

# **A Marketing Strategy Analysis of a New Product Launch**

Ondřej Bambuch

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2013



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## **ZADÁNÍ BAKALÁŘSKÉ PRÁCE**

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Zásady pro vypracování:

**Zpracujte kritickou literární rešerši k problematice marketingové strategie.  
Charakterizujte firmu XY, s.r.o.  
Zpracujte situační analýzu firmy.  
Analyzujte stávající marketingovou strategii firmy XY, s.r.o. při zavedení nového produktu na český trh.  
Navrhňte novou marketingovou strategii při zavádění nových produktů firmy XY, s.r.o.**

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**Keller, Kevin Lane. 2008. Strategic Brand Management: Building, Measuring, and Managing Brand Equity. 3rd Ed. Upper Saddle River: Pearson Education International.**

**Kotler, Philip. Marketing Management. Upper Saddle River: Pearson Prentice Hall, 2009.**

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## **ABSTRAKT**

Hlavním cílem této bakalářské práce je analyzovat marketingovou strategii, která byla použita obchodní firmou XY, s.r.o. při zavádění nové sklízecí mlátičky na český trh. Bakalářská práce je rozdělena na dvě části – teoretickou a analytickou. V teoretické části jsou popsány teoretické poznatky, důležité pro analýzu marketingové strategie zavádění nového produktu na trh. Praktická část je zaměřena na stávající marketingovou strategii firmy XY, s.r.o. při zavedení nového produktu a doporučení k jejímu zlepšení

Klíčová slova: Nový produkt, zavedení produktu na trh, marketingový mix, konkurenční strategie

## **ABSTRACT**

The main objective of this thesis is to analyse the marketing strategy that was used by the company XY, s. r. o., for the launch of a new combine harvester on the Czech market. The thesis is divided into two parts - theoretical and analytical. The theoretical part focused on the theoretical knowledge relevant to the analysis of marketing strategy of a new product launch. The practical describes current marketing strategy of the company XY, Ltd. when launching a new product and recommendations for its improvement.

Keywords: New product, product launch, marketing mix, competitive strategy

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## INTRODUCTION

One of the fundamental factors of a successful company in the market is its ability to succeed in a highly competitive environment. An important part of this assumption is to build an effective marketing system in which a great deal of attention is paid not only to the issue of gaining a new customer but also to the retention of existing customers. Nowadays, a rapid technological development and improvement of products appears in all the spheres of business. As a result of this, requirements on the quality of products are increasing and innovation cycles are shortening. This is one of the reasons why importance of marketing activities in the company is increasing. However, Marketing is changing over time as well as its role in business. Its task is not only to predict changes in demand, but on the contrary, marketing helps to respond to these changes promptly. Companies realize that their existence is to some extent dependent on how quickly are they able to respond to new situations that may occur in customer behaviour. Therefore, they should be focused on all marketing activities that will help them to achieve the goals of the company effectively. If the company wants to maintain its position on the market, apart from its standard range of products, it must bring to market more new products that are attractive for customers.

The company XY, s. r. o., was established in 1990 and is one of the most important importers of agricultural machinery in the Czech Republic. Philosophy of this company is based on the idea that every farmer needs machines which help him to earn a living. In order to meet increasing demands of the customers, the company must not only constantly innovate its product range, but also its marketing strategy.

In my bachelor thesis called "A marketing Strategy Analysis of a New Product Launch", I want to discuss the current state of marketing activities in the company XY, s. r. o., to assess their impact on the overall effectiveness of the company and then create the improvement for marketing strategy of this company. Primarily, I want to focus on the introduction of new products of the company XY, s. r. o. on the market, because in my opinion, the introduction of a new product and its establishment on the market is one of the possible ways how to beat the competition and to achieve the desired objectives of the company. The aim of my bachelor's thesis is to create the draft of a marketing strategy for introducing new products of the company XY, s. r. o. on the market. This project will be proposed on the basis of primary and secondary information about the current state of the market of agricultural machinery

about customer and competitors. To fulfil the aim of this thesis I have also done the marketing research. Results of this research determine the rate of accuracy of the hypotheses. My bachelor thesis also includes an analysis of competitors and SWOT analysis of the new product. During compiling this thesis, I have made a research based on study of the professional literature, internal documents of the company XY, s. r. o. and promotional materials of the competitors.

## **I. THEORY**

## 1 NEW PRODUCT LAUNCH

Just like people, also products have a life cycle that begins with a product launch and ends with the termination of his existence in the market. This cycle is in foreign literature abbreviated PLC (product lifecycle). During its life cycle reaches a product on the market various degrees success as well as profits gained by sales of products.

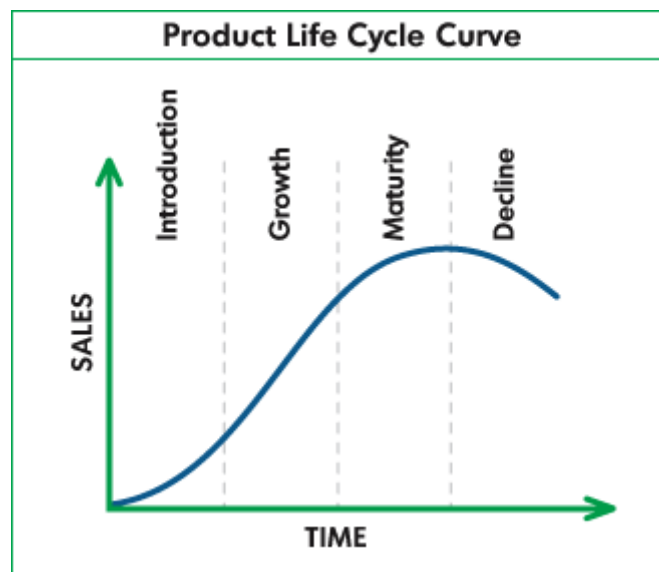


Figure 1. Product Life Cycle Curve

Source: <http://marketingfaq.net/2011/11/what-is-product-life-cycleplc/>

Marketing strategy for a particular product must be determined at right the time - with regard to the stage of the life cycle of the product is.

### **Product launch**

After launching the product on the market the product is beginning to generate the sales turnover, whereas the profit in this stadium is minimal or even negative. The main objective at this stage is to increase customer's awareness of the product and to stimulate feeling of the customer that he must test the product. When launching a new product, that is not a breakthrough innovation itself, it is necessary to focus on determining the appropriate form of distribution of the product. Objective of the company should be obtaining USP - Unique Selling Point to differentiate the product from the competition. Another important step is to determine the initial prices. There are two basic approaches to establishing the price of a new product: high price called the skimming price, or a very

low price called penetration price, Construction of customer awareness of the product and its following converting to purchase of the product itself takes a lot of time, effort and financial resources. However, these investments are essential to the success of the product in the next stage of the life cycle of the product – in the phase of growth.

## **2 B2B MARKETING**

According to Ellis, “The term “business-to-business marketing” is used to describe the marketing activities of any kind of organization which has exchange relationships with other organizations or businesses. (Ellis 2011, 6)

Marketing in Business to Business (B2B) markets is focused on products designed more for certain types of businesses than for final consumption. B2B marketing is thus targeted to customers from other companies, organizations or institutions, but it is based on the principles of classical marketing that is aimed at the final consumer. It is a complex process of creating value "for the customer's customer" and also for both organizations. Therefore it is necessary that the marketing specialists in B2B markets as well as marketers in consumer markets followed the principles of holistic marketing, which means to create strong relationships with their customers

### **2.1 Characteristics of B2B markets**

Business to Business market (market organizations) are all organizations purchasing products and services for use in the manufacture of other products and services that the companies sell, lease or supply to others. It also includes the wholesale and retail companies which are purchasing goods for resale or lease with a profit. It is possible to subdivide institutional markets into the industrial, commercial and government markets. Target markets thus do not consist of final consumers, but it consists of other organizations that are subsequently selling products and services to customers.

B2B markets can be divided into two basic types - horizontal and vertical. Companies at the horizontal B2B market are working with clients from different sectors. These corporations are usually providing services (e.g. financial, consulting and marketing services, etc.). Suppliers on the vertical B2B market are dealing only with the customers from closely defined sectors (e.g. offers of specific industrial or agricultural products).

