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**LUONNOLLISESTI OULUJÄRVI KY
MARKETING PLAN FOR 2009**

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<p>Tämän opinnäytetyön tavoitteena oli kehittää markkinointisuunnitelma kajaanilaiselle majoitus- ja ohjelmapalveluyritys Luonnollisesti Oulujärvi Ky:lle. Yritys tarjoaa mm. matkailualan ohjelmapalveluita Kajaanin ja Sotkamon/ Vuokatin alueella sekä vuokraa Oulujärvellä sijaitsevia majoituskohteita.</p> <p>Teoriaosuudessa käsitellään markkinointia matkailun ja palveluiden näkökulmasta sekä käsitellään markkinoinnin suunnittelua. Teoriaosuuden pohjalta laadittiin markkinointisuunnitelma yhteistyössä toimeksiantajan kanssa seuraavan kesä- ja talvisesongin ajaksi.</p> <p>Opinnäytetyön valmisteleminen alkoi markkinointisuunnittelua koskevan kirjallisuuden kartoittamisella. Lopulta markkinointisuunnitelman rungoksi valittiin O. C. Ferrell'n markkinointisuunnittelua koskeva kirja. Vaikka kirja ei käsitellyt keskeisesti palvelu- ja matkailumarkkinoinnin alueita, se sisälsi kattavasti tietoa markkinointisuunnittelun eri osa-alueista ja vaiheista. Tämän valinnan jälkeen tutustuttiin palvelu- ja matkailumarkkinointia kokevaan kirjallisuuteen.</p> <p>Muita markkinointisuunnitelman toteutuksessa käytettyjä lähteitä olivat sekundääriset aineistot, jotka kerättiin tilastokeskuksen, matkailun edistämiskeskuksen ja muista vapaasti käytettävistä lähteistä. Näitä tietoja hyödynnettiin tilanne- ja SWOT analyysiä tehtäessä, markkinan segmentoinnissa ja asiakasprofiloinnissa. Kaikki markkinointisuunnitelman toimeksiantajaa koskeva tieto kerättiin vapaamuotoisella haastattelulla.</p>	
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<p>The purpose of this thesis was to create a marketing plan for a Kajaani based accommodation and activity programme providing company Luonnollisesti Oulujärvi Ky. The company provides tourism related activity programme services in the areas of Kajaani and Sotkamo/Vuokatti and rents accommodations located on the Lake Oulujärvi.</p> <p>The theoretical part of the thesis deals with tourism and services marketing, and marketing planning. Based on the theoretical part, a marketing plan for the next 12 months period was created in cooperation with the commissioning party.</p> <p>The process of completing this thesis began with the initial screening of different books discussing theories relating to marketing planning and how marketing plans are written. After coming across few books with limited information about the subject area, a very comprehensive book by O. C. Ferrell et al was discovered. Although the book did not focus on the service or tourism aspect of marketing planning, it presented a very detailed framework for creating a marketing plan and included detailed information concerning each aspect of marketing planning. After the framework was selected, books discussing marketing from the tourism and services perspective were read.</p> <p>Other sources of information required for the completion of the actual marketing plan and its areas such as situational analysis and customer needs evaluation were gathered from secondary sources such as tilastokeskus, matkailun edistämiskeskus, and other sources of freely accessible information and studies. The collected data was used when conducting situational analysis, SWOT analysis, market segmentation, and customer profiling. All the company related information was obtained from the person commissioning the marketing plan by informal interview.</p>	
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1 INTRODUCTION

The objective of this thesis was to create a marketing plan for a Kajaani based tourism company Luonnollisesti Oulujärvi Ky. The company provides all-year tourism services ranging from activity programmes to accommodations in the areas of Lake Oulujärvi, Vuokatti, and Kainuu according to demand. Their main area of operations is Lake Oulujärvi and especially the Island of Ärjä with its surrounding area. Partly due to its small size, the company wishes to profile itself as a provider of customer orientated services for small private groups. The marketing plan is expected to provide the commissioning party ways to sustain their growth and increase sales. The plan should include ways to make the company and its services more known to the public. The company wishes to stimulate the sales of Kajaani and Lake Oulujärvi based products. There have not been any previous marketing plans and it can also be used as a template for future marketing plans. This particular marketing plan covers a time period of one year.

The theoretical part covers the following topics: services and tourism marketing, and marketing planning, according to O. C. Ferrell's marketing planning framework.

The aim of the research was to create a marketing plan for a Kajaani based tourism company. The process of completing this thesis began with the initial screening of different books discussing theories relating to marketing planning and how marketing plans are written. After coming across few books with limited information about the subject area, a very comprehensive book by O. C. Ferrell et al was discovered. Although the book did not focus on the service or tourism aspect of marketing planning, it presented a very detailed framework for creating a marketing plan and included detailed information concerning each aspect of marketing planning. After the framework was selected, books discussing marketing from the tourism and services perspective were read.

Other sources of information required for the completion of the actual marketing plan and its areas such as situational analysis and customer needs evaluation were gathered from secondary sources such as Tilastokeskus, Matkailun edistämiskeskus, and other sources of freely accessible information and studies. This method of collection data is called secondary research and all findings have been made public beforehand by an entity other than the researcher (McQuarrie 2006, 53). Some of the material was in the form of statistics while rest

were studies and reports. The collected information was used when conducting situational analysis, SWOT analysis, market segmentation, and customer profiling. All the company related information was obtained from the person commissioning the marketing plan by informal questioning.

2 TOURISM AND SERVICES MARKETING

Marketing is the process of anticipating demand, recognising it, stimulating it, and ultimately satisfying it. It is commonly confused with selling and advertising of products and services but these two functions are only part of a bigger picture called marketing. The key aspect of marketing is that it should always focus on the needs of the customers. (Holloway 1995, 4.) Marketing's role is to research their needs and wants, use the results of the research to create a compelling product-service mix for specific target market, and eventually promote and sell the mix in order to generate revenue for a company (Reid 1988, 8).

One of the most important concepts of marketing is the marketing mix. It is used to control marketing budget and determine strategy of a marketing plan. It presents the tools used in pursuing marketing objectives a company has set. The marketing mix consists of four elements – product, price, place, and promotion. (Holloway 1995, 32.)

Services Marketing

To start with, it would be appropriate to define the term service. Palmer (2001, 2.) has gathered together some useful definitions and one of them states that: “A service is any activity or benefit the one party can offer to another which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.” The fundamental characteristics which differentiate services from physical products are:

1. Services are intangible in nature. Although a service provided may incorporate some tangible aspects in its delivery, it contains several elements which cannot be physically evaluated and have an integral part in creating value for a customer.
2. Services are produced and consumed simultaneously.
3. Consumers are often involved in the service production.
4. Services themselves cannot be stocked to be sold later.
5. Each service occasion is unique and different from previous one.

6. Depending on the nature of a service, distribution channels may vary from non-existent to complex and extensive networks.

(Reid 1988, 31-32.)

According to Kotler (1999, 45.), services marketing can be divided into three separate forms of marketing. The traditional “external marketing” takes place between a company and its customers and can be identified in both marketing of products and services. The other two forms are “internal marketing” and “interactive marketing” and they are specific to marketing of services. Internal marketing is conducted inside an organisation and is used to train and motivate staff to perform on a desired level. Interactive marketing is carried out by the staff and aimed at customers during service delivery. It focuses on providing the customers sufficient overall functional quality of service, instead of just a high standard core benefit related to the service.

Compared to the traditional four Ps marketing mix, the marketing mix for services is more extensive. The additional aspects of the mix are people, physical evidence, processes, and customer service. The people involved in service products have an essential role in the mix because services cannot be separated from consumption. Everyone involved has to pay special attention on the impression they convey to customers. Bad impressions are likely to result in negative customer opinion. Because of the intangible nature of services, the evaluation of a service proposition by the consumers becomes more ambiguous and the risks linked to purchase increase. In order to provide consumers with a more persuasive proposition, marketing messages need to contain more physical evidence that support the company’s claims of service quality level. This can be achieved by providing pictorial evidence or designing a well thought of scheme for appearance. The means of how services are provided is of great significance. Customers are closely involved in the service providing process and it should be planned to meet their expectations to ensure a positive image. The fourth element of the extended mix involves managing the quality of all the supply chain components related to a service and ensure the total service package is perceived in the most positive light possible. (Palmer 2001, 10-13.)

Tourism Marketing

In a more formal manner, tourism can be defined as short term activity where people move away from their conventional surroundings to a destination where they can take part in leisure time activities of their choosing. Individuals participating in such activity are usually classified into different categories on the basis of their place of residence and length of stay. Some of the distinguished terms include international and domestic tourists, inbound and outbound tourists, and visitors and tourists. (Middleton 2004, 3-8.)

The particular characteristics associated with tourism service providing are the following. It is seasonal activity in terms of demand. Tourism demand can change drastically between different seasons of the year and holiday periods. Operational fixed costs are often high and, at a specific point in time, service providing capacity is limited because of the perishable nature of service. The fixed costs for tourism companies are usually significantly higher than the variable costs. Tourism products are interdependent across markets. Different tourism services on a specific market are complementary to each other even if they are arranged by multiple different companies. A versatile selection of services makes a destination more attractive to tourists and makes companies more dependent on each others. (Middleton 2004, 45-47.)

