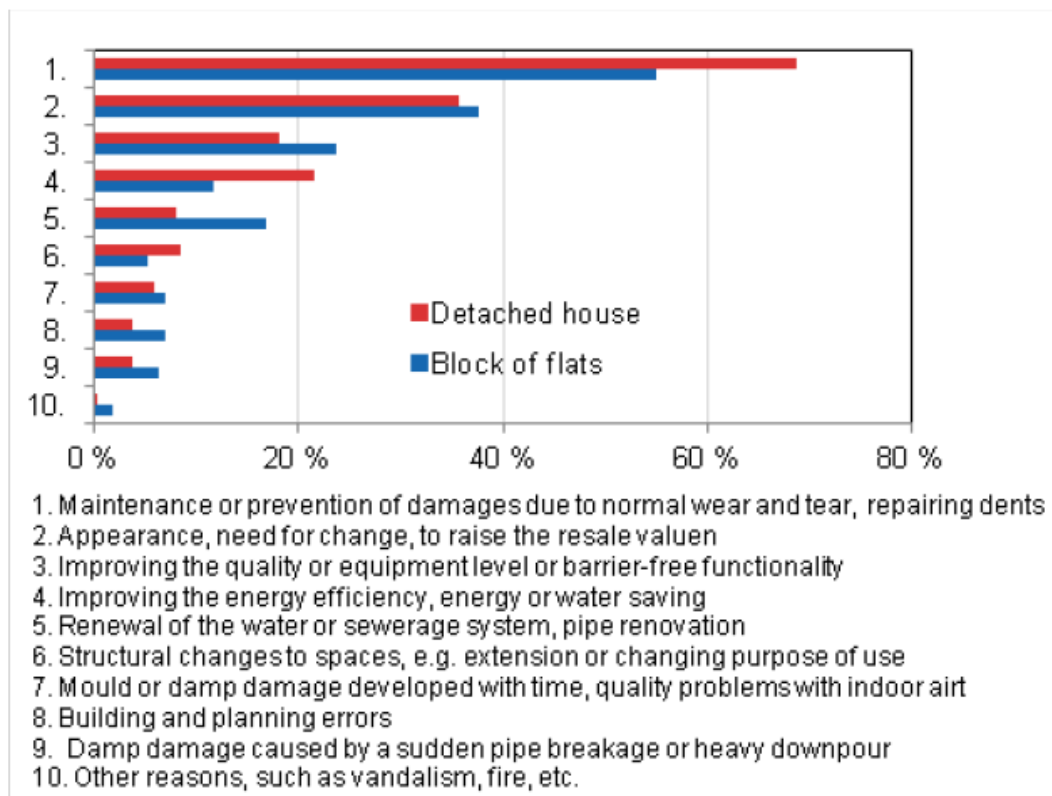


Figure 30. Reasons for renovation of dwellings 2013 (Official statistics of Finland, 2014)

Moreover, Finland supports the project called 'FinZeB', a project that defines nearly-zero-energy building concept and which aim is to make all of the new buildings to be extremely energy efficient by 2020 the latest. Finland is going to control the production of new buildings and the renovation of old ones. In order to achieve the goal, renewable sources of energy will be used more intensively.

Already today such an appliance as heating pump is heavily exploited in many Finnish houses. According to European heat pump Association, if ground source heat pumps replace the direct electricity heating they may account for 25-50% of houses' heating energy potential for saving. Moreover, around 500'000 electrically heated detached houses do not have water circulation system, meaning that if they are to be renovated, ground source heat pump is a perfect solution. (ehpa.org 2014) It is also a worthy solution in terms of economy. The same association's study provides information that between today and 2030 around €12 billion will be invested in heating pumps while €8 billion of that amount is aimed at the existing building stock.

Despite all advantages of heating pumps, its purchase and installation require a serious investment. The cost of the complete system and its installation may reach up to €10'000. Moreover, the process of installation is complex. Although heat pumps theoretically carry a high economic potential, practical economy depends very much on such factors as quality of house ventilation and insulation. The reason behind is that heat pumps are used in combination with water pipes and radiators which carry warm water and heat space air. Since the air circulates inside a house, insulation has to be seriously reviewed in order for the system to be effective. Last, but not least, heat pumps, although very efficient, require electric energy to work.

At the same time, IR heaters do not heat air directly but objects around, which makes this method less subject to the matter of insulation and heat loss. This is why the infrared heating holds a serious potential for becoming popular. Their almost absolute energy efficiency makes the method a very prospective alternative to heating pumps on the market. IR-heaters characteristics, such as no need in high investment, very high efficiency, high aesthetical level, high reliability and low service requirements are what make it a perfect alternative in improvement of energy efficiency.

To sum up, the trends on the Finnish market are the following:

1. The building stock of the country is growing.
2. Electrical method of heating obtains a large share of the market.

3. The country participates in several projects aimed at improving energy-efficiency by 2020.
4. Logically, the market needs a heater that is going to distribute the energy efficiently and an IR heater is an appropriate solution.

3.1.3 Marketing information management

Except from the market size and potential, the possible target groups have been identified. The market of housing is growing and, consequently, the numbers of detached houses and free-time residences are growing as well. The fact that the company intends to start a webstore means that a large share of marketing will be devoted to digital marketing approaches. Digital marketing tends to be less expensive in covering large geographical areas; therefore the company may target several Finnish areas which are the most prospective ones. To achieve this, there is a need to segment the population geographically. One more argument in favor of this approach would be that the company currently lacks the time and wants start its business in the nearest future, and geographical segmentation allows doing that because it makes the process of segmentation less complicated. The segmentation approach is designed in the following way: firstly, the author needs to identify the areas where the most of detached houses are constructed, and secondly, where the most of them are renovated. The same approach is going to be used for identifying the segments with the most of free-time residences being constructed and renovated.

For that kind of segmentation of the population there is a requirement for the appropriate statistical data. During the market research there has been found only a small part of the relevant information: production of new free-time residences in years 2010 and 2014 by the municipality where they have been constructed. (Appendix 1) This piece of information has been obtained from the official statistics of Finland for free.