### **2.2 A comparison of B2B and B2C markets**

B2B markets are in many aspects similar to consumer (B2C) markets - in both cases the people are making purchasing decisions to fulfil their needs. However, B2B markets have several distinguishing features which make them fundamentally different from the B2C markets.

Following table shows the key differences between B2B and B2C markets:

B2B	B2C
- Purchase decisions makes usually a group of people	- Purchase decisions make usually individuals or households.
- More time for decision-making is required	- Less time for decision-making is required
- The money of companies are used	- The money of individuals or households are used
- A large number the desired goods	- Small quantity of the goods desired
- Larger investments are being done	- Smaller investments are being done
- More regular payments of large amounts of money are involved	- Less number of transactions of low amounts
-The target segment consists of a small number of companies	-The target segment consists of a larger number of companies
- High knowledge of the market segment	- Lower knowledge of the market segment
- Rather narrow or even a specific range of products	-Wide range of products
- Purchasing motives are rather rational	- Purchasing motives are rather emotional
- A relatively long period of time is devoted to the first purchase	- A relatively short period of time is devoted to the first purchase
- Demand is derived	- Primary demand
- High sensitivity to economic prosperity	- Low sensitivity to economic prosperity
- Limited sensitivity to the price	- Average sensitivity to the price
- Specific channels of communication	- Common channels of communication
- Low probability that the customer will be affected by the advertising	- High probability that the customer will be affected by the advertising

Table 1. A comparison of B2B and B2C markets (*author's creation*)

The fundamental difference is the fact that in the decision process in the B2B segment are involved more members of the particular market. B2B organizational buying processes



typically involve more people than B2C purchases. (Ellis 2011, 17) Purchase is not realized only by an individuals or households, but it is a much more complex and longer-term process in which higher amounts of money and bigger quantity of goods desired can be observed. Moreover, decisions are generally more rational in the business buying process than in B2C markets. As well as financial considerations, they are also usually driven by technical specifications. (Ellis 2011, 17) Usually no impulsive purchases are realized although buying products is funded by company money. Significant difference is also a smaller number of customers - the target customer segment. The B2B market is mostly business with a narrow range of customers, but customers are larger than the other ones on a conventional B2C market. This is also a reason why in the B2B segment is more action and regular investments, which are considerably larger than in the B2C segment. These investments are regular because, customers demand specific assortment of products and have a limited choice of suppliers, whose change is demanding both on the time and the funds.

### **2.3 Customers on the B2B markets**

Customers are one of the most important parts of the marketing microenvironment. The customer may be the final customer, but also a business partner called reseller, through that the product reaches the final customer or consumer. If an enterprise wants to achieve success, they must think about the end customers, but also on the business partners to be able to sell its products.

Crucial elements of B2B markets are: market knowledge, building up close complex and relatively enduring relations with the customers, and confidence building, which is especially important due to the relatively small customer base. Therefore, it is necessary to focus especially on the bigger clients and to adapt to their individual needs. This is also related to a professional approach to the sale. On the B2B markets, customers decide mainly on the basis of rational information. They devote relatively more time to the first purchase and they request concretization of specific data, such as technical parameters of the product. This also means that it is necessary to build up a high - quality sales team that consists of experts who have detailed information about the product. It is often necessary to carry out more than one visit of the customer, than there is an agreement reached.

## 2.4 Business market demand

One of the most important aspects of B2B marketing is derived demand.

Derived demand is a demand for resource that results from the goods and services that are produced by that resource. The term derived demand refers to the linkage between demand for a company's output and its purchases of resources such as machinery, components, supplies, and raw materials. (Kurtz and Boone 2006, 197)

Demand for the goods on the B2B market is derived from the primary demand on the B2C market. Therefore it is also necessary to monitor the buying behaviour of final consumers and respond to it flexibly. Another important factor is the current economic situation. The customer companies are more sensitive to the economic development and during the recession significantly reduce their investments than customers in the B2C market. On the other hand, if the demanded goods fall in price, it does not mean that customers buy larger amounts of it and vice versa, because the demand is inelastic. Inelastic demand means that demand throughout an industry will not change significantly due to a price change. (Kurtz and Boone 2006, 199) Economists also have observed that the increase in consumer demand can cause a much greater increase in demand in the B2B segment and vice versa. This acceleration effect is proof of the fact that B2B demand is also volatile.

Finally, we can observe differences in manner of communication. Advertising is mass affairs and as already mentioned, in the case of B2B marketing it is selected group of customers with requirements for detailed product information. For this reason more direct and more personal forms of communication (personal selling, direct mail) are preferred and advertising is rather complementary means of promotion.

### **3 SWOT ANALYSIS**

SWOT can be described as an evaluation of strengths and weaknesses of the company, and external influences - opportunities and threats, that can affect the company.

It includes monitoring the external and internal marketing environment.

SWOT analysis used for the fundamental identification of the current state of the company.

It summarizes the basic factors influencing the effectiveness of marketing activities and affecting the achievement of the goals. It is a logical framework for specific systematic research of internal strengths and weaknesses, external opportunities and threats used for creating the basic strategic alternatives, which the company can consider.

#### **3.1 Analysis of internal environment**

During analyzing the internal environment strengths and weaknesses of the analyzed company are evaluated. We focus on the internal factors that are controllable and manageable within the organization. Firms opt for strengths and Weaknesses few points that may come from all areas of work of the company from marketing (credibility of the company, market share), over staffing situation (quality and training of employees, corporate culture), to finance (financial stability of company, cash flow). It is important to define these points as clearly and specifically as possible. After the points are defined, company follows by their ranking according to how much the company is strong in this area, or what kind of weaknesses it might have.

##### **3.1.1 Strengths**

Analysis of strengths is used to describe, which components of the marketing mix have a much higher level than the competition and how can company use these strengths to gain the competitive edge.

Possible factors that can be considered as strengths of the company: quality of the product, technical level of the production process, ownership of patents, many years of experience in the industry, product compatibility, access to higher-quality materials, good financial situation of the company, a strong image, extensive distribution channels, highly skilled and loyal team of employees.

##### **3.1.2 Weaknesses**

Analysis of weaknesses evaluate, which components of the marketing mix have worse quality than competing companies, whether is the quality and reliability of product worse

than by the competition or not. It also deals with the issue whether the prices of products are too high or low. The company should identify and eliminate all the weaknesses as quickly as possible.

As for example, factors such as poor brand awareness, inadequate work habits of employees, obsolete technology, poor image of the company, indebtedness or mistakes in management can be considered as weaknesses of the company.

## **3.2 Analysis of external environment**

A business unit must monitor key macro environment forces and significant microenvironment factor that affect its ability to earn profits. (Kotler 2008, 50)

During analyzing external environment are evaluated opportunities and threats that exist, or are expected to occur in the vicinity of the company and can have a positive or negative impact on the company. Here we focus on the external factors that company cannot control. More or less, management of the company can only react on them by making correct decisions. For the correct identification of opportunities and threats the company must evaluate changes in marketing macro environment (mainly demographic, economic, environmental, technological, political, legal and socio-cultural factors) but also in marketing microenvironment (customers, suppliers, distributors, dealers and other business partners). In some cases, it is important to realize that changing customer needs or purchasing behaviour can be a potential threat. On the other hand, its new unmet needs may present opportunities for growth of the company. Defining of individual points should be prudent and as specific as possible in order to clearly identify why the threat or the opportunity comes from the particular branch of business. After the points are defined, depending on how much is given opportunity attractive, or threat serious, the assessment based on based on the probability of these two factors follows again.

### **3.2.1 Opportunities**

A marketing opportunity is an area of buyer need and interest that a company has a probability of profitably satisfying. (Kotler 2008, 50)

Evaluating opportunities, marketers should answer following questions: Can it be expected that a rapid rate of growth of existing markets will occur? Is there a possibility of completely new markets? Marketing managers should anticipate the emergence of new opportunities and determine strategies for their use.

### 3.2.2 Threats

An environmental threat is a challenge posed by an unfavourable trend or development that would lead, in the absence of defensive marketing action, to lower sales or profit. (Kotler 2008, 50)

Marketers of the company must know whether their company could be threatened by new competitive corporations or not. Predicting changes in demand in the near future, the company can anticipate problems such as a rapid decline of the demand. Also the factors such as increasing prices of purchased materials or entry of new products to the market can have negative impact on the company. Similarly to the opportunities the company XY must anticipate the emergence of potential threats and seek appropriate strategies for their elimination.

