

Product Market Expansion Strategy for Business Development of the Companies Operating in the Field of Premises Cleaning

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Abstract. The long-term strategic development of cleaning companies cannot be implemented by providing only one type of service - cleaning of premises.

Within this research the author studied the theoretical aspects of corporate strategies, product market expansion strategy for business development of the cleaning companies, to understand the industry of cleaning of premises and challenges of that industry.

A monographic and descriptive method was used to analyze the theoretical aspects of company strategies, secondary data analysis and expert interview were used to describe the situation of premises cleaning industry, but quantitative research method such as analyzing of statistical data of the cleaning of premises companies, in connection with the comparative, analytical, deductive, logical approach method was used in this research.

The research identifies factors that the expansion of the range of services is relevant in every business and every industry, because every industry develops over time, new regulations are adopted that can affect the respective industry, which means that companies are constantly forced to adapt to changing business, economic and political conditions.

The research finds that if the company has successfully developed, has found its market share, and is working with good results, this does not mean that the company can relax and not think about its development.

Keywords: *strategy, development, expansion of services.*

I. INTRODUCTION

The expansion of the range of services is relevant in every business and every industry, because every industry develops over time, new regulations are adopted that can affect the respective industry, which means that companies

are constantly forced to adapt to changing business, economic and political conditions. Competition does not take place only in the way that competitors offer something new, unique on the market or want to surprise customers with new options.

The rapid digital development, technologies, transition to the use of environmentally friendly materials, raw materials and tools force every company to constantly think about its development, because the company that will be the first to introduce a new digital solution will be more competitive and more in demand from customers. Digitalization requires companies to invest a lot of money in development, so companies cannot continue to operate in the same way as it was implemented times ago.

Even if the company is a leader in its industry, further development is not possible, i.e. increasing turnover and profit if the company continues to provide only one type of service, because companies that additionally provide related, other services are able to achieve better turnover indicators, which shows that the topic is relevant precisely from the aspect that one type of service provider it is important for the company to expand its range of services.

The purpose of the research is to investigate whether companies in the cleaning of premises industry of the Republic of Latvia can increase their turnover if they provide only one kind of services, for instance - the cleaning services.

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II. CHARACTERISTICS OF THE PRODUCT MARKET EXPANSION STRATEGY

Several strategy and business consultants, theorists and scientists [1] – [3] have recognized that no core business is eternal, or that every product has its own life cycle. In business, various matrices or tools are used to measure the company's strategy, based on the assessment of the company's product (service) life cycle or market expansion opportunities, for example SWOT or PEST matrix, Boston matrix, McKinsey matrix, Ansoff "product-market" matrix.

The companies must understand how their entire industry is changing otherwise the company cannot invest wisely in the organization. As well it is important to understand where the industry is going, to understand the activities of the closest competitors to get understanding of the full context for a longer period [4].

How to know when the core business needs to change, and Zuk refers that safest way is not to take risks and look somewhere far away, but to acquire new values within the company. The company must use those assets and opportunities, which the company already has and then the company may offer richer new types of core business.

Corporate-level strategic decisions are based on industry-specific aspects. Each company is individual, considering the specifics of its operation, development opportunities, product, and service sphere. Stahl and Grigsby describe corporate level strategies, which is visible in Table 1 below [5].

TABLE 1 CORPORATE LEVEL STRATEGIES (ADAPTED FROM STAHL & GRIGSBY)

<i>General description</i>	<i>Specification</i>
Concentration	One product or one market
Horizontal diversification	Related/concentric or unrelated/concern group company
Vertical integration	Forward-oriented integration ("forward") or backward integration ("backward")
Merger and Acquisition	Voluntarily or by force
Joint Ventura	Local or international
Restructuring	Downsizing, Disposal, Bankruptcy, Liquidation

As visible in Table 1 above, there are several ways of reorganization and how the companies may expand their businesses – by concentration, or by horizontal or vertical diversification, to carry out merger and acquisition, to agree on Joint Ventura agreements or make internal restructuring.