Tourism marketing does not only differ from marketing of goods but it has some unique characteristics compared to services marketing. Tourism marketing tends to be more supply-led than other services. It is common to see that tourism companies look for customers to market their products to instead of designing products that meet customer needs and wants. This promotion-focused marketing has often been the case in destination marketing. Second, the number organisations or parties involved in delivering a tourism product may be numerous. One organisation may provide accommodation and another transportations or activity programmes. The skills and competences of these organisations may differ from each other. This limits the control a single company has over their product and problems between a single group member and customers have adverse effect on the images of all the companies. Third, a tourism product experience extends over a long period of time including periods of anticipation and reminiscent. Thus, it is difficult for the customer to pinpoint a specific moment of the service to base their evaluation on. The next characteristic is based on the finding that tourism can be perceived as a high-involvement and high-risk product. People invest their hard earned money and time on holidays and want to make sure that all

is going to be as perfect as possible. Still, the number of elements that can go wrong is high. This is why one of the most important aspects of tourism marketing is battling against perceived risks. Emotions have an important motivational role in the purchase decision process and fulfilment of emotional aspirations should be the emphasised in promotion messages. Lastly, tourism can be significantly interfered by external forces which cannot be controlled. A domestic or international crisis can have a significant impact on the number of inbound tourists and bring about severe problems. (Seaton 2000, 23-25.)

3 MARKETING PLAN

A marketing plan is a document that outlines a set of marketing strategies and tactics used to achieve strategic objectives of an organisation (Kotler 2008, A1.) It is an action plan of how organisation's marketing is to be implemented, evaluated, and controlled within a specific time span. The structures and lengths of marketing plans are variable and there is no universally used framework available. (Ferrell 2002, 11.) For this thesis the marketing plan framework was adopted from "Marketing Strategy" book by O. C. Ferrell et al.

According to Ferrell (2002, 12.), there are five important criteria a good marketing plan needs to reach:

- It explains both the present and future situations of the organisation. This includes the environmental and SWOT analyses and the firm's past performance.
- It specifies the outcomes which are expected so that the organisation can anticipate its situation at the end of the planning period.
- It describes the specific actions which are to take place so that the responsibility of each action can be assigned and implemented.
- It identifies the resources which will be needed to carry out the planned actions.
- It permits the monitoring of each action and its results so that controls may be implemented. Feedback from monitoring and control provides information to start the planning cycle again in the next timeframe.

Structure of a Marketing Plan

1. Executive Summary
 - A. Synopsis
 - B. Major aspects of the marketing plan
2. Situation and Environmental Analysis

- A. Analysis of the internal environment
 - B. Analysis of the customer environment
 - C. Analysis of the external environment
3. SWOT Analysis
- A. Strengths
 - B. Weaknesses
 - C. Opportunities
 - D. Threats
 - E. SWOT matrix analysis
 - F. Matching, converting, minimising, and avoiding strategies
4. Marketing Goals and Objectives
- A. Marketing goals
 - B. Marketing objectives
5. Marketing Strategies
- A. Primary target market and marketing mix
 - B. Secondary target market and marketing mix
6. Marketing Implementation
- A. Structural issues
 - B. Tactical marketing activities
7. Evaluation and Control
- A. Formal marketing control

B. Informal marketing control

C. Financial assessments

(Ferrell 2002, 20.)

4 FRAMEWORK FOR DEVELOPING A MARKETING PLAN

This chapter presents the framework used in this case to creating a marketing plan for the commissioning party. It goes through the subject areas used in developing a marketing plan.

4.1 Situation and Environmental Analysis

Situational analysis can be considered one of the most challenging areas when formulating the marketing plan. Adequate analysis requires a sufficient amount of useful information that can be difficult to gain access to. (Ferrell 2002, 28.)

Situation analysis deals with three types of environments: internal, customer, and external environment. The goal is to form a picture of the organisation's current and future situations in relation to these environments. Much of the necessary information can be collected from secondary sources. (Ferrell 2002, 29.)

Analysis of the Internal Environment

The first area of interest in situation analysis is the internal environment. Inspection of this area is supposed to be critical and cover issues such as organisational objectives, strategy, performance, allocation of resources, structural characteristics, and political and power struggles. (Ferrell 2002, 29.)

Analysis of the internal environment begins with a review of current objectives, strategy, and performance. It is important to keep organisation's marketing objectives up to date in relation with organisation's mission and changing customer and external environment. If the objectives are found to be obsolete, it may well be necessary to reconsider the marketing goals also. This is followed by evaluation of marketing strategy and its performance in terms of sales volume, market share, profitability, or other relevant measures. Another way to evaluate performance is to compare it to the overall industry performance. If there are noticeable deviations between these two, there are few possible explanations for the situation that need to be inspected before the strategy can be revised. There are four possible reasons for poor performance: the marketing goals or objectives may not be appropriate for the prevailing customer or external environment; the marketing strategy may be flawed; strategy

may be poorly implemented; or there have been changes in either the customer or external environment which cannot be reacted to at all. (Ferrell 2002, 30.)

The second question in need of inspection is: what are the current and projected resources available for marketing purposes? These resources include financial, human, and experience resources. Other possible resources may lie in key relationships with supply chain partners, strategic alliance partners, or customer groups. It is important to consider how these resources are likely to change in the future. Changes in resources need to be taken to consideration when establishing marketing goals, objectives, and strategies for the next planning period. Additional resources may provide a competitive advantage while losing a key resource may prove hard to replace. (Ferrell 2002, 31.)

The third aspect deals with possible changes in the organisation's culture or structure and how they could affect marketing activities. Does marketing have sufficient role in prevailing hierarchy? If marketing's role is undermined, it can cause problems in the form of insufficient resource allocation for marketing and difficulties with getting the marketing plan approved. Other negative issues could be poor relations and lack of appreciation between e.g. marketing and production managers, lack of market orientation, lack of employee motivation, pursuit of short-term profits on marketing's expense, and internal politics and power struggles. (Ferrell 2002, 31.)

Analysis of the Customer Environment

The situation analysis continues with customer environment analysis where the focus is directed towards the current and future situations of customers in the target markets. The following questions become relevant: who are current and potential customers, what are their prevailing needs, what kinds of products fulfil those needs, and how are these needs probable to change? One useful method in analysing target markets is the 5W model: who, what, where, when, and why. With this model it is possible to inspect aspects such as buyer behaviour, preferred product specifications, chosen sales channels, and purchase timing within target groups. (Ferrell 2002, 30-35.)

Analysis of the External Environment

The analysis of the external environment includes the following external factors: competitive pressure, economic growth and stability, political trends, legal/regulatory issues, technologi-

cal changes, and sociocultural trends. These factors can have great significance in implementation of marketing activities.

When inspecting competitive pressures, it is useful to seek assistance from the following classifications:

- Brand competitors, their products have similar features and benefits and are targeted to same customers at similar prices
- Product competitors, their products compete in the same product class, but products have different features, benefits, and price.
- Generic competitors, their products are very different in nature, but solve the same problem or satisfy the same basic need.
- Total budget competitors, their products may be the ones the customers decide to purchase because of limited financial resources.

(Ferrell 2002, 37.)

When conducting a competitive analysis, it is important to pay comprehensive attention to competitive activity, including competitor's sources of supply, technological capabilities, financial strength, manufacturing capabilities and qualities, marketing abilities, and target markets. The following stages should be gone through during the competitive analysis:

- Identify all the current and potential brand, product, generic and total budget competitors.
- Asses each key competitor by ascertaining its size, growth, profitability, objectives, strategies, and target markets.
- Asses each competitor's strengths and weaknesses, including the major competencies that each possesses within its functional areas (marketing, research and development, production, human resources, etc.).
- Focus the analysis on each competitor's marketing capabilities in terms of its products, distribution, promotion, and pricing.

- Estimate each competitor's most likely strategies and responses under different environmental situations, as well as its reactions to the firm's own marketing efforts.

(Ferrell 2002, 38-39.)

When examining economic growth and stability, there are few important indicators to take into consideration. These indicators include inflation, employment and income levels, interest rates, taxes, trade restrictions, tariffs, and the current and future stages of the business cycle on national, regional, state, and local scale. Other important factors include consumers' confidence in the economy and willingness to spend. (Ferrell 2002, 39.)

Political trends typically follow regular intervals and are hard to influence or interfered with. New political trends may occasionally bring along some legislative reforms and big companies may try influence these developments by hiring lobbyist or setting up protests. Small companies on the other hand can adopt of more passive approach and seek ways to avoid conflict with politicians and legislators. (Ferrell 2002, 39.)

Legal and regulatory issues can pose restrictions to marketing in certain industries. This is a fact of life that marketers must learn to deal with and study in order to avoid problems. (Ferrell 2002, 40.)

At times, changing technology can offer companies great opportunities, but also pose threats to their businesses. New backstage technology can bring along new ways to manage businesses while frontstage technology can inspire new product ideas for consumers, but it can also turn current business ideas obsolete. (Ferrell 2002, 41.)

Sociocultural factors affect the buying behaviour of groups of people. These factors influence consumers' attitudes, beliefs, norms, customs, and lifestyles as well as the way people live and determine what, where, how, and when they buy certain products. Sociocultural trends can be demographic, lifestyle, value related developments. (Ferrell 2002, 41-42.)