## 4 MARKETING MIX

Marketing mix is a set of business activities that the company tries to influence customers with. Marketing department establishes the structure and intensity of the individual components of marketing mix to achieve specific marketing objectives. The main elements of the marketing mix are usually so called 4P:

- product,
- price,
- place,
- promotion

### 4.1 Product

Product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want of need. (Armstrong and Kotler 2004, 223)

The characteristics and associated services, which contribute significantly on customer satisfaction, belong to the components of the product. The number and character of the components depends on the product.

Product and its typical components:

- Quality
- Operational characteristics
- Design
- Costs
- Warranty and Service
- Packaging
- Selling product
- Branding

Various product features can include:

- Functionality - ability to perform the desired function
- Effectiveness - achieving the desired efficiency, economy, efficiency and durability
- Design - aesthetic value of the product

Each product incorporates features listed above. Proportion of individual features depends on the type of product and its utility function for the customer.

Suppliers have a relatively large impact on the success of the company. Suppliers form an important link in the company's overall customer value delivery. They provide the resources needed by the company to produce its goods and services. (Armstrong and Kotler 2004, 70) The quality of the goods supplied depends on the capability and reliability of suppliers. Supplier problems can seriously affect the marketing. (Armstrong and Kotler 2004, 70) Problems on the input side may show in indicators of performance, in the damage of the company image. They can also cause a decline in customers. Therefore, marketing managers have to watch supply availability – supply shortages or delays, labour strikes and other potential problems to be able to face these problems. (Armstrong and Kotler 2004, 70)

## 4.2 Price

Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service. (Armstrong and Kotler 2004, 293) Price includes elements that are closely related to the price of the product and that are considerably influencing customer purchasing decisions. Proper pricing tactic is an important part of the marketing mix.

Elements of the price

- Due dates of invoices
- Amount of the prices
- Discounts
- Payment terms

Pricing:

- Cost – Based Pricing :
  - based on product costs and target profit pricing
- Competition - Based Pricing:
  - Competitors' prices and other internal and external factors
- Value – Based Pricing:
  - Customer perceptions of value

### 4.3 Place

The concept of place is in the marketing mix reserved for components that affect the location and availability of the product on the market:

- Location
- Transport
- Size and location of the stock
- Sales territory
- The location of the distribution point

Distribution network and its coverage

Like suppliers, marketing intermediaries form an important component of the company's overall value delivery system. (Armstrong and Kotler 2004, 71) Marketing intermediaries help the company to promote, sell and distribute its goods to final buyers. (Armstrong and Kotler 2004, 70) Company itself plays a role of an intermediary - a distributor. It cooperates with other business entities that help it to perform its activities. They include, resellers, physical distribution firms, marketing service agencies and institutions providing financial services. (Armstrong and Kotler 2004, 70) Among these entities also belong companies providing transport and distribution, and other marketing intermediaries. All of these organizations are important for the process of exchange of goods, some make it easier.

### 4.4 Promotion

Components of promotion represent the method of the communication with the target group of customers. Companies should take note that promotion has a broader sense than advertising. Promotion describes in detail all the communication channels that are used. Each company must communicate effectively to ensure their survival nowadays.

It is essential to find a proper way of communicating. Via the communication company informs about the properties of products, and value, which product will bring about. Via the communication towards the customer receives company feedback on the product.

Marketing communication is necessary for the company. The company must be aware of significant importance of communication with clients, both existing and potential. The quality and expertise of work itself is not enough, it is necessary to actively reach



customers. The communication mix focuses on customers to whom it presents the company's activities. Communication mix is to improve the overall awareness of products. Moreover, its function is to influence customers' decision-making in choosing a product.

The Marketing Communications Mix, also called Promotion Mix contains particular tools of promotion:

- **Advertisement:** Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. (Armstrong and Kotler 2004, 399)
- **Sales promotion:** Kotler defines Sales promotion as: Short-term incentives to encourage the purchase or sale of a product or service (Armstrong and Kotler 2004, 70) Sales promotion consists of all the incentives that are directly offered to customers and channel members to encourage product purchases. (Clow 2012, 330)

The key objectives of sales promotion are:

- educating customers and affecting target audience awareness of the brand;
  - helping the conversion of prospects;
  - encouraging the early trial and eventual adoption of new product;
  - attracting competitor customers;
  - encouraging increased usage of the brand; and
  - cross-selling and up-selling product (Dahlén 2010, 429)
- 
- **Direct marketing :** Direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships – the use of telephone, mail, fax, e-mail, the Internet, and other tools to communicate directly with specific consumers (Armstrong and Kotler 2004, 70)Merchandising
  - **Personal selling:** According to Kotler: Personal selling is Personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. (Armstrong and Kotler 2004, 70) Personal selling may result in the acquisition of new customer in addition to influencing current customers to increase

levels of purchases. It is also used to service and maintain existing relationships. (Clow 2012, 318) But the aim of personal selling is not only making sales. Creating and maintaining long-term relationships with customers and resellers is also very important (Clow 2012, 318)

## **5 COMPETITIVE STRATEGY**

The marketing concept states that to be successful, a company must provide greater customer value and satisfaction than its competitors do. (Armstrong and Kotler 2004, 72) To succeed in a competitive battle, to remain on the market, or to be a better competitor than the others is the effort of each company. Thus, marketers must do more than adapt to the needs of target consumers (Armstrong and Kotler 2004, 72) They also must gain competitive edge by positioning their offers against competitor's offers in the minds of potential customers (Armstrong and Kotler 2004, 72) For example, the more similar range of products of two competing companies is, the more they focus on pricing policy. There is no guidance on how to win in a competitive fight. Companies looking for options of differentiation have a chance to succeed.

### **5.1 Competitive strategy according to Kotler**

We can acquire knowledge about the competitors by dividing companies according to roles that they play in the target market.

#### **5.1.1 Market leader**

Market leader is the firm in an industry with the largest market share. (Armstrong and Kotler 2005, 537) Many business sectors contain one company which is considered as a market leader. This company may or may not be admired, but other companies respect its market position. This company has the largest market share in the product market and usually has competitive advantage in price changes, the introduction of new products, distribution coverage and intensity of promotion over other companies. It focuses mainly on maintaining this strong market position. This advantage may be a lower price compared to the competition, or the ability to provide a better quality of the product for the same or higher price.

#### **5.1.2 Market challenger**

Market challenger is a runner-up firm that is fighting hard to increase its market share in an industry. (Armstrong and Kotler 2005, 537) Market challenger can attack the market leader and other competitors in an aggressive effort to expand its market share. Many market challengers got into the foreground or even outstripped the market leader. In order to succeed with such a strategy, market challenger must have a competitive advantage over the market leader.

### **5.1.3 Market follower**

Market follower is a runner – up firm that wants to hold its share in an industry without rocking the boat. (Armstrong and Kotler 2005, 537) Not every company which has a dominant position in the market, wants to try to reach a leading position in the market. They accept their market position and do not disrupt the market equilibrium. Many companies prefer to follow the leader than to confront him.

### **5.1.4 Market nicher**

Market nicher is a corporation, which serves small segments that the other firms in an industry overlook or ignore. (Armstrong and Kotler 2005, 537) In almost every business sector, companies that specialize in serving niches (market niches) can be found. Market nicher strategy usually includes small businesses operating on small market segments in which big companies are not interested.

## **5.2 Developing strategies for growth**

Beyond evaluating current businesses, designing the business portfolio involves finding businesses and products the company should consider in the future. Companies need growth if they are to compete more effectively, satisfy their stakeholders, and attract top talent. (Armstrong and Kotler 2005, 41)

Marketing has the main responsibility for achieving profitable growth for the company. Marketing must identify, evaluate, and select market opportunities and lay down strategies for capturing them. (Armstrong and Kotler 2005, 41)

### **5.3 Ansoff's matrix**

For identifying growth opportunities is often used the product/market expansion grid, also known as Ansoff's Matrix (Armstrong and Kotler 2005, 41) Ansoff's Matrix is an analytical technique used in marketing and strategic management. It was created by the Igor Ansoff. The matrix allows selection of an appropriate market-product strategy and evaluation of the associated risks. This portfolio-planning tool helps companies to identify their growth opportunities through market penetration, market development, product development, or diversification. (Armstrong and Kotler 2005, 41)

Ansoff's Matrix has two dimensions:

- Existing and new markets are described in vertical columns.
- Existing and new products are described in horizontal lines.

