Petri Perta

Market Segmentation for Oy Telpak Ab

Metropolia University of Applied Sciences
Master of Business Administration
Business Informatics
Master’s thesis
23.9.2019
The objective of this Master’s thesis was to create market segmentation for Oy Telpak Ab, which was acquired by Optigroup in the beginning of 2018. The goal of the market segmentation was to help the company to gain a better understanding of the served markets and customer groups, as well as find growth opportunities. Market segmentation was intended to work as base for many other future development steps.

The research approach was both qualitative and quantitative. Gathering necessary background information was based on analyzing company data, interviews, buying relevant information about served customers and literature review. The actual market segmentation was done in three phases: data collection, analysis and adjustments followed by conclusions. Based on the previously mentioned steps, a market segmentation model and some initial analysis try-outs were created. It became obvious that handling the vast amount of information in different Excel files leaves a room for error.

The model created in the thesis focused on presenting examples of the analysis that can be conducted as the segmentation will be implemented. As Telpak has thousands of customers that need to be segmented, the actual final analysis will be much easier and reliable to do, when the created model will be implemented to the current IT-systems. The company needs a good data handling system to be able to have reliable analysis going on. The generated data will most likely affect the strategy work, operational planning and, in the end, the service that the customer will receive.

Market segmentation gives a good basis for overall business development, especially marketing. Without understanding the market segments the company is serving, it is very difficult to promote the products and communicate efficiently to the customers. Telpak has analyzed the past sales events, but the market segmentation turns the sight more to the future. Better customer insight helps in decision making and leads to more calculated decisions.

As a result of this study, it is easier for Telpak to create a solid business plan to support the next sales and marketing development steps and to tie found opportunities as part of the future strategy. The work has just started and closer look to customer behavior and analysis will be done later. For example, positioning and targeting will be done as the next steps towards better customer service.
## Contents

Abstract

Table of Contents

1 Introduction

1.1 Overview  
1.2 Business Challenge  
1.4 Objective  
1.5 Key terms and concepts  
1.6 Thesis outline and anticipated thesis outcome  

2 Research design

2.1 Research approach  
2.2 Research design  
2.3 Data Collection and Analysis  
2.4 Validity and reliability  

3 Conceptual framework

3.1 What is market segmentation?  
3.2 Why market segmentation matters?  
3.3 Advantages of market segmentation  
3.4 Market segmentation process and model formation  
3.4.3 Segmenting  
3.4.4 Targeting  
3.5 Chosen market segmentation model and criteria  

4 Current state analysis (CSA)

4.1 Strategy; vision and mission  
4.2 Tools and technology  
4.3 Data management  
4.4 Organization and people  
4.5 Processes  
4.6 Current situation with market segmentation  
4.7 Summary / SWOT  

5 Building the proposal

5.1 Defining served markets and understanding created value  
5.1.1 With who Telpak wants to do the business with?  
5.1.2 What does Telpak want to sell and where should the focus be?  

---

metropolia.fi/en
5.1.3 Telpak should understand customers worldview more precisely 51
5.2 Defining Telpak market segments 51
5.2.1 Defining Telpak market segments, first phase 54
5.2.2 Defining Telpak market segments, second phase 58
5.2.3 Defining Telpak market segments, third phase 63
5.3 Targeting: Market segment attractiveness and selection 68
5.4 Determine value propositions for each segment 70
5.5 Targeting market segments 71
1. Undifferentiated Marketing 72
2. Differentiated Marketing (case Telpak in the future) 72
3. Concentrated Marketing 72
4. Micro Marketing 73
5.6 Positioning market segments 73
5.7 Summary 74
6 Validation of market segmentation 75
6.1 Validation overview 75
6.2 Sales team validation 76
6.3 Management team validation 76
6.4 Implementation work 77
6.5 Implementation road map 78
7 Discussion and Conclusion 79
7.1 Summary 79
7.2 Practical implications and future direction 85
7.3.2 Reflection and afterword 88

Appendices

Appendix 1. Data collection plan

Appendix 2. Base questions for current state analyses (CSA)

Appendix 3. CSA summary
1 Introduction

1.1 Overview

Small improvements can have a big significance. The Telpak slogan gives a good starting point to this study. Market segmentation might feel quite simple and basic thing, but when a company of Telpak size does not have it, it can be easily claimed that with this relatively small improvement the company will take some steps forward.

According to Weinstein market segmentation strategy can help companies to serve customers better and to gain competitive edge. Some of the objectives might be to serve the customers better, differentiate product offering and to better communicate with the customers. By doing mass marketing all the above can be achieved but the likelihood of succeeding with markets segmented is much higher. ‘An undifferentiated strategy is the shotgun approach to marketing, while segmentation is the high-powered rifle’. (Weinstein, 2004)

Furthermore, through market segmentation the company will achieve better quality in business planning and strategy work. Segmentation will also give a good starting point for implementing marketing functions and customer relationship management (CRM) for company processes in the future.

1.2 Business Challenge

Oy Telpak Ab is serving great customer base of many thousands, but there is no market segmentation made yet. The company and its people do not really know exactly what markets or customer segments it is serving, how profitable these segments are, where is the future potential to grow, which products are used and sold in which segment. There is no information available in any of the company’s information technology (IT) -systems telling about the customers business. Big part of the knowledge about the customers is in the heads of salespeople or one must use search engine to find what kind of business the customer is running. Of course, sales history with some contact person can be found from enterprise resource planning (ERP) program, but otherwise there is not much information to be found. As a part of updating strategy and making operational plans in the future the company needs to have a better understanding of its customers and the value
of each market segment to be able to serve them better with right products and services. This study will work as a launch base for future development actions such as possible CRM implementation and creating marketing plan followed with actions.

How to better identify growth opportunities in Telpak? First you need to understand who your customers are and what opportunities lies in different customer groups. Where, who and how should you aim the main efforts? what market sectors are growing, and which might have some challenges. Today’s harsh competition it is difficult to survive if you do not know exactly who you are serving and how do you appeal in main market and customer groups. It is also impossible to market your products, if you do not know who you are marketing those for. Where is your company better than the competitors and why your customers are buying your products? Without saying it is obvious that different market segments value different things.

With limited resources the aiming for targets needs to be precise. As a rule of thumb, the company should prioritize actions to most lucrative market segments, customers and products (80/20 rule). Challenge is to build easy enough framework for market segmentation that will benefit the company in its strategy work for long term actions as well as help in everyday operations on the field.

Data management perspective is very important as the processed information needs to be available for everyone and it needs to be entered to the current IT-systems as well. Most likely some modification for IT-systems must be made and that must be considered while building the proposed market segmentation model for Telpak. From business intelligence (BI) and data management perspective the proposed market segmentation model must be easy enough to be updated on a yearly basis.

1.3. Case Company

Telpak has a long history going all the way back to 1908, being a part of Oy Telko Ab, a well-known Finnish company. In 2008, there was a management buyout and Oy Telpak Ab was formed. Today, Telpak as one of the market leaders in the Finnish packaging business, has 15 employees with turnover of around 17 million euros. According to Optigroup business plan the company is seen currently to hold #3 position in packaging wholesale.
The company’s main market is Finland, with additional export to the Nordics and Baltic countries. Telpak has its head office in city of Espoo and a warehouse in Vantaa. Telpak has a broad product portfolio covering everything from materials such as tapes, films, straps and corrugated, to wrapping machines and services.

Key factors to success: Telpak are the biggest importer of tape in all of Finland and even one of the biggest importers in the Nordics. The company sells a lot of private label tape and one big customer is K-Rauta with their do it yourself (DIY) stores in Finland, Sweden, Norway and the Baltics. Selling consumer products makes Telpak unique from their competitors, and the company has a strong retail concept including shelving solutions and solutions for shelf space optimization. (Optigroup, 2019.)

The most important customers (without having detailed research on the matter) for Telpak are retail stores, industrial manufacturing companies, construction related businesses and companies in the logistics industry. This information will be presented in more precise way after research of the matter has been concluded and market segments defined.

The key to success over the years has been the entrepreneurial spirit characterizing the company, a strong brand and most importantly the dedicated and highly competent staff.

Another key factor is excellent supplier relationships. Telpak has been in the market for a long time, resulting in long-lasting supplier relations with the best suppliers and strong brands on the market.

One key trend in today’s packaging business is sustainability which much be acknowledged. ‘Sustainability is a part of our concept where we constantly strive to help our customers to reduce their material consumption and costs. We are working together with our suppliers to find new and innovative ways to develop products into more sustainable versions’, says MD Jon Sundén. (Optigroup, 2019)

1.4 Objective

The objective of this study is to create a market segmentation model for Telpak followed by actual market segmentation. Market segmentation will help Telpak to update business strategy as it increases the knowledge of served customer groups, profitability in each
market segment, what products are sold in which segment, where the company is growing and where it should aim its main efforts. It will also help in marketing and pricing related decisions and implementing CRM one day as segmentation works as a basis for these many times. Furthermore, leading in a situation where processes will develop to serve customers even better. In addition, market segmentation should lead to better financial performance.

‘To deliver personalized experiences to customers, market segmentation is the key. It can provide insights into your customers behavior, habits, and preferences, allowing you to offer tailored marketing campaigns increasing your odds of success as well as improving your customers experience with tailored content.’ (Ganry, 2019)

The outcome of this study will be market segmentation based on the model created along the way for Telpak.

1.5 Key terms and concepts

‘Market segmentation assumes that different market segments require different marketing programs – that is, different offers, prices, promotion, distribution or some combination of marketing variables. Market segmentation is not only designed to identify the most profitable segments, but also to develop profiles of key segments in order to better understand their needs and purchase motivations.’ (Wikipedia, 2019)

Customer segmentation has many kinds of explanations. These explanations are mainly based for the factor for which purpose the segmentation is made for. ‘Customer segmentation is the process of dividing customers into groups based on common characteristics so companies can market to each group effectively and appropriately.’ (Shopify, 2019). In this thesis the focus of customer segmentation is to identify most profitable and strategically important ones and create a model how to serve these customer segments the best.

‘Business Intelligence (BI) refers to data produced by a company with an infrastructure that collects, stores and analyses data. Business intelligence includes data mining, performance and process analysis, and so on. Business intelligence takes all the data generated by a business and shows it in easy format that shows trends and works as a basis of management decisions.’ (Investopedia, 2019)
**ABC model**, 80/20 rule refers many times to a form of ABC Analysis. ABC Analysis is a thorough way of segmenting customers or products in easily distinguishable categories. The purpose is to secure that the company gets the best out of their resources available. (Tidd & Bessant, 2013)

‘ABC analysis is based on what is called the Pareto Principle, an economic principle created by the economist Vilfredo Pareto. The principle shows that there is an unequal relationship between your input and your output’. For example, a business might get 80% of its sales from only 20% of its customers. ‘ABC analysis is a great way to transform your data into actionable measurements that you can use to reduce overhead costs and drive profits’ (Tidd & Bessant, 2013)

1.6 Thesis outline and anticipated thesis outcome

The research was done by using both qualitative and quantitative research methods. Thesis work started by interviewing stakeholders and going through case studies to gain a general sense of a current situation and make general conclusions and hypotheses. Quantitative methods, mainly statistics analysis was used to verify which conclusions or hypotheses were true concerning the served markets.

Thesis outcome will be market segmentation model, where customers are segmented in groups based on the chosen criteria. Other found issues that could help to develop the business will be also presented along the way and summarized in the conclusions. The segmentation criteria’s will be presented first followed by actual segmentation that will be then validated by the management and sales team.

To make sure that the market segmentation results will be used, and information will be updated and analyzed in the future too, it must be agreed with management to establish a project to make necessary updates to current IT-systems. This guarantees that the real potential of market segmentation can be utilized in the future and even more detailed analysis and conclusions can be made using BI system.
2 Research design

How to explain research design and how it should be understood in this thesis work?

‘An analogy might help. When constructing a building there is no point ordering materials or setting critical dates for completion of project stages until we know what sort of building is being constructed. The first decision is whether we need a high-rise office building, a factory for manufacturing machinery, a school, a residential home or an apartment block. Until this is done, we cannot sketch a plan, obtain permits, work out a work schedule or order materials.’ (NUY, 2019)

Research design opens the research approach and structure as well as qualitative and quantitative techniques used in this study. An overview of data collection will be presented with validity reasoning. On this thesis research design is based on the gate model including data collection and outcomes.

2.1 Research approach

Used approach for the study is multimethod approach that uses both qualitative and quantitative research methods. The study started with deep interviews with stakeholders to understand the current situation better and to specify expected outcome. Actual segmentation part is constructed based on the quantitative research that leads to market segmentation. The outcome will be validated through qualitative interviews and reviews mainly with management. ‘Multimethod approach to evaluation can increase both the validity and the reliability of evaluation data’. (Dibb & Simkin, 2008) Carefully selected mix of data collection methods is likely to provide the best information.

**Mixed-method design**

![Mixed-method design](image)

*Figure 1. Mixed-method design used in this Thesis*
This research is done using the gate model and is constructed from seven gates as shown in figure 2 below.

