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MARKETING APPROACH TO SALE MANAGEMENT

The article addresses the implications of the marketing approach to sales management at the fireplace market. The sales management concept is researched according to specific features of the market, as well as the key competences of companies, in order to form an appropriate marketing strategy. The article includes the statistical analysis of external trade of fireplaces. The logical model the "Six W's" was applied as the methodological framework for marketing management in the company. The case study presents the results of the field market research carried out at the regional consumer fireplace market. Customer segmentation was figured out by means of factor and cluster analyses and SPSS.

Keywords: sales management; marketing approach; the Six W's logical concept; fireplace market; market segmentation.

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**МАРКЕТИНГОВИЙ ПІДХІД ДО УПРАВЛІННЯ
ПРОДАЖАМИ НА РИНКУ КАМІНІВ**

У статті представлено маркетинговий підхід до управління продажами на ринку камінів. Концепцію управління продажами досліджено, враховуючи специфічні особливості даного ринку, а також ключові компетенції компанії, з метою розробки відповідної маркетингової стратегії. Проведено статистичний аналіз зовнішньої торгівлі камінами. Логічна модель «Шість запитань» стала методологічною основою управління маркетингом та продажами в компанії. Представлено результати польового маркетингового дослідження регіонального ринку камінів. Сегментацію ринку камінів проведено з використанням факторного, кластерного аналізу та програмного забезпечення SPSS.

Ключові слова: управління продажами; маркетинговий підхід; логічна модель «Шість запитань»; сегментація ринку; ринок камінів.

Рис. 3. Табл. 4. Літ. 14.

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В статье представлен маркетинговый подход к управлению продажами на рынке каминов. Концепция управления продажами исследована, исходя из специфических особенностей рынка, а также ключевых компетенций компании, с целью разработать соответствующую маркетинговую стратегию. Проведен статистический анализ внешней торговли каминными. Логическая модель «Шесть вопросов» послужила методологическим основанием управления маркетингом и продажами в компании. Предоставлены результаты полевого маркетингового исследования регионального рынка каминов. Сегментация рынка каминов проведена с использованием факторного, кластерного анализа и программного обеспечения SPSS.

Ключевые слова: менеджмент продаж; маркетинговый подход; логическая модель «Шесть вопросов»; сегментация рынка; рынок каминов.

Introduction. Marketing plays a key role in the competition for customers, assisting company in developing its relationships with consumers, providing permanent growth and creation of competitive advantages at the market. Marketing strategy helps improve business processes and raise the financial performance of a company.

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But majority of companies need to manage marketing tools in corporate management more effectively. As M. Jeffery (2013) evaluates, only 20% of companies use different indicators for measuring the current and strategic marketing activities.

There are some trends in developing marketing management.

- The role of marketing includes setting strategic directions for a firm and guiding investments to develop marketing assets within business processes to provide sustainable position at a marketplace. Effective dissemination of new methods of assessing marketing productivity to business community is a major step towards raising marketing's vitality of a firm (Rust et al., 2004).

- Market-based management is developing fast and includes the choice of strategies for growing customer value and profitability of a company. Strategic marketing analysis is used to define the influence of macroenvironment on business, to collect reliable information and the determinants for a marketing plan, based on statistical data (Flyaysher and Bensussan, 2014).

- Marketing metrics is the key determinant for top management and shareholders to justify marketing spending. The growing need for quantitative measures of marketing performance has led to appearance of multitude of indicators measuring everything from levels of customer satisfaction to the number of unique clicks on a specific website (Petersen et al., 2009).

- Marketing is getting more and more oriented to customers. For instance, V. Kumar (2008) introduces a customer-centric approach to allocating marketing resources to the right customer at the right time. Evolution of customer management has been gradual over years. Firms initially started with individual needs, but then moved on to mass marketing and tried to target the entire market. Over the years, firms realized that to gain a competitive edge, they need to concentrate on segmental customers, and now more so on individual customers.

- Marketing is transforming by using Internet as a channel for directly generating sales through clear, interesting and up-to-date webpages to attract customers (Doherty and Ellis-Chadwick, 2010). Online one-to-one marketing is facilitating communication with customers on the individualized basis through personalization of web-page contents or customization of emails.