A lot of depends on the market and industry of the product. For example, in the cleaning of premises industry, a company that provides only cleaning services and has its own customer base can expand its market share in a limited way, for example, by participating in newly announced public procurement tenders or when a new customer enters

the market, but of course the company may use active sales method and try to find new clients independently.

As another option to expand the market share at the cleaning of premises industry, is to "squeeze" some other competitor out of the market, which is not easy and companies do not always want to act with such methods, or there is a fourth option - to try to win public procurement tenders with dumped prices.

It can be challenging for companies to make the right strategic decision: whether the company should stay in its core business, where it has accumulated extensive experience, knowledge, customer base, familiar business conditions, or diversify the business into new products and markets related to the existing product or service? [5]

Kim and Maborn describe six differences between fierce competition and blue ocean strategies, which can be seen in Table 2 [1].

TABLE 2 FROM FIERCE COMPETITION TO CREATING BLUE OCEANS (ADAPTED FROM KIM & MABORN)

	<i>Fierce competition</i>	<i>Creating of Blue Ocean</i>
Industry	Focuses on competitors within the industry	Looking at alternative industries
Strategical group	Focuses on the competitive position within the strategic group	Look at strategic groups within the industry
Group of customers	Focuses on serving a group of buyers better	Changes the definition of an industry buyer group
Range of service or product offering	Focuses on maximizing the value of products and services within the industry	View the offer of additional products and services
Functionally – emotional orientation	Focuses on price improvement within the functional-emotional orientation of the industry	Reflect on the emotional functional orientation of the industry
Time	Focuses on adapting to external trends as they occur	Changes external trends

As visible in Table 2, operating in Blue Ocean means to carry out activities with less stress and less competition and to expand existing business widely and more focusing on existing products and services, by adding extra services or products.

The basis of the "blue ocean strategy" is to direct the company's efforts to acquire new customers, new services, and new markets, and not to spend energy in the fiercely competitive business areas of the company, fiercely competing with competitors.

Regarding service synergies in relation to related services Kaplan and Norton state that the goal of related services are generating economic savings [6].

Fallon indicates that the signs when the company need to think about the growth, are:

- 1) the growth of the best product has decreased.
- 2) customers start demanding something completely different (different) [7].

Petersons points that if a business unit produces only one product, then the life cycles of the business unit and the product coincide, but when several products appear, the turnover of the business unit consists of the sum of the turnover of all manufactured products, and its life cycle does not end with the exit of a product from the market [8].

The main thing in the theoretical aspects of company strategy will always be to maintain the existing business, to direct its development, because every company experience growth, but when it reaches a certain state of development, the company must think about what strategy to apply in order not to fall under the Boston matrix at the stage of development cows', which may be followed by the stage 'Howling Dogs' [4].

In 1950, Igor Ansoff came up with the idea that different companies should apply the most suitable product markets strategies.

Several authors like Forand, Hanlon refers to Igor Ansoff's product market expansion model, which is shown in Table 4 below [9] – [10].

TABLE 3 IGOR ANSOFF'S PRODUCT MARKET EXPANSION MODEL (ADAPTED FROM FORAND & HANLON)

Markets	Products		
	Existing		New
Existing	Market Strategy	Penetration	Product Development Strategy
New	Market Strategy	Development	Diversification Strategy

As visible in Table 3 from Igor Ansoff product market expansion model there is following classification depending on the market and product, considering the following criteria – existing or new. Both – the market and the product may be existing or new.

According to Igor Ansoff, companies can follow one of four strategies, see in Table 4.

TABLE 4 PRODUCT MARKET MATRIX [11]

TYPES OF STRATEGIES	CHARACTERISTICS OF STRATEGIES
MARKET ENTRY	<ul style="list-style-type: none"> • Low risk strategy • Selling existing products to existing customers using known products and existing learned markets • The aim: <ul style="list-style-type: none"> - maintain or increase the market share of existing products; - increase the use of the product among existing users.
MARKET DEVELOPMENT	<ul style="list-style-type: none"> • Medium risk strategy • Selling existing products to new customers • The aim: <ul style="list-style-type: none"> - development of new geographical markets;