4.2 SWOT Analysis

SWOT analysis is a method of organising and utilising scattered information after gathering it. SWOT analysis can be used to process information about both the internal and the external environments of a firm. The key dimensions of the internal strengths and weaknesses analysis are financial performance and resources, human resources, production facilities and capacity, market share, customer perceptions, product quality, product availability, and organisational communication. SWOT analysis' external environment opportunities and threats half involves information on the market: economic conditions, social trends, technology, and government regulation. Despite its simplistic idea, SWOT analysis can drive the process of creating a sound marketing plan, as long as it is performed correctly. It can also provide a valuable insight to strategic advantages for a firm utilise in their marketing strategy. (Ferrell 2002, 50.)

When used properly, a SWOT analysis provides multiple benefits to a person creating a marketing plan. First of all, it is simple to use. Conducting a SWOT analysis does not require special training. It can lower costs of strategic planning. Third, it is flexible. It does require support of a marketing information system, but it still can be used to process information from such a system. It is able to combine diverse sources of information. A SWOT analysis increases communication and collaboration between managers. (Ferrell 2002, 51-52.)

Because of its simplicity, SWOT analyses are often improperly and therefore there are few guidelines to support effective analysis.

- Stay focused. Creating an individual SWOT analysis for individual product/market combination is recommended. Therefore, create several SWOT analyses.
- Search extensively for competitors. Do not concentrate only on brand competition, also consider product, generic, and total budget competitors.
- Collaborate with other functional areas. Exchange ideas with other members of the organisation. This way the results will be more creative and innovative.
- Examine issues from the customer's perspective. Find out what the customers would really think about the company, products, and marketing activities. Collect opinions from a variety of people such as customers, employees, stockholders etc.

- Separate internal issues from external issues. If the issue would exist even without the company, it should be classified as external. That way detecting the real external opportunities will be possible.

(Ferrell 2002, 52-55.)

SWOT-Driven Marketing Planning

The SWOT analysis should be a tool which supports the generation of marketing strategies which will help the organisation reach its goals and objectives. There are four issues which must be considered in order to catalyse strategic planning with SWOT analysis:

- The strengths and weaknesses should be considered business processes which serve to fulfil customers' needs. Instead of offering simple products to the customers, "solutions" are the ones exchanged.
- If the firm is capable of combining strengths and opportunities into capabilities, it is more likely to achieve its goals and objectives. Capabilities providing superior customer value over competition's offering can become competitive advantages.
- It is possible to turn weaknesses into strengths, or capabilities, by investing in areas like customer support, R&D, promotion, or linking them together effectively. Also threats can be turned into opportunities with right resources.
- Weaknesses that cannot be converted turn into limitations. These limitations are easily spotted by customers and therefore need to be minimised.

(Ferrell 2002, 59-60.)

Analysis of the SWOT Matrix

After all elements have been placed to strengths, weaknesses, opportunities, and threats matrix, each of them will be assigned magnitude and importance ratings. These ratings should be based on customer perceptions as much as possible. The magnitude and importance rating will be multiplied to find out the final rating of the element. The elements with highest numerical ratings (positive or negative) should be the most influential in marketing strategy

formulation. After the magnitude and importance of each element in the SWOT matrix have been assessed, competitive advantages should be found by matching strengths and opportunities. Strategies which convert weaknesses and threats should be looked for and those weaknesses and threats that cannot be converted should be minimised or avoided. (Ferrell 2002, 62.)

Identifying and Maintaining a Sustainable Competitive Advantage

Matching the strengths and opportunities show in the company's SWOT matrix has proven to be an effective strategic option. Key strengths that can successfully matched with significant opportunities are the most likely to turn into real capabilities. Capabilities that allow a company to provide its customers superior service can become competitive advantages. Competitive advantages can be actual differences between competitors, but they can also be based on perceptions. Customer perceptions of a company can greatly influence their purchase behaviour.

4.3 Marketing Objectives

After completing the SWOT-analysis, potential marketing activities for taking advantage of capabilities and converting weaknesses and threats should be considered. The organisation has to set specific objectives for the marketing plan. Objectives are specific and measurable targets that the marketing strategies are used to reach. (Ferrell 2002, 65-66.)

Developing Marketing Objectives

Objectives set clear and measurable targets which can be used to determine progress. Objectives need to be realistic and they should not be too easy to achieve so that employees keep performing on a productive level. Objectives are used to inspire personnel to seek improved levels of performance and therefore attention should be paid to make sure that objectives are not too continuous. Objectives begin to show signs of continuity when successive objectives are similar to each other and start to pose little challenge to personnel. At times, it is useful to break this cycle of continuity and set objectives which present more challenge. Discontinuous objectives require more strategic planning because they call for new ways to find

growth. Objectives are given timeframes within which they should be met. Depending on the difficulty of the objective, these timeframes may be either more or less than a year. The parties responsible for reaching each objective should be clearly defined. (Ferrell 2002, 68-69.)

4.4 Marketing Strategies

According to Ferrell (2002, 74) “marketing strategy involves selecting a specific target market and making decisions regarding the crucial elements of product, price, promotion, and distribution in order to satisfy the needs of customers in that market.” In order to form a good marketing strategy, it is important to locate a suitable strategy from a selection of hundreds of possible combinations of marketing mixes. With the support of good situational analysis, all these marketing mixes can successfully satisfy the target customers, provide ways to differentiate from competition, and achieve marketing goals and objectives.

4.4.1 Market Segmentation

In strategic terms, segmentation deals with identifying customer segments which respond differently from each other to companies’ product offerings. In ideal cases, successful segmentation can provide a company sustainable competitive advantage. There are three issues to be noted when examining a potential target segment: can the company provide and implement a sound enough competitive offering which appeals to the segment, can a long lasting relationship and valued offering be maintained in a competitive environment, and is the resulting business from the target segment worth pursuing, or do the risks outweigh the possible benefits? A successful segmentation strategy is able to find a reduced market space and claim such a dominant position within it that competitors are unable to challenge the company’s position. (Aaker 2007, 42.)

Traditional Approaches to Market Segmentation

A company can decide to adopt a mass marketing, differentiated marketing, or niche marketing approaches. Mass marketing targets the entire market with one marketing mix be-

cause it is believed that all the customers in the market have very similar needs. Companies using this approach enjoy higher production efficiency and lower marketing costs. Similarly, it also creates ground for competitors with specialised products take over segments of the market. Differentiated marketing is a more popular method of segmenting the market. This method involves the market being segmented into groups of customers who have similar needs while the needs of the groups are different. This differentiated method contains two variations: a multisegment approach and a market concentration approach. Companies using the multisegment approach have more than one target segments and offer each of them a different marketing mix. Users of the latter market concentration approach target only one segment within the market with one marketing mix. The third approach to segmentation is niche marketing. This method targets a well-defined group or niche which has very specific needs. A niche marketer specialises in understanding the needs of the niche market so profoundly that the substantial market share makes this small group of customers highly profitable. (Ferrell 2002, 74-79.)

Identifying the Characteristics and Needs of the Target Market

Once the appropriate target markets have been selected, the needs and characteristics of the customers within the groups need to be investigated. The groups are defined and identified by assigning the group with common variables such as demographic attributes, lifestyle, and product usage characteristics. It is at this stage of market planning where market variables from previous planning periods are revised or retained. In order to avoid reduced performance, target market definitions and identifications need to be changed when introducing new or revised marketing strategy. Necessary changes may include price reduction for value enhancement purposes, price increase for insinuation of higher quality, or modifying the advertising message for keeping it current. (Ferrell 2002, 81.)

Consumer Markets

Consumer markets are segmented in order to find groups with distinguishing characteristics which separate them from other groups. To get a better idea of how to approach these market segments, marketers must first understand the differences between customers' needs and wants. Then they can focus on identifying characteristics which uniquely identify segments

of customers in ways that make them more appealing than other segments. (Ferrell 2002, 81.)

How does a need differ from a want? A need becomes evident when individual's level of satisfaction is below the preferred level of satisfaction. A want is desire for specific product designed to satisfy a need. Marketers have to consider the basic needs fulfilled by their products. By doing this, they are able to segment the markets and create working marketing programmes which turn consumer needs into wants for their products. The idea is to convince the customers that the company's product provides superior performance in contrast to competition and is the best choice for satisfying the need. (Ferrell 2002, 82.)

The purpose of segmenting the market is to find groups with similar needs. There are several grounds for segmenting the market into groups and most of them fall into three general categories: state of being, state of mind, and benefits sought. State of being uses demographic factors in the division process. These factors include gender, age, income, and education. State of mind segmentation considers what people think and feel. For example, health products are more likely to be bought by people who are conscious of their health. Benefits sought segmentation considers what consumers want. Products can be marketed to different segments when the specific benefits sought by the members of the group are known. (Ferrell 2002, 83.)

Business-to-Business Markets

When examining business customers, it is important to determine the target customer's needs, assess how well those needs are met overall, and how the needs and competitive offering may change in the future. Business-to-business marketing differs from consumer marketing in four ways. This observation derives from the differences between the decision-making units, hard and soft costs, reciprocal buying relationships, and mutual dependence. (Ferrell 2002, 83.)

When dealing with other organisations, the purchase decision making process is more complex than in consumer markets. The corporate buying centre can consist of three interest groups – economic buyers, technical buyers, and end users. Each group may have their own criteria for selecting an appropriate product. Economic buyers who are senior managers have an increasing role in purchase decision making and are the ones to build organisational

relationships with. They are a target of increasing promotional activities. Technical buyers screen the market for the most suitable products that meet set requirements and budgets and present their findings to the economic buyers. They are a target for transactional marketing and have an important role in maintaining long term relationships. End users tend to have a lesser role in the ultimate decision making, but their opinions are taken into account during the decision making process. The second aspect is hard and soft costs. Both consumers and organisations consider hard costs when making a purchase decision, but organisations also take into account so called soft costs such as downtime or human resource costs incurred because of the purchase. Third, sometimes organisations can engage in mutual exchange of goods in the form of reciprocal buying relationship. The fourth point is mutual dependence. Unlike in consumer markets where an individual consumer can be lost or replaced without a significant setback, the relationships between organisations can more valuable and relationships are invested in on a larger scale. (Ferrell 2002, 83-85.)