As a rule, issues concerning sales management are dealt with within the framework of producer's distribution policy. We believe that the sales management concept must be researched according to specific features of the market, as well as the key competences of companies, in order to form the appropriate marketing strategy.

The object of the current research is to determine the marketing strategy in the processes of fireplaces delivery from European producers to Ural customers by using the logical model called the "Six W's", fireplace market segmentation, factor, cluster and SWOT-analyses.

Methodology. The American Marketing Association defines marketing channel as a set of practices or activities necessary for transfer of goods ownership, as well as for moving goods, from the point of production to the point of consumption (Dictionary of American Marketing Association, www.marketingpower.com).

The term "sales triad" allows the outlining 3 basic components of the selling process: sales, performed by producers or by specially created structures, *distribution* and *delivery* of goods and/or services to customers (Barkan, 2008, 2009).

The key competence is described as a combination of specific, internal, integrated and applied knowledge's, skills and relations (Ljungquist, 2008). For sale management the key competence includes the opportunities for development of sale functions and marketing communications; improving sale skills; contribution into the creation of values for customers through relationship marketing.

The "Six W's" logical model has been chosen as the key analytical tool by the authors. Two centuries BC, the Greek orator, Hermagoras of Temnos, defined the 7 "circumstances" as the core of a given issue: "Quis, quid, quando, ubi, cur, quem ad modum, quibus adminiculis (Who, what, when, where, why, in what way and by what means). Currently, the "Six W's" model is an extensively used tool (Kotelnikov, 2009). It is used for forming the marketing mix 4P (product, price, place, promotion). The "Six W's" model for sales management' is shown in Table 1.

Table 1. Marketing analysis under the Six W's model for sales management, adapted from (Kotelnikov, 2009)

	Questions	Contents of marketing analysis
1	Who sells?	<i>Sales</i> : internal business processes; sales force: motivation, effects, results, awards; managerial staff; KPI, competence-based approach, customer satisfaction; clientele loss threats; development and training
2	What do we sell?	<i>Sales and Distribution</i> : channel design; key competence in channel; the essence of a product; cooperation with channel participants; opportunities and limitations
3	To whom do we sell?	<i>Sales and Delivery</i> : market segmentation; customer behavior models; key customers; potential customers
4	Where do we sell?	<i>Distribution and Delivery</i> : place, e-commerce, marketing logistics, decisions for regional sales
5	When do we sell?	<i>Sales and Delivery</i> : market environment; season sales; 24 hours service; flexibility
6	How do we sell?	<i>Sales, Distribution and Delivery</i> : pricing policy and discounting system; distribution channels; sales promotion; CRM; trade marketing

The main aim of the factor analysis in our research is to group the statements of fireplaces' customers, similar in their meaning, into macrocategories – the factors of consumer choice. The goal of this grouping is to reduce the number of variables and to optimize statistical data structure by motives for fireplace installation.

Cluster analysis is used as a method for classification of customers by given attributes. Its aim is to form target groups of fireplaces buyers: firstly, homogeneous inside, and secondly, distinctly different from each other. This approach allowed us identify homogeneous segments of respondents by their attitude to fireplaces and the related benefits.

Marketing information base for marketing sales analysis was formed by primary data, collected during the field research carried out at the fireplace market in Yekaterinburg, Russia (440 respondents); professional interviews conducted with "European Fireplaces" shop sales force, as well as secondary data from public media, Russian Federal Customs Services, American Housing Survey, as well as from various Internet sources.

The statistical analysis of customers' responses to the poll was carried out by means of SPSS.

Case study on the marketing approach to sales management at the fireplace market. Russia is a net importer of fireplaces. On the data of Federal Customs Statistic in Russia (stat.customs.ru), the cost of fireplaces' import in 2014 was 40 mln USD, and the export was 4.5 mln USD. China is strengthening its position at Russian fireplace market, and Chinese share in the cost of Russian import reached 31% in 2015 (Figure 1). The second place belongs to France – 17.8%, and Germany has taken the third one with the share of 8.6%.