However, there are more three pieces of data that is required for successful targeting. One of them, the data concerning the volume and regional distribution of free-time residence renovation is not available at all because such statistics is ignored by the official institutes. The two other pieces of data (detached

house production and renovation by region and free-time residence production by region (Figure 28) can be obtained from the same source but they cost around €700 each and will become available only on the 11th of November. However, this data is required for more detailed planning and its absence does not prevent the continuation of the work.

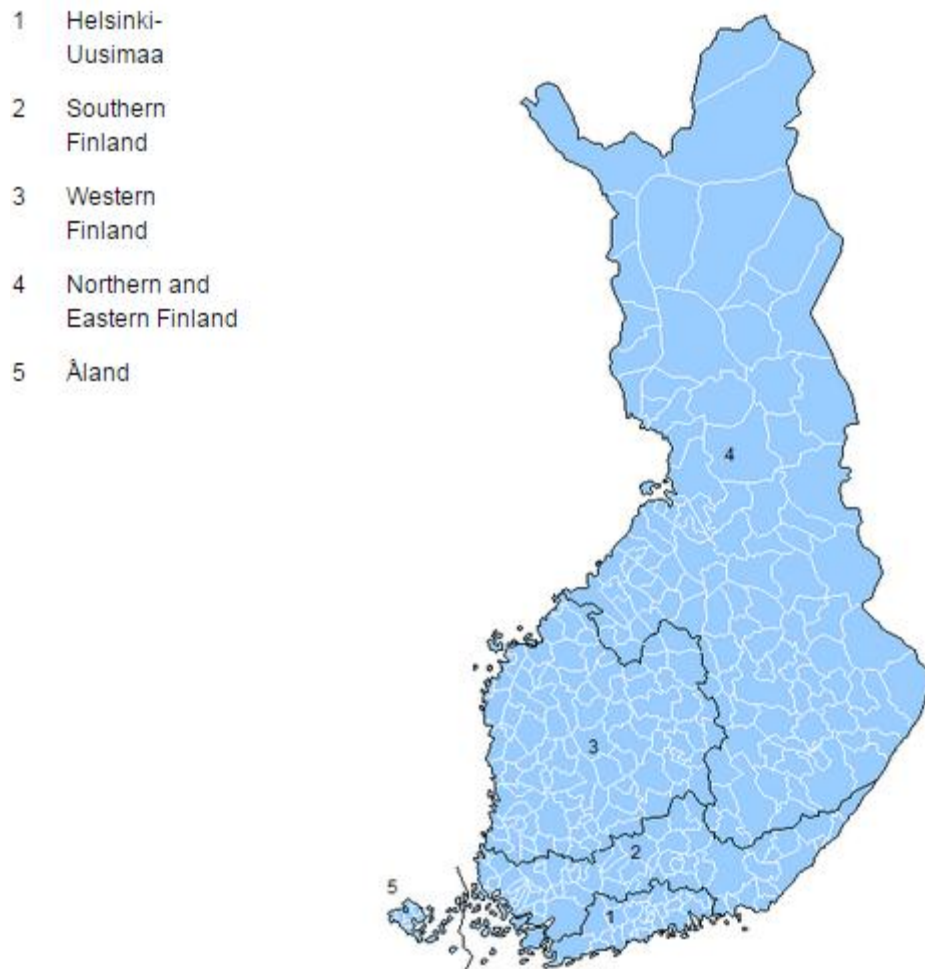


Figure 31. Major regions of Finland (Official statistics of Finland 2014)

Furthermore, behavioral segmentation of the market is considered to be appropriate in the case of the company. The thematic forum search has showed an attitude that in Finland IR heater tends to be seen currently as only a temporary solution for heating, meaning that it is primarily used as a heating method in saunas or house terraces. The main reasons for that is a lack of knowledge and poor aesthetical characteristics of IR heaters present in the market. Therefore, if the market was segmented based on the intended use, IR heaters would compete in the segment of temporary heating solutions.

However, if the segmentation is based on the customers' attitude to a product (which relates to behavioral segmentation), the company's product that is meant by this thesis is able to be positioned in the segment of permanent house electric heating solutions along with such heat distributors as convectional heaters and electric floor heaters.

Competition

The heating market of Finland can be divided into a variety of segments, primarily by an attitude to a product regarding its intended use. Some of them represent appliances that are used to heat a room temporarily, for example, in especially cold days. Besides that, some of the segments represent equipment that is seen as a permanent source of heating. However, sources of heating can be further divided into categories by the source of energy: fuels, wood or electricity.

Although the company's purpose and main strategic goal is to present a solution that can be an alternative to any of the heating sources mentioned above, current financial and human resource situation allows the company to concentrate only on the smaller segment of the heating equipment market. Therefore, the objective of the company is to position its' IR heaters into the segment of permanent house electric heating solutions.

It is very essential to mention what needs of customers the product satisfies and what value does it carry. First of all, the product solves the problem of heating method choice. A potential buying solution in favor of the product should be done at the stage of a house heating planning, however, after the solution in favor of electricity has been done. Provided that, at the stage mentioned there are more solutions to be considered as substitute and, therefore, competing:

1. Infrared heaters
2. All kinds of convectional heating
3. Electric floor heating

It is important to mention that due to the objective of the case company to become a leading webstore, the competition is assessed by analysis of Google

search results for the key words ‘infrapunalämmitin’, ‘infrapunalämmitin kotiin’, ‘sähkölämmitys’, ‘Lattialämmitys’ and ‘sähkökattila’. Only the first two result pages are studied and the most relevant websites are considered. (Table 1)

