A MARKET ENTRY STRATEGY FOR TIMBER CLADDING IN THE UK

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Abstract

Siparila OY is a Finnish timber supplier specializing in quality surface finishing. They supply a range of solutions for both indoor and outdoor purposes including timber cladding and moldings for uses ranging from house exteriors, garden sheds, interior décor and sauna. This thesis is aimed at helping Siparila to form a market entry strategy to penetrate the UK market.

There is very little quantified market research into the demand for timber cladding in the UK, this thesis aims to explore the demand for timber cladding by researching the current building stock and architectural trends as well as interviewing industry professionals with experience of working with timber cladding by using a mixture of qualitative and quantitative research. Quantitative research is conducted to obtain data as to the potential market in each of the main segments in the construction industry and qualitative research is made in the form of informal interviews with the industry specialists.

The objective of the research is to help Siparila to take some of the risk out of the market entry process by finding the best distribution partnership to make in the residential, industrial and commercial, and public construction sectors. The research contains insight into the buying process and customer decision making and which other parties influence the choice of brand and product in various sectors of the UK construction industry.

The results include a clear picture of the current and upcoming demand for timber cladding in the residential sector of the UK as well as some valuable insight as to how to approach each of the main segments through various partnerships and the best distribution method to use.

Keywords
Market Entry, Timber Cladding, Decision Makers, Buying Process, UK Market
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1 INTRODUCTION

Siparila Oy is a Finnish timber supplier specializing in quality surface finishing. They supply a range of solutions for both indoor and outdoor purposes including timber cladding and moldings. Siparila is currently well-established on the Finnish market with more than 120 employees and a turnover of around € 20 million per annum.

Their production capacity however is somewhere in the region of reaching revenues of around € 35 million but to reach this potential Siparila need to expand and enter new markets outside the Finnish domestic market.

This project is primarily aimed at providing Siparila with an insight into the potential demand for their products in the UK and also to help decide on the most suitable market entry strategy and best partner network to penetrate the UK market.

Prior to the research I have had two separate meetings with representatives from Siparila, the first was with the CEO Laura Sojakka and the second was with the Export Manager Ari Ronkainen. During these meetings the background information about the company was collected and the most desirable entry strategy was discussed. The most desirable entry strategy for Siparila is to find a retail partner that could hold stock of their product so Siparila can focus on increasing production for export. The most important information for Siparila to find out is the state of the UK building market and current architectural practices and common materials used for building so as to ascertain the potential demand for exterior cladding and the decision makers and influential parties in the buying process.

My main motivation for undertaking this project is produce a piece of research that can be used by the company to fulfill the ambition to enter the UK market. Since I am planning to stay and work in Finland after graduation this is also an important project for me as I have aspirations of pursuing a career in helping Finnish companies to internationalize and I am particularly interested in boosting intra EU trade.
1.1 Research Questions and Objectives

- What is the demand for timber cladding in the UK?

To establish the potential demand for timber cladding so as to determine if there is a suitable market for Siparila to pursue there are a various factors to consider. Firstly the research will cover building trends, architectural styles and common materials used in building and how many buildings to date have exterior timber cladding. Secondly the research will cover how the real estate, commercial and public building markets have been performing in recent years so as to predict potential demand in the new build market. Thirdly the potential market for renovations and extensions will be studied. Fourthly I will conduct research into the UK forestry industry to determine how much timber can be sourced from indigenous sources and how much timber is imported and finally I hope that some of the information gathered from interviews will give some insight into the demand even though the focus of my interviews will be to collect information to answer my second research question.

- What is the most suitable market entry strategy for Siparila?

As discussed with the representatives from the company the most desired entry strategy would be in the form of a partnership with a distributor in the UK so the aim of my research is to establish that this is indeed the most viable option to successfully penetrate the UK market. I also hope to find a shortlist of the best potential partners and an insight into their distribution networks and ability to best reach Siparila’s targeted market segments.

I will not conduct research into the competitor profiles even though this is an integral part of forming the market entry strategy. The reason for this is that Siparila are already very familiar with their competition.

1.2 Research Methodology

To answer the first research question in regards to the potential demand my aim is to conduct quantitative research using existing secondary data from various viable
sources since the magnitude of research required to ascertain this data is beyond my own research resources, so conducting my own primary research would be of limited or no value. The reason for using this method is that I hope to find quantitative facts about the potential market size and segments.

In answering the first question I hope to obtain data as to the potential market in each of the main segments which are dwellings, industrial buildings, public buildings and agricultural buildings. The dwellings segment will also need to be subdivided by ownership (private, local authority or housing associations) as well as being divided into house type (detached and semidetached houses or flats and apartment buildings) as these factors have big implications as to whether or not the building is suitable for timber cladding as well as who the decision makers are when it comes to work being done on the property.

I know from conducting previous market research for another Finnish company that local authorities in the UK have proffered suppliers lists usually consisting of local tradesmen and contractors when it comes to building contracts being awarded. I also know that depending on the building type and location in some circumstances, owners may not have permissions to make exterior alterations without planning permission and approval from neighbors. All these factors have an effect on the best potential partner and entry strategy.

To answer the second question my plan is to conduct qualitative interviews with stakeholders from various market sectors. I plan to conduct one interview with a building contractor or cladding specialist working in the residential market. I also plan to interview either a customer that has had cladding installed on their property or a customer that is planning to have work done on the exterior of their property. I then plan to interview a representative from a local government building control department who has experience in work carried out in the public sector. I then plan to make a final interview with a professional possessing experience of working on industrial scale and commercial buildings.
The main aim of these interviews will be to find out about the buying and decision making process and which channels customers use to choose where to buy their cladding from. I hope these interviews will give a valuable insight into the behavioral patterns and similarities and differences of each market segment. By combining the data collected from answering both questions I aim to deduce which are the most attractive market segments for Siparila to target and have a good understanding about how and when the targeted segments choose to buy. If this information can be found then I feel Siparila will be able to make an educated guess as to the most suitable entry method and the best potential partner.

2 THEORETICAL BACKGROUND

This thesis is essentially based on elements of marketing research. For the most part this thesis is a market research project to collect UK market information on the potential demand for timber cladding to help Siparila to build a market entry plan or marketing plan. At this point I feel it is important to clarify the terms and concepts and justify my choice for using them to conduct this research.

According to Proctor marketing research is a process of providing information to take some of the risk out of making marketing decisions. The different elements of marketing research should form an integral part of the information needed to formulate the marketing strategy. Marketing research links the marketer to the consumer, customer and public through the information gathered. The aim of collecting such information should enable the marketer to identify opportunities, threats and potential problems as well as monitoring the effectiveness of the marketing process. Marketing research is fundamentally the collection, analysis and interpretation of both primary and secondary data which is then communicated or presented so that the best possible decisions and steps taken can be made. (Proctor, 2005, 3-4)
2.1 Market Research

According to Proctor market research is about researching and finding quantitative facts about a particular market or market segment for example the market size or monetary information about the market value or sales statistics. Collecting of this data can help to predict trends and help to forecast possible future sales as well as gather customer specific information as to spending patterns, purchasing power and whereabouts. Market research can also be brand specific and give insight into why consumers choose one brand other another and how much they are willing to spend to address certain problems they wish to be solved. (Proctor, 2005, 9)

The majority of my proposed research is a market research aimed at identifying trends in the UK market by collecting information about building practices, trends in architecture and professionals insight into the buying process. I have a prediction that in this market the customer or end user might not be brand aware when it comes to timber cladding and that their purchase decision might be heavily influenced by the tradesmen involved in their projects such as the architect, building contractors or project managers. I predict that in many circumstances the end user would refer to the tradesmen that they wish to have timber cladding installed on the building and then that the purchase decision would be based on the samples of materials that the tradesmen shows to the customer. I also predict that the samples of materials available to the tradesperson depend on their own contacts and preferred suppliers.

Although these are just predictions at this point, I do base them on a background of some work experience in the building trade in the UK which has consisted of working as a builder’s laborer on site for around two years and also as an assistant manager of a flooring company for a further two years in which I have had experience of customers making brand choices based on advice from trades people involved in their projects.
2.2 Marketing Plan
According to Kotler and Keller a marketing plan is a written plan that summarizes what the market researcher has deduced from the collected information about the market and has a step by step guide as to what the firm should do in order to reach the desired objectives. A marketing plan is one of the most important documentations of the marketing research process as it should utilize the collected information to form tactical guidelines for reaching the firms goals.