Ansoff's Matrix .:

	Existing products	New products
Existing markets	<b>Market penetration</b>	<b>Product development</b>
New markets	<b>Market development</b>	<b>Diversification</b>

Table 2. Ansoff's matrix (*author's creation*)

Four types of strategies are formed by combining the two types of markets and both types of products:

### 5.3.1 Market penetration

Market penetration is a strategy for company growth by increasing sales of current products to current market segments without changing the product. (Armstrong and Kotler 2005, 41) Company tries to penetrate more with existing product in an existing market (market segment). The aim is to increase its market share. This is the least risky strategy because the company can take advantage of existing resources, processes and capacity.

### 5.3.2 Market development

Market development is a strategy for company growth by identifying and developing new market segments for current company products. (Armstrong and Kotler 2005, 41) Market development involves searching for additional market segments or regions. The company uses existing products and if it manages to produce them well, it may be an appropriate strategy. It is riskier than previous strategies.

### 5.3.3 Product development

Product development is a strategy for company growth by offering modified or new products to current market segments (Armstrong and Kotler 2005, 41) Company innovates the product and tries to apply it to existing markets. This strategy is appropriate if the company is strong in innovation. Developing a new product is more risky than previous strategies.

#### 5.3.4 Diversification

Diversification is a strategy for company growth through starting up or acquiring businesses outside company's current products and markets. (Armstrong and Kotler 2005, 41) Diversification - is the riskiest of all four above mentioned strategies. The company must innovate existing product or develop a new one and succeed with it in a new market. Ansoff's matrix can also be used in practice. As for example, when a particular product is the on the existing market in the end of its life cycle, company has to decide how to proceed selling this product. Market penetration is not acceptable because of the age of the product. So that there are three other options available. The company can use the existing products and to offer them in new market segments and new regions. The company can also innovate the product and try to offer it to current markets. Company can also take advantage of diversification and offer their innovated products to new market segments.

## 6 MARKETING RESEARCH

Marketing research is the systematic and objective identification, collection, analysis, dissemination, and use of information that is undertaken to improve decision making related to identifying and solving problems (also known as opportunities) in marketing. (Malhotra 2009, 30).

Marketing research is one of the most important activities of modern marketing. The company carries it out in case that it cannot obtain the objective information necessary for the management and decision-making by other means. Marketing research is based on sociological research. It is time-consuming and financially demanding activity. The company can implement this project by itself or through an agency which deal with this issue. Marketing research collects information for marketing management. It provides information about the market situation, the behaviour of customers and the potential business risk.

**Marketing research is based on a number of scientific disciplines such as:**

Psychology, sociology, economy, statistics

**Marketing research should meet the following requirements:**

- \* It should be applicable in practise.
- \* Marketing research should be targeted. Marketing research should correspond to the objectives of marketing management.
- \* Marketing research should be objective. It should be free from subjective bias.
- \* Marketing research should be systematic. Randomness must be excluded.
- \* Marketing research should correspond to the correct period of time
- \* Marketing research should be complete. The correct sample of respondents (i.e. persons to whom the research relates to and which will participate in this research) must be chosen.

## 6.1 Obtaining information about competitors

To have enough information about competitors is in today's globalized world a must. The company has to obtain information about competitors the following options:

1. **To observe information published** - on websites, in annual reports, in trade press, leaflets, etc.
2. **To obtain information by observing the competitors** - As for example, company can buy a product of the competitor and analyze it. This is the way how to observe strengths and weaknesses of the competitor's product. Also benchmarking is useful for observing the competitors. It is actually a process of comparing products and processes. Its aim is to improve quality and performance, to analyze competitor product, imitate it or improve it, and many other activities. Benchmarking is important for the acquisition and processing of a large amount of other important information.
3. **To gather information from competitor's customers** - One of the many ways to obtain information about competitors is interviewing their customers.
4. **To gather information from competitor's employees** - The required information can be obtained, for example during conversation with competitor's employee or when hiring new employees within the entry interview.

## 6.2 Questionnaire

Questionnaire is described as a structured technique for data collection that consists of a series of question, written or verbal, that a respondent answers. (Malhotra 2009, 330) Questionnaire is addressing the interviewee by the written form in order to obtain information needed. It is relatively often used for marketing research. Its aim is to capture information about the motives, beliefs and preferences of the respondents. A questionnaire is a formalized set of questions for obtaining information from respondents. It has three specific objectives. The overriding objective is to translate the researcher's information needs into a set of specific questions that respondents are willing and able to answer. (Malhotra 2009, 330) Second, a questionnaire should be written to minimize demands imposed on respondents. It should encourage them to participate in the entire interview, without biasing their responses. Incomplete interviews have limited usefulness, at best. In order to keep a respondent involved throughout a questionnaire, the researcher should attempt to minimize fatigue and boredom. (Malhotra 2009, 330) Third, a questionnaire should minimize response error. These errors can arise from respondents who give



inaccurate answers of from researchers incorrectly recording or analyzing their answers. Minimizing the error introduced by the questionnaire itself is an important objective of questionnaire design. (Malhotra 2009, 330) Before the formation of the questionnaires the company must first set a target to be reached. If the target is not precisely defined, it is possible that the survey does not fulfil expectations. The target must be identifiable and understandable. Then, you must specify the target group of respondents, segment of people interviewed. Company must also answer the question of how many people will be involved in the survey. It is also important to determine how the polling will be conducted. When drawing up the questionnaire, it is necessary to focus on clarity of the questions.

## **II. ANALYSIS**

## **7 METHODOLOGY OF THE BACHELOR THESIS**

The aim of this thesis is to propose a new MKT strategy for the introduction of new products of the company XY, s. r. o. to the Czech market. In order to fulfil this objective I proceeded in accordance with this methodology:

- The characteristic of XY s. r. o. has been carried out
- Situational analysis of XY based on SWOT analysis has been formed.
- An analysis of the form of each of the existing instruments of the marketing mix has been compiled. This research has been done by a questionnaire. The target group of people, who were asked by this questionnaire, are agrarians and their employees.
- Potential and existing competitors were analyzed by the Porter's five competitive forces and by the comparative analysis. The comparative analysis is focused on features that can significantly contribute to convenience of the customers.

## **8 THE CHARACTERISTICS OF THE COMPANY XY, S. R. O.**

In this chapter, I would like to briefly introduce the company XY, s. r. o. The introduction is focused mostly on the philosophy and the mission of the company.

Company XY, s. r. o. is one of the most important importers of agricultural and municipal machinery in the Czech Republic and Slovakia. This limited company was established in 1990. The headquarters of the company is located near Luhačovice.

Company XY, s. r. o. has been since its foundation focused on the business of selling agricultural and municipal machinery. Its aim is to bridge the gaps between the manufacturer and final customer. By the gradual development, XY, s. r. o. has grown from a small dealer of agricultural machinery to strong business organization with its own broad portfolio of products, and a nationwide influence in the territory of the Czech Republic and Slovakia. Positive changes in the global market and the integration of the Czech Republic and Slovakia into the European structures within the European Union certainly strengthened commercial influence of XY, s. r. o. in the area of Czech Republic and Slovakia. This also made a wide range of products and technologies from most important producers of agricultural machinery from Germany, USA, France, Finland, Italy, Poland, other countries from European Union, but also from South Korea, more accessible for Czech and Slovak agrarians.

Sales to final customers is realised via its own business service centres and sales representatives and dealers who deal directly with customers. They find customer's request and financial possibilities and adjust the offer accordingly to these conditions. The target group of customers who purchase agricultural machinery represent agricultural cooperatives and private farmers. For the municipal machinery these are especially gardeners, greengrocers, industrial zones, hospitals, municipalities, and technical services.

## 9 SWOT ANALYSIS

Each corporation that is selling goods and providing services nowadays must evaluate its strengths in order to use them and its weaknesses in order to eliminate them. It also must recognize external factors that can influence running of their business. For the company, it is also advisable to compare its strengths and weaknesses with the competitors' ones. Therefore, I have asked the Chief Executive Officer of the company XY, s. r. o. to describe the most crucial internal and external factors which are crucial for the company.