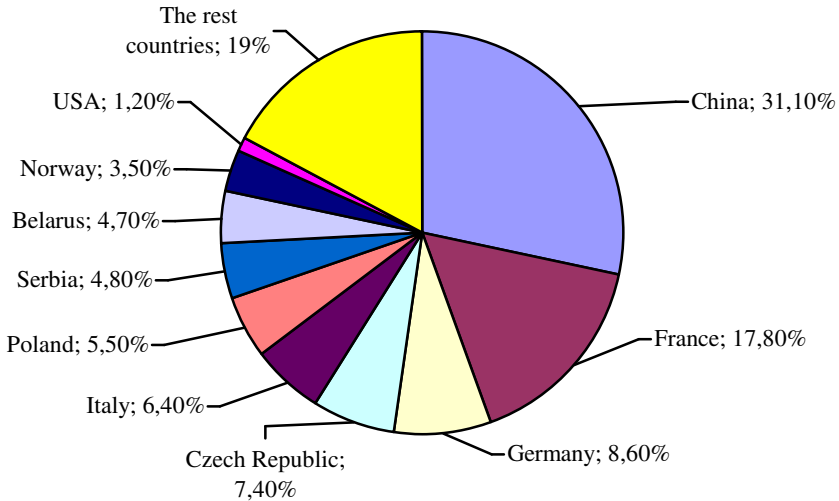


Figure 1. The shares of leading countries in Russian fireplace' import (the first quarter of 2015), %, constructed on the data from (stat.customs.ru)

Geographical structure of Russian fireplaces import is changing rapidly in years. China, France and Poland have improved their positions in the rating of countries importing the fireplaces for Russian market recently (Table 2).

Table 2. Countries' shares in the volume of Russian fireplaces' import, 2012 to 2014, %, calculated on the data from (stat.customs.ru)

Rating, 2014	Country	2012, %	2014, %	2014 to 2012, %
1	China	22.8	27.8	+ 5.0
2	France	14.9	13.3	- 1.6
3	Serbia	7.2	9.9	+ 2.7
4	Belarus	10.3	7.4	- 2.9
5	Italy	7.6	7.2	- 0.4
6	Germany	7.8	5.4	- 2.4
7	Czech Republic	3.4	5.0	+ 1.6
8	Poland	2.8	4.8	+ 2.0
9	Iran	5.1	3.3	- 1.8
10	Ukraine	1.9	2.0	+ 0.1
11	Norway	2.5	1.9	- 0.6

There are 82.6% of wooden fireplaces, 15.3% of gas fireplaces and 2.3% using liquid fuel in the total structure of Russian fireplaces import in 2015 (its first quarter) (stat.customs.ru).

1. Who sells? Stroycomplex, Ltd. was chosen as the target of the research. The company was established in Yekaterinburg in 1991 as the first company in the Ural region to sell and install European fireplaces. The first showroom/sales outlet "European Fireplaces" started operations in Yekaterinburg.

Currently, Stroycomplex, Ltd. is the only Ural region based importer of fireplaces directly cooperating with such European producers as "Chazelles" (France), "Palazzetti" (Italy), "Nordica" (Italy), "Arkiane" (France), "Don-Bar" (Belgium), "Schiedel" (Germany) etc. It is the first key competence of the company. Around 40 European fireplace's competitors in Yekaterinburg buy fireplaces from European producers' wholesale dealers in Moscow and Saint-Petersburg.

The company sells fireplaces through own retail chain "European Fireplaces" as the second key competence. The marketing approach assumes that firm's key competences are primarily connected with personnel. The sales force plays a vital role in the company's profits and it is the third key competence of Stroycomplex, Ltd.

SWOT-analysis revealed the strong features of the company: long-term experience at the fireplace market, long-term relations with foreign producers and trade companies, a wide choice of fireplaces and complementary equipment, regular training of the sales personnel, performance of designers, convenient search on the web site. The weaknesses of the company include low quality of installation services, high prices, fast staff turnover, lack of space in the shops for fireplaces exhibitions, slow interaction among structural divisions of the company, absence of new managerial software. The opportunities are connected with the growing demand for fireplaces due to development of the middle class and active individual housing construction in Russia. There are some threats of declining demand and sales in the future caused by economic crisis and new geopolitical environment, currency fluctuations, appearance of new big competitors in the region from Moscow.

