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**GE Money Bank in Norway.
Competitor Analysis in AUTO Market.**

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“This thesis has been prepared in partial fulfilment of the requirements of the degree of Siviløkonom/ Master of International Management at the Norwegian School of Economics and Business Administration, and is approved as such. This approval does not imply that the School vouches for the methodology, the findings or the conclusions drawn in the research.”

Executive Summary

In this Siviløkonom study the financial industry in Norway is analysed and a competitor analysis in AUTO market is performed for GE Money Bank. The industry analysis is based on the M. Porter's Five Forces Framework, which includes the analysis of Suppliers, Buyers, Potential New Entrants, Product Substitutes and Rivalry. From this analysis it is concluded that the strongest force in the industry is Rivalry with fierce competition and numerous actors on the market. It is also clear that the biggest segment of buyers of bank's financial products in AUTO market – dealers- exploits the bargaining power over banks, and although is very important for banks, it is not the optimal distributional channel.

Further, the strongest force – rivalry- is analysed in details using strategic group approach and banks' positioning. It is discovered that price and product range are not the strategic dimensions the financial companies are competing on. Instead, several success factors in the industry are identified based on the deep internal analysis of some main competitors, which are: Multi Channel distributional strategy, close relationships with dealers, use of Internet as a distributional and promotional channel, Brand name and Cross-Selling ability.

Based on the findings, I recommend to GEMB to start communicating a new message to the market, build up strong Brand Awareness within new market segments, continue to cooperate with dealers and use Multi Channel Distribution.

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1. Introduction

Background

As a student at Norwegian School of Economics and Business Administration, I have followed interesting classes dedicated to different aspects of Business Strategy and Competitive Actions companies employ in order to succeed in a market. I find it very interesting to analyse the strategic moves a company does when introducing a new product or entering a new market.

GE Money Bank has earned a solid reputation on the market of Personal Loans in Norway. The brand name of the bank is well recognised among Norwegian consumers and GEMB is the leader in this segment. Nevertheless, GEMB has ambitions to grow further and to challenge other established players on the Norwegian market by offering new products. The bank has taken the strategic decision to move into AUTO market and Mortgage in 2005.

However, the segment of personal loans and these two segments differ from each other significantly. There are different players operating in these segments and they employ other strategies. GEMB needed to understand the forces it is going to meet in these segments and rivals it is going to compete against. The bank has chosen to investigate the AUTO market and competitive situation in details. That was the background how the need for such a student project has evolved. My interests and qualifications matched with banks' needs and I was happy to dedicate my Siviløkonom Thesis to this topic. The research was made in summer-autumn 2005.

Structure

This study starts with a formulating and defining the research question and the scope of the research. Then after problem formulation in Chapter 2, the theoretical review on the topic of industry and competitor analysis will follow in chapter 4. Different models traditionally used for these purposes will be presented and discussed critically. In the chapter 5 the reader can find the general political, economical, social and technological trends existing today.

In the Chapter 6 the industry analysis will be performed using frameworks discussed in theoretical part. The analysis of the industry is crucial in order to understand the main forces that may influence the profitability of the bank. The competitor analysis will follow the

industry analysis, where I will describe the competitive landscape in Norway and go deeper into competitors' profiles and internal analysis of some competitors. Such a structure will allow me to identify critical success factors in the market and draw conclusions about strategies that can help to succeed in this market.

In the end based on the industry and competitor analysis, some recommendation to GEMB in terms of possible competitive actions will be given.

2. Problem formulation

As stated in the Introduction, GEMB is in the initial stage of introducing new products to the market. The AUTO market is relatively new and unknown segment for the bank. The strategies employed in the segment of Personal Loans are not quite suitable for AUTO customers and the existing position of the bank is also going to change. GEMB needs to find a place for itself in the new environments. So the *research objective* is to investigate the existing AUTO market and the competitive environment in Norway.

The research questions stemming from the research objective are the following:

RQ1: *What are the market opportunities for GEMB in the Auto market?*

In order to gain profit from its products and earn the above average returns on its investments, GEMB needs to understand what is going on in the market. A deep and detailed understanding of existing competition is necessary. So,

RQ2: *What are the strategy, value proposition and competitive positioning of GEMB' main competitors in the AUTO market?*

The term *strategy* is defined as an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage (Hitt, Ireland and Hoskisson, 2001). A value proposition is a value an organisation communicates towards its customers in terms of product specifications or value added services. The term “competitive positioning” allows attention to be directed at all aspects of a firm’s competitive strategy, both the aspects shared with other firms and the aspects of strategy, which are unique to the firm (Huff, 1990).

After answering to the research questions it is possible to make general conclusion about the main drivers on the AUTO market and give important recommendations to the bank about how to occupy strong position on this market and capture bigger market share in the nearest future.

3 Theoretical Overview

3.1 *The rivalry matrix*

The strategy literature provides a range of different tools to analyse rivalry and competitive dynamics. Among these tools, game theoretic models (Camerer, 1991), scenario analyses (Schoemaker, 1991), “warfare” models (D’Aveni, 1994, Chen, 1996), and frameworks approaches (Porter, 1980) are the most discussed and used.

Two dimensions are particularly important in analysing the appropriateness and applicability of a particular competitive tool: the number of key decision variables and the predictability of the environment (Furrer and Thomas, 2000).

The number of decision variables: few vs many

This dimension refers to the scope of the strategic problem. We have a narrow scope when one or few decision variables are involved: launch of a new product, entry into a new market, a capacity extension, etc. A broad scope means that a firm focuses on a large array of decision variables in analysing the decision situation. Clearly, as the situation becomes more complex and more decision variables are involved, it becomes more difficult to model the competitive moves of the players.

Predictable vs uncertain environment

In a predictable environment, environmental variables are held constant or are evolving at a constant pace, suggesting an evolutionary, incrementally changing competitive situation and not a revolutionary one. On the other hand, uncertain environments are sometimes characterised by so-called Schumpeterian shocks involving the process of creative destruction of existing technological understandings. For example, the emergence of a revolutionary new technology, or the unexpected entry of a new competitor from a totally unrelated industry are events that can completely change the competitive landscape as well as the rules of the game. In such environments it is impossible to identify the range of strategic alternatives of all the players, and it is also impossible to predict the outcome for each of the alternatives.

By combining these two dimensions, we obtain the two by two matrix presented in Figure 3.1 (from Furrer and Thomas, 2000). In each of the cells of this matrix a different rivalry model applies.

Figure 3.1. The Rivalry Matrix.

		Decision variables	
		Few	Many
Nature of the Environment	Predictable	Game theory (Camerer, 1991)	Warfare Models, Multipoint Competition (Chen, 1996, D'Aveni, 1994)
	Uncertain	Scenarios, Simulation, and System Dynamics (Porter and Spence, 1982)	Frameworks (Porter 1980)

However, a problem with these tools is that they have usually been developed to answer certain specific competition questions or to analyse some specific rivalry situations. For example, game-theoretic models are rather specific: the behaviour that emerges in equilibrium depends on the precise state of the environment that obtains (Camerer, 1991). Game theories, warfare models and scenarios abstract the complexity of competition to isolate a few key variables whose interactions are examined in depth. The normative significance of each model depends on the fit between its assumptions and reality.

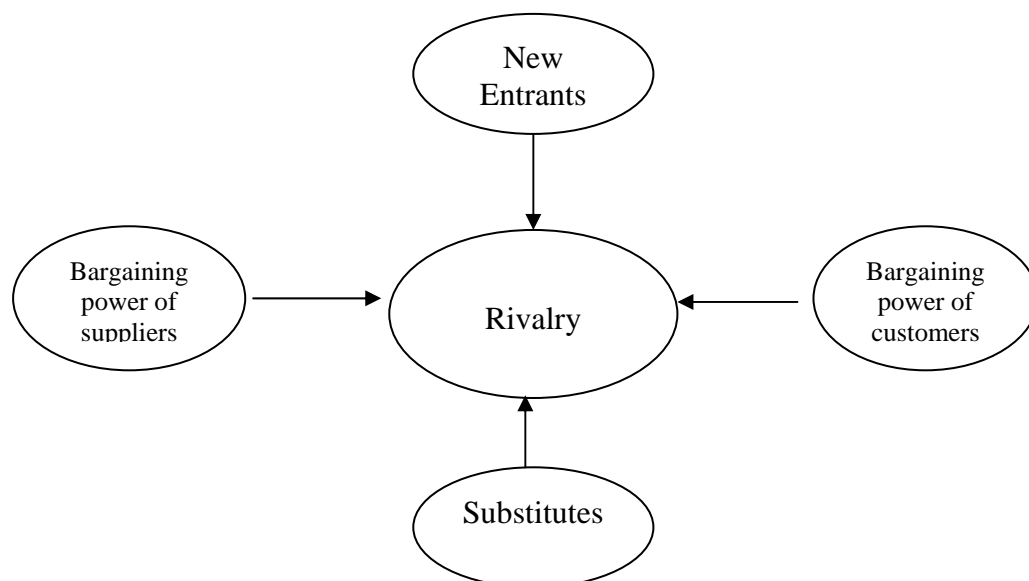
In an uncertain environment where many decision variables are involved, which company usually face, there is too much complexity to rigorously model competition. In this situation, it is better to focus on the variables and to use a framework to identify the more critical ones and their interactions (Porter, 1980). A framework encompasses many variables and seeks to capture much of the complexity of actual competition. The logic embodied in frameworks is contained in the choice of included variables, the way the variables are organised, the interaction among the variables, and the way in which alternative patterns of variables and company choices affect outcomes (Porter, 1991). The five forces model of competition is an analytical tool used to help firms in learning how to use their resources to implement the strategy required by the structural characteristics in that industry.

3.2 Porter's five forces framework

The five forces model introduced by Michael Porter in 1980 suggests that an industry's profitability (i.e. its rate of return on invested capital relative to its cost of capital) is a function of interactions among five forces: suppliers, buyers, competitive rivalry among firms currently in the industry, product substitutes, and potential entrants to the industry (Porter, 1980). Using this tool, a firm is challenged to understand an industry's profit potential and the strategy that should be implemented to establish a defensible competitive position, given the industry's structural characteristics.

The five forces model of competition expands the arena for competitive analysis. Historically, when studying the competitive environment, firms concentrated on companies with which they compete directly. However, today competition is viewed as a grouping of alternative ways for customers to obtain the value they desire, rather than a battle among competitors. This is particularly important, because in recent years industry boundaries have become blurred (Hitt, Ireland and Hoskisson, 2001). The model is represented in figure 3.2.

Figure 3.2. Porter's Five Forces.



The model recognises that suppliers could become a firm's competitor (by integrating forward), as could buyers (by integrating backwards). In addition, firms choosing to enter a new market and those producing products that are adequate substitutes for existing products could become competitors of the company.

3.2.1. Threat of New Entrants

New entrants often have the potential to be quite threatening to incumbents. One reason new entrants pose such a threat is that they bring additional production capacity. Unless the demand for a good or service is increasing, additional capacity holds consumers' costs down, resulting in less revenue and lower returns for an industry's firms. Often, new entrants have substantial resources and a keen interest in gaining a large market share. As a result, new competitors may force existing firms to be more effective and efficient and to learn how to compete on new dimensions.

The likelihood that firms will enter an industry is a function of two actors: barriers to entry and the retaliation expected from current industry participants. When firms find entry into a new industry difficult or when firms are at a competitive disadvantage entering a new industry, entry barriers exist.

Entry barriers may be as follows:

- Economies of scale. From an operational perspective, economies of scale mean that as the quantity of a product produced during a given period increases, the cost of manufacturing each unit decline. Economies of scale can be gained through most business functions (marketing, manufacturing, purchasing)
- Product differentiation. Over time, customers may come to believe that a firm's product is unique. This belief can result from service to the customer, effective advertising campaigns, or the firm being the first to market with a good or service.
- Capital requirements. Competing in a new industry requires resources to invest. In addition to physical facilities, capital is needed for inventories, marketing activities, and other critical business functions. Even when competing in a new industry is attractive, the capital required for successful market entry may not be available to pursue an apparent market opportunity.
- Switching costs. Switching costs are the one-time costs customers incur when buying from a different supplier. If switching costs are high, a new entrant must offer either a substantially lower price or a much better product to attract buyers.

- Access to distribution channels. Over time, industry participants can develop effective means of distributing products. Once a relationship with distributors is developed, firms nurture it in order to create switching costs for them.
- Cost disadvantages independent of scale. In some instance, established competitors have cost advantages that new entrants cannot duplicate. Proprietary product technology, favourable access to raw materials, favourable locations, and government subsidies are examples.
- Government policy. Through licensing and permit requirements, governments can control entry into an industry.

3.2.2. Bargaining Power of Suppliers

Increasing prices and reducing the quality of products sold are potential means through which suppliers can exert power over firms competing within an industry. If a firm is unable to recover cost increases through its pricing structure, its profitability is reduced by its suppliers' actions. A supplier group is powerful when

- It is dominated by a few large companies and is more concentrated than the industry to which it sells;
- Satisfactory substitute products are not available to industry firms;
- Industry firms are not a significant customer for the supplier group;
- Suppliers' goods are critical to buyers' marketplace success;
- The effectiveness of suppliers' products has created high switching costs for industry firms
- Suppliers are a credible threat to integrate forward into the buyers' industry. Credibility is enhanced when suppliers have substantial resources and provide the industry's firms with highly differentiated product.

3.2.3. Bargaining Power of Buyers

Firms seek to maximise the return on their invested capital. Buyers (customers of an industry or firm) want to buy products at the lowest possible price, at which the industry earns the lowest acceptable rate of return on its invested capital. To reduce their costs, buyers bargain for higher quality, greater levels of service, and lower prices. These outcomes are achieved by encouraging competitive battles among the industry's firms. Customers are powerful when

- They purchase a large portion of an industry's total output;
- The product being purchased from an industry accounts for a significant portion of the buyers' costs;
- They could switch to another product at little, if any, cost;
- The industry's products are undifferentiated or standardised, and the buyers pose a credible threat if they were to integrate backward into the sellers' industry.

3.2.4. Threat of Substitute Products

Substitute products are different goods or services from outside a given industry that perform similar or the same functions as a product that the industry produces. In general, product substitutes are a strong threat to a firm when customers face few, if any, switching costs and when the substitute product's price is lower or its quality and performance capabilities are equal to or greater than those of the competing product. Differentiating a product along dimensions that customer value (price, quality, service after sale, location) reduces a substitute's attractiveness.

3.2.5. Intensity of Rivalry among Competitors

Because an industry's firms are mutually dependent, actions taken by one company usually invite competitive retaliation. Thus, in many industries, firms compete actively and vigorously as they pursue strategic competitiveness and above average returns. Competitive rivalry intensifies when a firm is challenged by a competitor's actions or when an opportunity to improve a market position is recognised. Visible dimensions on which rivalry is based include price, quality, and innovation.

There are several factors influencing the intensity of the rivalry between firms (Hitt, Ireland and Hoskisson, 2001):

- Numerous or equally Balanced Competitors

Intense rivalries are common in industries with many companies. At other extreme, industries with only few firms of equivalent size and power also tend to have much rivalry.

- Slow Industry Growth

When a market is growing, firms try to use resources effectively to serve an expanding customer base. Growing markets reduce pressure on firms to take customers from competitors. However, rivalry in non-growth or slow-growth markets becomes more intense as firms battle to increase their market shares by attacking competitors' customers.

- High Fixed Costs or High Storage Costs

When fixed costs account for a large part of total costs, companies try to maximise the use of their productive capacity. Doing this allow the company to spread costs across a large volume of output. However, when many firms attempt to maximise their productive capacity, excess capacity is created on an industry wide basis. To then reduce inventories, individual companies typically cut the prices, which often intensify competition.

