

# **Analysing market potential by key segmentation in Denmark for Würth Elektronik ICS**

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<p><b>Abstract:</b></p> <p>The aim of this thesis is to analyse the market potential for Würth Elektronik ICS in Denmark by key segmentation according to theories from among others Philip Kotler, David Jobber and Catherine Dawson. An interview with Head of Sales at the company has also been made to get a better understanding on the company's priorities and strategy when analyzing a new market. The result of the findings are reflected against the company's values and goals in order to get a clear picture if it would be worth investigating in a local sales representative in Denmark or not. This thesis will not analyse different options of a potential market entry plan, only the market potential is presented here with a suggestion on how to proceed.</p> <p>The methodology used in this thesis is mainly quantitative since the main data that was used for the calculations was collected from different databases. A qualitative approach was used when conducting the interview. The results shows that Denmark has a quite healthy structure in the key segments but the total potential is not big enough for investing in new staff in Denmark.</p>	
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# 1 INTRODUCTION

## 1.1 Introduction

To be able to grow as a company in the world today, the company must, not only find new potential business in existing markets, but also expand cross borders and find new customers in new countries. In the global economy that exists in the world today, the competition does not follow geographical or political borders, but instead the whole world is the “playground”. To stay on top in this tough competition, companies such as Würth Elektronik ICS GmbH & Co. KG, must look for new opportunities in new areas. This has been the company’s strategy for several years, and today the company has got employees in 12 different countries and the company is continuously looking for new areas to expand to. I have been working for Würth Elektronik ICS since January 2014 so a lot of the general information presented here is based on my own knowledge.

I was given the task to make an analysis on the market potential in Denmark by my employer Würth Elektronik ICS. The company is expanding very fast in Europe at the moment and Denmark is still not analysed in detail. The areas that will be looked at in this study are Denmark as a country, the market potential in the country for Würth Elektronik ICS and the market potential models that can be used to evaluate the potential. By looking at these areas from different aspects and linking these three areas together, the result should be a thorough investigation of the market potential in the country.

A similar market potential research has been made for Poland in 2012, by Mr. Markus Swoboda. This study on Denmark, will reflect on Mr. Swoboda’s previous findings and theories, and the market potential model that he used will be looked on more closely. By doing this, Würth Elektronik ICS will have two similar market potential studies, made for two different countries, and therefore it will be easier to evaluate and comparing the results.

Denmark is no exception in the global world and the country was also hit hard in the financial crises in 2009. However, the country has been able to show positive growth since 2010, except 2012 which had a -0,4% GDP. The other years between 2010-2014 has shown a growth in GDP of 0,4-1,3%. Estimation for 2015 is 1,7% growth of GDP, which is quite low compared to the other Nordic countries and Northern Europe over all. Also the outlook for new investments in Denmark in the near future is rather poor even though Denmark has been a tempting region for FDI. The

unemployment rate is close to 7%, which is just above the average from historical aspect. Denmark is one out of ten countries in the world that has an AAA rating from the three largest rating agencies, Moody's, Standard & Poor's and Fitch. (State of the Region Report 2014 p. 8-19).

Denmark is a quite small country with a population of 5,4 million (Eurostat [www], 2014). They are a member of the European Union, but they are not a member of the Eurozone. The currency of Denmark is Danish Kroner. Between 13<sup>th</sup> and 17<sup>th</sup> century Denmark was seen as one of the greatest countries in Europe and even though it is a rather small country today it still has influence in the world's art, design, green technology and pharmaceuticals. Denmark is part of the Nordic countries but it is the only one which is geographically connected to main Europe. Denmark is known for its green thinking and they aim to lead a green and sustainable lifestyle, one example is the production of wind mills. (Denmark.dk [www], 2015).

"Cost of doing business: Government Regulations" is an index that ranks different countries in their way of handling taxes, trading cross borders, getting credits, protection of investors etc. and in this ranking Denmark is number 5 in the world. For example Finland is ranked 12<sup>th</sup> and Germany 21<sup>st</sup>. This shows that it is quite easy and safe to do business in Denmark. (State of the Region Report 2014 p. 69).

## **1.2 Purpose of the study and research questions**

The main purpose of this study is to investigate the market potential by key segmentation in Denmark for Würth Elektronik ICS, in order to understand the potential of new business for the company so that the company can make the right decisions on which sales strategy to use in this country. This study could be a frame for future research on making a market potential research in other countries as well. As a secondary purpose this study will discuss about what sales channel should be implemented based on the potential in the market.