The contents of a marketing plan contain:

- Executive summary and table of contents
- Situation analysis
- Marketing Strategy
- Financial Projections
- Implementation Controls

Planning is becoming more and more a continuous process and should be team developed due to the need for various inputs from all marketing functions in response to an ever rapidly changing market environment. (Kotler, Keller, 2009, 96-97)

It is my hope that from my research the situation analysis can be made as well as providing some sound background data to start to predict the potential financial projections and I hope to provide a foundation for the marketing strategy/market entry strategy.

2.3 Market Entry Strategies
According to Hollensen once a firm has chosen its target markets abroad it should then consider the best way to penetrate said markets. An international entry mode is a necessity to enter a foreign market as well as choosing the best distribution system.
The chosen market entry mode has a significant effect on the firm’s control, risk and flexibility as well as market entry cost. Hollensen classifies these market entry modes into three groupings.

- **Export Modes** – (low control, low risk, high flexibility)
- **Intermediate Modes** – (shared control and risk, split ownership)
- **Hierarchical Modes** – (high control, high risk, low flexibility)

Hollensen states that making the wrong initial market entry choice can threaten the firm’s expansion and future market entry activities. (Hollensen, 2007, 291-293)

Siparila’s aspiration to enter the UK market through distributors fits into the export modes classification which will leave them with low control and there may be issues such as distributors selling competitors products alongside their own and branding
and advertising is then dependant on the distributor. Using a distributor however has its benefits since the entry strategy does not require a huge investment so it is a low risk strategy, as a pose to opening its own sales subsidiary which would leave them committing huge resources to the area and less flexibility to up and change strategies as well as creating exit barriers.

2.4 Market Segmentation

According to Kotler and Keller it is not possible for companies to connect with all possible customers in large, broad or diverse markets so they should divide the market into groups or segments based on the particular needs or desires. The company should then focus on the groups or segments that it can provide the best offering to, based on the fulfillment of said needs and wants. In order to develop an effective marketing plan the company should have a keen understanding of the consumer behavior and be able to distinguish the main differences between each segment.

In the past companies such as Coca Cola practiced the concept of mass marketing which is to offer one single product aimed at all buyers, the argumentation for this type of marketing is that it creates the largest overall potential market for the offering resulting in lower costs in marketing, production and distribution. Kotler and Keller point out that many now state that mass marketing is dying out and that most companies are turning towards micromarketing directed at one of the following four levels: segments, niches, local areas, and individuals. (Kotler, Keller, 2009, 247-250)

In Siparila’s case I feel it might be best to segment the UK market by sector to account for different consumer need and buying behavior and then to subdivide in certain sectors by type of building, since not all buildings are suitable for timber cladding. The market sectors for buildings in the UK are residential, industrial/commercial, public, and agricultural.
2.5 Qualitative Versus Quantitative Research

According to Proctor Qualitative research is a term used to describe research that is not interpreted by any quantifiable means such as quantification or quantitative analysis, it rather probes the feelings attitudes and motivations of end users or customers by asking detailed questions that require a subjective analysis. The proceeding table shows the main differences between qualitative and quantitative research. (Proctor, 2005, 221)

TABLE 1. Contrasts between qualitative and quantitative research. (Proctor, 2006)

<table>
<thead>
<tr>
<th>COMPARISON DIMENSION</th>
<th>QUALITATIVE RESEARCH</th>
<th>QUANTITATIVE RESEARCH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of questions</td>
<td>Probing</td>
<td>Non-probing</td>
</tr>
<tr>
<td>Sample size</td>
<td>Small</td>
<td>Large</td>
</tr>
<tr>
<td>Information per respondent</td>
<td>Much</td>
<td>Varies</td>
</tr>
<tr>
<td>Administration</td>
<td>Requires interviewer with special skills</td>
<td>Fewer special skills required</td>
</tr>
<tr>
<td>Type of analysis</td>
<td>Subjective, interpretive</td>
<td>Statistical</td>
</tr>
<tr>
<td>Hardware required</td>
<td>Tape recorders, projection devices, video, pictures, discussion guides</td>
<td></td>
</tr>
<tr>
<td>Ease of replication</td>
<td>Difficult</td>
<td>Easy</td>
</tr>
<tr>
<td>Researcher training necessary</td>
<td>Psychology, sociology, social psychology, consumer behavior, marketing, marketing research</td>
<td>Statistics, decision models, decision-support systems, computer programming, marketing, marketing research</td>
</tr>
<tr>
<td>Type of research</td>
<td>Exploratory</td>
<td>Descriptive or casual</td>
</tr>
</tbody>
</table>

A large proportion of Tony Proctor’s chapter on qualitative research is dedicated to focus groups which consist usually of an interviewer meeting with a small sample of potential customers or stakeholders from a particular industry or sector. According
to Proctor the use of focus groups can collect specific information that is mostly unobtainable through other types of research. (Proctor, 2005, 221)

My planned research is to conduct separate interviews with professionals that have specific insider knowledge in a certain sector of the UK building industry. Ideally I would like to conduct a focus group with all these individuals so as to have a detailed discussion with all parties at the same time.

Due to me living in Finland however, I feel it is very unlikely and impractical to try to plan such a focus group as I feel it will be very hard to arrange a meeting with everyone together at the same time and this is why I plan to conduct one to one interviews with each respondent via instant messaging or telephone interview. I will however try to make each interview in the same style and ask each respondent very similar questions where possible, depending on where the conversation leads, aiming at making the interviews as similar as possible to an actual focus group.

2.6 Qualitative Data Analysis

Proctor describes the concept of analysis of qualitative data to be non numeric and varying in nature due to both the different responses to various forms of questioning and the subjective way in which different researchers could interpret collected data. It is then possible for two separate researchers to approach the same subject in very different ways and also interpret the data in similarly different ways.

Quantitative research however is much easier to be interpreted in the same way by multiple researchers and enables ease of cross comparisons. The advantage of qualitative research over quantitative is that it can be much richer in content and specific information in regards to experiences and situational data. (Proctor, 2005, 324)

My hope is that if I can ask similar questions in a similar way to each of the respondents then my analysis and decoding of the data will give me results that I can make some comparisons with across the market sectors.
My reasoning behind the plan to conduct qualitative interviews with professionals from each of the main possible market sectors is because I feel that I will be able to obtain valuable and usable information for Siparila with the resources available to me. I feel that if I attempted to conduct research by collecting quantitative data I would need a huge sample of potential customers, stakeholders, decision makers and various professionals involved in the procurement process from each sector. I feel this would need a huge amount of finance and resources to achieve since in each sector there is possibility for different buying processes and decision making processes. I also feel the scope for identifying a potential customer is very broad by interviewing a professional from each of the main industrial sectors I hope to obtain information which is very rich on context that can help Siparila to choose the best partnership to effectively reach the most desired market segments.

3 TIMBER CLADDING BUSINESS ENVIRONMENT IN THE UK

The research began by collecting some basic facts about the English housing market such as the population, purchasing power and how many homes there are and the distribution of ownership between private and public. The current population of England according to results published in 2011 is over 53 million.

The next table illustrates population and purchasing power data collected from the CIA world fact-book as well as from the 2008 English Housing Survey Report published by the Department for Communities and Local Government in cooperation with the Office of National Statistics there were around 21 million occupied homes in the UK with GDP per capita of around 28 thousand Euros. Private homeowners accounted for over 18 million of these homes. The remaining 3.9 million homes were evenly divided between housing associations and local government.
TABLE 2. Basic UK market information

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population (2011)</strong></td>
<td>53,000,000</td>
</tr>
<tr>
<td><strong>GDP per capita EUR (UK)</strong></td>
<td>28,000</td>
</tr>
<tr>
<td><strong>Homes in England (2008)</strong></td>
<td>22,200,000</td>
</tr>
<tr>
<td><strong>Private homeowners</strong></td>
<td>18,300,000</td>
</tr>
<tr>
<td><strong>Local authorities and Housing Associations</strong></td>
<td>3,900,000</td>
</tr>
</tbody>
</table>

Potential customers in the residential market can be divided into two main groups which are new build and renovation/extension and then each group can then be subdivided by ownership. The next table illustrates data collected as to how many new homes have been built in England over the past few years by type of ownership.