- Lack of Differentiation or Low Switching Costs

Differentiated products create loyal customers. When buyers view products as commodities with few differentiated features, rivalry intensifies. In these instances, buyers' purchasing decisions are based primarily on price and, to a lesser degree, service. Also the lower the buyers' switching costs, the easier it is for competitors to attract buyers.

- Diverse Competitors

Not all companies seek to accomplish the same goals, nor do they operate with identical cultures. These differences make it difficult to identify an industry's competitive rules. Moreover, with greater diversity, it becomes increasingly difficult to be aware of the primary outcomes a competitor seeks through industry competition.

- High Strategic Stakes

Competitive rivalry is more intense when achieving success in a particular industry is important to many companies. For example, the success of a diversified firm in one industry may influence its effectiveness in other industries. This can be a case when the firm uses a related diversification corporate-level strategy.

- High Exit Barriers

Sometimes companies continue competing in an industry even though the returns on their invested capital are low or negative. Firms making this choice face high exit barriers, which include economic, strategic, and emotional factors causing companies to remain in an industry when the profitability of doing so is questionable.

The discussed model is a very useful tool. Even after many years of existing, this is the model widely used for industry analysis. The model's primary utility is in providing an analytical foundation to ascertain how competitive advantages are gained through favourably positioning a firm within an attractive industry environment and then leveraging these advantages over rival competitors. However, some scholars have tried to modify the model in order to update it. Slater and Olsen, for instance, introduced new dimensions for analysis: Market Turbulence, Market Growth and Complementors (Slater and Olsen, 2002).

This is interesting that the model explicitly considers the role of “complementors.” A market participant is a complementor if buyers value a company’s product more highly when they have access to the complementor’s product than if they do not (Slater and Olsen, 2002). The importance of complements is also stressed by Brandenburger and Nalebuff (1996). In their book *Co-opetition* the model of four variables is introduced consisting of competitors, customers, complementors and suppliers, which surround the company. In this research the possible complementors of AUTO loan can be car insurance, fuel card, service included in financial product and the car itself.

The second important issue of Slater and Olsen’ model is the fact that the impact of changing market conditions-specifically, market turbulence and market growth-on profitability and strategy are considered to have a great importance. Thirdly, the authors explicitly consider the impact of market structure on the risk profiles of companies competing in a market. Risk, in this context, is the variability of returns in a market. Anticipated variability of returns for a firm influences shareholder value creation. The greater the anticipated variability, the greater the risk premium investors will demand. This is the attempt to eliminate the main shortcoming with Porter’s model, namely, its static nature. Eventually, scholars and practitioners realised

that comparative analysis of the strategic advantages of competing firms was sufficient for present-time analysis, but not sufficient for projecting the future success of firms. Scholars and practitioners recognized the need for comparative analysis of firms based on their resources, which is discussed further. In terms of this study it seems reasonable to use Porter's model without modification, since due to the research objective the main attention of the paper remains mostly on one main force: rivalry and market participants in particular.

Rivalry can be analysed from different perspectives. When there are many similar competitors in the industry it seems logical to group them and analyse as a group but not as an individual company due to the research limitations. In order to do that and to analyse the competitive rivalry within an industry, the *strategic groups* approach is often used.

3.3. Strategic Groups Approach

A strategic group is defined as a group of firms within an industry following similar strategies along key strategic dimensions (Porter, 1980). The term is used to capture competitive patterns that are visible across a set of firms competing against each other on an industry wide basis or within a segment of an industry. Examples of strategic dimensions that firms in a strategic group treat similarly or identically include the extent of technological leadership, the degree of product quality, pricing policies, the choice of distribution channels, and the degree and the type of customer service the firm offer. The strategies of firms within a group are similar, but they differ from strategies being implemented by companies in the industry's other strategic groups.

The use of strategic groups for analysing industry structure requires that dimensions relevant to the firms' performances within an industry be selected. Plotting companies along these dimensions helps to identify groups of firms competing in similar ways. Strategic groups can be identified on the basis of a single variable such as size, degree of vertical integration, advertising intensity, positioning, geographical origin, stock prices, and others (Zuniga-Vicente et al., 2003). In the paper of Prior and Surroca dedicated to the Spanish banking industry, the firms were measured in three global aspects: product scope, geographical reach and customer proximity (Prior and Surroca, 2004).

However, the term "strategic group" is problematic because it focuses on similarities of strategies found between two or more firms in an industry, not on differences between firms. Some firms may consistently perform better than others within the same strategic group; the

difference exists not only between strategic groups (Zuniga-Vicente et al., 2003). Thus, firms within strategic groups will not necessarily achieve the same level of profitability over the time.

Nevertheless, the approach is quite useful and has several implications. Because firms within a group are selling similar products to the same customers, the competitive rivalry among them can be intense. It simplifies the analysis by narrowing it down to the strategic groups, which can be especially relevant with too many fragmented competitors in the industry.

Some authors chose a concept of positioning as a criterion for dividing competitors into groups (Easingwood and Mahajan, 1989). A position refers to the place a product or service occupies in a given market. In particular, it describes the position or image of the firm's product in the consumers' mind. Positions provide reason to buy. A perceived position indistinguishable from others provides no reason to buy. A position weaker than competitors' provides reason not to buy.

Based on three special attributes of services – intangibility, heterogeneity and simultaneity - Easingwood and Mahajan distinguish between 7 types of positioning of financial services (Easingwood and Mahajan, 1989):

1. Position the organisation. This is the way of offering a tangible representation of the intangible benefit. The companies promote their own reputations as something tangible. They argue that their expertise, reliability, innovativeness and record of performance are solid, indisputable “facts”. It can be:
 - The “expertise” position. Companies attempt to position themselves as the experts in the sector.
 - The “reliability/safety” position. This is “you are safe with us” position. It may be supported on the basis of size, financial management practiced, strength of the parent company.
 - The “innovative/responsive” position. It may be presented on the basis of a leadership position in new product introduction or as a capability to respond rapidly and appropriately to new risks.

- The “performance” position. The company attempts to position itself as a top performer.
2. Service augmentation. The high intangibility content of many services makes it hard to differentiate them from each other. Service augmentation is a key to a possible differentiation.
 - Augmentation of the product itself. The basic financial product is enhanced by adding on features.
 - Position of extra service. It concerns financial intermediaries, which could be provided with benefits from the company.
 3. The “people advantage” position. Having better people, making sure they are better trained and better motivated can be the basis of this position.
 4. Package the service offering. In order to control service heterogeneity, the company can take the risk of assembling a mix of services for a client out of the hands of the service provider by substituting a product that has already been pre-packaged.
 5. A superior product through technology. Superior use of technology, particularly information technology, can provide financial services companies with a strong competitive position.
 6. Better accessibility. When the customer cannot or does not wish to travel to the service factory, the service has to be brought to the user. The accessibility can be based on a nationwide branch network, large field force that brings superior service to the intermediaries nationwide or on the basis of rapid access to appropriate help and advice.
 7. Customisation. Customisation can be on the basis of the segment served, or on the basis of a financial service deliberately designed to be flexible and so easily tailored to satisfy individual client needs.
 8. Offer a complete product line. Long-lasting business relationships are more likely to happen if the company can satisfy all the customer’s needs in the particular business area and provide one-stop shopping.

It is worth mentioning that financial company positioning evolves over time and is often multidimensional with different elements of the position receiving advertising support at different times. Companies also emphasise different mixes of positions to appeal to different segments.

However, the understanding of the positioning of competitors is not enough. The next step in the analysis, after having identified the close competitors or groups of them, is to create competitors profiles.

3.4. Competitor Profiles

Competitor profiles present a good way of ensuring that all information is analysed and recorded. They enable comparisons to be made of what competitors actually do against what we thought they would do.

One of the ways is to think of the profile as a series of notepads on which information and assessments can be written. Hussey and Jenster offer the following points worth mentioning in the analysis (Hussey and Jenster, 1999):

- Financial results. The aim is to record a few meaningful figures that give a snapshot of the competitors' recent history. This is not an easy task, since most of the competitors are not single-business companies, and it makes it difficult to collect the appropriate figures. Some of the information cannot be available, so this part is a proximal.
- Marketing and sales activity. This notes key information about how the competitor influences the market. It may include information about the size and organisation of the sale force, and note promotional activities and their duration. Information about discounting may be of value.
- Sources of competitive advantage. The thinking behind this point is derived from the value chain approach (Porter). It is an attempt to identify, which of the particular activities of the competitor provide value to the customer, and are therefore a source of competitive advantage.
- Key factors. There are always a number of facts about a competitor, which help understanding, and which are either a manifestation of its strategy or suggests that a new strategy may emerge. Under this heading we would record facts such as the

location and number of offices, changes to the top management team, and any recent change in ownership.

- Apparent strategy. This is the heart of the profile and also the most difficult box to complete. “Apparent” is what can be deduce about what the competitor is trying to do.
- Strength and weaknesses. Here the strengths and weaknesses of a competitor are described. In a way this correlates with the analysis of competitive advantage, but it provides a broader picture of competitor’s shortcomings than standard resources and competitive advantage analysis.
- Organisation philosophy. How an organisation runs itself will have an impact on its strategies and many operation issues. What role does its head office play in the running of the organisation? Is the competitor a pawn in a much larger strategic game that that the head office is playing?
- Personnel policies. The personnel policies of an organisation have an impact on its strategies and performance. A low reward policy may make it difficult for a competitor to attract and retain staff, affecting operational performance and the long-term success. The quality and qualifications of its employees, the career development opportunities open to them, and the training that is provided, are matters, which may have strategic importance and are worth recording.
- Product analysis. Companies compete on the level of product and services. It is possible to argue that there is competition at the unit level for scarce resources, but for the most part we are concerned with product competition in relation to our industry.

Some of the points included in the competitor profile aim to identify the sources of firms’ competitive advantage. It is corresponded with the goal of this research: to identify the strategy, value proposition and competitive positioning of GEMB’ main competitors in the AUTO market. In order to do this, the internal analysis of the competitors is necessary.

The internal analysis of the firm deals with identifying the company’s strengths and weaknesses that, given the external environment of opportunities and threats, determine the company’s potential for success. In order to make profit, a company must have an advantage over its competitors. A company has a competitive advantage when its profitability is greater

than the average profitability of firms in the industry. In the long run a company can only survive and make profit if it has a sustained competitive advantage, that is, if its profitability is greater than the average profitability in the industry for a number of years. The approach to the internal company analysis is discussed below.

3.5. Internal Analysis. Resource Based Perspective

In the 1990s, researchers proposed the resource based view (Barney, 1991, Barney, 2001), suggesting that firms can be viewed as a collection of resources, skills and routines, the application of which results in positions of sustainable competitive advantage. This perspective assumes that a firm's unique set of resources and skills protects it from imitation and provides the base for accumulation of superior profits through differentiation. Thus, success is assumed not to be a function of intra-industry structure, but rather one of an effective application of accumulated resources.

In general, there are four main sources to competitive advantage: efficiency, quality, innovation, and customer responsiveness (Barney, 1991, Barney, 2001). Customers must perceive the firm's product or solution as superior to what competitors can offer. To achieve a sustainable competitive advantage, the firm needs to have distinctive competencies, resources, and capabilities that enable it to satisfy customer needs to a greater extent than existing and potential competitors. Distinctive competencies are firm-specific strengths that allow a firm to differentiate its products and/or have substantially lower costs than its rivals and thus gain a competitive advantage. Resources are the capital or financial, physical or human, technological, and organisational factor endowments that allow a company to create value for its customers. Both tangible assets, like capital and other physical assets, and intangible assets, like human resources, corporate culture, routines, brand name and reputation, are classified as resources. Capabilities are a company's skills at coordinating its resources and putting them to productive use. (Hill & Jones, 2004)

The objective of the internal analysis is to discover what kind of resources the company currently possesses and what kind of resources it ought to possess in order to achieve a sustainable competitive advantage. For a resource to give rise to sustainable competitive advantage, the resource needs to be valuable, rare, inimitable and organised, in accordance with Barney's (1997) VRIO framework. A valuable resource has the potential of creating value for the customer. **Valuable** resources may for instance enable the company to cut costs and thus the price customers face, or enhance the perceived quality of the product or solution, giving rise to increased willingness to pay and increased market share. A **rare** resource means that no other company or very few companies in the industry have the same resource, and competitors have the resource only to a limited extent. An **inimitable** resource is not possible

for competitors to copy or imitate, and the resource's usefulness or advantage cannot be achieved by other means or resources, i.e. the resource cannot be substituted with other resources to achieve the same result.

To be organised the resource must be well anchored in the firm - it cannot be easily lost, for example by employees possessing unique knowledge and competence changing jobs, in the worst case to a competitor. The firm's resources are well **organised** if they create economic value and the economic value mainly is appropriated by the owners of the firm. The resources must fulfil all the conditions, i.e. VRIO, to be able to lead to sustained competitive advantage.

A firm's resources may include physical capital resources (technology, plant, equipment, geographic location, access to raw materials), human capital resources (training, experience, judgment, intelligence, relationships, insights, and overall quality of managers and employees), and organizational capital resources (planning, controlling, and organizing systems). In the SNF- Rapport 17, Meyer and Lien have identified the following resources, relevant for financial sector (Meyer and Lien, 1999):

Financial Resources.

Capital is an important resource for a financial institute in order to be able to provide loans to customers. It can create limitations in terms of how many loans the company can issue. Basically, the resource is crucial for those companies having ambitions to serve business segment, which demands big investments. Nevertheless, the financial resources are important considering big growing market and thinking how big the company can grow.

Physical Resources

An important source of competitive advantage in retail market is banks' distributional network. The well-developed distributional network helps to create close connections with customers, which lead to higher customer loyalty. From another side, this close connection results in better customer understanding, and banks are able to provide the service demanded by customers and price it accordingly. For example, if we compare different actors on the market, Saving Banks traditionally have had a competitive advantage over their rivalries due to physical closeness and as a result higher customer loyalty than other banks.

However, having branch offices all over the country for better customer understanding is not cheap. Distributional channels should be cost effective in order to create a competitive

advantage. Recently, the alternative distributional channels such as telephone bank, self-service, PC-bank and Internet have been rapidly developing.

To some extent, an international distributional network plays also an important role in gaining the competitive advantage. It is most relevant for banks in terms of serving business segment, which operates in more than one country. Establishing of international subsidiaries has been vital in order to provide services for local companies operating abroad.

Technological Resources

Investments in technology are becoming more and more expensive. The up-to-date solutions are not luxury any more, but the necessity for providing a good service. Taking into consideration that technological costs do not directly correspond with the size of the organisation, the bigger companies have an advantage in possibility of better cost-distribution due to economy of scales. The bigger an organisation is, the smaller are the costs per unit. Besides, bigger organisation has more financial resources to develop IT solutions in-house or invest in more advanced products. In the long run it can give a competitive advantage to the company.

Human and Organisational Resources

There are several internal resources under this category.

1. Product and Industry Expertise. These resources are crucial in order to gain customers' trust and loyalty. When expanding into new product market, product and industry expertise are vital for success, and having them means being competitive.
2. Customer Information. Such knowledge is gaining more and more importance. Customer databases can be used in several dimensions. First, it can be used for cross selling to the existing customers. For companies it is more cost effective way to increase sales than to attract new customers. In Norway, financial institutions sale less products per customer than in other European countries (Meyer and Lien, 1999). Second, the information is useful during the risk assessment process both in retail and business sectors. Third, the information can help to uncover the unsatisfied customer's needs and sell products when customer more likely needs it.