Company and product	Description	Strong/weak sides
Taloon.com, IR & radiant heater floor heating	Hardware store, making building, renovation and decoration easier.	<p>Strong: strong brand, 1st page of results by keywords ‘infrapunalämmitin’ and ‘infrapunalämmitin kotiin’, big player with several solutions</p> <p>Weak: heating is not core business, not ‘guru’ in IR heating issues, variety of IR heaters for terraces primarily.</p>
Classohlson.com IR heaters Convectional heaters	<p>“Help and inspire people by providing useful and practical solutions at low prices every day” (About us, classohlson.com)</p>	<p>Strong: strong brand, 1st page of results by keywords ‘infrapunalämmitin’ and ‘infrapunalämmitin kotiin’</p> <p>Weak: heating is not core business, not ‘guru’ in IR heating issues, variety of IR heaters for terraces primarily.</p>
Gigantti.fi, IR heaters convectional heaters	Distributor of many technological appliances	<p>Strong: strong brand, 1st page of results by keywords ‘infrapunalämmitin’ and ‘infrapunalämmitin kotiin’</p> <p>Weak: heating is not core business, not ‘guru’ in IR heating issues, variety of IR heaters for terraces primarily.</p>

<p>K-Rauta</p> <p>Electric convectional heaters, IR heaters, floor heaters</p>	<p>Home-improvement chain of stores</p>	<p>Strong: strong brand, 1st page of results by keywords 'sähkölämmitin', strong brand, provides services for improvement of energy-efficiency, big player with several solutions</p> <p>Weak: heating is not core business, not 'guru' in IR heating issues, small variety of IR heaters, variety of IR heaters for terraces primarily.</p>
<p>Netrauta.fi</p>	<p>Home-improvement store, internet shop.</p>	<p>Strong: strong brand, 1st page of results by keywords 'sähkölämmitin', big player with several solutions.</p> <p>Weak: heating is not core business, not 'guru' in IR heating issues, small variety of IR heaters, variety of IR heaters for terraces primarily.</p>
<p>Uponor.fi</p> <p>Floor heating, energy-efficient solutions</p>	<p>Innovative solutions for residential, commercial and industrial construction projects and community development at construction and renovation markets.</p>	<p>Strong: in the top of search results, global player with professional knowledge in construction and renovation and electric heating related products.</p> <p>Weak: not a webstore directly selling its products.</p>
<p>Nereus.fi</p>	<p>Producer of</p>	<p>Strong: in the top of search results,</p>

Underfloor heating	modern underfloor heating systems	professional knowledge in underfloor heating. Provides information on three distributors across Finland, who sell electric boilers and radiators as well. Weak: not a webstore directly selling its products.
Ebeco.fi Underfloor heating	Producer of modern underfloor heating systems	Strong: in the top of search results, professional knowledge in underfloor heating directly selling its products. Weak: not a webstore.
Devi.danfoss.com/Finland/ Underfloor electric heating	“Denmark's largest industrial company and a global leader in the heating, cooling and air-conditioning specialist firms” (Devi.danfoss.com/Finland/)	Strong: in the top of search results, professional knowledge in underfloor heating directly selling its products. Weak: not a webstore directly selling its products.

Table 1. Major competitors in the segment

There are more underfloor heating providers who are experts in their fields and underfloor heaters are their core business: roth-nordic.fi, ensto.com, warmia.fi, fi.muovitech.com, talotarvike.com, lksystems.fi. All of them are top-rated in the list of search results.

Firstly, after the competitor research has been conducted there are some trends to be recorded. First of all, IR heaters present on the market are aimed at terrace or outdoor use mainly; as a result, they obtain very poor aesthetical characteristics and tend to not be a solution for house heating or improvement

of house energy efficiency. Therefore, provided that the Russian product obtains very rich aesthetical characteristics they can be a serious competitor to IR heaters present at Finnish market on condition that they are positioned appropriately.

Secondly, there is strong competition at the segment of convection heaters. There are many brands that present their radiators and heating panels, due to the popularity of mentioned products among Finnish customers. The competitive environment is more stressed but still the technology of IR heaters obtains a high level of potential due to energy efficiency of the latter.

Thirdly, underfloor heating is a segment of higher price level compared to other products mentioned above. Since the prices are high, a conclusion can be made that the key factor is high value. High value can be represented by either high comfort levels or high energy efficiency. Moreover, the competition in this segment is the toughest compared to other sub segments.

3.2 Designing a customer-driven marketing strategy

3.2.1 Market segmentation and targeting

As have been discussed above, segmentation is done based on the differences of target audience behavior. More precisely, the market of electric heating equipment is divided into segments according to the attitude to products. The case company aims at entering a segment of permanent house heating solutions that is represented by convectional and underfloor heaters, while IR heaters are not competitive in this segments due to the fact that customers' attitude suggests that it is a temporary solution. However, the case company intends to change the attitude and win a certain market share of the segment mentioned above.

Moreover, that segment can be divided further into three sub segments by the intended purpose:

1. IR heaters

2. Electric floor heaters
3. Convection heaters

The population that represents the segment is detached house and free time residence owners. The population is distributed across Finland and the case company targets the regions of Finland with the highest annual rate of newbuilding and regions with the highest density rate of mentioned types of dwellings and their owners. Moreover, the case company targets the part of the population that lives in regions with the highest rates of heating system renovation. The precise required information will be available not earlier than on 11 of November.

3.2.2 Product differentiation and positioning

IR heating is a unique technology which principles of heating are totally opposite to the principles of convection or underfloor heaters. IR heater is basically a sun inside a home, although it does not emit ultraviolet radiation. (Figure 29) IR heaters warm surface in a room which then warms the air. Oppositely, other types of heaters warm air which is exposed to continuous mixing and movement. An IR producer Herschel with the reference to Zmeureanu et al. 1988, Howell and Suryanarayana 1990, Imanari et al. 1999, Petras and Kalus 2000, Miriel et al. 2002 and Feng et al. 2006 provide a fact that it is required more heat, and, as a result, energy in order to heat air in a room compared to heating surface in the same room. The same source with the reference to the Laboratory of heat transfer and environmental and mechanical engineering of Aristotle University of Thessaloniki claims that a convection heater requires 32% higher capacity depending on building-related factors. Moreover, the reason for such difference in efficiency lies in inevitable infiltration losses- cold and warm air mixing, and because convection heaters heat air and create air infiltration, they are exposed to higher infiltration losses (Hart 1981; Zmeureanu et al. 1988). Additionally, IR heaters provide comfortable atmosphere at 5 degrees Celsius lower temperature compared to traditional 21 degree Celsius in convectional heating environment. (herschel-infrared.com).