Using the gate model gives a good frame for the thesis work starting from the business challenge followed by the objective and outcome. In gate 2 research design and table of contents are built. Gate 3 and 4 can be handled in desired order. In this Thesis work, existing knowledge was first studied, and conceptual frame was build followed by analyzing current state in Telpak. Gate 5 demonstrates built solution that is the outcome of the Thesis. The sixth gate will validate the proposal. Seventh gate will show actual market segmentation results followed by suggestions how to proceed with the market segmentation project in the future.

The study itself started by looking at the existing data and trying to create market segmentation model that will evolve throughout the thesis process. Hypothesis of the market segments served worked as a basis for the first segmentation models. Existing data about market and customer segmentation best practices was studied to better understand existing models and how to build Telpak market segmentation model. Also, Optigroup market segmentation model was benchmarked.
Open issues to be considered at this stage were the relevance of the data, accuracy and reliability, consistency, how the data can be compared, availability and quality of the data. Also, data management aspect had to be considered and how to update the data in the future. Discussions with Digia software company that maintains the Telpak IT-systems were also needed.

It is vital to have the data right as if it is incorrect the segmentation will provide wrong outcome and segmentation might fail to give the correct answers. The data should be collected from many sources, not to rely only one source. Firsthand data such as past sales which is a real interaction with customers should be used to get predictive analytics going on. Data that shows who the customers are, what they have purchased and what price should be evaluated. (Ganry, 2019)

Quantitative part of segmentation process started by listing all Telpak customers that exists in main ERP system Enterprise (EP). Total of 5411 customers was listed. The customer list was sent to Asiakastieto to be updated with required information. The list of 4639 customer contacts with additional information was then sent back to Telpak. This gave the understanding of the project size and valid customer contacts. (This also verified the fact that came up with initial discussions with management, that there are inconsistencies in our main ERP system. ERP system should be cleaned from incorrect information and updated.) The acquired information needed to be gone through multiple times with different BI systems and Excel to create the model that would be simple enough, but also would serve the best in Telpak future needs.

2.2 Research design

Business problem and objective of each step outcome is shown in the following chart that is based on the gate model. (Figure 3, next page)
Data 1. The first part of the research is literature review, where different models of market segmentation is being reviewed. Based on the findings the purpose is to create conceptual framework or model for Telpak market segmentation. On this conceptual frame it is described criteria used in market segmentation. These criteria were examined, and the most suitable ones were chosen for Telpak market segmentation model.

Conceptual framework for market segmentation is being gathered by interviews, quality manual, company reports, documents and accounts, Databases from ERP system and BI tool, Asiakastieto, books, websites and through Observations.

Key questions from existing knowledge are:

- What is market segmentation?
- Why does market segmentation matter?
- Advantages of market segmentation?
- How to create and define market segments?
  - Which criteria are suitable for evaluating Telpak customers?
  - How to combine these criteria’s pragmatically to evaluate customers?
• How to segment the markets?
  o Identifying segments
  o Target marketing strategy
  o Positioning

There are existing models designed for organizations to help in long- and short-term action planning and target setting. From these the most relevant information or market segmentation criteria are chosen to further study the best practices. After the existing knowledge has been studied, data collection for the current state are most likely precise and the interview questions and possible workshops can be formed based on relevant matters from existing frameworks or models. In the end interview questions were designed more towards examining the current situation in overall than specifically towards market segmentation. Because the subject was new for most of the people specific questions towards the market segmentation was left in very basic level.

**Data 2.** Current state analysis concentrates first to describe the overall business environment and Telpak position in the market. This will be followed by opening the reasons why the customer segmentation is the key for reviewing strategy, taking better care of the customers and recognizing future growth opportunities.

When reviewing all the gathered data, IT-systems must be taken under consideration and make sure the data can be also utilized by the systems. Data for making the current state analysis will be collected through interviewing stakeholders such as Telpak employees and management followed by organizing and analyzing collected information. Business intelligence tool (ClickView) will be used to gain understanding about customer buying behavior, products, prices and revenues related to customer potential. Also, other BI tools will be used to process and test the business data.

**Data 3.** ‘Market segmentation is based on a simple principle: customers differ and have diverse needs and buying behavior.’ (Dibb & Simkin, 2008) Organizations need to be able to satisfy their customers product and service needs. In ever changing business environment and customers’ expectations, the importance of understanding the markets and customer needs increases. ‘Evidence suggests that successful organizations routinely use segmentation principles to guide their marketing strategy’ (Dibb & Simkin, 2008)
Selected customers for analysis are the ones that have purchasing history in BI Click View from year 2017. (This list also consists the customers that had purchases on year 2016 and zero purchases at 2017). Almost 2000 potential customers listed in Telpak records were left outside of this study, because they had no purchases for the last two-year time (2017/-16). Handling total customer base will be done after “the segmentation model” has been implemented into the ERP and BI systems.

Market segmentation works as a starting point to have a clear view who are Telpak customers and which customer groups are the most interesting ones. Market segmentation must be seen also as a process that continues as it evolves. It must be done in certain steps as it takes a lot of time and efforts to handle quite big customer mass combined to the products and services sold to these segments.

‘Segmentation is the division of customers into smaller groups to identify the patterns of customer needs. This definition reveals only the result of the activity of market segmentation, which has to be achieved by required actions, each with coherent logic’ (Viselgaite & Mantas, 2011). When doing the actual segmentation work it is very important to have the criteria’s right.

If the customers bounce between different segments the benefits of the market segmentation might be lost. Within time some customers might be transferred to another segment, but customers should not bounce between segments too much. Most of the customers have a steady relationship with the company and should not fluctuate. If there is like a 50% membership churn in a year it will lead to lost money and insights. (Marcusa blog, 2019).

Segmentation algorithm must be applied to all customers and even extended to pure prospects and lost customers. Only this way the extra market potential can be fully found. Stakeholder department (salespeople) in Telpak must be tied to the process of verifying segmentation so that they get committed in the first place and understands the purpose behind market segmentation. If the company can get people involved for the process of segmenting the markets and customers, it will be much more likely to succeed. Market segmentation should be on the top of each salesperson mind and refreshing or rebuilding of the data should rise naturally as it provides information and direction to the operations.
Data 4. The actual first set of market segmentation criteria was decided with the management and the outcome must be validated through conversations with the salespeople. They are the ones "using" it at Telpak. Validation needs the support of the management and their responsibility is also to verify that IT-systems support new segmentation model.

The market segmentation results should lead the discussion about the chosen business strategies for short- and long-term action planning. The actual results what Telpak is aiming for with the market segmentation cannot be seen immediately. It is more like a process that will evolve on a yearly basis as the information gets more detailed. Market segmentation will be followed by closer customer segmentation. The overall long-term purpose is to build a model how each market and customer groups should be handled in the future.

2.3 Data Collection and Analysis

Data is being collected to get evidence for the best models available for creating market segmentation frame/model for Telpak. Building the model was a process that evolved as the thesis work progressed. Through many analysis and discussions about needed criteria that suits the best to Telpak operations final proposals were made and validation process could start. Data collection plan is shown in Appendix 1.

The work started by gathering customer data from Telpak ERP and BI systems and by buying validation for this data from Asiakastieto. Customer information of 5411 customers with name and VAT number was sent to Asiakastieto. On return Telpak got valid information of 4640 customers. This data was then merged with Telpak sales figures (Sales & margin) from year 2017. Further cleaning of the file was also needed because some occasional transactions with the suppliers were included. Data was cleaned and then further modified as agreed with management.

Before doing any profound analysis, some basic segmentation was done, and data was also analyzed to better define expected outcome. To keep segmentation very simple and to have the overall big picture cleared, new objective was defined by management consisting only 3 segments; business-to-business (B2B) that were wholesale resellers, business-to-consumer (B2C) that were retailers to individual customers and end customer (EC) that were different industrial customers. To be able to do this meant that the customer data needed to be gone through one by one looking the customer purchase
history. Given that products do also define, if the customer belongs to wholesale-, retail sector or is the industrial end user. One defining factor could be found from the customers purchasing volumes. Third and final factor for defining the right segment came from looking at the customers web pages to define their field of business. With all this in mind, it is easy to point out that this part of process was very time consuming. Going through more than 2600 customers one by one gave however quite detailed and accurate result even though that defining the market segments were partly based on assumptions at this point.

As the process continued and new analysis were made repeatedly, the results just got more accurate and the way to make the market segmentation also evolved as described later in this thesis.

2.4 Validity and reliability

Conceptual framework is based on going through the existing knowledge of the market and customer segmentation models and criteria from many sources. The framework is being modified by having several conversations with MD and salespeople to have the best suitable outcome for Telpak. All presented information can be tracked back to gathered data from existing knowledge, current state analysis- or face to face meeting notes. The outcome has been validated by Telpak management and sales team by reviewing the data. Reliability of data is high as it has been gone through by the sales team and management one by one.

In the future as the information will be entered to ERP and BI systems even more detailed and accurate conclusion can be made. As building the market segmentation model and doing actual market segmentation many interesting findings already arose, but were partly left out from the final conclusions, because of the sensitivity of the data. One must acknowledge that the main purpose of the work was in market segmentation even though that some other findings and conclusions will also be shown in this thesis.

3 Conceptual framework

Wikipedia states that ‘a conceptual framework is an analytical tool with several variations and contexts. It can be applied in different categories of work where an overall picture is needed. It is used to make conceptual distinctions and organize ideas. Strong
conceptual frameworks capture something real and do this in a way that is easy to remember and apply.’ (Wikipedia, 2019)

3.1 What is market segmentation?

There are many ways to describe market segmentation and below are just a few descriptions. Authors favorite description is number 3 as it describes the best Telpak situation.

1. ‘Market segmentation is a theoretical marketing concept involving artificial groupings of consumers constructed to help managers design and target their strategies’ (Wedel & Kamakura, 1998).

2. Segmenting a market is differentiating customers from mass market to smaller groups of customers who share the similar product or service needs and buying behavior for example. This way the company can establish target markets that will serve them as they do marketing activities. It is easier to communicate with the group of customers who share the same product or service needs. This way the company establishes a target for their actions where they try to meet the target's preferences. Market segmentation also refers to explaining customer groups needs and requirements and their response to marketing actions. In market segmentation homogenous consumer markets are divided in certain proportion to more defined segments to be able to better understand customer needs and preferences. (Rizzi, 2019).

3. ‘Market segmentation is based on a simple principle: customers differ and have diverse needs and buying behavior’. (Dibb & Simkin, 2008) Customers want to choose the time and place, when and where they make their purchase decision. They also want to be offered products and services that fit to their requirements. Market segmentation collects the customers who have something in common about the way that they make purchases, or they have similar product needs. Good market segmentation understands both their customers and their way of acquiring the products. (Dibb & Simkin, 2008. p.4-5)

By Dannenberg and Zupancic (2009) ‘a sales team can only work efficiently and achieve its targets if it knows every customer’s potential and the extent to which that potential can be translated into sales revenue. If this is not the case, then valuable sales resources are wasted on the “trial and error method”.’ (Dannenberg & Zupancic, 2009)
It has become obvious to companies that it is impossible to appeal to all customers. Each customer is unique with their own needs and preferences. They all have own goals and interests that differ. Also, companies vary themselves in a way that they can serve customers with their products and services. It is important to understand where the company is strong and what markets it can serve most profitably, rather than trying to compete entire markets.

3.2 Why market segmentation matters?

Dividing markets into segments of customers with similar needs works as a basis for understanding the markets in the first place. To have a good profitable business depends heavily of the fact of understanding the needs of a customer. Customers have diverse needs that companies are trying to act upon to, meaning that the companies should provide the correct product and service combinations. Market segmentation works as a base of achieving these goals. (Dibb & Simkin, 2008. p.2)

Today’s competitive marketplace, it is not enough anymore just to have superior quality products or services. Business has gone global and there is a wide variety of companies, products and services available. Mass marketing can be said to be a distant memory. Companies need to know their target markets and aggressively attack to those. It is important to understand customers unique needs and requirements. Segmentation-based marketing is in the core of solid business strategy and value creation. (McDonald & Dunbar, 2012. p.3)

By Steenkamp and Hofstede (2002) ‘researchers have argued that growing global trading for many organizations – with the associated managerial complexity and increased demands on budgets – has made segmentation even more strategically important’.

In the heart of segmentation marketing is customer understanding. Customers should be given exactly what they want or may want and that way to build relationships. There are many tools that can be used like comarketing partners, communicating via highly targeted promotional media, event sponsorships, interactive Web sites, personalized e-mails, trade magazines/ shows, etc. (McDonald & Dunbar, 2012. p.4)

Succeeding in customer management requires close attention to customer’s requirements. For the purpose of handling the customers efficiently it is good to group like-minded who share the same expectations and behavior. (Dibb & Simkin, 2008. p.7)
3.3 Advantages of market segmentation

When market segmentation is used the right way, it helps to put the customer first, resources can be maximized, and the right marketing mix can be created. It helps to reason why the company is better than the rivals. Strategically, customer profitability will show up and it will be appraised as targeting to the most profitable ones. It helps the organization to decide where it wants to compete. Usually companies do not have enough resources to target every market segment, so some choices must be made. On a tactical point of view market segmentation process itself helps the companies to deepen customer understanding by getting knowledge of customers business, needs and expectations. In the end the company is able to develop better marketing programs that serve customer needs. (Dibb & Simkin, 2008. p.6)

An overview of Market segmentation by Weinstein, (2004) describes the benefits of segmentation the following way: 'The overall objective of using a market segmentation strategy is to improve your company`s competitive position and better serve the needs of your customer. By focusing in on areas that your firm can best serve, it is more likely to prosper'. Four major benefits are:

1. ‘Designing responsive products to meet the needs of the marketplace’:
   As looking closer to customer preferences that is part of segmentation analysis, the company lays the ground for developing marketing concept. This way the company puts the customer first and designs suitable product/service mix to fulfill the expectations of its aimed market segments.