This study will only concentrate on the market potential in Denmark from Würth Elektronik ICS' point of view. A potential market entry plan will not be presented here. The theories on analysing will focus on business-to-business and not business-to-consumer. The main question that will be asked in this study is: "Is the market potential in Denmark big enough for Würth Elektronik ICS to invest money in the country?" An investment would mean to hire a sales representative in the country.

### **1.3 Definition**

There will be different shortage used in this thesis and here is a list of them:

FDI= Foreign Direct Investment

HMI = Human Machine Interface

PCB = Printed Circuit Board

OEM = Original Equipment Manufacturer

WE ICS = Würth Elektronik ICS GmbH & Co. KG

### **1.4 Ethical considerations**

Regarding the ethical aspects of this research the most important topic is the interview. Before making the interview, the interviewee was told that the result will be used in this thesis and that the interview will be stored on the researchers computer. The questions were sent to the interviewee before the actual interview for preparation.

## **2 ABOUT THE COMPANY**

WE ICS is one of over 400 companies in the Würth Group GmbH (Figure 1). It belongs to the Würth Elektronik Group and it is one of the most innovative and fastest growing companies within the whole Würth Group. It is a global company with the headquarters and the production facilities located in Niedernhall in the southwest of Germany. The company was established in 1984 and at the moment it has got sales personal in Germany, Switzerland, Austria, France, Italy, the Netherlands, United Kingdom, Sweden, Finland, Poland and India. There is also a production and sales organization in the USA, but this is a separate independent company. (Intelligent Connecting Systems| Würth Elektronik: Intelligent Systems – About Us [www], 2014).



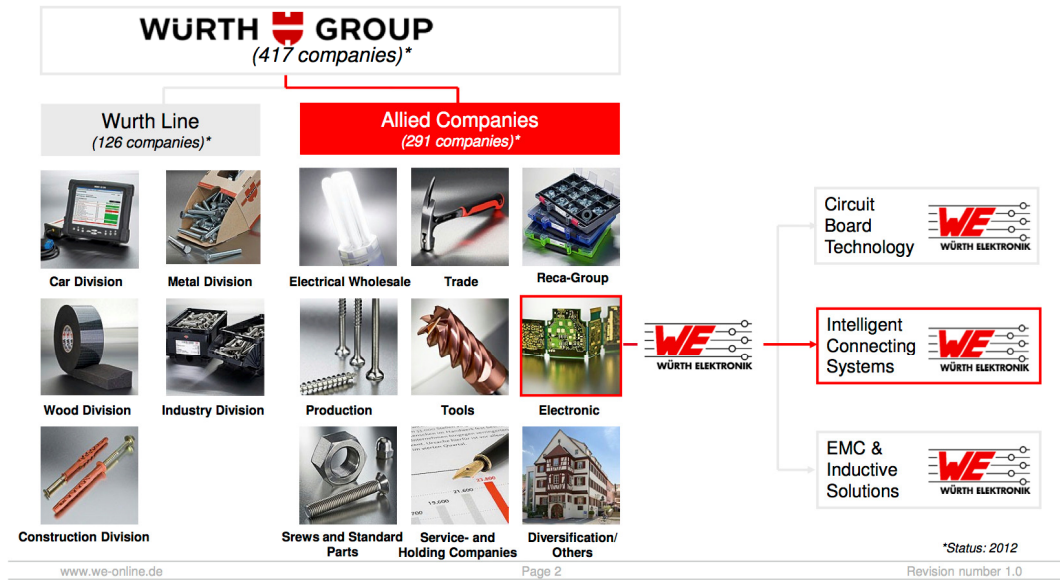


Figure 1 The Würth Group of Companies, Structures ( WE\_ICS\_Company\_Presentation, 2012)

The core business lays in the production of circuit board –based solutions such as central electrical units, power boards and control panels mainly used in vehicles. The knowledge of the products and technology used today comes from over 30 years of experience in the branch and the company is a pioneer in it's own area. WE ICS has got a good reputation among it's customers, and is usually looked at more as a partner than a standard supplier by it's customers. (Intelligent Connecting Systems| Würth Elektronik: Intelligent Systems – About Us [www], 2014).

As a global company, and a market leader in several countries, WE ICS is always looking for new market areas to enter. In 2014 Finland, India and Poland were countries that got their own sales representative. Today, Denmark has not got its own local representative and is therefore been taking care of from Sweden. Depending on the investigation result and outcome of the prospecting of the country, WE ICS will decide if and how to enter this potential new market.