TABLE 3. New homes built per year by ownership

<table>
<thead>
<tr>
<th>Year</th>
<th>Private enterprise</th>
<th>Housing Associations</th>
<th>Local Authorities</th>
<th>Total Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>106,660</td>
<td>32,200</td>
<td>3,090</td>
<td>141,950</td>
</tr>
<tr>
<td>2010</td>
<td>106,100</td>
<td>29,860</td>
<td>1,350</td>
<td>137,310</td>
</tr>
<tr>
<td>2009</td>
<td>122,730</td>
<td>35,060</td>
<td>830</td>
<td>158,620</td>
</tr>
</tbody>
</table>

There are no official figures for the number of extensions and renovations undertaken each year as many do not require planning permission so work can be carried out without official records being kept. I will however show data as to how many homes are in need of renovation or repair to the exterior structure of the building and how many homes require the interior walls fixed later in the report (see figure 5).

I next collected data as to the ownership of homes by house type, since I feel the house type is very relevant to whether or not the occupier is a potential customer for timber cladding and the ownership type effects the buying and decision making process. I feel that houses and bungalows that are privately owned are the most attractive market segment for Siparila in the residential sector since private owners
are free to make purchase decisions and houses and bungalows do not need collaboration from many parties/owners to change the exterior while flats and apartment buildings often have many different owners. Figure 2 shows the percentage of distribution of ownership by building type.

![Figure 2. House type by tenure type (percentage)](image)

The next set of data shown in figure 3 portrays the location of properties in terms of the built up environment by ownership. I feel this is information is relevant to possible partner choice since if it can be established that the most demand is in a certain area then a partner that caters for that area would be the most desirable choice.
The construction methods and materials used to build homes in England have varied greatly across the centuries due to a wide variety of influences but masonry (bricks, stone and flint) has been the predominant preferred material with other 90% of homes withstanding today using a form of masonry compared to around 3% using a timber frame. In recent years there has been a rise in nontraditional forms of construction such as metal frame houses and pre cast concrete panels and frames and a large proportion of these buildings have had some form of cladding such timber, tiles or rendering. In addition to this many of the traditionally built masonry buildings have had major structural and exterior alterations made. (Dep Com Loc Gov, 2008, 23-24)

I believe the next data set shown in the table to be a key piece of information in making a prediction of the potential demand for timber cladding in the residential market since it shows the past and current trends of chosen wall finish. The section
of the chart marked as Other Type is the most relevant information for Siparila. The Other Type column includes timber cladding, metal and plastic panels, and tiles.

TABLE 4. Predominant type of exterior wall finish

<table>
<thead>
<tr>
<th></th>
<th>Mixed Types</th>
<th>Masonry pointing</th>
<th>Natural</th>
<th>Rendered</th>
<th>Other Type</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>THOUSANDS OF PROPERTIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre 1920</td>
<td>365</td>
<td>3,259</td>
<td>27</td>
<td>1,084</td>
<td>25</td>
<td>4,760</td>
</tr>
<tr>
<td>1919-44</td>
<td>168</td>
<td>2,002</td>
<td>11</td>
<td>1,451</td>
<td>10</td>
<td>3,642</td>
</tr>
<tr>
<td>1945-64</td>
<td>144</td>
<td>3,260</td>
<td>63</td>
<td>826</td>
<td>70</td>
<td>4,363</td>
</tr>
<tr>
<td>1965-80</td>
<td>124</td>
<td>4,048</td>
<td>53</td>
<td>443</td>
<td>145</td>
<td>4,814</td>
</tr>
<tr>
<td>1981-90</td>
<td>52</td>
<td>1,727</td>
<td>3</td>
<td>156</td>
<td>16</td>
<td>1,953</td>
</tr>
<tr>
<td>Post 1990</td>
<td>39</td>
<td>2,429</td>
<td>4</td>
<td>191</td>
<td>45</td>
<td>2,708</td>
</tr>
<tr>
<td>TOTAL</td>
<td>893</td>
<td>16,725</td>
<td>161</td>
<td>4,150</td>
<td>310</td>
<td>22,239</td>
</tr>
</tbody>
</table>

|                | PERCENTAGE OF PROPERTIES |
| Pre 1920       | 7.7         | 68.5             | 0.6     | 22.8      | 0.5        | 100    |
| 1919-44        | 4.6         | 55.0             | 0.3     | 39.8      | 0.3        | 100    |
| 1945-64        | 3.3         | 74.7             | 1.4     | 18.9      | 1.6        | 100    |
| 1965-80        | 2.6         | 84.1             | 1.1     | 9.2       | 3.0        | 100    |
| 1981-90        | 2.7         | 88.4             | 0.1     | 8.0       | 0.8        | 100    |
| Post 1990      | 1.5         | 89.7             | 0.2     | 7.0       | 1.7        | 100    |
| TOTAL          | 4.0         | 75.2             | 0.7     | 18.7      | 1.4        | 100    |

The next part of my research shown in figure 4 consists of major alterations made to dwellings since original construction. The most relevant information here for Siparila is the alterations made to external appearance since this includes the addition of cladding to the exteriors of buildings. It is also important to note the conversions and complete refurbishments as these could include both repairs to existing timber cladding and also extensions built to homes that already had timber cladding hence adding additional parts to the building to be clad.
I consider the information portrayed in the next table to be one of the most important pieces of information to predict the future demand for timber cladding in the repairs and renovations market as it contains information as to the number of homes that require repair or renovation to their exterior. Highlighted in yellow are the most significant areas of interest to Siparila, which include exterior problems in wall finish and fascias.

The total amount of repairs and refurbishments needed to homes in England over the next ten years are estimated to cost around £88.6 billion. The bulk of this amount (89%) is required in the private sector. Just over half (54%) of dwellings had faults to one or more elements making up the exterior fabric of the building in 2008. The elements most commonly affected were wall finish (pointing, rendering, cladding etc.) (Dep Loc Gov Com, 2008, 68)
TABLE 5. Repairs and renovations needed

<table>
<thead>
<tr>
<th>EXTERIOR PROBLEMS</th>
<th>PERCENTAGE</th>
<th>NUMBER (THOUSANDS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WALL FINISH</td>
<td>22.6</td>
<td>5,026</td>
</tr>
<tr>
<td>WINDOWS/FRAMES</td>
<td>18.5</td>
<td>4,114</td>
</tr>
<tr>
<td>DOORS/FRAMES</td>
<td>12.2</td>
<td>2,713</td>
</tr>
<tr>
<td>FASCIAS</td>
<td>11.3</td>
<td>2,513</td>
</tr>
<tr>
<td>WALL STRUCTURE</td>
<td>4.8</td>
<td>1,067</td>
</tr>
<tr>
<td>PORCHES</td>
<td>2</td>
<td>445</td>
</tr>
<tr>
<td>CONSERVATORIES</td>
<td>1.6</td>
<td>356</td>
</tr>
<tr>
<td>BALCONIES</td>
<td>0.4</td>
<td>89</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INTERIOR PROBLEMS</th>
<th>PERCENTAGE</th>
<th>NUMBER (THOUSANDS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WALLS</td>
<td>12.4</td>
<td>2,758</td>
</tr>
<tr>
<td>DOORS</td>
<td>10.8</td>
<td>2,402</td>
</tr>
<tr>
<td>FLOORS</td>
<td>5.8</td>
<td>1,290</td>
</tr>
</tbody>
</table>

3.1 The Commercial/Industrial sector

The research into the Commercial/Industrial sector began by collecting data as to the number of non-residential buildings in England. Figure 10 shows the number of commercial buildings in England and their locations by region as of 2006.
TABLE 6. Commercial buildings in England by region (thousands)

<table>
<thead>
<tr>
<th>Region</th>
<th>Shops</th>
<th>Offices</th>
<th>Warehouses</th>
<th>Factories</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>17</td>
<td>10</td>
<td>5</td>
<td>8</td>
<td>14</td>
<td>54</td>
</tr>
<tr>
<td>North West</td>
<td>67</td>
<td>39</td>
<td>29</td>
<td>28</td>
<td>72</td>
<td>234</td>
</tr>
<tr>
<td>Yorkshire</td>
<td>52</td>
<td>31</td>
<td>23</td>
<td>26</td>
<td>57</td>
<td>189</td>
</tr>
<tr>
<td>East Midlands</td>
<td>38</td>
<td>22</td>
<td>18</td>
<td>25</td>
<td>43</td>
<td>146</td>
</tr>
<tr>
<td>West Midlands</td>
<td>46</td>
<td>30</td>
<td>24</td>
<td>28</td>
<td>56</td>
<td>183</td>
</tr>
<tr>
<td>East England</td>
<td>41</td>
<td>31</td>
<td>24</td>
<td>24</td>
<td>62</td>
<td>182</td>
</tr>
<tr>
<td>London</td>
<td>90</td>
<td>83</td>
<td>25</td>
<td>22</td>
<td>75</td>
<td>296</td>
</tr>
<tr>
<td>South East</td>
<td>71</td>
<td>56</td>
<td>33</td>
<td>36</td>
<td>82</td>
<td>278</td>
</tr>
<tr>
<td>South West</td>
<td>43</td>
<td>27</td>
<td>21</td>
<td>23</td>
<td>61</td>
<td>175</td>
</tr>
<tr>
<td><strong>Total England</strong></td>
<td><strong>464</strong></td>
<td><strong>328</strong></td>
<td><strong>203</strong></td>
<td><strong>220</strong></td>
<td><strong>521</strong></td>
<td><strong>1,736</strong></td>
</tr>
</tbody>
</table>

Omitted from the results shown in the previous table are the agricultural buildings in the UK which are estimated to be in the region of 500,000 buildings spread amongst the 300,000 active farms. The agricultural buildings could be considered to be a separate sector on their own but they could also be included in the commercial/industrial sector since they are commercial entities. Including the agricultural buildings in this sector brings the number of total buildings from around 1.7 million to over 2.2 million.