2. ‘Determining effective and cost-efficient promotional strategies’:
   The company cannot communicate efficiently or build communication mix, If market segmentation as a planning tool has not been used. As identifying the segments and making analysis can be seen valuable in building a customer data base. Segmentation helps companies to target their campaigns to right medias. This also helps in providing the sales necessary background information that helps them to offer the right products and services.

3. ‘Evaluating market competition, in particular the company’s market position’: Competition is nowadays global as well as local and characterized to be
intense. By doing the market segmentation the company studies its market position compared to rivals, i.e., how the company is seen by the customers or potential customers.

4. ‘Segmentation research provides a competitive intelligence mechanism to assess how well your company compares to industry standards’. Lastly, making the analysis helps to detect market trends. (Weinstein, 2004)

3.4 Market segmentation process and model formation

There is no “correct” way to make market segmentation, although some models have been more widely adopted than others. Simple variables like organization, size, location and sector are used in business markets quite often due to the ease of finding the information. Segmentation experts point out that it would be good to consider the extent to which the segments are measurable, substantial, accessible, useful and stable. (Dibb & Simkin, 2008. p.10-11)

A company has two basic strategic choices: (1) to segment the market or (2) to treat the entire market as potential customers for its goods or services. This latter option means that the company uses an undifferentiated marketing strategy. There are few (if any) companies that can benefit from this approach’. (Weinstein, 2004. p.7).

When going deeper in market segmentation process, it is good to lay the foundation to the hole marketing process since segmentation aims for it. It is good to understand that by defining the criteria for segmentation and creating market segments, understanding the value produced more precisely and finally selecting target markets, we are just in a starting point in a marketing process described below figure 4. (McDonald & Wilson, 2011)
By Viselgaitė & Vilys (2011) ‘the crucial point about this process is that it is the very first “box” Define markets and understand value that determines whether marketing is successful or not’. Let us look at the subject matter of the first box in a little more detail.

First box of marketing process, “Define markets and understand value”, will commonly include:

- The corporate mission and objectives, which will determine which markets are of interest
- External data such as market research
- Internal data which flows from ongoing operations.

As is apparent in Figure 4, this stage of the process involves four major subprocesses, repeated here for convenience in Figure 5 next page.
3.4.1 Segmentation model formation

As already stated before, segmentation is the separation of buyers into smaller groups to identify the patterns of customer needs. This describes only the final result of market segmentation. To get this state one must first go through many actions with a good logic. The concept of segmentation is seen to be more as a result rather than a process of segmentation. ‘In summary, McDonald, M (2007); Paley, N. (2006); Harridge-March, S. (2008) and Strauss, R. (2009) listed the segmentation stages in the context of theory without obvious distinction but rather leaving the freedom for interpretation, so they could be adapted to each unique business case’. (Viselgaitė & Vilys, 2011) This is said to create conditions for numerous errors.

Segmentation is said to be one of the most demanding and difficult activity of the strategic marketing planning. It is hard to define in terms of algorithms. It is more often seen as indivisible activity in Segmentation, Targeting and Positioning (STP) process. In scientific literature STP process emphasizes the fact that these activities are made consistently. (Viselgaitė & Vilys, 2011)
Kotler, (2003) distinguishes only two phases of segmentation: Determining market segmentation principles and describing each market segment. Proceeding like this, the first phase can be significantly expanded and is susceptible to interpretation. (Viselgaitė & Vilys, 2011)

Baines, (2008) describes the stages of market segmentation so that marketing research has an impact on each stage. These authors point out the importance that marketing research and STP should be made continuously. When updating marketing strategy, it is also necessary to review market segmentation. Market information changes leads to new market segmentation where similar customers are grouped together. In every business, market segmentation criteria should be based on research. ‘The segmentation model designed by Baines, P. et al. (2008) is susceptible to interpretation’. (Viselgaitė & Vilys, 2011)

‘Because of the effect of all other stages of strategic marketing planning, segmentation, targeting and positioning are named to be the essence of planning’ (Gilligan & Wilson, 2009). This approach indicates profound understanding of strategic marketing planning where segmentation is seen to play important role from the very beginning when designing marketing functions. (Viselgaitė & Vilys, 2011)
These described three phases shows the very essence and detailed view of market segmentation process. Comparing segmentation stages provided by Gilligan, C. and Wilson, M. S. R. (2009) to the segmentation model by Sarabia, F. J. (1995) shows that the latter one is different by having some elements that impacts for the process itself and different phases of the strategic marketing planning levels (Viselgaitė & Vīlys, 2011)

In the view of the author, collecting information is dependent on human resources and time allocated in each company. It also comes to the management support for the project and determining goals together. The next stage – segment creation – is implemented through quantitative marketing research (Internal BI information and Asiakastieto data) in this model that suits for Telpak purposes the best. After this activity the market segments are described, evaluated and modified to reach the best result. Marketing strategy defines in this case market segment selection and positioning. (Viselgaitė & Vīlys, 2011)

3.4.2 Segmentation STP

Segmenting, targeting, and positioning are the three stages that are usually used in segmentation process. It is assumed in market segmentation that markets differ and requires different marketing programs, that takes into account prices, promotion, distribution or some other marketing variables.
Key segment profiles will be developed to understand better their purchase criteria and needs. It is not all about finding the most profitable segments. Marketing strategy development and planning should use the insights generated in segmentation analysis. **Segmentation → Targeting → Positioning** is used by many marketers as it provides framework for marketing planning objectives. Markets are segmented into one or more segments; some segments are chosen to be targeted and products and services are positioned in a way that they appeal to customers. (Viselgaitė & Vilys, 2011)

![Figure 8. STP process](image)

3.4.3 Segmenting

The process starts by identifying segments in chosen market. Segmentation variables or base variables as they are sometimes called — are used to group business customers into segments. Main criteria are that the customers that are placed in the same segment have a similar need and buying behavior. If there is a difference in needs and behavior customer should not be placed in the same market segment. (Dibb & Simkin, 2008: p.8)

Base variables can be divided into two categories; they either relate to the profile of customers, or the way that product is being used or consumed. The difference in base variables of business-to-business compared to consumer markets, should be also recognized. Customer profile bases in consumer markets include the age, gender, and demographic profile of customers. Also, consumer’s personality, motives, and lifestyle are also sometimes used. (Dibb & Simkin, 2008: p.8)

**In business-to-business markets (B2B),** customer profile bases include industry sector, size, location, and product usage for example. To define market segments, single variable or some combination of base variables might be applied.
Data handling technology- IT systems and programs – has improved so much, that it is much easier for the organizations to manage and analyze customer data. It is very normal that companies record a wide variety of customer information. Due to this fact it is much easier to use a greater number of variables for segmentation purposes than in the past. (Dibb & Simkin, 2008: p.8-9)

By Dibb and Simkin, (2008) once the segments have been identified, organizations consider whether they can do more to profile these segments and the customers they contain. This involves looking for anything else that is distinctive about the customers that might influence their needs and buying patterns. Some marketers describe this by saying that they are using descript or variables to help with profiling the segment. Having this kind of excellent understanding of customers is at the heart of good segmentation practice. There cannot be said to be only one “correct” way to segment a market.

One should keep in mind the following criteria’s as developing segments:

<table>
<thead>
<tr>
<th>Usefulness</th>
<th>Measurability</th>
<th>Accessibility</th>
<th>Substantiality</th>
<th>Stability</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Obvious benefits for the organization</td>
<td>• Possibility to measure the segment</td>
<td>• Cost-efficient marketing program can be developed</td>
<td>• Importance of the segment that justifies marketing activities</td>
<td>• Segment is stable in the short, medium or long-term</td>
</tr>
<tr>
<td>• Clarity where the organization stands</td>
<td>• Recognizing market potential</td>
<td>• Ability to reach target markets</td>
<td></td>
<td>• Stability helps organizations judge the segment’s viability over time</td>
</tr>
</tbody>
</table>

*Figure 9. Modified market segment development criteria based on Viselgaitė & Vilys, (2011)*

The more of the above-mentioned criteria’s can be filled the more likely the segmentation is to succeed.

By Oxford college of marketing ‘B2B markets are typically segmented into 5 following variable groups; Demographics, operating variables, purchasing approaches, situational factors and personal characteristics.’ From these the two first ones are chosen to create Telpak model.

3.4.4 Targeting

The targeting stage means making decisions which way to aim the resources. Many companies lack resources or it is not seen as a good business practice to target all the available segments.
Marketing segmentation process needs a proper time and effort as even most innovative segmentation schemes will fail unless the process is done well. It needs to be carefully evaluated and decided where sales and marketing should focus their efforts. Inside targeting process companies must consider the attractiveness of segment opportunities compared to the resources that are available. Product factors, competitive environment and company capabilities and resources must be evaluated systematically.

When completing the process, the company has established its target markets. (Dibb & Simkin, 2008. p.12)

When making the targeting decisions two questions should be answered:

- How many segments should be targeted?
- Which are the right segments to be targeted?

When answering the first question corporate strategy must be considered as well as how the markets are developing, competition, product portfolio, resources, financial situation, stakeholder requirements, brand, customers expectations and what competitors are doing. The answer to the second question relies to looking and evaluating segments attractiveness as well as all available market segment possibilities. (Dibb & Simkin, 2008)

The Number of Segments to Target: The Targeting Strategy

There are several options in terms of the broad targeting strategy that can be adopted. The organization can choose to adopt either a differentiated or undifferentiated approach to the market. Following an undifferentiated route that is also sometimes called mass marketing.

1. Mass Marketing Strategy

In mass marketing strategy the company offers a single product or service -(concept) to most of the market covering all different market segments. If it is seen that the difference in customer needs are minor or buying behavior is close enough the approach can be used. Sometimes the company might lack the resources to target segments separately and poor understanding of the benefits of market segmentation might lead to this situation. There can be said to be resource benefits in undifferentiated approach but in practice there is hardly any evidence to support this approach. Marketing programs can be
too broad to appeal in the first place to customers. Potential problem is also seen in a way that the product or service fails to satisfy the needs of a customer. This is currently where Telpak organization stands. The company falls to this category also because it has no marketing strategy or resources available. Some marketing efforts are made, but it is more of a general information about products available. (Dibb & Simkin, 2008)

2. Single-Segment Strategy

Marketing effort is focused on a single segment. In this model the company develops single product or service offering for carefully selected group of customers. In a company that has a limited resource, and they want to concentrate on their expertise designed in one area, this approach might bring some advantages. There is also risks, as putting all efforts in a single segment makes the company vulnerable if something happens to this segment. (Dibb & Simkin, 2008)

3. Multisegment Strategy

Multisegmented approach targets a different product or service concept to several different segments. This way the risk is spread, and this advantage makes multisegment approach widely adopted. If one segment declines hopefully there is another that grows. This approach would be good for Telpak as there is many interesting segments to serve. For companies with limited resources, costs of targeting can be high and sustaining the different target markets takes a lot of effort. (Dibb & Simkin, 2008)

Assessing Attractiveness: If broad targeting strategy is adopted the company must decide which market segment it will target first. Targeting decisions should be based on careful evaluation of the segments and companies’ capabilities. This segmentation phase is making the right decisions. Research evidence shows that there is relationship between market attractiveness and getting positive outcome as businesses succeed. (Chandler & Hanks, 1994; Weinstein, 2004).

The following areas are typically covered when deciding target markets and assessing attractiveness of each market segment.
Other way of looking at the attractiveness of each market segment is shown below.

3.4.5 Positioning

After segmentation and targeting the process continues with positioning. After identifying the segments and then selecting which to target, the company must consider propositions that has a real relevance to customers needs and buying behavior.
Positioning is the work of looking the characteristics of a product or service and the benefits that these offers compared to competitors. Products or services should have a clear and desirable place in the minds of those customers that are targeted. Positioning concentrates to establish and control the brand image generated in the minds of target segments customers. There certainly are benefits if positioning is done correctly. Economic theory shows advantages due to the relationship between differentiation and received profit margin. Great brand and product propositions will attract business customers and leave competitors and substitutes behind. This can lead to higher prices and enhanced profitability. (Dickson, 1994)

To succeed the product or service needs to have a clear, distinctive, and appealing position among targeted customers. Value proposition has to be defined and communicated and product/service must offer better value than the competitors offering. Unique selling proposition (USP) should be given enough attention as it gives the ground for positioning and separates company from its competitors.

When a company introduces a new product or service to the market, they should differentiate themselves from those that already exist in the market. Positioning combines company’s target market strategy and marketing programs developed. Product and service propositions should fit the needs of targeted customers fulfilling their expectations. The product or service should have features that are relevant to target segment such as expected customer service, good price or convenient distribution channels. There are several factors that affects positioning and practitioners making these activities should take these into account. Positioning a product, service or brand is affected by customers, offered product, service or brand itself, the company behind, competitors and overall market conditions.

