Business to Business Market Segmentation
Segmenting a market for AmCham Finland

Thesis
Business Management Programme

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**Name of the bachelor’s thesis**
Business-to-Business market segmentation. Segmenting the market for AmCham Finland

**Abstract**
Market of the 21st century, covering countries from all over the world, is enormously big. Products and services, presented in markets, are of very big variety. In order for companies to succeed in selling their products and services, they need to know the market they operate within, what are its characteristics and behaviour.

This thesis is concentrated on business-to-business market segmentation, or in other words industrial market segmentation, for the American Chamber of Commerce in Finland. AmCham Finland operations cover two absolutely different markets - the market of Finland and of the United States. The range of offered services is different for different customers and the customers of AmCham are quite different from each other. AmCham Finland had a strong need in analyzing its current pool of customers (member companies), and completing a market segmentation of the current member companies was considered as a solution for this need.

Market segmentation bases on macrosegmentation. The bases used for the research, are: industry; company size (revenues, employees); target market; headquarters; user/non-user status; membership age. The research information was collected into one excel file, where it was post-analyzed for making possible proposals for developing AmCham Finland’s future marketing strategy.

The results of the study are considered to be trustworthy due to reliable sources of information collected for completing macrosegmentation. After segmenting the member companies into segments by industry, company size, member interaction, joining year, target market and headquarters’ location, the information was analyzed for proposing improvements for AmCham Finland’s operations. Proposals and market segmentation were based on two main factors: personal judgement and theoretical background. AmCham’s operations were concluded to be pretty successful, however a few services should be terminated for not being profitable and improvements in the organization’s operations and structure should be realized in order to better cover all market segments present at AmCham.

The study is considered to be a pretty reliable source of information for AmCham Finland, however its validity is fairly weak (6 months) due to a continuous change of economic environment and companies. Therefore a continuous collection of information is required for completing the market segmentation.

**Subject headings, (keywords)**
Business-to-business market segmentation; marketing research; market segmentation; market segmentation’s history; AmCham Finland; segmentation bases

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APPENDICES
1 INTRODUCTION

The market of the 21st century is a giant network, covering the whole globe. The market is divided into hundreds of domestic markets and international markets. There are thousands of organizations and millions of consumers, a wide range of products and services to be offered.

A great skill is needed to be able to manage these markets. The marketing science studies markets from bottom to top, develops techniques in managing consumers, competitors, partners, dealing with products and advertising strategies.

Every single company has a marketing strategy. It might be well-structured or not thought through at all, but yet there is one in every company. One of the first steps on the way to a marketing strategy is completing market segmentation.

Nowadays it is very important for a company to have a crystal clear understanding of its marketing strategy. Any attempts in doing marketing and product positioning won’t work as they should unless a company has an understanding of its clients and develops a marketing strategy. Market segmentation is one of the most basic and essential parts of developing a marketing strategy.

During the past hundred years the market has grown enormously: there are lots of new products and consumers’ needs getting more and more twisted and complicated over time. Technology and innovations encourage customers’ wants and companies’ imagination, which is why markets become more complicated.

With continuous growth and development of different market segments, it is important for a company to have a deep knowledge of consumers and market. This study concentrates on market research, specifically on market segmentation: what kind of information and advantages can be gained out of market segmentation.
Purpose and Aims

This study is about Business to Business market segmentation of the member companies of the American Chamber of Commerce in Finland. The aims of the thesis are divided into two main parts: first, to improve AmCham’s marketing strategy/project management by doing a market segmentation of AmCham’s current member companies. AmCham has an urgent need in understanding who are its’ customers, what are their characteristics and by which means/methods those customers can be satisfied / reached, and second, to develop my personal academic, theoretical and professional knowledge in the field of marketing, market research, market segmentation and project management.

Therefore the purpose of the study is:

After completing market segmentation to be able to answer to the following questions:
- Who are AmCham Finland’s current members
- Does AmCham effectively serve its members and meet their needs (visibility, networking, information)
- What can AmCham do better to serve its membership

My practical aims during this project are to complete a research on AmCham’s member companies, to create a database containing all of the information received during the research process, to analyze that information about members and to do a current members’ market segmentation. After completing the market segmentation process I will analyze the outcome and the numerical results and look for reasonable solutions and improvements to AmCham’s current marketing strategy and some ways of managing and positioning their projects.

My theoretical aims are to get an academic knowledge in the field of marketing, specifically: marketing history background, market segmentation as part of marketing strategy, specifically market segmentation in business to business environment, as well as project management planning phase.
An idea for this thesis has developed from the both sides’ need: AmCham realizes clearly its problem with not knowing enough about their member companies and therefore lacking proper product/project positioning, and I am interested in studying marketing-related subjects and helping in solving AmCham’s current problem.

Ideas and conclusions developed from the research and market segmentation results will be used by AmCham for future reference while organizing projects (events) and planning AmCham Finland’s strategy.

**Literature**

The theoretical part is supported by use of academic books and articles related to marketing and project management, and also by internet sources. A qualitative research completed while collecting information about member companies in order to segment the market is based on information from official internet resources, as well as from personal phone calls and official contracts. Marketing books were the basis for this thesis; however, books on project management were used when analyzing the results and current project management processes. Additionally to academic books, internet sources were a great help in finding articles on the market segmentation topic.

**Structure**

Chapter 2 of the study discusses marketing research and its meaning, further on moving to the theory of marketing and more specifically market segmentation, giving historical background and describing the concept. Finally business to business market segmentation is described. The next chapter introduces the organization which was used to complete the market segmentation, and provides the results of the market segmentation. Finally the last chapter concludes with proposals for improvements to the current way of managing the organization.

**2 SEGMENTATION AND MARKETING PLANNING**

One of the most essential issues in the marketing strategy of a company is marketing research. Marketing research gathers information about markets which concern the
company as well as its potential customers / current customers. The overall purpose is to get a clear picture of what is a current market, which market segments are related to a company, what are their needs and wants. An outcome of a marketing research is a development of a strategy or improvements to it for reaching out to those market segments and satisfying their needs, or a strategy for a marketing company’s specific product. (Cole, 1996 p.279-280)

Marketing research consists of information about actual and potential customers, needs, products, technologies and competitors. To collect information about markets, either primary or secondary sources should be used. Usually it is way easier and faster to collect information from secondary sources, which are: published articles in journals, newspapers, commercially published market researches, government statistics, yearbooks, Internet, and other published materials. Primary sources are the ones which are collected from the original source: with the help of questionnaires, interviews, experiments or product tests with consumers. A combined way of research process is quite often used by companies – when there is not enough information from secondary sources, information is collected directly from primary sources. (Cole, 1996, p.279-280)

There are several types of marketing research that are carried out by marketers:

- customer research
- promotion research
- distribution research
- sales research
- marketing environment research

Customer research is the most common one, which produces data about markets and its segments. It provides detailed information about customers, who they are, where they are etc. Distribution research, which is concerned about the best way of distribution for a product, often is related to customer research due to a high co-dependence of consumer data and ways of distribution. These are the two main types of research which are related to market segmentation. Marketing environment research is used by companies in cases of very detailed marketing research, it studies the environment which a company is going to operate and market its products in. Finally
sales research is concerned with the level of sales in a particular market of interest, success of salesmen, evaluation of sales methods, sales planning etc. (Wikipedia; Baker, 1996)

The market view is divided into customer oriented and product oriented. Views are also known as market-driven and product-driven views. It is up to the company to decide which view to use when starting its business or while changing a strategy of the company. However, product-oriented approach is counted as old-fashioned and unsuccessful in most companies. Market-driven segmentation requires more preliminary research, flexibility and “out of the box” thinking than product-driven, but it many companies proved that it is worth it. (Kotler, 2001, p.697)

One of the biggest parts in Marketing research is market segmentation. It divides a market into subgroups upon specific similarities, e.g. motivations. Most commonly markets are divided upon: size, geographical location, gender, age, interests, industries etc.