The table below shows new contracts awarded for build projects in the commercial and industrial sectors by their value in millions of pounds during 2006. This information is for new projects started and does not represent completed builds during that year as some of the projects may have taken a number of years to reach completion.
TABLE 7. New orders from private sector (millions) (Construction statistics annual, 2007)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDUSTRIAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FACTORIES</td>
<td>1,674</td>
<td></td>
</tr>
<tr>
<td>WAREHOUSES</td>
<td>1,854</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INDUSTRIAL</strong></td>
<td>3,528</td>
<td></td>
</tr>
<tr>
<td><strong>COMMERCIAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SCHOOLS &amp; UNIVERSITIES</td>
<td>1,988</td>
<td></td>
</tr>
<tr>
<td>HEALTH</td>
<td>2,778</td>
<td></td>
</tr>
<tr>
<td>OFFICES</td>
<td>5,649</td>
<td></td>
</tr>
<tr>
<td>ENTERTAINMENT</td>
<td>1,940</td>
<td></td>
</tr>
<tr>
<td>GARAGES</td>
<td>276</td>
<td></td>
</tr>
<tr>
<td>SHOPS</td>
<td>3,880</td>
<td></td>
</tr>
<tr>
<td>AGRICULTURE</td>
<td>172</td>
<td></td>
</tr>
<tr>
<td>MISC</td>
<td>843</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL COMMERCIAL</strong></td>
<td>17,526</td>
<td></td>
</tr>
</tbody>
</table>

Figure 5 shows the value of the repairs and maintenance to buildings market from the years 2004-2006 within the commercial and industrial sectors in England.

FIGURE 5. Renovations and maintenance expenditure (billions) (Construction statistics annual, 2007)
3.2 The Public Sector

According to the Office of National Statistics the public sector at a national and local level is by far the construction industries largest single client accounting for almost forty percent of spending. It invests nearly £46 billion per year in infrastructure and building projects. The construction sector is a major part of the UK economy with an annual turnover of £122 billion during 2011. (Construction industry council, CIC, 2012)

There are currently around 210 thousand public buildings in England the next table shows new build contracts awarded to building contractors by the public sector, by type of construction and value of the contract.

TABLE 8. New orders from public sector (millions) (Construction statistics annual, 2007)

<table>
<thead>
<tr>
<th>PUBLIC SECTOR</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FACTORIES</td>
<td>56</td>
</tr>
<tr>
<td>WAREHOUSES</td>
<td>27</td>
</tr>
<tr>
<td>SCHOOLS &amp; COLLEGES</td>
<td>2,576</td>
</tr>
<tr>
<td>UNIVERSITIES</td>
<td>639</td>
</tr>
<tr>
<td>HEALTH</td>
<td>899</td>
</tr>
<tr>
<td>OFFICES</td>
<td>702</td>
</tr>
<tr>
<td>ENTERTAINMENT</td>
<td>473</td>
</tr>
<tr>
<td>GARAGES</td>
<td>56</td>
</tr>
<tr>
<td>SHOPS</td>
<td>37</td>
</tr>
<tr>
<td>AGRICULTURE</td>
<td>8</td>
</tr>
<tr>
<td>MISC</td>
<td>688</td>
</tr>
<tr>
<td>OTHER NEW WORK</td>
<td>6,162</td>
</tr>
<tr>
<td><strong>TOTAL PUBLIC SECTOR</strong></td>
<td><strong>12,323</strong></td>
</tr>
</tbody>
</table>

Figure 6 shows the public spend over a few years on renovations and repairs of public buildings.
According to the construction statistics manual published in 2007 local government expenditure on construction, renovations and conversions in the year of 2006 were over £12 billion. This does not portray total public expenditure in the construction industry, it accounts for local government spending on community projects. Figure 7 shows the local government expenditure broken down by percentage of areas invested in.
The next table shows the local government expenditure in construction by the value of work carried out in both the new build and repair and maintenance markets. The non-housing figures do include construction undertaken in the transport sector so not all work was carried out on buildings. Most of the work undertaken in the transport sector is work done on roads and road signs so is of no potential value to Siparila. We saw from figure 14 that up to 22% of the expenditure was in the transport sector.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NEW WORK</th>
<th>REPAIR &amp; MAINTENANCE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing</td>
<td>Non-housing</td>
<td>Housing</td>
</tr>
<tr>
<td>2006</td>
<td>5</td>
<td>112</td>
<td>994</td>
</tr>
<tr>
<td>2005</td>
<td>22</td>
<td>141</td>
<td>1,087</td>
</tr>
<tr>
<td>2004</td>
<td>22</td>
<td>124</td>
<td>1,238</td>
</tr>
</tbody>
</table>

### 3.3 The UK forestry industry

Woodland area in the United Kingdom in 2012 is 3.1 million hectares: 1.4 million hectares (44%) are independently certified as sustainably managed. 13 thousand
hectares of new woodland were created in the UK in 2011-12. 10.3 million green tonnes of UK round-wood (softwood and hardwood) were delivered to primary wood processors and others in 2011, representing a 3% increase from the previous year.

But this indigenously grown timber only makes up a small fraction of what the UK consumes per year. Wood products imported into the UK in 2011 were valued at £6.8 billion and included 4.9 million cubic meters of sawn-wood, 2.8 million cubic meters of wood-based panels, and 6.9 million tonnes of paper. The UK was the third largest net importer (imports less exports) of forest products in 2010, behind China and Japan. (Forestry stats, 2012)

3.4 Politics affecting the cladding market
The most significant political factor in the public limelight that could have an effect on the market entry of Siparila to the UK is the Climate Change Act of 2008 in which the UK agreed to binding targets of cutting greenhouse gas emissions by 34% by the end of the year 2020. The opportunity here for Siparila is the need for buildings to cut down on energy consumption from heating bills and a huge proportion of buildings could significantly reduce emissions by minimizing the amount of heat lost and exterior cladding is an effective way to insulate buildings from unnecessary loss of heat. Domestic buildings are responsible for around 25% of total emissions and non domestic buildings are responsible for around 12%. A huge amount of these emissions are caused by space heating so the need to minimize heat loss and improve the exteriors of UK buildings is immense. Combined space heating emissions in both domestic and non domestic markets accounts for as much as 35% total emissions by end use. (Dec, Gov, 2011)

4 QUALITATIVE INTERVIEWS
Prior to each interview taking place the aims of the thesis and the case company were discussed. Then a brief explanation of the information needed and types of questions to be asked was given. The interviews were secured by a combination of telephone and email requests with contacts and friends of friends and the background of the research was given to each interviewee through email. The
interviews themselves took place using instant messaging and appear almost word for word as a copy paste from an instant messaging application in the appendices but some editing has been made to spelling and grammar in the transcribing process as well as literal word meanings if some industry specific slang was used.

The main aim from each of the interviews was to establish the interviewee’s opinion on the demand in their sector for timber cladding, the decision making and buying process of the sector and how and when the customer chooses to buy.

### 4.1 Residential sector interview

The interview relating to the residential housing market was conducted with a self employed building contractor with his own small firm in the south of England. The contractor has a few workers that are employed by him full time but a much larger workforce at his disposal which are self employed professionals which he hires as and when he needs. The interview began with questions related to his working life and background including previous positions held in construction up until opening his own general contracting company.

