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Degree Program in International Business

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Market analysis and strategy recommendations for product group X. Business case: company Y

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Abstract

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The study was carried out within the business development department of the German automotive supplier company Y. The purpose of this study was to perform the comprehensive market analysis for product group X, to identify potential customers for the case company and to make recommendations for future strategy.

The theoretical data for this study were collected from various sources, particularly articles and books. Empirical knowledge was gathered by the help of desk researches, personal semi-structured interviews during exhibition and customer visits. The combination of qualitative and quantitative research methods was chosen for acquiring data and presenting the research results.

Based on the findings, the case company has got an extensive overview of the product X tendencies on the target market. Moreover, the strategic analysis in a form of a SWOT (strengths, weaknesses, opportunities and threats) analysis has been performed and strategy recommendations have been proposed.

Keywords: market analysis, product X, non-automotive vehicle markets, vehicle manufacturers, electronic suppliers

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Confidentiality

The bachelor thesis is written with the cooperation with Company Y and has a confidential character. Therefore, this work could be only partly published in the Theseus system. All produced results, findings, technical procedures, technical problems, design documents, manufacturing equipment, company strategy etc. are the subject of secrecy. The access shall only be made available to those who are directly involved in the thesis process (company, supervisor, student). All parties agree to treat the information carefully.

The published version of the bachelor thesis excludes the case company name, its description as well as name of the researched product, complete practical and conclusion parts.

1 Introduction

This work is commissioned by the automotive supplier Company Y and its business development department of the segment Interior. The research deals around the market analysis for product group X.

The focus of the study is placed on the analysis of the product X market situation, competitors and potential non-automotive customers for the case company X product group. The parent company of company Y is a leading product X systems supplier in the automotive world. Company Y has a great possibility to develop this business with non-automotive customers using the automotive technologies. Hence, this particular research is of interest for the case company in order to understand the market for the product group X and its potential.

This introductory chapter first presents the case company. Afterwards, it describes the background information of the research topic. Then, the research questions and objectives are presented, followed by the research delimitations. Finally, the structure of the study is exemplified.

1.1 Case company

[The content is left out due to the confidentiality issue].

1.2 Background of the study

[The content is left out due to the confidentiality issue].

1.3 The research questions and objectives

The main aim of the study is to execute comprehensive market analysis of product X in non-automotive vehicles' markets. Based on the findings, the business potential should be evaluated and recommendations for future business movement should be made.

In order to reach this aim, the research deals with the following research main and sub- questions as well as sub-objectives as presented in table 1:

Research main question	
What is the strategy for case company in the area of product group X for non-automotive vehicles markets?	
Research sub-questions	**Research sub-objectives**
1. What is the product X purchasing structure in non-automotive vehicle business?	1. To find out the position of product X electronics supplier in relationship to OEM.
2. Who are potential customers for product X in non-automotive vehicles market?	2. To outline potential customers for the case company product group X.
3. What are the current product X functions?	3. To execute the current market overview of the product X functions?
4. Who are current suppliers of product X for non-automotive vehicle market?	4. To perform the competitive analysis for product X.

Table 1. Overview of the sub-research questions and objectives

1.4 Delimitations

Market analysis and strategy development are two very broad concepts involving many issues that can be explored. However, as the project is done for the case company operating in a specific field; it would be helpful to designate the frames for the study which are agreed with the company representatives.

First of all, every aspect of the research is oriented on the product X systems for non-automotive vehicles, particularly defined by the following vehicles groups (see figure 2).

Secondly, the market research part is limited geographically as it is shown on the figure 2.

Figure 1. Target research group and market delimitations [The content is left out due to the confidentiality issue].

Finally, the "strategy" part of the research gives the required information for the business development decisions only. It means that the research does not include marketing and sales issues like price, place and promotion strategies, but it gives recommendations based on the market analysis findings.

1.5 Structure of the study

The study includes five chapters: introduction, methodology, theoretical part, practical part "analysis and results" and conclusion. In the introduction, the author introduces the case company, describes the background of the topic, acknowledges the reader with the research questions, objectives and limitations, and explains the research structure. Afterwards, the methodology chapter overviews research methods and methodology choices for obtaining the empirical data. In the theoretical section, the author reviews theories and concepts that are related to the study. Reliable secondary data sources in form of books, academic journals, business articles are used for this part. The practical part includes the analysis itself, findings and results. Primary as well as secondary data are used for the empirical part. Finally, in the conclusion, the author summarizes the findings and proposes the future research directions.

2 Methodology

This section presents the methodology of the study in order to give the reader an understanding of the used methods, techniques and tools.

2.1 Market research

Market research has the purpose to collect information for special management decision purposes. Its objectives are to provide accurate, relevant and up-to-date information as a base for decision making. Hence, the very first step of market research is to determine a kind of needed information. Secondly, available budget and time have to be considered. Finally, the involved effort should be planned in such way that it justifies expected returns. (Wright 2004, p. 114 -145.)

