

**UNIVERSITY OF VAASA
FACULTY OF BUSINESS STUDIES
DEPARTMENT OF MARKETING**

Ville Virtanen

**IMPACT OF RECESSION TO COMPANIES
MARKETING ACTIVITIES**

Master's Thesis in
International Marketing

VAASA 2011

TABLE OF CONTENTS	page
LIST OF FIGURES	5
LIST OF TABLES	5
ABSTRACT	7
1. INTRODUCTION	9
1.1. Background of the study	9
1.2. Objectives and the research problem	11
1.3. Limitations of the study	13
1.4. Literature review	14
1.5. Structure of the study	17
2. MARKETING MIX ELEMENTS	19
2.1. Product	19
2.1.1. Product strategy	20
2.1.2. Product mix decisions	21
2.1.3. Product adaptation	22
2.1.4. New product development	24
2.2. Price	27
2.2.1. Pricing decisions	28
2.2.2. Pricing approaches	30
2.2.3. Pricing strategies	32
2.3. Distribution	37
2.3.1. Distribution strategy	40
2.3.2. Channel decisions	44
2.4. Promotion	46
2.4.1. Promotion strategy	48
2.4.2. Advertising	49
2.4.3. Sales promotion	51
2.4.4. Public relations	53
2.4.5. Personal selling and direct marketing	54
3. MARKETING ACTIVITIES DURING RECESSION	60
3.1. Introduction to marketing in recession	60
3.2. Marketing activities which emphasises during recession	63
3.3. Theoretical model	69
4. RESEARCH METHODOLOGY	71
4.1. The chosen method	71
4.2. Data collection	73
4.3. Data analysis	75
5. RESULTS OF THE EMPIRICAL STUDY	78
5.1. Introduction of the case companies	78
5.2. Development in case companies during 2007-2010	80

5.3. Results of the interviews	82
5.3.1. General view from the effects of recession	82
5.3.2. Effects of recession on product	84
5.3.3. Effects of recession on price	84
5.3.4. Effects of recession on distribution	85
5.3.5. Effects of recession on promotion	86
5.3.6. Effects of recession on marketing budget and future views	89
6. SUMMARY AND CONCLUSION	94
6.1. Summary of study	94
6.1.1. Summary of results	97
6.2. Conclusion	102
6.3. Practical implications	104
6.4. Future research possibilities	105
REFERENCES	107
APPENDIXES	112
Appendix 1. Subject areas for personal interview of case company	112
Appendix 2. Subject areas for interview of marketing expert.	114

LIST OF FIGURES

Figure 1: Structure of the study

Figure 2: Five Product Levels (modified from Kotler 2003)

Figure 3: New product development (modified from Kotler & Armstrong 2006; Albaum & Duerr 2008)

Figure 4: Pricing decisions (Kotler & Armstrong 2006: 309)

Figure 5: Assessing and responding to competitor's price changes (Kotler & Armstrong 2006: 347)

Figure 6: Distribution variable divided into channel and logistics components (Adopted from Rosenbloom 2004)

Figure 7: Design of channel strategy (Adopted from Rosenbloom 2004)

Figure 8: Integrated marketing communications. (Adopted from Kotler & Armstrong 2006)

Figure 9: Push versus pull promotion strategy (Adopted from Kotler & Armstrong 2006)

Figure 10: Different phases in sales force management (Adopted from Kotler & Armstrong 2006)

Figure 11: Main forms of direct marketing (Adopted from Kotler & Armstrong 2006)

Figure 12: Development of marketing communication investments in 2009 compared to 2008 (adopted from Mainosbarometri)

Figure 13: Theoretical model

Figure 14: Suggested changes in marketing mix elements

LIST OF TABLES

Table 1: Pricing strategies (Adopted from Kotler & Armstrong 2006)

Table 2: Empirical studies about marketing during recession

Table 3: Development of company A

Table 4: Development of company B

Table 5: Development of company C

Table 6: Development of company E

Table 7: Summary of changes in marketing activities

UNIVERSITY OF VAASA**Faculty of Business Studies**

Author:	Ville Virtanen	
Topic of the Thesis:	Impact of recession to companies marketing activities	
Name of the Supervisor:	Professor Jorma Larimo	
Degree:	Master of Science in Economics	
Department:	Marketing	
Major Subject:	International Marketing	
Year of Entering University:	2005	
Year of Completing the Thesis:	2011	Pages: 114

ABSTRACT

Recession is interesting and multidimensional phenomenon, which has been on the headlines lately. Phenomenon has been studied earlier and the consequences of it have been target of interest for business and academic. Purpose of this study is to explore that *Will companies change or adjust their marketing activities due to recession to survive better from it?*

Marketing literature about marketing mix and the use of different marketing activities construct the base for this study. Recession has been studied widely in academic field, but only few studies have focused only on marketing mix elements and marketing activities during recession. Still, some earlier studies have clear evidence that companies which increase marketing activities during recession will face the increase of market share and sales. In this study there was constructed theoretical model, which is based on marketing mix elements and previous studies. This theoretical model suggested specific marketing activities, which could improve the performance of companies during recession.

According to findings of empirical study, recession was not considered as major threat in the case companies of this study. All the case companies announced that they do not change their marketing strategy due to recession. Other major influencing factors for these companies were general strategy, marketing strategy, industry, nature of products and customers. Companies in this study did not consider recession as opportunity to increase marketing activities in this study despite the results of previous studies. Empirical study proved that recession had only minor influence of case companies. Still, there was some evidence in this study that increased marketing activities can have positive influence on companies' performance during recession. One of the case companies faced increased turnover and sales during years 2007-2010, when they increased marketing activities.

KEY WORDS: recession, downturn, marketing mix, marketing activities

1. INTRODUCTION

Introduction chapter explains the structure of whole thesis and it begins with explanation for the background of the study. Objectives and research problem are introduced and also limitations of the study are described. There is brief introduction about the literature which this thesis contains and finally the structure of the study gives the general view about whole thesis.

1.1. Background of the study

These days there are several phenomena which are connected to worldwide economy. Some of these phenomena can be explained with some theory or those can be tested with some theoretical model. However, connecting factor for most of the phenomena is that those are under of research and people want to know the reason behind of it. People in academic and business world are similar in a sense that they want to be familiar with the phenomenon. Even more if there is a chance that phenomenon can be profitable or unfavourable for their business. Recession is one of these phenomena. Recession occurs with different amplitude and frequency in a worldwide economy. Sometimes it can be strong and worldwide and on the other hand it can be local and its effects can be insignificant. Recession is definitely a phenomenon which raises questions and interest. According to Ryan (1991) the idea of conducting a study which is combines recession and marketing, goes back to 1920's. Once again this phenomenon has been topical when worldwide economy turned in to downturn in the end of the year 2008. (Geroski & Gregg 1997; Parkin, Powell & Matthews 2003; Shama 1993, Ryan 1991).

Whenever or wherever the recession occurs, it will raise questions. Researchers in academic field are mostly interested about the reasons and consequences behind the phenomena in general level. In business world recession tends to draw attention when it comes to company's possibilities and threats. There are several points in this phenomenon which could be studied, but in general the predictability of recession is one interesting issue which many of researchers would like to know. There are numeric facts about the recession, which have pulled from the earlier recessions. These numbers are still the average numbers of previous recessions so these cannot be easily generalized to every following recession. For example Parkin, Powell and Matthews (2003:705) have described recession in their academic book *Economics*. According to Parkin et al. (2003:705) during the last century there were nine business cycle turning points and the average numbers of those indicates that, recessions lasted about two years, and during

the recessions real GDP fell almost 10 per cent from the top to bottom. These numbers prove that the facts about recession are highly on general level and these cannot help too much on predicting the following recession. (Parkin et al. 2003).

Recession is such a multidimensional phenomenon that researchers have not found clear explanation for that, but that fact just increases the interest towards the phenomenon from the academic researchers and business life's behalf. It is clear that many companies would be interested about the fact whether there exists a way how they could benefit from recession, so there is no need to argue the reason for this study. (Parkin et al. 2003; Shama 1993 & Ryan 1991).

In this thesis the interest is in the relationship between marketing activities and recession. Emphasis is on the effects of marketing activities for companies' performance during recession. Marketing itself is such a big part of entire company so it cannot be included entirely for this study. This study focuses on marketing mix elements and for the changes made in marketing mix elements during recession. In other words, does it pay off to invest more on marketing activities during the recession. Ryan (1991) state that American Business Press studies found already in the 1970's formidable evidence that cutting advertising costs during economic downturns can result in both immediate and long-term negative effects on sales and profits. These findings prove that same topic is worth of researching these days also. John Quelch (2008) and Pankaj Ghemawat (1993) argued also that marketing should be emphasised during recession and cutting costs from marketing might have long-term negative impact. Under of investigation are companies which have international business to fulfil the international aspect of this study. In this research target group includes companies with varying size from small to large, but the main attention is in marketing activities of the case companies. (Shama 1993; Bhowmik 2009 Ryan 1991, Quelch 2008 & Ghemawat 1993).

Recession as phenomena is quite lot studied around the world in different universities, but there are not so many studies conducted in Finland which would focus only on marketing mix elements during recession. There are studies made which concerns recession in the University of Vaasa and one of those is concerning similar topic which includes the international point of view and it is made in the department of marketing. This thesis was conducted in year 1997 and author the author is Jyrki Holappa. Another research which is also concerning similar topic is the research of Karin Holstius which was conducted in 1984. These two mentioned studies concerns the similar topic in a

broad sense, but those also creates the research gap. Research gap is in the action of the companies, because these previous studies have focused on the environment and how that has affected to companies. In this thesis the focus is more on the company's actions and how those are trying to cope with the recession. (Holstius 1984, Holappa 1997). There is also clear novelty value in this thesis since the lack of studies in Finland which are conducted with same topic.

Already the introduction of the topic proves the challenges of this thesis. It has to be mentioned, that this study is not trying to achieve specific and detailed results which could be generalized to broad amount of companies or cases. The aim of this thesis is rather to give some evidence that marketing actions can help companies and improve their performance during recession.

1.2. Objectives and the research problem

Main purpose of this thesis is to study if recession affects on companies and especially on their marketing activities. Aim is to study through case companies if companies change their marketing activities in a particular way to achieve some specific effect. In other words the research problem is that:

Will companies change or adjust their marketing activities due to recession to survive better from it?

Surviving better from recession in this case means that companies do not suffer significantly from decreased sales or decreased market share. Surviving better from recession means naturally also that companies have increased their sales or market share during recession.

If there can be found answer for this research problem that companies adjust or change their marketing activities due to recession it can partly confirm the earlier studies results. Results of some earlier studies argue that increased marketing activities can improve companies' performance during and after recession.

Objectives will most likely to steer the direction of the thesis, because thesis have to be formed in order to reach the objectives. To be able to fulfil the main purpose of the study, there have to be objectives. Objectives of this study have been divided in to

theoretical and empirical objectives. First objectives are theoretical and the latter ones are empirical. Theoretical objectives are:

- To analyse and compare relevant and similar studies concerning marketing activities during recession
- To construct from previous studies and from marketing literature theoretical model of possible adjustments in marketing activities during recession

Empirical objectives are:

- To interview decision makers of case companies about the effects of recession on companies marketing activities during 2008-2010
- To analyse the results of the empirical study and compare them to theoretical model

The second theoretical objective to construct theoretical model will mostly be based on marketing mix from the literatures behalf. The marketing mix was chosen, because it presents all the basics of marketing which emphasises during the recession. It is also one of the most notorious theories of marketing so that is speaking in favour of choosing that. Recent and previous studies about recession and its effects will be also in significant role when constructing theoretical model. Previous studies which have been chosen for theoretical part of the study are from different areas of the world. Reason for this is to have variation for analysing the effects of recession.

In empirical part of the study there will be companies which are operating in international scale and particularly interviews of the CEO's and other decision makers of marketing. There is no specific industry chosen, but all the case companies have international activities or they at least those are part of international company to fulfil the international aspect of the research. Connective factor for all the case companies is that those are manufacturing and marketing consumer products or the end-users are consumers. The number of interviews of case companies is limited to 5. The region or origin of the case companies is not limited. Interviews should reveal the actions which are made inside the company. By keeping the participant companies and interviewed persons anonymous there is better chance to get the answers. After comparing the results there will be final analyse that if companies are affected by recession in a sense that they adjust or change their marketing activities. The examination period covers four years from 2007 to 2010 and the reason for that is that there can be found the time

before recession, decline and the recession. Also year 2011 is included to analysis, because some companies might have already changed their way of marketing or they are planning to change it.

In empirical part of the study there will be also interview of professional of marketing which represents neutral party. This professional interview will give more scale and perspective for this topic. Professional of marketing can also give their own thoughts and opinions how recession has affected to companies. Answers can also include tips and opinions that how companies should change their marketing activities and how to use the scarce marketing assets in effective way. The size of case companies varies to have different point of views in empirical part of the study and this also increases the credibility of the study. View point in this study is from the company's point of view.

1.3. Limitations of the study

Every research has own limitations concerning the topic and so do this thesis also. In the first place it could be said that the topic of this thesis is challenging. Usually phenomenon is studied afterwards when the results or impacts are easy to recognize. During the writing process of this thesis the recession is still partly going on in several areas around the world. This means that all the impacts are not yet recognizable and neither are the results of the actions made during the recession. That is one and maybe the biggest limitation of this study that this moment is not the most favourable to do this study. In opposite, it could be also said that even though time period is challenging, it is also the time period when companies and persons posses the valuable information.

Other limitation of this study connects to the first one and it concerns the empirical part of the study. It might be challenging to collect the empirical data from the chosen case companies when the times are difficult already. That is one major limitation and challenge for this thesis that enough of interviews can be made. Other limitations concern the general issues of the study. Since the field of marketing is such a huge and wide, there have to be made some limitations which areas of marketing are involved to this thesis. Marketing mix is the base for this study's theoretical part and the research is made in order to study the possible changes in marketing mix. Marketing mix itself is also wide topic and the marketing literature is limited for marketing mix.

Limitation is also that this thesis is concentrating only to marketing. Impacts of recession can vary tremendously and other areas like finance, human resource and

production related decisions are also affected by recession, but these areas are not included for this thesis. Recession as phenomena itself sets some limitations for this study. Recessions always vary from each other recession (Parkin et al. 2003) and that is the reason why it is difficult or even impossible to create knowledge which could be used equally during some later recessions. This is creating challenges also for reliability and validity of this thesis. As a one limitation can be mentioned that there is clear lack of theories which are straight connected to this topic. It will set some difficulties for collecting and analysing relevant theory which will be the base for theoretical model.

1.4. Literature review

Recession as phenomenon is too broad to study and to limit the results of finding information; the key words used with recession were marketing mix, marketing strategy, promotion, survival, opportunity and longitudinal. Literature for this thesis is mainly collected from the library of the University of Vaasa and also from the library of Helsinki School of Economics. Literature is also collected from electronic databases like EBSCO, Emerald and ABI Inform Global.

In this thesis there will be less concentration on the reasons for recession, because those are concentrating more on economics than marketing. Still, the short explanation about business cycles is given and that comes from the academic book *Economics* which is written by Parkin, Powell & Matthews (2003). The business cycle can be described as irregular and non-repeating up-and-down movement of business activity that takes place around usually rising trend and that shows great diversity. According to Bernard Ryan (1991: 7-8) National Bureau of Economic Research defines recession as period of at least 6 consecutive months when Gross National Product (GNP) goes down. Ryan (1991) adds that other definition for recession is that three following months when there is decline in composite index. During such a period unemployment goes up and consumer confidence goes down.

Some generalizations can be made from the last century. The average numbers are from recessions and expansions of last century. Last century there were 9 business cycle turning points and if we take the average number of those we can say that, recessions lasted about two years, and during the recessions real GDP has fallen almost 10 per cent from the top to bottom. Expansions have lasted about six years and the real GDP has also risen about 10 per cent, on average (Parkin et al. 2003: 705). It is still good to remember that these average numbers masks huge variations between the different

cycles. After examining the business cycles on last century Parkin et al. (2003: 705) says that there is no one model or simple explanation for the business cycle. In addition they mention that at this moment there is no available way how the next turning point could be forecasted. These facts prove that recession is difficult and multidimensional phenomenon to analyze and define.

Main literature about marketing comes from the notorious *Phillip Kotler*. Kotler has written many academic books about marketing management and in this study *Principles of Marketing* is used as basic theory. *Principles of Marketing* were chosen for this study since it covers all the fundamental aspects of marketing. All parts of Marketing Mix product, price, distribution and promotion will offer the base for theoretical part of the study. These elements are also the base of the theoretical model which is the outcome of theoretical part of this study. Each of these parts includes lots of features and according to Kotler marketers' task is to devise marketing activities to integrate these parts in a way that it will increase the value for customer (Kotler & Keller 2009: 62, Kotler & Armstrong 2006).

This core idea in marketing should not be abandoned in recession or in downturn when companies tend to have less extra earnings. There are some examples from successful marketers which are global companies like Procter & Gamble, Nike, Sony, Toyota, Disney and Nokia. Kotler and Armstrong (2006) point out that these companies have been successful in their marketing, because they have focused on customers and they are organized to respond effectively to changing needs of their customers. Times like recession companies should also be aware about their customers and be able to respond their changing needs by adapting the strategy. In this thesis there will be empirical part where companies with different size are under of investigation during recession. Under of closer scrutiny is the issue that are these companies able or willing to develop their marketing in a way that they can survive better from recession

Other supporting literature for marketing mix elements and international marketing comes from Albaum & Duerr (2008), Czinkota & Ronkainen (2004) Rosenbloom (2004) and Jobber (2004). These books were chosen for this thesis because those can provide knowledge and theory which connects the marketing and recession.

For the methodology part of this thesis there is specific literature chosen to support whole thesis. Since the nature of this thesis is qualitative, *Laadulliset menetelmät kauppatieteissä* by Koskinen, Alasuutari & Peltonen (2005) was chosen to provide

knowledge in research methodologies. Other supporting knowledge from methods of data collection and data analysis is collected from Maylor & Blackmon (2005), Metsämuuronen (2005), Syrjälä, Ahonen, Syrjäläinen & Saari (1994), Marschan-Piekkari and Welch (2004), Grönfors (1985), Silverman (2006), Hirsjärvi, Remes, Liikainen & Sajavaara (1986) and Yin (2003). These authors were chosen because all of them are well known in the field of research methodologies.

Previous studies are also the base of this study. From the previous studies it can be concluded some actions which companies have done in earlier recessions. These actions might have been wrong or right what comes to success of the company during the recession and after it. It was already mentioned in the limitations that this time is not the most suitable to study the effects of marketing, because all the effects are not yet recognizable. If companies are making some changes in their strategy or increase the marketing investments, the results of that action might be seen after few years. Previous studies concerning the recession and marketing provides for example Shama (1993), Laitinen (1994), Dugal & Morbey (1995), Holappa (1997), Pearce & Michael (1997), DeDee & Vorhies (1998), Roberts (2003), Köksal & Özgül (2007) and Urbonavicius & Dikcius (2009). Some of these studies are from the early days, but these were chosen because these are relevant concerning the topic of this thesis. These previous studies are presented more detailed in chapter 3.

One previous study which was conducted by Goodell and Martin (1992) points out that marketing during recession is worth of studying. According to Goodell and Martin (1992: 5) the biggest issue in recession marketing is that how can marketing professional help the firm despite the ravages of the business cycle and even come out with an improved position in the end of recession. One example is privately held window maker, Marvin's Windows, which treated the recession as opportunity. It computerized its lead-tracking system and substantially raised its advertising budget during the 1981-1982 recession. As a result sales increased from \$37 million in 1981 to almost \$45 million in 1982 and over \$68 million in 1983. According to this company's Vice-President of Sales and Marketing, recession is the right time to make investments in sales and marketing. This example proves that clear planning is critical for companies which are dealing with effects of a recession. (Goodell & Martin 1992: 10, Kim 1992).

This study by Goodell and Martin (1992) and above mentioned carefully chosen studies connects marketing and the recession. Study from Rao, Erramilli & Ganesh (1998) were left out since it was focusing on domestic recession. That is the reason why these have

been chosen as basic knowledge about recession when constructing the theoretical model of this study. In the theoretical model there will be suggestions that which marketing activities have been proved to have positive effects on companies.

1.5. Structure of the study

In the first chapter the whole thesis is introduced. First chapter includes the introduction and it explains the background of the study. When the background of the study has been explained, then the research gap and the reason for this topic is introduced. Research problem is explained next and in the same sub-chapter the objectives of the study are introduced. Most important definitions for this study are also introduced in the introduction chapter. Limitations of this thesis and the literature review are covered in the end of the introduction chapter.

Second chapter is totally theoretical and it pulls together most relevant parts of Marketing Mix elements product, price, distribution and promotion. Each Marketing Mix element is not introduced completely, but especially those elements are scrutinized which might highlight during the recession. This chapter support in understanding of basic elements of marketing and it also creates the base for theoretical model in chapter three.

In third chapter there is short introduction to marketing in recession. After introduction there are previous studies analysed which concerns similar topic. These studies construct the theoretical model together with basics of marketing mix elements. In this model the most important elements of marketing is pulled together which emphasises in recession. In the end, there is conclusion of the actions which companies might execute during the recession. These actions are described also in figure of Theoretical Model which can give overall impression about the recession and marketing activities.

Fourth chapter explains the methodology of this thesis. Most suitable methods for unravelling the research problem are introduced in this chapter. The chosen method is explained and the data collection and analysis of the data. In the end of the chapter there is brief description about the validity and reliability. Fourth chapter also describes that how reliability and validity are increased in this study.

Fifth chapter reveals the results of empirical study and in the beginning of the chapter there is short introduction about the case companies and the industry where those

companies are operating. Results are introduced in different themes which are based on themes of interviews. Finally the sixth chapter summarises the whole study. Objectives and research problem are analysed again in the last chapter. In the last chapter the analysis of the entire empirical study is explained and after that there is final conclusion given about the empirical part. Finally, sixth chapter ends to practical implications and future research possibilities. Whole structure of the study is described in the figure 1 to give clear impression about entire study.

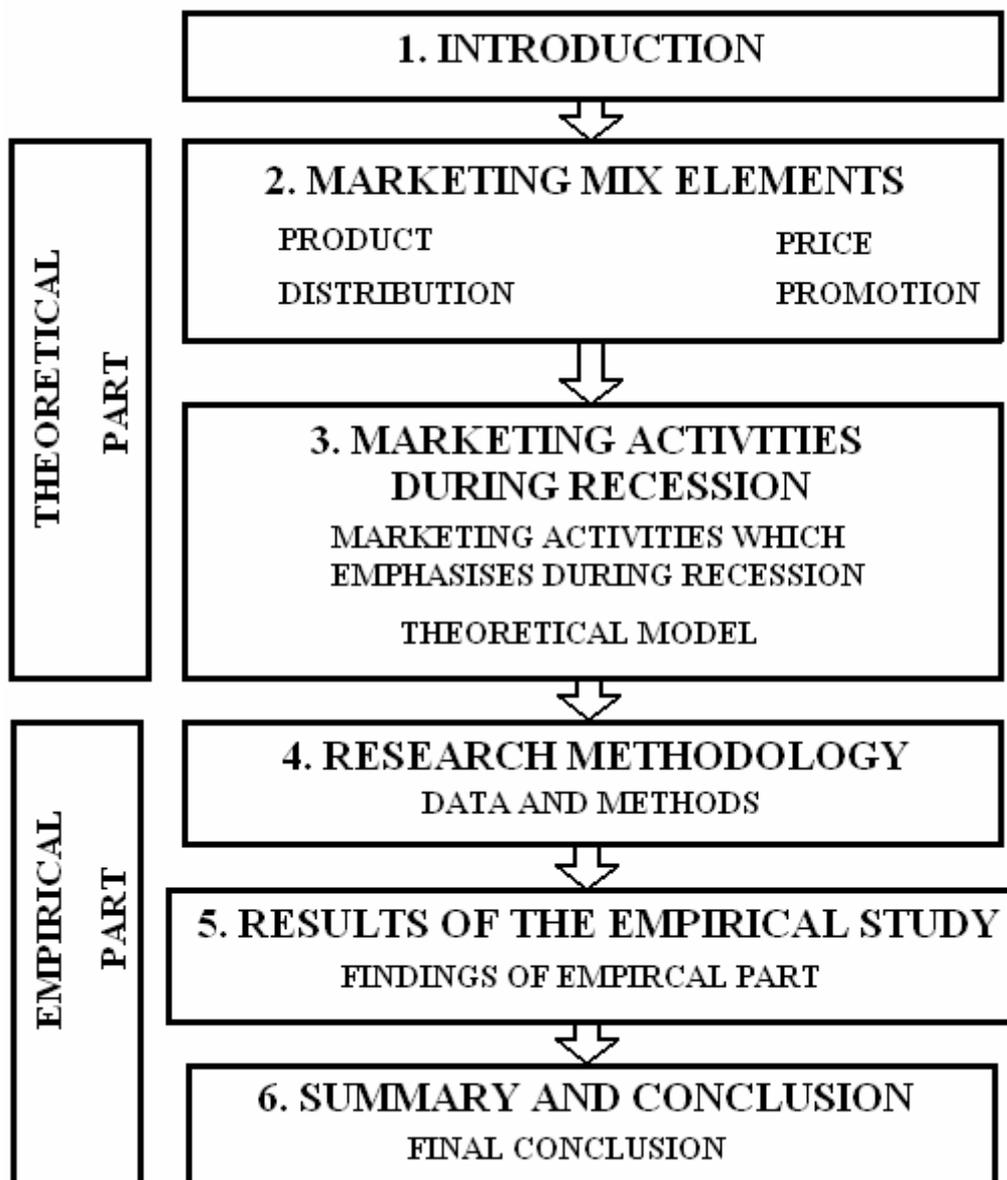


Figure 1. Structure of the study.