How the target market sees the product, service or brand is at the heart of positioning. Marketers work hard to shape the perceptions and expectations of targeted consumers or business customers. These perceptions and expectations must be supported by the consumption experience.

‘Positioning maps - sometimes called perceptual maps - are often used to summarize the market segment and the relative positioning of products, brands, or companies within the segment.’ (Dibb & Simkin, 2008) These maps visually shows customers’ perceptions of product or brand offerings available to them. The technique is based on a variety of
mathematical and subjective approaches designed to summarize customer perceptions onto a "spatial map." The dimensions used for mapping must be identified through customer research. These dimensions, which are represented on the axes of the map, must be seen by customers as key product and marketing mix requirements. (Dibb & Simkin, 2008: p.18)

The ten steps for developing a positioning are as follows:

1. Identify and define the market segments in the chosen market.
2. Decide how many and which segment(s) to target. This involves analysis of available resources, corporate capabilities and segment attractiveness.
3. Make sure that the profile of customers in the target segment(s) is properly understood, carrying out further research if required.
4. Review the needs and expectations of customers in the target segment(s). Further research may be needed to build up a sufficiently detailed picture. Effective positioning often relates to how well the selected strategy relates to targeted customers’ requirements.
5. In conjunction with targeted customers, identify the competitive set and the relative attributes of these products or brands.
6. Develop a product or brand proposition that caters specifically to the needs and expectations of the customers in each target segment. Existing products or brands may be suitable.
7. Evaluate how customers in the target segments perceive the positioning and images of competing products or brands.
8. Consider where on a positioning map the product or brand should be positioned against competing propositions in order to satisfy the organization’s goals.
9. Select an image to support this desired positioning that sets the product or brand apart from competing offerings, ensuring a good fit with the aspirations of the targeted customers. Refer to the product or brand’s characteristics and customers’ perceptions of rivals when doing so. Make sure that the chosen positioning is credible to customers.
10. The chosen positioning must be communicated to customers in the target segment(s) using the promotional element of the marketing mix. The pricing and distribution parts of the mix must be also be consistent with the chosen position-
ing, so that target customers are offered a suitable product, which is appropriately promoted, available at the right price and through convenient channels of distribution’. (Dibb & Simkin, 2008)

Positioning paints the picture how the product or brand should be perceived by the target market. How the targeted consumers’ or business customers’ see things must be verified. Customers must be heard, and their perceptions should not be second-guessed when building positioning strategy. Part of positioning process is evaluation of competitors, those who has a relevance as an alternative supplier by targeted customers. The result of positioning must be seen attractive by the intended customers and realistic. (Dibb & Simkin, 2008)

The desired positioning is a conscious decision that must be executed. A set of actions must be agreed on in order to achieve the desired positioning. The desired positioning needs to be “translated” into relevant messages or propositions to affect targeted consumers or business customers. Change is confusing and costly.

The essential positioning requirement is to be informed by targeted consumers or business customers, establish the current positionings of the options (products/brands) available to these targeted customers, decide where the manager’s own product or brand should be positioned, then take the appropriate actions to establish such a desired positioning by manipulating the marketing mix. (Dibb & Simkin, 2008: p.24)
3.5 Chosen market segmentation model and criteria

As described earlier in this section there is many ways of doing market segmentation. STP algorithm (fig. 12) describes the way that Telpak market segmentation has been planned to be made. It all starts from management needs that has led to search of customer related information, so that market segments could be created. Two sources of information have been selected to be used to gather customer data and make sure that it is correct. Company own records and Asiakastieto verified data.

Creation of market segments will be done through using the quantitative methods as analyzing the gathered and available data in Excel and some BI systems. Some challenges were expected as it was obvious that data must be merged together from many sources.

Selected criteria’s for creating market segments are as follows. Demographics such as; industry segments, historic sales revenues and margin by segment/product/service and location. These will give the base understanding of served segments and leave room for future development steps as going deeper in analyzing purchasing approach, situational factors or personal characteristics of buyers.

Description of the market segments will be done in the end giving some indication of possible targeting and positioning decisions based on the findings along the way. In this Thesis the end is evaluation of the found issues along the way, so the work stays
inside segmentation research level. The purpose of this study is to create the base for future development steps that will also include marketing strategy level followed by real actions on the field.

4 Current state analysis (CSA)

For understanding the current situation, conversations and interviews were conducted with managing director and salespeople. Also, sales support personnel were interviewed to get their opinions. Telpak organization has only 15 people so everyone was interviewed. Current state questions can be found from appendix 1. Current state analysis was built to understand overall “big picture” and to find out what could be improved in the future (opportunities). Question dimensions were selected to understand better the challenges (weaknesses) that each dimension represent in relation to market segmentation. Also, company strengths were discussed and agreed with interviewed personnel. Especially Management recognizes the need of market segmentation as a base for future development projects. Market segmentation is also seen as one key element for understanding customer needs better and developing marketing functions. Summary of the CSA answers can be found from appendix 2. Current state analysis concentrates some of the key elements and topics in Telpak business to provide good background for the importance of doing the market segmentation work.

4.1 Strategy; vision and mission

The fourth industrial revolution is forcing businesses to rethink everything they know. Leading organizations behave as living entities, constantly adapting to change. With invention at their core, they continuously redesign their business to generate new sources of value. Winning is about fostering inventive thinking to create what comes next. (Cap Gemini, 2018) As Telpak is now discovering more deeply the market segments it is serving and maybe looks more to the future development steps, the following vision of CRM operations with AI behind, defined by Cap Gemini, could be presented as a starting point.
Artificial intelligence in CRM gives many possibilities to serve the customer in the way that the customer gets most value out of the service. Marketing can identify valuable leads by using internal and external data. By analyzing current and historic data marketing can tailor product bundles and discounts to maximize revenue. The products and services with most relevance to customer will be offered. AI can also give predictions about the next-best-actions and provide information of the most suitable solutions to service departments. Going even further, chatbots can already talk with customers. Technology is the key. (Garschagen, 2018)

So, having a view of what is already available and part of some bigger corporate’s way of working, it must be acknowledged that there are many opportunities just waiting the management to decide how to proceed and what direction. As figure 13 clearly indicates it all starts from target group identification that this Thesis aims for through market segmentation.

From the company records it can be found that already since 2005 the strategy has stated that the company needs to be best organized on its own field. The only way that this is possible is to have all operations well managed and right data behind decision making. The company has ISO 9001 quality and 14001 environment management systems in place which gives a good frame for the operations.

Telpak values include such things as working together, innovating actively and producing measured value for customers. Telpak mission is to develop packaging logistics,
transportation and storage applications for its clients. Telpak aims to offer best materials for construction, renovation and protection on its own field. The company tries to increase the sales and profits of its retail clients. To summarize Telpak aims to be the expert partner in packaging and protection. These statement leaves company’s reseller customers very little attention and in overall these statements might be somehow hard to remember.

Telpak vision is to be number one choice for environmentally friendly and effective solutions in packaging and protection. All these statements are not communicated efficiently for the customers and it can be said that these statements are also quite poorly recognized by own personnel. As the need for more environmentally friendly packaging solutions grows all the time, this should be included more visibly to the strategy and actions on the field. This would also mean more resources most likely or someone responsible of looking for environmentally friendly products and suppliers. Data management, communication channels and marketing should be also recognized as a part of the future strategy discussions.

In the core of the strategy are the following things: to be the best packaging solution partner for the customers, good product brands and total packaging and protection solutions, professional and motivated personnel, and efficient operations (logistics).

As having deeper conversations with the management following things revealed to the author. Optigroup has stated with Telpak Management the following strategy, targets and focus areas. The company should move from product and price to solution sales, create concepts around products, increase brand awareness and make sure that supply chain and internal processes are efficient. As having this conversation with management as building the market segmentation, it came obvious that these things are in place behind the scenes, but not communicated to the employees.

The outcome of interviews with employees made clear that stated strategy is not clear and cannot be really seen on daily operations. As the company is quite small in personnel the roles have been defined clearly and people concentrate to do their own tasks. Strategy, vision and mission related statements has been heard once entering to the company, but hardly anyone thinks what these statements mean in their own job. Strategy seems to get forgotten a long time ago by the employees and new owners’ strategy has not been yet communicated efficiently enough to be remembered.
Yearly budget is made with focus areas, but these are not either communicated efficiently to employees. Key focus areas consist sourcing, sales, supply chain and digitalization.

Also, digitalization strategy exists with action plan. Managing Director is being appointed as the key responsible person for two out of the three top opportunities. Number 1 opportunity which is analysis, development and enrollment of Master data has no responsible person appointed and it should be done already 2019. Resources for all these projects should be discussed internally and responsible person should be appointed to look after the actual development and implementation of these top 3 opportunities.

Additionally, it can be claimed that the company does not actively promote or market its products or brand, so company strategy cannot be seen either by the customers. When interviewing personnel, it became clear that Telpak strategy has not been discussed for a long time. One obvious reason behind is the fact that company was sold one and half years ago. It is also unclear for personnel what is the new owner’s strategy and possible future steps what comes to Telpak operations. From authors view it would be good to share more information (as it does exist) with employees.

Market segmentation will give the company better understanding of the customer groups served and some new direction for sales can be most likely defined. Going through the segmentation results with management and sales should lead to discussion about possible plans towards chosen customer segments. Most likely best suited direction for Telpak is multisegmented strategy that recognizes most interesting and rewording segments to serve. Market segmentation should support 2020 action planning and be included in possible strategy update. Future direction should be communicated among the employees so that everyone knows where the company is heading. Accordingly, vision and mission statements should be evaluated, updated and communicated within the company as well as to the customers.

By Harvard university blog - Turning Business Challenges into Opportunities
‘An existing business pivot is when you’ve been doing something successfully, but the world changes. Either customer demand, competitor behavior, technology, or cost structure. What you were doing used to work and doesn’t work anymore.’ Authors view
is that many companies are facing this, but lack the knowhow, resources or just understanding of how to change things. As all business professionals recognize the strategy plays significant role in succeeding.

Strategy analysis can be ended by the Jon Fay’s statement “Once you decide you need to make a change; how do you actually drive that change through the organization? This requires thinking about both the management model, which involves the systems, and the organizational model, which focuses on the corporate culture, norms, and behaviors.”

Management has indicated that the market has already changed and updating for the current operations should be made according plans.

4.2 Tools and technology

Telpak has tried to offer its sales personnel the best tools to handle customers. All salespeople have computers, tablets (with web shop option that has not been finalized or used now), good phones etc. However, one big challenge comes from the fact that each salesperson must take care of customer base that is quite big. Approx. 500 buying customers plus prospects (some have over 1000 customers specified). Salespeople have their “own” sales assistant to help handling the orders and give customer support. There are many opportunities to change the situation by just implementing new technologies and new sales channels as part of Telpak operations. Having for example a web shop and some analytics attached to that could help in handling the customer orders and to generate leads and give some forward-looking data, what are the interests of our customers.
It has been already 2014 stated in company documents to implement CRM. Many observations how to develop company has been acknowledged but actions are missing. (Authors view is that this is due to the human resources) The company has been running with current systems quite long and there is a room for development. From data management point of view there are some important tools or technologies that has not been implemented and exploited yet.

Looking at the fig. 14. and based on the interviews with sales and sales support one can argue that customer management process can be handled and Telpak results points out, that the company is operational as it also makes profitable business. It can be stated also that customer management process has many development opportunities.

On a yellow color in fig.14. it is shown that there are already things done on these sectors. Quite good sales and market intelligence tools can be found as well as some efforts has been made to build web shop application. Both functions need further development that should be accompanied by implementing CRM system and making sure that product information management (PIM) gets better. This is vital as the company is serving big wholesale and retail customers with increasing product information needs. Also, industrial customers need more precise information about Telpak products and where these products could be used and how.
To move forward towards described target state the company needs to acknowledge the importance of describing future sales and marketing operations and channels to be part of customer management process. As there are no one responsible of this now and there is no development role in the company, these already long time ago recognized challenges will not be fixed unless some changes will be made. To have a CRM, PIM or some new sales tools like web shop implemented, there needs to be internal resources, because it is quite complicated to totally outsource these functions.

Better data management and supportive systems would help each and everyone in the company to operate more effectively. The challenge is to “design” the needed systems, resources and implement new ways of operating, as we all know the difficulty of making changes. Now a lot of time is used for searching information and customer management is not in a level that it could be. Some obvious benefits are described in fig. 14. and just to point out a few: Sales and market intelligence could rise to a new level through new ways of operating accompanied with right tools and forward-looking analysis that could help the sales for better results. To have better tools is not the answer alone as these new systems needs to be implemented as a part of daily operations and there needs to be clear goals what the company is trying to establish and gain from these. The main concern and challenge might be the resources at this time.