2.2 Research strategy

Research can be conducted by two different approaches: inductive and deductive (Wilson 2010). A deductive research strategy starts with a theoretical level or hypothesis in order to develop the frame for the observations and empirical data. The research procedure is from modelling to analysing. Oppositely, an inductive research intends to analyse the concept from primary or secondary data and afterwards to disclose probably a new theory. So, it intends to move from empirical level to generalizations. (Yin 2014.)

The following table represents the deductive and inductive research strategies:

Deductive Research Strategy
Theoretical level→Hypothesis→Observations→Empirical level
Inductive Research Strategy
Theoretical level←Hypothesis←Observations←Empirical level

Table 2. The inductive and deductive research strategies (Wilson 2010)

This particular study is carried out as a deductive research. Firstly, the theoretical framework is developed. Afterwards, the empirical data is collected and analysed.

2.3 Data collection and research type

Data collection is the core element of every study. There are two distinct types of data that can be obtained for a research: primary and secondary information. Primary data is gained for a specific purpose of a study, while secondary data deals with already published information. (Wilson 2010, pp. 134-187.)

Based on the information type, Wright (2004, pp. 118 – 155) defines a research to be secondary or primary. Generally, for comprehensive analysis a combination of both is often used which is also the case of this research study.

Secondary or so called desk research is popular between B2B managers due to small cost and time consuming factors. Moreover, the fact, that secondary data has already been collected and used, confirms good data reliability. Thanks to the World Wide Web and IT development, huge amount of secondary information from all over the world can be easily accessed from a computer as long as a researcher is acknowledged about reliability of sources. From this point of view, a researcher should prove accuracy of information found on the Internet, because there exists a high risk of information incorrectness.

During the execution of this research, the researcher, first of all, checks internal sources within the organisation. Market intelligence findings, annual reports, company documentation, and promotional materials are screened in order to get a better insight view. The advantage of these sources is that such materials are collected routinely by the company and the researcher can easily get a free access to it. However, the researcher should keep in mind, that such information has been collected for some other purposes not related to the specific research questions. Moreover, it could be gathered in inconvenient form, to be out-dated or not as accurate as the author would like to have it. Apart of internal secondary sources, the external sources of secondary information such as production statistics, published market reports, economic reviews, company webpages, journals and articles are used for the case study. (Wright 2004, p. 121; Wilson 2010, pp. 134-187.)

Wright (2004, p.122) argues that when secondary information does not allow completely answering the research questions, the author has to involve primary

research. Such information can be gathered from original sources in form of interviews, surveys or questionnaires by person-to-person communication, telephone or mail. The researcher applies for the current study the following methods to gather primary information:

- conducting semi-structured interviews/discussions internally with the company experts
- contacting possible customers, competitors by email and telephone
- visiting the relevant international exhibitions, meeting there OEMs and product X manufacturers representatives and conducting with them semi-structured interviews
- Meeting personally target customer

Overall, the author uses both secondary and primary information to get a deep understanding of the market and its potential.

2.4   Research method

There are two research methods: qualitative and quantitative (Yin 2014). The main difference between these two is that qualitative research is based on subjective views of an author and presents data collection such as interviews in textual data format, while quantitative research is based on more object vision. It uses data collection like questionnaires and does not intend to make use of intense descriptions (Bernard 1995; Wilson 2010.)

The author's intension for conducting this case study research is to identify business potential for the case company product group X by screening the product X market and analysing potential customers. In order to reach the aim of the study the combination of two methods are used. As it already has been mentioned in the research type, the screening target market and finding competitors tasks are executed by desk research, the main questions are "who" and "what". The more or less structured data is used. Findings of this research part are shown in a quantitative form of tables or figures. Another part of the aim is to understand the customer and market trends. For this purpose such qualitative techniques as semi-structured interviews, open discussions, customer

meetings and exhibition observation have been used. The results are presented in the form of intensive description.

2.5   Summary

Overall, this B2B market research is primarily concentrated in evaluating the product X demand, competitors, the market size and opportunities. The author uses a deductive research strategy for the study, starting with well-known theories on theoretical levels and finishing with the practical part. Primarily and secondary data from internal and external sources are extensively used for the research. The content of semi-structured interview is built based on the findings from secondary research. Hence, the combination of qualitative and quantitative methods is applied. The results are presented in a form of graphs, tables and figures, as well as in textual form.

After having presented the methodology of the study, the next part gives a review of the relevant theories concerning market and strategic analysis.