## **2.1 Current situation of Würth Elektronik ICS**

Established in 1984, concentrating only on the domestic German market, Würth Elektronik ICS has come a long way today with over 260 employees and a turnover of 45 MEUR. The company is present in 35 countries and looking to expand to several more in the near future. The last few years have shown double-digit growth and today WE ICS is one of the fastest growing companies in the Würth Group, always looking for new potential in new market areas. (WE\_ICS\_Company\_Presentation, 2014).

Even though the company is growing very fast at the moment, the management wants to keep their feet on the ground and not take big risks. If entering a new market, the background is always checked very carefully and the potential in the new area is investigated closely. One key factor of the success today is the building up of long-term relationships with the customers. This also requires that when deciding to go into a new market area the plan must be long term. It takes time to build up the trust that is needed for a long and successful relationship with the customer.

The company's organization structure is quite flat which means that it is quite easy to make changes and take new directions if needed. There are several well-known companies on the reference list from different commercial vehicle branches such as agriculture, mining, construction vehicles, truck & busses, industrial vehicles and special vehicles. WE ICS is also investigating in new technologies and the R&D department is working hard to find new solutions to give more values to the customers. WE ICS wants to be a pioneer in its own branch. According to Mr. Marco Jauchstetter, Head of sales at WE ICS, a new area that the company is looking on to enter is the HMI-products which would open lots of new opportunities for new business with existing customers and prospective customers. These are high value products which will make a difference in the future estimations of market potential. This HMI-product portfolio will not be looked at in this study since it is still not defined which products it will consist of.

If excluding the company in USA, WE ICS has only got production and warehouse in Germany. There is a sales office with project management and R&D department in France, but otherwise all personnel that are not located in Germany are Sales Managers or Account Managers in their own countries and areas. All incoming orders are handled by the headquarters in Germany, and the shipments are sent directly to the customers from the production warehouse. This means that no extra staff is required for a market entry in Denmark. With market entry is here meant a local presence of a sales representative in the country. The personal contact with the customers will be

taken care of by the Sales manager / Account manager in Sweden and all other support etc. from France and Germany by current staff.

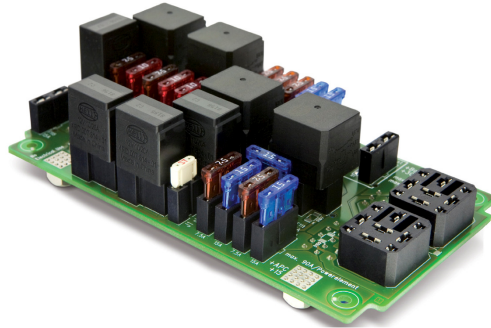
These sales representatives have usually home offices so it is not always a must to invest in neither offices nor warehouses since all products will be shipped from the factory in Germany. The main tools for a sales representative are: PC, mobile phone and company car. This means that it is quite small investments that are required to set up a local presence in a new market.

## **2.2 Product portfolio**

The product portfolio of Würth Elektronik ICS consists today of standard and customized solutions divided into “Power Management” and “Controllers”. These products are used mainly in vehicles as central electrical units, power boards or control panels in order to be able to control the vehicle's electrical system. WE ICS uses a technique called Press-Fit to assemble components on to a printed circuit board (PCB). The main advantage with these products compared to traditional wires are better quality, shorter installation time at the customer's production line, less risks of failure because of less amount of wires. Even though the PCB is the key component in the products, the company can provide the customers smart solutions for specific practical problems such as high currents, controlling of systems and sensor solutions (Intelligent Connecting Systems| Würth Elektronik: Intelligent Systems – Products [www], 2014).

### **REDline Products**

The REDline products represent a standard series for power management solutions. The idea behind is a modular concept that makes it easy for the customer to build up the best solutions according to their requirements. The benefits of these products are “Plug & Play” installation, small in size, high reliability and long life, maintenance friendly and quick deliveries because they are standard products. The REDline series consists of eight different kinds of PCBs with different amount of fuse and relay sockets press-fitted on to the PCB. (Intelligent Connecting Systems| Würth Elektronik: Intelligent Systems – Products [www], 2014).



*Figure 2 REDline module (WE ICS, 2014)*

## **ICCS Products**

The ICCS series consist of programmable controllers, control panels and displays. These products can for example be assembled on a standard REDline module, bringing intelligent to the PCB. The smallest controllers come in a shape of a standard automotive relay, which means that they can easy replace existing relays and in the same time bring intelligence into the system. The ICCS series have standard products but also customization of the products is common. The ability to program the controllers makes every product more or less unique for a certain application at a certain customer (Intelligent Connecting Systems| Würth Elektronik: Intelligent Systems – Products [www], 2014).