3. Brand Name. This resource is hard to imitate or buy, but it is earned through the years. A strong brand name creates customers' trust and loyalty. Having strong reliable reputation in one segment, gives a company an advantage over other competitors whose names are not so known. It is especially valuable in financial sector, where the reliability of companies is of crucial importance.

Network Resources.

Due to high competitiveness of the financial sector and the credible threat of potential newcomers, the network resources are the strategic tools the companies use to defend their position. Network resources are:

1. Customer Relations. Having loyal customers is may be even more important in financial sector than others, because information is crucial for pricing the customer risk. The closer are the relations with customers, the better the information about them is, and the better is the process of risk assessment, and, as a result, the lesser is the loss. In the relationships between a financial company and a customer, there are three factors that contribute to close customer connection to the bank: customers' investments in real assets, development of customer specific knowledge and social contact.
2. Network with banks and investors. Network with other banks is important when issuing loans. Being able to offer significant amount of money for customers depends on the network a company has. Connection with investors on the other side has a meaning when a company needs to raise equity funds. The more sophisticated customers a company has, the bigger network with banks and investors it needs.

An understanding of the market structure together with critical internal recourses, which give a competitive advantage in the banking industry, enables us to give recommendations which strategies are successful in this field. Research methods described in Chapter 4 were tailored to identify issues addressed above.

4. Research Method

After the relevant literature has been analysed, the first step was to analyse the industry. GEMB representatives were very helpful in providing all necessary information about the industry and the bank itself. In order to create a full understanding of the industry GEMB operates in, first three months from April to June 2005 were used for gathering market data. The information needed for undertaking the industry analysis was gathered through:

- *Press releases.* In order to identify market trends, companies' position against each other and to gather expert opinion, all relevant press articles about bank industry on Internet and Norwegian newspapers were scanned and analysed. It has given a good understanding of the bank industry and main obstacles the companies meet in the market.
- *Companies' annual reports.* Annual reports present not only company's specific information, but short expert analysis of current market trends, which are useful for this study.
- *Official press statements of bank representatives.* The official statements reveal the positioning and place a bank seeks to occupy in the consumers' minds. Besides, banks tend to announce some strategic moves they are going to make or reflect on the previous ones. These messages are useful for the understanding of the rivalry.
- *Short telephone interviews with small and big actors.* The main purpose was to classify offerings and product portfolio of different actors in order to divide them into strategic groups based on complexity and range of products (full service/ simple service)
- *Market reports* (Euromonitor and others). The reports presented market trends and economic situation in Norway in general, which was used in the PEST analysis (chapter 5).

The next step concerned the competitive situation in the market and the companies operating in it. The information about competitors was obtained through:

- *Companies' websites.* Websites provided solid information about product portfolio, organisational structure, bank's strategy and goals.
- *Companies' annual reports.* Annual reports contain financial and strategic information about a company. Financial numbers give an insight into bank's financial structure and loan capacity.
- *Personal interviews with several companies* (Elcon, DnBNor and Skandiabanken). The interviews' agenda is presented in appendix 4.1. The interviews provided an insider view on the bank operation. Also the respondents were asked to give an evaluation of the general rivalry and competitors.

5. General overview of the Norwegian market

Each company is always dependant on the environment it operates in. The environment of the country influences the company from outside and affects the profitability and prospects of firms. Before starting the analysis of competitor environment surrounding GEMB in Norway, it is essential to see what is going on in the country generally. The unfavourable external conditions may suggest postponing the introduction of a new product or entering a new market until more desirable circumstances will appear.

The analysis is performed using PEST framework. PEST stands for Political, Economical, Social and Technological analysis. These four factors have the main influence on firms' operation within a particular country.

Political factors

The state's involvement in the economy is extensive and it will be some time before authorities can expect to scale back these responsibilities. At present, one worker in three is employed in the public domain. In 2004, Norway was hit by a wave of strikes involving several industries. Further disruption can be expected. Public-sector workers are anxious to win assurances that their generous pensions will be paid. But an ageing Norway will struggle to honour these promises, despite its oil wealth. No solution will be popular. Nevertheless, political environment possesses minimum risks for financial institutes and the country is very stable in this terms.

Economic

The Norwegian economy experiences a tremendous growth last years. The inflation in 2004 was 0, 47%, which is very low, as well as interest rates, which lie on the historically low level of 1, 75% set by Norges Bank (from www.norgesbank.no). Norway's strong economic performance in recent years has been underpinned by a sound macroeconomic policy framework. Real mainland GDP growth rebounded strongly in 2004, after a slowdown that began in late 2002 (see appendix 2.1). Mean annual gross income in current figures per head will rise from NOK 126,509 in 1990 to NOK 243,080 in 2005 and is forecast to continue

growing to NOK 287,776 in 2015, representing an increase of 127% over the period (Euromonitor, 2005).

Banks in Norway are given the exclusive right to receive deposits from an indefinite group of depositors, which in relation to other financial institutions implies a unique source for financing their activities. Furthermore, they are characterised by a comprehensive service spectrum, with activities like intermediation services, payment intermediation, and currency sale and asset management.

Banks have traditionally served different groups of customers. Commercial banks have mainly served trade and industry, while savings banks and the Postal Bank have served private customers. This distinction is, however, in the process of disappearing. On the other hand, the savings banks are normally smaller, have less of a product spectrum and are geographically more centred round a local area than the commercial banks. The number of commercial banks has been considerably reduced in recent years, primarily through mergers.

Social Analysis

In terms of this study it is interesting to see how social factors influence the trends in financial market.

Traditionally, Norwegians tend to own properties, but not rent. In Norway, it is the highest rate of owned houses and apartments compared to Europe. The possible explanation can be Norwegian habits and style of living and higher standard of living than in many European countries due to the country's natural resources and high oil prices. It influences directly the need of the population in financing of ownership. The so common private AUTO lease is not so popular in Norway and the reasons are not only unfavourable legal regulations, but the Norwegian habit to own.

Household debt increased substantially last couple years and is now at levels last seen in the credit boom of the 1980s. Low interest rates and continued rising house prices are key drivers behind the credit growth; in addition, the growth in credit-financed consumption has been substantial.

As in most industrialised countries, housing prices in Norway have increased sharply in the last couple of decades. Supply has not kept up with demand, particular in larger cities and urban areas. The high demand is a result of an increase in disposable income, low

unemployment, increase in single households and record low interest rates. Key indicators, such as sales prices vs. building prices and sales prices vs. rental prices, are not particularly high in Norway compared to similar countries, which suggest that prices will continue to increase (Euromonitor, 2005).

Technological Analysis

The rapid spread of Internet technologies has led to the impressive figure of households possessing Internet at home. At the end of 2003, there were over 3 million private Internet subscriptions and 1.2 million households online (Euromonitor, 2005). Just over 10% of all subscriptions are broadband subscriptions. Internet penetration in Norway is extremely high, even by Western European standards. Internet penetration at home is 63%, compared with a EU average of around 33%. In addition, many people access the Internet in non-domestic environments, such as at work, school or university. When these people are included, the penetration rate is around 70%. Around half the population is daily users of the Internet, and some 40-50% of fixed-line traffic is estimated to be Internet traffic. These numbers are relevant for retail banking when Internet banking is becoming more and more central in the industry. Internet is the channel of communication with customers and is one of the important distributional channels discussed further. As discussed in chapter 6.2.3, Internet is one of the success factors in this sector and in AUTO market particularly.

Conclusion

The stable political and economical situation contributes to good climate for financial institutes. The spread of technology among households offers huge potential for bank to reduce costs with help of Internet technologies. The situation is extremely favourable for GEMB to offer AUTO loans and mortgage while the interest rates are low, because there is the boom of buying on the Norwegian market.

6. Market Analysis

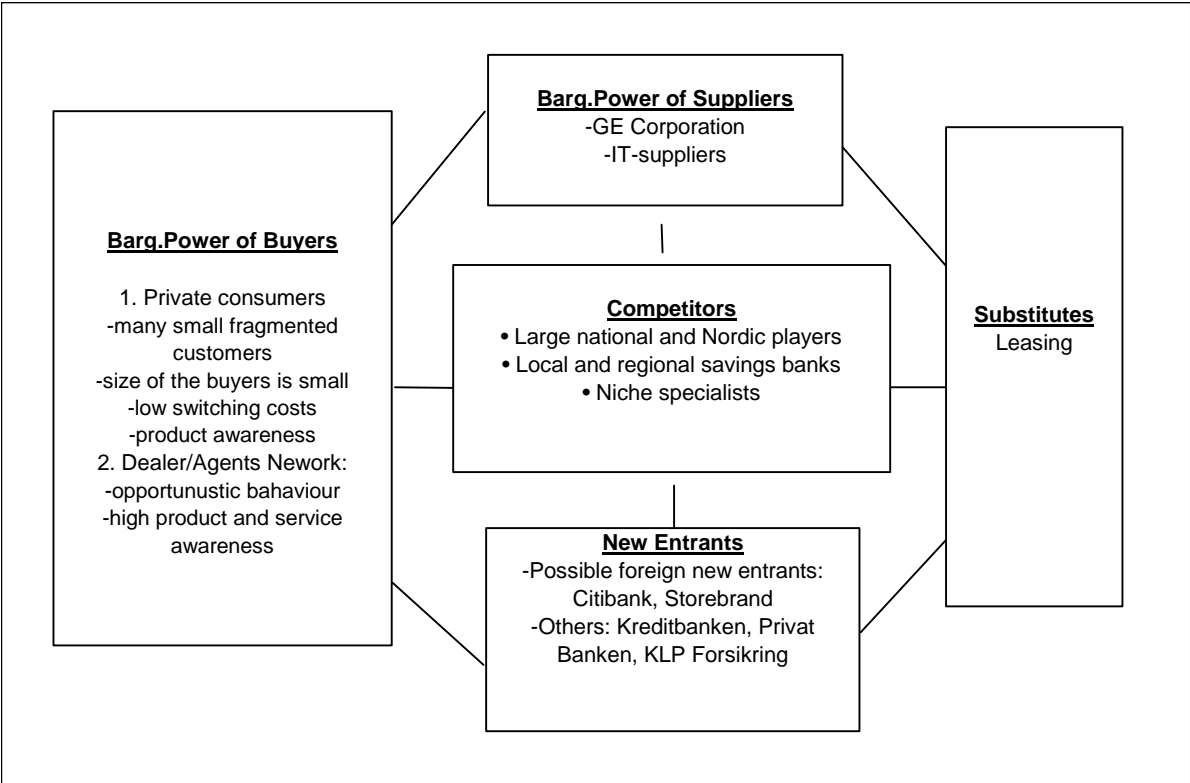
6.1. The industry analysis

The first step in the market and competitor analysis is the analysis of the industry. The chosen model for the analysis is Porter Five Forces discussed above.

Since the car financing is offered not only by commercial or savings banks, but by other financial institutions as well, the analysis will not be restricted to the banking industry. Other financial institutions, which offer such a product, will be included into the analysis.

The figure 6.1 presents the Five Forces on the market of car financing.

Figure 6.1. The Five Forces Model.



6.1.1 Threat of new entrants

Based on the statistical figures, the number of personal cars in Norway is increasing. 1 976 946 private cars and 284 029 vans registered in Norway at the end of 2004 and this was an increase of 2.3 and 5.9 per cent respectively from the previous year

(http://www.ssb.no/english/subjects/10/12/20/bilreg_en). The pool of potential customers, who would be interested in car financing, is growing accordingly. Financial institutions, which don't offer such a product as car financing yet, may consider such a move, while the market promises good prospects. Such actors as Privatbanken, Kreditbanken, banks like Storebrand are not offering financing of vehicles at the moment, but as they self stated, the situation is changing, and the products they do not offer today may be relevant tomorrow.

The entry barriers may prevent them from entering the market.

Economy of scale

The financial sector in Norway consists of numerous financial institutions, many of which offer similar products and services. These products are implemented and delivered to the customers with help of telecommunication technology, which again is not unique for each particular actor. New products and technological advances can give only short-term advantage before competitors will cope with them and cannot be a source of stable profitability.

Economy of scale may be one of the important sources of profitability in the industry. The bigger the customer base a company has, the higher the profits. The economy of scale is crucial in order to cover costs and gain profits. As one of the representatives of a big Norwegian bank stated:

"...you can not survive being small. There are very small margins in the industry and the only way to earn money is being big..."

This creates an entry barrier for new entrants. The existing companies, especially big commercial and saving banks, such as DnB Nor and Sparebank 1 Gruppen, have obtained lion's market shares, leaving not much of potential customers for newcomers. This is a big obstacle for small niche companies with miniature customer base. However, bigger banks such as Storebrand and Privatbanken have obtained certain market share and are able to distribute eventual costs accordingly due to their customer base.

Product Differentiation

Financial products, especially car financing, are homogeneous products, which are difficult to differentiate. Some product differentiation can be achieved by adding additional services or by means of unique positioning, but these methods give limited results due to the nature of the

product. Product differentiation cannot give a sustained competitive advantage; neither can it create an entry barrier.

Capital Requirements

Lending activities require serious capital possession. There are governmental minimum requirements towards financial institutions in terms of assets and liabilities, as well as each organisation itself should possess an appropriate financial pool for dealing with potential customers. Potential entrants in car financing would be those financial organisations, which possess such resources, but don't operate in this segment yet. The examples of such organisations are Kreditbanken, Privat Banken, and KLP Forsikring, which offer mortgage solutions at this time and have good potential for moving into AUTO market. The foreign banks, such as Citibank and Storebrand, although not offering such a product yet, may also add this service to their product portfolio.

Switching costs

Traditionally, most of the customers preferred having all their financial businesses at one place, preferably nearby their place of living. Having accounts and loans in different banks was perceived as too much trouble (www.dinepenger.no). The switching costs were perceived as high for customers. However, recently more and more banks as well as press (www.dinepenger.no) have advertised how easy it is to move ones loan or account from one bank to another. Some banks even have been subsidising some fees for customers in order to attract more customers. More and more people started to split their portfolio into several banks, seeking better conditions and lower prices. The switching costs for customers have been lowered significantly, and stopped creating a serious entry barrier for financial institutes.

Access to distributional channels

A well-managed distributional channel is a source of profitability in financial industry, which can give a competitive advantage to the company. In the market of car financing, the relationships and contracts with car dealers/agents are of crucial importance. The number of such contracts, which guarantee that a particular dealer would be using them as a financing institute, gives financial companies a reliable and solid source of profitability. For new entrants, the absence of such relationships would create a serious entry barrier.

Cost disadvantages independent of scale

We have not identified relevant cost disadvantages independent of scale for potential entrants in financial sector.

Government Policy

Although government plays a very important role in financial sector by setting the rules of the game and financial requirements, its policy cannot create an entry barrier for new entrants. As long as a company satisfies legal and capital requirements, it is free to operate on the market. Antitrust law serves to allow as many players as possible and to promote fair and free competition on the financial market.

Conclusion

The threat of new entrants is considered to be serious. Due to the growth of the car financing market, a number of companies can find this niche attractive for investments. Besides, a broad product portfolio is a source of increasing customer base, which is a traditional source of profitability in most of the industries. There are serious entry barriers, such as economy of scale and access to distributional channels. Economy of scale is crucial in order to pass the break-even point. At the same time, even though a new entrant will not be able to gain a significant economy of scale due to uneasy access to distributional channels or lack of brand name, the adding car financing to its product portfolio in order to increase service provided, may be a good motivation in itself to enter the market.