3   Theoretical background

Theories help to describe, explain, predict and control phenomena. A theoretical framework is an essential analysis component guiding an entire process of the research study. *"It is a frame of references that is a basis for observations, definitions of concepts, research designs, interpretations, and generalizations"* (LoBiondo-Wood & Haber 1998, p.41). Based on relevant accessible reliable sources such as books, magazines and articles, this chapter reviews theories for the analysis and illustrates the present state of knowledge of the topic. Table 3 explains order of the research stages and approaches for both theoretical and practical parts of the research:

Research stage	Approach
Marketing Environment	Definition and division of marketing environment
Macro environmental analysis	Analysis of influential macro environmental forces (PEST): • Political • Economical • Social • Technological
Micro environmental analysis	1. Company analysis (internal) • Organizational structure • Relationships and networks • Product offering 2. Customer analysis (external) • Target markets and customer segmentation • Target market size, growth, needs, wants and demands 3. Competitor analysis (external) • Market analysis • Industry analysis
Strategic analysis	1. Analysis of strengths & weaknesses versus opportunities and threats 2. Assessing competitive advantages
Strategy development	1. Business Potential 2. Strategy development

Table 3. Research structure and approaches

3.1 Marketing environment analysis

Ray Wright (2004, p.103) states: "*Knowledge is power*", meaning that information is a requirement for competitive advantage in B2B deals. He says: "*The imperative is to know more about your markets than the competition and know more about the competition than they know about you."*

Exploring the marketing environment is a key activity for assessing trends, level of competition and potentiality of new business opportunities on a market. Marketing environment information is obtained through a market intelligence department and is a basis for decision making on the highest strategic levels. Based on a comprehensive marketing environment analysis, a company should

be able to adjust its actions correspondingly, meeting new opportunities and avoiding challenges.

Kotler and Armstrong (2012, p.66) describe an organization's marketing environment as a combination of actors and forces which affect success of a company in building and maintaining its relationship with target customers, consequently affecting profitability of an organization.

Researchers divide marketing environment either on micro and macro environment powers, or on internal and external factors. According to the classic Kotler's and Armstrong's definition (2012, pp. 66-88), micro environment consists of a company itself and all close related actors such as suppliers, intermediaries, competitors, publics and customers; while macro environment includes bigger public influential factors like demographic, economic, natural, technological, political, and cultural forces (see figure 3).
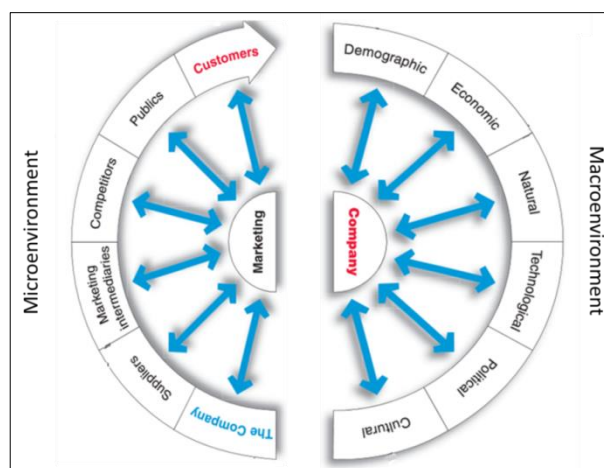

Figure 2. Micro and macro environmental forces (Kotler & Armstrong 2012, pp. 66-88)

Micro environment can be more or less controlled by a company, while macro environment forces do not depend on the organization's activities. Better to say, micro environment affects a company as an individual player and macro environment influences a whole industry. (Kotler & Armstrong 2012, pp. 66-88.)

Blythe (2003, p.30) gives similar classification of environmental factors. Dividing them on internal and external ones, he means factors operating within and outside a company.

For this research study, the researcher is using Kotler's and Armstrong's classification of the environment on macro and micro elements.

3.2 Macro environment

Macro environment forces shape an economic market structure in whole. Influencing indirectly a company, they still affect company's strategic decisions. An analysis of macro environment consists of a monitoring process of six major forces: demographic, economic, social-cultural, natural, technological, and political-legal. (Kottler & Keller 2012, p.74; Genter & Duncan 1990.)

However, the particular research study discusses only those macro environmental factors and their relevant elements which have direct link to the case study. Here is a short overview:

- *Political factors* affect the economic stability of a market or influence a certain industry directly. These factors can be local, national or multinational. The main issues to consider are political stability, tax systems, trade barriers and legislation standards.
- *Economic factors* influence heavily the success of any business. Such factors as economic development patterns, inflation, interest and exchange rates affect the pricing policy of a company and the purchasing power of their customers.
- *Social factors* reflect the shift in a country's demography, social and cultural values.
- *Technology development* refers to innovations within a market. This process has rapid and powerful influence on an economy. Such factors as production methods, product technologies and amount of technological awareness have to be considered. (Friend & Zehle 2004. pp.34-35.)

3.3 Micro environment

Micro environment analysis is the core of this research. It analyses factors which have direct influence on a company's business strategy and its success. A company itself plays a huge influential role on its micro environment and is first analyzing point. The significant aspects of the company analysis are deeply

researched for this specific study. They are organizational structure, product offering, relationships and networks. Afterwards, other critical micro environment forces such as competitors and customers are explored in detail.

3.3.1 Company analysis

"Nothing can be as important as self-analysis by the organization itself": "We have met the enemy, and he is us" – Pogo (Jyotu 2010, p.33).