*Figure 3 ICCS series (WE ICS, 2014)*

## **Powerelements**

Powerelements are used on PCBs to bring power to the board. Thanks to the Press-Fit technology can Würth Elektronik ICS' Powerelements stand high currents, up to 1000 amps. These

Power elements can be used in applications where there is power input to a PCB, power distribution and electro mechanics for prototypes. There are 10 different product families in the Power element portfolio. (Intelligent Connecting Systems| Würth Elektronik: Intelligent Systems – Products [www], 2014).

### **Customized solutions**

The biggest share of the company's turnover comes from customized solutions. Whether it is a power distribution or a central electric unit that the customer needs, WE ICS has the possibility to offer a robust, compact and high quality solution. The CAN-bus technology is also becoming more and more common in the vehicle industry and here WE ICS has the possibility to use its ICCS products on a PCB and this way integrating the CAN-bus on the board. (Intelligent Connecting Systems| Würth Elektronik: Intelligent Systems – Products [www], 2014).

## **3 THEORY**

This chapter will present different theories on how to conduct a market potential analysis, how to make market segmentations and how to analyse competitors. These theories will be looked at and tested later on when looking at the potential for WE ICS in Denmark.

### **3.1 Market analysis**

Karl Stark and Bill Stewart introduce a 5-step plan when going into a new market. They state that the company can have a great boost in its core business if they choose the right new markets to enter. On the opposite side, if the company chooses a bad market to enter the costs can be significant. Therefore it is crucial that the company conducts a thorough market analysis of the new potential market. They suggest the following steps for the company to take before entering a new market: (Stark K & Stewart B. [www], 2013).

- Define the market
- Perform market analysis
- Assess internal capabilities
- Priorities and select markets
- Develop market entry options

When a company conducts a market analysis it should look at the market's attractiveness, understand how it will develop and compare that to its own strengths and weaknesses. Aaker D. states that the following topics should be looked at when conducting a market research: (Aaker D. [www], 2010).

- Market size
- Market growth rate
- Market profitability
- Industry cost structure
- Distribution channels
- Market trends
- Key success factors

By following these steps you should be able to have a good overview of the market in a special area.

### **3.2 Market segmentation**

Because it is difficult to serve all customers in a particular market, the companies have to analyse which market segment they can serve most effectively and keep their main focus on this segment. (Kotler P. 1997 p.249).

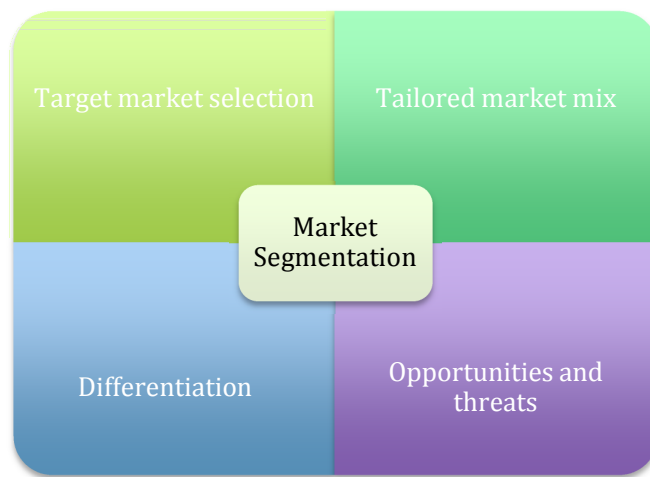
There are different kinds of theories on how a company should make their analysis of the market segments. The next chapters will present different theories on how the analysis can be conducted. According to David Jobber it is very few products and services that can satisfy every customer in a market, and therefore it is important to understand the market and make market segmentations. He states that the market segmentation may be defined as the identification of individuals or organizations with similar characteristics that have significant implications for the determination of marketing strategy.

Simplified, market segmentation is to divide a diverse market into smaller and more similar sub-markets. This can be done by recognizing and identifying similarities of requirements in customers

and groups and then put these into the same segment to be able to serve them effectively (Jobber D. 2004 p.210).