4.3 Data management

Telpak is using Digia Enterprise as its main ERP system and ClickView as a BI reporting tool. These systems give a quite good data to make order, warehouse, quality, customer and sales related decisions, reporting and much more. Both systems however give a data looking for the history. There is no predictive systems or analysis in place. For example, “quotation database” is not analyzed to predict future sales. Quotations are saved in server which is not a very good way to operate these days. It can be reasonably argued that the salesperson has a view towards customer and what is happening, but that is it. Lot of customer related information is quite vulnerable because of this fact.

In other words, there are still big opportunities for development. Some of the key information is totally missing and decisions are based on the long history and knowing the markets. Strategic intelligence needs to have some hard evidence behind future decision making. This information needs to be made easy for Telpak people to access and find growth opportunities based on analyzed data. Through the interviews it came quite obvious that sales operations are not really supervised, data is not used efficiently to
support sales efforts, salespeople hope to have some leads generated for them, customer relationship management should be evaluated and some supportive systems (CRM/PIM) should be implemented. Product data needs a lot of work and in the end some clear targets and goals should be specified with action plans.

It is well understood that markets, clients and their needs, technology and basically everything is constantly changing. However, in the recent year or two there has not been many changes in the business (innovation/development vise), partly maybe because the owners knew that the company will be sold. That is at least part of the reason why for example current ERP-system has not been updated or CRM system has not been implemented even though that benefits has been recognized. This has created a risk of competitors to catch up or even take their business few steps ahead.

It is clearly seen in the company that data and technology collecting data is truly essential when driving growth to future business success! One main challenge lies in current master data which is not in order. Lot of customer or product related data is missing or incorrect. It also comes very much for the personnel and roles that are defined in the company. All operations are sales related leaving no one to really look after the development of the company’s supportive functions, like marketing related to sales. This can be seen from the organizational chart later (page 41).

There is no one person responsible for making sure that master data is ok. Sales support makes corrections to the data as they see something is not correct. The “old fashioned” ERP system also gets jammed daily, which creates unnecessary delay. Incorrect customer data became obvious as our customer list was sent to Asiakastieto and they made corrections and repaired the data. From the customer list containing 5400 contacts only 4500 came back verified to have the correct information.

Collecting data, reviewing and analyzing it leads to a good business decision based on the gathered data. This applies only if the master data is correct! interviews confirmed the observations made along the way that the master data must be repaired. This problem has been acknowledged by the management and action plan has been made to fix the problem next autumn.

Some competitors have already implemented web shop and mobile apps to support their sales efforts as well as marketing functions. On retail side this is quite normal already.
Based on my own experience, observations and interviews to support finding’s, it can be stated out, that some major changes must be made to move forward to fulfill customers today’s needs and expectations. Following chart gives an example of the complicated process that the company has just for giving the price on the phone. People do expect to get the answer when they call, and the problem can be said to be both data driven and operational.

![Diagram of customer service process on the phone]

**Figure 15. Example of complicated customer service process on the phone**

Some changes are needed to be able to serve customers faster with more reliable data. Today’s advanced IT-systems could reveal ordering patterns and products that certain customers are continuously using. As a salesperson it would be great to find customer purchase history from one place showing price and availability in the same place. In many cases we need to ask again and again delivery times from our procurement. Some “basic” delivery time information could be attached to certain product categories to give an indication right away how long it takes to manufacture on average.

By further developing data handling systems and processes the company would most likely speed up the customer service process, save everyone’s time and sell more. Telpak served 2066 buying customers on 2017 and 2054 buying customers on 2018. The yearly served customer amount has been quite the same for many years now. From these customers around 1500 bought less than 5k-euro worth of goods (in both years).
All this customer mass should be offered alternative channels like web shop option to order the goods. This would save the sales and sales assistants from many individual mails and calls giving more time to take care of the bigger customers. It would be totally different situation for sales to be given customer list of 100 customers to take care, than a list of 500 customers. Already mentally this has a huge impact. And of course, those biggest ones within this number of customers should be given most of the attention. To be able to really develop these “key customers” much more time should be allocated for the responsible person.

**Figure 16. Amount of customers 2017 / segmented purchase volume**

**Figure 17. Sales revenue euro / segmented purchase volume 2017**
To summarize the figures above it can be clearly seen that around 75% of the customers has quite small purchases (under 5k euro/year). They do give a lot of work and leave a little profit in the end. This is a data management challenge as well as focusing challenge. It relates to chosen operational model and lack of customer strategy. However, it is positive thing that the company has a such a wide customer base. One should just think how to serve these customers more efficiently and at least offer alternative channels to make the purchases. Strategically to serve a wide customer base gives a better foundation (or not so vulnerable) as just serving few big customers.

The company has developed smart tab application that basically is a web shop platform, but it has not been taken into real use. Few obstacles were found through the interviews. For those “old salespeople” who has been working a long time in the company change is seen unnecessary. They have operated “the old way” decades and it works for them. When taking the tablet (basically internal web shop) in use some operations like finishing the order through tablet could not be made. Salespeople needed to call to the office and tell that they have made an order through web shop application. Quickly it was forgotten and old way of operating continued.

One of the big obstacles behind going online (real web shop for customers) is the pricing issue that should be paid attention and some corrective actions should be taken. There is no general pricelists and prices are based very much for the volumes that the customers are buying and the overall sales history. In some cases, the prices also vary all the time based on the raw material price fluctuations. However, all this can be solved with today’s new data handling systems and by creating general pricelists for example.

Retail has already gone online and the wholesale will follow (many has already done this but there are still also many companies that haven’t). What comes to Telpak it is a strategical decision that needs to be taken and then it is very much up to arranging the needed resources. This would mean that the owners need to accept that the company is in a development phase and reduced operating profits must be accepted for some time period as resources (internal/external) needs to be acquired. As Thesis work progressed I had more detailed information from the MD and this fact has been already recognized and partly act accordingly.

From Data management point of view Telpak must also consider how the gathered market segmentation information can be entered to the current systems and be utilized and
updated in the future. All the changes or updates to the current systems are quite expensive and that is the reason why the company has not updated the systems for a while.

4.4 Organization and people

Because the company operates with small staff all operations are tied around buying and selling the products. There are 5 salespersons plus one technical sales support, 6 assistants looking after the customer orders, procure department has 2 people responsible of purchases and Managing Director that is responsible of company administration and development projects.

![Organizational chart]

*Figure 18. Organizational chart*

Roles of each person are very clear, and people also feel so. All other functions like warehousing, quality management, financial reporting and “marketing” are outsourced or partly taken care by our own personnel or managing director.

Because of the limited personnel there are not much internal resources for development and “marketing” functions. Both development and marketing are part of sales personnel job currently. Each salesperson operates differently, and some do more active “marketing” than others.
Even though that Telpak is part of a bigger group now, it operates as separate business unit without much of help from the corporation behind. Management reporting has increased but no other visible changes has been seen. To be able to keep the personnel account as it is, there needs to be better IT-tools implemented in the future. It is hard to see that the company would be able to effectively jump to marketing functions without having someone to look after the development of these functions.

4.5 Processes

Core and supportive processes have been defined and described in quality manual. However, for example marketing or development functions does not exist in the manual. There can be found also some place for improvement and development on customer management process and describing more in detail the sales function. Key customer management is described clearly but other sales related functions like acquiring new customers is not described. The overall picture when interviewing people was that the company serves current customers the best way possible, but it is not very organized. Salespeople are not looking actively new customers (some sales say that they do). It is more like customer contacting Telpak and then get served. Every salesperson has quite free hands to do the sales work as they see the best. The sales process could be improved.

Processes like warehousing, logistics and deliveries on time etc. has been improved during the past years to the level where there cannot be gained easily significant benefits through the efficiency or operational improvements. (Unless combined with other Optigroup companies’ operations) Orders before 14:00pm will be delivered next morning. This is a great accomplishment and having a warehouse of 6000 pallet places is quite significant already. One possibility to increase value towards customers is to automate the ordering processes with Electronic Data Interchange (EDI) and the company has done that already with big retail customers.

The business is based on long term relationships with big manufacturers around Europe and for that purpose and more efficient buying, the company hired a person two years ago. Purchases were made partly by the salespeople and one assistant before, so having a responsible person is a real improvement on that process. This also means that salespeople can concentrate mainly to sell. (Of course, there are also exceptions for this because some salespeople do some purchasing too).
The company is selling also packaging related machines. Because the machines are part of manufacturing process the support needs to be knowledgeable and able to serve customers quickly. One person was recently hired for this supportive process.

Quality and environment meetings should evolve to cover new topics. It came obvious that meetings repeat themselves and new development topics should be introduced. Based on the observations and reading meeting notes there are many issues that are discussed and timeframe of handling these are agreed, but in the next meeting notes the same subjects still exist with just changed timetable. This relates to the missing resources and time available to get things done.

4.6 Current situation with market segmentation

Customers are well known, and markets served as well. Telpak product and service solutions are aimed for logistics, construction and retail. food industry and heavy industry are also mentioned in presentations and company documents. The information is mentioned at this order. Having the first preliminary results of market segments served already gave an implication that the above statement should be updated. By far the biggest “market segment” found at the preliminary analysis was wholesale and retail followed by manufacturing industry. Easy segments can be found from construction and logistics too.

The big picture is there, but details needs to be explored and evaluated. These details should lead to more calculated decisions where to aim most of the sales resources. Clear direction is currently missing, and interviews also revealed the need of having some direction pointed out by the management. The company operates as it has for “decades”.

All this can be changed or developed in new direction as market information reveals what market segments generate the biggest sales and margin and has a possibility to scale up.

Quality and environment handbook classify customer segments from A to D based on the margin that customers generate. This is part of customer service process. It is one A4 page and it says that it is not in use. In this document also sales terms are categorized based on the A to D classification. Going through the process audits it can be found that process audits cover only the processes described in the first place. This means that some very important development steps or “missing processes” are not given attention as they should.
Because the company has been sold and there is new owner’s, Telpak employees are partly in a “waiting mode”. Business is running as usual, but before the new direction is clearly pointed out by Optigroup or the company management there won’t be any major changes for the business or the operations.

It is known that customers are waiting new packaging innovations, new materials, reducing plastic etc. it is important to keep in mind that market segmentation (followed by closer look to customer segments) should go deep enough to reveal what each market segment is valuing and what are the customer expectations in each segment described.

Market situation and trends should be also acknowledged as defining value propositions to each segment. Key customers in retail / DIY (like K-Rauta, Tokmanni, Puuilo…) consolidation is ongoing as well as internalization and supplier reduction. Market outlook states that economic growth is stabilizing in Finland (3% growth). Key competitors are Pakkaus Öhman, Cortex, Antalis Boxon and Mercamer (which is part of Optigroup). Some domestic suppliers like Stora Enso and DS Smith what comes to corrugated.

Market and media intelligence, Scenario analysis; current business environment trends, product information, what products are sold and where… things like this haven’t got enough attention. Telpak organization is tuned for selling and “all other functions” are outsourced. This means that the people who are doing sales work are missing a lot of important data and analysis that could support them to serve customers better and help company grow in the future. Without having a clearer view of market and customer segments served, the company can end up failing to update right strategies and develop the right action plans.

As things around us and businesses changes in ever increasing speed, Telpak should look closer to customers future needs accompanied with development plans how to respond. Relevant questions to ask at this point are:

- What kind of decisions or actions Telpak needs to make to stay ahead competition?
- What information is significant to future success?
- Should there be a segmented customer promise, marketing plan or product mix designed for each segment?
To be able to do all this the company needs to dive deep to all relevant data in systems, but also understand what data the company might be missing and act accordingly. Because there has been plans to make a customer satisfaction survey it could be suggested to add some questions to find out directly from the customers, what they are valuing and through this study, different market segments would get a better value proposition.

4.7 Summary / SWOT

As the Thesis work progressed and data was studied, and interviews and meetings held, it became obvious that Optigroup has updated the strategy and action plan for 2020-2022. This has just not been discussed among the employees or shown yet to anyone. In overall the direction is to move from product and price to solution selling. Telpak should move from products towards concepts and try to increase brand awareness. Efficient supply chain and internal processes are also mentioned but these are already in place.