This analysis was created on purpose to explore strengths and weaknesses of the company, and also to describe external factors which can be beneficial for the company or which can threaten the company. Outcome of this analysis will be used for creating the suggestion for innovation of marketing strategy for launching new products of the company

### 9.1 Strengths of the XY, s. r. o.

Strengths are the assets that can help the company achieve its goals. What company handles well, in what is better than its competitors.

<b>Strengths</b>
S1 - Complexity of services
S2 - Exclusive distributorship contracts for many brands of products
S3 - Long-term experience with the sale of agricultural machinery
S4 – A wide range of machines and spare parts offered
S5 – Quality of products offered
S6 – Large warehouse capacity
S7 - Modern technological equipment
S8 - Qualified and loyal employees

Table 3. Strengths of the XY, s. r. o. (*author's creation*)

#### **Evaluation of strengths**

The main strength of XY, s. r. o. is the complexity of services. One of the most important strengths of this company is also a fact that they have exclusive distributorship contracts for many brands of products. Therefore, XY, s. r. o. is allowed to sell some products whereas their competitors are not. Second one factor for potential business success

is a wide range of quality machines and spare parts that the company offers. A long-term experience with the sale of agricultural machinery can be also considered a competitive advantage. Company XY, s.r.o has also a high quality of customer service that is provided by a team of qualified employees using modern technological equipment.

**9.2 Weaknesses of the XY, s. r. o.**

Weaknesses are the internal deficiencies that can weaken the company's ability to achieve its goals.

<b>Weaknesses</b>
W1 - Absence of marketing department
W2 - Obtaining information – information about the market, customers, etc. are not collected
W3 - Inefficiency of propagation
W4 - Channels of distribution
W5 - High purchase costs
W6 - Significant indebtedness
W7 - Motivation of employees
W8 - Website – average quality and their failure to update

Table 4. Weaknesses of the XY, s .r. o. *(author’s creation)*

**Evaluation of Weaknesses**

The most dangerous weakness of the company XY is absence of marketing department. All the marketing tasks must be solved by sales managers nowadays. There is only one assistant who is responsible for operative promotion activities such as designing advertising leaflets, etc., therefore not much information about customers, competitors and market is obtained. There is no specialist for marketing research, planning, organising and other activities, that can be beneficial for business activities of the company. Similar problem is that members of sales department are focused mostly on selling products but they’re not interested in building long – term relations with customers. Today, marketing must be understood not in the old sense of making a sale – “telling and selling” –but in the new sense of satisfying customer needs. (Armstrong and Kotler 2005, 5) Quite large amount of financial resources is spent on propagation, but in comparison

to competitors, there is lower proportion of revenues and expenses on promotion. Therefore, promotion activities of the corporation XY, s. r. o. are ineffective. According to opinions of customers, XY, s. r. o. should have bigger network of business and service centres to be closer to them. High purchase cost burden both the distributor and the customer.

### 9.3 Opportunities of the XY, s. r. o.

Opportunities are the area of such needs current and potential customers, where a company can actively demonstrate its skills. Opportunities are the conditions in an environment which are positive for the organization.

<b>Opportunities</b>
O1 - Subsidy policy
O2 – The possibility to cooperate with the foreign suppliers more closely
O3 - Development of agricultural technologies and equipment
O4 – Joining new distributors
O5 – Broadening the network of service and business centres

Table 5. Opportunities of the XY, s. r. o. (*author's creation*)

### Evaluation of Opportunities

Lots of farmers - potential customers are supported by various subsidy funds. Purchase of agricultural machinery is dependent on the subsidy policy, because money from subsidies make up a considerable part of the funding for farmers. Therefore, XY, s. r. o. should focus on activities such as technical advisory or consultancy in the field of subsidies. Agricultural machinery is constantly developing. Providing customers the cutting edge technologies, the company can gain a competitive advantage. Employees of the company should also educate themselves in the area of languages and international trade, because there is a quite high possibility of cooperate more closely with suppliers from abroad.

### 9.4 Threats of the XY, s. r.o.

Threats are negative trends or unexpected fluctuations in the market, which could lead to lower sales and lower profitability. Threats are current or future conditions

in the environment that may be negative to the company. When a staff of the company is not prepared to resist to threats, it could have serious impact on the whole company

<b>Threats</b>
T1 - High number of competitors in the sector of agriculture
T2 - Persistent global economic crisis
T3 - Negative changes in subsidy policy
T4 - Low yields of agricultural products caused by bad weather conditions
T5 - Insolvency

Table 6. Threats of the XY, s .r. o. (*author's creation*)

### **Evaluation of Threats**

The main factor that can threaten company XY, s .r. o. is the high number of competitors in the sector of agriculture. The second biggest threat for the company is the persistent global economic crisis. Another big problem, to which the distributor of agricultural machinery cannot resist are negative changes in subsidy policy. Also low yields of agricultural products caused by bad weather conditions can have a negative impact on the company. Subsidy policy and yields of agricultural are crucial for purchasing new machines, because most of the farmers are dependent on government subsidies and also annual yields of their products have significant impact on their financial situation.

## **9.5 Outcome of the SWOT analysis**

Qualified employees of XY, s. r. o. provide its customers with high – quality services, its service centres have large warehouse capacity and modern equipment. As a result of this, broadening the network of these centres would be a great opportunity to be closer to customers and to fulfil their needs promptly.

The absence of marketing department caused that the company does not obtain the necessary information about the competitors, customers and about the market in general. In today's competitive environment, insufficiency of such information can threaten the company XY, s. r. o. seriously. In the sector of business with agricultural technology, there are approximately 200 companies doing business in the Czech Republic. Therefore, it is highly recommended to set up the marketing department to face this problem.



Another negative fact is that XY, s. r. o. is highly indebted. As a result of this, company XY, s. r. o. is threatened by primary and secondary insolvency. Therefore, it is advisable to stop using so many loans and to monitor the cash flow regularly.

Another important factor that can have significant impact on the company is the subsidy policy of the Czech government. Czech farmers are highly supported by subsidies that provide them the government. Therefore, positive changes in subsidy policy can increase the sales of XY, s. r. o. On the other hand, negative changes can significantly threaten the company, because some farmers will probably do not have enough money to purchase the machinery. Because managers and sales representatives of the company are aware of this fact, they provide the potential customers professional advisory in this issues.

## 10 ANALYSIS OF THE MARKETING MIX

In order to analyze the marketing mix of XY, s. r. o., a questionnaire for potential customers was created. Thirty four respondents – potential customers on the B2B market were asked four questions about the issues of product, price, distribution and promotion. The questionnaire was administered by author of this thesis.

### 10.1 Product

#### Product range of the company and represented brands

As it was mentioned earlier, Portfolio of the company XY, s. r. o. consists of agricultural machinery, municipal machines, spare parts and servicing of these machines.

**Tractors** – New Holland, Kioti Daedong, Challenger, Case

**Combine harvesters** - New Holland, Sampo – Rosenlew

**Equipment for grass cutting and maintenance** – Great Plains, Land Pride, Muratori, Zappator, M. E. A. A. T.

**Municipal Machinery** – Muratori, Zappator, M. E. A. A. T., Tichel

**Machinery for land preparation** – Bergmann, Koeckerling, Muratori

**Forage harvesters** – EL – HO, Lely Welger, Bergmann

**Forest machines** – Sampo – Rosenlew

The potential customers were asked the following question:

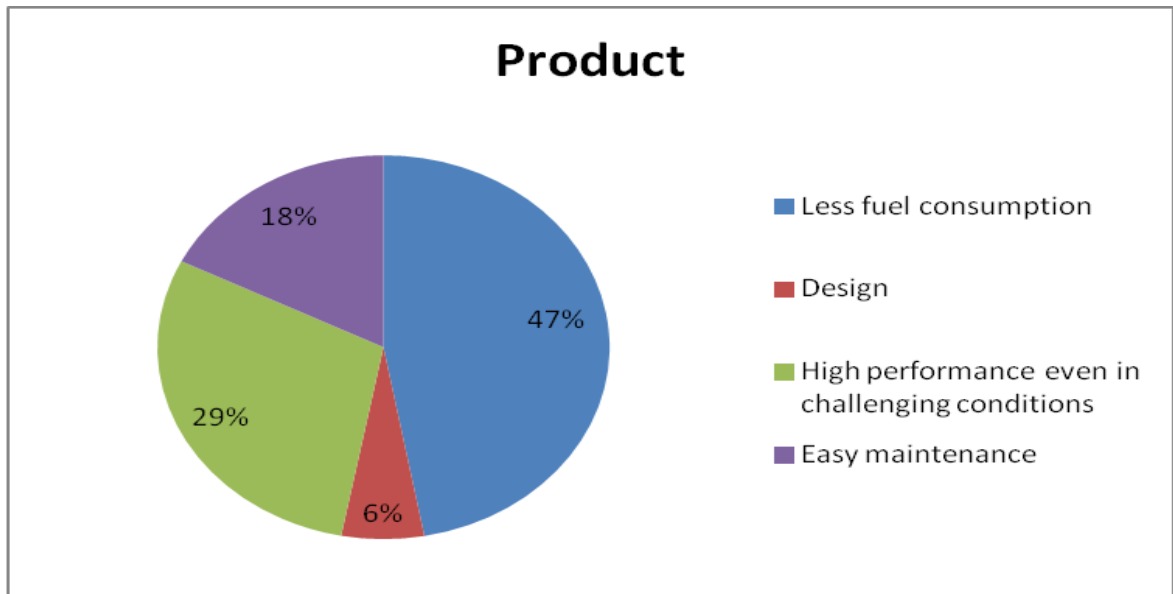
**Question: In which feature of the product are you interested the most?**

Answer	Number of respondents	% of respondents
Less fuel consumption	16	47,1
Design	2	5,9
High performance even in challenging conditions	10	29,4
Easy maintenance	6	17,6

Table 7. Features of the product (*author's creation*)

The company XY, s. r. o. responds to changes in technology, monitors new trends in agriculture, emphasizes the importance of environment and steadily expands its product range.

To do this more effectively, XY, s. r. o. must analyse the preferences of potential customers.



Graph 1. Product (*author's creation*)

Customers mostly appreciate the low consumption of the machine (47,1% of respondents), but also the high performance even in demanding conditions (29,4% of respondents) and easy maintenance (17,6% of respondents). As the less important feature of the product can be considered a design that 5,9% of respondents prefer. For customers therefore holds especially utility value of the product and mainly technical parameters of the combine harvester are crucial for them.

## 10.2 Price

Although the company XY, s. r. o. adjusts its prices to the prices of competitors, its pricing policy is not based on them. Calculation of the price is dependent on the costs associated with the acquisition of products. Prices of XY, s. r. o. are rather high, but the company is aware of its long-term presence in the market and always sold more expensive machines with great emphasis on the quality of the machine. Another factor affecting the prices of the products of XY, s. r. o. are the services he company offers its customers.

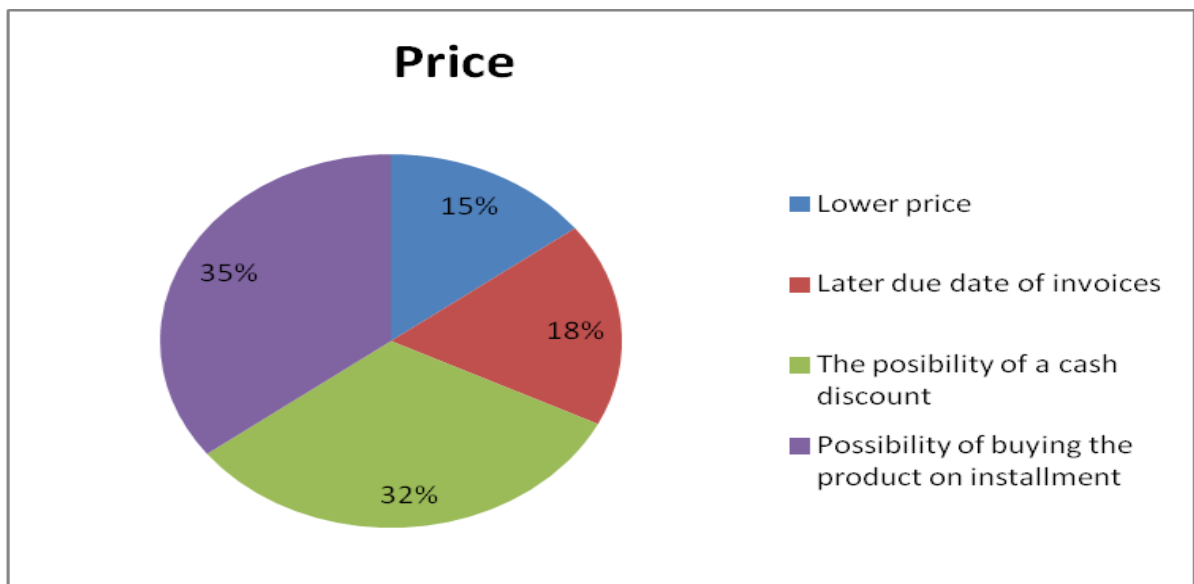
The customer also has the option to buy a machine from the company by means of leasing. The company also provides its customers with discounts. Customers who pay promptly or who pay cash can gain a cash discount.

In order to obtain customers preferences that are related to price, respondents were asked the following question.

**Question: What do you really appreciate when buying the product?**

Answer	Number of respondents	% of respondents
Lower price	5	14,7
Later due date of invoices	6	17,6
The possibility of a cash discount	11	32,4
Possibility of buying the product on installment	12	35,3

Table 8. Features of the price (*author's creation*)



Graph 2. Price (*author's creation*)

Due to the fact that not every customer has sufficient financial resources to be able to buy a new machine, the majority of respondents (35,3%) would welcome the possibility of buying the product on instalment. Because without obtaining financial resources is no business case feasible nowadays, XY Company should thus offer customers the option to finance the purchase of machines using the loan leasing and other financial tools. Customers who pay cash would like to get cash discount. They're entitled to requesting

this discount, because paying cash is also beneficial for the distributor, who can plan and finance the purchase of goods more effectively. As for payments, 17,6% of respondents would like to see later due date of invoices. Lower price demanded 14.7% of respondents.

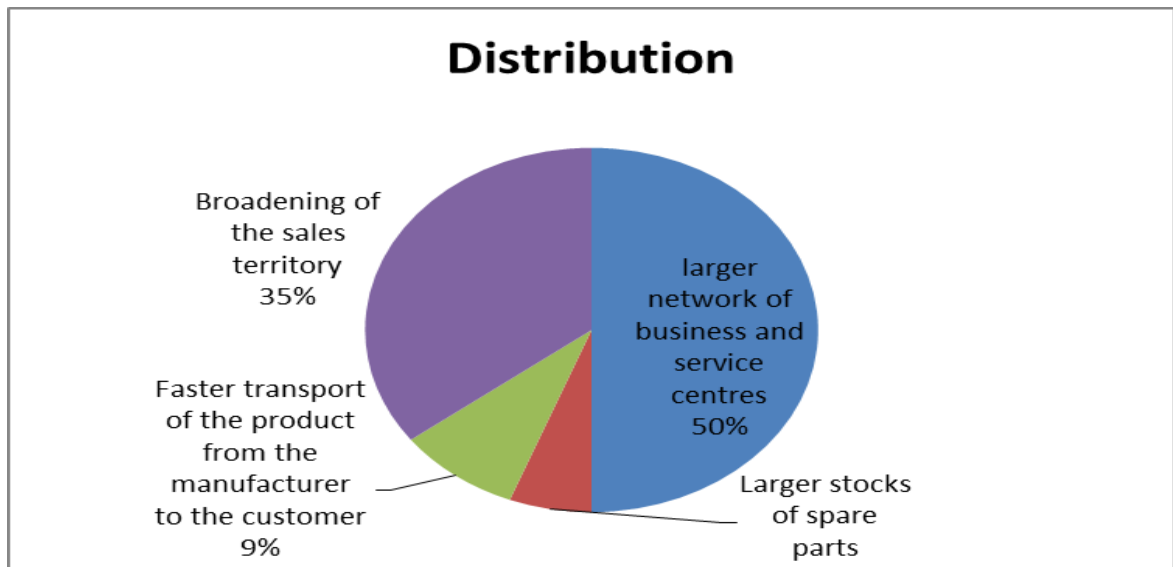
### 10.3 Place

Company XY, s. r. o. places a great emphasis on the quality of service. According to some of its customers, the network of service centres should be bigger and its sales territory should be broadened. The potential customers were asked about a feature of distribution which could be helpful for them.