A company internal environment consists of all groups: top management, finance, research & development, purchasing, operations and accounting (see figure 4). All together have direct impact on company's plans and actions. It is crucial for the company to understand own capabilities and available resources for setting the strategic goals. Moreover, internal analysis supposes to reflect the current organization position on a target market. Overall, a company analysis intends to find out resource capabilities within a company to meet business opportunities and to avoid possible threats. (Jyoti 2010, p.40.)
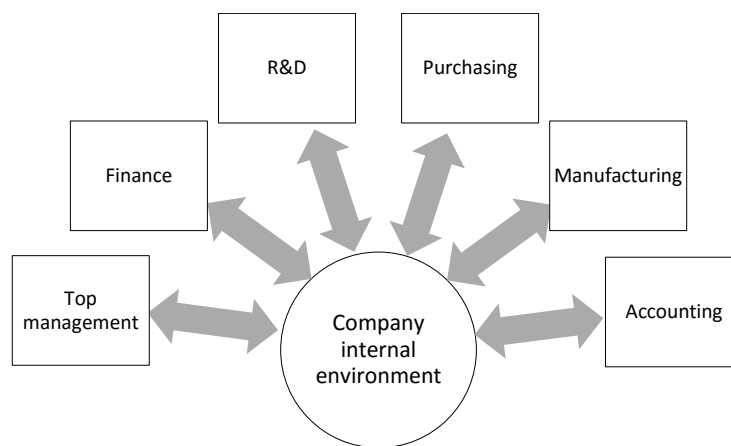

Figure 3: Company internal environment

Company networks

For the development of a new strategy it is vital to measure corporate creditability and to understand corporate network. Relationships and networks play a significant role in the long-term success of a company. Mutually beneficial business relationships are the key for the continuous customers, employees or suppliers preferences. (Kotler 2010, p.9.) Corporate creditability is a level of trust from a customer side, the willingness of a customer to rely on a business part-

ner. It depends on such factors as corporate expertise, trustworthiness and likability. In other words, corporate creditability is based on the ability of a company to be sensitive to customer needs, to be able to satisfy those needs and to have reputation of attractive and dynamic business partner. Corporate network and corporate creditability are unique organization assets, which have to be taken into account while analyzing the internal organization environment. (Kotler & Keller 2012, p.203.)

Product offering

According to Kotler (2000, p.6), a product is defined as any offering that "*can satisfy a customer's needs or wants in exchange for some form of payment*". Kotler's classification of offerings includes goods, services, experiences, events, persons, places, properties, organizations, information and ideas. Wright (2004, pp. 205 – 225) extends the product definition for B2B market, saying that an offered product can be used directly by another company or to be further resold. Based on the relationship length between manufacturer and supplier, a company can be tier 1 or tier 2 supplier to original equipment manufacturer (OEM). OEM is a company which supplies an end product to marketplaces. Tier 2 supplies parts and components to tier 1 supplier. In its turn, tier 1 supplier manufactures products for OEM (see figure 5) (Sarokin n.d.).

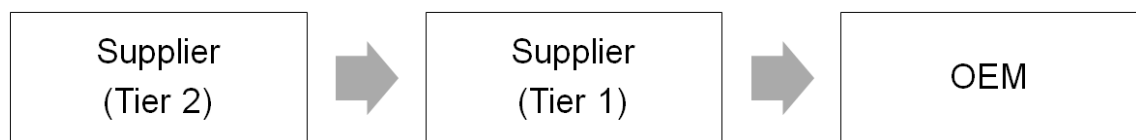| Supplier (Tier 2)	→	Supplier (Tier 1)	→	OEM

Figure 4. Supplier structure in relation to OEM

Business goods and services are classified on tangible products and intangible services. Surely, nowadays for a better customer satisfaction all products have a certain level of service attached. But only tangible products can be demonstrated, have visible features and benefits before purchasing. Moreover, B2B offerings can be further categorized into the following sub groups:

- Capital goods - fixed assets in a company or capital equipment goods which are needed for the production process.

- Material and parts – products which a company uses for further development of final goods. It can be raw materials, manufactured materials or components.
- Supplies and running services – any services which support everyday activities of a company. (Wright 2004, pp.206 -214.)

Furthermore, depending on a market, the B2B product can be standardized (the same offer for every customer) or customized (differentiation and adaptation for every specific customer). (Wright 2004, pp.212 -217.)

3.3.2 Target customer group analysis

Identification of target customer starts with a market segmentation. The idea of market segmentation is to classify and profile distinct groups of customers. It allows later to match precisely customer needs and to offer desired benefits. The process of customer segmentation in business-to-business (B2B) market is based on monitoring and tracking all meaningful information in order to understand a potential market for a product. (Wright 2004, pp.166-178, Kotler 2000, p.4.) For this purpose, Ellis (2011) suggests to segment a market based on market and buyers characteristics. The table 4 shows main aspects of these characteristics:

Market characteristics	Buyer characteristics
Customer location	Purchasing strategies
Customer size	Purchasing policies
Market served by customers	Importance of purchase
Usage rates	Attitude toward risk
Purchase situation	Personal characteristics of buyer

Table 4. The list of major segmentation variables (Ellis 2011)

Analysing the table, the researcher concludes that market characteristics are based on macro variables and can segmenting businesses into broad categories, while buyer characteristics focus on micro variables which require a deep inside knowledge about a company.