6.1.2 Bargaining Power of Suppliers

The following suppliers that may have bargaining power over GEMB were identified:

- IT providers
- GE Corporation

IT Providers

The development of telecommunication technology has brought many changes to the financial sector, allowing banks to expand their activities regardless physical distance. Before, banks were dependent on having as many branches as possible in order to reach customers. It is not important anymore with high access to Internet. It allows saving many costs for banks, as well as increasing its efficiency. A possession of up-to-date technology has become a crucial issue. However, most of the companies outsource it, buying software from IT providers. One of the

biggest in the industry is EDB Business Partner ASA. With operating revenue of over NOK 4.2 billion in 2004, EDB is a leading IT group in the Nordic region. It is structured as an integrated group, with EDB Business Partner Norge AS and EDB Business Partner Sverige AB as the operational companies. Within these companies, the group's business activities form two business areas, IT Operations and Solutions. In banking sector, for example, 96% of Internet banking solutions is provided by EDB. As a result, the company exploits bargaining power over its customers. Banks get the IT solutions with lower quality, and the business experiences serious difficulties because IT systems are not operating in an optimal way. It leads to lower operational efficiency.

GE Corporation.

Being a part of a conglomerate means that GEMB is under a big influence of its parent company. The head office decides the organisational philosophy, corporate strategy and brand image. The corporation sets the financial conditions, like return on equity, which influence directly return rates. Although the power of the supplier will not result in lower quality of the product, some operational freedom is restricted. The leverage (debt versus equity) Corporate imposes over its business is one of the most important elements in the return rates.

Conclusion.

The suppliers, who may exercise their power over GEMB were identified: IT providers and GE Corporation. The monopolistic power of IT providers results in high costs for the bank and product of lower quality. The power of Corporate influences the return rates of the bank. If the negative influence of the IT provider on the business is common for all actors on the market, contributing to lower margins, the power of GE Corporation has impact only on GEMB.

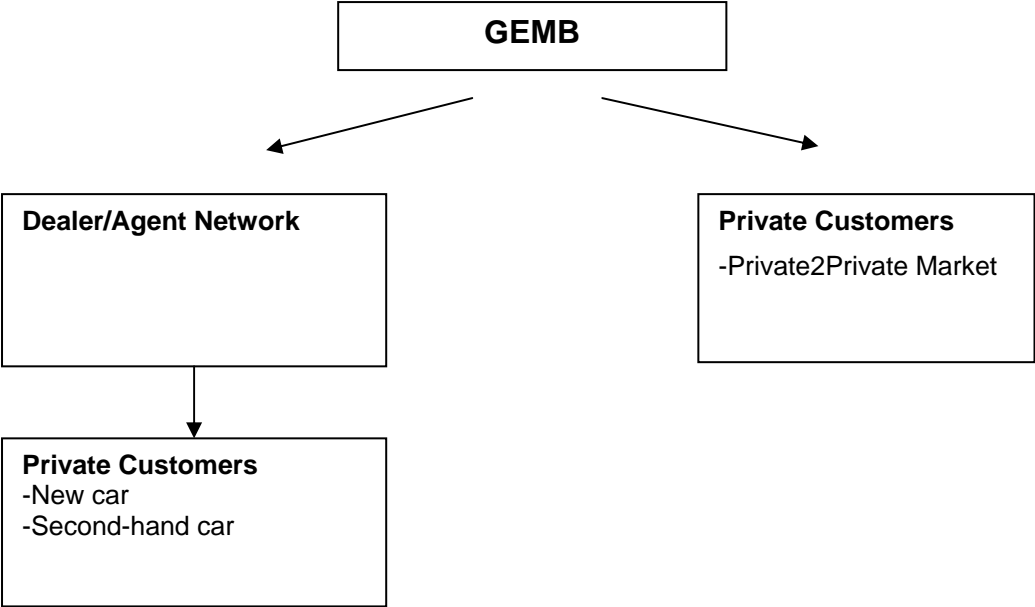
This force has a serious impact on GEMB operational efficiency and contributes to lower profits.

6.1.3 Bargaining Power of Buyers

In the figure 7.1 I present the GEMB's buyers structure. The bank has a network of car dealers, who offer a car financing through GEMB for their customers. Besides, the bank makes financing agreements directly with private customers, who for one or another reason do not use car dealers' offers. Figure 7.2 depicts the vertical structure of the chain. At the

moment, the financing of accessories and vehicles through dealer network is the main business area of GEMB in Auto market.

Figure 6.2 GEMB and buyers.



Dealer network

According to statistics (Bilforlaget AS), 1/3 of car financing agreements is sold through dealers including dealers owning their own brands. Some dealers are focusing on distributing particular car brands, while others offer several brands to their customers (like Harald A Møller AS distributing Audi, Skoda and Volkswagen). The list of importers is presented in Appendix 6.1. Having financial agreements with dealers in terms of financing a vehicle through GEMB means high sales volumes for the bank.

Due to their size and the importance of economy of scale for financial institutions, dealers are able to dictate to some extent the conditions they prefer. They purchase the big portion of financial company’s output and banks are somewhat dependant on the sales through the dealer network. At the moment there are quite many dealers operating in Norway, and due to their number their power is somehow limited. However, some experts like Bernd Pischetsrieder, a member of board of directors at Volkswagen, state that in the future about 10-15 years from now most of the dealers will disappear (www.bilnorge.no). The same pattern has been observed in USA; where there are more cars are sold per dealer than in Europe. He argues that in some years there will be just around 300 dealers in Norway, while 2/3 part of them that are

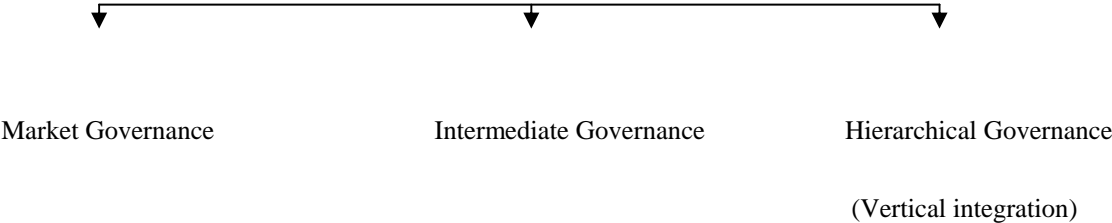
present today will stay in the history. It will worsen the situation for financial institutions, because remained dealers will be more powerful than today ones.

When it comes to new cars, some dealers are integrated with car producers. Some producers, like Toyota and Ford, offer their own financing, and this niche is practically closed for other financial actors. There are also dealers, like Harald A Møller AS, that provide financing for its customers through own financial house. Due to the origin of the AUTO loan, which is standardised product, there may be a threat that more car producers will vertically integrate with dealers and provide financing though own financial houses. Such a threat is discussed below.

Threat of vertical integration

The fact that the product of car financing is standardised leads to the threat of vertical integration. Vertical integration exists when a company is producing its own inputs (backward integration) or owns its own source of distribution of outputs (forward integration) (Hitt, Ireland and Hoskisson, 2001). Vertical integration decisions can be understood as a particular example of governance choices that firms make in managing their economic exchanges. In all governance decisions, the decision facing managers is, given a potentially valuable economic exchange, what is the most efficient way of managing or governing the exchange?

Figure 6. 3. The range of exchange management devices.



A good example of forward vertical integration is Toyota, which is integrated with car dealers and offers financial services within the house. Such a strategy helps the company to boost the sales, offer better conditions for its customers and avoid bargaining power of buyers-car dealers.

However, there are several obstacles that may prevent other manufactures from forward integration:

- Serious financial resources are needed. The forward integration is a type of related diversification, which requires available financial resources. Not all car manufacture companies possess such available resources, nor do they intend to use them on integration.
- Competence. Integration backward or forward demands competence and know-how from integrating company, which can be costly and inefficient to obtain. In this case the competence, which is typical for financial sector is required: customer base, customer risk evaluation systems, trained personnel, IT systems and other. As a result, the cost will out weight the benefits, and the company can decide not to integrate.
- The decision to integrate is based on the three factors: the uncertainty, complexity and opportunism (Barney, 1997). The higher the probability of these three factors, the more attractive it is to integrate. In the case of car dealers, uncertainty and complexity factors are low, while the probability of opportunistic behaviour exists.
- In order to choose the form of governance structure, two more variables are important: the frequency of transaction and the degree of transaction-specific (non-marketable) expenses incurred. An investment is said to be transaction-specific when its value in a particular exchange is much greater than its value in any alternative exchange (Barney, 1997). Williamson calls such an exchange as idiosyncratic (Williamson, 1985). The match of governance with transactions is shown in Figure 6. 4 (from Williamson, 1985).

Investments Characteristics

		Non-specific	Mixed	Idiosyncratic
Frequency	Occasional	Market governance	Trilateral governance	
	Recurrent		Bilateral governance	Unified governance (Integration)

Figure 6.4. Matching Governance structure with commercial transactions.

I refer a vehicle as a product of mixed transaction-specific investments. Car manufactures are not bounded to one particular dealer, but are able to switch or offer their products on the open market, although it may lead to extra costs. Since the frequency of transactions is high, the most suitable form of governance is bilateral governance or relational contracting, where the autonomy of the parties is maintained and transactions are based on relationships and long-term orientation. From the point of view of car manufactures, outside procurement for their products may be favoured by scale economy consideration, since dealers have better market coverage. As mentioned, the risk of opportunistic behaviour from buyers exists, but both parties have an incentive to sustain the relationship rather to permit it to unravel. The contracts are based on mutual dependence and benefits, and the parties use price and other incentives in order to maintain the relationships.

Conclusion

There are examples on the market that dealers are vertically integrated with producers. Toyota uses such a form of governance in order to increase sales and obtain more control over its distributors. By offering good financial conditions for customers buying its cars, the company obtains additional financial control and also attracts more customers. It would be logical to consider that other companies might consider the same move. If other big producers start to integrate forward with dealer network and offer their own financing solutions, the financial sector, which has vehicle financing as an important part of product portfolio, will meet the hard times. Such a restructuring will definitely reduce the number of loans issued by financial institutions and profits made on such a financial product.

However, as we have observed from the practice so far, car producers are not rushing to change their governance structure and start to open their financing houses. The main reasons may be the lack of free financial resources and competence in the area, which are costly to obtain. Besides, since the relationships between car producers and dealers do not belong to the category of asset-specific investments, the threat of opportunistic behaviour may be eliminated with help of relational governance. Financial incentives, trust and control are appropriate mechanisms in managing such relationships.

In general, dealers as buyers exploit bargaining power over financial institutions since the latter are dependent on the volume of sales provided by dealers. The future trends might result in even bigger power from dealers, and financial institutions and GEMB should seek and develop alternative distributional channels.

Private-to-private market

Despite of the well-developed network of car dealers and service benefits, which it provides, private-to-private market occupies a significant place on the market. The main reason that some customers do not use dealer services is that they are price-sensitive. They simply want better price for their existent (if they sell it) or future (if they buy it) car. According to public and expert opinion, the service at dealer centres is rather overpriced, while the quality is far from perfect (www.bilnorge.no). The rumours about illegal marketing and undelivered promises together with unfavourable prices have led to rapid development of direct sale of means of transportation.

The segment has small or no bargaining power over financial institutions when buying a car and financing it through a bank. It consists of many small individuals, who purchase small portion of company's outputs. They cannot switch to another supplier as long as they have chosen one as and got a car loan, since it is not common in the industry to offer refinancing of car loans. So they rarely can negotiate better conditions or reduce financial company's margins.

Conclusion

Private-to-private market has evolved due to unsatisfactory dealer performance and high fees they charge for service. Nevertheless, this is a big segment of customers definitely worth considering. Private segment does not exploit buying bargaining power over financial institutions and cannot negotiate better conditions. For GEMB economically this segment is more profitable than operating through dealers, since the bank does not need to pay commissions and invest in partnership with dealers.

6.1.4 Substitutes

Instead of buying a personal car and investing ones own money some customers can consider using company's car if they have such a possibility. Small companies and independent businessmen can find leasing as a good substitute for car loan.

Leasing means to borrow. At the present, leasing refers primarily towards a business segment and is an alternative for a company car.

Traditionally, leasing was a substitute for loan. Instead of owning a car, one can easily borrow it from a leasing company. Most of the financial institutions and banks have been offering the product and it coexisted safely along with vehicle loan, because it was aimed at the different segment. There are several advantages of leasing:

- Quick and easy way of having a car without big investments needed
- No need to use company's investment budget, money can be used on other projects
- Easy accounting method of leasing costs.
- A customer does not need to worry about what he is going to do with the car and what price he can get after using it in several years
- Leasing can be combined with different service packages

The market for leasing service consists of small, medium and big companies, public sector and independent businessmen. This product does not suit private customers at the moment. The contracts are formulated based on the assumption that the customer is a businessman or a company. Besides, the law makes it unattractive to offer the service to private persons for leasing companies.

However, some companies like Toyota create a new segment and competition on this market. In summer 2005 Toyota introduces a new product to the market: borrow a Corolla Verso, which costs NOK 293 100 for only NOK 1700 per month including taxes (<http://nyheter.toyota.no/nyheter/Privatleie.htm>). This service is not restricted to business sector anymore. Instead, anybody who has solid economy can use the service. With such a low interest rate it is far easier to borrow a car than to buy it.

In many European countries the private borrowing has become very popular. For example, in Germany 25% of Toyota's sales are done through this form of financing (<http://nyheter.toyota.no/nyheter/Privatleie.htm>). New trends show that it also is coming to Norway. Before Toyota, Møller BilFinans also started to introduce the product "Forbruker Leie" for private customers in autumn 2004, but this year the company experiences the tremendous growth in this segment. If Møller BilFinans had got NOK 30 million for private lease last year (approximately 230 cars), the company has reached 62 million (272 cars) during the first four months in 2005 (http://193.71.150.66:81/firmabil/vis_artikkel.php3?

aid=27206&tid=). So the question is how fast this kind of service will be popular in Norway and will it be a serious substitute to bank loan in the nearest future.

Conclusion.

The main purpose of a vehicle loan provided by financial institutions is to satisfy the customers' need for transportation. However, the need may be satisfied not only by buying a car, but also by using a company's car or borrowing one in leasing. Recently, leasing is becoming more and more popular among business units, since it has several advantages over owning a car. Moreover, it is a coming trend from car manufactures/dealers to provide leasing with low interest rates for private customers in order to increase sales. The trend is coming from other European countries and Norwegian banks are not yet active on this market. If the interest rate stays at the same low level for a while, it will affect the volume of vehicle loans. In order to understand better the correlation between interest rates and leasing rates, and their effect on the car loan, more research is needed. But it is worth to consider the threat of substitute -leasing-as a moderate one, and GEMB can loose some customers, who would prefer to lease to other banks.

6.1.5 Rivalry

The market of vehicle financing in Norway is characterised by a variety of financial institutions, which offer a range of products that directly compete with each other. The following groups of institutions were identified:

- Banks: SkandiaBanken, DnB NOR, PostBanken, Nordea, Fokus Bank, SpareBank 1 Gruppen, Handelsbanken, GEMB.
- Credit Companies: Elcon, Faktum Finans and Forsikring AS, Real Finance, AS Finansiering, others.
- Bank Alliance: TERRA Gruppen AS
- Integrated companies: Toyota Kreditbank, FCE Bank, Møller BilFinans, Hedmark Finans, Scania Finans.