2. MARKETING MIX ELEMENTS

In this chapter the main parts of marketing mix are explained and especially those which could be changed in recession. The aim is not to explain every mix element thoroughly, rather giving short and compact definition about them.

2.1. Product

Kotler (2009:407) defines product as anything which can be offered to customers that satisfies customers need or want. Usually product is thought as physical product, but actually product which is marketed can include physical goods, services, experiences, events, persons, places, information etc. Product can be divided to five different levels. These levels can be seen from the figure below.

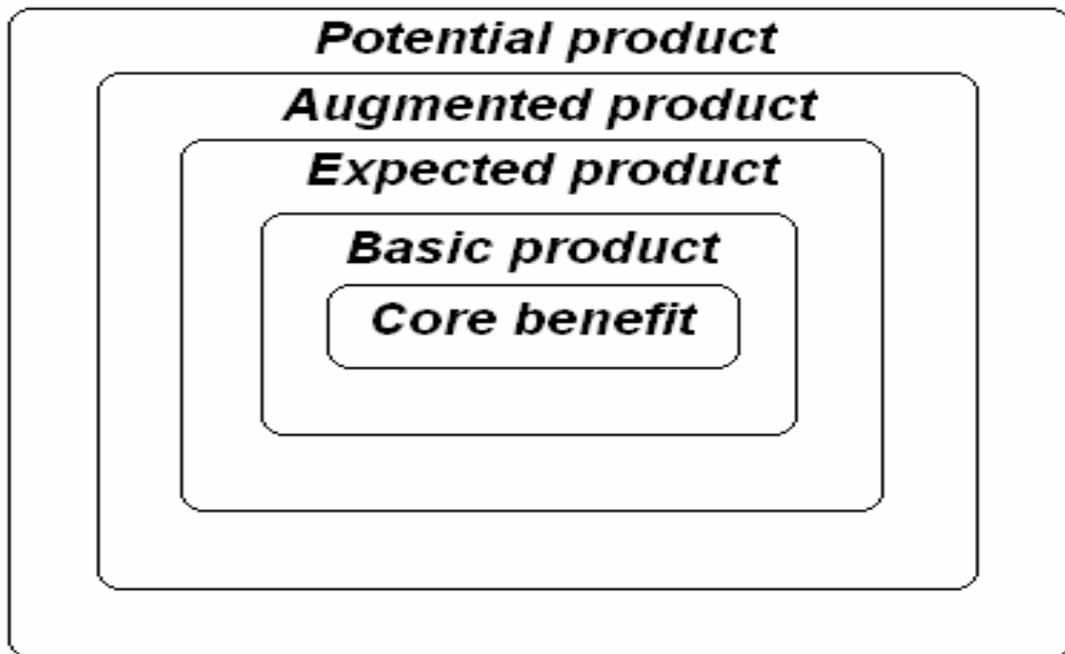


Figure 2. Five Product Levels.(modified from Kotler 2003)

According to Kotler (2009) all these levels of product adds value for customer but the most important level is the core benefit. The core benefit can be thought as service or product which customer really wants to buy. The car buyer is buying a car and the purchaser of massage is buying massage. Marketer has to remember what core benefit customer is really buying. In the second level the core benefit has to be turned a

physical service or product. When buying a massage from spa customer can get additional odours, restful music etc. but the core product is the massage. At the third level expected product and the image about that is created to customer. For example in the spa customer can expect clean towels, clean rooms and calming atmosphere. When spas usually can fulfil these expectations, customer can choose the spa which is not the most expensive one.

Kotler (2009:408) continues that next level is augmented product and this is the level where the expectations of customer can be exceeded. These days in industrialized countries most of the products can easily fulfil the expected level. When the basic expectations are fulfilled then it means that companies can differ and compete on augmented level. In other words the competition is not between products, but between additional things like services, advertising etc. Fifth level is potential product which means all the possible forms of product which can be added to basic product. In the future when technology goes on companies can add services or change their product in a way that customers can't even imagine.

2.1.1. Product strategy

Due to Kotler and Armstrong (2006: 46) companies are creating strategic plans to reach different goals. Strategic plan also defines company's missions and objectives. Companies have to include many factors in strategic plans and one factor is product strategy. Marketing strategy will guide the company how to design marketing mix strategy and along that comes product strategy. Companies try to find the best marketing strategy and usually it involves marketing analysis, planning, implementation and control. Executing these actions will make it easier to find every actor and force which has influence to company's marketing strategy. Once the marketing strategy has been created, then begins the defining of more detailed strategies like product strategy.

Kotler (2005: 173) says that most of the companies define themselves through the products which they are selling. Companies which are building automobiles say that they are car manufacturers etc. Product centrality and concentration only to own products involve some threats. Product centrality can lead to forgetting the real need of customers. Some companies have lost many opportunities when they have focused only to own core product. According to Kotler (2005) there are four different ways how companies decide what to sell; sell already existing product, produce something that somebody wants, predict the product that somebody wants in the future and produce

something that nobody is asking for, but it creates lots of pleasure for purchaser. The last option includes the highest risk, but also the possibility for big profits.

Kotler (2005) continues that it is important to sell more than just a product. Harley Davidson is selling something which is much more than a product. They are selling experiences, which can give the feeling of communality, and that is much more than a motorcycle. Too many companies have poorly constructed their product portfolio which is one part of product strategy. Some companies have achieved their position with wide selection of different priced products like Marriot in hotel business. Kotler (2005) advises that companies should involve themselves so many markets as possible which they desire to control. Marriot have earned its position with good product portfolio which includes different priced hotels. Kotler (2005: 175) still reminds that even though company would have better product than its competitor, it does not mean the leading of markets. Apple's computer software is generally considered better than Microsoft's similar product, but Microsoft is the market leader. Sometimes the product with better marketing strategy beats the better quality product. This example proves the meaning of marketing strategy and product strategy.

Creating profitable product strategy (Kotler & Armstrong 2006; Albaum & Duerr 2008; Jobber 2004) involves many factors like individual product decisions, product line decisions and product mix decisions. All these factors have to be planned thoroughly to achieve the most suitable product strategy. When creating product strategy, there are several issues which companies have to consider like product standardization vs. product adaptation, exporting of products and social responsibility of products. These days global business environment creates lots of challenges for companies to create profitable and sustainable product strategy. Companies have to be ready to adapt their product strategy in fast changing business environment.

2.1.2. Product mix decisions

Kotler and Armstrong (2006: 248) defines that organization which has several different products in different product categories hold also a product mix. Product mix consists from all the possible product lines and individual products which company is selling. Product mix can be divided to four different dimensions; width, length, depth and consistency. Width of product mix means that how many different product lines company has. Length refers to length of every different product lines, that is, how many different items company has in product line. Depth means that how many different

versions of single product offers. Finally, consistency of product mix is defined that how close different product lines are from end users point of view. Consistency can be also measured that how close are product lines from production requirements, distribution or advertising. Company has to consider these dimensions thoroughly and then make the decisions that which would be the optimal product mix for them.

According to Kotler (2009:418) in product mix decision is also vital to consider product line modernization, featuring and pruning. Modernization is current issue when competitors are modernizing their product lines or when the production line is cost-efficient anymore, that is, new technology enables more effective way to produce products. Featuring of products is effective way to boost selling in time of slow demand. Product line managers can sometimes feature low-priced products to attract customers or feature high quality item to add the valuation of product line. Pruning of products and product lines should be considered when sales and cost analysis shows that some of the products do not fulfil all the requirements of company. Pruning can be also used when company is suffering from the short of production capacity. These above mentioned solutions can help companies to achieve better competitiveness and cost-efficiency.

Albaum & Duerr (2008: 428-434) states that for the final product mix decisions usually affect two different determinants; internal and external. In short, internal determinants are factors which emerge from the company. Usually these are related to company's objectives, resources and potential profitability. Company's objectives steer the decision of product mix, whether it is growth, gaining market share, avoiding risks or increasing the production capacity. Resources usually only enables or restrict the possible product mix decisions. The decisions are also affected by potential profits of certain products. The product mix decisions have to be made together with other marketing mix decisions to ensure the competitiveness of these products. External determinants are factors such as customer influences, country of origin and competition. All of these factors company has to also include when making the final product mix decision.

2.1.3. Product adaptation

In the recession companies have to consider product adaptation thoroughly in many forms, because customers and consumers are more price and quality oriented. The competition might also be fiercer and that increases the pressure towards companies to

adapt for the situation. Adaptation concerns entire company but one target for adaptation in recession is product.

According to Czinkota, Ronkainen and Moffet (2005) the goods and services are the core of the company's international business. The company's success in international operations is much dependent about the goods and services and how well these fulfil the needs of customers. It is also vital that those are well differentiated from the competitors. Czinkota et al. (2005: 479) argues that variables for product adaptation can be divided to three different categories: the markets targeted; the product and its characteristics; and company characteristics.

Czinkota et al. (2005) says that it is clear that market environment and target country have dominant role in product adaptation and modifications. Government regulations usually have the biggest effect for modifications. Some of the regulations are made only to protect local industry and this might make the product adaptation troublesome. Foreign individual companies can manage with these regulations by lobbying directly or lobbying via industry associations to have this issue on table. Another big effect on product adaptation is local behaviour, attitude and traditions. These issues concern especially the marketers of consumer products.

However, the knowledge of local culture and manners will help the company in product adaptation decisions. They (Czinkota et al. 2005) also argue that sometimes only change in product's position is enough and there is no need for actual changes. Example from this is Coca-Cola how they changed their position of Diet-Coke in Japan. By looking the size of Japanese people by western standards there is no urgent need for diet products. Coca-Cola changed the promotional theme from weight loss to figure maintenance. Nontariff barriers like product standards and testing procedures are also typical issues which companies have to consider in product adaptation. Also monitoring the competitors' product features and consideration of the stage of economic development in target market are critical product adaptation decisions (Czinkota et al. 2005: 479-481).

Product characteristics can make the product itself easy to standardize and some inherent product characteristics make it easier to adapt. In physical product characteristics are things as packaging, labelling, brand names, brand aesthetics and repairing services in technical issues (Czinkota et al. 2005: 481-483).

Czinkota et al. (2005: 479-484) says that company considerations like company policy have big effect on product adaptation. When company is considering product adaptation the biggest question is that is it worth it. To find out that adaptation is useful or not company has to consider the controlling of costs and market potential. Market potential can be discovered through exhaustive market analysis and market research. This analysis also increases the total costs of product adaptation. Some companies use financial indicators to measure if product adaptation is possible or not and some companies want that there is consistency between their products which determines the possible adaptation. By product adaptation marketer can enhance the company's competitiveness and that it is vital in uncertain economic circumstances like recession. Many companies consider every situation independently, but they should also be ready to bend from company policies, which mostly determine possible product adaptation.

2.1.4. New product development

There are many different ways how companies can add new products to their product mix (Kotler & Armstrong 2006, Albaum & Duerr 2008). One way is to export domestic products and this is easy strategy to implement and it also represents low-cost strategy in new product developing. Another relatively easy strategy is to acquire another company and with the company some new products. This strategy is certainly not so economical than exporting domestic products, but it can offer some huge advantages. The acquired company might operate in the market area where firm has planned to entry. By acquiring local company and its products foreign company don't have to make product testing which saves time and financial assets. Company can also start to develop totally new product from scratch with its own research-and-development department. This option is the most time consuming which also requires lots of financial investments and it includes the highest risk to fail.

According to Kotler and Armstrong (2006: 275) new product development always includes risks and there are several examples from big companies which lost huge amount of money in failure of new product development. Kotler and Armstrong (2006) continue that according to some estimates 90 percent of new product launches fail within 2 years after the launch. Authors find several reasons for failure of new product development. There is always a chance to overestimate the market size, product is maybe not so well designed, product have been positioned wrong, the price have been too high or it has been advertised poorly. One crucial part of new product development is marketing research and if company does not pay attention for that, it might cause the

failure of whole project. Sometimes competitors can also answer for the competition harder than expected and that tend to cause problems in new product developing process. These reasons for failure prove that new product development can be rough route to be passed successful. Company has to understand its customers, competitors and markets to be successful in new product development. These factors highlight in economic uncertainty like recession where companies have to consider every investment thoroughly (Kotler&Armstrong 2006: 275-276).

Kotler and Armstrong (2006) and Albaum and Duerr (2008) argue that companies have to set up proper system for new product planning and development which enables successful new product development and launch. The different phases of this process are shown in the figure 3.

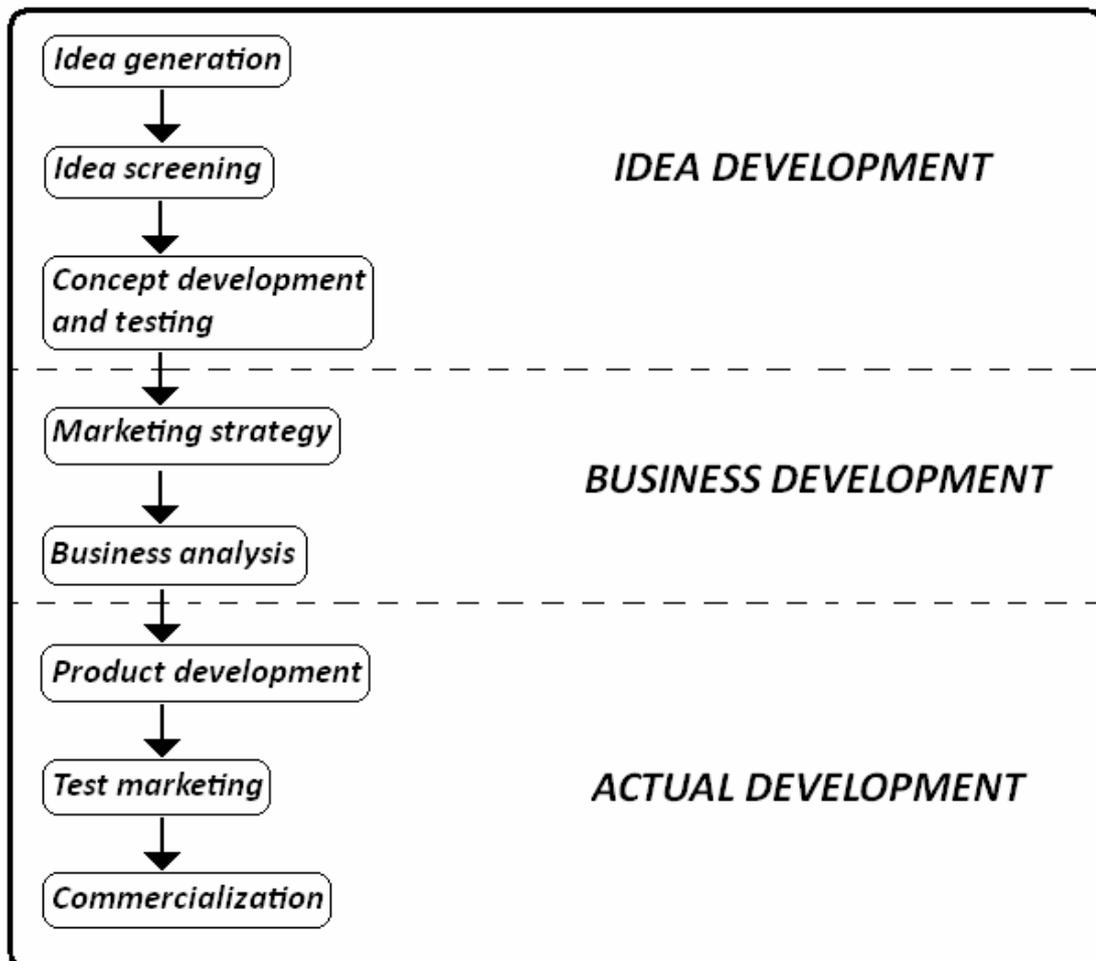


Figure 3. New product development.(modified from Kotler & Armstrong 2006; Albaum & Duerr 2008)

Whole new product development process (Kotler & Armstrong 2006; Albaum & Duerr 2008) can be roughly divided to three different sections. First three phases concentrate on idea developing. Second section is purely business point of view for development process. Final three phases are actual development when the physical development process begins.

Next, every phase is explained more detailed. First phase (Kotler & Armstrong 2006; Albaum & Duerr 2008) on product development is idea generation and this means that company has to systematically generate many as possible new product ideas. It is expected that only few ideas will be successful so it is important that company can create lots of potential ideas for new product from internal and external sources. Second phase is idea screening and the purpose of this phase is to reduce the number of potential ideas. The whole process is pricey and companies do not want to develop any additional ideas. It means that companies want to develop only truly potential product ideas which have the biggest chance to turn profitable (Kotler & Armstrong 2006; Albaum & Duerr 2008).

Third phase (Kotler & Armstrong 2006; Albaum & Duerr 2008) is concept development and testing of it. In this stage of product development companies need to make difference between product idea, product concept and product image. Product idea is the actual product which company is producing for markets. Product concept and image are more detailed version of the product and these are vital from the customers' point of view. Testing is also in vital position of developing process and it should be done in final target customers, whether those are consumers or companies (Kotler & Armstrong 2006; Albaum & Duerr 2008).

Next phases (Kotler & Armstrong 2006: 283) in product development are marketing strategy development and business analysis. Developing marketing strategy includes acquiring detailed information from target market, product positioning, profit goals, marketing budget, planned long-run sales and decision of marketing mix strategy. Business analysis is more of analysing financial numbers like sales, costs and profits. Company estimates possible sales, costs and profits and then compare those numbers to company's objectives, if these figures fulfil objectives, product can move on next phase which is the actual development stage.

Final stages (Kotler & Armstrong 2006; Albaum & Duerr 2008) in new product development are product development, test marketing and commercialization. In earlier

stages product has been tested from business point of view and actual product developing starts in this stage in R&D department. Usually in the beginning product or idea is only a picture, description or mock-up and this requires huge effort from R&D department to turn it actual product. This stage also requires time and financial investments. Test marketing is in vital role before final launching. In test marketing company tests different marketing programs, positioning, advertising, pricing etc. This stage usually takes time depending about product characteristics and the costs might be high, but Kotler and Armstrong (2006: 285-286) reminds that usually these costs are low to compared costs of launching without testing. Still, long lasting and proper market testing do not guarantee the success of new product. After market testing is the final commercialization. In commercialization company have to make decisions that where and when introduce the new product. Competitors might effect on timing and scale of introduction and company has to consider these matters thoroughly to confirm smoothest introduction for new product.

Finally authors (Kotler & Armstrong 2006; Albaum & Duerr 2008) state that usually this sequential product development process is time and resource consuming. These days in hectic, global and highly competitive markets companies should consider more effective team based product development. In order to be more effective, different departments like marketing, finance, R&D and legal departments should work closely in cross functional teams. With this companies can save time, be more effective and add competitiveness.

2.2. Price

Kotler and Armstrong (2006: 307) defines price shortly; that is the amount of money which is charged from the product or service which is sold to end-user. Broader definition is that price means all the values that end-user exchange for the benefits of having the product, whether it is a service or product. From the early days of exchange economy, price has been the most effecting factor for buying decision. Recently, other affecting factors have outstripped the price in buying decision.

Albaum and Duerr (2008), Czinkota et al. (2005) and Kotler and Armstrong (2006) emphasises the meaning of price among other marketing mix elements. They mention that pricing is only element which is generating revenues and other elements are costs. Other marketing mix elements do not have so powerful and immediate effect on company's sales and profitability. Albaum and Duerr (2008) even wonder that how little

attention and research interests the pricing has raise compared to its significance. Changes in other marketing mix elements will not cause so dramatic or quick responses in customer or competitors than in pricing. Authors mention that there are several determinants which have effect on pricing decisions. These determinants can be divided to external and internal. More detailed determinants include following; costs, market conditions and customer behaviour, competition, legal and political issues and general company policies like financial matters, production, advertising etc.

According to Kotler and Armstrong (2006) pricing has changed with fast changing business environment and the decisions are not so simple for companies anymore. Recently there have been some events like economic downturn which have made the pricing even more difficult for companies. Many companies are feeling that they should only cut the prices, which is damaging their profitability and business. Cutting the prices is not necessarily the best solution in downturn. Besides that it can lead to lost of sales, it can also harm the customer relationships in a way that lower price might be a signal of worse quality. One solution for this issue is to prove the value of product for customers and then they are ready to pay for value instead of paying some price. Still, fair pricing is quite big challenge for companies when they need to find the right price which customers are ready to pay and it gives enough profits for the company.

2.2.1. Pricing decisions

As mentioned earlier (Kotler & Armstrong 2006) pricing is difficult issue for executive managers and for entire companies. It causes problems, because too often the decision of reducing prices is done too quickly or too hasty. Often this issue stem from companies cost-oriented pricing. Companies should consider more customer-valued pricing and also take the other marketing mix elements into account when doing the pricing decisions.

The effecting factors of company's pricing decisions (Kotler & Armstrong 2006; Albaum & Duerr 2008) can be divided for two categories; internal and external. Internal factors are things such as marketing objectives, marketing mix strategy, costs and organizational considerations. External factors include nature of the market and demand, competition, other environmental factors such as economy, resellers and government. Factors are portrayed in the figure below.

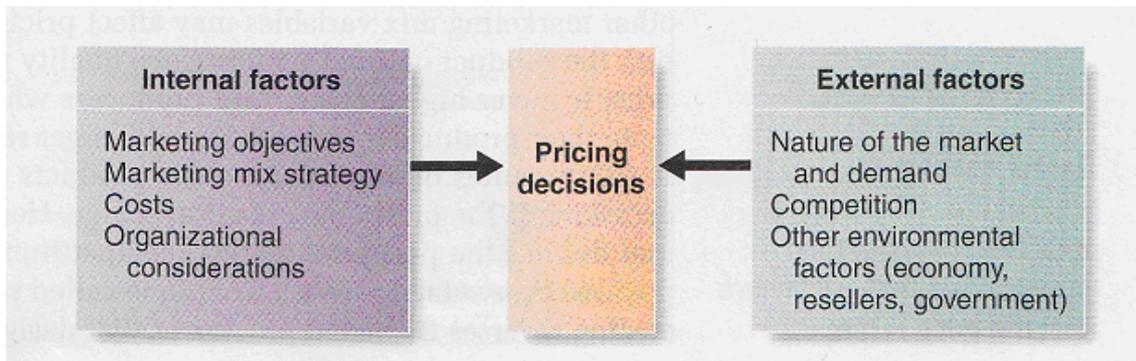


Figure 4. Pricing decisions (Kotler & Armstrong 2006: 309)

It is obvious that marketing objectives (Kotler & Armstrong 2006) will steer the pricing decisions. Clear objectives will determine whether the price is high, low or something between of those. Objectives can also be more general than setting a clear target market for a luxury product. Current profit maximization can be one main pricing goal for companies and in that way companies try to maximize profits by setting the price high as possible compared to demand and costs. Market share leadership is another goal for companies and to obtain the market share leadership companies set the price as low as possible. Some companies want to offer superior quality and then they try to achieve product quality leadership. That is, to set the price higher than competitors and also as signal for consumers that quality is more expensive than standard products. (Kotler & Armstrong 2006:309-310).

Kotler and Armstrong (2006) emphasise that other marketing mix elements are always in vital role when the price is set for certain product. All the pricing decisions should be done consistently with other marketing mix elements. In every case is vital to remember that consumers rarely make the buying decision only based on price, rather than looking for best value compared to benefits received. It is also quite clear that cost is one determinant when setting the price. Costs are especially vital determinants for companies which represent low-price companies. According to Kotler and Armstrong (2006:309-314) these companies focus to produce products or services with low costs that they can compete with low price. Organizational considerations have also an effect on pricing decisions. There have to be decision inside the company that who makes the final pricing decisions and who will set the exact prices. These decisions vary between companies and usually the size of the company and industry has the biggest effect on these decisions (Kotler & Armstrong 2006).

Kotler and Armstrong (2006:315-319) state, that external factors which have biggest effect on pricing decisions are the market itself and demand, competition and economic conditions. When costs set the bottom line for prices, market and demand will set the roof for prices. Marketer need to understand the relationship between price and demand for its product to be able to set the most suitable price. The pricing vary in different markets, but in the end consumers' perception about the price is crucial. Consumers make the final buying decision which is based on material and non-material factors which makes the pricing a challenging task. There also exist markets where marketers' efforts like advertising have only little or no effect at all, hence these markets the final pricing decision is not made inside the company.