Following focus areas has also been defined: Sourcing, supply chain, sales and digitalization with key actions and targets. The following SWOT (fig.19.) shows all the findings from interviews and company documents in the same matrix.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well positioned in domestic market</td>
<td>Strategy and clear direction is missing or is unclear to employees</td>
</tr>
<tr>
<td>Strong foothold in retail / DIY sector</td>
<td>Master Data and lack of some IT-tools</td>
</tr>
<tr>
<td>Large customer base in many different market segments</td>
<td>Ability to handle product information and give fast answers to customers is compromised</td>
</tr>
<tr>
<td>Strong value creation – (Author disagrees a little, depends on the angle)</td>
<td>Small organisation -&gt; lack of development</td>
</tr>
<tr>
<td>Strong sustainability knowledge, especially in stretch films</td>
<td>Product portfolio too narrow in certain segments e.g. construction and DIY</td>
</tr>
<tr>
<td>(The knowledge is divided so that some salespeople do have the information, and some does not – Trainings should be held to all)</td>
<td>On the other hand too many products in overall -&gt; know how of products and marketing</td>
</tr>
<tr>
<td>Flexibility to adjust to market changes and needs</td>
<td>Too low rate of new product introductions -&gt; product introductions should be planned precisely to certain chosen market segments</td>
</tr>
<tr>
<td>Strong concepts that adds value (sustainability, machines, services)</td>
<td>Certain processes are missing: development, marketing, new customer acquisition...</td>
</tr>
<tr>
<td>Strong supplier portfolio together with Mercamer</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers looking more for concepts! This is a great opportunity that needs the resources and fast actions</td>
<td>Customer loyalty going down – a lot of customers see Telpak as a price leader not really value creation partner</td>
</tr>
<tr>
<td>Plastic debate: if the company just knows how to benefit from it it needs actions around the subject. – Telpak should lead the discussions around the topic and show the way</td>
<td>Increasing competition in tape segment – especially the kind of competition where there is a clear concept around the products.</td>
</tr>
<tr>
<td>Services and Concepts – Someone needed to make the development steps</td>
<td>Competitors developing into packaging</td>
</tr>
<tr>
<td>New operational models could be searched – new sales channels, web shop and marketing.</td>
<td>Key people leaving</td>
</tr>
<tr>
<td>Concentration towards certain market and customer segments where there is seen potential based on the data analysis.</td>
<td>Big suppliers consolidating and competing on local level</td>
</tr>
<tr>
<td>OptiGroup should create opportunities for Telpak?</td>
<td></td>
</tr>
</tbody>
</table>

Figure 19. Final SWOT analysis
5 Building the proposal

Analyzing data happened all the way of doing this thesis work. It was testing and finding ways to handle, analyze and modify information from many sources with many different tools. It was very time consuming and it became obvious why the segmentation has not been done before. Basic analysis using Asiakastieto data as a starting point was quite simple and it verified the data as two different data sources were used. It also gave a clearer view of the direction where to head with market segmentation. After starting to combine our own BI data such as sales and margin to the customer data, things started to get more complicated. Special knowhow of Excel was needed when combining large Excel files together.

Especially combining the purchase history to created initial market segments was hard. It became obvious to the author why good data handling systems are needed. To give an example: 35 000 rows of information in 20 different columns in one Excel file that needs to be combined with another Excel file containing the right customer information containing the market segments (2000 rows x 20 columns). This is truly a place for advanced BI systems or deep understanding of Excel.

Looking back to the starting point this market segmentation could have been done “directly” to the current ERP and BI tool ClickView, if these systems just would have had the right fields to fill in. Or if the system development would have happened along the way of creating the segments, at least analysis, testing and validation would have been easier. On the other hand, when you needed to process the information one by one you got more familiar with the overall situation.

5.1 Defining served markets and understanding created value

“Packaging markets” global value is expected to be around 800 billion dollars, and it is growing steadily. By 2020 some estimates are saying that it will reach 1000 billion dollars. In overall the market is huge and growing. Telpak is serving mainly the secondary packaging markets in Finland. Finnish packaging related product markets are also quite significant reaching 1 billion euros. (Tilastokeskus 18.1.2019). The market value varies a lot and depends very much how it is evaluated. From this huge market the relevant market size for Telpak is around 120-130 million euros.
‘Telpak provides products and services, including the design, sourcing and distribution of customized packaging solutions, and distribution of packaging equipment. Customers are also offered services as a review of packaging needs and the packaging process, which leads to insights on how operations can be simplified and streamlined. And on the other hand, Telpak solutions enable retail channels and resellers to provide outstanding customer service while reducing their costs, increasing their asset utilization and securing supplies of the products they require’. (Optigroup Annual Report, 2018) One significant value creation tool is the possibility for the bigger key accounts to integrate the IT-systems (EDI orders). These Optigroup statements quite well summarizes the value that Telpak can create to their customers. All this applies when there is a real customer relationship and the customer is big enough.

However, author must point out at this stage that many of Telpak customer purchase decisions are based on cheap price, fast delivery time and the possibility to pick up the goods from the warehouse. These are many times the small customers buying under 5000 euro/year worth of goods, but some bigger accounts do this as well. To be able to keep on serving these smaller customers the way that they want and so that it would make a good profitable business, other business models should be considered.

In today’s competitive markets it is very important for a company to define the markets that it wants to serve. This is a strategic decision that leads the way that the company proceeds with its functions. As markets change and business evolves it is also good to rethink the direction and dive deep into the data to analyze and find out what is the current situation. Also, competition and their operations should be evaluated more closely. Especially in a case like Telpak where the strategy has been mass market-based meaning that the differences between buyers has not been clearly identified. (Or maybe the differences have been identified somehow, but not clearly pointed out or evaluated).

There are two basic markets in overall that the company can sell its products: consumer and business and Telpak has clearly served the latter one even though that the products end up to consumer markets through retail channel. More narrowly you can define your target markets the better you can serve them. One must remember that every business is unique and has its own characteristics. Some big challenges in today’s business comes many times from the resources (money/people/knowhow) that are available.
It is also very important to realize what value addition we can deliver to different market and customer segments. Market segmentation at this point gives the starting point to further analyze customers’ needs and buying behavior and create right product and service proposals to better communicate, market and serve Telpak customers.

5.1.1 With who Telpak wants to do the business with?

By Optigroup, demand in the industrial packaging sector is linked to industrial production but is also positively impacted by the e-commerce trend. The market is fragmented, with many local and regional wholesalers, but consolidation is expected to continue. Underlying growth in this business area is driven by the growing interest of outsourcing solutions. The wholesale-served share of packaging market is low, creating opportunities for companies seeking to consolidate their business and value-added customer-oriented supply solutions. (Optigroup, Annual Report, 2018)

‘As a major European distributor of business essentials, Optigroup supports retailers and resellers with a full and growing range of product, including cleaning and hygiene supplies, packaging materials, personal protective and safety equipment, food service disposables and a comprehensive range of office papers. This creates value for resellers, since a wide range of well-established brands and producers from a single source keeps their suppliers to a minimum, which simplifies administration, improves quality control and resources working capital’. The main customer groups are retail chains, packaging resellers, office supply outlets and wholesalers. (Optigroup Annual Report, 2018)

Having the groups view of the markets in mind and looking for the generated data about the initial market segments served, it can be stated that wholesale and retail plays significant role in Telpak business and the manufacturing companies accompanied with packaging resellers and office supply outlets. Main customer groups are quite well recognized. If Telpak could concentrate on wholesale and retail with the hole Optigroup range of products it would be quite interesting concept.

As Telpak holds a solid and good position in packaging wholesale in Finland it wants to serve these markets. The customers in this group are interesting to Telpak as they generate bigger volumes and profits per customer. Telpak also holds a strong foothold in DIY and retail sector that is using the most sold product group, tapes. These two
markets are also the future target for Telpak. What comes to logistics, construction and industrial manufacturing companies there are certainly benefits to serve these companies too.

However, as the Optigroup have another packaging company in Finland, Mercamer and wide product portfolio, other possible scenarios can be made. One could be that Telpak would serve the wholesale and retail sector with much wider, but more focused product range consisting business essentials like cleaning and hygiene supplies, packaging materials, personal protective and safety equipment, foodservice disposables and office papers. More focused product portfolio means 600 most sold products or even less accompanied with totally new product groups.

As a conclusion it must be stated at this point that the company most likely wants to serve the customers that it has served before, but more focused with the ones that hold meaningful position for Telpak business. 80/20 rule applies and the smallest customers will not be forgotten, but most likely new sales channel to serve these customers will be developed in the future.

5.1.2 What does Telpak want to sell and where should the focus be?

Having a product range of around 3500 different products sold in 2017/2018 Telpak should aim the focus for the most lucrative ones so far or the ones that are growing (where there is potential seen/proven). To manage this number of products by current employees some challenges can be pointed out quite easily. Just to mention few; product information management with current IT-systems and resources available, product focus, salespeople product knowhow, marketing, all warehouse and delivery related issues and so on... The challenge has been recognized but corrective actions are slow and too superficial to have a real impact for the business. To point out the need of focus, from 2017 sales 90% came from under 600 products (2018/575). So, based on this it can be argued that some concentration could help.

It is important to add the product information data behind the market segments to understand where each product group/products are sold. This helps to focus the sales efforts better and to offer the right selection of products in the first place. The market segments where to target should arise naturally as data is being analyzed.
Below in Figure 20. can be seen the biggest product groups the company is selling. As mentioned before the company has a very wide product range consisting around 3500 products for retail, packaging, manufacturing and construction industry.

![Sales 2017 / product group](image)

**Figure 20. The biggest product groups based on the sales 2017.**

5.1.3 Telpak should understand customers worldview more precisely

A successful business usually understands what is the key values that the customer is buying when they purchase products or services. Telpak should identify at least top 3 main concerns for each market segment that are created. Then carefully analyzing if the company can really fulfill those customer needs or should some corrective actions to be taken. Of course, there are other factors to be concerned also but the company has a good chance to succeed, if it can fulfill main purchase criteria. Finding out and defining those criteria's is a process that should keep on evolving because to get things right once, is not enough as things around changes rapidly.

5.2 Defining Telpak market segments

Market segmentation work was started by Identifying the geographic range and the types of business sectors that the company is serving by using Asiakastiito database. With our limited resources we cannot serve all our customers the way we want so we need to recognize the most lucrative or interesting sectors for the company.
By making market segmentation the company will be able define more clearly those customer groups that it wants to do business with. At least where the salespeople should spend their time mostly. Lot of small customers with no potential to grow might take too much attention, as well as some bigger accounts do not receive the service that they should. One future direction could be to “automate all” small orders (small customers) and make a clearer description how to serve the big customers. This has been discussed in meetings and some notes has been previously made, but no real actions have been made even though that the need has been recognized. One of the outcomes of this Thesis is to point out some facts to support the selection of customers, who the sales should spend the most of their time with.

First quantitative part of market segmentation was done based on the Acquired Asiakastieto data to get the idea who are the customers in a big picture. Optigroup model for market segmentation was also benchmarked as a starting point. We felt that it is good to understand how the Optigroup makes their segments. Optigroup have 15 market segments that they report the results. This was used towards Asiakastieto data for the first attempt to understand more closely who are Telpak customers. Many similarities could be found, but the Optigroup market segments cannot be used in Telpak market segmentation base. So own market segmentation model was created.

To get the market segmentation project running the company first acquired updated customer list from Asiakastieto. Whole customer list from year 2018 containing customer name and VAT number was send to Asiakastieto (5411 pcs.) Company knew that there are inconsistencies in our customer data and received results were containing customer information about 4640 companies. This also verifies the fact that there are problems with the master data. There are a lot of companies that do not exist anymore, VAT numbers and -format in some cases are also incorrect.

By sending the whole customer list data to Asiakastieto, data was cleaned for inconsistencies and additional customer information consisting 43 columns of information was received. This information was used as a starting point to analyze the customer base. After receiving the Asiakastieto modified customer list and first segmentation attempts, basic information such as sales revenue and margin from our BI system Click View was added to the file to better understand the entity. Combining 2017/16 BI data to Asiakastieto “customer list” left 2656 customers. From this customer list 2066 had purchase history year for year 2017, so 590 customers were “lost” since 2016 as the
system shows zero purchases for them. These were also handled as segmentation model has been created as these all are potential customers in the future.

A lot of different kind of preliminary “business charts” were created, and data was discussed with management and sales team. In the beginning 2066 customers were divided to 52 market segments based on the first view how to divide segments. This still left too many variables and further modification was made after having discussion with management. Then it was decreased to 15 market segments which is the same level as in Optigroup model. It became obvious at this point that we need to increase our basic understanding of the current situation, before deciding what the final segmentation model would be.

The main information generated at this point for Telpak was the basic understanding what direction to move next. How markets might be divided in market segments that would serve Telpak and give a starting point for further market segmentation development steps.

When creating final market segmentation model for Telpak things also got complicated as defining the customers to the wholesale B2B, retail B2C and end customer groups had to be done manually. Every customer needed to be looked one at a time to define which segment it belongs. This process was very time consuming because it meant looking at the purchase history, Asiakastieto segments, and customer web pages to determine which of these segments the customer belongs. In some cases, customers belong to few of these groups at the same time. For example, many wholesale companies further sell our products to B2B or B2C sector and the same time they use our products themselves. This makes the segmentation work quite tricky and complicated and it takes a lot of time.

As a starting point of future market segmentation-based strategy the following facts needs to be pointed out. Segmenting the markets is more costly than a mass-marketing approach. Differentiation often means new product and service offerings followed with marketing campaigns. These promotional campaigns need internal resources and in Telpak case also purchased marketing services. Channel development follows, as it can be clearly seen from the product volumes and order values. Those 3000 products that are sold in small quantities should be maybe offered only through digital channels.
and not be spend any time by the sales department. Some of these "supportive" products needs to be kept in product offering, but the channel development (web shop) should be the direction for low volume/value products. This means increased Internet expenses and most likely some additional resources for implementation and control of the new channel.

5.2.1 Defining Telpak market segments, first phase

Segmentation criteria considered for Telpak:

**Demographics**
- Industry, sector (SIC code)
- Company size
- Location
- Product usage

**Operating Variables**
- Company technology (EDI)
- Purchasing approaches
- Purchasing function, policies, criteria
- Urgency of order, size of the order, usage rate

Following criteria were also considered but left out at this point as seen too complicated to add for the Excel files and detailed at this point.