Differentiation and Positioning

After selecting the desired target market segments and a mix of marketing elements to satisfy the needs of the target markets, the next step is to differentiate the products from competition and position them so that the product characteristics appeal to the desires of the target market. Differentiation can be based on actual product features or characteristics, but also on relative perception conveyed to the minds of consumers by marketers' efforts. Influencing consumer's mental image or perception of the product provides a powerful way to differentiate products from competing products. (Ferrell 2002, 86.)

Differentiation Strategies

Product differentiation is one of the most important aspects of marketing strategy. Psychological qualities carry as important role in differentiation of products from each other as physical attributes does. Along with brand, there are various ways of differentiation such as product descriptors, customer support services, and image.

Product descriptors provide the consumers basic information about product features but do not alone trigger a purchase decision. Features must be turned into advantages which are performance characteristics and communicate how the product features behave. These ad-

vantages should be distinctive and appealing to the consumers. The advantages have to be realised as benefit before the consumer truly becomes interested in the product. The customer wants to gain positive outcomes from the purchase or acquire satisfaction in trade. Product quality is held in high esteem by consumers and business clients and therefore products should be seen as reliable, durable, easy to maintain, easy to use, and made by a trusted brand name. (Ferrell 2002, 86-87.)

Customer support services may provide valuable additional value when competing on a highly competitive market where products have similar quality, features, and benefits. Any service that is provided alongside the product before, during, and after purchase can function as a deciding factor in the buying decision process. (Ferrell 2002, 87.)

Image stands for the impression consumers have of a company or a product is another way of differentiation from other competing products assuming the image is positive in nature. All actions of a firm, whether voluntary or involuntary, and its marketing activities have an influence on the consumers' company image. The image is a sum of perceptions concerning organisation's past, present, and future positions. (Ferrell 2002, 87.)

Positioning Strategies

Marketing mixes can be modified to position and enhance customer images of certain products. The following positioning strategies can be used to create a positive image for a product: strengthening the current position, moving to a new position, and attempting to reposition the competition. (Ferrell 2002, 88.)

Strengthening the current position can be achieved by constant monitoring of wants of the target customers and perceptions of how well these wants are fulfilled by the company or the product. If the company becomes complacent and stops striving for excellence in their area of expertise, they may face losses in sales and customers. This strategy requires constant development in the area of company's expertise in order to convince to customers of company's superior capability compared to competitors. (Ferrell 2002, 88.)

Sometimes, declining sales or market share may call for new actions and changes to marketing mix to turn the company's direction around. This is referred as moving to a new position is the opposite of strengthening the current position strategy. (Ferrell 2022, 89.)

Repositioning the competition calls for an aggressive mentality. Its objective is to challenge a competitor and in what they do best, put its products in less favourable light, and try to force it to move to a new position. (Ferrell 2002, 89.)

4.4.2 Product Strategy

One of the most important aspects of marketing strategy is the product. A good way to define a product is to view it as a combination of features and advantages which provide a benefit to satisfy needs and wants of customers. Consumers do not buy products for the sake of just gathering possession. Products and their benefits are bought to fulfil specific consumer needs. Therefore, products that are expected to succeed need to be developed to satisfy specific needs. (Ferrell 2002, 109.)

Developing New Products

Introduction of new products requires the organisation to carefully consider their own strengths and the opportunities in the environment. Other factors in need of inspection when planning a new product are the competitive situation, market need, growth, and size. There are six marketing strategy options related to the newness of products:

- Innovation. The product is a major breakthrough on the market. May lead to new product categories on the market.
- New product lines. Groups of closely related products that are used to enter new existing markets.
- Product line extensions. New supplementary products for existing products lines.
- Improvements or changes in existing products. Revamping old products to offer consumers some variation.
- Repositioning. Offering old products to new target markets or segments through slight modification of the product or image.

- Cost reductions. Introduction of modified products that serve the same purpose as before but for a lower price.

(Ferrell 2002, 111)

Innovation and new product line strategies are the most effective and profitable when a company seeks to differentiate itself from the competition. Companies with fewer resources tend to use the other strategies. Differentiation offers companies the best route to long term success and survival. It can be based on an actual product feature or it can be based on consumer perception. Creating a perception of uniqueness is essential. (Ferrell 2002, 111.)

Life Cycle Considerations

Product life cycle approach is used in planning and managing products. It inspects how product sales, resources, investments, and profits change over time. When a product advances through the different stages of product life cycle, sales and profits generated by the product change. This is why the different life cycle stages of products need to be taken into consideration when planning marketing strategies. Depending on the case, product life cycle can be divided into four or five stages. The five stage model includes the following stages: development, introduction, growth, maturity, and decline. (Ferrell 2002, 112.)

Development stage may involve heavy investments depending on the level of innovation required by product development. Because of high failure rate of new products, the significance of identifying correctly the needs of the target consumers before any marketing strategies are developed is essential. During this stage, the following issues should be considered: what are the uses and benefits the target customers seek, description of the product with potential uses and benefits, the possibility of creating a complete product line, and feasibility of the product concept. Although marketing activities do not take place during this stage, any planning at this stage may influence future marketing activities. (Ferrell 2002, 113.)

Products in introduction stage have gone through the development stage and wait for commercial acceptance. Common marketing strategy goals during this stage include:

- Use advertising, public relations, and publicity efforts focusing on product features and benefits to create awareness and interest in the product.

- Encourage customers to buy the product by increasing sales and pricing activities.
- Seek extensive distribution for the product for increased market coverage.
- Use trade promotions to build on the availability and visibility of the product.
- Educate customers on how to use the product and encourage repurchase.

During introduction stage, good distribution and promotion are needed to provide the customers information about the new product. The performance of the introduced product has to be tracked to determine whether it is realistic to keep the product on the market or not. (Ferrell 2002, 114.)

The growth stage offers companies increased profits and increasing sales. The company should establish a strong market position and defend it, and look to cover the product development costs and maintain sufficient sales to make sure the product has a long term future. Marketing strategy issues include:

- Bring forth a differentiating perception of product quality, price, or value to secure market leadership.
- Develop brand/product identity by launching image-oriented advertising and personal selling campaigns.
- Create a unique product position by expressing the exceptional features and benefits the product offers.
- Maximise the availability of the product through extensive trade promotion activities. This will bring more profits the retailers which will improve channel relationships.
- Balance price and demand and estimate price elasticity.
- Make sure product quality meets demands to ensure customer satisfaction.

Growth stage strategy should pursue repeat purchase generation and building brand loyalty. The company should gather as much market share as possible. Growth stage is the most ex-

pensive stage in terms of marketing spending. The closer the maturity stage comes the more competitions begins to emerge on the market. (Ferrell 2002, 115.)

Maturity stage is usually the longest stage. By now, competition on the market has become stabled and new entrants are uncommon. There is still room for new product features and variations. There are three objectives to pursue during this stage:

- Generate cash flow. This is the time to earn back the money invested in getting to this stage. Also additional funds for new product development and growth are necessary.
- Hold market share. Unless the company is one of the market leaders, it should consider their chances in to future and decide whether to stay on the market or not.
- Increase share of customer. The aim is to get the customers use as much of their overall spending on the company's services and products as possible.

In terms of strategy, there are four solutions for achieving these objectives during the maturity stage: develop a new product, find and attract new users to the product, discover new applications and uses for the product, or apply new technology. Holding market share or increasing share of customer calls for increased marketing expenditures. Increasing share of customer may require new product features or modifications. Holding strategy should be used only by companies with strong market positions. (Ferrell 2002, 117.)

Decline stage marks the beginning of the end for a market. A strong brand may provide some extra time but end is still inevitable. Some companies may attempt to postpone the decline by repositioning the product, finding new uses or features, or adopting new technology. Companies who decide to move on can adopt a harvesting approach and reduce costs to increase cash flow for product development. Then there is another option called divesting where a company withdraws support from a declining product and gets rid of it when it turns unprofitable. Before making a decision on whether to harvest or divest, certain factors should be examined:

- The rate of market deterioration. The faster the rate, the sooner the product should be divested.

- Market segment potential. Are there any loyal customers who might continue to purchase the product?
- The market position of the product. A product with good image may attract customers from former competitors.
- The firm's price and cost structure. A product which needs no significant maintenance might still be a survivor.

(Ferrell 2002, 117-118.)