Kotler and Armstrong (2006) continues that competitive situation and competitors' reactions naturally effect on pricing decisions, thus companies have to be ready to react for competitors' changes in pricing. Other external factors effecting for pricing are economic conditions, resellers, governments and social concerns. All of these effects on pricing and especially economic conditions like recession, when companies have to thoroughly consider pricing decisions again.

2.2.2. Pricing approaches

As mentioned before there are two different factors (Albaum & Duerr 2008; Kotler & Armstrong 2006) which will set the bottom line and ceiling for prices. Costs will determine the bottom line for price which produces enough profits that business is profitable. Consumers and customers perceptions from value received will define the ceiling for prices. There is no demand above this price level. To set the price between these two factors, companies use different pricing approaches. The most common used approaches are Cost-based pricing, Value-based pricing and Competition based pricing.

According to Albaum and Duerr (2008), Kotler and Armstrong (2006) cost-based pricing is the simplest way to set a price for a product or services. Authors still remind that only basic cost-based pricing itself is too simple to implement. This kind of pricing does not observe the changes which happen in business environment or in competitors pricing. Cost-plus pricing and break-even pricing represents the most common cost-based pricing approaches. In cost-plus pricing company simply will add standard mark-up to the cost. Kotler and Armstrong (2006: 320-321) argue that the problem in this method is that in most of the cases companies have fixed costs and if the number of

units to be sold is lower than expected, standard mark-up is not enough to make profit. Still, this pricing method is popular, because in some industries all the companies use this same pricing which makes the competition minor.

Kotler and Armstrong (2006) argue that break-even pricing is another commonly used cost-based pricing method which is used for example by General Motors. In this method the break-even point, where certain amount of sold units will cover all the expenses, is calculated in a break-even chart. This method is also quite simple, but it considers better the relationship between fixed and variable costs. With this method is also simple to count that how many units have to be sold if company is achieving certain target profit. Even though, break-even chart can easily show that which costs should be cut to lower the break even volume, it is also too simple to be used as only pricing method.

For some time, companies have moved towards more value-based pricing (Kotler & Armstrong 2006: 323) than using only costs as a base for pricing decisions. Value-based pricing means that price is on the table during the whole development process and all other marketing mix elements are also considered when deciding the price. It does not calculate the price afterwards when all the costs have been summarised, like in cost-based pricing. The basic difference between these two pricing approaches is that in value-based approach the starting point is customer and its needs and in the end is the product itself. Cost-based approach is reversed when the product itself and its costs are the starting point and it ends to customers. Value-based pricing emphasises in industries where the additional non-material values can be added to product or service itself. (Kotler & Armstrong 2006).

Typical value-based pricing approaches (Kotler & Armstrong 2006) are value pricing and value-added marketing. In short, value pricing means offering some certain quality or service level in certain price. In practice this means that well known companies establish less expensive brands from their top brands, when consumers get good quality in reasonable price. Value-added marketing is more popular these days, when companies can not only compete with price. Companies can differentiate their products and services with additional services which can easily add value when the price remains same. Value added marketing emphasises especially in industries where the pricing is already intense and there is no room for higher prices.

According to Kotler and Armstrong (2006) third approach for pricing is competition-based pricing. Competition-based pricing is following the competitors' prices and price

changes. In this approach company's own demand and costs are secondary issues and the main attention is in competitor. Company might set own price lower, certain amount higher or exactly the same price as competitor, but relevant is that all the changes is made according to competitor. Competition-based pricing is typical to oligopolistic markets where only few sellers exist and companies easily follow each others prices to avoid price wars.

2.2.3. Pricing strategies

As discussed earlier in pricing decisions, pricing is never too easy decision to make and Russian proverb describes the difficulty of pricing decision: "There are two fools in every market – one who asks too much and one who asks too little" (Kotler & Armstrong 2006: 322; Jobber 2004: 375). Companies use different pricing strategies to achieve most suitable price for its product or services which considers costs, demand and competitive environment. According to Kotler and Armstrong (2006) dynamic pricing strategies can be divided for three main strategy groups; new-product pricing, product-mix pricing and price adjustment. These are shown in the table 1.

New-Product Pricing Strategies	Product Mix Pricing Strategies	Price-Adjustment Strategies
Market-Skimming	Product Line	Discount and Allowance
Market-Penetration	Optional-Product	Segmented
	Captive-Product	Psychological
	By-Product	Promotional
	Product Bundle	Geographical
		International

Table 1. Pricing strategies. (Adopted from Kotler & Armstrong 2006)

New product strategies (Kotler & Armstrong 2006) usually consists from two different strategies; market-skimming and market-penetration strategies. In short, skimming

means that company sets a high price for new product and it skims the maximum profits from different customer segments. Skimming strategy requires that customers in every segment are willing to pay higher price from the higher quality. To be feasible strategy, skimming also requires that competitors can not easily enter to same markets and undercut the company's price. Jobber adds (2004) that there have to be excess in demand and among customers there have to be high pressure to buy, for example in case of an emergency, that higher price is justified. Jobber (2004) reminds that seldom all the required conditions to implement skimming strategy will apply and it simply means that companies have to use their own judgement when the skimming strategy is feasible.

Penetration-strategy is opposite for skimming (Kotler & Armstrong 2006; Jobber 2004), when companies are setting the price low as possible to attract new buyers and to achieve large market share. By low price companies try to attract new buyers as quickly as possible and also trying to achieve a position in the markets. Discount retailer like Wal-Mart is typical company which is using penetration-strategy. This strategy has also its own requirements from the markets that it is feasible to use. In penetration strategy the sales volumes are high which allows companies to cut the prices even more in the future. The main conditions which should exist, that low price strategy is feasible (Kotler & Armstrong 2006; Jobber 2004); market have to be price sensitive, production and distribution costs have to decrease when the amount of sales increases and the price has to be so low that it does not attract competitors to enter the markets. According to Jobber (2004) likewise in skimming strategy, all required conditions rarely appear at same time, when companies have to make the last decision to use low price strategy or not.

Kotler and Armstrong (2006: 333) argues that when product is a part of product mix, then company has to be ready to change pricing according the changes in other product mix products. Usually companies are seeking for maximization of profits from total product mix and that is difficult when all the products have individual costs, demand and competition. Kotler and Armstrong (2006: 333-336) introduce five different product-mix pricing strategies which are described shortly below:

- Product line: Companies are developing product lines rather than single products and they have to decide what kind of price differences they use between product lines. With product line pricing companies can offer different products in different price levels.

- Optional product: Companies offer some additional or optional accessory with their main product. Companies have to decide whether to include additional accessory prices to total price or to price every single accessory separately. Some car manufacturers use optional product pricing when they price additional products, which are actually quite important for customers like air-condition.
- Captive product: Companies are selling products which need to be completed with additional products for example razor blades and printer cartridges. The main product itself is offered in fairly price, but the real profits come from the supplying products.
- By-product: With their main product, some companies produce some by-products. Companies can add the cost from by-product to total price or it can seek markets for its by-product where it can be sold in any price rather than paying some extra to get rid of it. Typical companies using this pricing are producing processed meats or chemicals.
- Product bundle: In product bundle pricing companies put together some products or services and they offer the bundle in cheaper price than single products. Important is that bundle is cheap enough to attract customers to buy it instead of single product. Typical companies which use product bundle pricing are fast-food restaurants and sport teams which offer season tickets cheaper than single tickets.

Changes in business environment, competitive situation, economic conditions and customers' requirements (Kotler & Armstrong 2006; Jobber 2004; Albaum & Duerr 2008) are some reasons when companies are forced to adjust their basic prices. When companies are reacting for changes, they can implement price adjustment strategies. Kotler and Armstrong (2006: 336-345) list six different price adjustment strategies which are explained briefly:

- Discount and allowance: This strategy appears in many forms, but the main idea is to speed up the sales and especially in low season. Discount can be offered from promptly paid invoices or buying large volumes at once. Different allowances are offered when retailer returns old item back or when retailer takes part to advertising and sales promotion.
- Segmented: Companies offer different prices from same product for different segments. The markets have to be segment able and segmented prices have to be clear for customers that strategy is worth of using. Typical company for using

this strategy is operating in aviation business, where prices can change dramatically in same flight.

- Psychological: Sellers are using the psychology of prices by many different acts. Use of sale signs, prices ending in number nine, display of products is typical for psychological pricing. In this strategy sellers count more on human mind, than economics. Supermarkets and department stores often use this strategy.
- Promotional: Promotion is used together with pricing to attract customers and most of the times companies temporarily lower some prices under of list price. Aim is to allure customers inside of store with some specific low price and hoping that they will buy normal priced products at same time. This strategy can be effective if it is used some times, but it can be also harmful if it used too often.
- Geographical: Seller has to make the decision that if it is pricing its products according to customers' location or not. Additional costs come from the shipping costs and seller has several options to price the shipping. It can use same pricing for every customer despite the location or it can price shipping costs by the geographical location. Important is to listen customers and observe competitors pricing.
- International: Companies which are selling their products to international markets face pricing issues which are based on many different factors like economic conditions, competitive situation, laws and regulations, consumer perceptions, local market conditions and local price level. Costs are still the main determinant whether the markets are local or international. In most of the cases companies are forced to sell the products with higher prices due to product modifications, import tariffs and taxes, insurance and physical distribution.

Companies are creating the base for their pricing (Kotler & Armstrong 2006; Jobber 2004; Albaum & Duerr 2008) by pricing approaches and using different pricing strategies, but most of the time pricing is also observing of customers, markets and competitors. Today sudden changes in these factors are more than expected and then companies have to change their prices. Sometimes the changes require price increase and some of the cases require price cuts. According to Kotler and Armstrong (2006) company can already in advance develop some responds for competitors' price changes, because for these changes the response should be rapid. These possible responds are shown in the figure 5.

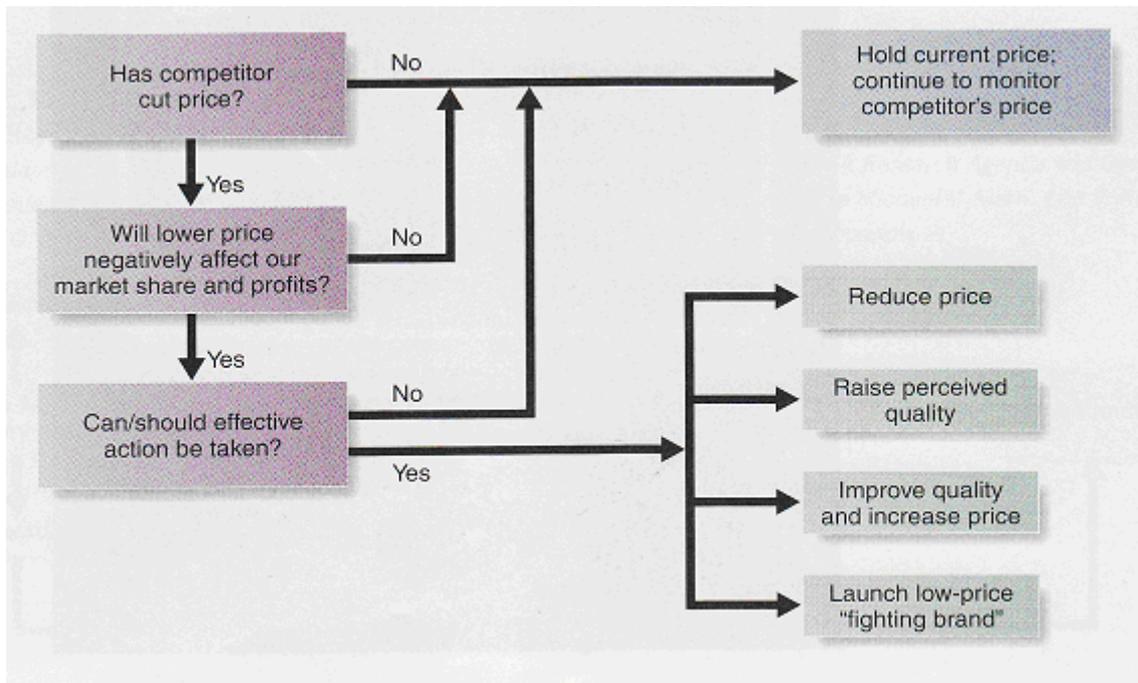


Figure 5. Assessing and responding to competitor's price changes (Kotler & Armstrong 2006: 347)

First stage is to count that how the price lowering of competitor will affect on company's market share and profits. If company thinks that it can harm the sales and profits, it should consider some of the responses. Responses can be reducing the own price, raising the perceived quality of its product, improving the quality and price at same time or launching the low-price brand which is fighting against competitors price cut. Kotler and Armstrong (2006: 347) reminds that when companies are observing competitors' changes in pricing, it has to also consider its own product. Decision from price changes can not be made only by competitors changes, rather than extending the analysis to own product's life cycle, importance in product mix and possible reactions of consumers.

Pricing is difficult and multidimensional task for marketers (Kotler & Armstrong 2006; Jobber 2004; Albaum & Duerr 2008) and there exist several factors which have to be included to final decision determinants. These factors can be divided roughly to two categories; external and internal. One important external factor is economic conditions like recession. Recession affects to other external factors like consumers and competitors and these will affect to company itself. Companies should consider their

pricing strategies (Kotler 2005) again during the recession and after it, because it creates challenges, but it can also offer opportunities to make difference against competitors.

2.3. Distribution

Many terms in business environment can be confusing and there are different definitions for them. According to Rosenbloom (2004) distribution and marketing channel are also those terms and those have different definitions which are dependent from the perspectives. Manufacturers and consumers have their own perspectives, but marketing channel is defined from the managerial viewpoint (Rosenbloom 2004: 8) as the external contactual organization that management operates to achieve its distribution objectives. Rosenbloom (2004) specifies that parties which represent buying, selling or transferring roles are considered to be members of the marketing channel.

Czinkota et al. (2005) gives definition for international distribution and that is the design and management of a one system which controls the forward and reverse flow of materials, services and information into, through, and of one corporation. Kotler and Armstrong (2006: 362) defines marketing channel as a set of interdependent organizations which have involved the process of making a product or service available for use or consumption by the consumer or business user. According to Kotler (2005: 42) marketing channels are dynamic, because companies have to be ready to add new channels and drop off the weakest channels all the time. Kotler adds (2005) that when using marketing channels in a right way those can create competitive advantage, but poor planning and using channels will cause competitive liability. Already the wide gamut of definitions of distribution reveals that it is a wide and complex concept.

Rosenbloom (2004: 4-8, 25) argues that emphasis on marketing channels have been minor lately. Other elements of marketing mix- product, price and promotion have been in the centre of academic discussion and research, but recently the emphasis on marketing channel strategy has grown. There are four main reasons why the meaning of marketing channels has risen:

- The explosion of IT and E-commerce
- The greater difficulty in gaining a sustainable competitive advantage
- The growing power of distributors, especially giant retailers
- The need to reduce distribution and marketing channel costs

Rosenbloom (2004) says that all these reasons together have made the meaning of marketing channels more important for companies and researchers. Marketing channels and distribution no longer represents minor role in larger scale of strategic marketing management. Companies have realised recently that the role of efficient marketing channels can not be emphasised too much, when striving the success in the competitive markets. To be successful, companies have to develop and operate the marketing channel in a way that it supports and enhances other strategic elements such as product, price and promotion.

Rosenbloom (2004) argues that marketing channel strategy is one of the main strategies of marketing management and precisely it goes under of the distribution section in the total marketing mix. Distribution and distribution strategy consists from two main components; channel strategy component and logistics management component. This is illustrated in the figure x. According to Rosenbloom (2004) these two components are close to each other, but the main difference is that channel strategy is much wider component than logistics management. Channel strategy basically consists from the entire process of setting up and operating the distribution. Logistics management is narrower concept and it simply means the providing product availability in the wanted place at right time. It is clear that companies have to first formulate the channel strategy before they can plan the logistics management.

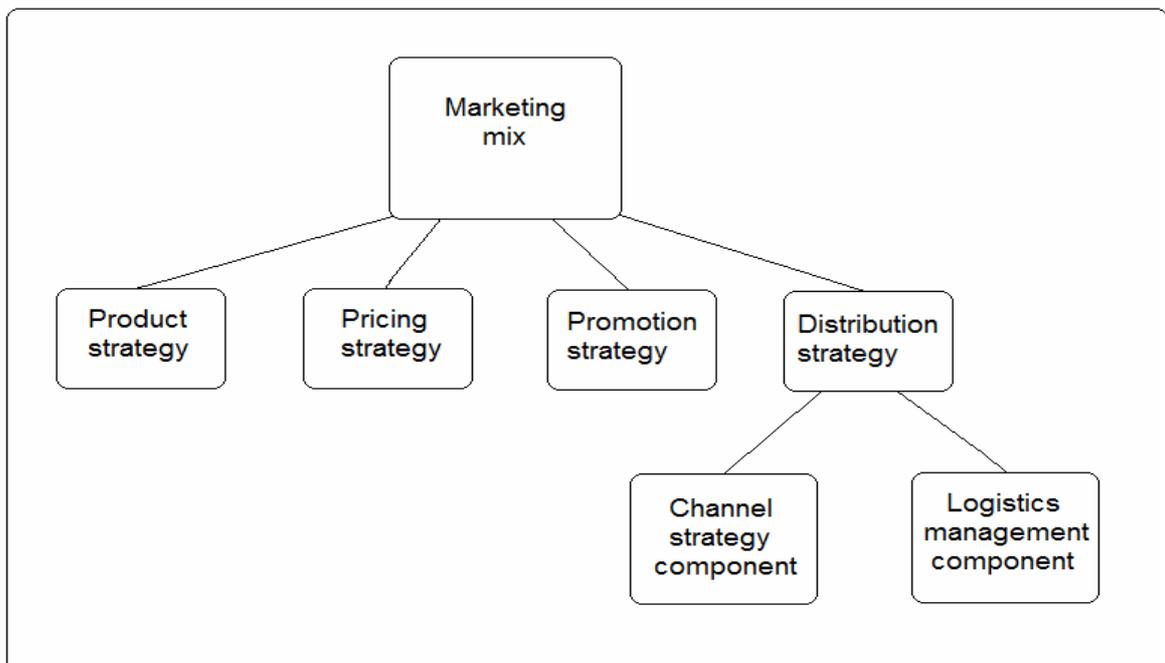


Figure 6. Distribution variable divided into channel and logistics components (Adopted from Rosenbloom 2004)

Rosenbloom (2004) state, that usually marketing channels have a series of different flows. These flows tie channel members together in the distribution of material and services. According to Rosenbloom (2004: 14) the most important flows are:

- Product flow
- Negotiation flow
- Ownership flow
- Information flow
- Promotion flow

Rosenbloom (2004: 14-15) says that product flow means all the physical movements of the product from the manufacturer through all the parties which take part to physical distribution of product, to its final users. Negotiation flow is usually considered as the interplay of buying and selling functions. Ownership flow shows when the title of the product moves from manufacturer to final end users. Information flow means the movements of any kind of information concerned the product. It is important that all the parties are involved including the end users and it also vital that information flow goes in both directions. Promotion flow refers to different communication methods like advertising, personal selling, sales promotion and publicity which try to improve the sales of product. Usually in this flow advertising agency is involved to flow by offering the advertising element. Channel managers task is to effectively manage and coordinate all these flows that the company can offer its products in required place at right time.

According to Rosenbloom (2004) one of the channel manager's main tasks in the company is to decide whether to use intermediaries such as wholesalers and retailers in the distribution organization or not. Economic considerations are in vital role when making the decision and two basic factors lies behind the decision; specialization and division of labor and contactual efficiency (Rosenbloom 2004: 16). The idea of specialization and division of labor is based on early finding of Adam Smith. Smith found that specialization of factory workers to one special operation will increase the output of the factory. This finding is in vital role also in the decision of distribution. Distribution can be done by self or it can be divided to those parties which are experts in their own field. Contactual efficiency means the level of negotiation between buyers and sellers. Input in negotiation relationship is the negotiation effort and output is the distribution objective. Companies have to decide that will they make the contacting to retailers by them selves or are they using wholesalers as an intermediary. Rosenbloom

(2004) argues that these two factors offer basic framework for the decision how to incorporate intermediaries to distribution organization. He still reminds that many other factors have to be included for the consideration.

Rosenbloom (2004) state that channel structure is one vital concept in distribution. Concept of channel structure refers usually to length of channel i.e. number of levels of intermediaries in the channel. Wider definition is a group of channel members which have different tasks in the distribution. According to Rosenbloom (2004) many companies use a combination of different structures and these days it is difficult to achieve distribution objectives by using only one structure. This multi-channel structure is more common these days due to increased amount of E-commerce.

Rosenbloom (2004) reminds that there is also group of participants which do not take part for negotiation of buying, selling or transferring, but still are involved for entire process. These non-member participants and facilitating agencies belong to ancillary structure. In short, this group assists channel members in distribution tasks. Rosenbloom (2004) says that channel manager's one main task is to build the optimal channel and ancillary structure which support the distribution objectives. This task is challenging because manager has to deal with non-member participants of distribution channel. Other challenges companies and channel managers face when choosing the proper channel members, evaluating performance of members and choosing the role of members in decision making. According to Rosenbloom (2004: 24-26) setting up and successful operating of distribution is challenging task.

2.3.1. Distribution strategy

As mentioned before, (Rosenbloom 2004) distribution strategy is divided for two main components; channel strategy component and logistics management component. Definition for channel strategy can be modified from common marketing strategy definition which has been created by Philip Kotler. Channel strategy can be viewed as the wide principles by which the firm expects to achieve its distribution objectives in its target markets. Even though the channel strategy represents only narrow part of firm's total marketing strategy among other strategic variables, it might have huge significance (Rosenbloom 2004: 152).

According to Rosenbloom (2004) when companies start to build up and design their marketing channels and channel objectives, they have to consider many questions. The

role of distribution in total strategy and objectives, role of distribution in marketing mix, selection of channel members, managing of marketing channel and evaluation of marketing channel. Crucial decision is also the meaning of distribution strategy and objectives, in company's long-term strategy and objectives. All these questions above should be answered properly that company can build up and manage profitable and sustainable channel strategy.

Rosenbloom (2004: 160-179) argue that there are some conditions which determine the meaning of distribution in total marketing mix. If some of these following conditions exist, then the distribution should be emphasised; distribution is the most important variable from all the marketing mix elements for satisfying the demand of customers and target market, competitors have a high level of similarity in the other marketing mix elements, there is a high degree of competitive vulnerability because of competitor's neglect of distribution and distribution can add firm's competitiveness by creating synergy benefits from other marketing channels. These conditions should be examined thoroughly by the firm's highest management level that firm can define the importance of distribution in the total marketing mix.

Most important components according to Rosenblom (2004) in the marketing channel strategy are designing the marketing channels, selection of channel members, managing the marketing channel and evaluation of channel member performance. When firm's management level is designing the marketing channels, the channel strategy should have the biggest importance. In other words, strategy should guide the designing and planning process in a way that firm could gain competitive and differential advantage from it.

Rosenbloom (2004) continues that selection of channel members should reflect from the overall strategies and objectives of the firm. Those channel member candidates who are capable to implement and follow the strategies efficiently, are in strong position. Managing the marketing channel is always difficult task and there is no one way to do it. Management level should decide that how close relationship should be created with channel members, how to motivate the members and if marketing mix could be used to enhance the cooperation with members. Answering these issues might help to manage the entire marketing channel. Finally, the evaluation of channel members performance should be done efficiently and continuously to assure the efficient activity of marketing channel. Designing the distribution and channel strategy are described also in the figure 7.

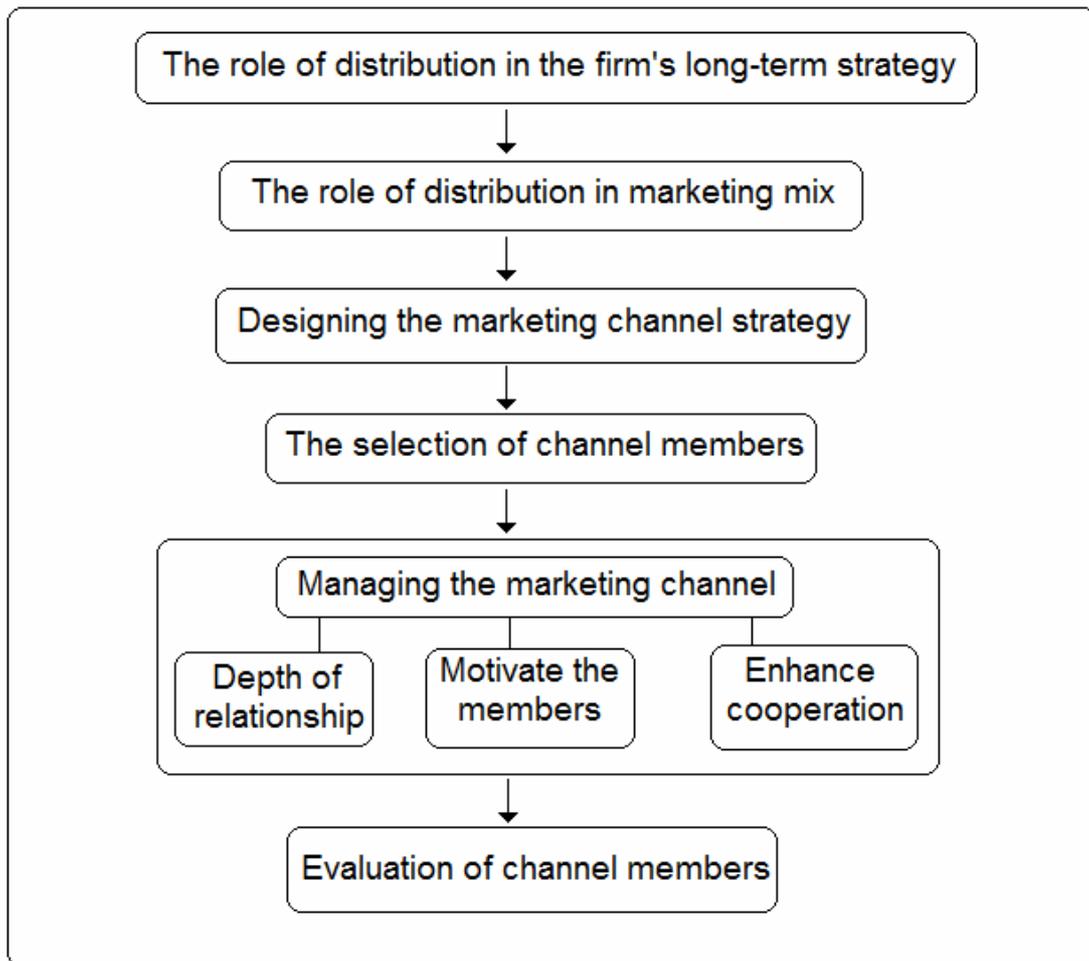


Figure 7. Design of channel strategy (Adopted from Rosenbloom 2004).