Following the working background questioning began into his working knowledge of timber cladding to establish both his experience with the material as well how commonplace it is in the UK residential building sector. Then probing questions were asked into the procurement process as to how timber is typically sourced and where from. Then most of the remainder of the questions were aimed at the decision making process as to how much influence customers have over material and brand choice and which other parties have an influential role.

### 4.2 Commercial/Industrial sector interview

The first commercial/industrial interview was made with an engineer with a wealth of experience in various areas in the industrial building sector both in the UK and all over the world. The interview began by the engineer explaining some of his educational background including universities attended and other building courses
taken to achieve other specific qualifications. The engineer then gave an explanation of his work history which consisted of working in many different areas in the industrial sector as an engineer before moving into consulting.

It came apparent that the engineer had a very diverse working knowledge of British Building Standards (BS regulations) and since I had come across a BS that I feel will be very relevant to Siparila in the future if they choose to operate in the public sector we agreed that I can contact at a later date if I have any further questions.

The next line of questioning was aimed at finding out the engineers experience in cladding and the procurement process in the industrial sector and what kind of demand he felt there is in the industrial market. After the interview the engineer contacted me to inform me of an ex-colleague and close friend who has worked for many years in procurement and the sourcing of materials, and he offered to help me set up a further interview so as to probe a bit deeper into the buying process.

It was agreed that he would make contact to secure the interview and that I would then send an email with the background and aims of my thesis and a basic structure of the desired interview and general type of questions to be asked.

The second interview was made with an MCIS accredited (Membership of Chartered Institute of Purchasing and Supply) procurement manager in construction and civil engineering. The questioning began by probing into who the main timber suppliers are for the sector and which firms he had most dealings with.

Then the case company was discussed along with the aims of the thesis research and then the conversation turned to suitable market entry strategies and supplier partnerships to successfully penetrate the sector. The procurement manager had valuable insights into suitable entry strategies for Siparila which were dependant on their chosen product placement.
4.3 Public sector procurement

An interview with a representative from the public sector was not obtained although this was hoped for and was in the original thesis plan. Information was found however by various news sources and a report published by Sir Tony Baldry MP, Chair of the Commission, of the all party parliamentary group for excellence in the built environment, into a complete overhaul of public sector procurement and material sourcing. So in actual fact an interview at this point in time may have been of limited value anyway since the current procurement practices will most likely change dramatically once the new plan is put into action in the near future.

5 ANALYSIS OF THE RESEARCH RESULTS

Based on the information gathered about the state of the housing stock a preliminary estimate can be made for the demand for cladding in England in the residential property market. The demand can be calculated based on the disrepair and refurbishments needed in the current dwellings as well as the number of new dwellings built each year and comparing those figures to the current usage of timber cladding and estimations made of the increased demand in upcoming years.

As of 2008 there were 22.2 million homes in England with an average of 150,000 new homes built per year. This average is very low for England and the number of new homes built per year is likely to rise sharply once the recession is over. As of 2008 the number of residential properties with timber exterior cladding was around 1.4% which equates to over 310 thousand properties.

This 1.4% sounds very low if we consider only 150,000 new homes are being built per year and the likelihood of 1.4% of those homes utilizing exterior timber cladding would only be 2100 homes per year in the new build market. But the actual demand could be substantially higher according to some research done by the Scottish government aiming to utilize the spruce and pine forests of Scotland. Based on findings from two separate research reports made by the Scottish authorities (even though they have no recent exact statistics as to how many homes have timber cladding) the demand is estimated to have been doubling year by year.
“The Scottish Government has expended considerable research and development efforts into the promotion of timber cladding in construction in the UK over a period of around 10 years. The market is now doubling every two years yet only a small percentage of the material is supplied by Scottish forests” (Forest trust, org, 2008)

The table below shows the possible rise in demand for timber cladding in the new build market based on the Scottish authority’s findings that demand is doubling every two years throughout the UK. The year 2008 was used as a base year in which a total of 1.4% of homes had timber cladding. If 1.4% of new homes built in 2008 utilized timber cladding that would equate to around 2100 homes per year, the chart shows the potential demand increase up to 2014.

TABLE 10. New build homes doubling demand every two years

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DEMAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2,100</td>
</tr>
<tr>
<td>2009</td>
<td>3,150</td>
</tr>
<tr>
<td>2010</td>
<td>4,200</td>
</tr>
<tr>
<td>2011</td>
<td>6,300</td>
</tr>
<tr>
<td>2012</td>
<td>8,400</td>
</tr>
<tr>
<td>2013</td>
<td>12,600</td>
</tr>
<tr>
<td>2014</td>
<td>16,800</td>
</tr>
</tbody>
</table>

A separate report made by the Scottish authorities however states that although the demand is estimated to be doubling every two years there are still no reliable results since most research only includes sales made through builders and timber merchants that generally sell lower value timber which totally misses out sales made by specialist timber cladding suppliers who may in fact be the best potential partner choice for Siparila.
“There is, however, little quantified market research on timber cladding in the UK, with most studies focusing only on the type of low-value weatherboarding distributed through conventional supply chains such as timber and builders’ merchants. Omitted from these studies are any investigation of the increase in demand over the past decade for the higher-value and more specialized timber cladding products sold directly to main contractors.” (Scot, Gov, 2006)

Assuming that the demand will indeed double every 2 years and using the same base year of 2008 and the same 1.4% current market share of timber cladding in the UK an estimate can be made as to the demand in the renovations and repair market in the residential sector.

Approximately 7.5 million homes were in need of repairing the exterior walls and fascias as of 2008, estimating the demand using the same 1.4% market share of 2008 and considering what the possible demand would be for each year the needed repairs could take place can give a rough idea of the demand in the renovations and repair market. The next table shows how many homes would use timber cladding for repairs based on the rising demand, but each year shows the result if all 7.5 million homes were repaired on the shown year. Realistically it is much more likely that some of the homes will have been repaired each year up until 2012 and some of the homes will still be awaiting the repairs needed. The majority 89% of repairs needed are in the private sector which owns the majority 82% of houses and bungalows and the most overwhelming majority of detached dwellings.

TABLE 11. Renovations/repairs doubling demand every two years

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand (percentage)</th>
<th>Demand (thousands of homes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1.4</td>
<td>105</td>
</tr>
<tr>
<td>2009</td>
<td>2.1</td>
<td>158</td>
</tr>
<tr>
<td>2010</td>
<td>2.8</td>
<td>210</td>
</tr>
<tr>
<td>2011</td>
<td>4.2</td>
<td>315</td>
</tr>
<tr>
<td>2012</td>
<td>5.6</td>
<td>420</td>
</tr>
</tbody>
</table>
But a rough estimate can be made of the potential demand for exterior cladding in the residential repairs market being somewhere in the region of between 105-420 thousand properties.

5.1 **Industrial/Commercial sector demand**

The information collected on the industrial/commercial property sector varies to that collected about the residential sector in that it shows monetary information of the value of work carried out as a pose to exact property numbers by material usage which makes it very hard to make a comparison to the residential sector as to the potential demand. The results from the sector give good insight into the number of each type of commercial and industrial building and the value of work undertaken per year by type of building, but it is difficult to make any estimates or draw any conclusions as to the demand for timber cladding based on this information.

As of 2006 excluding the 500 thousand estimated agricultural buildings there were over 1.7 million existing properties in the sector which grossed well over 15 billion pounds sterling in renovations and repairs in the year. The values of contracts awarded in 2006 for new builds were well over 3.5 Billion pounds for industrial buildings and over 17.5 billion pounds for commercial buildings.

5.2 **Public sector demand**

The results for the public sector are very similar to that of the industrial/commercial sector in that the data collected shows monetary information of the overall value of work carried out per year without specific statistics of the usage of timber cladding in the sector. It also needs to be noted that a proportion of the homes included in the residential research part of the report are publicly owned.

The results from the public sector show that the government is the largest single client in the construction industry as a whole accounting for around 40% of total spending per year which equates to around 46 billion pounds including money spent on infrastructure. As of 2006 there were around 2100 public buildings and spending
on renovation and repair during the year was in the region of 9 billion pounds. Investments into new builds were over 12.5 billion pounds.

One interesting point to consider is that 29% of the public sector spending in the construction industry was in the housing sector and it can be seen earlier in the report in that only around 3.9 million of the total 22.2 million homes are owned by the government.

The 29% expenditure equates to around 3.5 billion in spending on only around a 17% market share of the total residential properties. This can give some valuable insight into the overall value of the residential sector although it is not possible to make anywhere near an exact estimate since the publicly owned homes tend to be the lower value properties and flats and apartment buildings which consist of many small dwellings crammed together. So the 17% ownership of total properties will most likely equate to much less than 17% market share of the residential market in terms of total value of all properties.