2.1 Market-driven organization

Customer oriented organizations, or in other words market-oriented organizations are well educated about the markets they operate within. A market-driven organization shows a deep commitment to the idea that the purpose of any business is to attract and satisfy the needs of consumers at a profit. Those organizations know exactly why some of their services were successful; understand the needs of their customers and motivations within the market. Companies which are known for being well educated about their markets stand out by being very flexible, by their ability to sense and act fast on events and fresh ideas. They have an ability to learn how markets will respond to new services/products and therefore analyze current activities. (Kotler 2001 p.697)

A market-driven organization focuses on: commitment to a defined set of beliefs, values and processes; activities being guided by a deep understanding of customers’ needs and wants, their behaviour and motives; good knowledge of competitors’ intentions and plans; satisfying customers better than competitors by having a good knowledge of its customers.
A market-driven organization’s core competencies:
- market data is available quite often for free from a large amount of sources; 
  though a company must be able to see beyond numbers and words and see the 
  useful insights of that information 
- even though it takes time to integrate a market-driven approach – it is worth it; 
  companies become very sensible to changes and arising possibilities in markets 
- a challenge for competitors to imitate 
- multiple uses – allows firms to speed up their response to new opportunities 
  and supports current customer relations and a high chance of customer 
  satisfaction 
- not one-time use for collected data about markets – it can be used repeatedly 
(Article from electronic source G.Day “The market driven organization”)

2.2 Marketing Plan

Michael Croft (1994 p. 17-19; 51-55) has a very strong view on the process of 
marketing planning and he defines a marketing plan as the tool with which companies 
plan the realization of their marketing strategy. A marketing plan consists of many 
different parts, which require a lot of analysis and collection of data. Market 
segmentation is one small part of the marketing plan, without which the marketing 
plan cannot be completed. It is recommended to do a marketing plan for every 
organization, however not all organizations do a full plan but choose the most 
essential parts for their business.

A marketing plan is a written document, which contains a plan for actions in order to 
achieve some marketing objectives. An example of a marketing plan’s content is:

1. Executive Summary
2. Situational Analysis
3. Opportunities / Issue Analysis - SWOT Analysis
4. Objectives
5. Strategy
6. Action Program (the operational marketing plan itself for the period under review)

7. Financial Forecast

8. Controls

**Situational analysis** is the one which includes the market segmentation phase. Obviously without it a marketing plan cannot be completed, since situational analysis is the second step out of eight while doing a marketing plan. Situational analysis is also known as Market audit, it tells about where you are now, it describes a fundamental research of the market and the company’s position in it, in relation to consumers, competitors and the general environment.

A marketing Audit consists of:
- Market Analysis (size and growth, trends, user needs, behaviour)
- Company Analysis (market share and growth, goals and objectives, perceived image, resources, marketing strategies)
- Competitive Analysis (key competitors, market share and growth, goals and objectives, resources, marketing strategies)
- Environmental Analysis (political, economic, social and cultural, technological, legal and regulatory, global)

Croft in his book “Market segmentation” (p.54) also defines the role of market segmentation in the process of marketing plan as follows:

mission statement -> market audit -> **finding segments** -> narrowing down the choices -> SWOT Analysis -> Final choices -> Developing the plan and marketing strategy / programmes.

**2.3 Theory of market segmentation**

It all has started from early economic theory, where it was discovered that demand is connected to the level of competition and pricing.
Based on the article of Croft (1994) “The international consumer market segmentation managerial decision-process”, lots of information about theory of market segmentation were discovered. The market segmentation concept itself has its roots starting from 1930s, when Chamberlin and Robinson proposed their theories of imperfect competition. Only in 1950s marketing writer Wendell Smith stated his point that the recognition of diversity or heterogeneity in demand and supply proposed the existence of two quite different marketing strategies, which are in use even in our modern world – product differentiation and market segmentation. In his article “Product Differentiation and Market segmentation as Alternative Marketing Strategies” (1956) Smith said that both differences exist in the product of an industry and that they therefore result into sellers’ marketing decisions. He suggested that the division of a market into groups of customers who share certain characteristics or interest in a certain product or service might be an effective and useful way for an organization to manage diversity within a market; true segmentation is about identifying the requirements and behaviour of segments and matching marketing offerings with consumer behaviour. Since then his statement was developed over time with techniques and methods of segmentation of a market into reasonable segments.

Smith summarizes his statement in the article with the conclusion that in its simplest terms product differentiation is concerned with the bending of demand to the will of supply. It is an attempt to change the slope of the demand for the market offering of an individual supplier. Segmentation therefore is based upon developments on the demand side of the market and represents a more precise and beneficial adjustment of product and marketing effort to consumer or user requirements.

Later, writer Engel (“Market segmentation; concepts and applications”1972) determined several benefits for a marketer when using a market segmentation approach: the segmentation perspective leads to a more precise definition of the market in terms of consumer needs, it thus improves management’s understanding of the customer and, more importantly, why he buys; management is in a much better position to direct marketing programs that will satisfy these needs and hence parallel the demands of the market; a continuous program of market segmentation strengthens management capabilities in meeting changing demands; management can better access competitive strengths and weaknesses; systematic planning for future markets is
encouraged; segmentation leads to a more efficient allocation of marketing resources; segmentation leads to a more precise setting of market objectives, targets are defined operationally, and performance can later be evaluated against these standards.

However, another writer Michael Thomas (1980) defined several situations when market segmentation can not or should not be used: where the market is so small that marketing to a portion is not profitable; where heavy users make up such a portion of sales that they are the only relevant target; where the brand is a dominant brand in the market, there is no basis for segmenting.

Wind and Douglas (1972) developed an idea of market segmentation even further: from domestic market segmentation to the international segmentation. They stated that international market segmentation is even more important than the domestic one, due to the international market being more diverse.

Frank (1972) and Raaij and Verhallen(1994) have defined several criteria for a successful segmentation, which are supported by Kotler in his books on marketing as well:

1. Typifying the segments:
   - differentiation of segment from others (segments have to be different enough to be logically divided)
   - measurability (size and other characteristics of the segments can be measured)
2. Homogeneity:
   - variation
   - stability (the segments are stable enough for a long-run segmentation)
3. Usefullness:
   - accessibility (the segments can be effectively reached and served)
   - substantiality (segments are big and profitable enough to serve
4. Strategic criteria:
   - potential (the segments have potential in future development and profitability for the company)
   - attractiveness (the segments are attractive enough for potential customers and are worth the company’s effort)
These and many other people have made their input into the development of the market segmentation concept, and what I have been using now when doing market segmentation is the outcome of their efforts.

2.4 Market segmentation

Referring to M.Croft’s book “Market segmentation” (1994), market segmentation targeting each segment with a specific product or service lays in the heart of marketing theory. Since marketing is concerned about satisfying customer’s needs and wants, as well as identifying them, market segmentation is a tool for that. It is about understanding customers and also matching the company’s resources to the right user groups (segments). It is a process of identifying groups of users within a market who can be targeted with separate services and products.