**Question: Which of these elements of distribution is the most attractive for you?**

Answer	Number of respondents	% of respondents
larger network of business and service centres	17	50
Larger stocks of spare parts	2	5,9
Faster transport of the product from the manufacturer to the customer	3	8,8
Broadening of the sales territory	12	35,3

Table 9. Means of distribution (*author's creation*)



Graph 3. Distribution (*author's creation*)

Despite company XY, s.r.o. has a nation-wide coverage, 50% of respondents demand larger network of business and service centres. Building new centres would be demanding

on investments, but the distributor should weigh up this step to be as close to the customer as possible. According to 35,3% of respondents, sales territory of XY, s. r. o. should be broadened, especially in the area of Western Bohemia.

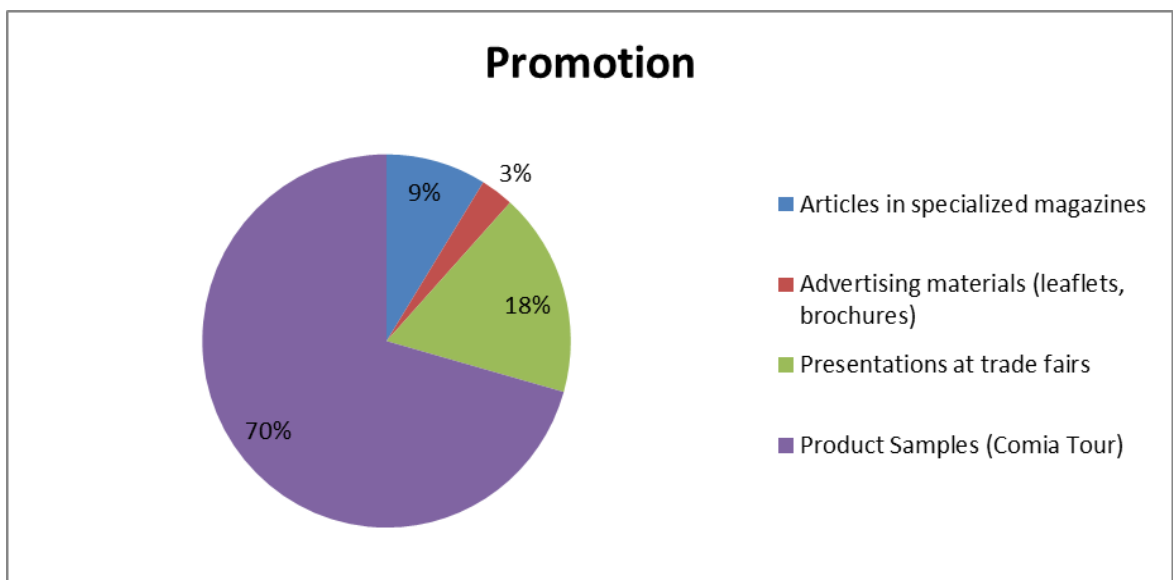
### 10.4 Promotion

Company XY, s. r. o. performs various activities to promote its products. As for example, staff of the company takes a part in various trade fairs such as Agritechnica, Techagro, etc. In order to make marketing communication of the company more effective, potential customers were asked following question:

**Question: What element of the promotion is the most impressive according to you?**

Answer	Number of respondents	% of respondents
Articles in specialized magazines	3	8,8
Advertising materials (leaflets, brochures)	1	2,9
Presentations at trade fairs	6	17,7
Product Samples	24	70,6

Table 10. Features of promotion (*author's creation*)



Graph 4. Promotion (*author's creation*)

As for promotion, the vast majority of customers (70,6%) would like to see the machines working in the real conditions. Therefore, organizing product samples

all over the CzechRepublic is crucial for the company XY, s.r.o. Most of these demonstrations would be held be held on the fields of the first owners of the machines. Relatively large impact on the promotion have also presentations at trade fairs that are appreciated by the potential customers (17.7% of the respondents). There are many options to present this product at the Czech trade fairs such as TECHAGRO or Země Živitelka, but also in a foreign country (e.g. trade fair Agritechnica in Hannover, Germany).

## **11 ANALYSIS OF COMPETITORS**

Competition among existing competitors in the market for agricultural and municipal machinery is above average. There are many competitors in the branch, that are a great threat to company XY, s.r.o. To resist this threat by the constant technological development, effective promotion and ultimately quality customer services should be done.

On the market of agricultural and municipal machinery there is a number of companies that are more or less competing with XY, s.r.o. Market in agricultural machinery counts approximately 200 companies. The competition is of the two types. The first type is the competition in technology. Companies offers products that are supplied by various manufacturers, this means that competition lies in the brand of products. The second type of competition, competition among the same brands, which means that the company offers products of the same manufacturers, but compete in price, range of services, etc.

### **11.1 Potential competitors**

Generally, the threat of entry of new competitors into the branch is below average. There are no significant barriers to entry or exit from the branch, but this market is highly considered to be unattractive, mainly due to uncertain yields. There is no significant risk of entry of new Czech competitors into the sector of trade with agricultural machinery. On the other hand, the opportunity to succeed on the lucrative East European markets is threatened by powerful business chains that do business in Eastern Europe. To describe this threat, I chose two of them. The first company is called Rostselmash. Rostselmash is a group of companies that are selling agricultural machinery especially in area of Eastern Europe. Its branches are located in Russia, United States of America Ukraine and Kazakhstan. This company is a very strong competitor, its turnover is more than 1 billion dollars. The second one is expanding corporation called Lidagroprommash from Belarus which has joint ventures in Russian Federation, Ukraine and Kazakhstan.

### **11.2 Comparative analysis of existing competitors**

In order to analyze the competitors, I have made a comparative analysis. The commercial director of XY, s. r. o. was asked to evaluate particular features



of XY, s. r.o. and its competitors. These features were evaluated on the scale 1 – 10. Number 1 means the worst quality, number 10 means the best quality.

<b>Factor</b>	<b>XY, s.r.o.</b>	<b>Agrotec, a.s.</b>	<b>Strom Praha</b>	<b>Pekass, a.s.</b>	<b>Phoenix Zeppelin</b>
Quality of the product	6	6	10	6	5
Range of the products	9	4	10	5	6
Quality of employees	8	2	6	6	7
Promotion	6	6	9	7	5
Prices	6	9	2	7	5
Means of distribution	5	10	10	7	2
Image of the company	9	6	9	7	8
Services provided	9	7	6	3	9
Sum	58	50	62	48	47

Table 11. Comparative analysis (*author's creation*)

### 11.3 Evaluation of the comparative analysis

Comparative analysis shows that the company Strom Praha is the biggest potential competitor for the company XY. It has excellent image, a wide range of quality products, perfect propagation and distribution channels.

#### **Quality of the product**

Analysis of this factor showed that the company XY is together with PHOENIX - ZEPPELIN in second place, while the first place reached the company Strom Praha, which achieved the best quality of products. On the other hand, prices of their products are higher because of this factor.

**Range of the products**

XY, s.r.o. is ranked second, better again captured only the company Strom Praha. For the company XY is its strength. Quality of employees - is the greatest competitive advantage of XY, the company ranked here the first place. Worst rating has the company Agrotec a.s., mainly because of their reluctant employees.

**Promotion**

This factor is again the best in the company Strom Praha, since their propagation is very important for them. Strom Praha is also supported by its suppliers in this respect. Other competitors occupied the similar position, as the company XY, because they use the same promotion tools as the competitors.

**Means of distribution**

Is the weakness of the corporation XY. Worse position gained only PHOENIX - ZEPPELIN. The best position reached the company Strom Praha, who has built an extensive distribution network that completely covers the entire territory of the Czech Republic.

**Prices**

The cheapest products offer Agrotec a.s., which is the market leader in the field of business with agricultural machinery on the Czech market. Because they buy in large amounts of products, their suppliers provide them quantity discounts.

**Image of the company**

Image of the company is the strength of these companies: XY, s.r.o. and Strom Praha, mainly due to their personal approach, reliability and trust.

**Services provided**

The best market position in providing services has the company XY, s. r. o. High quality of services provided to the customer is one of the key activities of the company.