5.3 Residential sector buying process
The results obtained from the interview conducted with the contractor from the residential sector were very interesting. The contractor had vast experience of working with exterior timber cladding of various species and quality. The results from the interview show that there are varying patterns in the buying process and the decision making process.

Some customers in the residential sector purchase cladding from general builders or timber merchants and some buy from cladding specialists that pre finish the timber and provide their own installation services. The customers he mentioned that bought their own timber from merchants however were semi-skilled people who wanted to do as much work on the properties themselves and they could also be said to be in the building trade themselves since they were in the business of buying, refurbishing and then selling properties for profit. It is most likely they are not
considered to be in the building trade officially and buying and selling properties as a business, since they are prepared to take the slower route of doing the work themselves rather than trying to turn over the properties quickly and get the job done fast. In the UK if you buy a new home and live in it for at least a year and have it as your official address then you don’t have to pay VAT when you sell.

There is a trend in the UK of climbing the property ladder in this way and I have worked on at least five or six building sites in the past for customers that start from a small house and work their way up to a bigger and more expensive house whilst making a living in the process. The contractor stated that in the past he himself had a lot more influence in the choice of product and brand, and where to source materials from than he generally does nowadays. In recent years he has found that customers are becoming much more aware of what is available to them and that they often do their own research and choose the brands themselves. The contractor also stated that wherever possible he would advise customers to use pre finished cladding from the specialists since it is easier to fit to his working deadlines, but also because he feels it is the most sustainable and cheapest and easiest option in the long run due to lower maintenance time and cost.

In regards to the demand for timber cladding in the UK the contractor felt that the demand is increasing and that it is becoming more popular, yet it is still not one of the most common practices compared the more traditional architectural styles for wall finish in the UK. Lastly advice was given as to the best distribution method for Siparila to use, the contractor felt that is was worth trying to approach timber and builders merchants but at the same time felt that they might not be the best option for higher grade pre finished timber since they are more known for cheaper timber. He advised that the best option for Siparila’s high grade cladding would be a timber cladding specialist but mentioned that he felt some may only use indigenously grown resources and that others may only import raw timber and use their own sawmills to finish and treat the wood. He stated though that he felt these may just be exceptions and that there may be many importers that buy ready finished cladding that operate by selling and handling the installation.
5.4 Industrial/Commercial sector buying process

The first interview in the industrial/commercial sector was held with an Engineer that was very highly qualified and had work experience in many different areas throughout the sector. The engineer had a very good understanding of how the industrial sector operates and had vast knowledge of building practices, legislations and standards affecting the industry.

It became apparent early on in the interview that the sector has a much more complicated buying process than in the residential sector with more often than not, more parties influencing the decision making of where to source materials from and which brands to buy. The engineer mentioned architects as being heavily influential in the process along with the customer but that other parties such as local government planning departments having varying involvement depending on the specifications of the work.

When the questioning delved deeper into the process the Engineer elaborated that most industrial scale buildings are pre engineered with all structural materials packaged together for easy and fast installation, and that the decision on which materials to buy and where from are usually agreed upon up to two years before the building process commences and that existing partnerships with suppliers played a big role in where products were sourced from and which brands were chosen.

The second interview was made with a former procurement manager for industrial and commercial enterprises. The questioning began by finding out the biggest suppliers for timber to the industry and the procurement manager was able to name the top firms in which he used to purchase from which was very valuable.

It turned out that builders merchants are the top suppliers to the sector which are Jewson, a builder’s merchant which is also open to the general public. Travis Perkins, a supplier of building materials to trade professionals. The Wolseley Group, which specializes in heating and plumbing products but also supplies general building
supplies. Then Keyline was stated as the next biggest client but it was mentioned that it is not a big of a player as the previous three market leaders. There are also a network of smaller regional players that are often used by the sector depending on the size and nature of the work being carried out.

The procurement manager gave some insight into the best way for Siparila to enter the industrial/commercial sector of the UK market. He felt that if Siparila wanted to enter the market with a similar offering to its competitors (generic products) then the best way forward is to try to partner with two or more of the aforementioned merchants and try to compete on price and quality.

If Siparila wish to enter the market with a specialized offering such as their pre-finished fully treated ready to install timber cladding, then the procurement manager felt that a different approach might be more advantageous. He felt that Siparila needed to take a technological or niche strategy and get their more specialized products specified in building plans, so they would therefore need to build relations and engage with architects so that they would become familiar enough with the brand to specifically name it in the design stages of buildings. This strategy could reap very large rewards for Siparila in the long run from large orders on big build projects but would also be a slow revenue stream to begin with since building plans are typically made a few years before construction work commencing.

5.5 Public sector buying process

I was unable to secure an interview with a professional from the public sector as mentioned earlier in the report but the sector is about to undergo huge changes in the way materials are sourced which are yet to be fully seen. In the past the public sector has been fraught with problems of construction projects being delivered late and over budget. The recent success of the UK 2012 Olympics project which was completed on schedule and under budget which turned out to have many highly successful procurement practices, which will likely play a heavily influential role in the new government proposed 13-point plan for better construction strategy in the public sector. (Baldry Tony, 2012, 4)
6 DISCUSSION OF THE RESEARCH

Looking back over the whole process I feel the research has been very successful and the research questions have been adequately answered. I think the right methodology was chosen since I feel the combination of market research through collecting data as to the current UK market environment goes very well together with the results from conducting qualitative research interviews with the industry specialists. The research was carried out according to the theoretical background and most of the research objectives were fulfilled. There are also many useful findings and insights that will help Siparila to form their market entry plan to the UK.

There are however some gaps in the research where specific information about certain sectors were not found, but this could be due to a combination of lack of research ever being made by the UK government and the fact that research made in the commercial sector is mostly made by companies themselves and at their own expense, so results are not generally published and certainly not for free consumption.

The research conducted into the residential market yielded the most clear and concrete results in answering the first research question as to the demand for timber cladding, since numerical data was found as to the current usage by the number of existing properties with timber cladding.

The research findings in the Business environment section of the report found that timber cladding demand is increasing rapidly in the UK and this was backed up by the information gathered from the interview with the contractor from the residential sector who had noticed a recent demand increase in his own workload. This is a very positive thing for Siparila, especially when compared with the results from the forestry industry that the UK is in need of imported timber to satisfy the demand and that UK forests are only able to cater for a fraction of the need.

The residential sector yielded results as to the demand for timber cladding as well as providing valuable insight into which kind of partnerships would be the best way to enter the UK market.
Both the Industrial/commercial and the public sectors did not yield such good results into the market share of timber cladding so it is not possible to calculate the exact demand since the results only show the total number of buildings irrespective of whether they had cladding or not and the monetary value of work carried out in the sectors as a whole, so it is not possible to calculate how much of the expenditure is allocated to the cladding market. There were interesting results collected however as to the structure of these sectors in terms of the buying and decision making processes which gives valuable insight to Siparila as to the best forms of partner choice to penetrate the markets.

Reflecting on the results obtained I feel it was a mistake to include the Agricultural sector as a part of the commercial sector, since the agricultural sector may prove to be a lucrative market for Siparila with notably different needs than that of the rest of the commercial market. If I could do this same project again I would evaluate the agricultural buildings as a separate entity and make a separate qualitative interview with a representative from the sector.

6.1 Recommendations for Siparila

Recommendations in the residential sector

The residential housing market shows a lot of promise in upcoming and increasing demand for timber cladding and I think the best way to approach the market is with a partnership with a few of the leading timber cladding specialists. I feel that the most desirable partners would be the most visible cladding specialists from making online searches since the results from the interview show that customers are becoming more aware and also making choices themselves rather than relying solely on their architect or contractor to make brand choices for them.

It would be beneficial for Siparila to optimize their website to appear in searches made on Google UK but this would take a lot of capital in advertising costs. I think it
even more important and a cheaper option to choose a highly visible partner that can display Siparila’s products on their own website.

I also feel that Siparila should pursue partnerships with general builder’s merchants and timber merchants as well since they have the capacity to stock large amounts of timber and even though they may lean towards cheaper lower grade timber for exterior cladding and not stock high grade stuff they would still be a viable option for interior panels and moldings.

I think for the residential market tradesmen such as contractors, installers and carpenters should be a target of Siparila’s marketing activities since they have a lot of involvement in the residential buying process. It is not however a viable option to try to partner with them as distribution partners due to the sheer number of companies operating in the market.