Figure 32. Infrared versus conventional types of heating (herschel-infrared.com)

Firstly, to outline the reasons for energy efficiency of IR heaters, below there is a full list of them:

1. Heated is not air but surface.
2. IR requires less energy
3. Energy losses are less significant
4. IR creates comfortable environment at smaller temperature
5. Differences of temperatures in the bottom and under the ceiling in a room are minimal.

Secondly, below there is a list of full advantages of the case company's heaters:

1. High energy efficiency
2. High aesthetical value, wall heaters can be painted (Figure 30)
3. High ecological friendliness
4. High level of comfort
5. Easy installation
6. Low service requirements
7. Long life time
8. Possibility to heat locally and create different climatic zones
9. Competitive price
10. High level of safety



Figure 33. Steel and tempered glass IR heaters and pictures that can be painted on a heater (vamteplo.ru)

Kotler and Armstrong (2012, p.212) claim that to choose good differentiators the competitive advantages have to be assessed through the following criteria: importance, distinctiveness, superiority, communicability, preemptiveness, affordability and profitability.

As a result of the assessment, the competitive advantages that are suitable to become differentiators have been identified. These are six differentiators that are going to be the center of the strategy. They are:

- High energy efficiency
- High aesthetical value
- Long (infinite) lifetime
- High level of safety
- Easy installation process
- High return rate

Finally, the overall positioning strategy is going to be built separately among the sub segments. In the segment of IR and convection heaters, it is going to be 'more for more' positioning strategy. (Figure 31) The company's IR heater is more expensive than other IR heaters at the market but it provides much higher value, such as better aesthetics, lifetime and safety.

In the second sub segment the strategy more for the same will be applied. Compared to convection heaters the price level is more or less the same. However, higher efficiency and, consequently, higher rate of return provides more value to customers. A study already mentioned above showed that total cost of ownership (TCO) becomes cheaper by the year 5 of exploitation. (herschel-infrared.com) Provided that the company's IR heater has almost infinite lifetime it is an investment that is worth of making.

In the last sub segment of floor heaters 'more for less' strategy is going to be implemented. The reason is obvious: IR heaters provide additional benefits, such as easy installation for smaller price, while electric floor heating takes heavier investment to install as it requires a serious intervention into floor structure.



Figure 34. Possible positioning strategies (Kotler&Armstrong 2012)

Although positioning strategy is done for several sub-segments, which may be in fact considered as different sub-markets, according to Cheverton 2004 and his reference to the Ansoff matrix it is wise to start with penetration mode and

focus on entering existing market (sub-segment of IR heaters) with existing product (case company's IR heater) due to higher chance of success and less risk (Cheverton 2004, pp.106-108).

3.3 Constructing an integrated marketing plan (marketing mix)

3.3.1 Product

As it has already been mentioned in the theoretical part of this thesis, product (market offering) design has to be defined at three levels. (Figure 32)

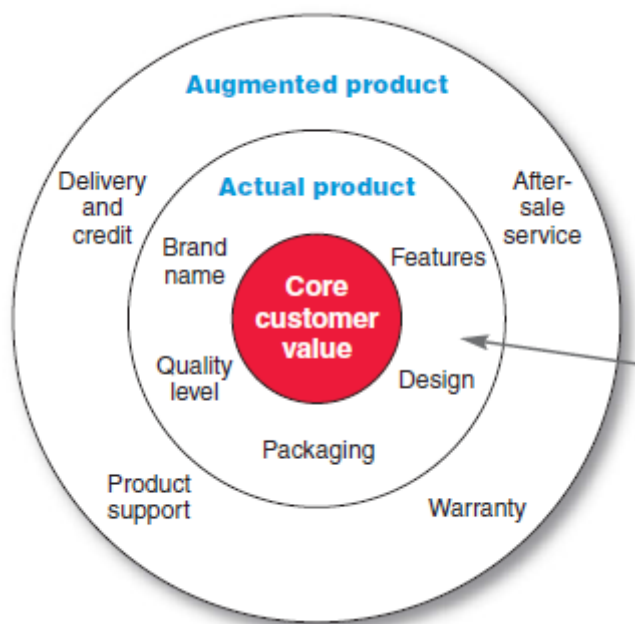


Figure 35. Three levels of market offering design (Kotler&Armstrong 2012)

Level 1

Firstly, at the initial level there is a core customer value that is obtained by solving customers' problem. It makes customers' home warm and their electricity bills low.

Level 2

Features

Secondly, the actual market offering has to be designed. The case company's tempered glass highly aesthetical IR heaters safely provide a high efficient heat

for many decades without the requirement for complex installation process, service or maintenance, and high rate of investment return.

Design

The product has a trendy metal and tempered glass design and a variety of heaters sizes. The heaters are present in two options: to be placed to a ceiling or to walls, which makes home designers more flexible in their creativity. Furthermore, the glass that is used in heaters can be covered with a painting. There are heaters with painting already available and they are present in several options of paintings, the number of preset pictures is going to grow and, moreover, the picture can be provided by a customer.

Packaging

The flat design of the heaters allows designing a package that will make transportation and storage more efficient. The package itself is going to be made of recycled carton that is ecologically friendly and successfully protect the product from damage.

Quality level

The quality of the product is designed to be of an upper echelon of the quality range. Well-crafted stainless steel coupled with tempered glass that is prone to high temperatures and physical damage make the product an attractive aesthetic solution of heating problem.

Brand name

After many discussions with the owner of the company about potential brand name, the decision has been made in favor of 'EcoHeat' name. This name stands for eco-nomical as well as eco-logical, the features that are highly valued by the Finnish consumers.