Rosenbloom (2004) argues that logistics management component presents the smaller part of entire distribution strategy. Short definition for logistics is which is planning, implementing and controlling the physical flows of materials and final goods from original point of manufacturing to final customer. In other words the role of logistics is to get the right amount of products to right place in required time limit. Rosenbloom (2004) continues that logistics is also known as physical distribution and lately the term supply chain management has come more common. The main principle of all of these terms is that building of strong cooperation among channel members through effective management is the key for success. Despite the smaller role of logistics component its meaning should not be underestimated.

According to Rosenbloom (2004: 388-389) most of the logistic systems involve components such as transportation, material handling, order processing, inventory

control, warehousing and packaging of goods. Every logistic system somehow differs from others, but these are the most common basic elements. For long time logistics was considered mainly as transportation, but Second World War changed the system and development of logistics. Effective logistics was finally in important role for winning side of the war and that was one reason for development of logistics systems in general.

Transportation (Rosenbloom 2004: 389) is one the most fundamental and obviously necessary component of any logistics system. Clearly, in all cases the products must be delivered or physically moved from the point of origin to its final location that transaction will be completed. The component of transportation is also usually the most expensive part of logistics. Rosenbloom (2004: 391) describes materials handling as all the actions and equipments which are required to move and place the materials in storage areas. Materials handling include many issues which should solved as the distance of products, storage, shipping, receiving and the mechanical equipment which should be used.

It is clear that with efficient decisions companies can save lots of time and money in material handling. The role of order processing is usually underestimated in entire logistics system, but Rosenbloom (2004: 391-392) reminds that often order processing is the key for successful logistics system. Properly planned and implemented order processing saves time in entire process and same time it can add value for customers if the order is processed faster than expected. Because of this, the importance of order processing should be highlighted in logistics planning.

Inventory control (Rosenbloom 2004: 392) means the firm's attempt to hold the level of inventories low as possible, but same time in the level which will meet the demands of customers. Inventories causes only costs for the companies, but same time those are necessary to meet the customer demand. This means that efficient inventories and right amount of inventories can help the companies to cut the expenses from logistics.

Warehousing in logistics system (Rosenbloom 2004: 393) have the role of holding the products until those are sold to final customers. Warehousing is considered as one of the most challenging components of entire logistics system. The reason for this lies behind many issues which are related to warehousing decisions such as the location of warehouse, the number of warehouse units, the size of units, the design of units and the ownership of these units. All these issues should be solved with the help of experts in detailed field. Careful and proper planning of warehousing can help companies to avoid

the biggest minefields of warehousing such as overcapacity. Last component of logistics system is packaging (Rosenbloom 2004: 394) which has also important role in cost saving of logistics system. Well designed packaging can help other functions like transportation, materials handling, order processing and inventory to make the entire process more efficient and same time cost efficient. In other words, from the viewpoint of logistics, packaging is much more than promotional attraction for consumers. Actually, packaging has vital role in logistics dimension and it can make the significant difference in logistics system compared to competitors.

2.3.2. Channel decisions

Rosenbloom (2004) have argued that marketing channels in general includes several issues which have to be solved. Kotler and Armstrong (2006) adds that the objectives of marketing channels are in crucial role when looking for solution for these issues. In the designing of marketing channels companies have to analyze the customer needs and actual channel objectives. Companies have to also identify the best alternatives for marketing channels and be able to evaluate those. These actions in designing add the effectiveness of entire process and possibility to create functional marketing channels.

Kotler and Armstrong (2006: 372) argue that customer's need is in vital role in every business. Customer's need is also important to notice in marketing channel designing. Optimal situation would offer fastest delivery and best assortment in cheapest price for customer, but companies have to balance customer's need against costs of marketing channel. Kotler and Armstrong (2006) continues that there are several factors which influence for setting the objectives of marketing channels like the products, marketing intermediaries, competitors, financial situation and the environment. Environment and economic conditions naturally may affect to objectives and designing. For example in recession producers may want to cut the costs from marketing channels to avoid growth in final price.

When companies have found the most appropriate channel objectives (Kotler & Armstrong 2006: 373-375) next they should identify best channel alternatives. In identifying companies should focus on types of intermediaries, the number of used intermediaries and responsibilities of every member in the marketing channel. In all of these elements the costs of intermediaries and the financial situation of company is in crucial role. Companies need to carefully and properly evaluate the financial costs of used intermediaries and compare it to objectives of the marketing channel. In final

evaluation between different alternatives economic criteria is also in crucial role. Control issue should also be included for final evaluation, because using of many intermediaries means that companies have to share the control for many members.

According to Rosenbloom (2004), Kotler and Armstrong (2006) and Czinkota et al. (2005) in today's global business environment and in global competition companies can not anymore bypass the prospects of international markets. Globalization and international markets have to be considered also in distribution and channel strategies. The growth of business environment in international markets creates lots of possibilities, but also challenges. Rosenbloom (2004) argues that when companies design international channel strategy, it follows mostly the same structure as in domestic markets, but companies have to also consider issues which are related to socio cultural, technical, legal and economic differences.

Rosenbloom (2004) earlier stated that explosion of IT and E-commerce has increased the interest towards distribution and marketing channels. In the beginning of development of electronic marketing the forecast was that all the conventional marketing channels as stores and shopping malls will be eliminated. Despite that forecast of superior position of electronic channels did not come true, online shopping and electronic commerce has taken its place as one option for marketing channel. Today rapidly growing distribution of internet connections world wide only enhances the companies to use electronic channels. Rosenbloom (2004: 458) still reminds that use of electronic marketing channels have also disadvantages as well as advantages. Biggest advantages among global scope and reach are related to rapid transaction processing, information efficiency, data-based management and lower costs of distribution.

Disadvantages (Rosenbloom 2004: 458) related to electronic marketing channels are quite obvious as advantages and those are related to lack of contact to actual physical product, fulfilment of logistics not at internet speed, confusion and cumbersomeness of internet and security issues. Channel managers have to deal with these advantages and disadvantages and figure out that how to gain biggest benefit from electronic channels alongside with conventional channels. The existence of electronic channels has increased the complexity of marketing channels, because today companies have to deal with multi channel environment.

2.4. Promotion

According to Kotler and Armstrong (2006), Czinkota et al. (2005), Albaum and Duerr (2008), Shimp (2003), Hackely (2005) and Chaston (1999) one of the marketers task is to plan and organize marketing activities and assemble fully integrated marketing programs so that these will create, communicate and deliver value for the consumers. Marketing activities comes in all forms of marketing-mix tools and promotion is one of these tools. Marketers need to do decisions between marketing-mix tools product, price, promotion and place and they need to do these to influence on their final consumers. Promotion includes features such as sales promotion, advertising, personal selling, public relations and direct marketing. Kotler and Armstrong (2006), Shimp (2003) and Hackley (2005) argues that companies can change its price, sales force size, and advertising expenditures in the short run, but developing of new products and modifying of distribution channels companies do only in the long run. This statement proves that cutting the advertising expenditures is considered short run reaction for example in the need of cost saving in recession.

Kotler and Armstrong (2006) states that these days marketing is much more than developing a good product, pricing it in profitable way and making the purchase possible for target customers. Companies need to go beyond that and communicate actively with current customers and possible customers. Continuous communication with customers is in vital role when companies are building their customer relationships and it is also vital in maintaining of relationships.

Kotler and Armstrong (2006) continues that companies' promotion mix, which is also called marketing communication mix, consists from different elements of promotion. Most common promotion elements are advertising, sales promotion, public relations, personal selling and direct marketing. Every company decides individually that how they use and blend these promotional elements that they can achieve their promotional objectives. Kotler and Armstrong (2006) still reminds that communication itself goes beyond of these promotion tools. All the other marketing mix elements product, price and place are communicating to customers in their own way. Management levels responsibility is to take care that all the elements are communicating consistently.

According to Kotler and Armstrong (2006), Czinkota et al. (2005), Albaum and Duerr (2008) Shimp (2003) and Hackley (2005) in today's global market's many things change rapidly and marketing communication is no exception. Two major factors are

changing the nature of marketing communication; fragmented markets which are moving away from traditional mass marketing and speed of development in communication technology. Today companies can not anymore rely only on mass marketing as a tool of communication, rather than focusing on smaller segments where every customer relationship is build with personal message. The development of communication technology is speeding up this change, when the social media and other forms of new communication methods are coming more common for companies. Kotler and Armstrong (2006: 430) and Chaston (1999) emphasises that because of these changes there is a clear need for integrated marketing communication which is illustrated in the figure 8.

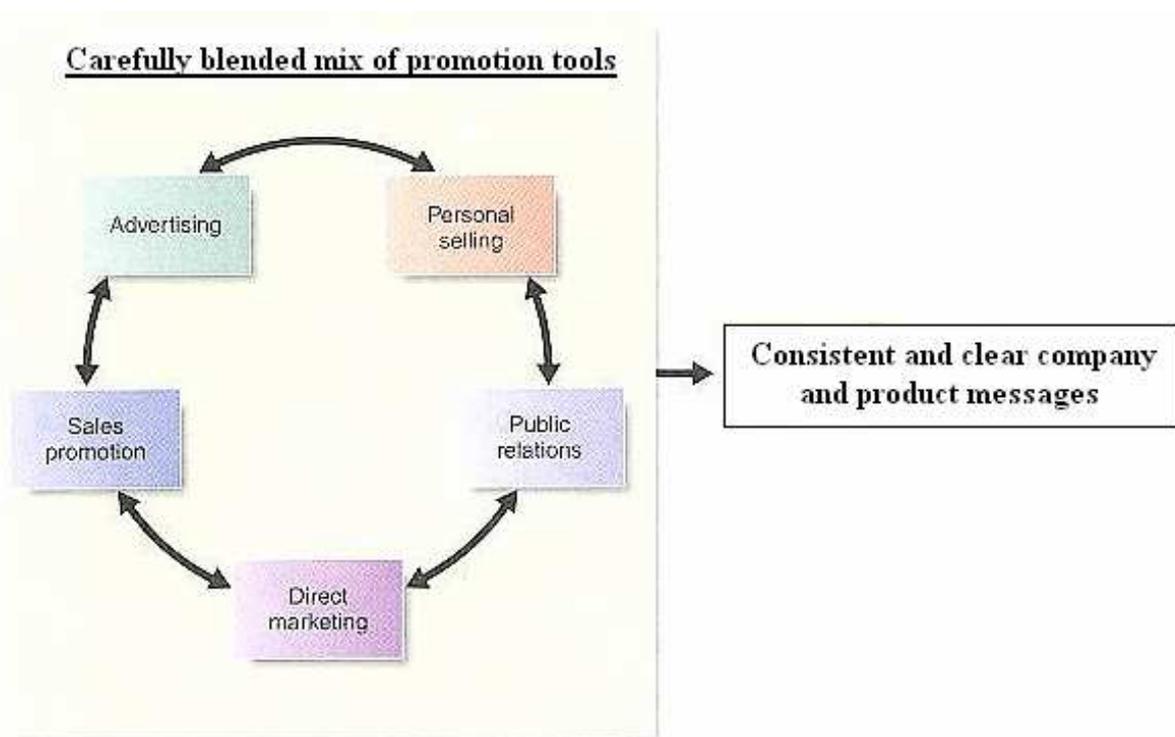


Figure 8. Integrated marketing communications (Adopted from Kotler & Armstrong 2006)

In short, the aim of this concept (Kotler & Armstrong 2006: 430) is to integrate and coordinate the firm's communication channels in a way that customers can have clear and consistent message about the firm and its brands. The need for integrated marketing communication has also risen, because often companies' different communication sources offer different message about the company and its products. Companies need to take care that every contact with customers delivers the same message, whether it comes

from internet pages or from the mouth of sales representative. It is clear, that the consistent communication with customers emphasises all the time, but especially rough times like economic uncertainty.

2.4.1. Promotion strategy

Kotler and Armstrong (2006: 443-444) represent two basic strategies in promotion; push promotion and pull promotion. In short, push strategy means that the product is pushed to final customers through different distribution channels. In use of promotion tools it means that manufacturer uses its marketing activities such as personal selling toward different channel members to encourage them to promote the product for the end-users of product. Retailers and wholesalers use their own marketing activities towards end-users. In opposite, pull strategy can be considered as straight influence to end-users and customers. Producers use different marketing activities and promotion tools straight towards end users to catch their attention. Advertising and sales promotion are most common tools which are used in pull strategy. These marketing activities usually require lots of effort and assets from the company. These strategies are described in the figure 9.

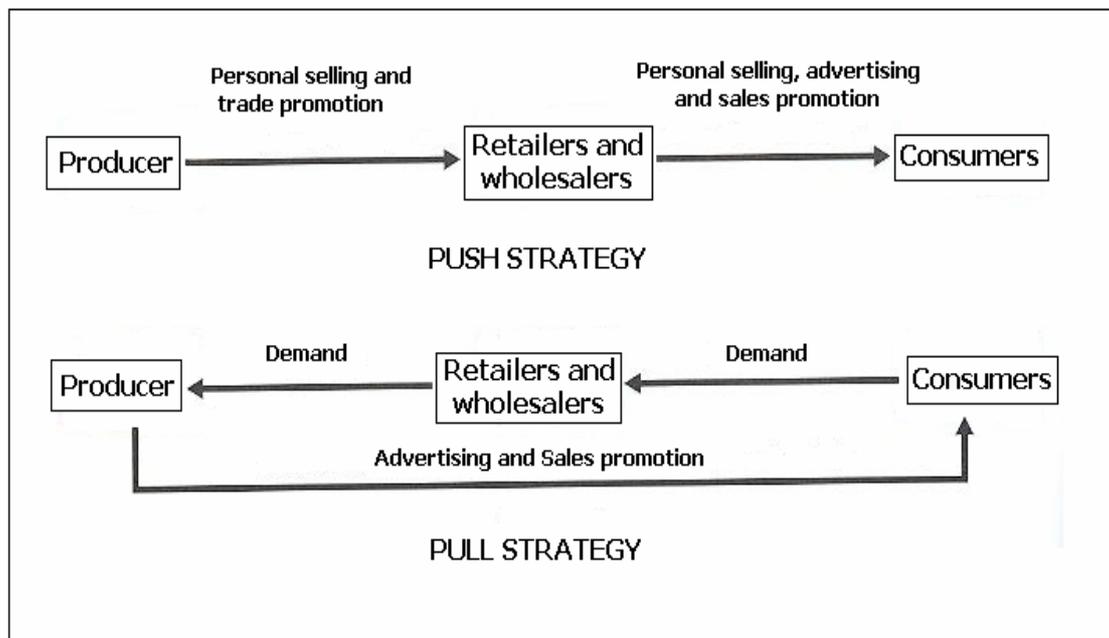


Figure 9. Push versus pull promotion strategy (Adopted from Kotler & Armstrong 2006)

Rough statement (Kotler & Armstrong 2006: 444) about the use of push and pull strategies were that industrial companies use only push strategies and pull strategies are only for direct-marketing companies. Today companies can not go by only one strategy, rather than mixing them up according to product, target customers and product's life cycle. For example big FMCG-company Kraft use mass media advertising to attract consumers and it also use huge sales force to push its products through the different intermediaries.

According to Kotler and Armstrong (2006) the use of different promotion strategies and promotion tools depends also about the product itself and its stage in life cycle. Often mass media tools as advertising and sales promotion are used when the product is considered as consumer goods. On the other hand, tools like personal selling is used more when companies are selling expensive goods which require expertise from both sides. The stage of product also affects to promotion tool which is used, i.e. the meaning of advertising in the introduction stage is much bigger than in the mature stage.

Kotler and Armstrong (2006), Czinkota et al. (2005), Albaum and Duerr (2008) Chaston (1999) state that there are several issues in building of promotion strategy which should be considered. Companies first need to define the objectives for promotion strategy, identify the target audience and decide the budget for promotion tools. After this, companies still need to decide the media to be used, content of message and amplitude and density of messages. Finally companies need to collect feedback from the promotion tools and messages which have been used.

Today the issue of social responsibility (Kotler & Armstrong 2006) is topic which can not be passed by any company. This topic should also be included for consideration of promotion strategy. All these decisions which have to be made concerning promotion proves that creating profitable promotion strategy involves many challenges as in product, price and distribution strategies. Creating a sustainable and profitable promotion strategy is not coming any easier during rough economic periods when promotion is usually the first part of marketing which is decreased.

2.4.2. Advertising

The need for mass media promotion (Kotler & Armstrong 2006, Czinkota et al. 2005, Albaum & Duerr 2008) has grown because of development of companies and products in industrialized world. It is not enough that companies are developing and producing

good products or services, they have to inform their customers about themselves and their products. Earlier presented mutual marketing communication (Kotler & Armstrong 2006) with customers and consumers is necessary today. Advertising is one form of mass-promotion, which can reach wide audience and it can create wanted position for product in customer's mind. Kotler and Armstrong (2006: 455) continues that advertising is considered as any paid form of nonpersonal presentation and promotion of ideas, goods or services by an easily identified sponsor. Advertising is considered as good way to inform and persuade consumers and customers when the target audience is broad. Even though advertising is usually thought as a source for global companies to send their messages for consumers, advertising is still broadly used by non-profit organizations and it can be used also in smaller scale.

Kotler and Armstrong (2006: 455) argues that advertising can be divided for four main decisions from the management point of view. These decisions are advertising objectives, advertising budget, advertising strategy and finally evaluation of advertising. Usually every action has to have objectives that it can be measured afterwards and advertising do not make exception in here. Advertising objectives as well as other promotional tools belong to bigger wholeness to promotion strategy, which determines the main direction of advertising objectives.

Other elements which usually influence for objectives are target market and positioning of product or company. The purpose of advertising is also affecting to objectives of advertising. According to Kotler and Armstrong (2006) the purpose of advertising is commonly divided for three different advertising types; informative, persuasive and reminding. Informative advertising is used a lot when company introduces a new product, persuasive advertising is used when competition grows in one particular product or product group i.e. companies create selective demand. Finally reminding advertising is used when company wants to consumers think their product which already in mature stage.

Next stage in advertising decisions (Kotler & Armstrong 2006: 456) is the setting of advertising budget. Product's stage in life cycle has big influence for the decision; new products need more advertising than the products in mature stage. Gaining a market share is another source for bigger advertising budget and usually undifferentiated products and brands also require more investments on advertising than products which are unique or differs a lot from mainstream. No matter what, deciding the advertising

budget remains a difficult task, because no company has found statistical tool to measure the relationship between promotional spending and sales.

According to Kotler and Armstrong (2006: 457-466) main parts of advertising strategy are the selection of clear and consistent message and choosing the proper media for it. Earlier the message creation and media planning were separate functions, but today due to fragmented media, these functions have to work close to each other. This emphasises also from the integrated marketing communication point of view.

Kotler and Armstrong (2006: 463-469) continues that in strategical decisions management level have to decide the frequency and reach of advertising, type of media and media timing. One big decision in the advertising strategy is also that will the company design and produce the ads by themselves or will they use advertising agency. Both options have their own advantages and disadvantages, but the decision is often based on advertising budget. In strategic decisions management will have many other issues if company is operating in global environment due to cultural and legal differences. Lately, the development of different communication channels has made the planning of advertising strategy even more challenging.

Finally companies need to evaluate (Kotler & Armstrong 2006: 467-468) the advertising which has been executed. Evaluation about advertisement itself can be done already before releasing it. Usually companies test the advertisement before hand by randomly chosen target audience. Evaluation is done also afterwards because companies need to know if the advertisement had the desired influence on customers and end-users. As Kotler and Armstrong (2006) earlier mentioned, the measurement and evaluation of advertising compared to sales is difficult task, because sales is affected by many other factor too. Companies have created different tools where the expenditures used for advertising in specific area is compared to sales in same area, but still the benefits from advertising is inexact area for companies and science. This may occur in rough times when companies need to cut the expenditures and usually the advertising is the first target.

2.4.3. Sales promotion

Another promotional tool, sales promotion, (Kotler & Armstrong 2006, Czinkota et al. 2005) usually works close with advertising as a supporting tool. According to Kotler and Armstrong (2006: 469) sales promotion is considered as a short-term incentive

which has the purpose of encouraging and enhancing the sales of a specific product or service. Sales promotion is coming more popular among the companies that sell consumer goods. Competition is so intense between these companies that they are eager to seek some other ways to influence consumers than advertising. The standardized products of manufacturers are increasing the use of other tools like sales promotion to enhance the sales.

Kotler and Armstrong (2006) adds that today companies consider sales promotion as an easy and relatively cheap way to enhance the sales in short-term. Sales promotion is not anymore tool for companies to stimulate consumers, rather than having the influence to all participants. Sales promotion is used also towards to retailers and wholesalers, business customers and even members of the company's own sales force to increase the sales. Companies need to focus also on the development of sales promotions if they desire grow in the total sales. In other words, the variety of different tools of sales promotion is growing rapidly today and it does not make the differentiation any easier.

Usually the sales promotion (Kotler & Armstrong 2006) occurs in many forms and it can be categorized to three different target groups which it is trying to influence. These groups are; consumers, intermediaries and business customers. The most used consumer promotion tools (Kotler & Armstrong 2006: 470) are samples, coupons, cash refunds, price packs, premiums, advertising specialties, patronage rewards, point-of-purchase promotion and contests. Marketers' task is to decide what kind of mix of different promotional tools will enhance the sales. The budget and objectives of promotion strategy also gives their own limitations for the use of sales promotion tools.

Kotler and Armstrong (2006: 473) argue that sales promotion tools are used also towards intermediaries and business customers. Actually authors state that the used budget towards retailers and wholesalers is much bigger than the budget for consumer sales promotion. Manufacturers use same tools for intermediaries than they use for consumers like contests and premiums but they also can use special discounts and allowances. These tools are also known as trade promotion tools, but they have the same purpose like all other sales promotion tools; enhance and increase the sales in intensive competition. Kotler and Armstrong (2006) continues that in business-to-business sales companies also use different sales promotion tools and the purpose is to generate new business opportunities, enhance the purchases and motivate the sales force. Special tools in b-to-b promotion are conventions and trade shows which have important role among companies which are selling their products for industrial

customers. Companies also use different tools to motivate their sales force and the most common tool is to set up sales contest for salespeople or dealers against certain prize or bonus.

In the use of sales promotions (Kotler & Armstrong 2006, Czinkota et al. 2005, Albaum & Duerr 2008) there exists the same paradigm like in other tools of promotion. First marketer need to define the objectives, create strategy and finally evaluate the results from sales promotion. Kotler and Armstrong (2006: 469-475) reminds that even though sales promotion can enhance the sales in short-term, it should not be used only for that rather than building a long-term customer relationships with the help of sales promotions. The objectives of sales promotion vary according to target group, but in the end the sales promotion must be coordinated properly with other promotional tools that companies can achieve actual benefits from those. The planning and designing of sales promotion emphasises during rough economic periods, if it is considered only as short-term tool.

2.4.4. Public relations

Kotler and Armstrong (2006), Czinkota et al. (2005), Albaum and Duerr (2008) state that public relations are considered also as mass-promotion tool as well as advertising and sales promotion. The main idea of companies' public relations is to build good relations with all the company's publics by gaining favourable publicity and good corporate image. It also means the handling of unfavourable rumours and stories about the company. Large companies might have their own public relations department which take care about following functions such as; press relations, product publicity, public affairs, lobbying and investor relations.

In short, (Kotler & Armstrong 2006: 476) public relations can be used to promote products, people, places, ideas, activities, organizations, cities and nations. In business public relations are used for building of good relations with consumers, investors, media and communities. Good example from successful use of public relations is city of New York when it launched its publicity and advertising campaign of "I love New York" and it gained a huge increase in amount of tourists yearly.