A market segment is a group of organisations or people which have one or a few characteristics in common that lead to a similar need in service/product. Its main idea is to help the marketing department of the company to target their products/services more precisely to those who are more likely to buy the offer, and to adjust the products/services to different customer groups. It also gives the company a clue about their product/service opportunities. (Croft 1994 p.1)

Product differentiation and product-oriented approach are obviously keys to market segmentation. That is what Philip Kotler is a strong supporter of. In his book “Marketing management” (2001) he has a very clear description of those two approaches. The market segmentation approach stands for products not being able to be all things to all people, and that is why similarities and differences must be analyzed between consumers. It is not always about having a different product for a different segment, but it is about how to put, offer and promote a product to different customers.

According to M.Croft, market segmentation can be carried out at several different levels. These levels are no segmentation (in other words mass marketing), complete
segmentation (in other words micromarketing), and something in between (segment marketing/niche marketing).

Philip Kotler (“Marketing Management” 2009 p. 334-340) has defined very similar levels of market segmentation, regardless of applying it to consumer or business markets. The four levels defined by Kotler are: segments, niches, local areas and individuals. Therefore the following marketing strategies arise: segment marketing, niche marketing, local marketing and individual marketing, as well as mass marketing (Croft 1994).

*Mass marketing*’s advantage is that it has the biggest potential market, however it becomes more difficult to practice mass marketing over time due to a huge range of products offered to consumers.

*Segment marketing* isolates the broad market and adapts so that products match one or a few sectors’ needs. Segment marketing’s benefits are more efficient marketing and communications in terms of reach out to consumers. It allows the company to create a more segment-adjusted product and price according to its audience. Also the ways of communicating to consumers and distributing products become easier.

*Niche marketing* focuses on subgroups within segments of the market; the company knows its clients so well that it is able to offer very specific products to a consumer when other competitors cannot offer similar products. The client is ready to pay a price premium for that offer. Niche customers usually have a very distinct set of wants and needs usually not satisfied. Niches of the market do not attract that many competitors due to their small size and specific expectations.

*Micromarketing* is the practice of serving individual clients and their individual needs and wants, which goes beyond segment or niche marketing. Philip Kotler broadened this concept into a more deep one by dividing micromarketing into local marketing and individual marketing. Local marketing is specified on local customer groups(cities, areas, neighbourhoods) which addresses the needs of local clients and does not go beyond its small area of distributing. The individual marketing level of segmentation leads to “groups of one”, where a customer is treated as an individual
Market segmentation is divided into two major types: consumer market segmentation and business to business market segmentation. Consumer market segmentation is a well-known topic in the business world, while business to business market segmentation is not that commonly used among companies. Looking back at history, consumer market segmentation has roots in 1950s while business to business segmentation is quite a new tool for companies. However, companies have realized that b2b market segmentation is as important as consumer segmentation and it brings results. Moreover the most successful firms have done it and proved its necessity. (Kotler 2001)

**Market targeting**

When completing market segmentation it is essential to evaluate and analyse the results. After looking at the results, a company must decide which segments it wants to serve and how. There might be one or a few target markets, and a company must decide on the type of market-coverage strategy. There are three types of strategies to choose from: undifferentiated marketing, differentiated marketing and concentrated marketing. (Kotler 2001 p.264-267).

Undifferentiated marketing is all about ignoring different market segments and going after all of consumers with the same product. Differentiated marketing on the other hand is about choosing several market segments and going after them with different offers for each. Concentrated marketing is concerned about going after a big share of one or a few submarkets (niches). (Kotler 2001 p.264-267).

Undifferentiated marketing is suitable for products which are uniformed. Concentrated marketing is commonly used among young businesses and companies with limited resources. Products that vary in design are the best for differentiated marketing. that way it is possible to offer slightly different products/services to different segments. (Kotler 2001 p.264-267).
Importance and benefits

Nowadays the market segmentation concept is considered as a big and important part of marketing theory. Marketing is all about identifying and satisfying the needs of consumers, and to do so needs of possible consumers need to be identified as well as consumers need to be analyzed. Market segmentation gives a company a possibility to satisfy their customers’ needs in a smart way: to offer products to the right consumers. Market segmentation also gives a company a chance to improve its’ competitive position: to choose the right segments for offered products/services as well as to find the best fit between the product and different market segments. (M.Croft 1994 p.4-6)

2.5 Business to Business market segmentation

Business to Business market segmentation is an important asset for a company. It enables the staff to manage operations more effectively and to achieve the desired results and objectives. The degree to which segmentation is used in industrial markets can vary and it depends on the changing conditions in its environment. It also depends on the needs of an organization and its type of activities. (Hutt, Speh. 2007 p.173-174)

Industrial market segmentation is a decision making process that gives a firm an opportunity to use its marketing resources correctly and effectively in order to implement its marketing strategy and overall objectives. (M.Croft 1994)

Business market segmentation, or in other words Industrial market segmentation, is not that well developed compared to consumer segmentation. Even though many parts of consumer segmentation can be applied to industrial segmentation, there are several other variables specifically applicable to industrial segmentation. (M.Croft 1994 p.29-32)

For segmentation to work, a few questions need to be answered first: are the segments different enough in a reasonable way? Are they big enough? Are these segments suitable for the future and for new companies to join? When these questions are answered positively, it makes sense to move on with the segmentation process. (Croft 1994 p.29-32)
One challenge in business to business market segmentation is that the customer range is very wide in their consumption of products and services. The purpose of business to business market segmentation is not that different from consumer segmentation where its aim is to focus on like-minded consumers who have a high use of a product. Business segmentation aims at defining sectors of like-minded companies, where it is a challenge to understand the mind of a company as a whole. (Hutt, Speh 2007 p.174-175)

Benefits of business to business market segmentation

There are many benefits of business to business market segmentation for companies. Major benefits are: help in achieving a better position on the market and reducing retention of customers; help in communicating correctly with the company’s target sectors; help in communicating product/service and its value to the customers; a competitive strategic position in a specific area of market and help in planning future growth and development of the company. These benefits play a big role in companies’ management processes and improve communications with customers and product’s positioning, selling as well as companies planning strategies.

(Wikipedia electronic source)

Market segmentation bases

According to Michael Hutt and Thomas Speh (“Business Marketing Management” 2007 p. 178-187) two major categories for business to business market segmentation bases are macrosegmentation and microsegmentation. Macrosegmentation concentrates on the characteristics of an organization and its situation, such as size, geographic location, operating market, industry etc. On other hand, microsegmentation requires a lot more of detailed information and observations about companies, such as buying decision criteria, the importance of buying and attitudes within each macrosegment defined.
Philip Kotler and K. Keller (“Marketing Management”, 2009 p.355) on the other hand have their own vision on segmentation variables of business markets. Even though it is pretty close to what is mentioned above, it just introduces a slightly different way of thinking. Kotler’s and Keller’s major segmentation variables are: **demographic** (industry, company size, location); **operating variables** (technology, user or nonuser status, customer capability); **purchasing approaches** (power structure, nature of existing relationships, general purchase policies, purchasing criteria); **situational factors** (urgency, specific application, size of order); **personal characteristics** (buyer-seller similarity, attitude towards risk, loyalty).

Macrosegmentation is a common choice of companies when doing market segmentation. Combining together the views of Kotler, Speh and Hutt, the characteristics of an organization can be described by such variables:

- **Geographic location**

  Geographic segmentation includes such variables as location, macro economical factors, customer concentration etc. It can be done by countries, states, towns or even continents.

- **Organization’s size**

  The size of an organization can be measured by a few factors: the amount of employees or revenues. In different economies and different markets there are different definitions for small to big companies, depending on the wealth of the economy, size of country and size of market. The amount of employees demonstrates how complicated the operations of a company are and how much staff is required to complete all tasks, therefore it measures the size of a company. However, the revenues factor is more precise due to demonstrating the actual tangible results of the company’s actions.