Moreover, a competent marketer aims to understand customer needs, wants and future demands in each target customer group. Market size is measured by counting a number of existing and potential customers in a defined geographic region. It could be approximately estimated by looking at consumption statistic or demand data. Market demand is the volume of product pieces, which would be bought by defined customer group. Demand exists when a customer has a wish for a specific product and is able to pay for it. Market demand potential is the expected market demand or the maximum possible sales volume in defined markets. (Kotler & Keller 2012, pp.86 – 98; Kotler 2000, p.6; Wright 2004, pp. 96, 169.)

After the market segmentation is proceed and markets are measured, a company has to create a market segment company profile. It intends to collect details regarding buying patterns, desired benefits and relationships of a target market segment. This information allows a supplier to communicate product benefits, to position a product, to promote it and to connect with customers. Market segment customer profile might include the following aspects: approximate size of a company in terms of sales volumes and number of employees, company locations, range of selling products, range of supplied products, buying group memberships and current company suppliers. (Wright 2004, p.197.)

3.3.3 Competitor analysis

A systematic competitor analysis has become an essential part for companies mainly due to the globalization of markets, fast growth of firms and rapid technology development. Nowadays, right business activities of one competitor can notably change a market situation. That is why a competitor analysis intends to foresee competitors' moves and develop a strong competitive strategy either by positioning the company's strengths against rivalry's weaknesses or by choosing positions that cause no threat to competitors (Czepiel & Kerin, n.d.).

Objectives and process of competitor analysis
According to Porter (1998, pp. 46-48), a competitor analysis is a process of profile creation of every competitor reflecting its most possible future moves and success within competitive market environment. Chen (1996, pp. 100-101)

gives similar to Porter's definition of competitors analysis where the main objectives are *"Understanding and predicting the rivalry, or interactive market behaviour, between firms in their quest for a competitive position in an industry"*. Overall, an ultimate aim of competitive analysis is to collect enough information about a rival to be able to think like this rival and to formulate a competitive strategy correspondingly (Czepiel & Kerin, n.d.).

For the execution of systematic competitor analysis, Fletcher & Donarghy (1993) suggest a five steps approach as it is shown on figure 6:
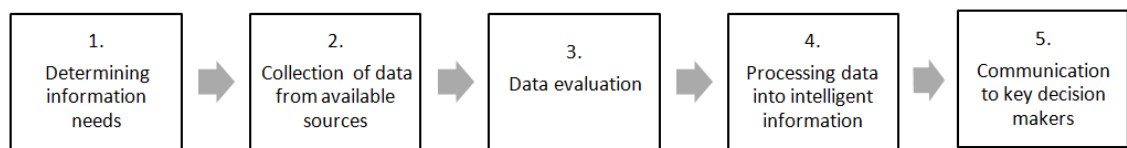

Figure 5. The five steps approach to competitor analysis (Fletcher & Donarghy 1993)

Competitor identification

Competitor identification is an essential task for formulating marketing strategy (Clark & Montgomery 1999). Identifying competitors is not always that obvious as it might seem. There are two approaches existing:

1. *Demand based approa*ch identifies competitors on the customers' attributes. Firms are considered to be competitors when customer perceives their offerings as analogues satisfying same set of customer needs.
2. *Supply based approach* allocates competitors on the basis of similarity in resources, technology, strategy, products and operations, so called firms' attributes. (Clark & Montgomery 1999; Czepiel & Kerin n.d.)

Chen (1999, pp.104-107) suggests an own but similar framework for competitor analysis: market commonality and resource similarity. Market commonality measures a degree of market presence overlap of different companies. In this case, the market definition has to be very broadly defined: geographical market, market segment, or brand (Day 1981). Resources similarity measures a resource type and amount owned by different firms. Understanding resource similarity is vital for predicting competitive vulnerability level.

However, not only current competitors could represent a threat but also some future candidates. Bergen and Peteraf (2002, pp. 160-162) extend the Chen's framework of market commonality and resource similarity adding potential competitors on the high resource similarity point and indirect competitors on the high level of market commonality (see figure 7).
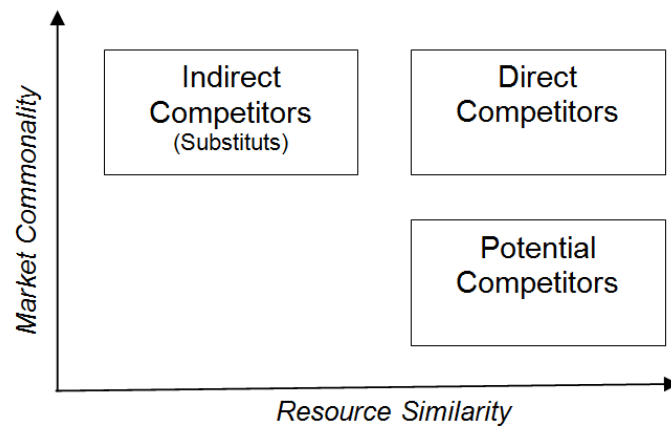

Figure 6. Mapping a competitive terrain (Bergen and Peteraf 2002, p. 160)

Porter (1998, p. 49) argues that depending on a purpose of analysis, it might be important to find out a potential competitors besides the existing ones. These are firms for whom such entry barriers like technology, market access, reputation and image, operating knowledge and skills are low. (Czepiel & Kerin n.d.)