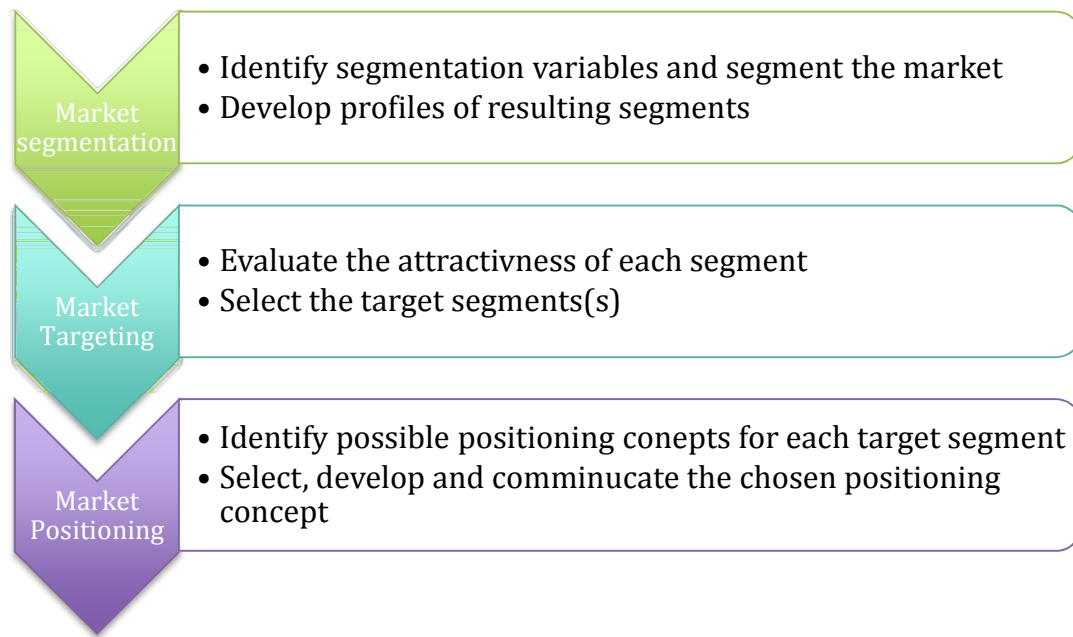
For a company to be able to have a successful market segmentation, all the relevant people in the organization should be aware of the reason why the segmentation is made and to understand its importance to be able to serve the target customers in an effectively way (Jobber D. 2004 p.210).

Jobber divides market segmentation into four different areas, which helps to identify the benefits of segmentation (Jobber D. 2004 p.210-211). We come back to these segments later in the chapter.



*Figure 4 Market Segmentation ( Jobber D. 2004 p.210)*

Kotler on the other hand states that many companies are focusing on target marketing. This means that the companies divide their customers into different segments and then focus on one or more of these segments, using a very effective and concentrated approach on these segments. By having the segments, the company can more easily develop products and marketing strategies fitting each segment. According to Kotler there are three major steps for the company to take before making the target marketing strategy. These steps are; Market segmentation, Market targeting and Market positioning (Kotler P. 1997 p.249).



*Figure 5 Market Segmentation ( Kotler P. 1997 p.249)*

When doing market segmentation, the company must first identify the segmentation variables and then segment the market. This means that the company should divide the potential customers into bigger groups or segments. In the business world these variables could be for example industry, company size, location, technology, purchasing criteria, loyalty, etc. Secondly, the company should develop profiles of the results found in the segments. This means that each segment should have some key characteristics, which makes them easier to target using specific marketing strategy matching these characteristics. (Kotler P. 1997 p.266-267).

### **3.2.1 Target market selection**

Market segmentation helps a company to select their target market. A target market is a segment that a company has decided to serve. The benefit with having a target market is that the company can have a similar marketing strategy, or marketing mix, to reach out to all the potential customers in that particular target segment. Furthermore, Jobber claims that a creative segmentation may result in discovering new segments with more potential, which was not thought of from the beginning. (Jobber D. 2004 p.211).

When the segmentation has been done, the next step would be to evaluate the attractiveness of each segment to decide which ones to focus on. The factors that must be looked at in a segment are such as size, growth possibilities, scale economies and risk level. The company should also look at its



own long-term strategy and goals and see how they fit into the segments. Even if a segment seems very tempting at the moment, it is not perhaps worth investing in it if it doesn't support the company's long-term strategy (Kotler P. 1997 p.269).