However, this name has to be discussed with the manufacturer who holds all of the rights for the technology. There are several issues regarding brand

sponsorship which are still under discussion between the case company and the manufacturer in Russia.

Level 3

Aftersale service

To make the process of installation for customers as convenient as possible, the company is going to provide the customer contacts of a service company in their home town/city. They will be able to contact it and receive help in installation. Although the services are not going to be paid by the case company, customers will not need to search for service providers themselves and will be able to get help from a reliable source from servicemen who are aware of the products characteristics and other specifications.

Warranty

The warranty period for service of infrared heaters is 3 years (36 months) from date of sale. If during the period of three years from the date of sale the buyer has detected defects in the infrared caused by the fault of the manufacturer, the company takes the responsibility for repairing or replacing the product at company's expense.

The warranty does not cover defects resulting from: improper use, specified in the instructions, natural disasters, accidents, power surges.

Delivery and service

The delivery will be organized by the post of Finland as well as transport companies, depending on the location of the customer. He will be able to choose the delivery mode as well as delivery terms such as delivery time. Delivery is done at the expense of the buyer. The payment for a product and delivery is processed online through secure payment systems by a credit card or other means provided by the payment system.

Service, although theoretically it is not required, is going to be done by service companies in the city of residence of the customer. Although the service has to

be paid by the customer, the company takes the responsibility to help in establishing contact between customers and service companies located near to the customers' location.

3.3.2 Pricing

According to the fact that overall value proposition is based on 'more for more', 'more for the same' and 'more for less' positioning strategies which are based on the perceived value of a product, the pricing strategy to be employed is value-based pricing.

According to the theory, the first sub segment, IR heaters segment, is subject to value-added pricing. Such a decision is going to improve customers' attitude to IR heaters and change it towards considering the IR heater a reasonable and valuable solution of his problem. Currently the quality, aesthetics and prices of IR heaters are at low level so making the company's product more valuable and charging higher price will increase brand awareness.

Other two segments of convection and floor heaters are subject to the good-value strategy. The company's heaters provide valuable outstanding features and characteristics at prices that are average at the segment of convection heaters and lower at the segment of electric floor heaters.

To sum up, there are two pricing strategies to be implemented in three sub segments. The result of successful implementation would be setting of a certain price for each IR heater model so that price is appropriate for each of the three sub segments relatively to the products that are present in the sub segments.

3.3.3 Distribution channels

The case company is not the producer of the products that it is going to sell- it is going to be an official distributor of the Russian-based manufacturer. Therefore, it is an intermediary who works close with the manufacturer in order to distribute products and provide value to its customers.

The marketing channel will be a vertical channel. Although its members are not going to be dependent on each other or regulated by each other, the

manufacturer will obtain enough power in order to define conditions of cooperation. It has many distributors inside Russia as well as some distributors in Eastern Europe so the case company is not subject to support from the manufacturer. The manufacturer will possibly influence quotes of procurement order and brand identity.

The whole chain consists of five members:

1. Manufacturer based in Russia
2. Customs broker company who is going to provide customs clearance of stock at the Russian-Finnish border
3. The case company as a distributor and
4. Warehouse (distribution centre)
5. Finnish post or transport company.

Export process will start in Russia at the location of the manufacturer. The case company owns cargo transport and it is going to be used for the purpose of delivering stock from the manufacturer to the warehouse in Finland. To be successful with customs clearance the company will use services of a customs broker company. After the stock has been cleared at the customs at Finnish border and delivered to a warehouse, the case company will use the services of the Finnish post or other cargo company who will deliver order from the warehouse to customers.

To protect itself against disintermediation that is increasingly popular nowadays, the case company is going to sign a contract that assigns the company and the manufacturer with certain roles and provides terms of cooperation.

3.3.4 Marketing communications program

Identifying target audience

According to the results of segmentation and targeting undertaken above, the target audience that is the core of the strategy includes the following population: detached house and free-time residence owners from the regions that are to be chosen after the company receives the relevant data on the distribution of named buildings across Finland.

Setting communication objectives

Current plan for promotion is valid only for the initial steps of the case company in building business in Finland. Currently, due to the fact that the company has not started its operations, the target audience is totally unaware of the case company and its brand. Therefore, all of the actions in promotion are designed to lead the potential customer from total unawareness to the initial stages of brand awareness and knowledge. (Figure 33) However, target audience is most probably aware of an IR heater as a product. Therefore, the case company has to promote its IR heaters and especially its value, in order to move the TA from the stage of product knowledge to the stages of product liking (positive attitude to an IR heater as a heating method) and preference (preferring IR heaters to other competing heating methods). (Figure 34)



Figure 36. 6 stages of buyer readiness (Kotler&Armstrong 2012, p.415)