According to Kotler and Armstrong (2006: 476-477) lately there has been some debate about the role of PR in marketing. Some experts of marketing think that advertising does not build brands, but PR does. The use of advertising requires financial

investments, but PR can have strong impact on public awareness with much lower cost. In PR, just building interesting story about the company might lead a strong impact on every participants of company's business. There has been argument that PR is more communication with various publics of the company than marketing. Despite the different views about the role of PR in promotion, it should be consistent with other elements of promotion that companies can build and maintain a certain message about the company.

Kotler and Armstrong (2006) state that there are several tools which can help companies to handle their public relations like news, speeches, other written materials, special events and audiovisual materials. Authors remind that most important consideration is that how and when to use these tools after creating the strategy and objectives for the PR. As Kotler and Armstrong (2006) mentioned before the consistent message with other marketing mix elements is also vital in decisions of PR.

2.4.5. Personal selling and direct marketing

According to Kotler and Armstrong (2006), Czinkota et al. (2005), Albaum and Duerr (2008) personal selling and direct marketing are also considered as main elements of promotion. Kotler and Armstrong (2006: 487) continues that usually personal selling is considered only as selling of products or services of business organization by specific sales force. Actually, many other actors than business organizations perform different personal selling daily like colleges, churches, museums, art organizations and even governments. In other words, personal selling is quite important form of promotion for different organizations.

Kotler and Armstrong (2006) state, that personal selling is interpersonal form of promotion mix. In contrast, another form of promotion mix, advertising, is considered more as one-way and non-personal communication with target customers. Personal selling is two-way communication between a representative of business organization and individual customer which happens by face-to-face, by telephone or by other means. It's clear that the type of company or organization determines the form of sales force, but in every case the sales force is in vital role. Kotler and Armstrong (2006: 488) argues that means of personal selling can be modified even by every customer and it offers a good way to communicate with customers. Communication with customers through sales people offers also a good way to collect important feedback, same time

when the company starts to build long lasting relationship via personal selling. Due to these reasons the role of personal selling should be emphasised in promotion mix.

Managing the sales force is in vital role in success of entire company. Kotler and Armstrong (2006: 488-489) define that managing the sales force means analysing, planning, implementing and controlling the actions of entire sales force. This entire process involves actual actions such as designing strategy, structure and recruiting, and finally selecting, training, compensating, supervising and evaluating the organizations' entire sales force. These different phases of sales force management are illustrated in the figure 10.

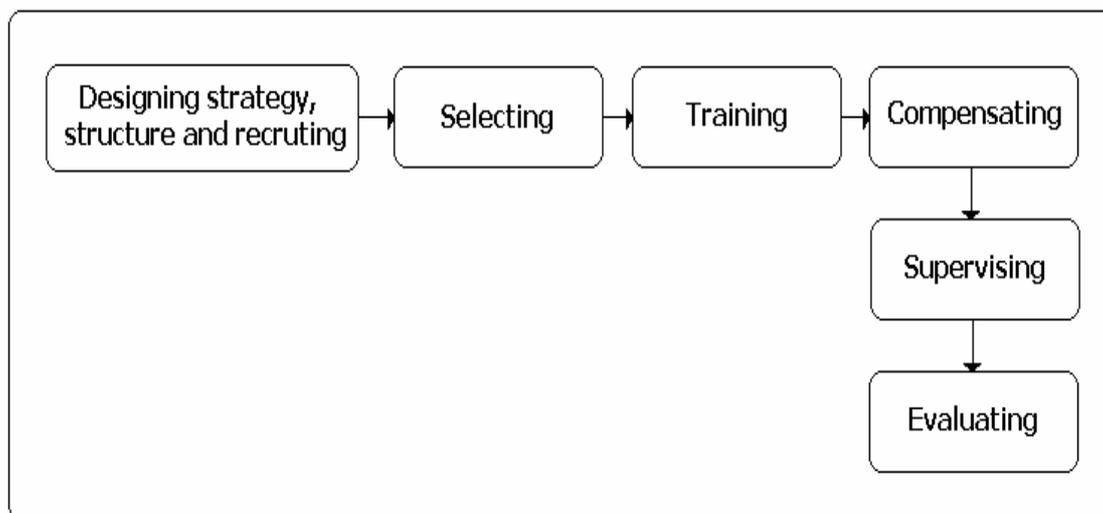


Figure 10. Different phases in sales force management (Adopted from Kotler & Armstrong 2006)

Managing of sales force (Kotler & Armstrong 2006) involves many issues which are related to structure of sales force, strategy, size of sales force, the used method and channel and evaluation of performance. These issues should be solved accordingly that company can achieve actual benefits from the personal selling function.

Kotler and Armstrong (2006) state, that issues which should be solved first from managerial point of view are the strategy and structure of sales force. Most typical structures are territorial, product and customer structures. In territorial structure sales force has been divided by geographic areas and every sales person has his own responsibility area. Product structure means that every sales person has his own product or product group which he is selling in whole operating area of the company. In some

cases the sales responsibility have been divided by certain customers that every sales person has his own customer or industry which he is selling. These are the most common types of structure, but Kotler and Armstrong (2006: 490) reminds that today almost every company uses a mixed structure of sales force. Every solution about sales force structure depends about the internal and external factors which companies face. There is no one most suitable structure, rather than every company need to find out their own structure.

Strategy of sales force (Kotler & Armstrong 2006: 490-494) usually concerns the size of sales force and the inside and outside sales force. The size of company determines usually directly the size sales force, but some companies use mathematical formulas to divide the certain workload for sales persons. Management level also have to decide that will they use inside sales persons or only outside sales persons. Inside sales personnel can lighten the work load of outside personnel by assisting them in different tasks, but the issue is to decide the amount of outside personnel compared to inside sales personnel. In some cases companies use different teams in sales tasks, but the roles of team have to be clear that company can avoid unnecessary confusion of customer.

According to Kotler and Armstrong (2006) designing of recruiting and the selection of sales personnel are also initial tasks of building a sales force. Companies need to pay attention for recruiting, because recruiting a wrong person might have high cost in time and money. The meaning of recruiting process is emphasised by Kotler and Armstrong (2006: 494) who state that in typical sales force the top 30 percent of the sales people might bring about 60 percent of total sales. Kotler and Armstrong (2006) continues that there are four different key talents which good sales person posses; intrinsic motivation, disciplined work style, ability to close a sale and the ability to build relationship with customers. All these four talents should be emphasised in selection process of sales personnel.

Training and compensating (Kotler & Armstrong 2006) salespeople are the next issues in managing of sales force. Today there are several examples how the time and money used for training pays itself back and that's why companies should not cut expenditures from training. Depending on the size of the company training might take few days or even a year, but the main idea is that without proper training sales force can not make profit. Compensating is a must for companies which want to attract top sales personnel. Companies need to make the decision that what is the right mix of fixed and variable compensations. Today many companies are in favour of compensate salespeople from

building a long-lasting relationship rather than compensating from short-term sales which might be harmful for the business in long-run.

Supervising and evaluation (Kotler & Armstrong 2006: 497-500) of salespeople are the last, but not least issues in managing of sales force. Every employee need to be supervised, but especially salesperson if he or she has clear objectives in certain time period. Kotler and Armstrong (2006) continues that management level gets information about the performance of sales force through different sales reports, but it is vital that the sales are measured thoroughly and compared to objectives that proper feedback can be given. Final evaluation has crucial role in many functions and it should be not underestimated in performance of sales force, in a sense that it can offer points for development.

According to Kotler and Armstrong (2006: 503) direct marketing is also one main form of promotion. Other elements of promotion presents more mass marketing like advertising which is aiming to attract broad markets, contrary to direct marketing which focuses on narrowly target, individual promotion. Today the markets and customer segments are so fragmented that companies can not rely only on mass marketing when trying to attract customers and consumers. Direct marketing with different forms, offer an easy and individual way to promote products or services to more targeted customer segments.

Earlier many companies have thought direct marketing (Kotler & Armstrong 2006) as a distribution channel or a supplementary channel for marketing their goods, but the dramatic development in IT (Rosenbloom 2004) and database technology has changed it. Some companies have used the advantages of new technology and they might use direct marketing as their only approach of promotion. According to Kotler and Armstrong (2006: 505) direct marketing can bring benefits to both buyers and sellers. For buyer it is convenient and easy way to order a product or get information about it through web sites of the company. For seller direct marketing offers many benefits like time and cost savings, but maybe the most important is that through direct marketing seller can build individual relationships and communicate with customers interactively.

According to Kotler and Armstrong (2006: 508) the main forms of direct marketing are; telemarketing, direct-mail marketing, catalogue marketing, direct-response television marketing, kiosk marketing, online marketing and face-to-face marketing. The forms are shown in the figure 11.



Figure 11. Main forms of direct marketing (Adopted from Kotler & Armstrong 2006)

Kotler and Armstrong (2006) argue that using the telephone in direct marketing has become one of the major tools in direct marketing. Telephone has been a major tool for B2C marketing, but it has also extensively increased in B2B marketing. Use of telephone in direct marketing is efficient, but it requires a lot of labour which increases the costs of it. Lately many consumers have been annoyed by too enthusiastic telemarketers, which have given negative image for it. Therefore companies need to consider the use of telemarketing properly, because it still can offer benefits like individual information.

Direct mail marketing and catalogue marketing (Kotler & Armstrong 2006) have both developed dramatically alongside with the development of IT and E-commerce, but companies still use the old fashioned mailing of offers and catalogues. Internet offers time and cost savings in these forms of direct marketing, but companies still use printed catalogues and offerings, because those can create their own fascinating atmosphere.

Direct-response television marketing takes two major forms (Kotler & Armstrong 2006); direct-response advertising and home shopping channels. In direct-response

advertising there is usually a television spot which is persuasive and offers a certain product in certain price. Home shopping channels usually run 24 hours a day and companies offer wide range of products in bargained prices. The use of different kiosks in various places is popular form of direct marketing. Companies can sell their products in high-schools or they can offer information in airports. This form of direct marketing is also changing alongside with development of IT and today many of kiosks are equipped with internet connection.

According to Kotler and Armstrong (2006: 553) the strong development of IT and E-commerce with various appliances, have created huge possibilities for direct marketing. Direct marketing through internet and other electronic appliances is cost-effective, speedy and easily wide spread compared to traditional direct marketing. Despite the benefits of IT in marketing, it also involves challenges. Issues related to privacy and security is the concern of many consumers and companies.

Personal selling (Kotler & Armstrong 2006) presents one of the most individual forms of direct marketing. In the initial stage salesperson should be able to prospect the potential customers and make the needed preparation like finding the background information. After the preparation salesperson should make impressive presentation and most importantly close the case. As Kotler and Armstrong (2006) stated earlier, today companies seek also long lasting relationships through sales force and not just a simple sale.

Kotler and Armstrong (2006), Czinkota et al. (2005), Albaum and Duerr (2008), Jobber (2004) and Rosenbloom (2004) have argued that marketing and blending of different elements of marketing mix is not an easy task to complete. The task of designing and managing all these elements is not any easier in rough economic conditions like in recession. According to Kotler (2005) the management level of companies should reconsider all the decisions related to marketing mix elements in a sense that it can offer a chance for success in recession and after it. Time of recession is time for opportunities and one opportunity is that companies can challenge their own decisions. Decisions in marketing mix elements and marketing activities are vital since the improved or increased marketing activities can improve company's performance compared to competitors. That is the reason why companies should at least reconsider their marketing activities related decisions.

3. MARKETING ACTIVITIES DURING RECESSION

In this chapter there is given a short introduction to recession and to normal reactions of companies. Chapter includes relevant earlier studies concerning similar topic. In the end of the chapter theoretical model from basic theory of marketing and earlier studies is portrayed.

3.1. Introduction to marketing in recession

There are several opinions how marketing and marketing activities should be executed during rough times. Some of the opinions say that marketing is unnecessary activity and some of them say that it should be emphasized. Kotler (2005) says that when recession strikes, then most of the companies hurry to cut the costs and the most obvious target is marketing. In these big companies the executive don't usually believe that marketing can be a profitable action, they can stand that only during the time period when business runs smoothly. These executives define the marketing budget from the expected revenue and when these don't fulfil, they see the reason to cut the costs from marketing budget (Kotler 2005).

Kotler (2005) explains that one good example from this kind of decisions was when CEO of big grocery shop decided to cut the marketing budget when the recession came. The result of this decision was more than unsuccessful, when the grocery shop lost its customers to their competitors. Conclusion from this was that company lost more, than they saved in cutting the costs from marketing budget. Kotler (2005) argues that CEO's should consider different saving targets and even probably establish a group which is seeking solutions for cutting the costs. Cutting of costs should happen in a way that different functions are made more effective, because every company have some weak and unprofitable points in their business. Kotler (2005) continues that there are two important rules which should be remembered during rough times.

Companies hurry to make some savings when the challenging time begins, but they should remember that they can not change the value created for customers. Customers can make their buying decisions based on promised value proposition and if this is suddenly changed they can easily switch to competitors services and products. Other thing to be remembered is to respect your co-operators like suppliers, retailers etc. If this group finds out that the promised value proposition is changed or it is getting worse from their point of view, they can also move to competitor's network. Kotler also

advises that companies should consider the cutting their prices. Customers are well aware about prices during the recession, so companies have to be ready to make some concessions. It is more important to keep the customers with the price of smaller sales, than to loose the customers for competitors (Kotler 2005:69-70).

Finally Kotler (2005:70) says that wise companies and CEO's use the recession as opportunity to grow. These companies maintain the marketing budget as a same level as before recession or even increase it. Recession can be time to snatch market share from the competitors which are decreasing the marketing budget. Even more, in some companies cost-saving is permanent way of thinking and acting, not only during rough times. When the recession strikes, these companies don't need to make major cost cutting programs or huge declining operations of staff, they can just make small adjustments for their strategy and marketing.

Column of Bhose (2009) starts with statement that Finnish SME's considered marketing more as investment rather than occasional cost. But this is actually not the way how companies act in real situation. Over 80 per cent from the companies register marketing as occasional cost and they do not divide those in sections. This result was revealed from the research which was made by SEK Pro marketing company. Research was made in end of the January at this year and there was over 300 companies taking part for this research. The CEO of SEK Pro Olli Kivelä is not wondering that many companies actually think marketing as a cost rather than investment, because they are registering marketing as cost in accounting. Every fourth answerer of this research thinks that all those assets which are used to building brand, sales promotion and to other public relationships are costs. This number has grown little bit from 2005 when the research was made first time. According to Kivelä this is the result of economical situation now days, because usually in recession companies tend to cut the costs first from marketing investments. (Bhose 2009: 24)

There is also other research which is proving that Finnish companies are cutting costs from marketing activities (Mainosbarometri 2009). Marketing barometer announced in January 2009, that 49 per cent from the companies are planning to cut the advertising at year 2009. Those companies are planning to cut the costs from advertising 23 per cent on average. There was 134 companies taking part for this research and these numbers have not been so dark ever. The results from SEK Pro research are not so dim and half of the companies are planning to keep marketing investments as the same and only 23 per cent were planning to cut the marketing investments. Still, these results are

contradictory with the results of same kind of research last year. In that research made by Finnvera and Entrepreneurs of Finland in 2008 autumn, almost 60 per cent of Finnish SME's announced that increasing assets to sales and marketing is the most important way to grow. (Bhose 2009: 24).

It is also interesting in SEK Pro's research is that almost 70 per cent from companies in this research announced, that they do not measure systematically the profitability of investments, which are expended to marketing communications. Companies which do not measure the profitability of marketing communications do not think marketing as investment. Finally in this research there was question for the companies that in which marketing communication area they need tools for measuring the results of marketing communication most. 15 per cent said that they need them most in the advertising. (Bhose 2009: 24)

In this column there were only Finnish companies so there is no need to make too wide generalizations. Still, this problem is related to situation of economy and same kind of reactions can be seen also in other countries.

In the figure below there is good description how the advertisers rapidly changed their mind about marketing communication investments in the end of last year. Total number of barometer is -41 and that number comes from the distinction between increase and decrease. It is important to notice that same number was +33 only four months earlier. According to Union of Advertising, this number hasn't ever been so low during the 30 year history of advertising barometer. Decreasing is influencing almost every media group and increasing is anticipated only in web- and mobile advertising, direct advertising and advertising in stores. In addition, 86 percent from advertisers are prepared to cut more from already made marketing communication budgets, if the economical situation turns even worse. Union of Advertising observe that Finnish advertisers seem to react to current situation in markets with cost saving and this opens opportunities for advertisers to negotiate affordable media prices. (Mainosbarometri 2009).

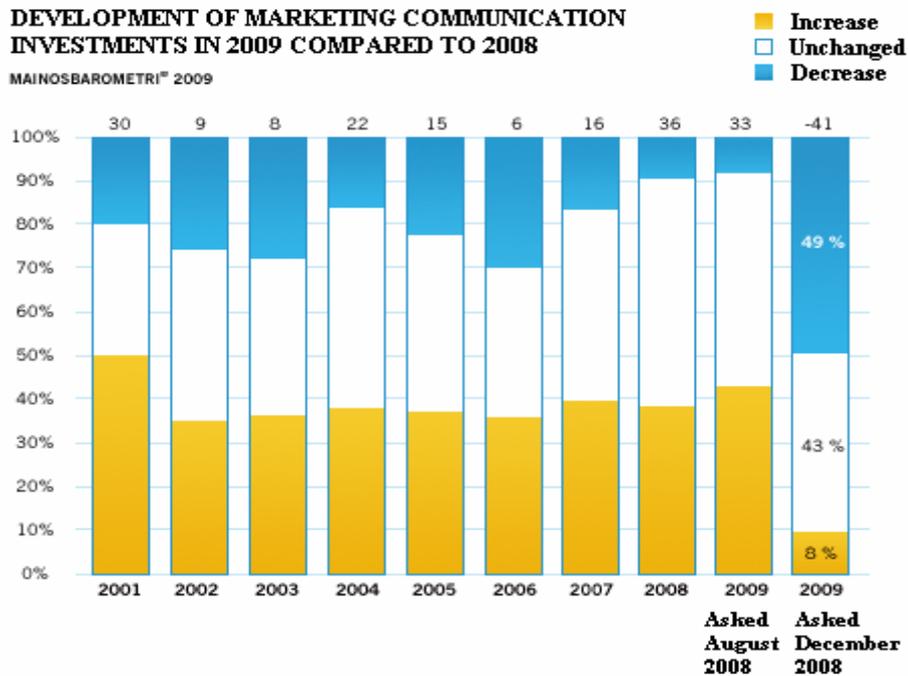


Figure 12. Development of marketing communication investments in 2009 compared to 2008. (adopted from Mainosbarometri)

These examples and researches prove that many companies consider time of recession to cut the expenditures from marketing and marketing communication. This reaction creates an opportunity for some companies to use recession as chance to make some competitive advantage compared to competitors.

3.2. Marketing activities which emphasises during recession

There exist several studies which concern similar topic as in this thesis. Some of the most similar and relevant studies have been collected in to one table to make the consistency more clear. There are previous studies from Europe and from Northern America. The geographic width of previous studies gives more aspect and credibility for this study. The scope of studies also varies and there is no specific industry chosen in these studies. Some of the previous studies have empirical data from two following recessions which is always increasing the validity and reliability of the results. Some of these studies are made from the 90's recession and some of these are made from the recession of beginning of 21's century. These studies are listed in table 2 and described more detailed later on.

Author(s)	Method and Sample	Nature of research	Key argument/Result
Shama (1993)	Mail questionnaire, 101 companies	Marketing strategies during recession: comparison of small and large firms	Companies should develop indicators of economic environment to formulate advantageous strategies for recession.
Laitinen (1994)	Mail questionnaire, 750 companies	Means of Finnish companies to adapt in recession	Rationalization of marketing has vital role in surviving from recession. Quality, service and personal selling emphasises.
Dugal & Morbey (1995)	Database analysis, 294 companies	Corporate R&D spending during recession	Companies which are investing to R&D during recession continue to grow compared to competitors.
Holappa (1997)	Mail questionnaire and personal interviews, 6 companies	Effect of export markets' economic fluctuations	Roles of product and pricing emphasises relatively more during recession.
Pearce & Michael (1997)	Mail questionnaire, 114 companies	Marketing strategies that make firms' recession resistant	Maintaining and increasing marketing activities, especially sales and advertisement, will help companies to go through macroeconomic recession.
DeDee & Vorhies (1998)	Interview survey, 110 companies	Retrenchment activities during economic downturn	Cost cutting especially in advertising and sales related areas is often counterproductive.
Roberts (2003)	Database analysis, 1000 companies	Strategic investments during recession	Marketing, customer perceived quality and new product development are considered as good costs during recession.
Köksal & Özgül (2007)	Mail questionnaire, 172 companies	Relationship of marketing strategies and performance in recession	During recession advertising is efficient way to keep contact to customers. All the changes in marketing should be done consistently.
Urbonavicius & Dikcius (2009)	Interview survey, 346 companies	Managerial perception on the role of marketing activities during recession.	The importance of pricing and communication methods is growing during recession.

Table 2. Empirical studies about marketing during recession.

Jyrki Holappa (1997) conducted a master's thesis in University of Vaasa in year 1997 and his topic was the export marketing mix elements under target export markets' economic fluctuations. In this study, theoretical part consisted from export marketing mix elements and especially under of economic fluctuation. Empirical part consisted from three hi-tech and three furniture companies which are originally Finnish and they

are exporting their products to Europe. Holappa (1997) found out that economic fluctuation did not have direct influence on export marketing mix behaviour in these companies. Economic fluctuation affected to general business environment and consequently it affected indirectly to export marketing elements. Holappa (1997) states, that role of export product and export pricing are relatively more emphasised during recession. In terms of single variables of export marketing mix elements the product core capabilities and costs were emphasised by these companies.

Erkki Laitinen (1994) studied the means of Finnish companies to adapt in recession. The data for this study came from the recession of 90's and the years of observation were 1989-1993. Size of the empirical part was 750 different sized companies from different industries. Aim of this study was to discover the means of adaptation and the effectiveness of those means. Laitinen (1994) were discovering broad selection of means of adaptation like means related to finance, capital and labour. According to results of the study, effectiveness in many functions is the key to adapt to recession. From the marketing point of view quality, service and personal selling were seen as most vital functions during recession. In the answer other competitive means were emphasised than price.

Pearce and Michael (1997) have conducted a research which was focusing on marketing strategies which make entrepreneurial firms recession resistant. Companies in this study are manufacturing firms of industrial goods with annual sales revenue between 10 and 100 million dollars in 1990. Authors managed to receive 114 acceptable questionnaires back from the sample of 451. Goal for this study was to determine the components of marketing which can enable these companies to withstand the influence of macroeconomic downturn. Pearce and Michael (1997) conclude that companies' preceding condition and strategy play vital role in surviving from recession. Maintaining and increasing marketing activities in the core business such as expanding sales force and advertising found to be profitable actions. In the end authors discover that emphasis on cutbacks and retrenchments in recession leads to poorer performance.

The meaning of R&D is important for companies in long-run and Dugal & Morbey (1995) studied the influence of R&D spending on companies' performance during recession. Authors list the purpose of this research in three parts; first they examine the effect of R&D expenditures on sales during the recession of 1990-1991, secondly they analyze the effect of firm –and industry level variables on inter-firm differences in R&D expenditures during recession and last goal is to compare the results from the 1991

recession to results of 1982 recession. The sample consisted from 172 companies in 1982 from many industries. The same companies were utilized in the same study in 1991, but due to mergers, acquisitions and business failures the number of companies declined to 122. When authors compared the results from two consecutive recessions, they found that the influence of increased R&D intensity is considerable. The results showed also that companies operating in high-technology environment have higher R&D intensity. Similar in both recessions is that company size, type of ownership or market structure does not have influence on results. Finally Dugal & Morbey (1995) argue that companies which R&D expenditures of products and services excess 5 percent of sales tend to grow during recession.

Keith Roberts (2003) have conducted a research which is based on information from Profit Impact of Market Strategy database. This PIMS database contains experiences and performance of increasing number of businesses. In year 2002 the database encompassed around 4000 businesses from different industries in North America, Europe and other continents too. In this study a market in recession is defined as experiencing two years of decline in volume and this is followed by two years of growth. Roberts (2003) found that 1000 businesses fulfilled these criteria. This study focus on three different measures; average profitability during recession, change in profitability during first two years of recovery and change in market share during first two years of recovery. Roberts (2003) conclude that PIMS evidence indicates that companies which invest aggressively in marketing will thrive during the market upturn. Investments in customer quality, product development and generally increasing the marketing budget were seen as the most efficient tools to increase ROCE and market share during recovery and after it. Roberts (2003) still reminds that marketing spending must be based on customers and industry and that finding is not appropriate for all businesses in all circumstances.