TYPES OF STRATEGIES	CHARACTERISTICS OF STRATEGIES
	<ul style="list-style-type: none"> introduction of additional distribution channels; - adaptation of different price policies to attract different customers; - creation of new market segments.
PRODUCT DEVELOPMENT	<ul style="list-style-type: none"> • Medium risk strategy • Selling new products to existing customers • The aim: <ul style="list-style-type: none"> - Develop modified products that are suitable for existing customers; - develop new company competencies; - Offer innovative products instead of uncompetitive or immature products.
DIVERSIFICATION	<ul style="list-style-type: none"> • High risk strategy • Offer new products in new markets • Types of diversifications: <ul style="list-style-type: none"> - horizontal diversification – new product, related market; - vertical diversification – the company enters the business of existing suppliers or customers; - concentric diversification – a new product that is closely related to the existing product in a new market; - diversification of the conglomerate – a completely new product in a completely new market. • The aim: <ul style="list-style-type: none"> - Learn new markets, learn new products, enter new markets with new products.

As visible in Table 4, each of four strategies are with certain level of risk and provides criteria for new products and new markets.

The companies' strategy would be the most suitable product development strategy, offering new products and services to existing customers, which is less risky, and which also corresponds to the needs of customers, because the customers to whom cleaning companies already provides cleaning services for premises, all have different types of facilities, all of which require engineering communications management services.

III. RESEARCH METHODOLOGY

The purpose of this research is to investigate whether companies in the cleaning of premises industry of the Republic of Latvia can increase their turnover if they provide only one kind of services, for instance - the cleaning services.

To achieve the goal of the research, three tasks were set: 1) to analyze the theoretical basis of corporate strategies and product market expansion strategy for business development of the companies; 2) to describe the companies operating in the industry of cleaning of premises; 3) to compare the companies operating in the industry of cleaning of premises from that point - which companies achieve better results considering number of services.

The research question: is the long-term strategic development of the company in cleaning industry of the

Republic of Latvia possible if the company offers only one kind of services - the cleaning services?

The results of the application the monographic and descriptive method was used to analyze the theoretical aspects of company strategies, secondary data analysis and expert interviews were used to describe the situation of premises cleaning industry, but quantitative research method such as analyzing of statistical data of the cleaning of premises companies, in connection with the comparative, analytical, deductive, logical approach method, provided an answer to the question raised by the author. Direct data collection method such as expert interview was used in research. Quantitative data analysis methods such as statistical data analysis - descriptive statistics was used to analyzing cleaning of premises companies and their financial results. Qualitative data analysis method such as drawing conclusions was used at the conclusion part of the research.

An expert interview is a type of survey that provides for obtaining information while the respondent and the researcher are in a socio-psychological interaction. The purpose of the interview is to gather information. For reason to research cleaning of premises industry and to understand the possibilities to expand the cleaning of premises companies business and turnover, the research employed a qualitative approach - an expert interview [12].

An expert interview was created as a semi-structured interview which is a data collection method that relies on asking questions within a predetermined thematic framework, where the questions are not set in order or in phrasing. Semi-structured interviews are qualitative in nature [13].

In expert interview author used following questions and themes for discussion like: How you evaluate the cleaning of premises industry companies comparing 2 indicators: 1) number of services they provide and 2) amount of turnover; Do you see long term expansion for cleaning companies which provides only 1 or few kind of services, like cleaning of premises and territories; What are main opportunities and challenges for cleaning of premises industry companies to expand their business? It must be noted that all the papers will be printed using grayscale printing technology.

IV. RESULTS AND DISCUSSION

After analysis of industry of the cleaning of premises of the Republic of Latvia, there are basically three type of companies offering premises cleaning services:

- House management service companies, which main business is the house management service for multi-apartment buildings, and some of those companies besides provides also premises cleaning service;

- Premises and territory cleaning service companies, which have expanded their range of services with house management services and lot of other services. From these companies, there are 2 sub-types:

- Companies, which provides only premises cleaning services;

- Companies, which provides both premises and territory cleaning services.

- Real estate brokerage service companies which have expanded their range of services including house management services and premises territory cleaning services.