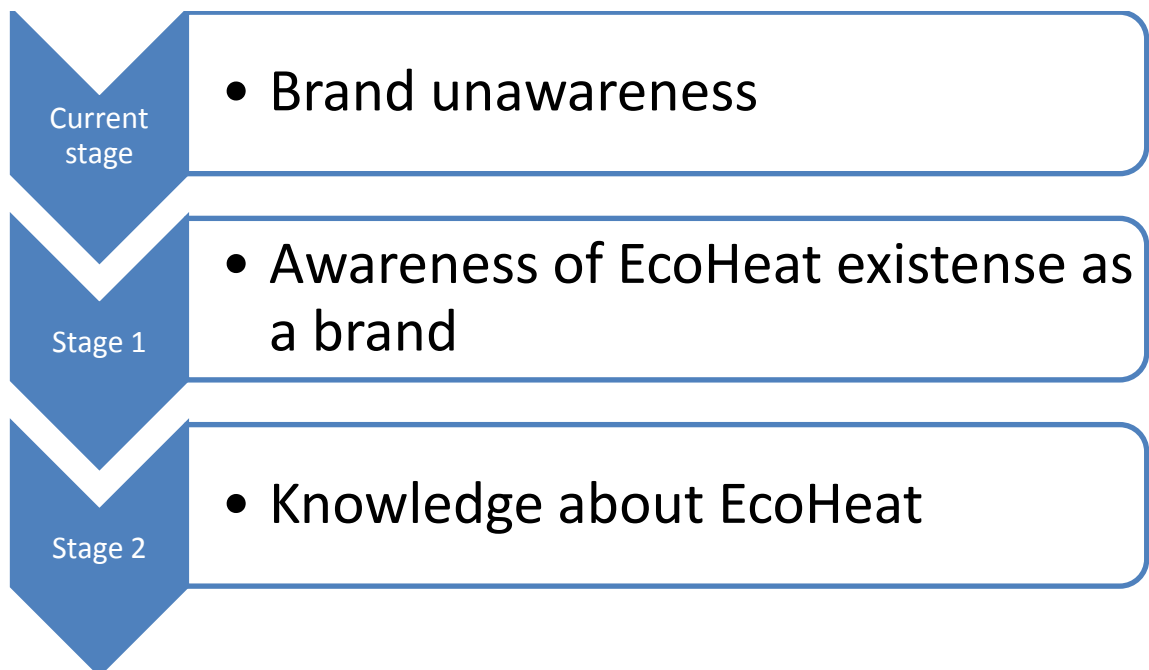


Figure 37. Required dynamics in the buying process related to the brand of EcoHeat

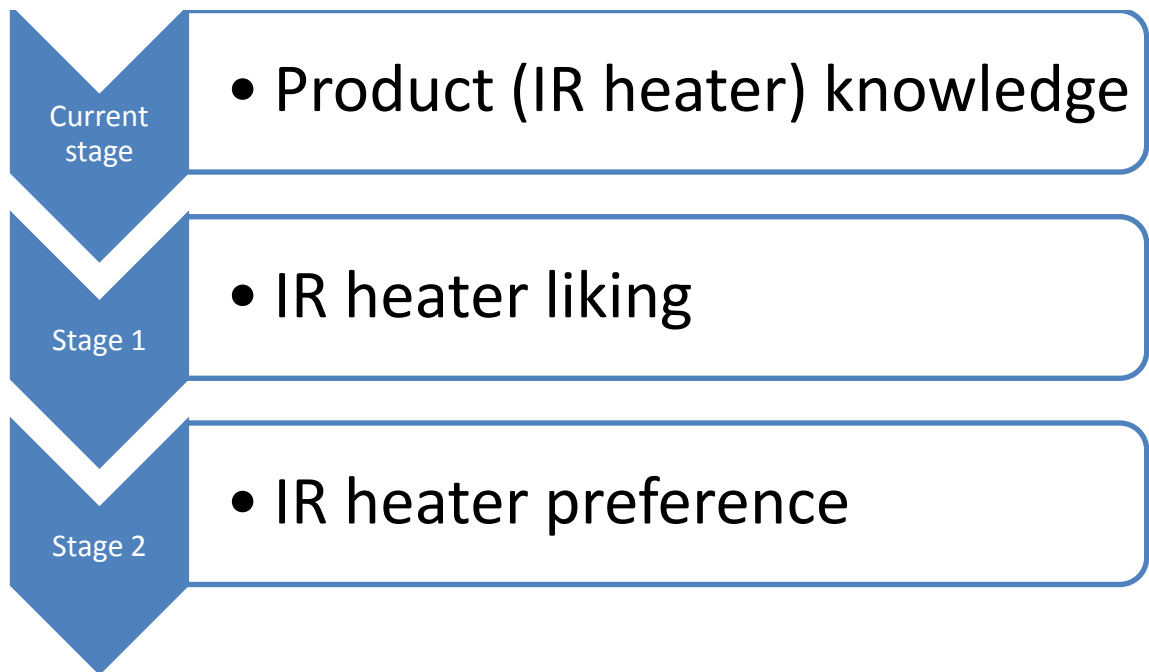


Figure 38. Required dynamics in the buying process related to a product (IR heater)

To outline the communication objectives, the promotion program has to be able to achieve the following:

1. Shaping positive attitude to the concept of IR heating which should result in TA liking and preferring IR heaters to the competing heating methods.
2. Introducing the EcoHeat brand to the TA who likes and prefers IR heaters as a method of heating in their houses.

Designing message

Message content

The content of the message can be designed based on several appeals and in the case of the EcoHeat brand in general and IR heater partially, the most effective appeal is the rational appeal. The reason for such a conclusion lies in the value proposition provided by the strategy. The message should focus on persuading the TA that the product and brand will produce the desired benefits due to the proposed competitive advantages.

For example, for the TA that is at the stage of choosing a heating method for their new house or for renovating one and preferring convectional heating, a message should be the following: *Would you like to save money on electricity bills every day for the lifetime of your house? EcoHeat infra red heaters are extremely energy-efficient and safe. Fill in the form and we will send you the full economic justification by e-mail.* The form will be provided where potential customers can put all of the details of their house construction, insulation and ventilation, as well as contact information, and receive the comparison of different heating methods in terms of economical benefits and safety.

The message that is used in proposing competitive advantages of EcoHeat against other IR heater brands can contain basically the same benefits but aesthetics is added: *EcoHeat is not for warming you at your terrace on a rare occasion. EcoHeat will fit to any interior and is to warm you 24/7 anywhere you feel like at home.*

When comparing EcoHeat to electric floor heating, it is essential to mention all of the benefits that are sought by customers when they look for electric floor heating, but at significantly lower price. An additional competitive advantage to be mentioned is simplicity of installation and the fact that the customers' floor will still be warm.

Although not covered by the thesis scope, content marketing will be used to support the promotion process. To help the TA move towards a purchase decision, the case company is going to create and distribute a valuable content regarding IR heating, its advantages, and answers to frequently asked questions in order to educate the TA on the matters of IR heating.

Message structure and format heavily depend on the media through which it is going to be delivered to the TA. However, in order to outline the main principles to be used as a basis, it necessary to discuss elements of structure and format.