The following steps on Kotler's list is to select the target segment(s). Kotler suggests the company to consider the five patterns of target market selection as following:

1) Single-Segment Concentration

- a. The simplest case is to choose only one segment
- b. When focusing on only one segment, the company has the possibility to make a deep and thorough analysis of the segment and gain a strong knowledge of it and therefore achieve a strong market position in that particular segment
- c. High risk level when everything circles around only one segment

2) Selective Specialization

- a. In this case the company have a few target segments that are all attractive. The segments doesn't have to be related to each other.
- b. The risks are spread out on more areas

3) Product Specialization

- a. In this case the company has one product which it is selling to several segments. The product can be customized to a customer's need, but still it is only one product.
- b. Builds up a strong reputation for specialised product
- c. High risk if a new technology would replace the existing product entirely

4) Market Specialization

- a. In this case the company focus on one particular segment and tries to fulfil all the needs in this segment.
- b. Builds up a strong reputation for specializing to meet the needs of this customer group
- c. High risk if this segment cuts down on its budget

5) Full Market Coverage

- a. In this case the company tries to serve all segments with all the products that are needed
- b. Only large companies can undertake this strategy (Kotler P. 1997 p.269-271).

A tailored marketing mix is a customized marketing package made for a certain segment. To be able to do so, the marketers must have a good knowledge of requirements and need in that particular segment. These requirements must then be met by the supplier. (Jobber D. 2004 p.211).

Market segmentation gives a company the opportunity to make differential marketing strategies. The differentiation of the marketing strategy can bring the company benefits compared to its competitors. By for example making smaller sub-segments a company can be more specific in their marketing, reaching out only to a smaller well picked segment, and therefore being extremely effective in their marketing. (Jobber D. 2004 p.211).

Jobber claims that markets are dynamic and it is crucial to for a company to follow the behavior of its customer and come up with new segments whenever it is needed. The company that first notices a new market is usually the one making the most profit of it. So in this case having updated market segmentations gives a company the opportunity to be the first one the serve customers in a new under-served market segment. (Jobber D. 2004 p.210).

Jobber states also that a neglect of a market segment can be a threat in case competitors use this particular segment to penetrate into the market. Such things need to be considered in the company's SWOT-analysis or risk management. However, this strategy could also be used by the company itself, to go into low profitable segments and from these segments gain market shares and then penetrate into new ones with more potential profits. (Jobber D. 2004 p.210).

### **3.2.2 Market positioning**

The next step on Kotler's list after market segmentation would be to identify a positioning concept for each target segments. There are several ways how to differentiate from competitors, but not all of them are worthwhile or meaningful to invest in. The company must identify which features or services its customer sees as added value and focus on bringing these to the customers' knowledge.

Kotler states that there are seven categories that have to be satisfied before a company can say they are different from competitors. These categories are:

- 1) *Important*: The difference in the company's service or products, compared to the competitors, has to deliver higher value to a sufficient number of customers
- 2) *Distinctive*: The difference is not offered by other companies or is offered in a much smaller scale
- 3) *Superior*: The difference is superior to similar solutions and gives the same or more benefits as its competitors
- 4) *Communicable*: The difference is visible and can be communicable to customers
- 5) *Preemptive*: The difference is not easy to copy
- 6) *Affordable*: The customers can afford to pay for the difference
- 7) *Profitable*: The difference should be profitable to the company

All these steps has to be fulfilled before a full-scaled differentiation can take place. Kotler says that if for example the customers cannot afford a product or service then it make no difference if the other six categories are fulfilled (Kotler P. 1997 p.294-295).

The final step on Kotler's list is to maintain the position chosen by developing and communicating the chosen positioning concept. Kotler gives an example of a company that wants to communicate that its products are "best-in-quality". This can be done by choosing physical signs and cues that customers normally combine with high quality. (Kotler P. 1997 p.249).

### **3.3 Competitor analysis**

To be able to succeed in the business, a company must identify and select key competitors, as well as build up and maintain profitable customer relationships. Kotler and Armstrong divides the process of competitor analysis into two steps; competitor analysis, which consists of identifying the competitors, and competitive marketing strategies. (Kotler P. & Armstrong G. 2004 p. 567).

Adcock et al. are on the same page with Kotler and Armstrong regarding the importance of knowing your competitors. They state that it is crucial to study the strengths and weaknesses of the competitors in order to make a successful marketing plan. They divide this process into competitor analysis and identifying competitors. (Adcock D. et al. 2001 p. 66-68).