2. What do we sell? European fireplace market was formed quite a long ago, whereas in Russia it started its development in the 1990s. Fireplaces are classified as durable goods, containing several specific marketing features:

- *Complex production cycle, long-time period for launching of new models into the market as well as high dependence on cutting edge technologies.* Up to the mid-1990's traditional wood burning fireplaces dominated the market, with the share of 73.1% (Tikhonova and Prokina, 2006). Since 1997 gas-operated fireplaces superseded the wood burning ones as the leading models at the market. The next stage in the fireplace market's development was the launch of electric fireplaces. This type of fireplace can be used in private houses, as well as in residential buildings. The first bio-fireplaces appeared at the Russian market in 2005–2006.

- *Relatively high prices:* prices for fireplaces vary from 1,000 USD to 6,000 USD for electric units, up to 20,000 USD for exclusive models. Fireplaces are goods with high level of income elasticity of demand. Fireplaces are classified as innovative, high-priced goods. As a rule, fireplaces can be found in country houses. Sales of traditional fireplaces correlate with the trends in construction of private housing.

- *Length of time needed by customers to choose and purchase a fireplace:* customers usually make their choice of which fireplace to purchase within 2–4 weeks. In some cases, the purchase is postponed for several months, as they compare up to 10 different models.

- *Factors in customer choice of a fireplace:* a fireplace combines functionality with the aesthetic elements of decor. However, it is the second aspect, considered to be the crucial one for customer choice. For instance, 42% of American customers buy fireplaces in order to save money in their heating expenditures (Figure 2).

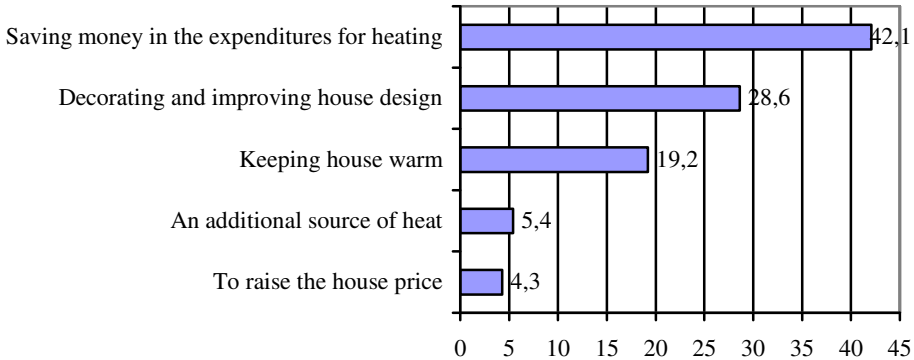


Figure 2. **Motivation of American customers for buying a fireplace, %**
(American Housing Survey, www.census.gov)

Fireplaces as the heating systems are considered to be non-economical in the Ural climatic conditions, so they are more of a luxury unit in interior design. This has been proven by the market research, conducted by the authors. The % of the respondents' answers on customers' choice is shown in Figure 3.