All types of companies use to provide several additional services, which are similar and related with housekeeping generally, such as: engineering communication service, plumber, electrician, repairman services, janitor services, cleaning the roof from snow, repair works, electrician, plumber services, general cleaning works, territory management, grass mowing, permanent waste collection and removal, road surface, stairs, driveway surfaces, footwear and indoor non-destructive non-slip materials, snow and ice cleaning, building management, water release from building utilities (water supply and heating, continuous (24/7) technical security, fire detection and alarm notification signalling systems for the infrastructure; maintenance and repairs of security equipment and wireless security systems, ventilation and conditioning system, low current system, maintenance of engineering communications, technological equipment, as well as other services.

After studying several public procurements announced by state and local government institutions of the Republic of Latvia, the author concludes that there are procurements in which the customer wants to purchase only a narrow service - cleaning of premises and territories, but there are procurements where the customer wants a wide range of services - both cleaning of premises and territories and additional services, like, engineering or water communication services and several kind of repairman services.

Based on the above, the author concludes that those companies, which can offer several types, or a full spectrum of services (as "one-shop agency") are in much better position.

The study of the companies established in the Republic of Latvia, that provide cleaning services of premises and territories, management of commercial objects and management services of houses was done according to the information published on their websites, what services each of these companies offers. The summary of the provided services can be seen below in Table 6.

Cleaning of premises market is divided and concentrated, therefore the market participants of the premises cleaning industry of the Republic of Latvia should develop their strategy as a product market development strategy expanding their range of services with related services, such as the management of commercial objects and the house management services, which is a medium-risk strategy.

TABLE 5 SERVICES PROVIDED BY PREMISES CLEANING, COMMERCIAL PROPERTY MANAGEMENT AND BUILDING MANAGEMENT COMPANIES [14]

Company	Cleaning of premises and territories			Housekeeping for private and commercial sector	Services for maintaining and repair of engineer communications	Other related services						Number of services	
	Cleaning of premises	Cleaning of territories	General cleaning works			House keeping for private sector	House ceeping for commercial sector	Building	Repair works	Moving services	Catering		Trainings and seminars
SIA Hagberg	X	X	X	X	X	X	X	X			X		9
SIA Concord Service group	X	X	X	X	X	X	X	X			X		9
Civinity group	X	X	X	X	X	X	X	X					8
SIA Marivo	X	X	X	X	X	X	X	X					8
SIA Impel Serviks	X	X	X		X	X	X				X		7
SIA Cleanhouse	X	X	X	X	X							X	6
SIA BCS	X	X	X						X			X	5
SIA Vizii	X	X	X										3
SIA Liir Latvija	X	X	X										3
SIA MRS Secure plus	X	X	X										3

As visible in Table 5, if we compare the biggest company in industry of premises cleaning, Civinity group of companies (SIA Civinity Solutions, SIA Civinity Mājas, SIA Civinity Mājas Jūrmala, SIA Civinity) are the leader in the industry, with turnover EUR 21 543 421 (in year 2021) and second biggest company is SIA Hagberg with turnover EUR 12 361 898 (in year 2021), because they provide wild range of services - not only cleaning of premises and territories, but also housekeeping of private and commercial buildings, management services of engineer communications, repairs and other services. It means that other companies with lower turnover provides less services.

As visible in Figure 1, the existing service providers in the cleaning of premises industry do not have much opportunity for growth or increasing profits, so it remains either to redistribute the market or to force the existing service providers out of the market and aggressively conquer the marketplaces of other competitors.

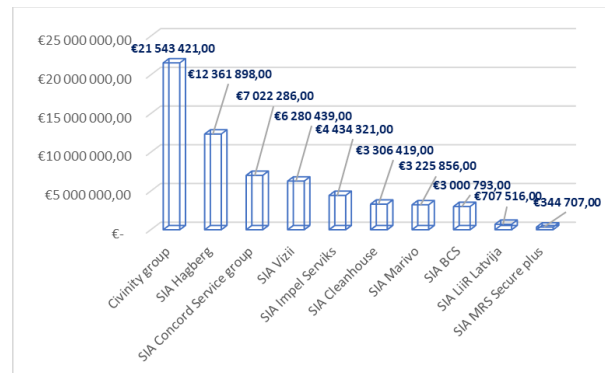


Fig. 1. Turnover data of premises cleaning companies (EUR) [14].