### 3.3.1 Identifying competitors

Adcock et al. claims that it is vital to decide whom your competitors are. The easiest way of finding direct competitors is to look at companies selling the exact same products or providing the exact same services as your company. However, there are four other categories of competition that needs to be analysed in order to get a broader picture of the whole competition (Adcock D. et al. 2001 p. 66). The five categories are:

- 1) Direct competition
- 2) Close competition
- 3) Products of a similar nature
- 4) Substitute products
- 5) Indirect competition

Kotler & Armstrong states that to be able to have the best possible marketing strategy the company must find out all possible about its competitors and constantly check prices, products, channels and promotion with the closets competitors. By doing this the company can find out both potential advantages and disadvantages in different areas. By using the theory of Kotler and Armstrong, the company can first identify the competitors, then assess them and finally choose which competitors to attack and which to avoid (Kotler P. & Armstrong G. 2004 p. 567).



*Figure 6 Steps in analysing competitors ( Kotler P. & Armstrong G. 2004 p.567)*

Kotler & Armstrong agrees with Adcock et al. in regards of the difficulty to define competitors. They state that it is easy to find the companies making the exact same products or services for the same target market, but it is very challenging defining how broad the competitor scale is. Similar to Adcock et al. findings, also Kotler & Armstrong might consider that a competitor could be any

company going after the same dollars in the customers' pockets, regardless on what their products or services are (Kotler P. & Armstrong G. 2004 p. 567).

It is important that the company doesn't only focus on its current main competitors, but also keeps an eye on new companies in the field as well as new technology that might replace existing old technology. An example of this would be Encyclopedia Britannia who in the mid 1990s thought they were only competing against similar publisher of printed encyclopedias and therefore not seeing the revolution of CD-ROMs which were sold for 1/40 of the price of the printed encyclopedias. The real competitors in this case were the computer and Internet (Kotler P. & Armstrong G. 2004 p. 567).

There are two different ways of looking at the competition; from the industry point of view and from the market point of view. From an industry point of view, Pepsi Cola sees Coca-Cola, Dr. Pepper and other soft drink makers as their competitors because these are all in the same industry. If looking at Pepsi Cola's competitors from a market point of view, if the customer only wants something to drink for thirst, then every company who is making some kind of beverage is a potential competitor. Therefore, the market concept of competitors gives the company a broader view of all potential and actual competitors. Kotler & Armstrong suggests that the company should divide its competitors into direct and indirect competitors, depending on the pattern the customers have to take before buying a service or product (Kotler P. & Armstrong G. 2004 p. 567-568).

### **Direct competition**

If using the beverage industry as an example, one could claim that Coca-Cola and Pepsi Cola are direct competitors. Both companies offer the same kind of products to the same market and using similar type of production processes. Even though the formula used for each beverage is slightly different, this is a typical case of direct competition. (Adcock D. et al. 2001 p. 66).

### **Close competition**

Continuing with the same example with Pepsi Cola, Adcock et al. states that Tango orange drink is a close competitor to Pepsi Cola. There is a clear difference between the orange and cola flavour, but they both serve the same purpose for the same target market (Adcock D. et al. 2001 p. 67).

## **Products of similar nature**

An example of products of similar nature could be Pepsi Cola and Perrier, which is a naturally sparkling mineral water. Even though there is a very clear difference between Pepsi Cola and Perrier sparkling water, more important regarding the differentiation of the products lays in the positioning of them. The Pepsi Cola targets people in the younger age, while Perrier focus on the more adult market. This makes the products of similar nature to be competitors, but not crucial ones since their target markets are different. (Adcock D. et al. 2001 p. 67).

## **Substitute products**

The substitute products are more difficult to define. It is up to the marketers to draw the lines what could be consider as a substitute product and under which circumstances. As an example we can use the ice cream as being a substitute product for Pepsi Cola on a warm summer day. To be able to define the limitations for a substitute product must the marketers study the customers' buyer behavior. (Adcock D. et al. 2001 p. 67).

## **Indirect competition**

It is not always clear to guess which product or company is a competitor and which are not. Adcock et al. states that any product that competes for the same customers' money is a potential competitor. They give as an example a person with limited amount of money, who has to decide if he wants to buy a Pepsi Cola or a newspaper. In a larger scale the example could be a family choosing between buying a new car or going on holiday. This shows that it is almost impossible to define such kind of competition even though it exists as such (Adcock D. et al. 2001 p. 67-68).

### **3.4 Analysis of market potential**

Karen Mundy & S. Gary Bullen states that there are seven steps the company should take to get an estimation on the market potential in a certain area. The steps are:

- 1) Define the market segment or target market
- 2) Define the market area (geographically)
- 3) Define the competition

- 4) Define the market size
- 5) Estimate the market share
- 6) Estimate the average annual consumption
- 7) Estimate an average selling price

By using these steps and the following formula, the company will get an estimation on the market potential in particular area. In the formula the market potential (MP) is calculated by multiplying the total number of potential customers (N), the company's market share (MS), average selling price (P) and average annual consumption (Q).

$$MP = N \times MS \times P \times Q$$

This is a very general formula with a lot of assumptions and estimations, but it helps to get an overview of the market (Mundy K. & Bullen S.G. [www]).