Dikcius and Urbonavicius (2009) studied the perceived role of marketing activities in the context of transitional economy. In this research the main focus is on opinions of Lithuanian managers about the overall importance of marketing function in their companies. Special attention is on managerial perceptions and opinions during the economic uncertainty and recession. Dikcius' and Urbonavicius' (2009) research was based on survey of 346 managers which are mainly managers of manufacturing and trading companies which operate in Lithuania. Data was collected between 2007 and 2009 and it included four independent surveys, two related on pre-recession and two related on recession period. From the marketing point of view authors observed that

importance of pricing and communication activities is growing during recession. In the opinions of managers there is a positive relationship between marketing activities and sales growth. In international context the meaning of results is minor since the study was conducted only in Lithuania.

Study which is also based on other European country was conducted in Turkey by Köksal and Özgül (2007). Topic for this research is the relationship between marketing strategies and performance in an economic crisis. Main focus of this study is to reveal if Turkish companies are affected by economic crises and find those marketing strategies which might have positive effect on companies' performance in turbulent conditions. Total number of 172 companies from different industries with varying size was included for this study. Köksal and Özgül (2007) observed that training, increased R&D and communication with customers through advertising are in important role during recession. Despite the positive effect of above mentioned marketing activities, all the changes in marketing mix elements should be done consistently with other elements. Authors remind also that lowering production capacity and reducing work-force have only short-term effects on performance. In the end authors state that decision makers and planners need to focus on promotional strategy if company desires a successful performance during recession.

Avraham Shama (1993) executed a study which concerns the marketing strategies during recession and the comparison was made between small and large firms. In this study the main purpose is to determine management perception of and response to economic downturn. In actual actions the focus is on impact of recession on marketing decisions and adjustments in marketing strategy and action. Recession in this study is national level recession. Shama's (1993) sample consisted from 180 companies whose size and sector vary. Randomly selected companies included small and growing companies and large companies from industrial and service sector. Finally, Shama (1993) received 101 acceptable answers from marketing managers. In the results there were found differences how companies perceive the impacts of national level recession. Large companies consider recession more as challenge, because those partly use statistical indicators such as GNP to define the state of national economy. Small companies consider recession partly as time of growth, but the nature of small companies also affects to perceptions. Results also suggest that recession affects more on large industrial and service sector companies pricing and promotion decisions than small growing companies.

Shama (1993) concludes that large companies use more drastic adjustments to answer to challenges of national recession. Large companies changed the promotional appeal and spend relatively more on radio and prints ads to adjust their strategy on economic environment. Main finding of the study is that the size and the sector of company have significant influence on the perceived impact of recession. In the end Shama (1993) argues that companies and especially small companies should develop indicators and procedures to determine the changes in economic environment. This can add the possibilities to adjust marketing strategies in before hand according to economic downturn.

DeDee and Vorhies (1998) studied the retrenchment activities of small firms during economic downturn. Authors of this study had two main intents in this study; measure the retrenchment activities of small firms in light of economic downturn and measure the impact of these retrenchment activities on key financial performance variables. The target companies in this study are small manufacturing companies with annual revenues between one million and 100 million US dollars. DeDee and Vorhies (1998) had no specific industry in this study and all the industries of empirical part were closely related like machinery, electronics and computer related industries. DeDee and Vorhies (1998) sent 451 mail questionnaires to companies CEO's and finally they received 110 complete and usable questionnaires. Authors analyzed the financial performance in two different points; fourth quarter of 1989 and fourth quarter of 1992.

DeDee and Vorhies (1998) divided retrenchment activities in five general areas; financial management, marketing, product development and R&D, production management and organizational restructuring. The impact of retrenchment activities were measured by return on common equity and cash flow to sales. Authors found that companies emphasising new product development capabilities had positive effect on ROCE. This finding is consistent with the findings of Roberts (2003) and Dugal & Morbey (1995). Despite the emphasis on new product development, companies still can not over-emphasise R&D which can have negative impact on ROCE. DeDee and Vorhies (1998) found that cost-cutting activities like organizational restructuring and focus on lower cost products improved the performance of small firms, but they also found that cutting advertising and sales budget is not appropriate cost control activity. According to authors companies which reduced sales staff and advertising expenditures fared much worse than companies which maintained or increased efforts. This finding is in same line with Roberts (2003), Köksal & Özgül (2007) and Pearce & Michael (1997). In the end DeDee and Vorhies (1998) state that some specific retrenchment

activities proved to have positive effect on small manufacturing firm performance, but cost cutting is not without risks. Cost cutting especially from advertising and sales related areas seems to have often counterproductive impact on companies' performance. Authors also mention that these findings must be viewed as preliminary in the light of sample employed in this study.

3.3. Theoretical model

Several studies prove that marketing has vital role also during economic downturn. Studies by Shama (1993), Laitinen (1994), Dugal & Morbey (1995), Holappa (1997), Pearce & Michael (1997), DeDee & Vorhies (1998), Roberts (2003), Köksal & Özgül (2007) and Urbonavicius & Dikcius (2009) have studied the meaning and importance of marketing during recession. In these studies authors found that the meaning of marketing can not be emphasised too much. The findings and level of meaning varies in these studies, but in general level can be stated that companies should consider their marketing decisions during recession and after it to be able to tackle the challenges of recession. There can not be done too broad generalizations about these findings what comes to international companies operating in several market areas.

Many of above mentioned authors found deniable evidence that marketing activities can improve the performance of companies during recession and after it. Some (Dedee & Vorhies 1998) also found that carefully planned retrenchment activities can assist firms to survive from economic turmoil without hurting the firms' competitive capability during the downturn and after it. Planning of marketing activities in long-run (Roberts 2003, Pearce & Michael 1997) and developing of indicators for economic climate changes (Shama 1993) play also vital role, when companies face the challenges of recession. Many of the findings in these studies indicate that companies should include marketing and marketing activities into long-run strategy and planning rather than considering marketing only as added cost.

In the basic theories of marketing (Kotler & Armstrong 2006, Czinkota et al. 2005, Albaum & Duerr 2008, Jobber 2004 and Rosenbloom 2004) companies face many factors daily which have influence for the company. These factors can be divided in many ways but usually those are divided to internal and external factors. These factors have influence for company itself but also for company's marketing mix elements; product, price, distribution and promotion. When companies have to work with these internal and external factors, they might change the marketing mix elements

accordingly. When economic downturn strikes and entire economy shakes, companies should especially consider their marketing mix element decisions. Economic downturn can be considered as external factor which has influence on companies marketing mix elements and marketing decisions.

According to Shama (1993), Laitinen (1994), Dugal & Morbey (1995), Holappa (1997), Pearce & Michael (1997), DeDee & Vorhies (1998), Roberts (2003), Köksal & Özgül (2007) and Urbonavicius & Dikcius (2009) there are some actions which companies should consider when facing the challenges of recession. These actions can help companies to survive better from the economic turmoil and even make the competitive capability better compared to competitors. These possible adjustments and changes which are based on the findings of previous studies create the base for theoretical model. Possible changes in marketing mix elements are described in the figure 13.

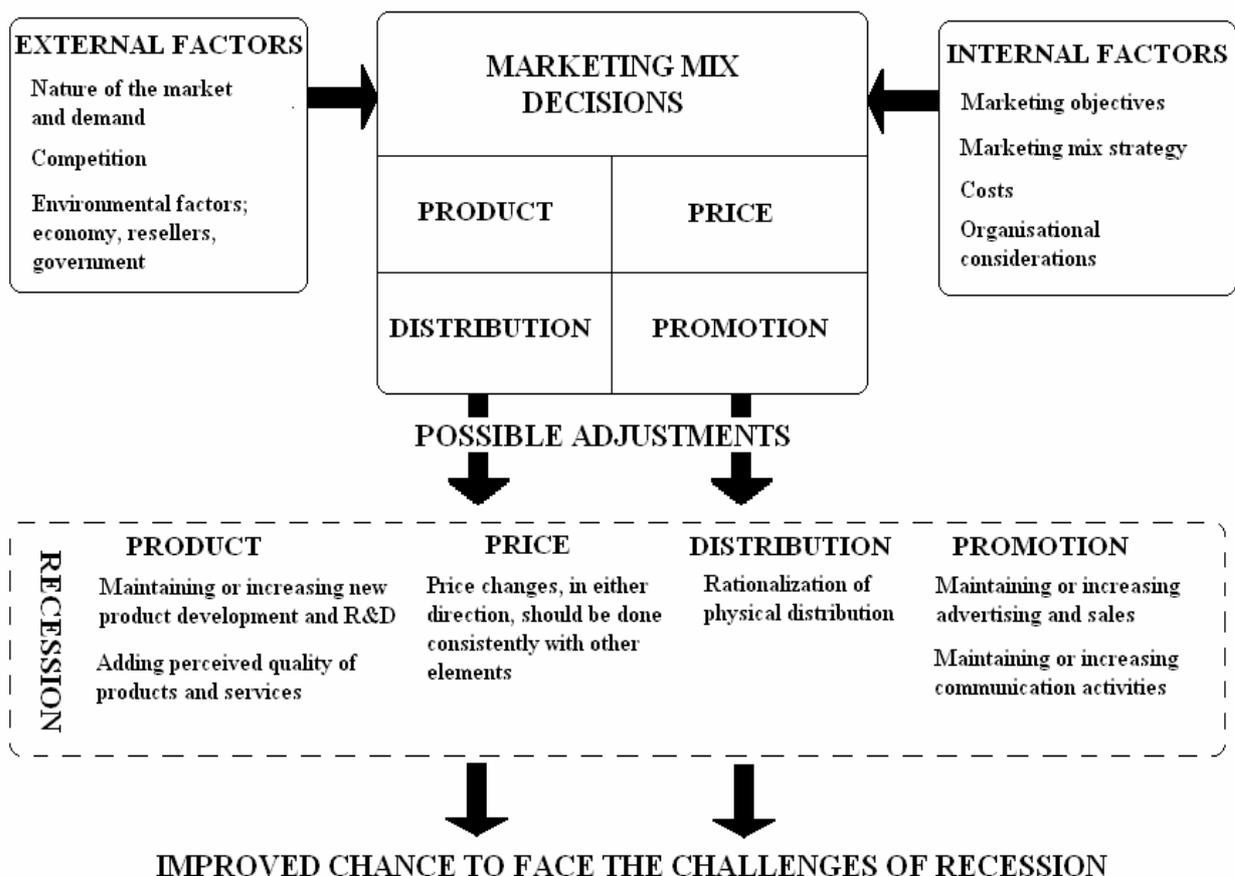


Figure 13. Theoretical model.

4. RESEARCH METHODOLOGY

This chapter consists from three parts. Purpose of this chapter is to introduce research methodology and qualitative study methods which are used in this study. First there is the chosen method described. Data of the study and collection of the data are presented after the method. Analysis of the data is also described and in the end of the chapter there is discussion about the validity and reliability of this study.

4.1. The chosen method

Qualitative approach was chosen, because it was considered to be applicable for this study. Uusitalo (1991: 50) argues that the research method and the research data are subordinates to the research problem. Uusitalo (1991) continues that the research problem and research questions often define the used method and data. In other words, to be able to have proper answer to the research problem of this study, a qualitative method was considered to be most suitable for this study. Alasuutari (1995) also argues that qualitative method reveals deeper reasons behind of the phenomenon, which quantitative method does not. This fact is also speaking in the favor of choosing qualitative method and approach for this study.

One of the main purposes of the qualitative data is to increase the knowledge about the actions of the companies by separating the qualitative data (Koskinen et al. 2005: 16). This statement increases the applicability of the qualitative method for this study since in this study the data is collected by face-to-face interviews and via telephone interviews. The aim is to reveal the actions of companies. Koskinen et al. (2005:24) argues about the strengths of qualitative method and one is that qualitative research offers one possibility to separate from theoretical and conceptual routines which are steering the mainstream research. With qualitative research it is easier to collect the needed or wanted data and for example the interview questions can be formed again during the research, if needed. (Koskinen et al. 2005).

Earlier there have been lots of discussion about the significance and trustworthy of qualitative methods in the field of different sciences. Today it is unnecessary to discuss whether the qualitative methods are enough useful and adequate to produce information from the topic of research. Qualitative methods have been approved also in the field of business sciences. (Alasuutari 1995, Koskinen et al. 2005, Metsämuuronen 2005, Silverman 2006, Yin 2003).

In this study deductive reasoning is used, since it aims to lead from generalisation to conclusion of individual case. Deductive approach is also suitable for this thesis because the structure aims for building a theoretical model which will be tested empirically (Maylor & Blackmon 2005). Grönfors (1985) and Uusitalo (1991) also states that deductive reasoning begins with already existing theories and in the end there is conclusion from these facts. In this study earlier researches made from the similar topic presents the existing theories. From these facts the theoretical model is constructed and the following empirical part will confirm or weaken the existing theories.

Yin (2003: 1) explains that using case studies for research purposes has never been the easiest way to conduct study, since the case study has long been as weak method among other social science methods. When researcher decides to conduct case study, researcher must be ready for the critic about the method. Despite the critic and challenges which case study retain, it was chosen as method for this study. Yin (2003) continues that as research strategy, the case study is used in many situations to contribute our knowledge about particular phenomenon. Yin (2003) states that case study have been common research strategy in psychology, sociology, political science and also in business. It has also been used in economics to study a given industry or economy in particular area. In all of these situations the need for case studies stem from the aspiration to understand some particular complex phenomena. (Yin 2003: 1-2). In addition Yin (2003: 2) says that the case study method allows investigator to retain the meaningful characteristics of real-life events such as international relations, maturation of industries or organizational processes.

This study is researching particular complex phenomenon and the consequences of it. According to Yin (2003: 13) case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context. Yin (2003: 15) adds that case study can be conducted and written with many different motives, including simple presentation of individual cases or the aspiration to present broad generalizations based on the case study findings. This study is not aiming to present broad generalizations based on the case study findings, rather than explain the consequences of contemporary real-life phenomenon. According to Yin's (2003) definition for the case study, it was rational choice for method in this study.

4.2. Data collection

Data will be predominantly words in this thesis and findings will reveal the meaning of those (Maylor & Blackmon 2005: 140). The empirical data will be collected from both primary and secondary sources. The primary data consists of unstructured and semi-structured interviews from the chosen SME's. The interviewed persons are CEO's, Marketing Managers or other deciding level employees which are dealing with the company's marketing activities. The initial goal was to interview 10 different persons from different companies. This amount of interviews would have ensured enough variation in the answers. Unfortunately, the total number of interviews was finally six which contains five representatives of different companies and one professional of marketing interview. Interview of the professional of marketing was added to empirical part to bring another point of view. The opinions and views of the professional will also add the variation of all answers. Answers of case companies can also be compared to answers of professional and this will add the credibility of the interviews. The goal in interviews could not be achieved, because of great difficulties to reach the right persons and turning away of interviewees from already dealt interviews. There will be separate introduction of case companies and professional of marketing in the beginning of chapter 5.

It is clear that greater amount of companies would have increased the reliability and credibility of the research, but in this case the number of interviews is still on acceptable level. In this research the variation in respondent's background increases the credibility of this study. This data collecting method is chosen because of its flexibility and capability to allow new questions to be brought up during the interview as a result of what the interviewee says. According to Syrjälä, Ahonen, Syrjäläinen and Saari (1994: 86) interviews are well suitable method to collect data. Syrjälä et al. (1994) continues that when human is considered as sensing, thinking and language using target, it is not enough that information and data is collected through questionnaire. This argument is quite logic, but it explains why interviews, and particularly semi-structured and unstructured interviews were chosen for this research.

In these face-to-face interviews the structure is not so highly structured. According to Hirsjärvi, Liikanen, Remes and Sajavaara (1986: 52) the interviews are one of the most typical methods for collecting data. Grönfors (1985: 105-106) argues that there are several different forms of interviews such as non-directive interview, theme interview, and unstructured interview. All these are considered as open interviews which

differentiate from the structured survey which is conducted with questionnaire. The success of structured survey depends about the interviewer's preparation and standardization before the interview. In opposite, unstructured open interview exploit the missing of standardization, when the role of interviewer for the answers is minimized. (Grönfors 1985). Silverman (2006:114) also states that qualitative interviewing is particularly useful as a research method for accessing individuals attitudes and values. Due to arguments of Syrjälä et al. (1994), Hirsjärvi et al. (1986), Grönfors (1985) and Silverman (2006), open theme interviews were chosen for the data collection method in this study.

The interviews are conducted on a one-on-one basis and estimated to last about 45-60 minutes. The purpose of interviews is to unravel the actions which company has done in marketing during the recession. Telephone interviews were also used as one method to execute the interviews, in sense that it lowers the barriers to participate for this study and it also saves time and resources. The subject areas for interviews have been made by assistance of previous studies and especially master's thesis made by Jyrki Holappa (1997). His master's thesis guided the formulation of subject areas for interviews and these subject areas also form the themes to analyze the interviews. These themes are following:

- General view from the effects of recession.
- Effects of recession on product
- Effects of recession on price
- Effects of recession on distribution
- Effects of recession on promotion
- Effects of recession on marketing budget and future views

Syrjälä et al. (1994: 86) argues that interviews as data collection method are not the easiest one and it requires good preparation mentally as well as informatively. Syrjälä et al. (1994) continues that well constructed interview outline can assist substantially in entire research. Themes which are constructed beforehand can assist interviews to go through different themes with open questions, but same time stick to the point. Proficient interview outline and relevant themes can further entire study substantially and even more those can open the analysis and interpretation of the research. (Syrjälä et al. 1994). In a sense of this argument, it is well justified to use theme based interviews in this study.

The secondary data collection consists of selecting relevant articles and columns from the topic and analyzing of financial statistics from the economic situation. Most of these are available via internet. The purpose of the secondary data is to support the collection of the primary data. This procedure helps the preparation for interviews and it also helps that focus will stay on unravel the most important information.

4.3. Data analysis

In order to answer the research questions, the collected data needs to be thoroughly analyzed. According to Koskinen et al. (2005: 229) the biggest mistake what researcher can do, is to collect and describe a data without proper interpretation. Describing research can produce new information, but if this information does not organize as one part of the topics wholeness, its value can be minor. Interpretation is finally that part of the study which makes the distinction for the everyday sense. (Koskinen et al. 2005). In this study content analysis is used as method for textual investigation. According to Silverman (2006: 159) content analysis is widely accepted method of text analysis. In content analysis researcher establishes a set of categories and then count the number of instances which fall into each category. Silverman (2006) continues that it is crucial in content analysis, that the categories are precise enough that other researchers would arrive in same result with same material. In this way, content analysis pays attention for the reliability and validity of the study. Grönfors (1985: 161) also argues that content analysis is well suitable method to analyze with qualitative methods collected data.

One important phase in analyzing is to familiarize properly with the collected data. That is important because researcher must know well the data that he or she can pick up the relevant information. (Koskinen et al. 2005: 231-232). In this study that means proper lettering and reading the interviews. The secondary data needs to be also analyzed properly to be able to find the most relevant information about the interviews. After analyzing the primary and secondary data, there will be clear interpretation about the results and answer for the main research problem.

Metsämuuronen (2005: 109) states that credibility of a research depends on validity and reliability of the research. Research validity can be divided to external and internal validity. External validity refers to generalization of the results to the other researches. Internal validity is more related to research's own validity that is the target of measurement the actual target what it was meant to be. (Metsämuuronen 2005). Marschan-Piekkari and Welch (2004: 465) argues that validity in international business

studies are in vital role since the validity is difficult to achieve in qualitative research. It is difficult to achieve, because of differences in researcher and respondents cultural assumptions. Other reason is that other scientific argumentation principles are socially constructed and those differ across cultural and institutional contexts. (Marschan-Piekkari & Welch 2004). This validity issue was not faced in this study since all the respondents were Finnish.

According to Metsämuuronen (2005) and Syrjälä et al. (1994) researcher has to use the right terms and theories to increase the validity. Researcher has to make sure that the research measures what it is meant to measure. Careful planning and use of correct terms and relevant theories improve internal validity of a research (Metsämuuronen 2005: 57). In this thesis the external validity will be measured by comparison to other studies concerning the similar topic and the internal validity will be measured by the use of terms and theories. Internal validity will increase since the used terms and theories are well known and been used in previous studies. This study does not aim for broad generalizations, but the results can be compared to results of other studies. According to definitions of Metsämuuronen (2005), Syrjälä et al. (1994) and Marschan-Piekkari and Welch (2004), validity is on adequate level in this study.

Reliability means repeatability of the study briefly described. According to Silverman (2006: 282) reliability refers to the degree of consistency with which instances are assigned to the same category by different observers. Silverman (2006) continues that criteria of reliability can be satisfied in non-quantitative works by making the research process transparent through describing research strategy and data analysis methods in a sufficient way. It can be also satisfied by paying attention to theoretical transparency which interpretation takes place and shows how this produces particular interpretations. Silverman (2006). According to Silverman's (2006) argument, reliability in this thesis was added, since there is clear transparency trough whole thesis.

When the study is reliable, then almost same results can be achieved if the same phenomenon and the consequences of that are studied by using the same research type (Metsämuuronen 2005:65). Challenges for reliability in this study increase the fact that there are not so many exactly same type studies done in Finland. The nature of the recession also increases the challenges of reliability, since there is no one formula to predict next recession or the amplitude of it. So far, almost every recession has been different and the influence of recessions has varied which means that same results are almost impossible to achieve in following recessions. These challenges are responded

by the transparency (Silverman 2006: 282) of entire thesis. This research is partly based on previous studies about recession which increases the reliability. Reliability of this study increases also, because of the case companies when each of them represents different industry. Reliability is also added by the interview of professional of marketing which brings different aspects on the results of the interviews.

5. RESULTS OF THE EMPIRICAL STUDY

In this chapter the results of empirical study are introduced and analyzed. Because the case companies are anonymous, those are named by letters of the alphabets starting from A and ending to E. Interview of professional of marketing is included to analysis of the case companies. Results are discussed by subjects of the interviews. There is also short introduction of every case company in the beginning of the chapter.

5.1. Introduction of the case companies

Company A

Case company A is medium sized company which is operating in wood industry. The interviewed person in this company is Vice President of Marketing and Business development. This company is operating in mainly Europe and biggest market areas are Nordic countries, Baltic countries, Russia and in CEE area with Czech Republic, Hungary, Poland and Germany. The business is divided in that way that Finland represents around ten percent of entire business in total turnover. Main products of case company A are different paper products and main customers are consumers.

Company B

Interviewed person in company B is the co-founder of the Finnish company and today he is also the CEO. Company B is operating in E-commerce business and the main products are personal hygiene products. Company is operating mainly in Finland and it is exporting its products to Sweden, Russia and Estonia. 80 percent from the total turnover comes from Finland and 20 percent comes from exporting. Main customer group is consumers, but small amount of products are also sold to companies like hotels.

Company C

Third case company is operating in furniture and carpenter industry. The interviewee of this company is CEO and one of the main owners of the company. Company C is small company and almost entire turnover compounds from the business in Finland, but company is also selling products to Japan. Exporting to Japan represents only 3 percent from the company's turnover, but company is aiming to increase exporting. Main

customers of company C are public organizations like parish unions, owners of value properties and learning environments like universities. Products for consumers produce around ten percent from annual turnover, but that number is also increasing. Main products of the company are furniture.

Company D

In this company the interviewee is marketing coordinator and the industry is manufacturing and selling of different floorings. Company D is operating in global scale, but the business in Finland is in close relationship with Sweden and the annual turnover of Finland is only some percents from the entire business. Main customers of this company are construction companies, architectures and assembly companies. Consumers are also customers for this company and products are sold to consumers through retailers. Products of this company consist from different flooring systems and requisite accessories.

Company E

Case company E's representative is marketing manager and the company itself is operating in sports equipment business. Main business area of this company is Central Europe where Germany, Austria and Switzerland are in vital role. Finland is also one of the main business areas, but products are sold globally in everywhere. Around 40 percent from the annual turnover comes from exporting. Main customers are big retailers, sporting stores and special stores. Main end users of company E are consumers. Products consist from different sporting and clothing equipments.

Professional of marketing was also interviewed for this thesis to give another aspect from effects of recession. The views of interviewed professional also increase the credibility of the study. This interviewed person is currently working as CEO of association which further the interests of advertisers and Finnish companies which uses advertising and marketing services. Person has been working on this position around 10 years. Person has also gained experience from marketing in previous working places which have been in big consumer goods companies.

5.2. Development in case companies during 2007-2010

In this part of the results there is description about case companies and their development during the years 2007-2010. This time period was chosen since it includes different time periods. Time before recession was year 2007 and year 2008 represents the starting point of recession. In 2009 the impact of recession started to occur in different industries. 2010 is already a year when some companies started to recover and grown again. 2011 was left out since the results from this year are not yet complete.

Every company's development is represented separately, but unfortunately, the wanted information from company D was not available. From company C the wanted information was neither available from year 2007 since company changed its accounting period as equal with calendar year.

First there is the development of company A.

Company A	2007	2008	2009	2010
Turnover m. €	861	930	890	938
Result m. €	35	42	93	50
Personnel	3300	3220	3150	3200

Table 3. Development of company A.

From table 3 it can be easily concluded that from recessionary years, year 2009 was the hardest one in turnover, but it was good if the result is relatively and directly compared to other years. From these numbers can also be noticed that the development of employees is downwards from year 2007 to 2009. It is still good to remember that the number of employees might vary tremendously from many reasons in this size category of companies. Representative of company said that in year 2009 company faced some decrease in sales, but relatively compared to year 2008 the difference was not so significant. Representative also said that the reason to decrease marketing activities was not in recession. Table 3 also proves that what representatives of all companies said in general, that in 2010 there was already some recovering noticed. Representative of company A also said that their products are quite well recession proof and that can be also noticed from this table. As conclusion from company A could be stated that recession did not have major influence on their sales and turnover.