First of all, the purpose of the message is to attract attention and evoke curiosity. In order to do that, the message should draw a conclusion showing benefits of EcoHeat IR heaters and support it by providing the strongest

arguments first. (Kotler&Armstrong 2012). Moreover, Kotler&Armstrong 2012 suggest using two-sided argument when a communicator needs to overcome a negative association. For that reason, EcoHeat has to mention that *Surface occupied by EcoHeat infrared heaters makes your stylish walls and ceiling a source of efficient, safe and ecological heat.*

Secondly, the message format has to be planned accordingly. The purpose of the message is to attract attention, instill authority and experience, and inspire TA for getting deeper knowledge. Consequently, there should be attractive pictures, colors and styles that do not irritate. Colors and style are to be the same as the design of the company's website and they should represent the brand of EcoHeat.

Exact styles, colors and designs will be obtained from professional Finnish designers and will rely on their professional knowledge, experience and Finnish cultural preferences and psychological particular qualities.

Choosing media to communicate the message

To start with, the range of media to be chosen is restricted by the case company's resources. Major goals of the media are to influence the TA directly, enhance product and brand awareness and create word-of-mouth around the EcoHeat brand. The media includes:

- Company's website
- Online marketing: search engine keyword advertising in Google Adwords to lead the TA to the company's website directly, or to the content created by the company and then to the website; social media interacting in Facebook and thematic forums in order to encourage customers to leave feedback and share their experience, thus creating buzz and resulting in word-of-mouth.
- Email marketing: distribution of valuable content to positively impact the brand's image of a company with a deep knowledge and create word-of-mouth.
- PR will be also managed by participating in industry-related events such as housing exhibitions and investing in articles about IR heaters in press.

To support the company's marketing activities, customer database is going to be established. Kotler&Armstrong (2012) claim that a database gives a full comprehensive view of customers and how they behave, thus helping to know customer's needs and preferences and, as a result, establish a mutually-valuable relationship. *"In consumer marketing, the customer database might contain a customer's geographic data (address, region), demographic data (e.g., age, income, family members, birthdays), psychographic data (activities, interests, and opinions), and buying behavior (buying preferences and the recency, frequency, and monetary value [RFM] of past purchases)."* (Kotler&Armstrong 2012, p.499.) The information collected and properly analyzed will make the company's targeting more accurate and effective.

The case company's promotion mix strategy cannot be described as totally pull or push. The company is going to pull the demand by advertising its products, creating and distributing content and attracting attention with public events and buzz in social networks, while it will also push the demand by the elements of direct marketing such as email marketing.

Message source selection

It is a matter of fact that the communicator is seen as the face of a company and customers identify a company by its face. Consequently, the case company needs a communicator who will create a favorable image and who will persuade customers that the company is what it claims to be. Provided that the brand is new and the product is manufactured in Russia, what makes it less attractive from the point of view of Finnish customers the communicator has to be a Finnish person with a deep knowledge in construction and heating. The person has to express trust to the company as well as confidence in the benefits claimed by the company.

Collecting feedback

In order to analyze and improve its promotion strategy, the case company will collect the feedback of the TA at all of the possible touching points, such as:

- Company's website feedback form

- Email requests for feedback
- Monitoring social networks

4 Summary

In conclusion, the knowledge that was possessed by the author during his studies at Saimaa University of Applied Sciences, as well as skills of searching and analyzing literature and other sources have helped the author to solve practical problems of marketing.

During the process of writing the thesis the author has got a deeper knowledge and understanding of major marketing concepts and their practical meaning; he became aware of the process of developing an integrated marketing strategy and plan step by step, going through the process of decisions regarding core marketing issues such as marketing research, customer data and insights, market segmentation and population targeting, product differentiation and value proposition, and marketing mix, represented by decision regarding product, pricing, distribution and promotion.

After the completion of the thesis the author intends to implement the strategy and program into practice and then he needs to analyze the outcomes of his work in order to outline the pros and cons sides of his work and implement his skills further in the future.

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Appendices

Appendix 1. Number of free-time residences by region 1970-2014 (Number of free-time residences by Region and Year-PX-Web, http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin_asu_rakke/030_rakke_tau_103.px/?rxid=44436fb5-ae20-4594-80d4-fabcee3832de)

Municipality	Year 2010	Year 2014	Growth rate	Growth in number
Savonlinna	7964	8280	4,0%	316
Kittilä	2775	3054	10,1%	279
Kuusamo	6394	6614	3,4%	220
Mikkeli	10108	10324	2,1%	216
Ruokolahti	3149	3350	6,4%	201
Parainen	8374	8570	2,3%	196
Pori	4947	5141	3,9%	194
Kolari	2131	2324	9,1%	193
Naantali	4401	4589	4,3%	188
Lieksa	2638	2806	6,4%	168
Hämeenlinna	7694	7861	2,2%	167
Mustasaari	3652	3817	4,5%	165
Salo	7074	7238	2,3%	164
Virrat	2490	2643	6,1%	153
Pudasjärvi	3227	3380	4,7%	153
Inari	2426	2578	6,3%	152
Lohja	8259	8408	1,8%	149
Ylöjärvi	4248	4394	3,4%	146
Raasepori	6352	6495	2,3%	143
Taipalsaari	3271	3409	4,2%	138
Pälkäne	4060	4191	3,2%	131
Kemiönsaari	4575	4706	2,9%	131
Sulkava	1993	2123	6,5%	130
Kouvola	7605	7732	1,7%	127
Kustavi	2922	3046	4,2%	124
Lappeenranta	3019	3143	4,1%	124
Rautalampi	1646	1769	7,5%	123
Hirvensalmi	2879	3000	4,2%	121
Puumala	3462	3583	3,5%	121
Pieksämäki	3046	3163	3,8%	117
Tammela	3184	3299	3,6%	115
Padasjoki	2686	2792	3,9%	106