Since the product is standardised and it is difficult to pursue differentiation strategy based on quality or product specifications, the competition based on price and other strategic dimensions intensifies. The rivalry is characterised by:

- Numerous Competitors. As it is seen from the list above, there are many actors operating on Norwegian market. They vary in size and market share.
- Slow industry growth. Although the number of new registered private cars is growing, this growth cannot contribute to satisfactory industry growth. The industry occupies the maturity stage of development, and it makes the competition even harder.
- High fixed cost of running a financial company. It leads to the necessity of economy of scale, which intensifies the competition.
- Lack of differentiation. As mentioned, the product offered by these companies is standardised and the price may be one of the main point of competition. When the price is one of the most crucial issues, the customer loyalty is low, which intensifies again the competition between the companies. The nature of competition and the importance of price are discussed further.
- High exit barriers. High fixed costs create an exit barrier, which decrease the attractiveness for the companies to exit and force them to continue fighting on the market.
- High strategic stakes. The success on AUTO market for companies operating on several dimensions (banks offering a broad range of products) is very important to their brand name and image and the quality of service they provide. Being not competitive on vehicle financing market means losing customers who prefer one-stop shopping, possibility of cross selling and reputation on the market. This leads to competitive behaviour of the companies.

Conclusion

All these factors show that the rivalry is very intense in the AUTO market in Norway. The industry is not in a rapid growth stage, and the companies are forced to fight for the same customers and use all the methods in order to steel them from each other. It seems that the price incentives in form of price reductions are one of the most common means of customer attraction. The companies try not only to attract market-entering customers, but also steel existing customers from others by covering possible moving-from-one-to-another-bank expenses.

6.1.6 General conclusion from Market Analysis

There are several conclusions we can draw from the market analysis.

Based on the analysis of the Norwegian market we can conclude that the intense rivalry is one of the key factors influencing the profitability and success of the financial institutions. It is vital to understand the basics of the rivalry: what are the main dimensions the companies compete on? Is it price? Is it a product range? Is it customer relationships? In the next chapters the strategies the companies apply in order to capture customers on AUTO market will be analysed and strategic dimensions GEMB should operate will be discussed.

The threat that other financial companies will start offering AUTO loans is credible, which would intensify the existing competition. GEMB needs to occupy a stable position on the market before the situation will get worth.

The main buyer of the company's output – dealers – are not the optimal distributional channel due to some private customer's dissatisfaction and bargaining power they explore over banks. It means that GEMB should seriously develop other segments of buyers, like private-to-private market.

6.2 Competitor Analysis

6.2.1 Strategic Groups

From the market analysis based on Porter Five Forces Framework, it is clear that rivalry is the strongest force in the industry. In this chapter this force will be analyzed in details.

As a market participant, GEMB faces competition from many different sources:

- Large national and Nordic players
- Local and regional savings banks
- Niche specialists

Each actor on the market pursues its own strategy in order to grow and stay competitive. However, it is possible to identify groups consisting of companies, which are more or less similar in their main strategies.

After the companies' structure were analysed through their websites it became clear at companies can be divided into strategic groups based on:

- Size
- Location (local office/national branches)
- Complexity and range of products (full service/ simple service)
- Main distributional channel (offices/Internet)
- Price

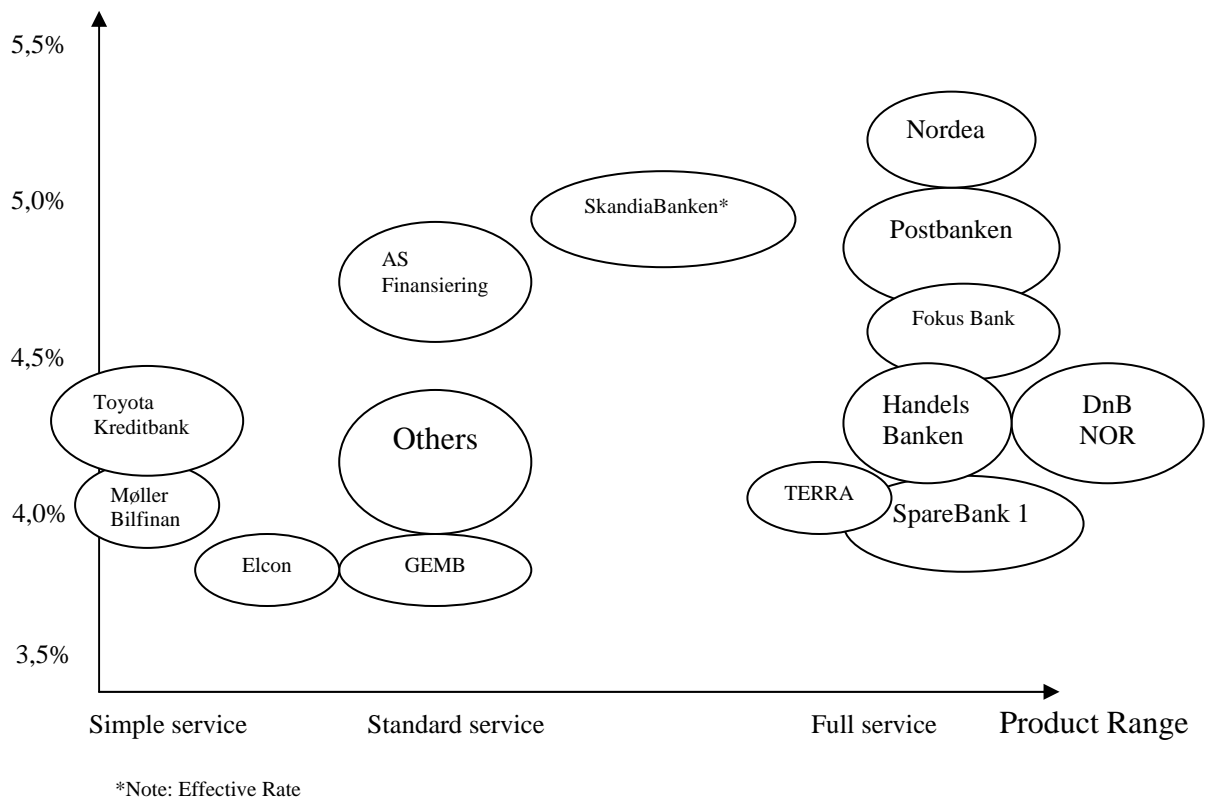
If companies are divided according to their location, Savings Banks Groups will stand out from others (the groups are presented in Appendix 6.2). The groups have a local bank at each region in Norway, focusing on being close to customers. Conditions and financial products prices (interest rates) differ in each bank. Banks like DnB NOR and Nordea have offices all over the country, but primarily in bigger towns. DnB NOR, PostBanken, Nordea, Fokus Bank and Handelsbanken have branches, where the price and service specifications are set by the

headquarters, while Saving Banks Groups own banks, which can differ significantly from each other.

If Porter's four generic strategies are taken into consideration, it may be suggested that companies that apply differentiation as a main strategy and provide a broad range of products have higher costs and respectively higher rates. Logically, banks with more service in terms of product range and close physical location (offices) can and will charge higher than niche companies focused on costs. In order to prove this hypothesis it is useful to identify the product diversity a bank has and the rate it charges for a particular product. It is useful to discover whether actors compete on these two dimensions of price and product range and if yes, what implications it has for GEMB in terms of pricing strategy and product portfolio.

In figure 6.5 the companies grouped by two criteria are presented: price on car loan and product range. The term "price" reflects the interest rates the financial actor offers on car financing, meaning how expensive loan would be for a customer (nominal rate). The full comparison of interest rates is presented in Appendix 6.3. "Product range" is more general term, which refers to the whole range of financial products offered by the financial company. Companies that provide a broad range of services to their customers (loans, insurance, mortgage, security and obligation trading, consulting, est.) score high on the "product range" axes (the right side of the horizontal line). Those, specialising on one or two products like car financing, score low on this dimension (the left side of the axe). The information for this figure was gathered through companies' web sites and brochures.

Figure 6.5 Strategic groups
Price (Nominal Rate)



The product portfolio of firms belonging to this category consists of home mortgage, car, MC and Caravan loans, credit cards, and leisure loan. GEMB belongs to this category as well. It means that its direct competitors are those operating in this segment. The third group offers exclusory car financing. The companies that do not belong to the main groups are SkandiaBanken and Elcon, which traditionally have focused on particular niche, but lately have a tendency to move towards a broader product portfolio. ScandiaBanken has specialised as a pure Internet bank with few products and effective cost structure. However, as a response to the competitive environment, the bank started to offer new products, such as trading and savings in obligations and funds (www.scandiabanken.no).

From the Figure 6.5, if the market is divided roughly, it is seen, that the majority of the financial companies follow two main strategies: big banks offer the full range of products and differentiate themselves on extended and customised service; and companies with strictly standardised product portfolio. It looks very much as Porter's Differentiation and Cost Leadership. However, it could be expected that the companies would form the straight line, which would be pointed towards the upper right corner, meaning that the interest rate would increase with the broader service provided. In practice, it is not observed. Instead, in each

strategic group there are companies that operate in low-price segment and the companies that charge high. It means that the strategy is more complicated than Porter's differentiation and cost leadership, although they can be named so for simplicity. Besides, market leaders in terms of market share belong to different strategic groups or no group at all (Elcon, DnB NOR and SkandiaBanken). The list of the companies occupying leading positions in AUTO market and their market shares presented in Appendix 6.4.

Moreover, it is interesting to compare the position of GEMB and Elcon. They operate on the same price niche, but GEMB has more products to offer than Elcon. Logically, it would give the bank an advantage over Elcon, since it can offer more to its customers with same financial conditions. But in the reality we know that Elcon has much bigger market share in Auto loans than GEMB.

The implication of strategic group approach leads to the thought that price on the car loan is not a strategic dimension on which companies are competing with each other or a critical success factor; neither is the breadth of product portfolio, although both are important. It leads to the conclusion that there are other important variables that influence the amount of customers attracted by banks. It is not as simple as to offer the same product, but with more favourable price than its competitors and as a result to obtain market shares. When considering entering this market, GEMB needs to find other dimensions to beat its competitors. In order to identify which of them competitors are using and which are suitable for GEMB we need to go deeper into internal analysis of the competitors.

When it comes to the general picture of the market, the division will be clearer after the positioning of the companies is analysed. The strategic group approach has been illustrative regarding the whole picture of competitive landscape, but as it is mentioned in the theoretical part, it does not say much about strategy the companies apply and how they really differ from each other. Within one group some companies may perform much better in terms of market share, but the strategic group approach does not show why. The analysis of company's positioning will show what kind of image the company wishes to create in the minds of consumers.

Positioning of financial services

As mentioned above, the financial services sector is becoming increasingly competitive. To survive and succeed, financial institutions should develop strong positions in order to

differentiate themselves from numerous others. A position summarises the distinctive competence that the company seeks to convey to the marketplace to establish its competitive advantage (Easingwood and Mahajan, 1989).

Due to the limited size of the research, in the following analysis of positioning I will focus on big actors on the market and only some smaller companies. Table 6.1 presents basic 8 positions, companies, and official statements they make, which help to identify, which position a company wishes to occupy in the consumers' minds.

Positioning of services	Examples	Organisation	Communicated message
Position the organisation	Expertise position	ELCON	-“We can everything about car and car financing!”
	Reliability position	Fokus bank	-“Today’s bank is also in the future” -“F.Bank is a part of Danske Bank AS, which is Scandinavia’s leading financial Conglomerate”
		ScandiaBanken	-“The bank is a part of financial conglomerate Scandia, which was established in 1855”
	Performance position	ScandiaBanken	-“Customers’ opinion and different awards have shown that we are the leading internet bank!”
Innovativeness position	DnB NOR	-“We will be at a forefront of developments in adapting to new information requirements”.	
Augmentation of product offering	Product augmentation		
	Extra service	ELCON	-“Focus on cooperation with dealers”
“People” advantage		Postbanken	-“We have 113 wise employees to answer your queries”
		DnB NOR	-“Our core value is Team Spirit” -“Motivated and dedicated employees are the key to our further success”.
More attractive packaged offering	-	-	-
A superior product through technology	-	-	-
		SkandiaBanken	-“Customers’ with self-service preferences first choice” -“Simplicity, accessibility and good

Accessibility		DnB NOR RealFinans	conditions are the keys to our success” -“A local presence and (a full range of services) are our strengths.” -“Fast, Easy and Reliable!”
Customisation		Postbanken ELCON AS Financiering SpareBank 1 HandelsBanken	-“Postbanken is the bank for the whole family, for all generations”. -“We apply flexible solutions” -“Perhaps the most customised financial company” -“Our ideology is to be close to the customer” “Each employee is responsible in finding a solution, which will suit you personally”
Offer a complete product line		Terra-Gruppen AS Postbanken DnB NOR Fokus bank HandelsBanken	-“Terra-Gruppen AS strives to ensure that the shareholder banks can offer all the products their customers expect from a modern bank.” -“The company aims to deliver an optimal range of products for distribution through banks” -“Postbanken offers a broad range of products and services....” -“(A local presence) and a full range of services are our strengths.” “Fokus Bank delivers a broad range of financial services” “HB is an universal bank with a broad range of financial products and good service”

Table 6.1. Positioning of financial companies.

The positioning of organisation – expertise and reliability positions – refers to the necessity of customers’ trust towards financial companies. It is the basic positioning aimed to relate the company to the reliable class of financial institutions.

From the table it is seen that most of the banks communicate to the customers the value they provide in form of the complete product line, customisation and accessibility. Their value propositions reflect the main focus of the company and on which dimensions it is going to compete. Since the products are hard to differentiate from competitors', no one uses product augmentation in their value proposition. Technology is a vital resource for financial companies, but it is hard to differentiate itself on this basis as well and is even harder to gain a competitive advantage through technology, so this positioning is not popular too.

It is interesting to observe that competitors tend to occupy different boxes of the table. If direct competitors meet in one box, they will choose different ones in another category (for example, if DnB NOR has the same proposition with Fokus bank and HandelsBanken in terms of complete product line, the next proposition will be different from these two). It means that even in rather homogeneous environment, banks tend to find a particular feature to stand out from competitors. Logically, it is the area the bank feels its strength in. From the practical point of view, the positioning analysis shows the banks' strategic thinking and reveals the niches, where there is a space to occupy in order to differentiate oneself from others. For GEMB it means that if the bank wants to differentiate itself from others, it needs to choose the position, which is not widely exploited by others. For example, the bank can offer product augmentation. DnB NOR is on its way to use this positioning by offering Secured Car Loan, where insurance is included in the price. Since GE is a pioneer in the insurance segment, it will be logical to differentiate the product in this way.

GEMB' Positioning

GEMB positions itself as a market leader in personal loans without security market. The bank employs the reliability position referred to the parent company: *“GE Consumer Finance is a leading provider of financial services to consumers and retailers in 47 countries around the world. As a unit of the General Electric Company, we offer a full range of innovative financial products to suit our partners' needs”* (from www.ge.com).

When it comes to GE Consumer Finance as a unit, the company stresses the broad range of products offered to the customers. However, in Norway GEMB is well known and recognised as a bank specialising in personal loans. The search on search-engines like www.google.no and others and all press statements about the bank only lead to personal loans. GEMB in Norway does not position itself as a bank with broad range of products. It is understandable,

since the bank has been a niche actor. But recently, the bank is intended to move into other product categories and capture bigger market shares in mortgage and Auto loans. This means that a new message needs to be communicated to the market.

Recommended Positioning for GEMB

The position the company will communicate depends on the image it wants to occupy in the consumers' mind. As mentioned, GEMB is moving away from being a niche company towards broader product range. The first logical step is to create a new image on the market and start to position the bank as a company with broad product range. The fact that GEMB now offers *NewProducts or Extended Product Line* has to be actively communicated on the bank's Norwegian web site and in the press.