**Situational factors**
- Size or order
- Context in which purchase is being made or urgency.

**Personal characteristics of the buyers**
- Demographics,
- Socioeconomics,
- Lifestyle and personality of those in the buying center.
Below is an example of market segments based on Asiakastieto and number of customers in each market segment (Asiakastieto TOL2008_taso5 market segmentation). As the picture 21. shows it would be quite complicated to work at this level of detail with these “market segments”. Used tool for analysis was Power BI.

**Figure 21. Initial market segments based on the number of companies per segment. Figure shows too fragmented picture to get anything out of it. (Used tool: Power BI)**

To be able to understand the size of a market segment, criteria like sales and margin was attached right in the beginning. Next figure number 22. shows the result of this. As it can be easily recognized on this second attempt, Telpak ended with almost 150 different segments and to be able to analyze these, is also too much at this point.

Anyhow already from figure 22. next page it could be seen that wholesale and retail starts to separate as the biggest segments.
Figure 22. Initial market segmentation attempt (Used tool: Power BI) Used market segmentation criteria was sales 2017 per market segment.

What is being monitored at this point inside market segments:

- Sales
- Margin
- Market segment size based on sales / number of companies served
- Which segment 2017 lost customers belong
- Geographical location

![Amount of companies / Market segment](image_url)

**Amount of companies / Market segment**

(based on Asiakastieto statistics)

- Wholesale
- Retail
- Service companies
- Manufacturing other
- Construction industry
- Manufacturing metal
- Manufacturing construction prod.
- Manufacturing wood
- Manufacturing food
- Transportation and logistics
- Motor vehicle wholesale
- Manufacturing machines

Figure 23. Amount of companies / market segment based on Asiakastieto segmentation.
More charts below to demonstrate first part of creating market segmentation. The purpose of attaching these charts is that, it demonstrates the process and how it evolves as moving towards final segmentation model.

When creating market segmentation, it is necessary in authors mind to test different criteria’s and just to see what kind of information you can get out of the data. It will open your eyes for hidden opportunities. This part of segmentation needs a lot of time and patience to go through data in different ways and trying to make some conclusions. These examples show the way to the final segmentation. In these models are presented some criteria’s that will be used and studied more closely as segmentation model is ready. Many more attributes will be added and studied when the information finally will be entered to the IT systems. Only with good BI tool it is likely to have a real valid data that you can trust, and it also makes it easier to make different kind of customer analysis consisting many of the attributes not used at this point.

Figure 24. different tryouts as moving towards the market segmentation model for Telpak
5.2.2 Defining Telpak market segments, second phase

After having some initial charts and market segmentation information discussed with sales team and Management, the conclusion was that the company needs most of all to recognize, who are the end customers and who belongs to B2B or B2C categories. These categories themselves also define quite much what is the customers’ needs as those can be also identified based on the long history that the company and its people has served these markets. Following model was created with Management.

![Figure 25. Location based on the segment and sales on 2017.]

![Figure 26. Level 1. market segmentation categories agreed with Management]
It was decided in a meeting that the most important level for the company at this point is to define companies belonging the above-mentioned categories: B2B, B2C and End Customer. Level 2 was defined more like base that will most likely evolve as segmentation goes deeper.

**Definition of the categories:**

**B2B:** This category consists mainly wholesale companies that are resellers of our products to other business companies such as Ahlsell, Wurth or Lyreco.

**B2C:** These are mainly Telpak retail customers who are serving consumers. Companies like Tokmanni, Puuilo or Hongkong where Telpak products are sold to individual consumers.

**End Customer:** This category consists mainly manufacturing industry, service business related companies, warehouse and logistic companies and construction companies that uses the purchased products themselves.

Second phase of market segmentation information was worked out manually, and the outcome is not 100% correct. As defining the segments were based on authors view, the outcome needs to be verified by the salesperson and assistant responsible for each customer. Basically, the salesperson responsible for the account should know the customers operations more deeply.

Defining the segments at this point was also challenging because there were 590 customers with no sales history that helps in defining, if the customer further sells the products or uses them their self. Some inconsistencies were also found within the wholesale and retail companies. Some cases the wholesale company is also serving B2C market and some cases they are also the end user of our products. Some cases they are all of these. So, some tough selection had to be made at this point of defining the market segments. As the process of segmenting develops corrective actions will be taken.

Some basic assumptions were used to help to create market segments at this point. Manufacturing companies were labelled as end users as there are very few cases where they would sell our products forward. Services businesses can also be assumed
to be mainly end users as a starting point. With wholesale companies defining got trickier and the customer information needed to be studied much more detailed way. Construction, sports and industry related wholesale companies most like are the resellers of our products, but some cases they also use our products themselves and so should be labelled end users. Many other wholesale companies such as food, electricity, clothes, wood, flower, machine and so on are mainly end users of Telpak products.

When looking at the B2C sector (mainly retail) and deciding which Telpak market segment they belong as a starting point, was also challenging, as many retailers use our products them self as well. It is easy to recognize the biggest retailers such as Hongkong, Tokmanni, Puuilo, etc. when it comes to smaller chains or individual retailers, defining them to the right market segment was harder. After carefully going through all the customers individually following charts and conclusions were made.

Based on the sales it can be recognized that the biggest customer group that the company is serving is end customers (52%-sales year 2017), followed by the B2B sector (23%) and then B2C sector (16%).

On this second phase of creating market segmentation model the companies were also divided so, that if we knew, that the company is for example wholesale company and end user of Telpak products, the company was put in B2B/ End customer Level 1 market segment. We could not really see much of a benefit doing so but this was also one step closer to the final division of market segments.

Some conclusion was made at this point that explains something about the business. From fig. 27. it can be easily seen that there are differences in pricing what comes to serving end customers compared to B2C retail sector. End customer prices are higher leaving better margin that retail customer and this is just the way it is supposed to be.
Especially in B2B sector margin is much lower compared to the generated revenue portion of the pie. All this just gives an indication of the business and the general feeling how things might be.

When looking at the fig. 28 below it tells the share of the companies, based on the quantity of companies in each segment, it becomes quite clear that maybe having these mixed segments (for example B2C / End Customer) is not a best idea. There are too small segments and they do not generate extra value. This chart also shows clearly that biggest number of individual customers (81%) belongs to End Customer group. This market segment has more than 2000 customers. Over 1000 of these customers has smaller purchases than 2k euro/year. Average purchase of all customers is 5,5k euro/customer.

On the other hand, there are around 220 customers on B2C category generating average Approx. 13k euro/each. On B2B category 145 customers generate average of 31,5k euro/each.

Quick analysis of this could be that Telpak should pay more attention to resale sector if it wants to grow sales. On the other hand, by offering these smaller customers, that the company has a lot, new easier way to do business (web shop) the sales and margin could grow also. Year 2017, 16% of the customers brought 79% of the sales. 80/20 rule applies well for the company. On a yearly basis the company gets a lot of new customer, but it also loses approximately the same amount (2017 lost customers 401, acquired 499 and 2018 lost customers 512, acquired 514.)

![Number of customers 2017](image.png)

*Figure 28. Number of customers per segment in 2017*
If going deeper in market segmentation to the level 2, 2017 following analysis can be made and the difference between the Asiakastieto based data and manually one by one defined market segments can be seen clearly.

![Sales / market segment 2017](image)

**Figure 29. Sales / market segment 2017. Market segments divided into 19 segments to see if this brings something new views.**

Just by going with the Asiakastieto based market segments Telpak would end up making wrong assumptions. Just by looking the figure 28 it can be seen that retail and wholesale has generated 62% of sales 2017. If Asiakastieto data were used the sales of these two segments would have been 52%. On a margin size the difference were even bigger. The number are not important at this point. The main thing is that by grouping the customers to segments it is very important how the work is done because it affects directly to the results and analysis made. So the above mentioned and shown figures has the purpose of proving the importance of putting the customers to the right segment in the first place.

At this point we went even further in studying market segments by just looking at the manufacturing industry and creating charts on a level 3 segmentation, even that it was not shown in the figure 25.

We felt at this point that level 3 segmentation can be used to further study especially the end customer group. There can be easily recognized some market segments served such as: food industry, logistics, metal industry, paper and wood industry, construction...
industry and manufacturing industry in overall. Similar charts were made in many formats along the way, but author thinks that these are enough to point out the importance of going through the market segmentation process and testing created segments.

5.2.3 Defining Telpak market segments, third phase

On this third phase the product information is added in all levels available to gain deeper understanding of the products sold for each market segment. On this part we move closer to reaching the final customer segmentation model for Telpak.

Just as a reminder few facts that are good keep in mind. ‘Customer segmentation means the division of market segments into customer groups and segments and their development in accordance with their value for the company. This fundamental idea is central to the classical ABC analysis’. (Dannenberg & Zupanic, 2009) Companies usually generate biggest sales volume from only few customers. This naturally means that different companies have a different significance for the company. Based on this fact most profitable or strategically important customers should be paid more attention.

This is also a Telpak case as there is remarkable customer base and limited resources of handling all the customers so that each group would be served according their specific needs. 80/20 rule applies quite well for Telpak operations as 80% of the sales came from only 343 customers, which is only 13,5% of all customers in 2017. Looking at the same customers 76% of the margin was generated by them. To make a rule of thumb, taking a good care of the 400 biggest customers Telpak generates more that 80% of sales and margin.

Authors view is that this verifies the fact that by looking closer to customers profiles, market segments, purchased products and services some interesting data can be found to support next development steps. Small improvements can have a big significance, like Telpak slogan states. Understanding served markets and concentrating to the bestselling products and biggest customers, some obvious benefits will be gained as well as better sales results. At this third phase market segments were divided in four level:
5.2.3.1 Market segmentation, Level 1.

Level 1 consists the division of market segments to: B2B, B2C and End Customer and is based on carefully studying, monitoring, analyzing and modifying each customer to the right segment. Below are the main findings that this segmentation brings along.

![Amount of customers / segment Level 1.](image)

*Figure 30. Amount of customers / defined market segment level 1.*

Above chart indicates that the biggest served group, defined by the number of customer accounts, is by far the end user segment.

![Sales 17,5M euro/segment Level 1.](image)

*Figure 31. Sales based on the Level 1. segmentation*
Authors view is that based on the generated sales and margin by far the most attractive segment would be B2B followed closely by B2C since smaller number of customers create bigger margin in the end. The potential to grow the business is also by far much more interesting. Challenges have been recognized and hopefully needed resources will be pointed towards making the necessary changes.

5.2.3.2 Market Segmentation, Level 2

On market segmentation Level 2 the customers are divided purely based on Asiakastieto segmentation model just combining the smaller segments under this created segment Level 2 model. On this second level model there is 10 different segments. This shows clearly that Telpak Wholesale, retail and manufacturing industries are by far the most significant for Telpak. Because the division is based on the Asiakastieto data the wholesale (B2B) and retail (B2C) segments grow significantly because these wholesale and retail companies also are our end customers.

![Sales 2017 / Level 2](image)

*Figure 32. Sales based on the Level 2. market segmentation*

5.2.3.3 Market Segmentation, Level 3

Market segmentation Level 3 consists 19 subsegments and is also based on the Asiakastieto data combined with the sales figures.
5.2.3.4 Market segmentation, Level 4

On the final subsegment created there is two segments (wholesale / retail) excluded from the data revealing how the rest of the business divides based on the Level 3. information. Just the wholesale and retail are left out. This leaves sales of around 6.7M euros divided into same segments as in Level 3 shown.

Second biggest segments are manufacturing metal and food industry. Third can be said to be manufacturing wood, transportation and logistics/warehouse and services industry.

From this segmentation level in can be stated that manufacturing construction industry and construction itself creates 21% of the sales and is easily recognized as a biggest group.

Figure 33. Sales based on the Level 3. market segmentation
Figure 34. On Level 4 wholesale and retail is not included and rest of the business segments has been examined closer.

All the above and some more tryouts were made along the way as creating suitable market segmentation model for Telpak. On Authors mind all these tryouts are crucial in defining market segments and searching for the best result. Some of the analysis of the market segments were made along the way and the purpose of this thesis is not to analyze deeply the created market segments. The purpose is to show how the market segments were created and to point out with some examples what can be examined. As the final model of market segmentation will be entered to the IT systems very thorough analysis can be made with BI tool ClickView to search closer all the data.
5.3 Targeting: Market segment attractiveness and selection

Following factors should be evaluated as looking for the market segment attractiveness. These were also mentioned earlier but it is good refresh these as entering to the targeting phase. Below list modified from Chandler & Hanks, 1994; Weinstein, 2004.

- Resources: One must consider the cost of targeting certain segments as cost might vary a lot between segments when deciding the needed approach. One also must acknowledge other resources needed to deliver hoped results.

- Market share should be evaluated and seen what the possibilities are to compete in certain market segment and what synergies could be found with other activities.

- Scale economies, such as possible production of certain products and possibility to scale up.

- Product expertise, how well we know the products or services sold and the relevant experience that we can show or communicate.

- Segment size, structure, and growth: it is good to consider how big the segment is and what might be the development of the segment in the future.

- Competitive environment: how much there is competition, is it a red sea already or blue ocean, how approaching the segment might affect to another business segments served.

- Market trends: what might be the affect to segments potential if the marketing environment changes.