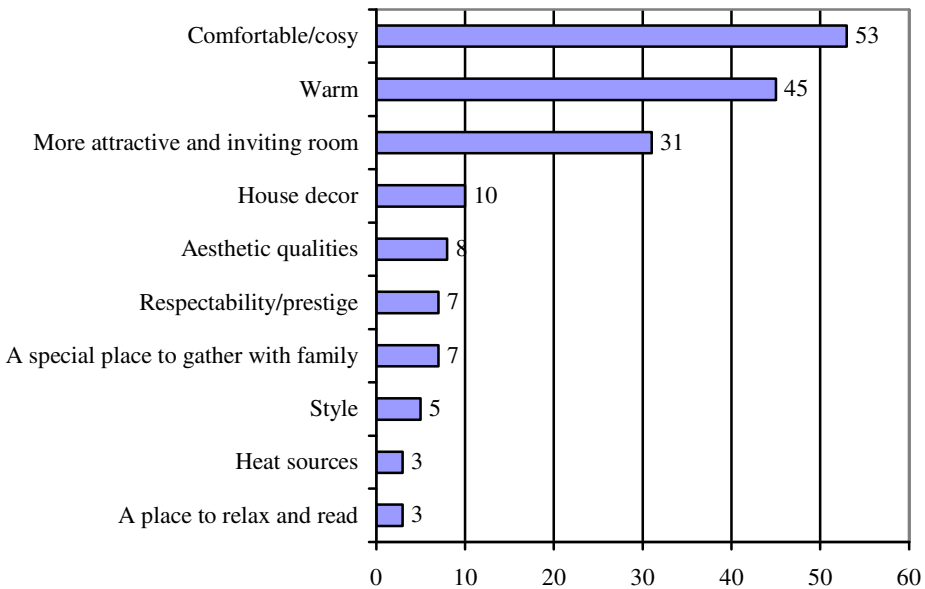


Figure 3. **Advantages of installing a fireplace for Ural customers, %**,
authors' survey

- *The necessity for guarantees and warranties.* Consolidated customer expenditure on a fireplace include its retail price, as well as its installation and maintenance costs.

- *Durable goods depreciation.* Along with wear and tear, depreciation is also to be considered as a factor of major importance, linked to fashion changes in decor.

We have picked up 14 factors of consumer choice of a fireplace as a result of our field research. The results of factor analysis via SPSS figured out 4 groups of factors in consumer behavior:

1. Fireplace is a good for demonstrative consumption; fireplace is not needed in an apartment; fireplace has a fire risk; it requires high expenditures for regular maintenance and knowledge of new technical trends and innovations.

2. Fireplace is a necessary element in a country house, it is a heat source, fireplaces are useful for relaxation with family.

3. Fireplace is a luxury good, home interior decoration; an indicator of prestige consumption; it makes a house look more respectable.

4. Higher price means higher quality, fireplaces are too expensive.

3. To whom do we sell? The target groups of customers were defined through cluster analysis. The company applies unique combinations of marketing tools for every segment.

Companies operating at the fireplace market concentrate on high income households. Generally, the target audience consists of businessmen and top-managers. Market research, conducted by the authors, in addition to expert interviews show that certain groups of customers have similar characteristics.

First of all, these are middle income customers, and they consider price to be the key factor in decision-making on purchasing a fireplace. They pay greater attention to "low end" models. That is why they might choose construction teams, specialized on brick cladding as an alternative to fireplace purchase. However, this segment has great potential, as in recent years demand is growing for "economy class" country houses and terraced houses (Table 3).

Secondly, these are clients with above average incomes. They prefer to buy imported high-priced fireplaces. The key factor for this segment is fireplace's appearance, as well as its casing. This segment is narrow, but steady, and also includes high-income customers. It is most difficult to carry out research into this segment. The abovementioned customers tend to choose expensive deluxe models.

4. When do we sell? The demand seasonality is a specific feature of the fireplace market, assuming regular growth and reduction of sales periods. Sales usually peak in July-August, as well as in November-December, a with considerable decline in sales during the January-February period. The seasonality factor is to be taken into account for both sales and stock planning, as well as for choosing the correct timing for advertising and sales promotions.

5. Where do we sell? The company uses the geographical expansion strategy, according to the quadrant "old product – new market" in the Product/Market Ansoff matrix. This is assuming that the company is developing new distribution channels and forming new customer groups. Since 1998 the company has been developing its chain of regional branches, specializing in the retail of fireplaces, in the large Ural cities, such as Tyumen, Chelyabinsk, Magnitogorsk, Miass, Perm etc.

6. How do we sell? The polls results show that the inhabitants of Yekaterinburg are poorly informed about the fireplace market. The main information sources are bright shop signs, as well as the locations of sales points in the main streets of the city.

Other important sources of information are the Internet and word-of-mouth advertising. None of the people interviewed had chosen "radio", "TV commercials" or "Magazines". The "European Fireplaces" retail chain primarily uses outdoor advertising, Internet-advertising, as well as social networks. Consequently, massive advertising campaigns, as well as establishing partnership relations with cottage-constructing companies, as well as with private architects and designers have sufficient potential.