Marketing Strategy for Services

When creating an appropriate marketing mix, companies providing services instead of tangible products face additional considerations. These factors are a direct consequence of unique characteristics that make them different from actual goods. The contents of Ferrell's (2002, 119) collection of unique service characteristics and resulting marketing challenges is listed below:

Intangibility

- Difficult for customers to evaluate
- Firm is forced to sell a promise
- Difficult to advertise and display
- Prices are difficult to set and justify

Inseparability of production and consumption

- Service employees are critical to delivery
- Customers must participate in production
- Other customers affect service outcomes
- Customers cannot derive possession utility

- Services are difficult to distribute

Customer contact

- Service employees are critical to delivery
- Training and motivating service employees
- How to change a high-contact service into a low-contact service to lower costs

Perishability

- Services cannot be inventoried
- Difficult to balance supply and demand
- Unused capacity is lost forever
- Demand is very time sensitive

Heterogeneity

- Service quality is difficult to control
- Service delivery is difficult to standardise

Client-based relationships

- Success depends on satisfying and keeping customers over the long term
- How to generate repeat business
- Relationship marketing becomes critical

(Ferrell 2002, 119)

Product Considerations

Due to the intangible nature of services, a certain level of trust is required between the service provider and customer. The customer cannot evaluate the service beforehand. Because services are people based, each individual service occasion is unique to some degree and the quality of service is bound to vary. This lack of standardisation provides service companies one advantage: services can easily be customised to customer's individual needs and perforations. On the other hand, these customised services tend to be more expensive for both the company and the customer. (Ferrell 2002, 199-120.)

Pricing Considerations

Pricing has an important role in the marketing mix of services because it can insinuate the service's level of quality in advance. Determining the costs of service production and delivery can be challenging for a service provider. What will be used to measure the price of the service? Justifying the price for customers may prove difficult because they may have problems with identifying all the cost factors. Prices also may have to be changed according to seasons and demand. (Ferrell 2002, 120.)

Promotion Considerations

The intangible nature of services presents another problem when services are marketed to consumers. Services cannot be simply shown or displayed to consumers. Therefore, services are marketed with the help of tangible cues that are used to symbolise services. Word-of-mouth bears a notable role in service promotion. Peer groups have an important role in influencing purchase behaviour of other group members and this fact seems to apply especially to services. But it does also have a downside, negative word-of-mouth may be hard to eliminate from circulation. (Ferrell 2002, 120-121.)

Distribution Considerations

The nature of service distribution differs from the traditional image of distribution channels. Distribution of services must provide services in a convenient way and in locations where customers are willing to go. (Ferrell 2002, 121.)

Branding Strategy

Branding is considered as one of the key aspects of product marketing. By creating a distinctive brand, a company can stand out from other companies and their products on the market. Branding decisions are an integral part of marketing strategy formulation. (Ferrell 2002, 121-123.)

4.4.3 Developing a Pricing Strategy

The importance of pricing can be justified with two issues. First, price plays a significant role in determining revenues. Revenue is determined by two variables, price and quantity, and price has a significant influence on sales quantities. The second argument is that price is the easiest variable to change in the marketing mix. Although prices are easy to change, they are hard to set on an appropriate level. (Ferrell 2002, 129.)

Price elasticity stands for the interdependent relationship between demand and price. When demand is inelastic, demand does not react significantly to rising price. Elastic demand is very sensitive to price fluctuations. Substitute products increase price elasticity while complementary products do the opposite. Product differentiation reduces the number of substitute products and increases demand inelasticity. This differentiation can be actual or perceptual. The smaller the total expenditure, the more inelastic the demand is going to be. That is not always the case, the smallest changes to price of gasoline can increase demand elasticity significantly even though the change in total expenditure can be very small. Situational influences can also affect demand elasticity. In a distressing situation demand elasticity is likely to turn inelastic but the same purchase situation under different circumstances could be more elastic and purchase may be postponed. Instead of cutting profit margins to decrease elasticity, it can be decreased by increasing the value proposition. This way, revenues are not pursued with excessive expense on profits. (Ferrell 2002, 132-133.)

Pricing Strategies

Pricing strategies are used by organisations to determine pricing policies on a general level. The perception of the set price is the determining factor in the consumer buying decision

instead of the numerical value of the price. Strategies that are used to shed positive light on actual prices utilise the idea of psychological pricing.

Prestige pricing tries to give an impression of exclusivity and high quality by setting the prices on the highest possible price levels. The actual quality of a prestige priced product does not necessarily match the set price. The product can even be inferior to a cheaper product in quality. (Ferrell 2002, 134.)

Odd/even pricing tries to avoid numerically even prices. The prices are set slightly lower than the next even number so that it would look cheaper while the matter of fact could not be further from the truth. (Ferrell 2002, 135.)

Reference pricing determines prices by setting them just below the competitions' prices. For some of the consumers products with the most affordable prices are the ones of interest. Reference pricing can also be used when offering product on sale. The sale products are referenced to the regular prices. (Ferrell 2002, 135.)

Price bundling combines two or more products together under a single price. This method can be used to manage slow moving inventory or build value. (Ferrell 2002, 135.)

4.4.4 Distribution and Supply Chain Management

The strategic role of distribution channels has grown significantly over the past decades. With great distribution, companies can overcome weaknesses in the other elements of the marketing mix. The development of distribution strategy involves multiple components which fall generally to two categories: marketing channels and physical distribution. Marketing channels move products, resources, information, funds, and product ownerships from producers to consumers. Physical distribution involves cost-efficiently moving products between right places in right quantities at the right time. The distribution decisions are made using two criteria. Is the channel effective and is the channel efficient? The increasingly demanding customers cause strain on the effectiveness of the chain. (Ferrell 2002, 143-144.)

Distribution Channels in Travel and Tourism

The nature of distribution channels is very different between product and service providers. In travel and tourism, a distribution channel is “any organised and serviced system, paid for out of marketing budgets and created or utilised to provide convenient points of sale and/or access to consumers, away from the location of production and consumption” (Middleton 2004, 292). Distribution channels consist of independent organisations which make products and services available to consumers or businesses. Distribution networks are usually used to move goods from manufacturers to consumers. In the hospitality and travel industries, the distribution networks move customers to the product. (Kotler 1999, 452.) The customers cannot inspect the product they are purchasing because of the intangibility of the service or the fact that it cannot be separated from its surroundings. This difference has a profound effect on the nature of distribution of services. (Seaton 2000, 152.)

When discussing travel and tourism businesses, the companies providing travel and tourism services and products are called principals. Principals can either sell their products straight to the consumers or use one or more intermediaries to offer their services through. (Middleton 2004, 295.)

Distribution Channel Functions

Distribution channels move goods from manufacturers to consumers. Marketing channel members gather and distribute marketing research and intelligence information about marketing environment. They also develop and spread persuasive offer messages. Their third function is finding and communicating with potential clients. They shape and fit offers to match buyer’s needs. These channel members conduct negotiations on prices etc. They engage in transporting and storing goods. They acquire and use funds to cover the costs of channel work. They assume financial risk such as inability to sell inventory at full margin. (Kotler 1999, 453-454.)

4.4.5 Integrated Marketing Communications

By targeting customers with conflicting messages from various different information sources can leave customers confused about the actual company image, brand position, and customer relationships. In order to avoid this and provide a more consistent message about the company and its products, a company needs to integrate all the communication channels they choose to utilise in marketing. This process of coordinating the message of all the chosen channels is called integrated marketing communications. Its goal is to deliver a clear consistent and compelling message about the organisation and its products. All the different advertisements company releases should have the same message, look, and feel as e-mail and personal selling communications. Also public relations materials and company website should be uniform. (Kotler 2008, 400-401.) The elements of the promotion mix which are used to deliver messages to the customers include personal selling, advertising, sales promotion, direct marketing, and public relations. Integrated marketing communications should be involved throughout the entire promotion mix planning process. All the promotional tools should communicate the same values to the customers. (Kotler 2008, 398-399.)

Developing Effective Communication

The process of developing effective communication goes through the following stages: identifying the target audience, determining the communication objectives, design a message, choose media, select the message source, and collect feedback. (Kotler 2008, 404.)

The basic determining factor for the message will be the target audience. This selected group will affect what will be said; how, when, where it will be said; and who will say it. (Kotler 2008, 404.)

After the target segment has been determined, the message composer has to examine what stage of the buyer-readiness stages the audience is in. It is only then when the audience can be moved a step closer to the final purchase. The stages are following: awareness, knowledge, liking, preference, conviction, and purchase. (Kotler 2008, 404-405.)

The next step is to develop an effective message. The message should be founded on the AIDA model which stands for attention, interest, desire, and action. The message should have clear content, structure, and format. (Kotler 2008, 405.)

The message needs a certain appeal of theme to produce a desired response. These appeals can be rational, emotional, or moral. Rational appeals justify purchases by assuring desired benefits. Emotional appeals try to evoke strong positive or negative feelings and persuade a purchase. Moral appeals tell the audience to do the right thing. (Kotler 2008, 405-406.)

The message structure has also three issues to deliberate. The message can include a conclusion or the ending can be left to the audience to decide. The timing of the strongest argument is another issue. Presenting the argument right in the beginning can make the end boring. The third issue to consider is whether to present the product only in positive light or also share the possible handicaps. (Kotler 2008, 406-407.)

When selecting message format, there are numerous factors which need to be considered in order to create an attractive product. In prints, it is possible to draw attention by selecting appropriate colours, pictures, and headlines. (Kotler 2008, 407.)

The next step is to choose a suitable media. There are two channels of communication available – personal and nonpersonal. Personal communication channels involve people communicating with each other through various means. They can be company sales personnel contacting target buyers, independent experts providing product reviews, or simply ordinary people spreading word-of-mouth. Nonpersonal communication channels do not involve interpersonal communication. It involves print media, broadcast media, display media, online media, purchase reinforcing environments, and events. Nonpersonal communication affects buyers directly but also stimulates personal communication. After publication, opinion leaders turn these messages into discussion topics. (Kotler 2008, 407-409.)