## **12 SUGGESTIONS FOR INNOVATION OF MARKETING STRATEGY FOR LAUNCHING NEW PRODUCTS OF THE COMPANY**

To create marketing strategy for new product launches which would be effective, it is necessary to sum up information obtained by:

- \* SWOT analysis
- \* Analysis of the market position of the company
- \* Analysis of the instruments of the marketing mix

### **12.1 Outcome of the analysis of the market position of the company**

Analyzing the market position of the company, it was found that the company XY, s. r. o. is in the position of the market challenger. Employees of the company XY, s. r. o. does not try to imitate its most important competitors. They are focusing on gaining a competitive advantage. XY, s. r. o. has the largest area of service centres in the Czech Republic. Competitive strategy of the whole company is based mostly on the high quality, complexity and accessibility of the service. According to opinion of the Chief Executive Officer of the company XY, s. r. o., service is one of the most important departments of the company.

### **12.2 Product strategy**

The product is the most important element of the marketing mix. It is an essential component of business activities. The product fulfils two basic functions. It enables the marketers meet the essential goals of manufacturer's business. On the other hand, it significantly contributes to meet specific customer needs. Therefore, sufficient attention should be given to the product.

An important part is also a range of products that the company currently holds. But also constant development and diversification of its product range should not be forgotten. Customers should be provided by more quality and developed machinery. It is important to offer customers a technique that suits his requirements. Also, it is appropriate to focus on the completion of these requirements recommendation other techniques which could become an even greater asset to the customer.

### 12.3 Price strategy

Price is an element of the marketing mix, which is different from the other elements of the marketing mix especially by the fact that it generates revenues and not costs. To change the price as an element of the marketing mix is much easier than changing its other elements. Price changes can significantly influence customer behaviour and structure of the company's market share. Although the importance of non – price factors is increasing, the price is still one of the most important elements of the marketing mix. Price expresses the value of the product, as well as the position of the product in comparison to competitor's products. The price can reflect the comparison of the quality, applied technology or differences in functional properties of a particular product. Price must be consistent with other elements of the marketing mix. When determining the costs we must consider factors such as company objectives, its possibilities, consumer demands and other external influences. It is also advisable to realize that some of these factors sometimes oppose each other. When choosing a pricing strategy and pricing method it is very important to consider all the factors that determine the price. The basis for the determination of pricing policy is the following marketing objectives. XY's goal is the acquisition of a substantive market share. The total production costs (including costs of materials, surface treatment, wages, overheads, etc.) should be considered as the determining factor for the pricing of new products. Another important factor is the prices of competitors' products which could be used for comparison with the prices of XY's products. In this case, I would recommend determining the price mostly by the cost – oriented method, in which the company sets a profit mark – up, which will be added to the cost of production. Generally, for seasonal products the surcharge is higher, which is given by the requirement to cover the risk associated with fluctuations of marketability.

I suggest the company to take advantage of price discounts and rebates by reducing prices by 2 – 4 %, after the season, i. e. during the month of October, November and December.

### 12.4 Distribution strategy

One of the most important decisions of the company management is deciding marketing channels of distribution. Choice of distribution channels directly affects all other marketing decisions. Options that company XY, s. r. o. directly applies is selling through business and customer service centres and via sales representatives. Here I would suggest

the application of the sale of products through other business and service centres focused on selling agricultural machinery, as well as greater involvement of the sales staff at sale. The company XY, s. r. o. reaches its biggest achievements in a territory that covers its business and service centers, so I would recommend to build some new business service centers and thus to be closer to customers who definitely appreciate the services provided by the company. These centers should be built in the area of Western Bohemia, where the company has no such facilities, even though the local customers would appreciate them.

## **12.5 Promotion strategy**

If we come from the product life cycle, the importance of promotion is highest just before and after the introduction of the product. When implementing a new product on the market, the most effective marketing tools are advertising and sales promotion, which attract the potential customers to purchase a new product. The main objective of promoting when introducing new machinery used in primary agricultural production is to inform potential customers about new products on the market and motivate them to buy the new product.

The survey among the potential customers shows that according to the vast majority of the potential customers, product samples that are held in their own fields are the most impressive means of promotion. As a result of this, when introducing new product, it is highly recommended to organize events based on the same idea as the Comia Tour.

Not only increasing sales is crucial for the company XY, s. r. o. Another important aim of its promotion strategy is to present its products and the company itself in a positive way.

### **To achieve this goal, I would recommend:**

\* To hold various presentations and product samples of the agricultural and municipal machinery at the company's business and service centres. These presentations would be enriched with some cultural events such as: football match and other special contests for the visitors, barbecue and so on.

\* To improve the quality of the company's web sites. As resulted from SWOT analysis, quality of websites of company XY, s. r. o. is below average. This means, they should be actualized, enriched and modernized in order to be more attractive for their visitors.

\* To continue presenting company's products on trade fairs which are popular among potential customers (e. g. TECHAGRO, Země živilka and many others).

## **12.6 Summary**

For sustainable growth of the company XY, s. r. o., it is necessary to provide customers the most efficient machinery ensuring minimal costs for customers, meeting all modern performance and quality requirements and providing prompt service and spare parts delivery. All these benefits can be achieved by constant improving of the company processes, establishing well-ordered personal-aided working environment and increasing employees' responsibility for product quality.

## CONCLUSION

The aim of my thesis was to develop the project of a marketing strategy of the company XY, s. r. o., for implementation of its new products on the market. My responsibility was to analyze the marketing activities of the company and to create a project of which aims to eliminate the weaknesses and to increase product sales. As the basis for elaboration of this project, a literature survey on essence and principles of marketing strategies in a competitive environment has been carried out.

In order to achieve objectives of my thesis I have chosen the realization of market research. I have used the method of the questionnaire survey, which aims was to map the customer preferences when purchasing agricultural machinery and confirm or disprove the hypotheses and develop the marketing strategy of the company XY, s. r. o.

By the analysis of marketing communication of the company XY, s. r. o., I have also found the most powerful tools of promotion (advertising, discounts, distribution, public events) that respondents reported as most influential tool in the market of agricultural machinery.

Proceeding analysis of competitors, have focused on identifying the main competitors for whom I considered seller of agricultural equipment, then I mapped the current market situation in agricultural machinery and have carried out estimate of the strengths and weaknesses of key competitors. SWOT analysis involved the defining the strengths and weaknesses of new products and in defining the opportunities and threats when implementing them on the market.

The research on marketing communication, SWOT analysis of the company and the analysis of competitors realized by the methods of marketing researcher Philipp Kotler have been established the basis for the draft of recommendation and implementation for the marketing strategy of a new product launch on the Czech market.

I especially recommend using the advertising leaflets promoting the after – season pricing discounts. It should be noted that the company does use these discounts, but with insufficient advertising campaigns. I also proposed to support the introduction of new products by testing these products at trade fairs.

These issues were very interesting and beneficial for me. I have had the opportunity to compare to which extent are the theoretical knowledge applied to actual functioning of the company. On the other hand, I also may have contributed to raise awareness of the importance of marketing strategy in the company because marketing activities

should be a marketing tool for management of the company. Moreover, they should ensure that the company could survive and develop in a competitive environment.



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## **LIST OF ABBREVIATIONS**

B2B – Business – to – Business

B2C – Business – to – Customer

etc. – et cetera

i. e. – id est

SWOT – Strengths, weaknesses, opportunities, threats

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Figure1. Product Life Cycle Curve

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## APPENDICES

P I      Analysis of needs of customers

## **APPENDIX P I: ANALYSIS OF NEEDS OF CUSTOMERS**

Questionnaire: research on needs and wishes of potential customers of XY, s. r. o.

Questions asked in the questionnaire:

### **Which feature of the product interested you the most?**

- Less fuel consumption
- Design
- High performance even in challenging conditions
- Easy maintenance

### **What do you really appreciate when buying the product?**

- Lower price
- Later due date of invoices
- The possibility of a cash discount
- Possibility of buying the product on instalment

### **Which of these elements of distribution is the most attractive for you?**

- Larger network of business and service centres
- Larger stocks of spare parts
- Faster transport of the product from the manufacturer to the customer
- Broadening of the sales territory

### **What element of the promotion is the most impressive according to you?**

- Articles in specialized magazines
- Advertising materials (leaflets, brochures)
- Presentations at trade fairs
- Product Samples (Comia Tour)