Markus Svoboda used another formula in his analysis of the Polish market. The idea is roughly the same but with some minor differences, for example there is no market share in the formula.

$$MP = Z * a_z = \sum_{i=0}^s Z_i * a_{zi}$$

The formula calculates the market potential (MP) by multiplying the number of potential customers in the target market (Z) with the estimated annual consumption (az). The "s" stands for segments, so if we calculate the market potential with three segments then the i=3. (Svoboda M. 2012)

## 4 METHODOLOGY

### 4.1 Research techniques

When doing a research there is usually two ways of collecting data, qualitative and quantitative research. John W. Mullins et al. (2008) states that qualitative research usually includes small samples of subjects which results in data that are difficult to quantifiable. Due to the fact that this method usually consist of a small amount of samples it might not represent the actual situation. John W. Mullins et al. (2008) claims that by first conducting a qualitative research you will have

frames that you then can use for a quantitative research. Typical types of qualitative research methods are interviews and focus groups. (Mullins John W. et al. 2008 p. 163).

A quantitative research collects data for statistical approach. The amount of samples is large and some conclusions can be draw based on the findings from the samples. The data can be collected with for example questionnaires. (Mullins John W. et al. 2008 p. 163).

#### **4.1.1 Interviews**

There are different ways of making interviews. Dr. Catherine Dawson states that there are three types of interviews: unstructured, semi-structured and structured ones. The unstructured types are made of a few questions where the interviewee's answers can be long and very open. The purpose of such interviews is to give the interviewee as much room as possible to tell and explain her story.

The semi-structured is according to Dr. Dawson the most common type of interview. This is used when the researcher wants to have specific information which also should be easy to compare to other interviews. This is done by having the same questions for all interviewees, but there should also be room for open discussions to collect new important information that might not occur based on the pre-defined questions. For such interviews the researcher makes an interview schedule which is like a guideline through the interview with the pre-defined questions, but it is also possible to adapt these afterwards.

The structured interviews are often used in market research. In these interviews the interviewee has not got much to add to the discussion since the questions are formed to have one-word answers. This methodology is used for quantitative research. (Dr. Dawson C. 2009 p. 27-29).

#### **4.2 Methodology in this research**

The methodology in this research is a combination of the qualitative and the quantitative methods. The approach to get the data for analysing the Danish market is more related to the quantitative research. By using a database with companies divided into different groups depending on what they do, where they are located, how big they are etc. one could say that it is a quantitative approach by using a big database with a lot of information.



Nevertheless, the technique that is used in this research is as described earlier. By using the database Kompass.se and search words related to the business fields in which WE ICS has its customers, I was able to get a list of around 500 companies in Denmark related to the key segments for WE ICS. By looking at these companies' websites to see what they do, I was able to sort out 43 companies with potential to become ICS customers. One criteria was that the company had to be an OEM and not for example a dealer. Another criteria was the size of the company which had to be at least a small sized company. Micro companies were not a target group in this research since such companies have too small potential for WE ICS. These 43 companies were then divided into segments and furthermore into groups defined by their size of turnover and number of employees. The estimated potential of each company was calculated based on similar companies found in WE ICS' database. For example, if there is a company manufacturing forestry machines, it is expected that the potential business per machine is the same in Finland, Denmark or Sweden. By looking at the existing business with similar companies it is relatively easy to calculate the potential for a new prospective customer, the main challenge is to estimate how many machines they manufacture per year. To estimate how many machines a company produces per year one can look at existing business and see how many machines a similar company makes and then compare the turnover with the new prospective customer. In the end, there are a lot of assumptions and estimations, but this analysis is accurate enough for WE ICS to be able to decide what actions will be taken to get more detailed information on these companies and the real potential in Denmark.

To be able to make a conclusion of the result of the market research an interview with WE ICS' Head of Sales, Mr. Marco Jauchstetter was made. The interview method used was the semi-structured because the result of the research is mainly in figures and the questions in the interview relate more or less directly around these numbers and numbers in general. There is no need to have an entirely open discussion and a structured interview with one-word answers would not open up the discussion around the company's strategy in a proper way. The interview can be found in the Attachment 1.

## **5 CURRENT SITUATION**

Due to information involving company secrets, everything from this chapter on is classified.

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