The long-term strategic development of cleaning companies cannot be implemented only by offering cleaning services for premises, therefore the strategy of cleaning companies must be based on a new offering product to customers, thus increasing their turnover and profit, as well as expanding the range of services will ensure business diversification.

As cleaning of premises market is quite divided and concentrated, it means that the market participants of the premises and territory cleaning industry of the Republic of Latvia should develop their strategy as a product market development strategy, which is a medium-risk strategy, expanding their range of services with related services, such as the management of commercial objects and the house management services.

The author chose the expert interview as a method for the research to evaluate the cleaning of premises industry, to find out industry essential main problems and to understand cleaning of premises companies' possibilities to expand their business and necessity to expand their services. Expert was a business consultant from Latvia, with wide professional management work experience in various cleaning companies of the Republic of Latvia, as well with international experience in crisis, change management, restructuring management and M&A transactions, with international Business and Finance education, in middle age (around 35-45 year).

The results of the expert interview allowed author to conclude that the cleaning of premises company, providing only one or few kinds of services, like cleaning of premises and territories, even if the company is a leader of the cleaning industry, cannot achieve high growth and to expand business by achieving much higher turnover and profit as in previous years. The interviewee admitted that the market of cleaning of premises industry is divided and occupied by several strong competitors, therefore only fierce competition or expansion of the services can help cleaning of premises companies to expand their business. The interviewee expressed the opinion that fierce competition or market division is activity in high risk, but less risky for the company is to think about expression of kind of services or to consider carrying out a merger and acquisitions transactions. The expert indicated that turnover results in cleaning of premises industry shows that leader in cleaning of premises industry – Civinity group,

SIA Hagberg, SIA Concord Service group provides approximately 8-9 kind of services and achieve higher turnover results comparing with other market participants, and this is one of the reasons why companies can achieve higher turnover results, due they provide not only premises and territories cleaning, but also engineering services, housekeeping management services, repairs and several other services. By providing more services, the company can be more competitive and gain more market share, because for instance, premises cleaning service is in sector B2B – Business to Business, but housekeeping management services are in sector B2C – Business to Customer, which proves that by expanding kind of services, the company may expand the market share and as a result – to improve turnover results.

As a result of the entire research, applying the research, gave an answer and allowed to draw conclusions that the long-term strategic development of companies cannot be implemented only by offering cleaning services of premises, as the range of services provided by companies must be expanded.

V. CONCLUSIONS

1. The companies, which operates in the areas of premises and territory cleaning, commercial property management and building management, provides up to 9 services and achieve higher turnover comparing with companies, which provides less of services.

2. After studying several announcements for public procurements announced by state and local government institutions, there are procurements in which the customer wants to purchase a wide range of services - both premises and territory cleaning, engineering communications service, services of plumbers, electricians, repairmen, as well as other services, therefore if the premises cleaning companies want to improve their competition and to win in such tenders, they needs to think about a service expansion strategy.

3. The market of the premises and territory cleaning industry is strictly divided and the market is fragmented, as result there is not much opportunity to expand only in the premises and territory cleaning industry.

4. The market participants of the premises and territory cleaning industry of the Republic of Latvia should develop their strategy as a product market development strategy, which is a medium-risk strategy, expanding their range of services with related services, such as the management of commercial objects and the house management services.

VI. LIMITATIONS OF THE RESEARCH

The research period is limited in time - from January 1, 2020, to December 31, 2022. The study found that were tools that companies can use to ensure consumer satisfaction and, as a result, increase the competitiveness of the companies.

The research is limited in the territory of the Republic of Latvia. The companies which are analyzed in this research, are limited narrowing down these companies which are: 1) members of the industry associations, it is, Members of the Latvian Professional Cleaning and House Management Association, reg. No. 40008142427, which is an association of employers, manufacturers, suppliers, research institutions and professionals operating in the field of professional cleaning and management which provide premises and territory management services.

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