Message sources that are credible are found to be more reliable and persuasive among the audience. As a result, health care professional and celebrities are popular choices for companies to deliver their messages. (Kotler 2008, 409-410.)

Collecting feedback provides organisations valuable information about performance of their marketing campaigns and how their services are rated. Although the marketing campaign might succeed in creating awareness, feedback might show that the quality of services and customer satisfaction are below par. (Kotler 2008, 411-412.)

Promotion Mix

In order to determine which promotion tools a company should include in its promotion mix, it has to consider the unique characteristics and costs related to each promotion tool. Possible promotion tools comprise of advertising, personal selling, sales promotion, public relations, and direct marketing. (Kotler 2008, 414.)

Advertising utilises mass media to deliver a paid, nonpersonal communication to an audience. The most popular advertising mediums are television, newspapers, magazines, direct mail, outdoor displays, internet, and signs. (Ferrell 2002, 161.) Through mass media, a message can reach a large audience at a low cost per exposure. Large scale advertising can create a positive image of a popular and successful company. It also creates a credible image of the products being advertised. Advertising provides an expressive method of communication. It can be used to generate long term images for products but also to stimulate quick sales. Advertising does lack interaction and works only as one way street to deliver messages. The audience does not have to pay attention these messages and they cannot respond to them either. (Kotler 2008, 414.)

Personal selling is an interactive method of communicating with the customers. Its main function is to provide information about the products and persuade the customers to purchase. (Ferrell 2002, 269.) The negotiators can exchange opinions and provides flexibility. Companies and personnel are also able to create and maintain long term relationships with clients with personal selling. (Kotler 2008, 414.) These advantages of one-to-one communication come at a cost, it is time consuming and the costs per contact are high (Ferrell 2002, 169). Unlike advertising which is easy to discontinue, the threshold of sacking sales personnel is greater (Kotler 2008, 414).

Sales promotion is used to attract consumers to attract consumer attention, offer strong incentives to purchase, and boost sales. They offer short term incentives for consumer to act quickly and the results have little long lasting effects. It is not effective in building long lasting relationships and brand preferences. (Kotler 2008, 415.) Promotion methods for consumer markets include: coupons, demonstrations, frequent-user incentive programmes, point-of-purchase displays, free samples, premiums, and consumer contests, games, and sweepstakes (Ferrell 2002, 174).

Public relations are a more seldom employed way to reach for the consumers. Consumers appear to be more favourably inclined towards news stories, feature articles, sponsorships, and events than towards traditional advertising. News stories may seem especially sincere to consumer because they come from relied and objective sources. A successful public relations campaign supported with other promotion tools can be a very effective and affordable method. (Kotler 2008, 415.)

Direct marketing is not a public method of communication. Each marketing effort is directed towards a specific consumer or group and the message has been modified to match their needs as closely as possible. Direct marketing enables interaction between the parties and consumer response can be reacted to. Direct marketing is suitable for contacting well specified contacts and customer relationship building. (Kotler 2008, 415.)

4.5 Marketing Implementation

Marketing implementation defines the set of actions needed to achieve defined marketing objectives. It is an action plan of how the strategies are to be put into practice. (Ferrell 2002, 179.) Marketing implementation defines who does, where it is done, when it is done, and how things will be done (Kotler 2008, 53).

Implementing Marketing Activities

Good mutual communication is essential between managers who provide purpose, direction, and structure for marketing activities and employees who execute the marketing activities. The implementation timetable needs to clearly define the following information: what activities are going to be performed, the amount of time required to complete each activity, activities that need to be done in sequence have to be separated from the ones that can be performed simultaneously, activities have to be organised in proper sequence, and whose responsibility it is to complete each activity. (Ferrell 2002, 199.)

5 LUONNOLLISESTI OULUJÄRVI KY MARKETING PLAN FOR 2009

5.1 Situation and Environmental Analysis

Analysis of the Internal Environment

As defined in the theoretical part of the thesis, the internal analysis begins with a review of current objectives, strategy, and performance review. Since this marketing plan is the first marketing plan for the company, no clear objectives or goals have been stipulated before. This marketing plan sets two new up to date objectives for the organisation. In terms of strategy and performance, the company has been performing well and its turnover has been growing steadily during the previous years. The tourism sector in Kainuu is performing well in the recent years. During 2008, the amount of overnight stays in Kainuu accommodations grew by 13,4 per cent from the previous year. The majority of stays in Kainuu were recorded in Sotkamo (536.686 stays). Kajaani (102.392 stays) finished third behind Hyrynsalmi-Puolanka area. The number of stays in Sotkamo grew by 16,2 per cent while in Kajaani the change was 1,8 per cent. (Matkailun edistämiskeskus 2009.) These figures are consistent with the company's annual turnover growth of 30 per cent and it clear that the company has performed well on the market. The company has succeeded well considering the fact that it is a two person enterprise.

The second area under attention is the company human, financial, experience resources; and relationships with other organisations or customers. Due to the company's small size, this two person company has very restricted financial and human resources to operate with. The company's human resources are unlikely to change in the near future. One important asset is their involvement in a marketing association called Oulujärven Jättiläiset Ry. This association works to promote the Lake Oulujärvi area as a travel destination. By working together, small companies involved can expand their marketing to include forms that would otherwise be out of their reach. Examples of this are the annual Travel Exhibition in Helsinki and Northern Finland Outdoor Life Fair in Oulu. The threshold for smaller companies to attend these types of events on their own is a lot higher.

The third and final area of interest stated in the theory part is the role of marketing in the organisation. What is the importance of marketing for the company? The value of marketing

has always been understood in the organisation but due to limited resources, only the most basic and common methods have been used in the past. The company has good internet site and efforts towards directing traffic to the pages by the means of guerrilla marketing. Companies and work communities have been targeted with direct marketing.

Analysis of the Customer Environment

When analysing the customer environment, the expanded 5W model presented by Ferrell was selected for the purpose. It asks the following questions:

Who are the customers? The clientele of the company can be divided into three groups based on the preferred products: foreign tourists, domestic travellers, and businesses. Foreign tourists often take part in the activity programmes offered by the company. These activities include boating excursions, fishing, hunting, and snowmobile safaris. Finnish travellers prefer the tranquillity and nature settings offered by the accommodations. Businesses are looking for larger service packages containing activities, sauna, and catering services.

What do they do with our products? Foreigners want to explore the local activity possibilities during their vacation and prefer short day excursions. Nature travellers and families wish to enjoy nature and spend quality time with each other in a traditional setting. Businesses arrange social events for their employees and prefer bundles of services.

Where do customers purchase our products? The company's service distribution network is very limited so there are usually no intermediaries involved in the sales process. Most customers send inquiries after being referred to the company internet site.

When do customers purchase our products? Because of the seasonal nature of the products, there are seasonal variations between purchases of different products. This is why the company maintains a selection of products that includes products for both winter and summer times. This way the effects of seasonal variations on business can be managed. There are also specific high seasons throughout the year where demand peaks for periods of time. These peaks include common Finnish holiday like Midsummer and winter skiing holidays, or the Russian New Year.

Why (and how) do customers select our products? The products offer clients ways to spend their free time among activities or surroundings encountered less frequently under experi-

enced guidance. Products offer possibilities for taking a break from normal life and enjoy their free time. The programmes can be adapted to match the needs and wants of the clients. The company offers highly customisable products for small private groups with experienced guidance. By serving private groups, the guides are able focus more on the individual clients and provide high quality service.

Why do potential customers not purchase our products? To products may not suit the preferences of all potential clients because of different life styles, the destination might not be as appealing as others, or accommodations may lack the latest technological innovations. Potential clients may well be completely unaware of the products offered by the company.

Analysis of the External Environment

Main competitors providing activity programmes in the Vuokatti area include Kuusela Safari Oy, Vuokatti Safari Oy, and RTG Active Oy. Even though Luonnollisesti Oulujärvi and RTG Active are engaged in some level of cooperation, RTG Active still has to be considered also a competitor because they offer substitute products for the same markets. RTG Active is part of a large tourism organisation providing services such as high standard accommodations, activity programmes, travel arrangements, business meetings and congresses, and incentives. In contrast to Luonnollisesti Oulujärvi, their product offerings are set in more up-scale settings and therefore the target markets are not exactly the same, except for activity programmes. The organisation is highly organised and professional. They employ a large amount people and responsibilities in different functional areas have been allocated to different individuals. Their internet site offers a highly efficient distribution and marketing channel for their products because of its high functional quality and abundant information content. (RTG Ready To Go 2009.) Kuusela Safari is another activity programme provider in the Sotkamo/Vuokatti area. Their activity programmes include snowmobile safaris, fishing trips, canoeing, and other typical outdoor activities. They offer quite similar products which compete for the same customers as Luonnollisesti Oulujärvi's products. Their product portfolio does offer more variety and well developed products including quad bike and snowmobile safaris as well as fishing trips to Russia. Their internet site gives visitors a positive impression and creates interest with its functionality and clear appearance. (Kuusela Safari 2009.) Vuokatti Safari offers activity programmes that are branded as more exciting and youthful than in the two previous cases. This becomes very clear as soon as the company

internet site is first opened. The equipment used by the company includes quad bikes, high powered motor boat, and snowmobiles. Their products feature a large variety of different safari options for each of the three vehicles varying in distances and service features. (Vuokatti Safari 2009.) All the three companies have very similar prices for few basic products that closely resemble each other. Luonnollisesti Oulujärvi's comparable products that take place in the area of Lake Oulujärvi are cheaper. A two hour snowmobile safari with a single person rider supplement costs between 90 - 95 Euros per person when purchased from a competitor. A three hour snowmobile safari from Luonnollisesti Oulujärvi costs 70 Euros per person and including a single rider supplement. The key difference between the products is that Luonnollisesti Oulujärvi's safaris take place in the Lake Oulujärvi area and carrying them out in Vuokatti or Sotkamo will increase the price because of snowmobile transportation costs. The three competitors have one particularly useful marketing channel in their use – the Vuokatti.fi portal. Each of the companies is mentioned on this portal in sections containing links to service provider internet sites.