Competitor information

Porter (1998, pp. 48-67) builds the framework for competitor analysis out of four elements:

- *Future goals* – financials, risk-taking attitude, values and beliefs, company form, control and incentives, accounting system, leader types, unanimity, board composition, contractual commitments and constraints
- *Assumptions* – about themselves, the industry and competitors
- *Current strategy* – goals, target marketing, product line, sales, distribution, manufacturing, labour, purchasing, research and development, finance and control
- *Capabilities* – core capabilities, ability to grow, quick response capability, ability to adapt to change, staying power.

Based on available information regarding these four elements it is possible to create *competitor response profile* stating its overall market position, strengths and weaknesses.

Wright (2004, p.74) suggests his list of factors, which a company has to consider analysing its competitors. They are:

- *Competitors' strengths and weaknesses*
- *Corporate image and longevity, brands and unique selling propositions*
- *Present and future strategic direction*
- *Core competencies, e.g. skilled employees, technology, information, innovation*
- *Access to distribution channels*
- *Learning curve and experience curve scale advantages*
- *Organisational buyer base*
- *Product portfolio, value added and unique selling propositions, patents*
- *Cost and price structures and strategies*

Depending on the nature of competitor analysis, elements of competitor profile can vary a lot. The goal is to create an analysis which satisfies a company's needs and goals. That is why it is important to state the research goal and information needs before identifying competitors process.

Sources of competitor information

There are two types of sources for obtaining competitor information:

1. *Unpublished information* is internal data which can be gathered from competitor's employees, sales force, suppliers, customers, expeditions and professional societies. However, it has some big disadvantages: it is difficult to access such information, to assess an accuracy level and, consequently, to build verified competitor profile based only on unpublished sources of information.
2. *Published information* is precise, easy to access and based on the facts. There are many types of published information; some of them are annual reports, company's web-sites, broker reports, press articles, market researches and forecasts, patent information, company brochures, ad-

vertisements, company's social media accounts, press releases and conference papers. However, organizations often control published information to be sure all sensitive facts stay inside their companies.

Consequently, published information represents the highest value for a researcher and allows forming an understanding of competitor's performance. Nowadays, the Internet made it easier to get access to public information and in most of the cases at no cost. However, the researcher should have a very good set of searching skills to choose relevant information from vast range of online sources. The analyst should also keep in mind that information from the Internet could not be completely reliable. (Weiss 1996.)

Blind spots in competitive analysis

The challenge of competitor identification is to set accurately essential competitors characteristics in order to better define a search and to avoid blind spots in results. Blind spots often lead to an insufficient overview and irrational strategic decisions (Zajac & Bazerman 1991). According to Shaker & Sherry (1993), competitive analysis has six blind spots:

- *Misjudging industry boundaries* - setting wrong borderlines in a competitors searching process
- *Poor identification of competitors* - focusing only on obvious, well-known and biggest companies - competitors
- *Overemphasis on competitors' visible competences* - evaluating only company technologies and skills while ignoring such factors as logistic, packaging, sales channels and so on
- *Emphasis on where, not how to compete* - do not considering competing actions
- *Faulty assumptions about competitors* - estimating a competitors strengths and weaknesses based on stereotypes
- *Paralysis by analysis* - being in a situation of information overload

So, it is essential to keep the mentioned points in mind and execute the competitive research carefully. (Czepiel & Kerin, n.d.)

3.4 Strategic analysis

After executing an analysis of macro and micro company environment, the significant results of each single analysis are aggregated to a situation analysis. A wide range of strategic analytical tools can be used for this purpose. Some of them presented below:

- SWOT analysis summarizes internal and external influences of positive and negative aspects
- PEST (political, economic, social and technological) analysis outlines only external factors
- Porter's five forces analysis assesses and evaluates competitive strengths and position of a company on a market
- Four corner analysis aims to better understand competitor's future strategy from the four perspectives: rival motivation, actions, management assumptions and capabilities
- Value chain analysis evaluates a company's own activities in respect to the value creation for customers
- Early warning analysis intends to forecast strategically significant changes and events on a market