  Company size is an important variable to consider when doing segmentation. It shows the level of possible consumption from a company. The bigger the company is - the higher rate of company involvement and consumption. It is obvious that
big companies think quite often differently from small companies, they are more experienced and their needs might be slightly different.

- Industry classification

Industry segmentation is a first one to do when dividing markets into groups. Moreover, it is one of the most complicated sub-variables due to a wide range of industries and sub-industries, and new ones appear with time and high technologies. One of complications related to industry segmentation is companies operating in many industries at the same time. Nowadays it is quite normal to operate in several industries and be successful in them.

- Characteristics relevant to the organisation

In case a company finds some other factors related to the descriptive characteristics of its market, it can use those factors for the segmentation process. It can totally depend on the type of business, services and partnership history and other factors. Every company is a unique organization and might have specific characteristics for its operations. An organization can be interested for example in the age of its customers (companies) or their cultural background etc.

- User/nonuser status

It is important for a company to know who are its active users, who are interested in its services and who are not. That will give useful insights on who was reached and who was not. Most of the companies keep track of their past activities and past results, that is where information on segmentation upon user/nonuser can be received from.

Segmentation bases for industrial markets, defined by Wind and Cardoza (1974), which basically cover the ones mentioned above, are as follows:
WHO? Industry type, size of company (small, medium, large; based on revenues or amount of employees), geographic location, technological base, user status (nonuser, light user, moderate user, heavy user)

WHAT? End-use application, volume used, price paid, product specification

WHY? Purchasing policy, buyer/seller relationship, buyer personality, benefits sought

*Archetypes of industrial market segmentation*

Market segmentation in organizations can be classified by such variables as the type of an organization: customer driven approach or organisational integration, and by segmentation archetypes. Customer-driven approach was discussed before and it demonstrates, what is a level of interest in customers in the company and how important they are. Organizational integration on other hand is defined as the extent to which distinct and interdependent organizational components constitute a unified whole. (article M.Jenkins&M.McDonald “Market segmentation: organisational archetypes and research agendas” 2001)

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<td>Low</td>
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Figure 2. Segmentation archetypes

Sales based Segmentation describes such an archetype of segmentation, where the basis for segmenting the market is sales areas, which do not necessarily relate directly to the groups of specific customer needs or classifications. This type of segmentation is driven by the sales operations of an organization.
Structural Segmentation stands for such type of segmentation where the level of concentration on segments divided by groups of consumers is relatively small. Segments are mostly defined by areas of sales / operations. This type of segmentation is deeply connected to the structure of an organization as a whole.

The third type of segmentation, Bolt on Segmentation, presents such a way of segmenting where high attention is paid to consumers’ focus and characteristics. For this the organization uses data about customers which is available within the organization and from external sources: size, location, type etc. The process is driven by information for customer database, which every company has. This type of segmentation is very close to Sales based Segmentation, since the process is not deeply integrated with an organization. This type of segmentation guidelines the promotion of existing products and targeting advertising campaigns in order to sell existing products, but it does not support the development of new products or strategy in general.

Finally, the fourth type of segmentation is the Strategic one. It combines features from all segmentation types mentioned above. When applying this type of segmentation, an organization is able to use their customer data for developing a set of market segments. It sets segments across the current products and services, so that the organisation is able not only to promote the existing offers but also to develop strategic decision making, new products and marketing strategy. It provides a general headline/focus for the entire operations of an organization. These segments are defined around consumer groups, but they are also closely connected to the organization’s operations and activities, which are then connected to the needs of selected segments.

Targeting and Positioning

One of the most important uses of business to business market segmentation processes is to make targeting and product positioning decisions. Companies’ purpose is to narrow down the choice of segments in order to reach competitive advantage and a chance of success. (Croft [“ Market segmentation” 1994] p.51-65)
After the market had been analyzed and the company has knowledge of its consumers, it is time for targeting the chosen segments with a correctly positioned product. In order to position a product or service, every organization should follow the following:

1. define the market for the product (target market): where the company wants to operate in, for instance geographically.

2. choose market segments: segment the target market into smaller parts upon location, industry, age, culture, geography etc.

3. identify space in the chosen segments: what the product’s share in the chosen segment is

4. analyze product’s current position and its’ perfect fit: how does it fit the chosen segments at the moment and what the best place for the product is

5. position: find the best way to offer the product to the chosen customers

(Croft 1994 p.51-65)

*Positioning* is the act of designing a product and its brand to occupy a specific place in the target market. Its main goal is to create a brand in the minds of consumers in order for the firm to benefit as much as possible. Correct product positioning helps companies in developing and managing their marketing strategy. The result of correct product positioning should lead to a customer-focused value proposition. (Kotler, Keller 2009, p- 361-362).

### 2.6 Role of market segmentation in project management

Clements and Gido (“Effective Project Management”, 2006) have a very strong view on project management and its importance in the successful management of a company. Project management all in all is a methodology and a discipline that intends to bring benefits to its organisation through: managing complex change, using prudent resources on the right projects, using creativity and knowledge of specifically chosen team members, setting quality objectives. Its success is driven by the project on schedule, expenses within budget, meeting predefined quality goals, meeting the
expectations, objectives, goals and mission of the customers, effective teamwork, new business improvements and productive outcome.

According to Clements and Gido, a project’s life-cycle can be defined by 4 stages – identify a need, develop a proposed solution, perform the project, terminate the project. Need identification is an initial stage, which begins with the recognition of a need or a possible opportunity, and ends with the decision on a proposal for a project. Suggestions and proposals for developments within an organization therefore rise from need identification stage.

Improvement in project management related to market segmentation is connected to the first step of project management life-cycle - starting a project and setting the right target for it, offering it to the right people. Therefore it is all about the need identification phase and the project planning phase. Market segmentation is a tool for an organization to identify the needs and to plan a project – it gives a company an overview of the current market and its possible needs and wants, which help to develop a strategy and company management.

The need identification phase in project management is a part of project life cycle, which is the most connected to the outcome of market segmentation. The results of market segmentation, properly analyzed by market managers and strategy managers of an organization, can be a significant help in finding new opportunities and developing current activities. However, market segmentation is an important asset of the project planning phase, too. It does help managers to develop a proper set of projects (products/services), target it to the right people with the right strategy technique.

The connection between project management and the research is that the American Chamber of Commerce in Finland has projects as their product to offer to different types of customers. It shows what a big a role the market segmentation can play in the company with such a big variety of customers. Projects of AmCham Finland are events, business meetings, conferences, dinners and gals.
3 THE RESEARCH

3.1 The American Chamber of Commerce in Finland

American Chambers of Commerce in Finland is an independent non-profit organisation, whose main goal is to create an effective and competitive business ecosystem in Finland. It has over 200 companies as its members, both Finnish and American, some of which are international. AmCham Finland belongs to the global network of American Chambers of Commerce; all in all there are 112 AmChams in 99 countries. The US Chamber is located in Washington DC. (AmCham’s official website www.amcham.fi)

AmCham Finland's Mission stands as “to hold the resources, connections, and reputation that assure we are the premier organization that companies turn to for assistance in the Northern European marketplace”. (AmCham’s official website www.amcham.fi)

It wants to provide focused development, strategic smarts, and skilful tapping of scarce resources in order for Finland to stay in the game in the international market. AmCham Finland prioritizes promoting Finland’s international competitiveness. It targets to promote innovation, entrepreneurship and internationalization for companies’ success. (AmCham’s official website www.amcham.fi)

AmCham Finland is divided into 5 Networks, Defense Industry Dialogue and 7 Committees. Members join the networks and committees on a voluntary basis, depending on what they want to be active in. Every network and committee concentrates on a specific area, and thus organises events supporting that area of interest. The committees work in the areas of Policy, Legal, Chemicals, Corporate Social Responsibility, Energy, Health Care and Wellness, and High tech and Growth Entrepreneurship. AmCham’s 5 networks include Overseas Security Advisory Counsil, Russia, Ventures, Women’s and Young Professionals. (AmCham’s official website www.amcham.fi)
Moreover, AmCham Finland organises events and business meetings for not just networks’ and committees’ members, but for all of its members and even non-members and partner organisations who are interested in a specific event.