Next the company B's development is introduced.

Company B	2007	2008	2009	2010
Turnover m. €	14,7	16,8	18	20,5
Result m.€	3,5	3,7	3,7	4,0
Personnel	35	40	42	45

Table 4. Development of company B.

Development of company B in table 4 shows that company has actually faced growth from year 2007 to 2010. The development and growth of turnover has been quite standardized and these results do not indicate that company would have faced any problems in sales during these years. Number of employees has also been growing from year 2007. Representative of company stated that they are aiming for external growth and that fact requires increasing the number of employees. Growth of results has been relatively compared almost equal during these years, but during year 2009 there was no increase compared to year 2008. This might be because of recession since it started during 2008, but the still company were able to increase its turnover. Table 4 can be concluded as company's representative put it; recession did not have any major influence on their sales and actually recession was time of growth. These numbers partly prove that increasing of marketing activities can improve the companies' performance during recession.

Company C's development is described in table 5.

Company C	2007	2008	2009	2010
Turnover m. €	-	0,8	0,7	1,0
Result m. €	-	0,064	0,025	-0,001
Personnel	-	1	6	8

Table 5. Development of company C.

In the first place, table 5 indicates that development in company C's turnover has been minor. Representative of company said that the development of turnover has increased and decreased slightly during last years. Now the CEO states that company is seeking external growth from international markets and they want to increase the annual turnover above one million euros, for good. Development in amount of employees also indicates that company is seeking for external growth. Representative of company said that recession does not have influence on their results or sales, but these figures would indicate that it might have some influence. Development in company's result indicates

partly that recession had some influence already in 2008. It is still difficult to analyze whether the recession is the reason for decreased result.

Development of company E is described in table 6.

Company E	2007	2008	2009	2010
Turnover m. €	30,9	28,9	26,3	27,7
Result m. €	-1,5	-1,6	-0,2	0,8
Personnel	73	64	59	57

Table 6. Development of company E.

Company E's turnover turned downwards already before the recession if the numbers of 2007 and 2008 are compared. Representative of company stated that other issues are more important for them than recession. Weather have major role in the sales of company E and that can be seen from the development of turnover in 2007 and 2008. In 2007 weather was not favourable for company E in Central Europe and that had immediate influence. The development in the amount of employees indicates that company did not have good result during years 2007-2010, but too broad generalizations from this development can not be made. These figures partly prove that some companies faced recover already in year 2010, due to increased turnover and positive result in 2010. Representative of company stated that they increased slightly marketing activities during years 2009-2010. This might had positive influence on company's result and turnover.

5.3. Results of the interviews

Results of the interviews are divided to different themes which are based on subject areas of interviews. These themes were presented in chapter 4. First there is general opinion about recession and after that every marketing mix element is covered separately. Finally there is the change of marketing budget and future views discussed.

5.3.1. General view from the effects of recession

Generally recession had only little effect on most case companies and some of them announced that during recession they noticed even some positive effects. There are several reasons for this and there is some variety in the answers due to different nature of the case companies. Biggest differences between these case companies relate to nature of products, companies industry and target customers. Recession had only little

influence for the company A, because different paper products are quite well recession-proof. The CEO of company B said that recession had even positive influence on their sales, since the products are relatively affordable and he thinks that those products are sold more than luxury products during recession. Representatives of companies C and E said also that during recession they noticed some increase of sales because their products are high-quality products and the economic situation do not effect on their customers. Only company D announced that recession had negative effect on their company because their sales are in close relation with constructing and in the beginning of downturn many construction projects were postponed or cancelled.

Already these answers show that recession can effect variously to different companies and there is some disagreement in the reasons. When company B announces that reason for increased sales arise from inexpensive products, C and E states that high-quality products are sold even more during economic downturn. It is obvious that the industry determines a lot between these companies, but there is clear difference in the opinion about the effects.

Effects on marketing in general were also minor. Companies A and D are part of consolidated corporation when the result of other countries had influence on entire marketing budget. These companies faced some decrease in their marketing budget, because corporation decided to cut the marketing budget. In company B recession did not have major influence on marketing in general level because they have their own channels like web pages and their own magazine. Company C announced that marketing in general have been initial stage before this recession that recession did not have influence and company E said that their marketing is mostly based on sponsorship. None of the case companies announced that recession had major influence on their marketing, but it still had some influence.

Almost every company said that there were no major differences between geographical areas in the effects of recession. In company B representative said that actually in one of their main business areas, Estonia, had over 30 percent increase in their sales during year 2008. Other companies announced that they did not have notable differences in sales decrease or increase between different geographical areas. All in all, case companies faced only minor challenges and threats because of recession and they were not forced to do any major changes in their marketing. General reaction for the recession was that every marketing activity was scrutinized more carefully and risky investments were avoided. Case companies wanted invest to marketing activities which

they had been using before and they would know the effect of those specific activities. Companies also announced that other costs than expenditures from marketing were monitored carefully. It could be said that carefulness were increased among these companies.

5.3.2. Effects of recession on product

Recession had only minor influence on product changes and adjustments. All the case companies announced that new product development and modification of existing products is must. Without continuous product development these companies would disappear from the markets. Company A announced that recession had indirect effect on their product decisions when big retailers wanted to grow the size of sales unit and then the price would be more affordable. Company A also avoided and postponed new product launches, because they did not want to take any risks. Company D had increase in their product portfolio during 2008, but the increase happened because of acquisition. Earlier studies showed that product related decisions can play vital role in recession. Product development found to be good cost during recession and emphasis on that matter also improved companies' market share and sales after recession.

According to professional of marketing product development and distribution channels are investments which are difficult to change or stop entirely. Professional of marketing continues that recession rarely effect straight on these elements, because those are considered as fixed cost. These elements are also considered as long-term investments, but previous studies like Dugal & Morbey's (1995) research found that investing more on R&D can have positive effect on sales even during recession. Many of the case companies are still executing R&D, but none of them announced that they had increased R&D investments. Case companies neither did adjusted the old and already existing products as reaction for recession. As conclusion from product related decisions could be said that case companies did not consider the product decisions as a solution for the challenges of recession. Case companies wanted to maintain their products mainly same as before recession.

5.3.3. Effects of recession on price

Every case company of this thesis announced that recession did not have direct influence on their pricing decisions. Prices were changed in some companies, but recession was not the reason for that. Representative of company A said that recession

had indirect influence on their pricing due to pressures from big retailers to lower the prices. Representative continues that pricing can not be changed too much according to recession since other elements which have influence on pricing like product development are long-term investments. In other words, differentiation in price is difficult during recession since recession is still short-term influencer. Company D's representative said that they increased the prices in year 2009, but the reason was not the recession. They had to raise the prices since there was increase in the prices of raw materials. Company B also raised the prices in 2009 by three percent on average, but their reason was the currency changes of euro since they have sales in Sweden and some other European countries which have different currency than euro. Companies C and E said that recession did not have any influence on their pricing decisions.

According to professional of marketing companies do not easily change their pricing during recession. Companies which changed and lowered their prices are the companies which offer marketing and advertising services for other companies. These companies are forced to cut the prices that they can reach full capacity. This pricing is indirect consequence from recession when companies tend to cut expenses from advertising and marketing communication. On the other hand this kind of pricing in media offers a chance for companies to get coverage with lower expenses. None of the case companies announced that they would have used this opportunity. Representative of company A was well aware about the lower prices in advertising but they still did not use the chance. This kind of decisions can be interpreted as general caution which all of the case companies had in decisions when recession began in 2008.

5.3.4. Effects of recession on distribution

According to previous studies recession has only little effect on distribution related decisions. As mentioned earlier, in general companies consider distribution channels as long-term investments and those are difficult to change in short-term. For these case companies' recession had also only little effect. Company A announced that they wanted to make some cuts for expenses but these cuts were not directed to distribution channels. Company A made some cuts on administrative costs with some limitations for travelling and with recruiting prohibition. Reason for this is that the products still needs to be delivered for customers and that can not be diminished or otherwise customers will suffer from the expense cuttings. Representative of company B said that there is always a need to decrease expenses, but they did neither direct these on distribution channels. Actually company B found that recession had positive effect on their

distribution decisions when the companies in logistics business were even eager to negotiate about contracts and prices of logistics services. Company B did not have to make any major changes in distribution decisions because of recession.

Company C announced that they actually increased their sales channels for consumers. They used more big retailers in furniture business to reach even more consumers, but this decision was not a consequence from recession. Recession did not have negative impact on distribution decisions in company C and one reason for that is that they have done long co-operation with same partners. Company D made one big decision in 2008 when they shutdown one factory in Sweden and they moved the production to already existing factory in Netherlands. According to representative this decisions was not influenced by recession and it was made in order to make some general cost cutting and to concentrate the production to most suitable locations. Representative of company E said that they are in lucky position that they were not forced to make any changes for distribution.

From these answers can be concluded same kind of conclusion like from the previous studies; recession has only little effect on distribution decisions. Most of the case companies still admit that most of the time cost cuts are on table. These cost cuts are just not usually directed to distribution channels and logistics, because companies are afraid that customer might suffer from these cuttings. Only company B announced that recession had positive effect on their distribution and logistics. On the other hand, none of the companies announced that they tried to differentiate their distribution to achieve competitive advantage. Companies' careful attitude towards any investment during recession might have strong influence for this matter.

5.3.5. Effects of recession on promotion

Promotion and marketing communication are usually the first elements which can feel the cuttings of costs during economic downturn. Professional of marketing agrees this general view and adds that this also started during 2008. In the beginning of downturn companies started to cut expenses from advertising and marketing communication, but companies also started to seek other, less expensive, methods for communication. According to professional of marketing this recession speeded up that companies started to use more electric channels and social media in their communication. Even though the recession has speeded up the change of advertising and marketing communication, the change is happening all the time from traditional channels towards more electric

channels and social media. Previous studies have proved that companies should consider promotion thoroughly during recession. Some of the previous (Roberts 2003, Köksal & Özgül 2007) studies have found that emphasising of advertising and marketing communication can have positive effect on companies' performance during recession and after it.

Case companies said that they have not made any major changes to promotion related decisions. Company A again faced the pressure of big retailers in promotional aspect when they wanted more promotional activities towards consumers. Company A also assumes that promotional activities like sales promotion, gifts, free samples and competitions will bring profits faster than traditional media advertising which will strengthen the brand. This is still quite controversial when company same time says that they were also very careful in investing sales promotion and this was straight consequence from recession. There was no major cuts in promotion activities, but every spend euro on these activities were scrutinized more carefully in company A. Training of employees were cut from year 2008, because the benefits of training are so hard to measure according to company A.

Company B announced that they made some changes to their promotion during years 2008-2010, but the changes were not made because of recession. They have their own web pages which are the main form of their advertising and the release of new web pages happened same time when economic downturn started. Another way of marketing for company B is their own magazine and they did not made any changes for that. Sales promotion activities like free samples, gifts, competitions and product demonstrations are normal activities for them and they did not made any changes for those activities. Representative of company B said that they are changing and modifying their promotional activities all the time somehow, but recession did not have any influence on that. Actually they saw growth of sales in years 2008-2010 and representative continues that recession have had only positive effect on their sales.

Companies C, D and E said that pure advertising is not in big role in their marketing and they also said that there were no major changes made in advertising and marketing communication. Representative of company C said that advertising is not their main channel to reach their customers and they actually increased the amount of press releases. Company C had done their marketing through personal connections before, but now it is changing more due to new CEO. Recession did not have influence on the matter that company is increasing its marketing activities. In company D recession had

influence that they started to scrutinize more carefully the costs of promotion material and advertising. One main channel to promote their products for company D is the model folders which also construct the main cost of their promotion activities. Company D have counted more carefully the amount of these model folders and in general they have considered of reducing the promotion costs by transforming those to electric form. Another change in their promotion is that they do not go in fair trades and that decision is also made in sense to achieve some savings in promotion costs. These changes were made because of recession.

Company E announces that they do not have to promote their products through advertising, because their products are well known Finland. Company E's products are also so well promoted through retailers that they do not need their own separate advertising and that is the reason that recession had only little effect on their advertising decisions. Controversial still is that company E announces that they wanted to add their presence in different fair trades and they consider it as very important, as same time company D announced that they wanted to cut expenses from that activity. One reason for that difference might be that there is different amount of fair trades between different industries. Companies' promotion strategy naturally has strong impact on this matter. Using of different promotional activities like gifts, competitions and free samples happens through retailers and there have not been any changes because of recession. Sponsorship is one of the main activities of company E and that has been also scrutinized more carefully and the targets of sponsorship have been selected accurately because of recession. Company E made some adjustments for their promotion strategy because of recession, but there were not any major changes.

The view of professional of marketing could be seen in many of these companies. Marketing communication is usually the first place where companies cut expenses, because that is the easiest part to make some cuttings. Used assets are usually scrutinized more and more carefully and this was also seen from the case companies down the line. In promotion activities carefulness and small cuts in the expenses prove that recession had some influence on case companies' promotion decisions. Positive effects from added promotion activities during recession were found from previous studies (Roberts 2003, Köksal & Özgül 2007) and that's why companies should consider emphasising promotional activities. On the other hand, professional of marketing said that often the economic situation of company does not enable to increase the promotion budget during recession.

5.3.6. Effects of recession on marketing budget and future views

Case companies were asked that did the total marketing budget face some changes because of recession. Two out of five said that they cut the marketing budget and other three announced that they increased the marketing budget in years 2008-2010. Companies A and D announced that they decreased the marketing budget and companies B, C and E said that they have increased the marketing budget.

Representative of company A said that 2008 and 2009 company made smaller cuttings than in year 2010. According to representative reason for the bigger retrenchment in 2010 was not because of recession. Reason for that was in company's long-term strategy and recession had only small influence on that matter. These retrenchment activities were not made in a sense to achieve some particular effect. Company's representative continues that cost efficiency and accuracy were emphasised in company's activities during recession. In general, company did not try to achieve any specific effects with moderately changed marketing activities. Aim was only to achieve some cost savings in general. Company A's result and profits were neither changed dramatically during years 2008-2010 compared to time before recession.

In company D representative mentioned that they cut the expenses from marketing budget in years 2008-2010. According to representative these retrenchment activities were not targeted to one specific area, rather than cutting the entire budget. The final decision was left to marketing coordinator of Finland which could choose the specific targets for retrenchment. Company D believes that these retrenchment activities do not have any major influence on company or its profits. Same time they think that when marketing budget is decreased, many mumbo-jumbo and nonsense activities are cut out. These activities are usually done only because company have loose assets during economic boom. Finally company D's representative says that it is much more important that sales representatives have appropriate tools which they can use than use assets on other marketing activities.

Company B's representative said that they actually increased the marketing budget during years 2008-2010 compared to years before recession started. The main reason for the increase of marketing budget was in long term strategy which aims to external growth. Recession was not the major reason why company increased the marketing budget, but actually company B have faced growth in turnover and also in profits during these recessionary years. Even more detailed, in year 2009 company achieved its best

result ever. In other words, recession has been time of growth for company B even though they have not made small changes to their marketing activities because of recession.

Company C and E also announced that they have slightly increased their marketing budget during years 2008-2010. In company C the main reason for the increase is that they have new strategies for the future. Their strategy is also to achieve some external growth since so far the company's turnover and main customers have been somewhat same last years. They have increased the marketing budget and they have started to seek new customers from new customer segments and that is long-term strategy. Recession did not have influence on those long term decisions. Representative continues that these increases in marketing budget and activities do not directly effect on their old customers, but they hope that they will reach new potential customers with the increased marketing activities like press releases and presence in social media.

Company E said that their marketing budget have increased because it is in immediate relationship with turnover. Their turnover has grown slightly and that's why they have also increased marketing budget. According to representative of company E recession did not have direct influence on their marketing budget. Representative continues that the measurability of benefits from specific marketing activities like advertising is very difficult. Company E thinks that it is natural that they invest more on marketing activities if company's turnover is growing like during these recessionary years.

Many of case companies state that their marketing is changing after and during this recession, but recession is not the reason for the changes. Company A's representative say that they do not actually know that which direction marketing in general is heading for. In their thoughts the role of consumers is growing and companies can not anymore rely only on pull strategy and waiting for that consumer will react for that. Today consumers can get information from companies and products through electronic channels in any time and place they want. Social media and electronic channels have enabled the increase in customer's role. According to company A, we are in breaking point and no one knows how the role of marketing will change in few years. This is the reason why they do not know by themselves that how their own marketing will change.

In general the representative believes that recession is a threat and opportunity for companies. Opportunity it is because there is clear evidence from the recession of 90's that companies which can invest more on marketing during recession will increase their

market share. Threat it is because in general consumers come more cautious with spending and that can have effect on companies. In company A opinion is that companies should focus on the core business and cut all unnecessary activities away during recession. Recession is also considered as opportunity because then companies need to challenge the efficiency of their activities whether it is marketing or not.

In companies B,C and E marketing in general will also change and the main reason is not recession. In company B the reason for the change of marketing activities is the need to develop their own marketing channels. In company B, own web pages and their own magazine are the main channels and company wants to develop these channels to more interactive. Company wants to be in close interaction with customers and collect more information from customers about their products. In other words, recession is not the reason for this change of marketing activities. In company B recession is seen more as opportunity for companies since companies need to go through their own activities and consider the effectiveness of those. For company B recession has always been fortunate period because their products are relatively affordable and consumers can afford to buy their products. CEO of company B finally states the same as in company A, that general effectiveness of every activity should be emphasised during recession.

In company C the reason to change marketing activities is in general growth objectives. Company is aiming external growth in international markets and that is the reason why they are increasing marketing activities in general. Marketing activities are not changing so radically, but the frequency of used marketing activities is growing. Company is also ready to modify their products in a sense that international penetration is easier. For company C recession had only minor influence and it did not have influence on their future plans either.

In company C recession is considered both as threat and opportunity and reasons are same as in company A and B. Threat it is because indirectly recession can effect on companies general income level and opportunity it is because recession offers a possibility to grow. According to company C's representative they have good chances to grow since there is always a market for high price and high quality products, whether it is economic downturn or not. This answer is quite conflicting with the answers of company B and E which emphasises the success of relatively affordable products during recession. In company C general opinion is that during recession it is important to keep in customers mind and emphasise the existence of own products and services.

Company E will also change their marketing activities after this year and the main reason for that is the development of their general strategy. Marketing activities are changed also because they are changing the cooperation companies. Recession did not have any major influence on these decisions. Recession is seen more as opportunity in company E because it gives good reason to pick up the slack and allocate resources better. These actions will cut the unnecessary activities and enhance the performance of the company. According to representative of company E it is important to encourage consumers for spending to avoid the boost of economic downturn. In the end representative states that their marketing activities in Finland are concentrating more to strength the brand and activities in international markets are focusing to achieve penetration in new market areas.

In company D situation is expectant and the reason is in current situation of entire world's economy. Company's representative says that they do not know exactly how economic situation will develop in the near future. If the economic situation will develop negatively it can also occur in company's marketing budget in the future, but in next year there will not be any major changes. Company D considers recession only as threat as they are operating in construction industry and there economic downturn can only mean threat. According to representative recession usually occur first in the construction business and the construction in general decreases. Company D emphasises the meaning of sales persons during recession and especially the tools of sales persons. They think that it is vital for the company that sales representatives have proper and supporting tools in their job. Marketing in their consideration means the support for sales persons and that is quite conflicting with the opinion that some marketing activities are nonsense. Conflicting is also that company D announces that they do not want to cut expenses from marketing activities which support sales persons.

According to professional of marketing the general line of marketing has changed all the time, not because of recession. Biggest influencer for the change is the development of communication channels. Today consumers and customers can use electronic channels to find information, products and services. They are not anymore dependent about time and place rather than having more control. This view is in same line with company A's representative and they also share the same opinion that social media has also increased the role of consumers. In general development of marketing this might mean opportunities for varying range of companies, not just for those who can invest lots of assets on pull strategy and advertising. Professional of marketing emphasises that recession had only minor or no role at all for this development.

Professional of marketing says that recession is time of opportunities for most of the companies. During the recession marketing communication is the way how companies can differentiate themselves from competitors and recession is time for make the difference. Professional continues that there is many good examples in Finland from the recession of 90's when some companies increased their marketing activities and they faced increase of sales or market share. Kotler and Caslione (2009) also argues that time of recession is time opportunities. There are also studies from other countries which have same kind of result that companies emphasising marketing will keep or increase their market share. Professional of marketing continues more that important is to observe competitors and their actions and then consider changes in own marketing activities. In the end, the professional of marketing reminds that even though history has clear evidence that increased marketing activities can improve the performance of companies in most of the cases companies do not have extra resources to do that.

6. SUMMARY AND CONCLUSION

This chapter makes the final summary about the study and concludes entire thesis. From the results of empirical part there is given the practical implications for managerial level considerations. In the end of the chapter there is suggestions for future research possibilities concerning same topic.

6.1. Summary of study

This thesis was researching that how recession affects on companies from the marketing point of view. Recession as phenomenon is multi dimensional and recently it has been topical theme in news papers and media around the world. Origin for this thesis came from the column of Cilla Bhowse (2009) in Kauppalehti which was discussing about the marketing investments of Finnish SME's. In the column there were opinions of CEO's from big marketing and advertising agencies which said that most of the Finnish companies do not consider marketing as long-term investment rather than cost. When companies consider marketing as occasional costs, it is clear that they can easily cut the expenses from marketing activities when the economic period is not most favourable. This column was made on the basis what happened already in 2008 when world wide economy started to turn downward and this raised the interest of researcher. Topic came even more interesting, because there had been made some researches earlier and those had found that increased marketing activities can help to survive better from recession. From this point of view the research gap for this research was clear.

The purpose of this research was to study if companies are affected from the recession and if their marketing related decisions were changed due to recession. Aim of this thesis was to study through case companies if companies change their marketing activities in a particular way to achieve some specific effect. Based on this purpose the research problem was conducted and it was that

Will companies change or adjust their marketing activities due to recession to survive better from it?

In every thesis the research problem is linked with the objectives of the study. In this thesis the objectives were divided to theoretical and empirical objectives. Theoretical objectives were:

- To analyse and compare relevant and similar studies concerning marketing activities during recession
- To construct from previous studies and from marketing literature theoretical model of possible adjustments in marketing activities during recession

Empirical objectives are:

- To interview decision makers of case companies about the effects of recession on companies marketing activities during 2008-2010
- To analyse the results of the empirical study and compare them to theoretical model

First theoretical objective was approached by gathering similar studies from electronic sources of University of Vaasa and Helsinki School of Economics. Libraries were also used from these universities to find similar studies from traditional sources. Many of similar studies were drop out because of the age of research. In the analysing of studies from similar topic, there were found not so many studies which would have focused purely on marketing mix elements during recession. Finally nine studies concerning similar topic were chosen to closer scrutiny. All these nine studies were finally chosen for constructing the theoretical model. These studies represent four different countries and two different continents. The level of internationalization in previous studies was good, but if there would have been found relevant study from Asian country, it would have increased the level of internationalization even more. After all, analysing and choosing of relevant previous studies were conducted properly.

For the second theoretical objective the basic literature of marketing management offered the basis. Marketing itself as a concept and theory is too wide to handle in master's thesis and that is the reason why the literature was limited to marketing mix. Entire Marketing mix theory is also wide, but in this thesis the analysis of marketing mix was concentrating to most relevant parts of mix elements which emphasises during recession. One previous study which was conducted by Jyrki Holappa (1997) took the marketing mix elements as a base for theoretical part and this also assisted in the constructing and choosing the basic literature in this thesis. Marketing mix theory is one of the most notorious theories in the field of marketing which means that it is well known in the academic as well as in business fields. Phillip Kotler's and Gary Armstrong's *Principles of Marketing* (2006) were used mostly as a basic theory for this thesis.

Constructing the theoretical model from previous studies and basic literature of marketing management was conducted well. One of the biggest challenges in constructing of general theoretical model was the nature of recession. Recession is always a unique when it occurs and that is increasing the challenge to create general theoretical model for the possible adjustments in marketing activities. Previous studies and the relevance of those offered a great assist in constructing phase and in the end the created theoretical model is rational and proper. Two theoretical objectives were achieved in this thesis.

Empirical objectives of this study were also divided for two separate objectives and the first one was approached first by the selection of possible case companies. The selection procedure was conducted with assistance of news papers, company reports, economic journals and magazines which offered information about companies. These sources offered information that how companies are reacting to recession in general and that information helped in mapping of potential case companies. Potential companies for interviews were contacted by phone to get personal contact with decision maker. All the answers and persons were guaranteed to keep anonymous in this study and that fact helped out to achieve adequate amount of interviews.

Finally five companies with different size and from different industries were included for the empirical part of study. In addition there was also an interview of professional of marketing included for the empirical study to give more credibility and variety for the answers and for entire study. The selection of professional of marketing was done by scrutinizing different organizations, associations and academies and the staff of those institutes. Finally proper person for this role was found and person finally agreed to participate for this study from neutral point of view.