The construction market is a very fragmented sector having more than 270,000 active enterprises and 186,000 contracting companies. Over ninety percent of the companies in contracting employ fewer than 10 workers. Almost 72,000 businesses operate as one man bands and fewer than 130 companies employ more than 600 people. (Construction Matters report, HCBEC, 2008)

**Recommendations in the industrial/commercial sector**

The industrial commercial sector also shows great promise and although it may take a lot more time for the revenue streams to start flowing than in the residential sector the sheer size of the potential due to large build projects is immense. My recommendations for Siparila to enter the sector are to initially approach the top three or four builder’s merchants and try to negotiate a suitable distribution partnership hopefully for the whole product range but according to the procurement manager they may only stock generic products so they may be reluctant to keep stock of the more specialized cladding until regular orders are being made.

The main four merchants to consider are:
The second suggestion is in regards to marketing and particularly targeting architects and professionals taking part in the decision making processes, I feel that Siparila can take advantage of free marketing tools here in the form of social media sites such as LinkedIn, Pinterest, Facebook, blogging and others. I think LinkedIn may be one of the most useful tools for Siparila to utilize since there are many different marketing functions that can be performed and many ways in which it can be used for B2B marketing purposes.

LinkedIn is a useful tool for finding leads and contact information since you can find information as to who works for which company and their role and job title so it helps you to connect with the right people. Another useful tool for marketing is the ability to join groups relevant to your industry, actively participating in groups and discussions and sharing content such as company and industry news, helps to build your company profile and online presence. Siparila should join groups of interest to architects and other construction professionals as well as timber related and cladding related groups and post content as well as join in discussions.

**Recommendations in the public sector**

My advice at this time when considering the public sector is to wait and see what happens when the new procurement system is put into place before actively embarking on any marketing activities or trying to build relationships with any professionals in the sector since the way in which the sector behaves is likely to change rapidly once the new legislation is in place.

Actively pursuing the residential and industrial sectors however will put Siparila in a good place to pursue the public sector at a later date especially if they can establish good relations with distributors prepared to keep stock of their products. It is also
likely that when the public sector takes on a job using cladding they will ultimately, either buy from a merchant or cladding specialist in the end regardless of the procurement method chosen.

6.2 Future research
One of the aims of this research was to establish the buying behavior of consumers since I feel it is essential to understand how and when your customers want to buy to be able to provide real value to the consumer. This research gives some insight into the buying process through the eyes of some professional trade’s people in the construction sector but lacks input from the perspectives of consumers.

I feel it would also be very valuable to follow up this research with some form of customer attitudes study. This could be in the form of a focus group with end users from each sector that have undergone the process of purchasing cladding in the UK or in the form of a questionnaire surveying property owners or property buyers.

I feel a focus group approach with consumers that have had experience of the buying process of cladding would be ideal since it could be found out how they came to make the decision on which brand was chosen and how they made the purchase decision and which parties had an influence on said decision. Making a questionnaire of potential customers would also be invaluable but would need a much larger and carefully chosen sample, since it could be considered that anyone with the intention of buying a property or undertaking work on a property could be essentially a potential customer. But the market for timber cladding in the UK is a niche market so I feel some careful planning is in order to select a suitable target sample for a questionnaire and property type plays a significant role because not all building types are suitable for cladding. I also feel that some further future research should be made into public sector procurement once there is a best practice of procurement in motion and the new legislation is running smoothly and the professionals involved are fully used to the new processes.
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APPENDICES

Appendix 1: Residential interview

A: Hi and thanks a lot for agreeing to help me

B: No problem

A: As we talked about before I am conducting research for my bachelor’s thesis which is being done for a Finnish timber cladding supplier.

B: Oh right so you’re doing it for an actual company?

A: Yes, that’s not a problem for you is it?

B: No not at all just didn’t realize these were done for companies.

B: My son recently did his dissertation or thesis and he did some independent research for himself on a subject that was in his field.

A: Yes I think it is quite a recent thing in my university that we have to make specifically for a company.

B: Ok so let’s get down to it, what do you want to ask about?

A: Do you mind firstly giving a brief description of your working background in the building trade like some past experience up until starting your own company?

B: Ok let me think, I started my own company some ten years ago. Before that I have been a bricklayer, builder and handyman. As well as starting out as a builders laborer when I was a teenager.
A: Ok great, and would you describe yourself as a building contractor?

B: I would describe myself as a planner, manager, a negitiator and a man that wears many hats but yes my job title is building contractor or general contractor.

A: Do you have much experience in working with timber cladding?

B: Not hands on experience if you mean physically fitting the stuff, but if you mean generally as a material used on my sites then yes.

A: Yes I meant the latter.

A: What I’m trying to find out is who the decision makers are when it comes to choosing the type of cladding or actual brand and where it is sourced from.

B: Well the final decision maker is always the customer when it comes to the brand but the level of involvement in the decision making varies, it’s a tough question to answer simply.

A: Shall I try to reword the question?

B: For example there’s a chap I do quite a bit of odds and ends of work for who buys houses on the cheap, does them up and then sells them on and he often revamps the exteriors of the houses and likes to use a bit of cladding.

B: This guy and his wife do as much of the labor as they can themselves and I send in my guys to do the electrics, plumbing, foundations for extensions and basically any of the skilled work that needs to be signed off on. Anyhow they source the timber themselves from builder’s merchants and use my chippies, (carpenters), for the installation and then they prime and finish the wood themselves.
A: Ok that’s great info thanks a lot.

B: In the past I think there was a lot less customer awareness and involvement but I’m finding nowadays that customers are doing their homework and want to have more influence on the brand choice.

A: Yes it’s much easier to do your homework nowadays in the internet age.

B: Yes exactly.

A: What kind of quality is the timber cladding they buy from the merchants?

A: I mean the couple you mentioned just now.

B: Well with cladding you have options and you get what you pay for, these guys buy on the cheap but the labor is much more time consuming as all the wood needs to be finished after it is installed and will need to be regularly maintained.

B: The other option is to use the specialists with higher grade pre finished cladding which will cost a lot more but requires very little maintenance and lasts a hell of a lot longer.

A: Have you been involved in builds using pre finished cladding?

B: Yes I have and that is my preferable option as I am always working to a deadline. It’s always down to the customer’s final choice and what they want but wherever possible I do recommend the higher grade stuff as it’s more often than not the cheaper option over a long period of time as it is so much more long lasting.
B: A lot also depends on the wood species, softwood versus hardwood and the type of finish.

A: What are the most popular species or what species have you worked with most?

B: Red cedar, Spruce, Oak, Larch I have worked with many, chestnut also. I would hazard a guess that Red cedar is probably the most common species in England.

B: Used for cladding I mean, not talking about forests.

A: Haha

B: So do you need to ask about anything else or are we nearly done here?

A: I think we are basically done and thanks a lot again for your help, you have helped me out an awful lot.

B: Glad to be of help.

A: Can I ask one more thing?

B: Yes ask away.

A: Just thinking how to word it, sorry I know you are busy. What kind of demand is there for timber cladding in England in your opinion?

A: And finally what distribution method would you advise to a Finnish timber cladding supplier to enter the UK market? Would you suggest builder’s merchants or cladding specialists?
B: First question: I think the demand is increasing and timber cladding is becoming ever more popular but it is definitely not one of the most commonly used exterior finishes compared to more traditional types.

B: Second question: Well they can try builder’s merchants and timber merchants as well as the cladding specialists. If we’re talking about the higher grade cladding I suggest going through the route of a cladding specialist but there are a few things to consider.

For instance some but my guess only a few will only work with material grown in the UK. Many may import raw timber and process and finish the wood themselves so may not want to purchase ready cladding, but my guess is there are a lot of them that import cladding from elsewhere and handle the installation side of things.

B: Does that answer all your questions?

A: Yes that’s great, thanks again and I will let you go now, take care and all the best.

B: And you bud take care and good luck with the work and glad to be of some help.

A: Bye

Appendix 2: Industrial/Commercial interview 1

B: Hi are you there?

A: Yes I’m here, how are you?

B: Busy busy.
A: Ok so if I start by getting a brief background of your work history in the construction industry.

B: Ok give me 5 minutes it will probably be easiest if I get my CV and show you from there.

A: Ok cool.

B: I’m back.

A: Hi.

B: Ok so education and courses construction orientated, ONC in construction engineering, HNC in building, Law and building economics.

B: Queens Award for Technical Achievement involving “Dry Envelope” construction techniques for Industrial and residential buildings.