AmCham Finland is supervised by the board of directors which consists of 13 members, all of which are owners or partners in the member companies. They form the mission and goals for AmCham, which is then realized by AmCham staff.

Some current programs and events at American Chamber of Commerce are for example:
regular policy, legal, energy, health care and high-tech committee meetings, women’s network events, Future Money events, Innovation Roundtable, Defence Dialogue events and just recently launched AmCham Advantage. In addition to that, different events are organized on one-time basis, when an important speaker comes to town or
when there is a hot topic to be discussed. A few events are organized every year for all of the members meant for networking: Annual general meeting banquet, Thanksgiving celebration, Member rally and others.

It is beneficial for AmCham to have networking events which are suitable for all of the industries presented in the organization. These include different celebrations and business luncheons which are open for all members. These are also covered by yearly banquets, Women Network’s events, Young Professionals (mentoring program which allows the participation of a company from any industry), and some other one-time networking events related to a specific occasion.

Defence Industry Dialogue involves very big players from Finland and the United States. It closely cooperates with the US Embassy in Finland and regularly sets up meetings, dinners and luncheons for networking and discussing current hot issues.

Hightech Committee is for members involved in the high technology and telecommunications industry, which are innovative, motivated and looking for new solutions. It operates on a pretty simple level of organizing quarterly committee meetings. The Healthcare Committee is the one being active so far. It sets up quarterly committee meetings as well as healthcare forums (involving the Parliament). The Legal Committee works actively through regular committee meetings on developing a brochure for Americans describing the legal system of Finland. The Energy Committee has recently become active through quarterly committee meetings while developing an energy program for November 2010 (Energy tour, which will be a Cleantech conference for Americans and Finns).

3.2 Research process

The American Chamber of Commerce in Finland is an organization whose main product is events and advocacy of its member companies. Its membership size is growing over time, and at the moment there are over 200 member companies. One of the biggest problems for AmCham is to satisfy all of its members and provide something for all of them.
AmCham’s current need is to get information about members and to analyze it in order to understand what kind of customers they are and what is the best way to serve them is.

Market segmentation is therefore important for specifying AmCham’s services and improving their marketing strategy. In case of AmCham Finland with over 200 customers(companies) it is reasonable to use business market segmentation. This research is concentrated on collecting information about the member companies, segmenting the companies into different groups and analyzing the results as well as proposing improvements. Segmentation is completed on a macro-level, mostly descriptive segmentation with one analytical variable “user/nonuser”. It was considered reasonable to use the segmentation bases for business-to-business market segmentation, and industrial segmentation was chosen, due to the segments being different from others; segments being measurable, homogeneous and stable; accessible and substantial; potential and attractive for future developments.

In order to complete this research a few sources of information were used: Internet sources, AmCham’s official documents, AmCham Scorecard, files and contracts and personal calls. The collected information is stored in an Excel file, the main purpose of which is to be a source of information for the AmCham staff about member companies. (Appendix 1 and 2)

*AmCham Scorecard*

Starting from the 1st of January 2010 AmCham Finland has been using a new tool for keeping track of the results of all their efforts and activities. The AmCham Scorecard covers those most important activity areas: Member Interaction (Quarterly and Yearly, which companies were involved and in which activities), New Members / Member Retention – keeps track of membership situation, Media coverage – visibility of AmCham through published articles in newspapers, Leader Preparation – communication with main leaders (chairs, boards) and their acknowledgement of AmCham, Website hits – tracking AmCham website visits.
The section Member Interaction was used for the study in order to research the level of activeness of the member companies. The results of that part of research are described under Member Interaction section. (Appendix Figure 1)

**Excel Database**

During the process of researching the member companies all relevant information was put into one Excel file, where it was processed afterwards. This excel file contains several sheets, each of them having information relevant to one of the segmentation bases. These sheets are: Main sheet (list of members plus member activeness), Membership age, Operating market, Age of the company in Finland (presence in Finland in years), Headquarters location, Amount of employees in Finland by each company, Revenues in Finland by company, Industry. After collecting all necessary information for realizing market segmentation, Excel tools were used to analyze the data by making charts.

*Quantitative type* of research is the one used while completing the study. This method is suitable for observing numerical data collected about the AmCham member companies and it is the most convenient way to do it with such a big amount of numerical information. The data was analyzed with the help of Excel tools and the results were grouped by segmentation bases and presented in the form of charts. (Appendix Figure 2)

The main stages during the research were:

1. Identify reasonable segmentation bases for AmCham member companies
2. Collect information about companies needed to complete the segmentation
3. Realize the segmentation
4. Analyze the results upon every segmentation base
5. Make proposals for marketing strategy/project management of AmCham Finland
3.3 The database

The database for AmCham is the tangible outcome of the research work I have done: it contains information about the members, and they can be grouped according to their size, market segment, location, or any other factor I made research on. With help of this, AmCham can see percentages of American and Finnish companies, percentages of big, middle size or small firms etc. That will help AmCham to get a better picture of their members, to define a strategy for future actions and future services – events etc.

Also the database has data about member interaction with AmCham’s activities. The data was collected from a Scorecard which the organization updates on a weekly basis.

Data for the research was collected from the companies’ official web-pages, from Finnish online database Yritystele and from data received from AmCham member companies (Membership contracts and forms from company visits).

Industry

Industry segmentation is the widest one, due to a big range of industries presented in AmCham. It is very important for business to business operations to segment clients by industry. All in all there are 19 industries presented, some of them with a stronger presence of members and some with weaker. These 19 industries were taken from AmCham’s existing files, which I was provided with of the beginning if my research.

The industry sectors presented are:

1. Capital goods and materials – 3% (7)
2. Communications and media – 7% (17)
3. Consulting and Accounting – 9% (21)
4. Consumer goods and services – 6% (15)
5. Financial services – 7% (16)
6. Hospitality – 3% (6)
7. Legal services – 6% (13)
8. Life science – 1% (2)
9. Logistics and energy – 4% (9)
10. Healthcare and pharmaceutical – 10% (25)
11. Technology and telecommunications – 18% (41)
12. Defence – 4% (11)
13. Manufacturing and production – 9% (22)
14. Miscellaneous / other services – 8% (19)
15. Moving and transportation – 1 member
16. Real estate – 1 member
17. Travelling and tourism – 1 member
18. Recruiting and executive search - 1% (3)
19. Retail and Wholesale – 2% (4)

Figure 4. Members segmented by industries.

When analyzing the collected information, the following results were received: the biggest share is on technology and telecommunications sector, the next biggest one is healthcare and pharmaceutical, then consulting and accounting, manufacturing and production, other miscellaneous services, communications and media, consumer
goods and services as well as financial services. The rest of the sectors have quite a small share.

These results give a good overview on the member companies and the possible areas of concentration. However, when analyzing the current programs and activities, which AmCham offers, a lot of sectors are left out or do not have enough of attention from AmCham.

For instance, the Defence sector is only 4% of all members, but AmCham organizes a lot of events for them, spends a lot of resources and effort. Even though it is only 4%, AmCham sees a big potential in this specific sector and a high interest and level of interaction from the members.