Another important issue that the bank can and should stress is *Customisation*. GEMB has good service and is willing to apply flexible solutions when it comes to Auto loans and other products. Since the bank competes with such actors as ScandiaBanken and other niche competitors from its strategic group, which cannot be proud of it, it is important to deliver a message containing this strength to the customers.

The last possible message that could be recommended is the *Performance Position*. GEMB is a successful company and the leading bank in personal loans in Norway. Although the Auto loan and personal loans are quite different products, the performance position could help to strengthen the brand name and to leverage the positive brand associations related to personal loans to the new products. It is especially relevant taking into consideration direct competitors from its strategic group that are hardly able to use the performance position, since these companies are small and have not earned any distinct award or recognition. The performance position will help GEMB to stand out from its numerous competitors from the strategic group the bank belongs to.

Conclusion

The present positioning of GEMB refers mainly to the times when the bank was a niche company, which stressed the accessibility of money to their customers. Today, I would recommend adding the following messages, which would help to position the bank in new segments: The Extended Product Line, Customisation and Performance positions. These

messages can help to create the bank a new image on the market and hopefully would lead to higher brand recognition, which is so important when operating in retail banking.

6.2.2 Competitor Profiles

The competitive landscape in Norway is characterised by numerous actors. It is practically impossible to analyse deeply each competitor. Instead, the strategic group approach is applied and the companies-representatives are chosen, which are market leaders in Norway. Elcon is the market leader in car financing and does not belong to other big strategic groups, so the company analysis is extremely relevant for market understanding. Among full-service banks, DnB NOR has the leading position in car loans in terms of market share. ScandiaBanken occupies the third position, and the bank's strategy is rather interesting, so this is the third company of my choice for analysis.

Elcon

Elcon was established in 1963 under the name Elcon Leasing. The company has three main business areas: Equipment Leasing, Car Financing (leasing and loan to all types of cars), and Factoring. The company is separating Leasing business and Factoring that will have effect in accounting papers from 1.01.2005. Having biggest market share on the market of Auto loans, Elcon proves that its strategy works. It is extremely useful to understand the core of its high sales and financial success in order to understand the market better.

- Financial results

2004 began with preparations for the sale of ELCON Finans, followed by the sale to Santander Consumer Finance. These processes have challenged the organisation to a considerable extent. In spite of this, 2004 has been the best year in the company's history. The profit before tax was NOK 353 million after charging NOK 45-50 million of extraordinary items. Total assets at the year-end amounted to NOK 33.7 billion, an increase of 19 % from the previous year. ELCON Finans thereby confirmed its position as one of the country's leading finance companies.

- Marketing and sales activity

In 2004 Elcon was a market leader in car financing on Norwegian market with 31% market share in car loans and sales growth of 26%, which is very impressive figure. At the moment the company runs the campaign with 3, 95% interest rate on car financing for private market. This is one of the lowest rates on the market today. The company definitely aims at gaining

bigger market share, and the question is whether it runs a price war and makes money on loans at all. But the financial figures from 2004 with positive operating results show that Elcon earns money even offering low rates and most probably due to economies of scales and the fact that only 20-25% of sales comes from private market.

In marketing and sales Elcon has been very active and gained good brand recognition among private customers. The Elcon advertisements are everywhere, and its competitors note that the company is very good in sales activities.

Further, the company has plans to increase its market share in car financing and start being aggressive in other segments: boat and caravan in order to increase market share there.

- Sources of competitive advantage

In further analysis the VRIO model will be used discussed in theoretical part in order to go deeper into Elcon's organisational structure.

Financial Resources

After Elcon has been sold to Santander Consumer Finance, the company has got the access to the significant pool of financial resources. The growth possibilities are serious, and Elcon is planning to extend its product portfolio into credit cards and traditional consumer finance services.

However, although the capital is crucial for issuing loans and an extremely valuable and rare resource, it is available for other financial institutions. Alone, it cannot give a competitive advantage to the company.

Physical Resources

The company has a good physical distribution network with 15 offices in Norway. But what is more important is that Elcon is proud of its cooperation with importers and dealers in Norway. It distributes car-financing products through cooperation with more than 750 dealers and 70-80% of its sales are obtained through dealers. The distributional channel is well organised, and the company invests time and money into relationships with dealers. The provision Elcon offers lies on the average level, and as Elcon representative states:

“...we do not offer the best conditions. Our competitors may be better in “buying” dealers loyalty, than we. But we are much better in service and personal contacts and, in the end they (dealers) come back to cooperate with us...”

As mentioned, the well-developed distributional channels through dealers, which contributes to high volumes, is a source of competitive advantage in the industry. It is an extremely valuable, but limited resource, since there is a limited number of dealers and limited possibilities to sell other companies' product through the same channels. Other companies are able to imitate the resource, but it is costly and time consuming.

Technological Resources

One of the explanations of Elcon's efficiency in distributional channel through dealers is its web-based financial solution Elcon24. Dealers are connected to the system for 24 hours, which decreases substantially the time of application proceeding. The customers and dealers are highly satisfied with the convenience and speed of the system.

Such investments give Elcon a serious advantage over other financial companies, which have no such IT solutions, and contribute to the efficiency of distributional channel. At the moment it gives Elcon an advantage over its rivals. However, the resource is imitable, and other companies may apply the idea as well. In the long run the resource cannot give a sustained competitive advantage, since other companies will be able to copy it.

Human and Organisational Resources

When it comes to human resources, all employees working at Elcon have extent working experience and competence within the area. As Elcon itself and its competitors state, “they are very good in what they are doing”. Most of the employees have been working for Elcon for many years, know the market very well and have built up a certain network. Elcon's partners, especially dealers it cooperates with, appreciate personal contact with qualified specialists. Such a resource is very valuable and is difficult for competitors to cope with. It gives Elcon a sustained competitive advantage over its rivals.

Besides, the company has accumulated the expertise in product and industry they operate in. The slogan “We know everything about car and car financing” reflects the organisational resources the company has. Due to narrow focus on this particular niche, Elcon has gained a reliable knowledge about the product and the industry. The price for such an expertise is

customer loyalty and trust, which contribute positively to sales. Although the expertise is imitable and cannot be the advantage in the long run, it takes time and resources to acquire it. But what is more important is that at the moment due to it Elcon has valuable customer information and big customer base. Having financed one of ten new-registered cars in Norway, the company could have obtained all customer information desired. As a result, Elcon in cooperation with Dun & Bradstreet has developed the unique system for customer credit analysis, control and customer portfolio analysis in Norway, Sweden and Denmark (<http://www.dinebeslutninger.no/?module=Articles;action=Article.publicShow;ID=2156>). The system will save time and costs, and help to reduce customer risk. These resources were built up through the time and hardly imitable, and are the sources of sustained competitive advantage.

Although the company has a solid expertise in the product and industry, the brand name is not as strong and recognised as others' to be a source of competitive advantage. This resource is not fully appropriate at the moment.

Network Resources

Elcon pay serious attention to the relationships with customers. The company seeks to provide best service and flexible solutions in order to create good connection with borrowers and develop their loyalty. It tries to provide a high quality consulting and be in touch with customer needs. The relationships with customers make Elcon very competitive on the market, but it does not give a sustained competitive advantage, since such behaviour is imitable. Such a strategy is highly recommended to other companies, and many do follow it.

The relations with banks and investors are valuable as well, but are common to other financial institutions. Elcon has not obtained any specific relations that are unique for the company.

The overview of Elcon's resources is presented in table 6.2.

Resources	Valuable	Rare	Inimitable	Appropriate	Sustained Competitive Advantage
Financial Resources	Yes	Yes	No	Yes	No
Physical Resources -Distribution channels	Yes	Yes	Yes/No	Yes	Yes/No
Technological Resources - IT-systems	Yes	Yes	No	Yes	No
Human and Organisational resources:					

-Human Resources	Yes	Yes	Yes	Yes	Yes
-Product Expertise	Yes	Yes	No	Yes	No
-Industry Expertise	Yes	Yes	No	Yes	No
-Customer Information	Yes	Yes	Yes	Yes	Yes
-Customer Base	Yes	Yes	Yes	Yes	Yes
-Brand Name	Yes	Yes	Yes	No	No
Network Resources					
-Customer Relations	Yes	Yes	No	Yes	No
-Relations with banks and investors	Yes	Yes	No	No	No

Table 6.2. Internal analysis of Elcon

The resources that give a competitive advantage to Elcon are Human Resource, Customer Information and Customer Base. Its distributional channels give the company partial competitive advantage, because it would take time to gain the same contracts as Elcon has got, but it is not impossible.

- Key factors

After Elcon has been sold to Santander Consumer Finance, the company has plans to extend its product portfolio into credit cards and traditional consumer finance services.

- Apparent strategy

Based on the fact that the company runs aggressive marketing campaign, Elcon's apparent strategy aims at the increasing of market share. Historically, Elcon has been a niche company, but now it plans to expand business further and become more traditional financial company with broad product line.

The business-level strategy: Focus Differentiation.

- Strength and weaknesses

The following **strengths** were identified:

- Strong focus on core business
- High product and industry expertise
- Good marketing and sales in private-to-private market
- Flexible product solutions

- Strong relationships with dealers and well-developed distributional channels
- Attention on consulting and dealers' learning
- Fast consideration of applications

The company has several **weaknesses**:

- Weak brand name, known mostly among financial companies
- Weak position in Sweden and Denmark
- Administrational costs have increased with 13% from 2003 to 2004 due to sale of the company and demerger of its business. However, administrational costs will most probably continue to grow due to more complicated organisational structure and extended business activities. Company will be less cost effective
- Costs related to 15 offices in Norway. Elcon is less efficient than other competitors, which operate from one centre (like SkandiaBanken or GEMB).

- Organisation philosophy

“We can everything about car and car financing!”

After being sold to Santander Consumer Finance, the head office has changed its position, as well as the management. Elcon has become more hierarchical organisation.

- Personnel policies

At the year-end 407 people were employed in Norwegian business, 72 in Sweden and 18 in Denmark. The company tries to create good working conditions for employees. In Norway employees don not tend to change jobs and many of them have been working for Elcon for quite a while.

- Product analysis

Within private car financing Elcon offers payment-free months, flexible down payment with the period up to 10 years.

Although Elcon offers complementary products such as car and loan insurance, it does not include them in the price or offer an alternative extended product, as many other banks do now. It still focuses on simple product, which it intends to deliver in the best possible way.

Conclusion

Elcon's competitors may wonder what are the reasons of its high sales in car financing. After internal analysis of Elcon, it is possible to conclude that the strength of the company lies in its focus on the relationships with dealers. The company invests resources into dealers' learning and cooperation, in IT solution that provides 24 hours assistance. This pays back in form of partners' loyalty and good sales. Although some competitors try to offer higher provision to dealers in order to boost their sales, dealers tend to cooperate with Elcon. Partners appreciate the speed and convenience of Elcon's solutions.

The source of company's competitive advantage lies in its employees' competence, customer information and customer base, which are obtained through close cooperation with dealers. It allows Elcon to be close to customers and provide flexible solutions and consulting demanded by private customers.

DnB NOR

DnB NOR is Norway's largest financial services group with total assets of more than NOK 1,200 billion. The Group includes the strong brands DnB NOR, Vital, Nordlandsbanken, Cresco and Postbanken. DnB NOR has a key role in the Norwegian market, serving as an important partner for more than two million retail customers and 150 000 corporate clients.

- Financial results

The financial results of 2004 were good for DnB NOR. Pre-tax operating profits before losses (NOK million) was 9 798, with profits for the year (NOK million) 7 388. Total combined assets at year-end (NOK billion) was 1 204. At year-end 2004 the Group was well capitalised, with a core capital ratio of 7.6 per cent, compared with 6.8 per cent a year earlier. The sound capital adequacy gives the Group flexibility and scope of action.

- Marketing and sales activity

The AUTO products are distributed through multi distributional channel. The biggest channels are dealers and DnB NOR Personal Market. Postbanken advertises Auto loans aggressively.

In order to differentiate the product from its competitors, the bank offers Secured Car Loan, where insurance is included in the price. Other product augmentations DnB Finans considers are fuel card and service included in the price along with insurance.

Retail customers in DnB NOR have obtained better terms through new and more extensive loyalty programs and the harmonisation of the price structure.

- Sources of competitive advantage

Financial Resources

DnB NOR is one of the biggest financial groups in Norway. The sound capital adequacy gives the Group flexibility and scope of action. The company can serve all customers' needs in retail banking. However, in private car financing financial resources are important, but not the source of competitive advantage, since the private banking does not demand such resources as corporate banking and asset management.

Physical Resources

The Group's central customer units, branch network, Internet and telephone banking services represent Norway's most extensive distribution system for financial services.

The Group's customer service in most areas is based on a multi-channel strategy, where service options within DnB NOR's extensive distribution network are for the most part chosen by the customers themselves. Within AUTO loans, there are:

- Branch offices
- Regional specialist units (investment centers within Retail Banking, financial services centers within Corporate Banking and sales desks in Markets)
- Central units
- Telephone
- Internet banks
- Dealers
- Cooperation partners: NAF (www.naf.no), BOB Community, BS.

Other service concepts are offered within selected product areas. This could be indirect distribution, such as in consumer financing, or one-to-one contact, e.g. in connection with occupational pensions, discretionary asset management or private banking services targeting the high-net-worth segment in the retail market.

The impressive market coverage and physical presence all over the country contributes to closeness to customers. The customers, who prefer one-stop shopping, can find all they need just around the corner. The distributional channels are the source of DnB NOR competitive advantage and the basis of high sales in each business segment.

Technological Resources

The Group's realisation of synergies is highly dependent on the integration of the IT systems from the former Gjensidige NOR and DnB's. A joint Internet portal and customer service phones were introduced in autumn. IT is integral part of the Group, and it tries to offer as more advanced solutions as possible and be ahead of its competitors. But it is imitable and is not a source of competitive advantage.

Human and Organisational Resources

DnB NOR has Norway's largest customer base and is a leader in most Norwegian market segments. This market position provides a sound basis for generating further growth by developing and strengthening customer relationships. The Group will give priority to customer relationship management in all business areas in 2005, and introduce new services and solutions to strengthen customer relations.

Brand Name

The DnB NOR brand name was launched in the market in 2004. The name change is fully implemented when all branch offices have been coordinated during the first half of 2005. The Group will then be recognised under a uniform name and profile. At the moment the brand name of the Group (both old and new) is very powerful and highly recognised among private and corporate segments. The reliability and reputation earned through the years contributes to sales growth. The brand name of the Group is a strong source of competitive advantage. As a DnB NOR's representative mentioned:

...customers (dealers) want to have our logo. The name has big power and is our strong side..."

Network Resources

DnB NOR realises that customer relationships with individuals and businesses in Norway represent the foundation for profitable growth. The closeness and personalised services aim to develop customer relationships, and the Group has gained good results. Customer relations are the source of DnB NOR's competitive advantage.

DnB NOR has one of the best-developed network of relationships with other banks and investors, but is not crucial in the market for car financing.

The overview of DnB NOR's resources is presented in table 6.3.

Resources	Valuable	Rare	Inimitable	Appropriate	Sustained Competitive Advantage
Financial Resources	Yes	Yes	No	Yes	No
Physical Resources -Distribution channels	Yes	Yes	Yes/No	Yes	Yes
Technological Resources - IT-systems	Yes	Yes	No	Yes	No

Human and Organisational resources:					
-Product Expertise	Yes	Yes	No	Yes	No
-Industry Expertise	Yes	Yes	No	Yes	No
-Customer Information	Yes	Yes	Yes	Yes	Yes
-Customer Base	Yes	Yes	Yes	Yes	Yes
-Brand Name	Yes	Yes	Yes	Yes	Yes
Network Resources					
-Customer Relations	Yes	Yes	Yes	Yes	Yes
-Relations with banks and investors	Yes	Yes	No	Yes	No

Table 6.3. Internal analysis of DnB NOR

- Key factors

DnB NOR aims at growth for each product. In 2004 the Group has sold Elcon due to the merger with Gjensidige and maintained DnB Finans. DnB Finans cooperates actively with several niche companies that specialise on private loans including car financing (Telefinans AS).