Activity programme supply in the Lake Oulujärvi area is colourful. There are several small companies offering services like fishing, hiking, canoeing, cottage accommodations, and snowmobile rental etc. These companies and their services are marketed on a similar portal as Vuokatti.fi called Oulujarvi.fi.

The global economy is dominated by the present downturn. It has made a significant impact on countries around the world. In Finland, it has brought along unemployment and also Kainuu region has had its share of misfortune. Although the consumer trust in the economy has become poor for the first time since the depression of the 1990's, many Finnish households are still planning to travel within the next six months time (Tilastokeskus 2009a). Since last December, the inflation in Finland has dropped from 3,5 per cent to 2,2 per cent in January. This has been the result of declining interest rates and fuel prices. (Tilastokeskus 2009b.) There has been some speculation about the impact of the economic downturn on tourism. The economic situation might actually decrease the outbound tourism and favour domestic travel. Also the declining fuel prices may stimulate domestic travel. Businesses are seeking ways to cut costs and this may affect the amount of money used for recreational services.

5.2 SWOT Analysis

As stated earlier, SWOT analysis can be used to organise and utilise scattered information. It processes both internal and external environments. The key dimensions of the internal strengths and weaknesses analysis are financial performance and resources, human resources, production facilities and capacity, market share, customer perceptions, product quality, product availability, and organisational communication.

The SWOT analysis shown in figure 1, presents the strengths, weaknesses, opportunities, and threats of the company. The company has several qualities that can be regarded as strengths. One of the special characteristics of services marketing mix mentioned in the service marketing theory part was the importance of staff in service delivery. The owners of the company are the ones who conduct all the services and they are totally committed to providing high quality service to the clients. This might not be the case with regular employees. The company has also adopted a highly customer orientated approach to service by serving smaller groups to ensure more personal level of service. The products can also be tailored to meet customer wants and need. Close cooperation with other local companies enables companies to supplement each other's services. This cooperation also offers additional distribution channels for the company products.

The fact that all the responsibility is cannot be shared across a larger organisation can be considered a weakness. This positions the few people in charge under a lot of pressure and stress which may have a poor affect on customer service and dealing with everyday matters. It can interfere with the level customer service output. Lack of distribution intermediaries may leave prospective markets untapped. For some groups, Lake Oulujärvi as a location is not as exciting as the popular ski resorts and their services. But it does provide a great setting for nature tourism.

Major threat is the global economic downturn and what direction it is going to take in the future. So far, it has not influenced the growing flow of tourists from neighbouring country of Russia. However, the recent devaluation of the Russian currency Rouble in the wake of the global downturn may cause sudden fall in the amount of Russian tourists. If this scenario is averted and the number of inbound tourists keeps on rising, it presents the company an opportunity worth pursuing.

<p>Strengths:</p> <p>Committed frontline employees (owners)</p> <p>Customer orientated service</p> <p>Customisable products</p> <p>Engaged in cooperative destination marketing with other local tourism businesses</p>	<p>Opportunities:</p> <p>Growing number of Russian tourists despite of the economic downturn</p>
<p>Weaknesses:</p> <p>Owners have a lot of responsibilities</p> <p>Lack of supporting distribution channels</p> <p>Lake Oulujärvi's image as a destination compared to popular destinations</p>	<p>Threats:</p> <p>Global economic downturn and its development</p> <p>Continuing devaluation of the Rouble</p>

Figure 1. Luonnollisesti Oulujärvi Ky SWOT analysis

Based on the theory presented before, a competitive advantage can be achieved by successfully matching the strengths and opportunities identified in the SWOT analysis. In this case, the company needs to explore ways of serving the growing number of tourists in the nearby areas by using their set of key competitive advantages. The weaknesses presented can all be dealt with but the reinforcement of destination image can be accomplished neither alone nor quickly. This does present an opportunity for the future because there might be a lot of potential on the development of Lake Oulujärvi into a popular nature tourism destination.

5.3 Marketing Objectives

Marketing objectives are used to determine progress. They are clearly specified targets that can be measured. The objectives should be realistic but still challenging enough to motivate staff. The following objectives have been set according to the commissioning party's specific wishes.

Marketing objective 1: Increase annual sales turnover by 50 per cent. In previous years, the figure has been around 30 per cent but this year the target figure has been raised to 50 per cent. This objective should be reached by the end of the marketing plan's 12 month time-frame.

Marketing objective 2: Increase the number of Russian customers using Lake Oulujärvi based products. The company wishes to introduce Lake Oulujärvi area a growing number of Russian tourists, especially during the winter season. The growth can therefore be measured separately for the summer and winter periods.

5.4 Marketing Strategies

The company is pursuing a strategy for growth by strengthening its current position. This strategy requires constant monitoring of customer needs and adaptation to changes. Growth can be achieved either by raising prices or increasing sales volume. Price adjustments in this economic situation sound too drastic because the markets are now increasingly price elastic across all segments. If the demand stagnates or begins to fall, instead of resulting to price reductions, the company should introduce added value to their products to stimulate demand. Most of all, the company should focus on utilising its strengths as competitive advantage and strive to reach higher sales volume. The key components of the company strengths include high customer service quality, customisable products, and private and highly personal service. Therefore, all the promotional material should focus on bringing across these key strengths to the audience.

Primary Target Market and Marketing Mix

Customer Profile

The foreign customer segment is mainly looking for activity programme services such as boating excursions, fishing, hunting, and snowmobile safaris. The Russian customers are looking for private programmes and are willing to pay for those. According to the commissioning party, the Russians have had a tendency to be less price elastic as long as the service quality is considered acceptable. In general, the popularity of cottage rental has been on the rise among Russian travellers but usually they require the accommodations to be equipped with modern comforts. The accommodations offered by the company are more traditional instead of luxurious and therefore harder to sell to the Russians. The cottages are also available only during the summer and the high season of Russian tourists is during their old Christmas and New Year celebrations in January. Popular Finnish products include winter activities in near ski resorts and relaxation in lakeside cottages. Fishing is also popular all year round and also many women enjoy fishing with their partners. (Matkailun edistämiskeskus 2008.)

It is quite common for Russians to seek destinations with high tourist concentrations and easily accessible services. These destinations often are situated near ski resorts and spas. In the Kainuu area, Vuokatti has become an attractive destination fitting that description and the majority of Russian tourists make their way towards Vuokatti. Kajaani on the other hand is seen more as a place for shopping and it may be problematic to attract Vuokatti based tourist masses to take part in activities at the Lake Oulujärvi.

Marketing Mix Elements

The marketing strategy for this group has two objectives: attract more Russian customers to support the growth targets and bringing as many of them to Lake Oulujärvi as possible.

- Product.

The most likely products of interest for this segment are activity programmes. The company strengths mentioned in the SWOT analysis included customer orientation, employee commitment, and customisation of products. These strengths are imperative when providing this segment with high value products that this segment is looking for and is willing to pay for.

Develop the Jäätiönlahti winter camp in Sotkamo towards a more event like direction to facilitate both enhanced customer value and promotional purposes.

- Price.

This market segment is not as price elastic as other two segments. In terms of Russian tourists, a higher prestigious price may actually contribute to the perceived quality of the offering. It would still be better not to alter prices too much at the current economic situation.

- Distribution.

Conduct sales personally by telephone and email. One of the long term goals set by the company owners was to create a company introduction brochure presenting the available winter and summer programmes and look for a foreign partner to sell and market products outside Finland. A good share of Russian tourists comes from the areas of St. Petersburg and Moscow and there are a number of potential travel agencies to approach in this matter.

- Promotion.

Create a new activity programme brochure, both Russian and English versions, detailing all available services and focusing on activities. These brochures are then distributed to key accommodation providers and their customers to read. According to the commissioning party, accommodation providers have shown consent in this type of activity. Also spread the same brochures or smaller leaflets at the Kajaani train station as Russian charter trains begin to arrive in late December. Also consider doing the same at the Kajaani airport if charter airplanes from United Kingdom and Russia are likely to come. Adopt a similar idea as in the case of Holiday Info (Holiday Info 2009) magazine which is used in the region of Northern Savonia to promote local businesses to Russian charter tourists. The Holiday Info magazine is especially tailored for the Northern Savonia bound Russian tourist segment and includes articles and advertisements of local businesses written in Russian language. This way, the tourists can gain easy access to accurate product information and the marketing message is not interfered by any language barriers. This will reduce the perceived risk of purchase and support the creation of a more positive first impression between the tourist and service provider.

Utilise the Jäätiönlahti winter camp in Sotkamo to offer tourists product trials, interact with potential customers, and market the company products. It could include hot coco and coffee service for children and adults. The event should be used increasingly to attract attention and publicity among tourists and locals and provide a positive company image to those visiting the location. This in turn will ideally increase positive word-of-mouth among visitors. When making travel plans at home, Russians hold in high regard their friends' past experiences and recommendations. A positive impression, information about other products, and promotion of Lake Oulujärvi as a destination could set the AIDA process of attention, interest, desire, and action in motion. Accessing the customers in this area would support the objective of turnover growth and pull more Russian clients to Lake Oulujärvi.