The biggest industry cluster presented at AmCham is Technology and telecommunications. AmCham has organized a Hightech Committee which works with those companies. The next biggest industry sector is Pharmaceutical and Healthcare. This sector operates very well at the moment. Most of its’ members are involved in AmCham’s activities organized by the Healthcare Committee. Committee Meetings, Healthcare forums, close cooperation with the Finnish Parliament and Policy Committee give their results - members are actively involved, AmCham pays enough of attention to them and provides the right services. Members from the Life Science sector are also somewhat involved in Healthcare committee’s activities.

Another big share of AmCham’s activities goes to the Legal Committee, which works with companies from Legal Services. The share of members for Legal Services Industry is medium size and concentrates exactly on Legal issues. The Committee runs actively, the members are involved continuously; different meetings, forums and conferences are organized regularly. Another relatively big sector which is not directly involved in AmCham activities is Media and Communications. These member companies participate in different networking events, but yet there are no specific services for them. Additionally, AmCham spends a lot of effort on the Energy and Cleantech Industry, which is covered by the Energy Committee. At the moment the Energy sector of AmCham member companies is very small, and in a way it does not make sense to spend so much time and resources on it. However, the Energy sector is
very active in AmCham’s activities and shows a great potential for growing and bringing results.

The rest of the industries have a very small share at AmCham, which is worth looking into. AmCham needs to rethink its efforts and current programs. It is important to know who AmCham wants to reach and by what means, which sectors need special attention and treatment and which are not that valuable, how to make some of the industries more active or how to make them bigger. All of above is a great help in the decision-making process. More precise propositions on improvements to the current programs and projects are discussed in Chapter 4.

*Company’s age in Finland (presence)*

Segmentation on “age” of a company in Finland is based on information about a company’s founding date in Finland. This information does not directly affect AmCham’s strategy decisions or specify product positioning / targeting, but it gives just a general overview and a clue on how long the member companies have been operating in Finland and how secure their position within the market is.

![Figure 5. Member companies segmented by time of presence in Finland.](image-url)
The data classified upon recent, young, medium, old and very old is based on my personal judgement and internet research, however the numerical results are the most important to consider when analyzing and making conclusions.

The results show that 29% of the companies are just recently founded (1 to 10 years old), 31% of companies are young (10 to 20 years old), 18% of companies are in a medium stage (21 to 40 years old), 15% are old companies (41 to 80 years old) and only 7% are over 81 years old. This data can be explained with the help of historical factors and economic situation of Finland: Finland has started to actively promote its market to the rest of the world later than many other well-developed countries. That is why there are only few companies which were present in Finland more than 80 years ago and there is a big amount of member companies which were founded just 1 to 30 years ago.

AmCham can benefit from these results by having information of how many companies are new in the Finnish market, and therefore need more help in establishing connections and partnerships.

*Headquarters (geographical factor)*

One of the easiest and least expensive methods of segmenting a market is by geographical factors, in this case by Headquarters’ location. Regional differences can impact purchase behaviour and needs. They are also affected by culture.
In case of AmCham’s member companies the results look very positive. Since the whole idea of the American Chamber of Commerce in Finland is to serve and help both American and Finnish companies, it is very important for them to have an equal share of US and Finnish firms. As the segmentation shows, 109 companies out of all members are formed and have their headquarters in Finland. The headquarters of 59 companies are situated in USA, and the rest, specifically 23 companies, are headquartered somewhere else in Europe or North America. Even though those 23 companies are headquartered outside of US, they can still be counted as US related companies due to their very strong presence in the USA.

However, almost all of the companies (Lockheed Martin as an exception) have their presence in Finland. That is why it is quite easy to reach the member companies and get them involved.

*Target operating market*

When analyzing the target operating market of AmCham’s member companies, 3 options were taken into consideration: whether the company’s purpose is to operate inside Finland, outside Finland or whether it has its operations both in US and Finland or globally.
The results show that 53% of the companies have the Finnish market as their target, 45% of companies operate both in Finland and the US, and only 2% of companies have only US market operations. The companies which operate inside Finland are mostly US companies which have a subsidiary in Finland and their purpose is to distribute their products/services in Finland, plus Finnish law firms and consulting companies. Companies which have their target market both in Finland and the US are mostly Finnish and Nordic companies which are interested in expanding to the US market.

In general, the results of segmentation show that the share of target operating market is pretty equal between operations inside and outside Finland.

Size (employees, revenues)

One way of segmenting a market is by size. In case of AmCham’s current member companies two factors were considered when segmenting upon size: revenues in Finland (in millions of euro) and the amount of employees in Finland. The results were specified as: very small, small, medium, big, very big, large (the division was based on researching the internet and having a look at some examples as well as negotiating with the supervisor at AmCham). However, this division is based on
personal judgement and internet sources, and the numbers are the most important to consider when analyzing, not the names of segmentation bases. (Wikipedia, http://en.wikipedia.org/wiki/Small_and_medium_enterprises)

Figure 8. Member companies segmented by amount of employees

The results on segmenting upon the amount of employees showed that 12 % of companies are very small (0-9e), 41% of members are small (10-99 e.), 28% are medium size (100-499), 8% are big (500-999), 9% are very big (1000-9999) and only 1% of member companies are large in size (over 10 000 employees).

Figure 9. Member companies segmented by revenues.
As to the revenues type of size segmentation, the results are as follows: 44% are very small companies (0-10 million euros), 13% are small (10-30 mil.), 19% are medium (30-100 mil.), 9% are big (100-200 mil.), 6% are very big (200-500 mil.) and 9% are large companies with over 500 millions as their revenues. The division upon size is based on my personal judgement and internet research for some examples, and the numbers are the most important to consider when analyzing, and not the names of segmentation bases.

Both ways of segmentation upon size give about the same results. The only significant difference is with large companies (1 / 9%), which can be explained by the type of industry or production, type of services or products, which affect the needs in employees. Therefore the results of Revenue-based size of companies are more reliable. It looks like the share of small companies is higher than the share of big companies; AmCham should consider recruiting more medium/big size companies to keep a balance within their membership.

Joining year

This type of segmentation tells AmCham for how long these companies have been a member company and it might give an idea of member importance / value / interaction. It also gives and understanding of AmCham’s growth, how is the recruitment process going; is it going upwards or downwards and which years were critical.

AmCham is a relatively young organization. It is only 5 years old, and yet it already has a couple of hundred member companies.
As the results of segmentation show, the year 2005 and 2006 were the ones when AmCham’s first 100 companies were recruited. In the years 2007-2008 67 companies were recruited, which is lower than during the first two years, but yet consistent. The year 2009 with only 16 new members was quite dramatic for AmCham, due to a global recession and high rate of resigning from membership.

The year 2010, first 3 months with 13 new members, looks very promising for the organisation. It seems like companies are over the recession and looking forward to expand their businesses, make new partnerships, make business in USA and invest. The recruiting process so far seems to bring results and therefore this type of segmentation mostly tells us good things, apart from the year 2009, which was due to external factors.

Member Interaction

Member interaction information was collected with the help of AmCham Scorecard, a tool which helps AmCham’s staff to keep track of new members, resigned members, member participation, website hits and media coverage in numbers. The information is updated weekly and the count has been on since the beginning of January 2010.
The AmCham Scorecard has information on Member interaction so that it is counted how many member companies participated in AmCham events. Additionally it keeps track of which events the members participated in.

I have analyzed the information about member interaction in terms of how active the members were during the period of January 1st, 2010 to March 30th, 2010. Level of activity was decided upon the amount of involvements: 1-2 – weak, 3-4 – medium, 5-10 – very active. The results were as following:

Total amount of members – **197 (March 2010)**.