After the selection procedure the selected persons were interviewed by face-to-face and some of them were interviewed via telephone due to limited time and resources. Interviews were executed between May and August in 2011. Subject areas for personal interviews were partly based on the previous study of Jyrki Holappa (1997) and his master's thesis assisted in the construction process of interview questions. Interviews were semi-structured which does not restrict the answers of interviewed persons and it also guarantees the minimal role of interviewer in the answers. All the interviews were made in decent time frame to guarantee the relevance of answers. Selection and

execution of the interviews were done adequately and that fact enabled the proper analysis of the interviews.

6.1.1. Summary of results

In general all the case companies announced in interviews only minor or no changes at all in their marketing activities due to recession. There were neither any major adjustments made in marketing activities to achieve some specific effect. On general level case companies came more cautious with decisions and investment. Cautious attitude was not directed only to marketing activities rather than to entire business. Big decisions and investments were postponed and every function was scrutinized more carefully. In the interviews representatives revealed that some changes were made in marketing activities during recession, but in most of the cases recession was not reason for changes. Some of the companies faced indirect influence from other parties of their network and that's why were forced to do some changes.

Representatives of case companies also announced that they do not consider recession as big threat and that kind of influencer that they would have to change their marketing activities. Other way round, representatives do not consider recession as big opportunity which is time for big investments. They consider recession more as opportunity to cut expenses from unnecessary activities, but not as time period to increase marketing activities and marketing budget. Many of interviewed persons admit and are aware about the possibilities of recession which history has shown. Still, these companies do not increase marketing activities or marketing budget during recession and reason for that is in inadequate resources or lack courage. Professional of marketing also argued that in most of the cases companies are aware about the possibilities of increased marketing activities during recession, but they do not have enough resources or courage to increase it.

Case company A's marketing activities remained almost on same level as before economic downturn, but it was slightly decreased. In product related decisions company made some adjustments because of indirect influence from retailers which wanted to have bigger sales packages, so company adjusted the size of sales units. Product development was done normally as before recession and other changes were not made on product related decisions. Pricing was also changed slightly because of pressures from retailers to make the sales units bigger when the price would also appear cheaper. Recession is not the reason to make changes for pricing in long-run, but in this case

recession had indirect influence on pricing. Distribution was not changed in company A, because they consider it as long-term investment and anyway products need to be delivered for customers. Promotion related decisions were influenced directly because of recession and company A considered more carefully the used sales promotion tools. Company tried to cut expenses from samples, competitions, gifts and product promotions. Clear decrease was also in sales persons and employees training, because benefits from this action are difficult to measure and it is more like long-term investment.

All in all, company A slightly decreased its marketing activities and marketing budget during years 2008-2010. Company's representative still reminds that recession was not major reason for changes rather than having indirect influence from other participants of their network. Company A's products are also quite well recession-proof, which means that business cycles do not affect so much on the consumption of their products. Company A announced that they tried to cut expenses from administrative costs like travelling and recruiting. In general, the biggest influence of recession was that company scrutinized more carefully every action, whether it was marketing or not. There was some inconsistency in the company's opinions when they announced that long-term investments can not be changed during recession to have short-term effects. Training of employees is commonly considered as long-term investment, but company A wanted to cut expenses from this activity. This case proves that cutting the expenses might have bigger role in economic downturn in general and the targets of cuttings can vary.

Case company B increased its marketing activities during recession, but the CEO of the company announced that recession was not major reason for the changes. Company faced even increase of sales and growth of turnover during years of economic downturn. Company's CEO said that economic downturns usually have been beneficial for them since they have not faced any major decrease of sales or turnover. According to CEO reason for this lies behind of their products since those are moderately affordable and that's why consumers will buy those even more during rough economic periods. CEO continues that big investment decisions are more easily postponed when times are unstable, but their products are still acquired despite the stage of economy. This view is consistent with the professional of marketing who also states that state of economy rarely have big influence on buying decisions such as cosmetics. Actually economic downturn can have positive effect on the sales of affordable products, which are bought as refreshing and cheerful goods, such as personal cosmetics and magazines.

Company B has their own channels which they are mostly using to promote and advertise their products. These channels are their own web pages and their own magazine, which means that they do not use so much external marketing activities like advertising through advertising agency. Company B has still developed their own marketing activities and they have increased marketing budget. In product development company was developing new products and product categories, but timing of these happened to be same time with recession. This company changed their pricing by small increase in general prices, but this was done because of currency changes in Europe.

In distribution decisions company B did not make any changes, but they said that it was easier to negotiate about contracts and prices, because of recession. Promotion was also increased as they were developing new web pages during recession and that also happened to be same time with rough economic period. Other sales promotion tools as free samples, gifts, competitions and product promotions were used as normal and the amount of those were slightly increased. Changes made were not so big, but company B announced that they increased their marketing budget during years 2008-2010. CEO of the company still reminds that the increase in marketing activities was not made because of recession. Increase in marketing activities was made, because of general strategy which aims to external growth.

In case company C marketing activities were also slightly increased. As well as in company B, reason was not the recession. Company C's representative said that main reason for increased marketing activities was the development in company's staff. Before new CEO, company C had done the marketing mostly through personal relationships. New CEO has developed general strategy for the company and that aims for external growth. For many years company have been on same, relatively stable, level in turnover. New CEO has created strategy where company grows for another level, for good and that has been the main reason for increase in marketing activities.

Product development was done all the time in company C during the recession, because without new product development they would fade away from the markets. In pricing there were no changes made, but in distribution related decisions company added sales channels through big furniture retailer. Company C increased their promotion activities by adding presence in social media and they increased amount of international press releases. The latter one have already increased the knowledge about their name in international markets. CEO of the company said that recession and usually economic

cycles have only small effect on their activities. CEO also believes that the increased marketing activities have not influenced on their old customers, since they have known the company for long time. CEO continues that hopefully these added marketing activities will bring new customers and it will assist in international markets.

Opinions of company B and E are slightly inconsistent with the opinion with company C's representative. Company C's representative thinks that high-end and high quality products have always markets despite the state of economy. Company B's and E's representatives think that affordable products have always good markets, even though there would be economic decline. They justify the opinion in a same way as do professional of marketing; big investments are postponed more easily during recession than relatively affordable products. These differences are explained partly by totally different industries where companies are operating. In the end, company C's representative also state that recession was not reason for changes made in marketing activities.

Case company D is totally different from other case companies since they consider recession only as threat. Threat it is, because company D is operating in business area which is highly linked to construction business. Company D's representative said that recession had negative influence on their company since the level of sales turned down alongside level of general construction. When sales turned down, company had to also cut expenses from marketing activities and costs. These cuttings were not so big after all and company's general opinion is that decrease of marketing activities have not influenced on sales.

Product development was done as before recession and year 2008 also in company D. The product category was increased through international acquisition, but this was not made because of recession. Pricing was not changed during recession since that element is mostly changed because of growth in price of raw materials. Company D made one big change in distribution by shutting down one factory in Sweden and moving the production to Netherlands. Main reason for this was the concentration of production, not in recession.

Promotion activities were cut during recession by not participating to fair trades and the amount of used sales promotion tools like samples, gifts and product promotions were also decreased. According to representative of company D the total marketing budget were decreased during years 2008-2010. Opinion of company D is that by cutting the

marketing budget lots of nonsense and mumbo-jumbo is cut off. These unnecessary nonsense marketing activities are done in company D only when they have extra assets.

Company E increased their marketing budget slightly during recession, because their turnover increased also and that enabled to grow the marketing budget. Company E have general strategy where company is achieving growth in international markets and this was the main driver for increase of marketing budget. Representative of company E said that recession does not directly effect to their sales and sometimes it can even have positive effect. Recession can effect positively to company's sales because expensive investments like cars and houses are postponed, but their relatively affordable products are still bought. According to representative, consumers can invest even more on company E's well-being products during rough economic period. Representative continues that weather has the biggest influence on their sales and recession does not have that big influence.

Company E kept the product development going on despite the economic downturn and they did not made any adjustments on their existing products. This was same as all of the other case companies that product development needs to go on despite the state of economy or otherwise company will die from inside. Representative of company E announced that they were not forced to do any changes for pricing and distribution.

Company E increased promotion activities by increasing the presence in trade fairs and especially in those one which have professionals. Sales promotion tools such as free samples, gifts and competitions were slightly increased, but the use of these happens through retailers. Sponsorship is also in important role for company E and they wanted to define more the existing targets of sponsorship and possible coming targets for sponsorship. Finally, the representative of company E state that they increased the total amount of marketing activities, but the reason was in general strategy. According to representative the benefits from increased marketing activities are difficult to measure and that is the reason why company does not increase the marketing budget especially during recession.

All the answers from the case companies were put together to have clear picture about the changes. These changes are described in the table 7. The last column describes the total amount of marketing activities.

Company	Product	Price	Distribution	Promotion	Marketing activities
A	Changed	Changed	Not changed	Changed	Decreased
B	Changed	Not changed	Not changed	Changed	Increased
C	Changed	Changed	Not changed	Changed	Increased
D	Changed	Changed	Not changed	Changed	Decreased
E	Not changed	Not changed	Not changed	Changed	Increased

Table 7. Summary of changes in marketing activities.

6.2. Conclusion

All the answers from case companies prove that recession do not have significant influence on the companies marketing activities. For these companies other factors than recession has more significant role. General strategy and marketing strategy are in vital role when companies consider of making some changes. Most of the companies announced that recession was not the reason for increased marketing activities. Only company D announced that recession had that kind of influence that they decided to cut expenses from marketing activities. Companies which slightly increased marketing activities and marketing budget announced that general strategy was the reason. These companies were achieving external growth and some of them were striving growth in international markets. Results of this study indicate that other factors than recession have more significant role in companies marketing activities related decisions.

Despite the minor significance of recession in this study, there are still some signs that increased marketing activities can have positive effect. Company B increased its marketing budget and activities during years 2008-2010 and it faced the growth of sales and turnover. CEO of the company said that recession was not the reason for changes, but company still increased its activities and it turned out to have positive effect. Professional of marketing stated that recession is time for make the difference. Recession is time period when many companies cut out their marketing activities which means also that they are out of sight and out of mind. This activity opens possibilities for other companies to achieve more visibility with less effort and this company B actually did. Even though CEO said that increase of activities were minor, it assisted company B to grow in sales and turnover. This case indicates that companies should at least consider increasing of marketing activities during recession. Activities can also be increased without increasing of marketing budget by prioritization.

adequately and this research also answered for the research problem. Too broad generalisations can not be concluded from this study since the scope of the study. As final conclusion can be stated that companies do not change marketing activities due to recession and other factors have more influence on companies and their marketing activities.

6.3. Practical implications

Managerial level implications are difficult to define for time period of economic turbulence, because the nature of the phenomenon. As stated many times before, recessions are almost every time different. Parkin et al. (2003: 705-706) have argued that there is no correlation between the length of an expansion and the length of the preceding recession. After examining the business cycles on last century Parkin et al. (2003) state that there is no one model or simple explanation for the business cycle. In addition they mention that at this moment there is no available way how the next turning point could be forecasted. These points indicate that how difficult phenomenon recession is and that's why managerial level implications are also difficult to suggest.

Final conclusion from this study was that other factors than recession have more effect on companies. Still, some of the changes made by case companies can be developed. Company B increased its marketing activities during years 2008-2010 and company also faced increase of sales and turnover. According to company's CEO the reason for changes were not in recession, but still the increase had positive effect. Increase of marketing activities in company B happened mostly in promotion element by adding more communication with customers and adding sales promotions. Professional of marketing stated that many times the real situation and budget does not allow companies to increase marketing activities. As mentioned before, increasing of marketing activities does not necessarily require the increase of budget.

One way to execute innovative and affordable marketing is guerrilla marketing. Jari Parantainen (2007) introduces the main idea and basic principles of guerrilla marketing in his book *Sissimarkkinointi*. According to Parantainen (2007: 19) marketer which is executing guerrilla marketing is usually searching problems and then he solves them. Parantainen (2007: 20) continues that basic principles of guerrilla marketing is to learn customers consuming behaviour, combine many marketing methods as one efficient wholeness and exploit many affordable methods to increase the visibility. Recession is usually a time period when companies face the problem that there is less assets to use,

but still it is vital to stay on sight. Guerilla marketing could be one solution for companies to increase marketing activities with minimal costs.

There is no one clear solution how companies could increase their marketing activities during recession to achieve real benefits from it. As John Quelch (2008) argued in his column that now it is not a time to cut marketing spending. He continues that it is well documented in history that increasing of marketing during recession can improve companies' market share and return of investment at very low cost. Pankaj Ghemawat (1993) gives also his own opinion for this discussion when he argues that not investing during recession is competitive risk. The competitive risk of not investing during recession should be compared to risk of investing during recession. Ghemawat (1993) points out that companies not investing in general during recession, have faced lasting competitive disadvantages. Referring to Quelch, (2008) this study has also indicated that companies should at least reconsider of their marketing activity decisions during recession.

6.4. Future research possibilities

This study has proved that recession is wide and multidimensional phenomenon. The effects of recession for companies are as well difficult to study and measure. As Parkin et al. (2003) stated that recession is difficult to measure and study, it confirms also in this study. This study was conducted as qualitative study to have difference in previous studies about same topic. Most of the previous studies which had been chosen for the theoretical part of the study were conducted as quantitative study. For qualitative study the results were adequate, but the accurate financial numbers and statistics were left out from this study. More defined analysis could have been made about the financial numbers of the case companies and that could have increased the credibility of the final results.

This research offers adequate base to continue to study the changes in marketing mix elements during recession. Changes made in marketing activities are interesting area to study, but to analyse the real effects of changes would require more facts. Statistical and financial analysis should be included for the next phase and it could be conducted as quantitative study. In deeper analysis there also should be clear limitation in the size, industry and for the level of internationalisation in the involving companies. Statistical analysis based on clear quantitative data would also increase the credibility and reliability of the study. It is also important to mention that the state of world's economy

has changed already during of this writing process. At this moment, the state of economy is even more unstable than in the beginning of this study and there is no clear signs that which direction it will develop. This fact increases the interest even more towards this topic.

REFERENCES

- Alasuutari, Pertti (1995). *Researching culture. Qualitative Method and Cultural Studies*. 1st ed. London etc.: SAGE Publications Ltd. 208 p. ISBN: 0-8039-7830-8.
- Albaum, Gerard & Duerr, Edwin (2008). *International Marketing and Export Management*. 6th ed. Essex: Pearson Education Limited. 680 p. ISBN: 978-0-273-71387-6.
- Bhose, Cilla (2009). *Marketing as investment for SME's*. Kauppalehti [16-02-2009], 24. Helsinki: Alma-media.
- Chaston, Ian (1999). *New marketing strategies*. 1st ed. London etc.: SAGE Publications Ltd. 199 p. ISBN: 0-7619-6201-8.
- Czinkota, Michael R.; Ronkainen, Ilkka A. & Moffet, Michael H. (2005). *International Business*. 7th ed. Ohio: South-Western. 782 p. ISBN: 0-324-22532-6.
- DeDee, K.J. & Vorhies, D.W. (1998). Retrenchment activities of small firms during economic downturn: an empirical investigation. *Journal of Small Business Management*. 36:3. 46-61.
- Dugal, Sanjiv S. & Morbey, Graham K. (1995). Revisiting corporate R&D spending during a recession. *Research Technology Management*. 38:4. 23-27.
- Geroski P.A. & P. Gregg (1997). Coping with recession: UK company performance in adversity. Cambridge: Cambridge University Press. 198 p. ISBN 0 521 62276X.
- Ghemawat, Pankaj (1993). The risk of not investing in recession. *Sloan Management Review*. 34:2. 51-58.
- Goodell, Phillips W. & Martin, Charles L. (1992). Marketing strategies for recession survival. *The Journal of Business & Industrial Marketing*. 7:4 [online]. [cited 2009-06-02], 5-16. Available from Internet: <URL: <http://proquest.umi.com/pqdweb?did=573586&sid=4&Fmt=3&clientId=23361&RQT=309&VName=PQD>>.

- Grönfors, Martti (1985). *Kvalitatiiviset kenttätutkimusmenetelmät*. 2nd ed. Juva etc.: WSOY. 233 p. ISBN 951-0-11339-5.
- Hackely, Chris (2005). *Advertising and Promotion. Communicating Brands*. 1st ed. London etc.: Sage Publications. 264 p. ISBN 0-7619-4153-3.
- Hirsjärvi, S.; P. Liikanen.; P. Remes & P. Sajavaara (1986). *Tutkimus ja se raportointi*. 1st ed. Jyväskylä: Kirjayhtymä Oy. 169 p. ISBN 951-26-2921-6.
- Holappa, Jyrki (1997). Master's Thesis: Export marketing mix elements under target export markets' economic fluctuations. Vaasa: University of Vaasa.
- Holstius, Karin (1984). Does it pay to invest in export marketing during recession? *The Finnish Journal of Business Economics* (Liiketaloudellinen Aikakausikirja) 33:3, 303-309.
- Jobber, David (2004). *Principles and Practice of Marketing*. 4th ed. London etc. McGraw-Hill International Ltd. 942 p. ISBN 0-07-710708-X.
- Kim, Peter (1992). *Does Advertising work: A Review of the Evidence*. *The Journal of Consumer Marketing*. 9:4, 5-21.
- Koskinen, Ilpo, Pertti Alasuutari & Tuomo Peltonen (2005). *Laadulliset menetelmät kauppatieteissä*. Jyväskylä: Gummerus Kirjapaino Oy. 350 p. ISBN 951-768-175-5.
- Kotler, Philip (2003). *Marketing Management*. 11th ed. New Jersey etc.: Pearson Prentice Hall. 706 p. ISBN 0-13-0497150.
- Kotler, Philip (2005). *80 konseptia menestykseen*. Jyväskylä: Gummerus Kirjapaino Oy. 205 p. ISBN 952-5592-08-1.
- Kotler, Philip & Armstrong, Gary (2006). *Principles of Marketing*. 11th ed. New Jersey etc.: Pearson Prentice Hall. 651 p. ISBN 0-13-146918-5.
- Kotler, Philip & Keller, Kevin L.(2009). *Marketing Management*. 13th ed. New Jersey etc.: Pearson Prentice Hall. 816 p. ISBN 978-0-13-135797-6.

- Kotler, Philip & Caslione, John A. (2009). *Chaotics: the business of managing and marketing in the age of turbulence*. 1st ed. New York etc.: AMACOM. 205 p. ISBN 978-0-8144-1521-4.
- Köksal, Mehmet H. & Özgül, Engin (2007). The relationship between marketing strategies and performance in an economic crisis. *Marketing Intelligence & Planning*. 25:4 [online]. [cited 2009-06-04], 326-342. Available from Internet: <URL: <http://www.emeraldinsight.com/10.1108/02634500710754574>>.
- Laitinen, Erkki K. (1994). *Suomalainen yritys ja lama*. Vaasa: Vaasan Yritysinformaatio Oy. 162 p. ISBN: 951-96324-2-5.
- Mainostajien liitto (2009). *Mainosbarometri 2009* [online]. Helsinki: Mainostajien liitto. Available from Internet: <URL: <http://www.mainostajat.fi/mliitto/sivut/Mainosbarometri2009tammi.htm>>.
- Marschan-Piekkari, Rebecca & Catherine, Welch (2004). *Handbook of Qualitative Research Methods for International Business*. 1st ed. 610 p. Cheltenham etc.: Edward Elgar Publishing Limited. ISBN 1-84542-434-4.
- Maylor, Harvey & Kate Blackmon (2005). *Researching Business and Management*. Houndmills etc.: Palgrave Macmillan. 466 p. ISBN 978-0-333-96407-0.
- Metsämuuronen, Jari (2005). Tutkimuksen tekemisen perusteet ihmistieteissä. 3rd edition. Jyväskylä International Methelp Ky. 1247 p. ISBN 952-5372-18-9
- Parantainen, Jari (2007). *Sissimarkkinointi*. 2nd ed. Hämeenlinna: Talentum Media Oy. 318 p. ISBN 978-952-14-1220-2.
- Parkin, Michael; Powell, Melanie; & Matthews, Kent (2003). *Economics*. 5th ed. London etc.: Pearson Education Ltd. 841 p. ISBN 0273 658131.
- Pearce, J.A. & Michael, S.C. (1997). Marketing strategies that make entrepreneurial firms recession resistant. *Journal of Business Venturing*. 12. 301-314.

- Quelch, John (2008). *Marketing your way through a Recession* [online]. [cited 2011-11-17]. Harvard Business School. Available from Internet: <URL: <http://hbswk.hbs.edu/item/5878.html>>.
- Rao, C.P.; Erramilli, M.K. & Ganesh, G.K. (1998). Impact of domestic recession on export marketing behaviour. *International Marketing Review*. 7: 2. 54-65.
- Roberts, Keith (2003). What strategic investments should you make during a recession to gain competitive advantage in the recovery? *Strategy & Leadership*. 31:4. 31-39.
- Rosenbloom, Bert (2004). *Marketing Channels: A Management View*. 7th ed. Louiseville etc.: South-Western 649 p. ISBN 0-324-18693-2.
- Ryan, Bernard (1991). *Advertising in a recession: The best defence is a good offence*. New York. American Association of Advertising Agencies. 48 p.
- Shama, Avraham (1993). Marketing strategies during recession: A comparison of small and large firms. *Journal of Small Business Management*. 31:3 [online]. [cited 2009-05-30], 62-72. Available from Internet: <URL: <http://proquest.umi.com/pqdweb?did=591204&sid=3&Fmt=3&clientId=23361&RQT=309&VName=PQD>>.
- Shimp, Terence A. (2003). *Advertising, Promotion, and Supplemental Aspects of Integrated Marketing Communications*. 6th ed. Mason etc.: South-Western. 650 p. ISBN 0-03-035271-1
- Silverman, David (2006). *Interpreting qualitative data*. London etc.: SAGE Publications Ltd. 428 p. ISBN 1-4129-2244-5.
- Syrjälä, L.; S. Ahonen; E. Syrjäläinen & S. Saari. (1994). *Laadullisen tutkimuksen työtapoja*. 1st ed. Rauma: Kirjayhtymä. 185 p. ISBN 951-26-3948-3.
- Urbonavicius, Sigitas & Dikcius, Vytautas (2009). *Perceived role of marketing activities in the context of transitional economy*. Zagreb: University of Zagreb, Faculty of Economics and Business. 16 p. ISSN: 03534790.

Uusitalo, Hannu (1991). *Tiede, tutkimus ja tutkielma: Johdatus tutkielman maailmaan*. Juva etc.: WSOY. 121 p. ISBN 951-0-17457-2.

Yin, Robert K. (2003). *Case study research: design and methods*. 3rd ed. Thousand Oaks, CA etc.: SAGE Publications Inc. 181 p. ISBN 0-7619-2552-X.

APPENDIXES

Appendix 1. Subject areas for personal interview of case company

1. Personal information: Position in the company, how long you have been working in this company?
2. Company information: Core business, business areas, turnover etc.?
3. Business in Finland: Core business, products?
4. Business in other countries/areas: Core business, products?
5. Customers: principal customers, secondary customers, end-users?
6. Influences of recession for company's marketing activities in general?
7. How recession has affected to different business areas, if any?
8. How has the marketing elements changed during recession 2008→?
9. Changes in product?
 - product itself
 - new product development
 - product adaptation: name, packaging, changing quality, appearance
 - something else
10. Changes in pricing?
 - price itself
 - pricing changes: increase, decrease, discounts
 - competitive situation, demand
 - price differentiation: countries, customers, product groups
 - Terms of payment
 - Currency issues
 - something else
11. Changes in distribution?

- distribution itself
- costs of distribution
- location of production and warehouse
- transportation
- order process
- distribution chain: number of middlemen
- something else

12. Changes in promotion?

- promotion itself
- advertising: print media, TV/Radio, outdoor advertising
- sales promotion: samples, gifts, competitions, product introductions, trade fairs
- public relations: press releases, internal & external communication, lobbying, sponsorship, events
- personal selling and direct marketing
- something else

13. Have your company increased or decreased marketing activities since 2008? Or have these remained the same? How this has affected to company's profit?

14. How the marketing elements or marketing activities will be changed after recession, if those will be changed? Why?

15. Do you think recession more as opportunity or as threat? Why?

16. What marketing elements or activities you would emphasise most during recession? Why?

17. Something else?

Appendix 2. Subject areas for interview of marketing expert.

1. Personal information: position in the organization? how long you have been working in this organization?
2. Organization information: What is the main purpose of your organization?
3. How you think that this ongoing recession/downturn has affected to companies?
4. Do you think that companies have changed their marketing activities during recession? How?
5. What are the main changes compared to time before recession?
6. Can you already see how marketing activities will change after recession?
7. What is your opinion that how companies should react for recession? Why?
8. Do you think that this recession differs somehow from the previous recessions? How?
9. Have you seen that increasing the marketing activities during the recession can be profitable? Have you any examples?
10. What you think is the most efficient way to use marketing assets during recession? Why?
11. Do you think that there is general guideline for companies to survive from recession? If any what is that?
12. Do you think that there will be some major changes or permanent changes in marketing after this recession? What?
13. Something else?