Secondary Target Market and Marketing Mix

Customer Profile.

The second target segment is Finns interested in nature travel. According to a study conducted in 2000, over 70 per cent of Finns are interested in nature related activities (Joensuun yliopisto 2002). Lake Oulujärvi provides a great setting for nature tourism since most Finns prefer destinations which are in natural state and close to bodies of water. Although most of the interviewees preferred unguided activities, the company also provides these individuals rental equipment such as canoes and boats. Activities preferred by Finnish nature tourists include hiking and camping, picking berries and mushrooms, fishing, cycling, and boating. Around 38 per cent of nature tourists said that they needed to rent equipment mainly boats and canoes during their stay. (Joensuun yliopisto 2002.)

Marketing Mix Elements.

This set of marketing mixes for Finnish tourists or travellers aims to support the accomplishment of the targeted turnover growth.

- Product.

The suitable products for this segment include activity programmes such as fishing trips, canoeing, Nordic walking, snowshoe trips, and snowmobile safaris. Also accommodation and equipment is available for rent. The accommodations available offer a traditional and peaceful setting for enjoying the surroundings of Lake Oulujärvi. Finnish cottage vacationers

do not care for the latest modern facilities in cottages as much as the Russian segment and therefore they are a more suitable target market for accommodations. Finns also like to have a lot of privacy during their stay at a cottage.

- Price.

Maintain normal activity programme and equipment rental prices. Special price discount campaigns for early 7 day accommodation reservations have been a norm in the company and also in the industry in general. When an accommodation for a period of 7 days is reserved and a deposit paid before 1.5.2009, the customer gets a discount equal to a day's rent. The rental price of the Midsummer holiday week is premium priced because of high demand and lower price elasticity during for that occasion.

- Distribution.

Distribution of services and accommodations are mainly carried out by answering phone and email inquiries. Also cooperation between Lake Oulujärvi area tourism businesses in the form of commissions has been used.

- Promotion.

The promotion of the services will be based in the information provided on the company internet pages. Many internet pages containing information about Kajaani area tourism services have links to the company's home page and the pages have been optimised for search engines well. Many of the potential searches that can be made by domestic travellers result in a notable reference to the company's internet pages. Accommodations have been previously also marketed in various papers and internet sites such as Mikko.fi, which offers free online advertising space, good search functions, and is well known.

Brochures can be sent to local accommodation providers the same way as in the first target market case. Conducting brochure, flier or advertising gift distribution, personal sales, and promotion during the Kajaanin Runoviikko and annual Market Street in the beginning of July provides access to large amount of people within a confined area. This could be used to create both awareness among local residents and bookings with outside visitors.

Tertiary Target Market and Marketing Mix

Customer Profile.

The third target segment is businesses and work communities searching for conference or recreation packages. The present economic situation has forced companies to cut spending and these services may be facing a decline for the time being. The preferred services of this segment include activities like canoeing followed by sauna and catering services. There is also a possibility to arrange conference space from a local school building.

Marketing Mix Elements.

The marketing strategy for this group aims to minimise the impact of the present day cost cutting trend in businesses.

- Product.

The desired service packages can be assembled in cooperation with the client from the collection of different service components the company has to offer. These packages may include for example one or more activity programmes, a sauna, and catering services.

- Price.

The company should consider adopting a flexible attitude towards pricing of these packages because of the potentially declining demand. If the price appears to become an issue, instead of resulting to discounts an additional value proposition should be pursued first. By being prepared to be flexible, the chance of a longer term relationship between the companies increases. As the economy some day begins to recover, a good relationship can grow to be more profitable in time.

- Distribution.

Conduct business directly with the customer.

- Promotion.

Use of direct email to contact businesses and working communities will be the main promotional tool. It is useful to create a completely different marketing message for this segment.

Focus on building long term relationships with this segment and keep close contact with previous clients and their group members.

5.5 Marketing Implementation

This section of the plan defines how the marketing strategy is going to be executed. Where applicable, it clarifies what marketing activities will take place, how they are carried out, what is the schedule for the activities, who's responsibility it is to complete each activity, how the completion will be monitored, and how much the activities will cost. (Ferrell 2002, 23.)

The marketing strategy implementation matrix is included in the appendices, APPENDIX 1. It names the main activities and their schedule while they will be presented in more detail in here. Since the organisation is such a small one, unless otherwise mentioned, the whole organisation participates in the activities.

Product development of Jäätiönlahti winter camp

The purpose of this activity is to plan ways to promote the company products to the tourists located in the Vuokatti area. What products could be offered for trial or be presented during the event, and what other features it could include to attract and entertain visitors. The planning process for this event has been allocated time until the end of November, 2009. The actual camp has previously taken place during the Russian high season around New Year and Russian New Year.

Pricing activities

Between June and August, the pricing of accommodation rates varies according to typical changes in demand. Discounts are used to attract early bookings before the summer arrives. Premium pricing will be set for the Midsummer period and towards the end of the summer prices will be revised slightly lower.

Search for foreign distributor travel agency

Look for suitable travel agencies from other countries to help to distribute company products. This activity will take place April and August, 2009. Potential agencies should be contacted by August, 2009 before the winter season begins to approach. Before being able to

contact the agencies, a comprehensive company introduction brochure including descriptions of available summer and winter products should be completed between April and the end of October, 2009. The brochure design can be either commissioned to a professional marketing firm or it could be done by a more affordable amateur.

Other tourist brochures and fliers

A lot of the promotion in this marketing plan is done by distributing brochures or fliers to tourists at key locations. The plan is to produce a variety of different brochures with individual marketing messages and points of view according to the audience they are meant for. The first brochure in line is a summer brochure which should be ready by the end of June so that it can be distributed during summer months starting from July. Like all the other brochures, it will be distributed to local accommodation providers but also during the Kajaanin Runoviikko and Market Street events which overlap between July 1st and 6th. Brochures could be distributed once or twice during that period depending on the weather conditions and how well these promotional approaches are reacted to. The winter brochure should be ready by September well in time for the winter season and it will be distributed also to accommodations and also at the Jäätiönlahti winter camp between late December and early January. Also distributing purely Russian language brochures to Russian tourists arriving by charter trains and airplanes will be distributed at the train station and airport on arrival days. All of the brochures can be commissioned the same way as in the travel agency case. The Russian translations can be obtained affordably using connections. The largest expenditure will definitely be the printing costs of the brochures.

Business marketing

Businesses and work communities should be contacted directly by email and provided with their own electronic brochures. Emphasis should be on building long term relationships with business customers through regular correspondence. There is no need to push products to old customers every two months or so and harass them by spamming offers over and over again. The relationship can be maintained through simple signs of attention like greetings or holiday wishes. This should not be an overly frequent method but should be a continuous process.

6 CONCLUSIONS

This thesis process has been a long one and took longer than originally expected. At times, especially when going through all the theory, there were moments of frustration but these disappointments and setbacks have also been learning experiences, both in terms of theory and personal development. After making this marketing plan, the possibility of making another plan sometime in the future does not seem as daunting as this thesis work felt in its early stages and during the moments mentioned earlier. Being able to focus on creating an actual marketing plan, without having to deal with all the theory once again, makes the prospect of further marketing planning tasks much more appealing.

The main issues the commissioning party wished to be addressed in the marketing plan were finding ways to increase the company's turnover and think of ways to introduce Lake Oulujärvi to the tourist masses in Vuokatti. Since February, 2008, when these objectives were set, the world economy has suffered a significant downfall and reaching the first objective has become more challenging. The company has limited marketing capabilities and traditionally increased marketing efforts are a prerequisite for sales growth. This mix of company resources and changing economy requires increasing dedication to marketing efforts. The second objective can also be considered challenging because of the fact that Vuokatti is a very appealing tourism destination compared to Lake Oulujärvi at the moment. Vuokatti draws tourists because of its ski resort, Holiday Club Katinkulta Spa, and an extensive selection of small businesses offering tourism services in the nearby area. The commissioning party does have good capabilities to serve even the demanding Russian tourists segment by utilising its key strengths of customer orientation, product customisation, and commitment to service.

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LIST OF APPENDICES

APPENDIX 1: IMPLEMENTATION MATRIX

April 2009 – April 2010	Timeframe
Product activities:	
Develop Jäätiönlahti winter camp event for promotion purposes	April 09 – November 09
Pricing activities:	
Accommodation discount for 7 day summer reservations	Until May 09
Premium Midsummer week prices for accommodations 590/765 Euros	18.- 25.6/19- 26.6.09
Accommodation prices 60/75 Euros per night	25.4.- 13.6.09 29.8.- 30.10.09
Accommodation prices 70/95 Euros per night	13.6.- 29.8.09
Distribution activities:	
Look for a suitable foreign distributor	April 09 – August 09
Contact suitable foreign distributors	By August 09
Promotion activities:	
Create a brochure detailing available summer and winter products (for distributor)	April 09 – By August 09
Create own brochures for each customer segment	April 09 – June 09, April 09 – August 09
Use direct mail to market products to businesses and work communities	June 09 – April 10
Distribute brochures to arriving charter tourists at the train station and airport	December 09 – January 10
Distribute brochures to accommodation providers in the region	July 09 – March 10
Promotion and personal sales during Kaajanin Runoviikko and Market Street	1.-6.7.09