Members involved in total – **107**.

10 companies were very active:
- Microsoft (10), TBWA Helsinki (10), Cargotec (7), IBM (7), White&Case (7), Enfucell (6), GE Healthcare (5), Nokia (5), Procope&H (5), Roschier (5)

15 companies had a medium level of activeness:
- Accenture (4), Borenius&Kemppinen Attorneys (4), Berlitz (4), Patria (4), Pricewaterhouse Coopers (4), Deloitte (3), Eli Lilly (3), Jetico (3), Klaus K (3), Lexia (3), LMR (3), Mandatum Life (3), Neste Oil (3), Pfizer (3), Technopolis Ventures (3)

83 companies participated in 1 or 2 events. The rest of the members were not active at all. For just a one quarter period, these results are very promising and so far positive. However, it is a challenge to get other companies involved. The months of January-March 2010 were very intensive for AmCham, a lot of events were organized and a lot of things were going on. If 83 member companies did not get involved during that time – there are only 2 options why: either it was a wrong timing or there were no events which would get those companies interested.

## 4 ANALYSIS AND RECOMMENDATIONS

This section of the study covers issues related to the improvement of current AmCham’s strategy and to proposals for future developments. AmCham Finland has
over 200 member companies, which tells about an enormous amount of various needs and wants, expectations and requests from companies. AmCham tries its’ best in satisfying all of them, but that is its current problem – AmCham tries to be everywhere. Nevertheless it needs to rethink such issues as who AmCham wants to serve first and is it worth it, which activities are high-potential and which do not bring results, which important players are forgotten and how to involve members into AmCham activities. All of these questions can be partly answered with the help of market segmentation’s findings.

The key to chamber’s activities is project management, which basically develops and delivers AmCham’s main product – events. That is why it is important for a project manager to know the market and what the needs are, how to match them with the current products and what needs to be developed or terminated.

Since the main services of AmCham Finland for its members are events, conferences, meetings and support in communications and business partnerships, it all leads to the project management of the company. The project management department of AmCham basically manages the set-up of different services for its members. Market segmentation is a significant help for the project management department of AmCham Finland in developing and improving its services.

Proposals

This part of study has developed from identification of some problems and needs of AmCham Finland. AmCham Finland obviously has signs of insufficient market focus, since it tries to satisfy all customers from various sectors and selling everything to everyone is not the right way to do it. Some reasons for such a problem are poor identification of market segments, which in case of AmCham is true, no market segment managers (due to a very small staff at AmCham) and also insufficient prioritization of market segments. All of these reasons are relevant to the case of AmCham Finland to some extent. Of course the organization has tried to define their main target segments as well to prioritize them, but there was no consistency in it: AmCham prioritized a few segments but never analyzed their possible return /
profitability. That is why more detailed market segmentation was completed for problems mentioned above to be resolved.

The study of market segmentation of AmCham’s current members showed that not all of its market segments are covered with AmCham’s services. The services in case of American chamber of commerce in Finland mean events, specifically organized for each segment to satisfy its interests. The events can be in the form of an official meeting or a conference or a networking casual event.

The proposals below were developed based on my personal judgement after working in the organization for 4 months and having some experience and own perception of the organization and an analysis of the current AmCham market and its customers, taking into consideration AmCham’s focus, staff preferences and current services.

1. Industry involvement

After analyzing the research results, it is obvious that AmCham needs to get such industries as Financial services and Accounting involved, since they have a big share in the membership. Therefore my suggestion would be involvement in committee work, preferable creating a separate committee or a network united with the Legal committee.

A good hint for AmCham would be to concentrate on attracting more members from the Defence industry; that way AmCham’s activity and effort would have more value, and definitely it would make more sense to spend that big amount of resources.

2. Expanding and Recruiting

Another proposal is to recruit more members to the Defence Dialogue and Energy Committee, since they have very high potential but not that many members are involved, in comparison to the effort and input from AmCham’s side.
3. Event proposal

In order to involve as many members as possible from all of the sectors, AmCham should develop a program which includes not just networking but also some sort of informative / educational events. AmCham should consider organising educational seminars for member companies related to doing business and growing opportunities, which would interest companies from different fields. At the moment all of the events, which are open to all members, are mainly about networking and cultural time-spending. This is considered to be a problem because many companies, especially the ones who are not active, do not see value in a networking event, which is why in order to get non-active members involved there should be something more business-related and innovative.

4. Termination of Networks

The Russia Network should be terminated due to it being unnecessary: there is a chamber of commerce in Helsinki, which serves companies interested in Russia, and that is why there is no need for AmCham to spend time and resources on something which others can do better. However, AmCham should build a good relationship with the Finnish-Russian Chamber of Commerce since AmCham member companies continuously rise the Russia topic. That way AmCham could satisfy the Russia need of its members by setting an event together with the Finnish-Russian Chamber.

5. Organizational aspects

Another proposal for AmCham is to keep all of the events on file, create a tangible folder where to have a section for every type of event which has ever been organised. This way AmCham will have a history of the events and their success in terms of attendance and frequency. That would help future employees to not re-invent the wheel and will be a great informative tool of AmCham’s past activities.
6. Termination of a Committee

The Chemicals Committee should be terminated. The Committee does not bring any value to AmCham Finland by existing, members are not active due to no value, events or meeting offered, and obviously there is no interest in it. AmCham will not lose much by terminating the committee, but will have a chance to use its’ resources on other more useful and potential projects.

7. Committee improvement

At the moment the Hightech and Entrepreneurship Committee is not as active as it could be (a big amount of members and possibilities and not enough events) and definitely not all of the members from that sector are involved. That can be explained by not having a right service to offer to them. A solution could be to rethink Hightech committee’s strategy and add more value to it by setting up more networking events and brainstorming meetings.

8. Potential Event

The Media and Communications cluster is the one which might be worth looking at. It has a decent amount of member companies; therefore AmCham should consider developing some events which would get the members from that industry involved. One possibility is to organize a merged event with the Hightech Committee.

9. Organizational aspect

AmCham Finland should set a strategy brainstorming day for all employees. The purpose of such a day is: to take the results of market segmentation into consideration; to rethink existing services, their purpose and necessity; to develop ideas for possible new services; to plan further marketing strategy and decide on action points.

For a better market-focused and customer-driven organization AmCham should consider specialization of its sales force: staff specialized in one specific field with very special knowledge will achieve better results in selling services/developing
programs. AmCham should define its segments carefully, prioritize them and then assign segment managers to the most important and high potential segments.

After adjusting macrosegmentation within AmCham, a more detailed microsegmentation should be completed: analyzing the behaviour, values and benefits of its customers. Only then can AmCham know its customers well and apply the realization of strategic segmentation and successful marketing strategy.

5 CONCLUSION

The American Chamber of Commerce is an organisation which serves companies from two absolutely different markets – United States of America and Finland. Its purpose is to promote partnerships and business between these two countries, and that is a lot to take on.

The size of the market to be served, the variety of clients and therefore their needs and wants are enormously big. Yet AmCham manages to unite over two hundred companies both from the US and Finland with the help of different services offered to its members.

AmCham Finland has a staff of 8 employees who are managing the operations of the organization. With such a relatively small amount of employees AmCham manages to satisfy its member companies and to offer a wide range of activities. Those activities include networking events, seminars, official meetings and events specialized in a specific industry or a hot business topic.

With such a wide range of activities and a huge market to serve, it is important to have a structured marketing strategy and a marketing plan. In order to accomplish that, one needs to know the customers of the market. That is why market segmentation plays such a big role in marketing planning and marketing strategy.