- Apparent strategy

Strengthening market shares in profitable segments and areas where the Group has a natural growth potential will be part of the strategy, parallel to an assessment of possible structural measures.

The business-level strategy: Differentiation.

- Strength and weaknesses

The following **strength** were identified:

- Good reputation on the market
- Well-organised distributional channel with offices all over the country and multi channel strategy
- Strong brand name
- Broad product portfolio
- Solid financial resources

- Good cross selling rate

The company has several **weaknesses**:

- Big rigid hierarchical organisation
- Solutions are not very flexible as they could be
- Expensive distributional network with branch offices
- Despite of loyalty programs, price conditions are still better at other competitors (SkandiaBanken).

- Organisation philosophy

The business idea reflects DnB NOR's ambitions: *"A local presence and a full range of services are our strengths"*.

- Personnel policies

31 managers and 56 staff members completed the Group's internal HS&E and working environment training in 2004. During the year, 20 courses in coping with threats were arranged, in which both managers and staff were actively involved. DnB NOR runs the active campaign in student recruitment each year. The Group works actively on attracting best people from the market.

- Product analysis

DnB Finans offers car loan with up to 7 years payment. To differentiate the product from other competitors, the bank includes insurance in the price and provides secured loans. According to bank's representatives, the secured loan is very welcome on the market, and the number of customers choosing this kind of loan increases. The bank aims at more simplicity and transparency for its products. It has plans to include insurance, fuel card and service in the price and make the payment as easy as possible for the private customers.

Conclusion

DnB NOR is the biggest and strongest actor on Norwegian market. Its competitive advantage lies in covering all segments, distributional network and multi channel strategy, solid financial resources, brand name and customer relations and information. The market coverage is gained through 5 main channels – dealers, DnB NOR Personal Market, direct market (newspapers,

magazines), Internet and cooperation with different communities (BOB, NAF), and this contributes to 2d market share in car financing. The Group is very visible in P2P market.

DnB NOR cooperates actively with several niche companies, such as Telefinans AS and Lån Direkte, that offer few products and car financing with lower interest rate (3.95% against DnB NOR's 4.20%). This is a good way of customer price discrimination. The bank transfers a part of the risk to the partners and covers the price-sensitive segment.

SkandiaBanken

SkandiaBanken is a pure Internet bank established in Norway 27 of April in 2000 with head office in Bergen. The Norwegian subsidiary is a part of financial conglomerate Scandia, which was established in 1855 and has offices all over the world. Its concept based on eliminating fees for customers caused many doubts among other financial actors and was perceived as a market-entry strategy. Nevertheless, after five years the bank has not changed the concept and still is the only fee-free bank on the market. Cost effectiveness and profits are gained through customers' self-service. Today, the bank has 270 000 active customers (www.skandiabanken.no).

SkandiaBanken Bilfinans AS is a niche company with main activity within car financing. It was originally Vesta Finans AS, which in 2000 changed the owner and became SkandiaBanken (further SB) Bilfinans AS. The company today is 100% owned by SkandiaBanken AB. SB Bilfinans provides financing services through the network of dealers. Although SB is fee-free bank and offers an attractive product for customers contacting the bank directly, the car financing through SB Bilfinans is based on the same kind of fees as in other banks: higher rates, monthly payments and fees. It helps the bank to cover the provision offered to dealers. Such a structure divides the market into two segments: price-sensitive customers are able to get better conditions at SB internet bank, while the broader market is covered through SB Bilfinans and cooperation with dealers.

- Financial results

In 2004 the operating result for SB before tax was NOK (in millions) 126, 5 (www.scandiabanken.no). Taking into consideration that the bank has 1 000 customers per 0, 5 employee, SB proves its strong financial position.

SB Bilfinans AS is in the period of growth at the moment. Operational results have been increasing during 2002 and 2003 with 98% from 2001 to 2003.

The financial figures are strong, and the bank has good capacity to grow further.

- Marketing and sales activity

The best SB's products, which have topped all the ratings are accounts "Alt I en konto" and savings accounts. Recently, the bank also advertises the car loan with no fees. According to

bank's statements, the car financing is an important niche for SB, (<http://www.skandiabil.no>), and active sales campaign signals about the bank's intent to develop this particular product further. At the same time, according to bank representatives, the bank is afraid to cannibalise the sales from SB Bilfinans and this is the reason the marketing activity is not aggressive.

- Sources of competitive advantage

Financial Resources

SB Bilfinans AS possess available capital to finance new customers. The financial conditions were outstanding in 2003 and 2004.

Physical Resources

SB Bilfinans AS cooperates actively with car importers and dealers. Each region has its own Sales Manager, who is responsible for product sales in his area.

The bank does not own a physical distributional network in form of offices due to its Internet based concept. So, the distribution channels are not the source of SB's competitive advantage.

Technological Resources

Web-based solutions allow SB to precede applications and all transfer operations fast and efficient. Customers appreciate the convenience of the bank's systems. Unfortunately, this resource, although gives a competitive edge to the bank, is imitable and cannot be the source of long-term competitive advantage. Recently, all banks follow the strategy to use Internet actively as a distributional channel. After the SB's success, most of the banks invest financial resources in developing this channel and transfer more and more operation into electronic form to decrease costs and increase market coverage.

Human and Organisational Resources

SB positions itself as an accessible and reliable bank (see table 6.1). It does not differentiate itself based on broad product line (like DnB NOR) or outstanding industry and product expertise (like Elcon). SB possesses industry and product expertise on the average level and this is not the source of its competitive advantage. Instead, it is simple and accessible bank, and it is oriented on the segment of customers, who value time, use actively Internet and are price-sensitive. The bank has acquired a huge customer base, and in its best times SB got up

to 200 new customers a day (www.skandiabanken.no). The bank not only has many customers, but they are loyal customers as well. According to Norsk Kundebarometer, SB has the most satisfied and happy customers than all its competitors, with 80,1 points (www.dinepenger.no, see Appendix 6.5). Due to the range of different awards (total 20 awards in categories “Best Bank”, “Best Account” and other) and customer satisfaction, the bank has earned a solid reputation on the market and acquired strong brand recognition. This is, to my opinion, is the serious source of competitive advantage for SB.

Network Resources

Customer relations are not well developed, since SB minimises all personal contacts with customers and advocates self-service. However, they still exist in form of customers’ loyalty. Norsk Kundebarometer showed that the bank has the most loyal customers in the industry with 88 points (the next is Fokus Bank with 78, 3 points). Based on outstanding customer satisfaction, it is safe to conclude that the bank’s focus on customer benefits gives it a competitive advantage over its rivalries.

The overview of SB’s resources is presented in table 6.3.

Resources	Valuable	Rare	Inimitable	Appropriate	Sustained Competitive Advantage
Financial Resources	Yes	Yes	No	Yes	No
Physical Resources -Distribution channels	Yes	Yes	No	Yes	No
Technological Resources - IT-systems	Yes	Yes	No	Yes	No
Human and Organisational resources:					
-Product Expertise	Yes	No	No	Yes	No
-Industry Expertise	Yes	No	No	Yes	No
-Customer Information	Yes	Yes	No	Yes	No
-Customer Base	Yes	Yes	Yes	Yes	Yes
-Brand Name	Yes	Yes	Yes	Yes	Yes
Network Resources					
-Customer Relations	Yes	Yes	Yes	Yes	Yes
-Relations with banks and investors	Yes	Yes	No	Yes	No

Table 6.3. Internal analysis of SkandiaBanken

- Key factors

SB Bilfinans AS experiences the growth stage and the available position as a Sales Manager for the East Region was advertised in summer 2005. The fact that new employees are demanded for further development signals that the company is growing and expanding its activities.

- Apparent strategy

The business-level strategy: Focused Cost Leadership. The customers the bank is orientated towards are those seeking simplicity in bank operations and price sensitive. Such behaviour does not apply to all potential customers, because many seek high service and personal contact with banks.

The AUTO market is an important segment for SB and it aims at increasing its customer base.

- Strength and weaknesses

The following **strengths** of SB were identified:

- The bank is cost efficient
- The transactions are simple and easy accessible for the customers
- Continuously focus on customer satisfaction resulted in high customer loyalty
- Strong brand name and brand recognition
- 270 000 active customers, which is impressive for a pure internet bank

The company has several **weaknesses**:

- Still narrow range of products, which can not satisfy a demanding customer
- Internet services are oriented on young, “modern” and independent segment of customers. Average customer age is 35 (according to bank representative). Older people prefer personal contact with bank. Self-service is not popular for those who prefer all work done by other people
- Standardised products, inflexible solutions decrease the amount of customers, who instead go to more flexible banks.
- The cross-sellig rate is low, only 1.3 products per customer
- The service is impersonal, customers lack “the face or a person” to relate to

- The financial results for 2005 are somewhat worse than years before

- Organisation philosophy

"We will simplify every day and enrich tomorrow for our customers and partners. We are going to be pioneers in car financing market."

- Personnel policies

The Norwegian AUTO market is divided into regions headed by a Sales Manager, who is responsible for sales in his (her) region.

No special personnel policies are observed.

- Product analysis

At SB, the car loan is offered without additional fees to pay. The absence of usual expedition payments results in lowest effective rate on the market (only 5, 05%). But the bank does not provide full financing and offers loans with 35% of security. The strategy of risk decreasing is understandable, since the evaluating of customers' credibility is being made through Internet application form without personal contact and the product is standartised as much as possible. At SB Bilfinans the fees and payments have the same structure as in other banks.

Conclusion

During last four-five years SB has been one of the success stories on Norwegian and Scandinavian markets. On AUTO market, the bank occupies the third place in term of market share.

After internal analysis of the company, the strategy the bank applies has been identified as well as the important resources that give SB a competitive advantage over its rivalries.

The bank positions its accessibility and simplicity as an advantage. The customers' self-service gives a serious cost reduction and due to it, SB can offer very good price conditions for customers. As a reliable and customer-oriented bank, SB has won several awards for best conditions and earned customer loyalty.

SB aims at customers who are price-sensitive and value speed and convenience the Internet solutions can offer. Its business strategy is Focus Cost Leadership. The bank is very consistent

in its policies and customers value it. As a result, the SkandiaBanken's competitive advantage comes from customer loyalty, strong brand name and customer satisfaction. The bank knows what it is doing, and doing it well.

At the same time most of the customers in AUTO market are acquired through SB BilFinans, which has more traditional structure with monthly fees and higher interest rate. In SB BilFinans the only distribution channel is dealer network, which again proves the importance of this channel. SB BilFinans is very happy with its dealers and has a good cooperation with many. The strong focus on AUTO market results in well-designed organisation, which has people working with defined market parts. For dealers, it is favourable to offer SB's financing, since the bank's brand name causes customers' associations with low rates, and buyers tend to be happy having financing from SB. The strong brand name attracts dealers and private customers.

6.2.3 Critical Success Factors

The internal analysis of some of the biggest players on AUTO market has revealed some factors, which are critical for success in this market.

In any competitor and product study the analysis of value chain is central. In financial services the structure of classical Porter's value chain is modified and is less complex, which is why it is not discussed in the details. The important role, as for numerous other products, is played by distribution of the product.

For a bank that wants to cover all segments of the market and to cope with competitors, ***Multi Channel Distribution*** is the critical success factor. The channels may be:

Physical distributional network in form of offices. This form provides good market coverage and physical presence, which guarantee the personal closeness to the customers. This channel serves perfectly private and business customers. But this form is costly and not suitable for a bank like GEMB, which does not own branches historically.

Dealers. At the moment it is the most important channel, which provides most customers for banks regarding private and business customers. Most of the companies name dealers as the main distributional channel for car financing (for example, Elcon distributes 70% of its product through dealers). Other channels discussed further are becoming more and more important, but they still are not able to substitute dealers. The possible reasons for that, which were named by industry specialists – bank representatives and dealers- are the following:

- Most of the customers are price-insensitive. When a customer is buying a car, (s)he is more focused on the car itself and its specifications than on its financing. Many of them do not search for cheaper solutions and lower interest rates.
- Customers value convenience. In practice, dealers do the paper work and communicate with the bank. Customers are saved from troubles and worries, and this makes them happy with the solution.

This means that although other channels are developing rapidly, the customers are more independent each day and can and will solve their problems themselves, one should not neglect the importance of this traditional channel. Most of the output is being sold and is going to be sold through dealer channel, and that is the reason why the relationships with

dealers are of crucial importance. This leads to the second critical success factor – *relationships with dealers*. All those competitors who have big market share have good cooperation with dealers. Good relationships with dealers are gained through excellent service, personal contacts and convenience of bank transactions. The waiting time/answer time should be reduced to minimum.

Working with dealers may be perceived as not optimal, since the bank needs to cooperate and invest into relationships, it has to pay commission and tolerate possible opportunistic behaviour from dealers (higher than agreed rates, working with more than 1 bank). Other distributional channels evolve due to dealers' unsatisfactory performance and aim at reaching customers, who prefer to shop directly.

There are several channels of information distribution in private market:

- Newspaper advertising. For minimal or no fee newspapers are willing to provide their pages for private advertising.
- Internet. On each search engine like www.dinside.no or www.finn.no the private advertisements are posted, reaching a broad pool of potential buyers. The specialised on auto market web sites like www.bilnorge.no also provide their on-line space for private-to-private market.
- Word-of-mouth. Some sell-buy transactions occur through personal contacts and friends-relatives network. Although this segment is very small it still exists.

So the main question for GEMB is how to get access to this market, or may be it is more important how the market can find GEMB?

According to statistics (Bilforlaget AS), Internet is the main informational channel for car buyers. 40% of respondents name it as the most important channel to obtain information about cars and their prices (Appendix 6.5). The second place of importance is occupied by car dealers with 26% of respondents. Car dealers are more important to first-time buyers, while second-time buyers prefer to use private-to-private market accessed through Internet and car-specialised magazines. Friends, newspapers and specialised magazines stand accordingly for 7%, 9%, and 17%. We see that the importance of Internet increases dramatically, while the

popularity of day press is decreasing. So the next critical success factor is the use of **Internet** as a distributional channel.

When it comes to the decision process and the choice of the source of financing in private-to-private market, the easiness and price are the main criterions for car buyers. Customers value simple solutions, when they can get the answer fast without complicated contracts, and they seek for the lowest possible price.

However, this segment is price-sensitive and often chooses the financial institution based on price. The best way of approaching this segment is through massive advertisement in media. The priority should be done on advertising in Internet: on search-engines and on-line newspapers specialised on cars, like www.bilnorge.no. The banners and other references to the bank are good examples. The specialised magazines are the next alternative; examples are Autofil and Vi Menn Bil. At the moment GEMB is not promoting its Auto loan, and it affects its name recognition among potential private customers. The nearest way in accessing the private-to-private market is by being known to as many customers as possible. Here we can identify the third critical success factor - **Brand Name and Brand Recognition** – that is tremendously important in private segment. The name GEMB should provoke a strong association with car financing, and only then the customer would think of the bank in case of car buying.