Depending on research objectives, one or another analytical tool could be chosen (Downey 2007). The particular research study has the objective to develop a strategy for one of the case company products. For this strategic decision it is vital to outline all considerable factors such as company advantages, disadvantage's as well as market opportunities and risks for exactly defined business activities. To answer these questions the researcher has chosen to use the SWOT analysis. SWOT is one of the best known models to analyse a one's own position on a market. Having a simple structure, SWOT analysis brings a lot of value to a companies' strategic decision process outlining key issues which influence business development and growth. The SWOT stands for strengths, weaknesses, opportunities and threats, where strengths and weaknesses related to internal factors; while opportunities and threats have an external influential power (see figure 8):

- Strengths consist of internal resources, competences, technologies and all other positive insight factors which support to follow an organization strategy and to achieve its objectives.
- Weaknesses consist of negative insight elements which limit organization's performance.
- Opportunities are beneficial external factors which can affect prosperity of company and become an organization's advantage.
- Threats are challenging external elements which can negatively affect a firms' profitability.

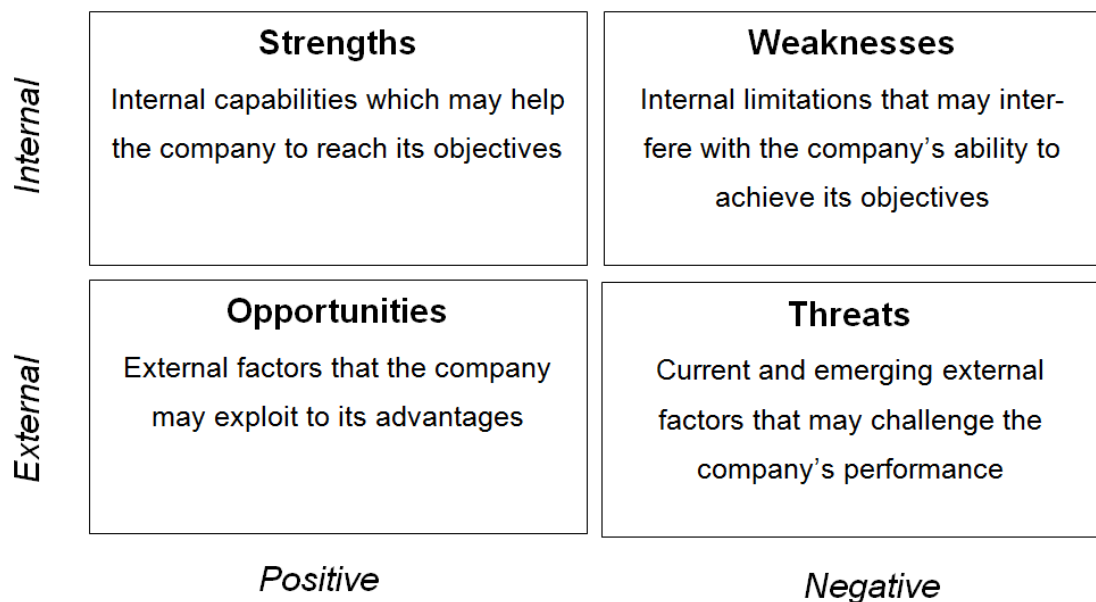|	**Strengths**	**Weaknesses**
Internal	Internal capabilities which may help the company to reach its objectives	Internal limitations that may interfere with the company's ability to achieve its objectives
	Opportunities	**Threats**
External	External factors that the company may exploit to its advantages	Current and emerging external factors that may challenge the company's performance
	Positive	*Negative*

Figure 7. SWOT analysis structure (Kotler & Armstrong 2012, pp.53-54)

Downey (2007, p.5) suggests a list of questions, which researcher has to consider while executing SWOT analysis (see table 5):

Strengths:	Weaknesses
▪ What you do the better than others? ▪ What do competitors and customers see as your advantage? ▪ What is your unique selling proposition? (what you can offer that others could not) ▪ What are the beneficial resources, knowledge or technology you have?	▪ What others do better than you? ▪ Which skills, resource, and technology do you miss? ▪ What could be improved? ▪ What do competitors and customers see as your weaknesses?
Opportunities	**Threats**
▪ What are the known favourable for you trends (political, economical, social-cultural or technological)? ▪ Are there any gaps on the market, which you can fulfil?	▪ What are unfavourable external (PEST) factors for your company? ▪ Which competitors' actions have negative impact?

Table 5. SWOT analysis questions diagram (Downey 2007. p. 5)

Overall, main goals of the SWOT analysis are to match an organization's strengths with market opportunities; to develop firm's strengths in order to overcome a company's weaknesses and to lower an effect of threats. (Kotler & Armstrong 2012, pp. 53-54; Ferrel & Hartline 2011, pp. 128-135; Wright 2004, pp. 446-447; Pickton & Wright 1998.)

Execution of strategic analysis helps the researcher to make broad generalisations regarding strengths, weaknesses, opportunities and threats (SWOT analysis) of a company. Furthermore, managers of the case company wish to get more information regarding company competitive advantages on a particular product market. Competitive advantages are core factors which allow a company to overcome its competitors in gaining sales or customers. The sources of competitive advantage can be superior skills, resources or core competencies, when they are managed correctly. A well-executed strategic analysis should include a comprehensive overview of one own competitive advantages on a market as well as competitive advantages of rivalries. (Wright 2004, pp. 77-78; pp. 436-439.)