B: Electronics and electrical Engineering at Southampton Solent University, with Diploma achieved in Mathematics, Computing, Physics, Electronic Engineering.

B: Still with me?

A: Yes I’m here, just reading through your achievements.

B: Certificate in instructor training and occupational health and safety.
B: Then I was appointed as Examinations Assessor – City and Guilds of London Institute, also Qualified Lift Tester in accordance with BS 5655 1986 and EN81.1/2 1985.

A: BS stands for British Standard doesn’t it? I guess some kind of building legislation?

B: British Standards are localized version of European Standards. Basically they are the same. I deal with several Directives and Standards including Construction Products Directive.

B: Information Mapping Training, Information Manager End User Training and many other courses should I keep going on?

A: No that’s fine that is already loads of info thanks a lot.

B: Ok moving onto work history, I had a small building services company for a short while then worked as an Estimator – building and structural steelwork, Estimator/Quantity Surveyor/Building system design – structural steelwork, concrete, curtain walling and doors for large building.

B: Still some more to come hang on.

A: No worries.

B: Contracts Manager and Estimator (Structural Steelwork and general Mechanical Engineering) Training Instructor and Health and Safety Adviser, machinery and control trouble shooting and field support, Site Management and supervision including work with risk analysis.

B: I then worked as a Development Engineer and developed the prototype scaffold-free elevator installation method using powered hoist.
B: Then moved into consulting. Consultant – Risk Management, working methods, safety technical writing and editing.

B: Then finally my current position is Senior Consultant - Technology, Safety and Risk Management.

B: I have also worked on and developed a huge number of patents, I think I can list most of the older ones, Do you also need to know the all the building legislations and directives I am familiar with.

A: This is great what you have given so far already I think that’s enough to give me a good understanding of the work background. I think it’s not necessary to list patents or legislations.

A: If I have any questions later about particular building standards is it ok to email you and ask about them? There is one new BS standard affecting procurement in the public sector which I think is going to be very relevant to my case company but I guess I don’t need a list of all the ones you are familiar with at the moment.

B: Yeps that’s fine if you want to email me later if you have any questions.

A: Ok so I mainly want to take advantage of your knowledge of the way the commercial/industrial sector works.

A: I particularly want to know about who the decision makers are when it comes to procurement and who chooses which products are used so I will ask a few questions now if thats ok?

B: Yes ok.

A: how much input does the customer usually have in sourcing materials and particularly who to source the materials from?
B: Ok this is about 50/50 depending on the influence of the architect. Local government planning departments also have a major influence in most countries.

A: Right.

B: Most industrial buildings are pre-engineered with a view to fast and relatively simple installation on site. There are packages available where all the structural elements (steel concrete, wood) are packed together following the actual installation process. This is basically about money and time, with a view to finish the work within budget and on schedule.

A: Ok so who are usually the decision makers and most influential parties when it comes to choosing the exact product or brand to use on a build?

B: I would also say it would be a combination of (depending on the job specs and who the customer is) Architects, customer, supplier partnerships and planning department. Typically with the larger projects these are agreed during planning stages typically 1 or 2 years before start.

A: Ok thanks that’s interesting

A: Do you have much experience of timber cladding and is there a large demand in the industrial sector?

B: Ok if we are talking about exterior cladding then in my experience for most industrial work external cladding can be a combination of PVC coated steel, aluminum and glass – glass is typically in the form of curtain walling which is also pre-engineered.

B: But talking about the demand for timber cladding I think that in industrial cases pre-engineered timber panels are not widely used on exteriors but rather on the interior cladding. This however in itself can be a huge potential market.

B: Is this helpful or are you only concerned with exterior cladding?
A: Yes this is very helpful and although I have mentioned more about exterior cladding the case company produces both exterior and interior paneling as well as skirting boards/moldings.

B: Good good, Depending on the build Interior cladding can often have a lot more potential than exterior if we consider the square meter-age per building, particularly in buildings with many floors and rooms.

A: Yes that’s an interesting thought.

B: If we go back to exterior paneling, Timber cladding was used a lot with agricultural buildings (erroneously called Yorkshire Boarding in the UK) but this was mostly in my day just rough sawn and treated timber.

B: If I think back to when I was working with timber cladding it was processed usually by Tanalising or other pressure impregnation method but I guess I am getting really out of date now.

B: I have to pack up and get ready to leave now I still have some stops to make on the way home, do you need to pick this up again at a later date or was this ok for you?

A: Thanks so much for your time and sorry I didn’t expect this to take so long. This was very interesting and helpful and I think I have asked all the questions I needed to.

A: I was very intrigued to get a glimpse into your CV, you have done an awful lot of interesting jobs and impressive educational background, Thanks a lot again and take care.

B: No prob

Appendix 3: Industrial/Commercial interview 2
A: Hello.

B: Hi John how are you?

A: Very well thanks, you?

B: I’m great, so you wanted to ask a bit about my work in procurement?

A: Yes please.

A: I’m really interested to know who your main suppliers used to be in regards to timber.

B: In summary the market is dominated by three – four main players. Jewson. Travis Perkins. Wolseley Group which own Builder Center etc, and then to a lesser extent Keyline.

B: You can check up on their market shares and size of the firms from their websites but I would say the first three are the biggest and all four were my main suppliers for general building materials.

B: There are also local and regional suppliers dotted across the UK but they are small compared to those I just mentioned.

A: Ok great, did you often buy from the local suppliers as well or just from the biggest ones?

B: Yes but depending on the nature and size of the work being carried out.

A: Can you name any of the regional players.
B: Um of the top of my head, Rigdeons in the east and Elliotts in the south but as I said these are small compared to the first few.

A: Oh yes and can I quickly ask about your job title when you were responsible for sourcing materials?

B: Ian White, MCIPS, Procurement manager in construction and civil engineering.

B: Ok so tell me a bit more about your project, you mentioned you are writing your thesis for a Finnish timber company that make among other things cladding right?

A: Yes the case company is called Siparila and they specialize in quality surface finished timber cladding and wood processing. They sell exterior cladding as well as interior cladding and mouldings. They have also produced furniture for Ikea in the past.

A: My main aim for the project is to establish the demand for their products in the UK and to help them to form their market entry strategy.

B: Ok that’s what I gathered from the background info I got in your email.

B: Those three-four main players I mentioned are intermediaries, I’m sure they do buy some stuff straight from the manufacturers but they will also put a lot of their trade through big importers such as Montague Meyer who specialize in hardwoods or sheet materials.

B: In regards to the question of market entry to the industrial sector, it depends what strategy Siparila choose. Do they intend to supply materials that are generic like sawn & planed timber, mouldings etc? Or do they want to provide something special like Thermowood see

B: [http://www.metsawood.co.uk/products/exteriorcladdings/Pages/ThermoWood.aspx](http://www.metsawood.co.uk/products/exteriorcladdings/Pages/ThermoWood.aspx)

A: Yes of course I know Metsa, and Thermowood is steam treated timber with very low moisture content right?
B: Metsa is probably biggest competitor for them?

A: Yes.

A: Well I would say that they fit into both category’s there since they have something special in their pre-treated ready to use exterior cladding that does not require any kind of finishing after installation, but they can also supply more basic products such as panels, mouldings and semi-finished cladding which could be considered generic.

B: Ok so the strategy with generic materials is to pitch in with the aforesaid firms and compete on price and quality, but they will need to engage with buyers to create the demand for their specific products.

A: Ok thanks

B: Then with the more specialized pre finished timber they need to take a niche or technological strategy by getting their products specified in building designs. A surefire way of doing this is engaging with architects.

A: So would the architect name the actual brand to be used on the building plan?

B: Yes, so if Siparila can get an architect to use its product and specifically name it as the material to be used (and so shown on the approved drawing plans) then it will, once the plans are approved and contracts awarded to main/sub contractors, eventually get an order to supply.

B: It will nonetheless need to set its pricing strategy to be appropriate against alternates, say Western Red Cedar, Siberian Larch etc.

A: So in regards to the second strategy what would you suggest in the way of supplier partnerships?
B: The merchants above are still of use, if Siparila partnered with two or more of those as an agent or stockist then that makes its product available to contractors. Who would be based on terms, distribution points etc.

A: Ok great thanks for your help this has been very useful.

B: Is this enough now or do you need any more? If the latter I suggest I call you later by phone and we can discuss as I have to run some errands now and am a bit fed up of typing?

A: This is great as it is thanks and I really appreciate your help and time.

A: Take care and all the best.

B: You too John.

A: Bye