Cooperation with private and public communities. The DnB Finans example shows the profitability of such a channel with BOB Community. To gain higher volumes through a distributor is a classical way of increasing sales. If a community has a need for some kind of financing (loans for constructing, for example), the possibility of cross selling is high if the cooperation is profitable for both sides. This is the segment, where the next critical success factor is more likely applicable – **Cross Selling Ability**. It is important in many industries and in financial as well to have loyal customers and be able to sell them more than one product.

7. General conclusion

In today's competitive and fast changing world, an increasing number of companies look for ways to grow and develop in order to remain competitive. A central way to do this is by introducing new products. GE Money Bank has earned the solid reputation within Personal Loans. The next step is to grow into other segments, and especially in AUTO market.

The main purpose of the paper was to identify market opportunities for GEMB in the AUTO market. Through the research and the analysis of the results it is possible to draw some conclusions regarding the industry and competition on the market.

The fierce rivalry is the main characteristic of the financial industry in Norway. There are various actors occupying different niches of the market. Some of them operate exclusively in AUTO market; some of them offer the full range of financial products and extended services. It is almost impossible to find a niche on the market, which is not served by another company. On the top of it, the industry is almost on the maturity level with slow growth level. The main segment of buyers – dealers – is able to explore bargaining power over financial institutions, which are somewhat dependant on dealers in order to sell their products.

Nevertheless, the situation is not hopeless. The industry growth still exists and the customers are becoming more flexible and independent of one traditional bank. When looking at competitive landscape analysed with help of strategic group approach, it is seen that price is not the main competitive dimension for the companies. For GEMB it means that the bank does not need to focus on the interest rate it offers and try to occupy the low cost-low price segment, because there are other issues that are important on the market. Neither is the product range is a success factor, meaning that GEMB can do just fine with the product portfolio it has today. While most of the competition is not based on price and companies are not intended to start a price war, the market still looks promising for new entrants and for GEMB.

However, the positioning of the company is not the perfect one. It does not communicate all the value the bank provides to its customers and does not create the desirable brand and product awareness among private customers. The analysis of other banks' positioning reveals the possible opportunities for differentiation areas GEMB can employ: product augmentation and extra service provided. These are the boxes where other banks are not active.

To exploit market opportunities, GEMB needs to understand and to take into consideration critical success factors important for the AUTO market. They have been identified through internal analysis of some competitors. They are ***Multi Channel Distribution, relationships with dealers, strategic use of Internet, Brand Name and Brand Recognition and Cross Selling Ability.***

I believe that if the bank manages to apply and integrate these success factors, it will increase its sales significantly.

8. Recommendations

Based on the industry and competitor analysis, I can suggest some recommendations for GEMB:

1. Start communicating a new message to the market. The bank needs to communicate a clear message to the customers that it has extended its product line into AUTO loans and offers now more value for its customers than before. To my opinion, the bank should slightly change its positioning and go into the dimension of Extended Product Line, Customisation and Performance position.
2. Build up strong Brand Associations and Brand Recognition of the bank name in the AUTO market. When the message about new products reaches private customers and the bank becomes more visual on the market, the customers will form some associations with the name of GEMB when AUTO loans are mentioned. It is gained through strong presence on the market through the Internet advertisements and other promotional activities.
3. GEMB should continue to cooperate with dealers. This channel is the most important at the moment. The example of Elcon shows that the relationships and close personal contacts between banks and dealers pay off in the long run. Dealers tend to use those financial institutions, which provide more service for them, are operationally efficient in terms of paper work and answer time, and easily accessible.
4. The bank should use Multi Channel Distribution. Dealers are unfortunately not the optimal distributional channel. The impressive example of DnB NOR proves the importance of good market coverage gained by using several distributional channels. Other recommended channels for GEMB are:
 - Direct Market reached through press advertisement and Internet. The bank should start by providing more information on its web site and continue on the AUTO related Internet pages. The Brand Recognition plays the crucial role in this segment.
 - Cooperation with private companies, public and private communities. The bank needs to think who may be interested in any kind of financing, provide it for them and then

try to cross sell other products. The DnB NOR's cooperation with NAF and BOB is a good example of strategic thinking.

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www.dnb.no

www.nordea.no

www.postbanken.no

www.elcon.no

www.realfinans.no

- Euromonitor 2005

URL: <http://www.euromonitor.com>

Appendixes

Appendix 4.1

SkandiaBanken (Elcon)

Interview Agenda

1. Can you tell me about SkandiaBanken's concept?
2. I would like to know some figures. What are the market shares for SB products?
3. Which products are your bestsellers?
4. How many products does SB sell per customer? (Cross-selling)
5. What are the strengths of SB?
6. What are the weaknesses?

I've chosen Auto loan to focus on. Can you tell what your position is on the car financing market?

7. Why do you think SB is on the 3d place in terms of market share?
8. How does SB place itself regarding competitors?
9. What SB does better than others?
10. What SB does worth than other competitors?
11. What are the future plans you have? Ambitions?

DnB Finans

Intervju Hovedpunkter

1. Jeg vil starte med noen tall. Hva er DnB Finans markedsandeler i bilfinansiering?
2. Hva er hovedkonsepter når det gjelder bilfinansiering?
3. Hvor mange samarbeidspartnere har DnB Finans?
4. Hva er DnB Finans sterkeste side?
5. Hvilke er svake sider?
6. Hva er grunnen at DnB Finans ligger på 2. plass når det gjelder markedsandelen?
7. Hvordan plasserer du DnB Finans på markedet i forhold til konkurrenter? Hvem er deres største konkurrent på dette markedet?
8. Hva gjør DnB Finans bedre enn konkurrenter i Auto marked?
9. Hva gjør konkurrenter bedre enn DnB Finans?
10. Hvis du skal kartlegge viktige ressurser for bedriften, hvilke ville du nevne?

Resources	Valuable	Rare	Inimitable	Appropriate	Sustained Competitive Advantage
Financial Resources					
Physical Resources -Distribution channels					
Technological Resources - IT-systems					
Human and Organisational resources: -Product Expertise -Industry Expertise -Customer Information -Customer Base -Brand Name					
Network Resources -Customer Relations -Relations with banks and investors					

11. Hva med supplementer produkter som forsikring? Er de viktige?
12. Hvilke planer har du for DnB Finans fremtiden? Hva er deres ambisjoner?

Appendix 6.1

➔ [Alfa Romeo Norge](#)

➔ [Ambra Norge AS](#)

➔ [Audi Norge.](#)

➔ [BMW Norge.](#)

➔ [Chrysler](#)

➔ [Citroen Norge](#)

➔ [Daewoo](#)

➔ [Fiat Norge.](#)

➔ [Ford Norge](#)

➔ [Honda Norge](#)

➔ [Hyundai](#)

➔ [Kia Norge](#)

➔ [Land Rover](#)

➔ [Mazda Norge](#)

➔ [Mercedes-Benz](#)

➔ [MG Rover Norge](#)

➔ [Mitsubishi Motors Norge](#)

➔ [Nissan Norge](#)

➔ [Opel](#)

➔ [Saab Norge.](#)

Appendix 6.2















Terra-Gruppen AS	SpareBank 1-Gruppen	DnB NOR	Independent
Total 80 Saving banks	Total 18 Saving bank	Total 17 Saving bank	Total 11 Saving bank
Andebu Sparebank	Gjerpen og Solum Sparebank	DnB NOR	Cultura Sparebank
Ankenes Sparebank	Halden Sparebank		Fana Sparebank
Arendal og Omegns Sparekasse	Lom og Skjåk Sparebank	Partnersip Contrcts:	Gildeskål Sparebank
Askim Sparebank	Modum Sparebank	Sparebanken Hedmark	Sandnes Sparebank
Aurland Sparebank	Nøtterø Sparebank	Helgeland Sparebank	Sparebanken Møre
Aurskog Sparebank	Rygge-Vaaler Sparebank	Sparebanken Sogn og Fjordane	Sparebanken Pluss
Bamble og Langesund Sparebank	SpareBank 1 Gran	Sparebanken Sør	Sparebanken Vest
Berg Sparebank	SpareBank 1 Gudbrandsdal	Etne Sparebank	Sparebanken Volda Ørsta
Birkenes Sparebank	SpareBank 1 Hallingdal	Haugesund Sparebank	Sparebanken Øst
Bjugn Sparebank	SpareBank 1 Jevnaker Lunner	Hegra Sparebank	Spareskillingsbanken
Blaker Sparebank	SpareBank 1 Kongsberg	Kvinnherad Sparebank	Voss Sparebank
Bud Fræna og Hustad Sparebank	SpareBank 1 Midt-Norge	Luster Sparebank	
Bø Sparebank	SpareBank 1 Nord-Norge	Sauda Sparebank	
Drangedal og Tørdal Sparebank	SpareBank 1 NordVest	Skudenes og Aakra Sparebank	
Eidsberg Sparebank	SpareBank 1 Ringerike	Sparebanken Hardanger	
Etnedal Sparebank	SpareBank 1 SR-Bank	Tingvoll Sparebank	

Evje og Hornnes Sparebank	SpareBank 1 Vestfold	Flekkfjord Sparebank	
Fjaler Sparebank	Sparebanken Grenland	Lillesands Sparebank	
Gjerstad Sparebank		Søgne og Greipstad Sparebank	
Grong Sparebank			
Grue Sparebank			
Haltdalen Sparebank			
Harstad Sparebank			
Hjartdal og Gransherad Sparebank			
Hjelmeland Sparebank			
Hol Sparebank			
Holla og Lunde Sparebank			
Høland Sparebank			
Hønefoss Sparebank			
Indre Sogn Sparebank			
Jernbanepersonalets Sparebank			
Klepp Sparebank			
Klæbu Sparebank			
Kragerø Sparebank			
Kvinesdal Sparebank			
Larvikbanken Brunlanes Sparebank			

Lillestrøm Sparebank LillestrømBanken			
Lofoten Sparebank			
Marker Sparebank			
Meldal Sparebank			
Melhus Sparebank			
Narvik Sparebank			
Nes Prestegjelds Sparebank			
Neset Sparebank			
Odal Sparebank			
Ofoten Sparebank			
Opdals Sparebank			
Orkdal Sparebank			
Rindal Sparebank			
Rørosbanken Røros Sparebank			
Selbu Sparebank			
Seljord Sparebank			
Setskog Sparebank			
Soknedal Sparebank			
Sparebanken Bien			
Sparebanken Hemne			
Sparebanken Telespar			
Spydeberg Sparebank			

Stadsbygd Sparebank			
Strømmen Sparebank			
Sunndal Sparebank			
Surnadal Sparebank			
Time Sparebank			
Tinn Sparebank			
Tjeldsund Sparebank			
Tolga-Os Sparebank			
Totens Sparebank			
Trøgstad Sparebank			
Tysnes Sparebank			
Valle Sparebank			
Vang Sparebank			
Vegårshei Sparebank			
Verran Sparebank			
Vestre Slidre Sparebank			
Vik Sparebank			
Ørland Sparebank			
Ørskog Sparebank			
Øystre Slidre Sparebank			
Åfjord Sparebank			
Aasen Sparebank			

Appendix 6.3 Interest rates /2005 (Source: Companies' Web Sites)

0	Car loan	Car leasing	MC loan	Boat loan	Leisure loan	APB adv.(35%)	APB (20%)	Fees NOK		
								ARR	ARR internet	Month
	X	X	X	X		3.95%	4.25%	1810,-		75,-
	X	X	X	X	X	4.20%	5.20%	1460,-	-500	75,-
	X	X				4.93%		0	0	0
	X	X	X	X	X	5.15%	5.15%	2160,-		75,-
	X	X	X	X	X			?		?
	X	X	X	X	X	3.95%		2190,-		70,-
	X	X	X	X	X	4.25%	4.75%	2100,-		75,-
	X	X				4.2%	4.7%	2040,-		75,-
Møller BilFinans	X	X				3.95%	4.2%	1850,-		75,-
	X	X	X	X		4.95%		1970,-		75,-
						4.45%		?		60,- 80,-
						4.7%		2200,-		75,-
	X	X	X	X	X	4.85%		1960,-	-500	75,-
	X	X	X	X	X		4.25%	1540,-		75,-
	X	X	X	X	X	4.5%	5.25%	1400,-		30,-
Hedmark Finans	X	X	X	X		4.7%		2100,-		75,-
Real Finans	X	X	X	X	X	3.95%	5.25%	1990,-		80,-
Finans Online	X	X	X	X	X	3.9%	5.25%	1990,-		80,-

Appendix 6.4

Companies' market shares in AUTO Market

Appendix 6.5.

Results for bank sector (2005):

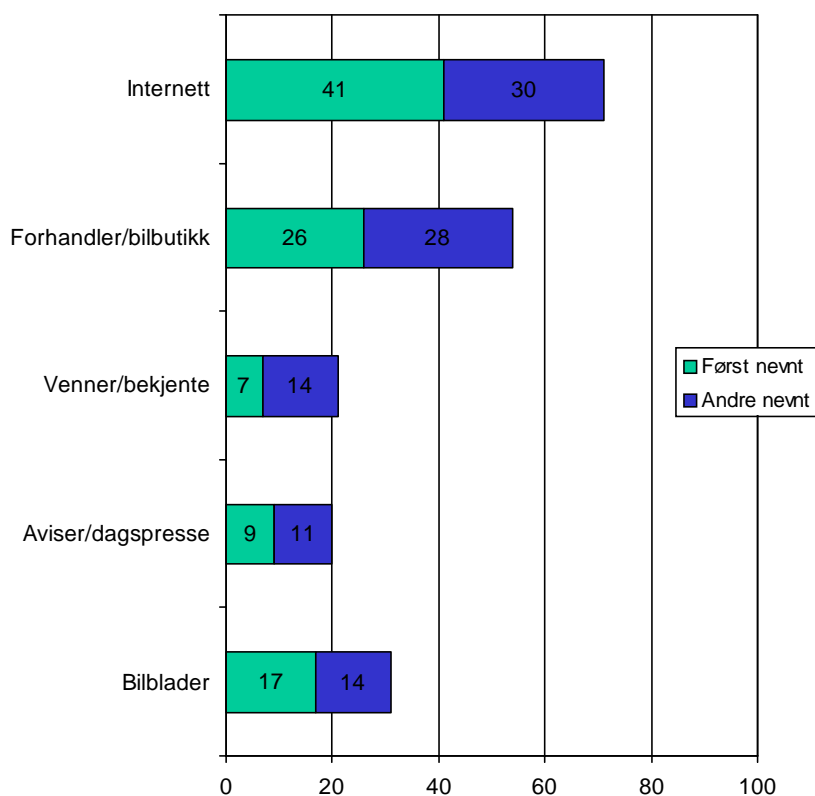
Bedrift	Tilfredshet	Lojalitet	Total plassering Tilfredshet
SkandiaBanken	80,1	88,0	5
Fokus bank	73,3	78,3	36
Sparebank 1 gruppen	70,4	80,4	63
Postbanken	70,1	79,7	65
DnBNor	69,7	78,1	70
Nordea	69,6	76,3	72
<i>Bank snitt</i>	<i>72,2</i>	<i>80,1</i>	

Source: Kundebarometer

Appendix 6.6

Viktigste informasjonskilder nybil

- Internett den viktigste informasjonskanalen. Over 40 % oppgir dette først, og ytterligere 30 prosent oppgir Internett på 2.plass.
- Dernext følger forhandler/bilforretning som oppgis som førstevalg av 26 %.
- Nybilkjøpere anser forhandler / bilforretning som viktigere enn bruktbilkjøpere, men ikke like viktig som Internett.
- Utviklingen i bruk av Internett som informasjonskilde før nybilkjøp øker dramatisk, mens dagspresse avtar mest i viktighet



Source: www.finn.no