Kangasala	4498	4604	2,4%	106
Ikaalinen	2315	2416	4,4%	101
Mäntyharju	4702	4803	2,1%	101
Juuka	1741	1841	5,7%	100
Ruovesi	2453	2553	4,1%	100
Alavus	1904	2000	5,0%	96
Kuhmoinen	2979	3072	3,1%	93
Sipoo	2033	2125	4,5%	92
Loppi	3237	3329	2,8%	92
Loviisa	3144	3235	2,9%	91
Mänttä- Vilppula	1564	1654	5,8%	90
Asikkala	3956	4045	2,2%	89
Eura	1227	1315	7,2%	88
Posio	2432	2520	3,6%	88
Luumäki	3001	3086	2,8%	85
Juva	2063	2147	4,1%	84
Orivesi	3512	3592	2,3%	80
Sodankylä	1719	1797	4,5%	78
Joutsa	2446	2524	3,2%	78
Taivassalo	1913	1989	4,0%	76
Hattula	1933	2009	3,9%	76
Luvia	1311	1384	5,6%	73
Valkeakoski	1221	1293	5,9%	72
Jämsä	4044	4115	1,8%	71
Nokia	1512	1582	4,6%	70
Ylitornio	1238	1306	5,5%	68
Alajärvi	1253	1321	5,4%	68
li	1987	2055	3,4%	68
Turku	2426	2494	2,8%	68
Heinävesi	1699	1766	3,9%	67
Merikarvia	1690	1756	3,9%	66
Sastamala	3965	4030	1,6%	65
Paltamo	1222	1285	5,2%	63
Hamina	2235	2298	2,8%	63
Ilomantsi	1868	1930	3,3%	62
Hartola	2306	2368	2,7%	62
Lemland	802	863	7,6%	61
Siikainen	993	1054	6,1%	61
Nurmes	1307	1368	4,7%	61
Pyhtää	1772	1833	3,4%	61
Kangasniemi	3669	3730	1,7%	61
Vöyri	2394	2454	2,5%	60
Utsjoki	612	670	9,5%	58

Ranua	1456	1514	4,0%	58
Rantasalmi	2000	2058	2,9%	58
Leppävirta	3078	3136	1,9%	58
Enonkoski	700	757	8,1%	57
Kalajoki	1890	1947	3,0%	57
Sysmä	3720	3777	1,5%	57
Enontekiö	943	999	5,9%	56
Eurajoki	1018	1074	5,5%	56
Savitaipale	2691	2747	2,1%	56
Lemi	1328	1383	4,1%	55
Janakkala	1773	1828	3,1%	55
Kiuruvesi	1092	1146	4,9%	54
Somero	2119	2173	2,5%	54
Salla	1316	1369	4,0%	53
Varkaus	1313	1365	4,0%	52
Uusikaarlepyy	1714	1765	3,0%	51
Kemijärvi	1961	2011	2,5%	50
Föglö	552	601	8,9%	49
Kaavi	1192	1241	4,1%	49
Muonio	1010	1058	4,8%	48
Lappajärvi	1098	1146	4,4%	48
Kokkola	2180	2228	2,2%	48
Rauma	2247	2295	2,1%	48
Uurainen	621	667	7,4%	46
Vehmaa	800	846	5,8%	46
Simo	938	983	4,8%	45
Pelkosenniemi	690	734	6,4%	44
Hämeenkyrö	1350	1393	3,2%	43
Laukaa	1673	1716	2,6%	43
Siikajoki	830	872	5,1%	42
Tornio	1230	1272	3,4%	42
Vårdö	478	519	8,6%	41
Soini	490	530	8,2%	40
Hyrnsalmi	651	691	6,1%	40
Keuruu	1912	1952	2,1%	40
Heinola	3394	3434	1,2%	40
Rovaniemi	4141	4181	1,0%	40
Lapinlahti	1620	1659	2,4%	39
Äänekoski	2533	2571	1,5%	38
Saltvik	506	543	7,3%	37
Pomarkku	831	867	4,3%	36
Karstula	883	919	4,1%	36
Pello	1043	1079	3,5%	36
Virolahti	1603	1638	2,2%	35

Kuhmo	2415	2450	1,4%	35
Liperi	2843	2878	1,2%	35
Juupajoki	451	485	7,5%	34
Pertunmaa	1805	1839	1,9%	34
Iitti	2569	2603	1,3%	34
Outokumpu	1018	1051	3,2%	33
Kotka	1578	1611	2,1%	33
Finström	386	417	8,0%	31
Lumparland	274	304	10,9%	30
Luhanka	797	827	3,8%	30
Urjala	1627	1657	1,8%	30
Parkano	1222	1251	2,4%	29
Pirkkala	441	469	6,3%	28
Vaala	1652	1680	1,7%	28
Uvila	380	407	7,1%	27
Sonkajärvi	873	900	3,1%	27
Hyvinkää	391	417	6,6%	26
Hämeenkoski	529	555	4,9%	26
Multia	611	637	4,3%	26
Närpiö	1534	1560	1,7%	26
Reisjärvi	379	404	6,6%	25
Kivijärvi	730	755	3,4%	25
Utajärvi	1062	1087	2,4%	25
Rautjärvi	1292	1317	1,9%	25
Tuusniemi	1399	1424	1,8%	25
Säkylä	719	743	3,3%	24
Kihniö	872	896	2,8%	24
Juankoski	1033	1057	2,3%	24
Sauvo	1363	1387	1,8%	24
Suomussalmi	2253	2277	1,1%	24
Huittinen	474	497	4,9%	23
Siilinjärvi	983	1006	2,3%	23
Joroinen	1254	1277	1,8%	23
Vesilahti	1687	1710	1,4%	23
Viitasaari	2228	2251	1,0%	23
Joensuu	3620	3643	0,6%	23
Mynämäki	1005	1027	2,2%	22
Suonenjoki	1085	1107	2,0%	22
Pyhäntä	340	361	6,2%	21
Tervola	478	499	4,4%	21
Lapua	656	677	3,2%	21
Muurame	739	760	2,8%	21