3.5 Strategy development

After strategic analysis is completed, a researcher can evaluate business potential and develop a strategy. According to Wright (2004, pp. 95-98), for measuring business potential, a company has to define sales territory, product category and customer. Then, a whole market potential should be evaluated. Market potential is the entire market in terms of sales value or sales volume which is available for all market players. Afterwards, organizational demand potential should be estimated. This is the level of products that a company could sell in a chosen market segment. This level depends on current market conditions, customer demands and other existing market players.

Based on SWOT and business potential analyses, a strategy could be developed. According to Kotler (2000, pp. 47-48), goals illustrate what a business unit wants to achieve, while strategy shows the plan for achieving those goals. Forceful goals are hierarchically arranged, if possible quantitatively stated, realistic and consistent. Goals are united in a company vision statement, which is an announcement of a company's ambitions on a market. Vision connects company's purposes with values. It is vital to have a clear vision in order to develop right strategy (Hyatt 2012). Porter suggests choosing one out of three generic types of strategies:

1. Cost leadership – offering the lowest production and distribution cost, winning a market by price leadership.
2. Differentiation – achieving exceptional performance in a sensitive for customer areas. It could be superior quality, unique technology or admirable style.
3. Focus – focusing on a limited market segment, executing close segment analysis and applying one of the first two generic strategies. (Kotler 2000, pp. 47-48.)

Overall, according to Porter (1996), a strategy is *"a creation of unique and valuable position involving a different set of activities".* The core of strategy development is to decide what to do and what not to do.

Hambrick and Fredrickson (2001 p.51) suggest using for a strategy development "the strategy diamond" which consists of five elements: arenas, differentiators, vehicles, staging and economic logic. The figure 9 gives a good overview of the "the strategy diamond" model.
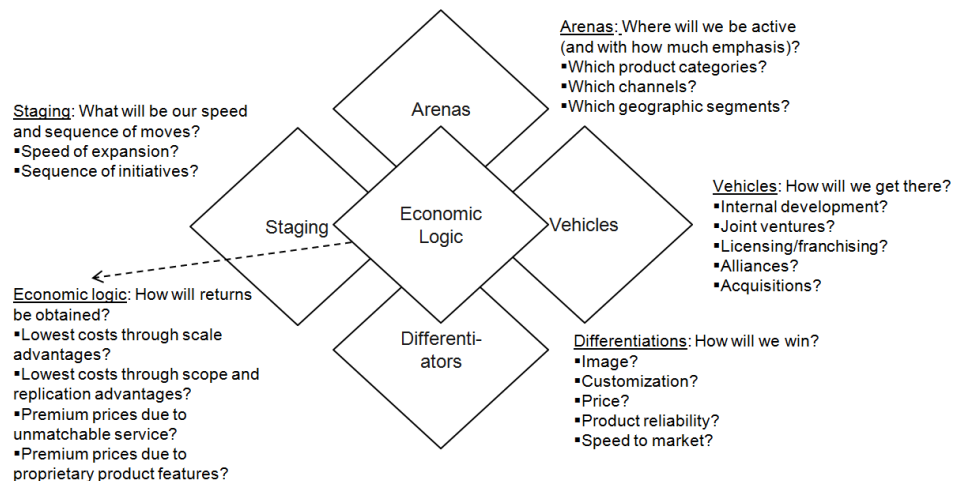

Figure 8: "The strategy diamond" (Hambrick and Fredrickson 2001)

The aim of this research is to develop strategy recommendations, which are defined as proposal to the best course of actions (Oxford dictionaries n.d.). Goals setting and final strategy formulation including marketing, technology and sourcing strategy will be the tasks of key strategic decisions managers.

3.6 Summary

Every business exists in a certain marketing environment. Success of a business on a B2B market depends on many factors. Macro environment factors such as politic, economy, social and technology development influence a whole industry, while micro environment factors such as a company, competitors, customers and others have direct influence on a company. Every strategic decision should be made based on a situational analysis of those factors. One of the ways to represent core analysis findings is a use of SWOT analysis. Afterwards, recommendation for business goals and strategy could be developed in a way that a company meets market opportunities developing its strengths, overcoming weaknesses and minimizing threats.

After the methodology instruments and theoretical review have been presented, the author moves on to the practical part of the research. Next chapter presents the research analysis and its empirical findings.

4 Analyses and results

 [The content is left out due to the confidentiality issue].

5 Conclusion

[The content is left out due to the confidentiality issue].

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Abbreviations

B2B	business to business
etc	et cetera, and so on
e.g.	for example
k	in thousand
Mio.	million
n.d.	no date
OEM	own equipment manufacturer
PEST	political, economic, social and technological
SWOT	strengths, weaknesses, opportunities and threats
vs.	versus

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Appendices

[The content is left out due to the confidentiality issue].