In case of AmCham Finland business to business market segmentation was a subject of research due to the customers being organizations from Finland and the United States. AmCham was missing information about its current customers and it needed to
have those companies analyzed in order to improve its’ strategy and product offering, as well as to see what has been done successfully so far.

The results of market segmentation of AmCham’s member companies have shown both positive and negative results. AmCham was able to keep its goals in having an equal share of American and Finnish companies. Many of its existing services are a great success for the organization. However, there are also negative sides: many of the members not being involved due to lack of services (based on feedback of the customers and my own experience while working there); worthless effort on some programs which are not bringing any results; not paying enough attention to information about members as well as about the events’ post-analysis.

The aims of the study were achieved successfully: theoretical foundation for the study was researched and useful information was received in the topics of marketing, marketing research, market segmentation and specifically market segmentation in industrial markets. The practical part of the study was successfully completed as well: all necessary information was collected on time and analyzed with help of Excel tools: market segmentation and analysis were carried out without any significant challenges. Finally, proposals for improvements of the current project management processes and marketing strategy were presented and ideas for new services were introduced (based on personal opinion).

AmCham Finland’s need in the analysis of its member companies data is resolved with the help of the created database, which contains information from the market segmentation process and its outcome. The database is in the form of an Excel file and is available to all of the staff members.

**Validity, objectivity and reliability**

*Validity and reliability* are important features in a scientific research. *Reliability* is the consistency of a research made, or a degree to which the research is completed every time with the same result. It shows how reliable the research is. Information for analysis of AmCham’s member companies was collected from AmCham’s official membership contracts and from companies’ official web-pages. Some of the
information was collected from the web-site Yritystele, which updates information about Finnish companies yearly. The sources of the research are reliable, however information is under continuous change all the time. The **validity** determines whether the research measures that which it was intended to measure or how truthful the research results are. The validity of the research is relatively weak (max. 6 months - 1 year) due to a few factors: continuous change inside the companies affecting target market / products / services; continuous change in economic environment affecting companies’ incomes / size; continuous change of member companies inside AmCham affecting the pool of companies for segmentation. Therefore a market segmentation of the member companies should be completed every 6 / 12 months in order to have relevant information.

**Objectivity** means that the conclusions drawn through the interpretation of the results of data analysis should be objective and should be based on the facts of the findings derived from actual data and not on own subjective or emotional values. The objectivity of the research is based partly on my personal judgement while segmenting – the target market of the companies based on their description; division of companies, based on size (small, medium and big companies); making proposals. However my personal judgement affected only the analysis part and making conclusions. The research process was based on exact facts and information collected from official sources. Therefore I would count objectivity of the research as medium due to my personal judgement related to the analysis of the research completed possibly being different from others. *(The Qualitative Report Volume 8 Number 4 December 2003 597-607)*

I consider my study to be a successful research: I have reached my main goal, which was to make a research which will actually make a difference in the operations of AmCham Finland. I have also reached my personal goals, which were to gain a deeper academic knowledge in the marketing field, more precisely related to marketing research and market analysis. I have acquired a strong background on those matters and that information has become a basis for completing the practical part of the study.

This work is meant to be a useful tool for the American Chamber of Commerce in Finland for several reasons:
- analysis of past activities
- analysis of current activities
- planning marketing strategy
- proposals for future activities

The research is meant to improve the American Chamber of Commerce in terms of targeting its consumers and positioning its services as well as developing new ones. AmCham Finland will hopefully switch from a structural type of segmentation to a strategic type of segmentation, which will set the right direction for an overall strategy of the organization. It should be highly concentrated on customers (market-driven organization) and very flexible and ready to adjust to changes in the environment and market.

AmCham’s competitive advantage over competitors as well as their marketing strategy should have its roots in market segmentation and market analysis, since the knowledge of your customers is the most promising information for managers when developing programs and services and positioning them in the market.

The research was done on the level of business to business macrosegmentation - descriptive analysis of current members. AmCham Finland was considered as a market-driven organization and its goal is close to achieving a strategic type of segmentation, which means customer-driven orientation and high organizational integration. After completing the market segmentation AmCham should benefit in targeting the right companies; achieving a better position in the market, better communication with market segments and promoting its services as well as better strategic planning for future developments. After completing the market segmentation AmCham should consider re-thinking its current marketing strategy and use the results of this research to achieve a proper market targeting with the help of a differentiated marketing strategy.

Finalizing all of mentioned above, the main aim of the thesis was reached – AmCham now has information about its current members, knows its members’ characteristics
and it can now proceed with improving its organisational activities, project management and strategy.

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**Articles:**


Appendix 1. Screenshot of AmCham Scorecard (front page)
### Appendix 2. Screenshot of AmCham Scorecard (Member interaction per...)

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- front page
Quarter (of February 2010)

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| 01 | Embus Group | Member Ltd. | 1 | 0 | 0 | 0 |
| 02 | ESL Finland Oy | Leadership Day TI (Meetings) Bi/EM | 1 | 0 | 0 | 0 |
| 03 | ESL Finland Oy | Leadership Day TI (Meetings) FIII/FVII Meeting III | 1 | 0 | 0 | 0 |
| 04 | ESL Finland Oy | Leadership Day III/FIII (Meeting III/FIII) | 1 | 0 | 0 | 0 |
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Appendix 2. Member segmentation Excel file’s screenshot
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**Membership age**

- 2005: 24%
- 2006: 27%
- 2007: 16%
- 2008: 18%
- 2009: 7%
- 2010: 34%
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**Target operating market**

- Inside Finland: 54%
- Outside Finland: 44%
- Both: 2%
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**Presence in Finland / Company age**

- **Kanso on taike**
- **Recent**
- **Young**
- **Medium**
- **Old**
- **Very old**

- 29, 15%
- 14, 7%
- 55, 29%
- 34, 18%
- 55, 31%
| A | B         | C | D | E | F | G | H | I | J | K |
|---|-----------|---|---|---|---|---|---|---|---|---|---|
| 185 | Turkisuottajat |   |   |   |   |   |   |   |   | 1 |
| 186 | UL International Finland | 1 |   |   |   |   |   |   | 11 |   |
| 187 | UPM-Kymmene |   |   |   |   | 1 |   |   |   |   |
| 188 | UPS Finland |   |   |   |   | 1 |   |   | 12 |   |
| 189 | Vaisala Oy |   |   |   |   |   | 1 |   |   |   |
| 190 | Valtio Oy |   |   |   |   | 1 |   |   | 10 |   |
| 191 | Valtut Palat Oy Ab (Reader's Digest) | 1 |   |   |   |   |   | 10 |   |   |
| 192 | Valtintaloinisto Pohjoisrantta Oy | 1 |   |   |   |   |   |   |   | - |
| 193 | White & Case LLP | 1 |   |   |   |   |   |   | 11 |   |
| 194 | Wihuri Oy |   | 1 |   |   |   |   |   | 10 |   |
| 195 | Zeeland Society |   | 1 |   |   |   |   |   |   |   |
| 196 | Total | 23 | 80 | 53 | 15 | 19 | 2 |   |   |   |

### Company size (amount of employees)

- 53%: 28% very small
- 19%: 10% small
- 15%: 8% medium
- 8%: 4% big
- 2%: 1% very big
- 2%: 1% large

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**Notes:**
- Membership age / Target operating market / Age in FI / Headquarters / Employees in FI / Revenues / Industry

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**Company size (revenues):**

- Very small: 44%
- Small: 15%
- Medium: 9%
- Big: 8%
- Very big: 6%
- Large: 5%