Table 3. Target market segmentation by using cluster analysis, authors'

Segment	Characteristics
«Urban legends» or «Criticisms» 24%	<i>Sociodemographic:</i> the 30–45 age group; married with children; urbanized; family's monthly income – 25,000 to 50,000 RUR. <i>Behavioural aspects:</i> attitude to product is negative and hostile; a fireplace is a useless interior item that occupies too much precious space, entails high costs, is difficult to install, complicated to operate and presents a fire risk. Their attitude is influenced by negative stereotypes about fireplaces. Plus, they see fireplaces as symbols of visible consumption.
«Generation Y» or «Young aesthetes» 12%	<i>Sociodemographic:</i> young and dynamic, 18–30 age group; single, urbanized; monthly income – about 40,000 RUR. <i>Behavioural aspects:</i> attitude to the product is enthusiastic; to them fireplace is a beautiful interior item used informally to support social class membership, assigned on the basis of occupational status or income.
«Lares and Penates» or «Family guy» 34%	<i>Sociodemographic:</i> 30+ age group; married with children, country property owners (cottage, townhouse); family's monthly income – 50,000 to 80,000 RUR. <i>Behavioural aspects:</i> their attitude to the product is positive; a fireplace represents family values; family traditions; benefits sought: the fireplace is a great centerpiece for family gatherings; it makes a room more attractive and inviting.
«Functionalists» 5%	<i>Sociodemographic:</i> 30+ age group; married with children; country property owners (cottage, town-house); family's monthly income – 50,000 to 80,000 RUR. <i>Behavioural aspects:</i> their attitude to the product is positive; benefits sought might be described in the following characteristics: rationalized, practical, functional, the relevance of aesthetics to practical design in effective synthesis.
«Chapmans» and «Rococo» 25%	<i>Sociodemographic:</i> age group – 40+ age group, married with children, or divorced, country property owners; high middle income housing segment, family's monthly income – over 100,000 RUR. <i>Behavioural aspects:</i> the attitude to the product is positive; typically, they are «on the bandwagon» (friends, social class), a fireplace belongs to a certain set of everyday household items and furniture; high standards of sophistication and quality; famous brands, unique projects.

Marketing strategy. Having researched the product line in the "European Fireplaces" retail chain we concluded that, in terms of product policy, the company positions itself as the provider of deluxe European trademarks, inaccessible for competing retailers. Taking into consideration our data of market concentration, calculated on the basis of the Herfindahl-Hirschman index, we may conclude that supplier management is well diversified in Stroycomplex, Ltd., and we have assessed its market power to be reasonable.

For the company there are obvious restrictions on making marketing decisions regarding "What?" and "To Whom do we sell?". The company needs to shift its focus gradually from "assortment depth and width" to "service continuum". Furthermore, the importance of services in the continuum is growing. However the company has almost absolute freedom in the management part of business (questions "Where?", "When?" and "Who?"), which allows combining marketing tools with the methods designed to increase sales, Table 4.

Table 4. Marketing strategy for sales management, authors'

Developing Sales Dimensions	Marketing strategic decisions
Sales width	Creation of new branches in other Russian regions. Using new sales channels. Involvement of the economy segment. Backward integration inside marketing channel: from retailers to wholesale storehouses in the East Russian regions.
Sales longitude	Transition from sales to complex services for customers, including project and design services, installation and provision of fireplace facilities during the whole exploitation period, sales of complementary products and services.
Sales depth	Introduction of loyalty programs and raising customer value, one-to-one marketing and communication with customers on the individualized basis, outdoor advertisement during the season sales.
Sales adaptation and harmony	Internet and social media promotion, personalization of web-page content, customization of electronic mailing, improving sales services in the retail chain.

In the crisis period it is of the utmost importance for "Stroycomplex" Ltd. to find new ways to improve customer satisfaction and increase profitability. The company expects to see new opportunities for growth by means of:

- implementation of customer service improvement projects;
- backward integration: seeking business control at the wholesale level of the channel; for geographic expansion into new potential markets of Eastern Russia.
- development of lower middle class segment ("economy models").
- partnership with construction companies, private architects and designers by using cobranding strategies.

Conclusion. The research has shown that one of the key factors allowing the company get ahead in competition could be the marketing approach to sales management, in which the "Six W's" model is used. This approach allows the company develop its marketing management methods basing on market requirements of various consumer segments. It can also optimize its customer-related management, thus forming new long-term competitive advantage, basing on effective functioning of marketing channels.

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