- Profitability and returns: what is the likely profitability from the segment and what market share gains and other possible returns might be possible?

However, as the company is now taking the first steps towards market segmentation attractiveness is evaluated based on sales and margin (market share/profitability) considering the resources available.

Also, products do define which segments are the most interesting ones. All the above made charts and the ones that will follow are just the starting point for the evaluations. It is a process that will continue, and it gets easier to really find the hidden opportunities as the data has been entered to the systems and reports can be created more easily. The reliability also gets higher as there is no need to manually create and modify the information.
As the product groups are studied in the context of market segmentation level 1, it is easy to see which product groups are mainly sold in each segment.

All these markets are attractive, but the studies should be taken into more detail to find out which products and which market segments the company should put its efforts. On a general level product usage per segments can be described as follows:

**B2B:** Tapes, stretch films and plastics, strapping supported by packaging machines, sacs and bags.

**B2C:** Tapes, corrugated cardboard, sacs and bags, stretch films and plastics.

**End customer:** Stretch films and plastics, Palpa and tapes supported by corrugated cardboard, strapping, packaging protection and sacs and bags.
These are the biggest product groups and by defining market segment attractiveness the study must be taken deeper in other segmentation levels to find the growth opportunities and to study more closely the used products.

For example, on wholesale or retail sector we need to compare the selection that the stores are using and most likely we are able to find products that could be offered to another “stores” too.

5.4 Determine value propositions for each segment

Telpak has operated so, that it has served entire market as one even though that differences have been distinguished. When customer need arise Telpak employees tries to serve customers as well as possible. Some specific market segments have been recognized and “served accordingly”, but these cases are quite rare. The overall understanding of different customer groups with their specific needs can still be improved significantly by market segmentation and further studying what each customer segment is valuing.

As markets have been defined, it is necessary to understand what value the customers in each of the segments are looking for. Acknowledging that a market is not homogeneous and divides into segments is recognition that not all buyers are the same.

‘It can be reasonably argued that the segmentation stage is the most important in strategic marketing as it allows identifying the marketing gaps in a company and finding new avenues for brand development, as well as clarifying the understanding of market trends and competition, and thus creating preconditions for increased profitability. Market segmentation allows users to target segments that are the most valuable’. (Visalgaitė & Vilys, 2011)

Value propositions are here given as an example and these value propositions will be discussed with the sales team. In the future, as there will be customer surveys taking place it is recommended to ask customers direct feedback on this matter.
Common value propositions for every segment can be said to be:

- Fast and reliable deliveries (Same day with reliability of 98%)
- Goods directly from the stock
- Competitive price
- Fast response and service

Some more detailed examples below, but not even close to a comprehensive deeply analyzed value propositions as this information will be handled later.

**Wholesale and retail:** IT/Data integration (EDI), Branded tape products, product support (product information on the next level) marketing support functions. Easy to sell total solution packages for tapes.

**Manufacturing industry:** environmentally friendly packaging solutions, all packaging related products from one source – reducing product and service providers,

**Construction:** Widest range of tape products for building industry, Comprehensive range of protection products, Knowhow of the products

**Food industry:** Secondary packaging expert with wide range of packaging materials and customized products.

**Transport, logistics & warehouse:** Machines, supplies and service-> total solution.

5.5 Targeting market segments

Target market selection follows segmentation. After market-segment opportunities have been identified, the company must decide which ones it will target. Usually big marketing efforts are made to develop strategies to match company’s product and service offerings to certain market segments. The Company must evaluate and find a match between customer needs and requirements compared to target segments.

The company must study what value the customer is expecting in each segment and to see how its own capabilities match to these requirements. Marketers have identified four basic approaches to do this:

1. Undifferentiated Marketing
2. Differentiated Marketing
3. Concentrated Marketing
4. Micro Marketing

1. Undifferentiated Marketing

Undifferentiated marketing is also called mass marketing meaning that a company may have only one product line that it offers to all customers with a single marketing mix. This used to be more common in the past. Just an example of mass marketing is the case of Model T built by Henry Ford. He sold his Model T cars to everyone with the same price. He agreed to paint his cars any color as long as it was black. This is efficient from a production point of view as it offers economies of scale, but it also dangerous as “all customer” do differ. What if some competitors offer specialized products and services to satisfy smaller segments? then your undifferentiated marketing model might suffer.

2. Differentiated Marketing (case Telpak in the future)
Differentiated marketing promotes many products with different marketing mixes designed to satisfy smaller segments. Still the purpose though is to satisfy a big portion of the total markets. Instead of having just one product or service marketed, the company has several different products or services to appeal different market segments. Differentiated marketing approach offers a company a way to better satisfy each of many target markets and that way generates more sales. However, this leads to raised production, inventory and promotional costs. Companies might be forced to do differentiated marketing to remain competitive.

3. Concentrated Marketing
Instead of trying to market products separately to different market segments, a company can adapt concentrated marketing approach. This is also known as niche marketing. In this model the company focuses its efforts to satisfy only one market segment. Usually this segment is the one that is the most profitable. The segment might be a small one too. This approach might be suitable for a small company that has limited resources available or for a company that has specialized products or services to offer. This model also has its dangers since the approach ties a company’s growth to a segment and changes in this this segment size or customers buying behavior might result financial problems. When competitors enter the same segment successfully sales
might drop. Niche marketing makes the company sales dependent on the one small target segment and that has its dangers.

4. Micro Marketing

On this model compared to concentrated marketing the approach is still more narrowly focused. Micro marketing targets the potential customers at basic level such as postal code, occupation or lifestyle. It may even target individuals themselves, so its called also marketing to segments of one. Micromarketing has been boosted by the emergence of internet as it offers a way to customize, (individualize or personalize) much easier the marketing messages. It also offers the benefits of mass customization as it is possible to reach the mass market with individualized offers. (Conspecte COM, 2017)

5.6 Positioning market segments

After deciding the approach how to reach the markets and company target segment, company must decide which way to position its products or services. The company must think how to position its products or services in the mind of their prospective buyers. Designing company’s offering so that it appeals to target customers minds is called positioning. Product and service differentiation and positioning holds the key for marketing to be successful. (Kumawat, 2011)

‘The positioning gurus, Al Ries and Jack Trout define positioning as: Positioning is … your product as the customer thinks of it. Positioning is not what you do to your product, but what you do to the mind of your customer. Every product must have a positioning statement. A general form of such a statement is given below’:

‘Product X is positioned as offering (benefit) to (target market) with the competitive advantage of (competitive advantage) based on (basis for competitive advantage) For example, the positioning statement of toothpaste X may read as follows:

Toothpaste X is positioned as offering to kids a toothpaste made especially for those kids who don’t like to brush with the competitive advantage of a mild fruit taste and lower foaming’. (Kumawat, 2011)

There are many ways of doing Positioning. In Attribute positioning product or service is positioned based on some attributes or qualities of the product. Benefit positioning highlights the unique selling propositioning. Competitor positioning means that differ-
entiation is based on the difference in the products or services compared to competitors offering. In product category positioning the product is positioned to belong certain category.

**Quality/price positioning** means that the product is positioned as the best value for money. To give an example, a Pizza may be positioned as an easy meal or because of its taste or best value for money as lowest price offering. All these options are offering distinct positioning opportunity for a pizza.

In the positioning decision, caution must be taken to avoid certain positioning errors: Under positioning is done when a unique, but not so important attribute is highlighted. As a result, the customer does not see any value in such a position.

**Over positioning** means that given promises of the product does not fulfill. Sometimes the positioning message might be confusing leading customers to place the product in wrong category. Product is perceived differently as planned.

**Doubtful positioning** happens when the customer does not really believe positioning claims.

**Positioning map** is a good tool to help marketers to position their products with the help of graphically illustrating customers preferences compared to competitive product offerings within an industry. (Conspecte COM, 2017)

Because targeting and positioning is part of the market segmentation process, these has been covered in this thesis, but without giving too precise outcome. These are more about the future development steps, that will take a place as subject will be discussed with sales team and management. It is also much easier to make these as the data can be analyzed more deeply with BI system than playing with Excel that always leaves a bigger room for error. To summarize targeting and positioning are part of next development steps and the purpose of covering these topics is to give the starting point for future development steps.

5.7 **Summary**

Everything covered in this chapter 5. is meant to give the base for the further analysis and development of market segmentation. Shown results works as an example. Segmenting affects for the total view of company operations in general level which should be also evaluated and discussed as can be seen below.
Validation process introduces the final outcome and implementation road map of the market segmentation model. Many of the findings has been already shown in chapter 5, as samples of the analysis or findings that will be done more detailed way in the future.

6.1 Validation overview

The validation will be done manually by going through all the data gathered in the Excel files. This means looking each customer and the group where it has been placed. The market segmentation has been created in many steps and with many different files, but one Master Data file has been created and that will be the one, that will be studied in detail.

The findings of this study were first discussed, modified and agreed with the management. Management has also pointed out the way that the final segmentation model was created. The hardest part of validation was to decide whether the customer uses the products itself or resells the products. There are many customers that do both, but to
follow decided market segmentation model, one must be categorized only one segment based on which part of the customers operations are bigger.

Findings were presented and discussed with the sales team and feedback was received. Based on these discussions there still needed to be made certain small adjustments. Internal sales of the benefits of market segmentation must be continued. With the market segmentation Telpak just deepens the understanding of the served customer groups but all this needs to lead to enhanced operations on the field as well as in sales support. Only by implementing the market segmentation model to Telpak systems and using it also as part of the reporting, it will finally take its place as part of every salesperson operations. It is also important to discuss about the targeting and positioning of the products and product groups in the future.

Concerning this thesis work the final validation happened with the management team just by looking at the data and agreeing the segments and how each customer was defined.

6.2 Sales team validation

First phase of the validation was done in a meeting held in August 20th with the sales team. The results were presented, discussed and feedback was received. Segmentation model was validated as feedback and approval for the model were received. Found results, targeting, positioning, value position etc. were discussed and it was agreed that these will be done later as the market segments has been successfully entered to our current IT systems.

6.3 Management team validation

It is very important that the management is behind the segmentation model and results as the importance of segmentation and the purpose of this study needed to be explained in detail to salespeople. The segmentation should focus the operations (targeting & positioning) towards certain together chosen market segments. The purpose of the segmentation work was also to identify better what products are consumed in which market segment.

Before communicating the results, some modifications were made to the different market segmentation levels 1-3. Final segmentation model is presented on the next page figure
38. As from the figure 38 can be seen it was agreed and validated with management that on level one, we divide the market segments to wholesale, retail and end customer groups. Level two consists 10 different market segments that are: wholesale, retail, manufacturing miscellaneous (= other manufacturing than listed on level two), manufacturing construction, manufacturing food, manufacturing metal, service industry, construction industry, manufacturing wood and warehouse and logistics. Third level will actually include all the Asiakastieto market segmentation levels (434 segments) as the information has to be updated and this gives very close view to customers business if we need to look at the very niche operations.

![Figure 37. Final segmentation model](image)

Shown examples on chapter 5 about the making analysis based on the model will be similar to earlier shown examples so the author thinks that showing the exact results based on the model above does not really provide any added value for this thesis work. It is also sensitive data that the company wish not to give out in precise format. This is also one of the reasons why the data handled in this thesis is mainly from year 2017.

6.4 Implementation work

Market segmentation’s role is well established in marketing and strategic planning. Still many businesses that are using segmentation faces barriers that prevents segmentation work to succeed in practice. At least following challenges has been recognized: data problems, financial and personnel resources, corporate culture, issues of leadership style. Some of these are certainly easier to overcome than others. Especially corporate culture and leadership related challenges are the ones that are not so easy to work with.
Getting people involved to the market segmentation process is seen to help the adoption of results.

Data problems has been acknowledged and act upon and will be opened more in detail in implementation road map. Financials problems are not valid, but the actual needed changes to implement market segmentation to Telpak IT systems will be budgeted to next year. Personnel resources are not an issue as the service of updating systems is bought outside and the model and information has already been prepared. Corporate culture does not support segmentation as it is totally new thing to many of the salespeople. However, after initial discussions and interviews as some results were shown so understanding is starting to build and as management gives a good support surely market segmentation will get more familiar and hopefully get accepted as part of the sales and marketing functions in the future.

6.5 Implementation road map

It would have been great to have the market segmentation model and information to be implemented Telpak ERP system and then followed by BI ClickView as validation and results that can be gained through this segmentation would have been more precise and the information gained could be used for next year’s planning activities.

Market segmentation data implementation to our ERP system were asked from Digia August 16th. Telpak contact person was on two-week holiday at that time and there was not really anyone to help us to go forward. August 30th we finally got the answer that our model is doable in current systems and the estimate for the first possible date to start doing the implementation was earliest in November.

It was suggested to have a meeting first in October where we define all the work that needs to be done. First estimates of the price varied between 2200 - 3300 euros meaning two to three days’ work.

We discussed with our Managing director of the implementation and we have decided that it will take a place in the beginning of next year. Since we will put this project as part of the next year budget and this will be also part of some other updates that needs to be done our current IT systems to be able to handle better product and customer related data. Initial timetable shown below in figure.
Figure 38. Initial short-term plan

For the author the last and final validation will be gained through implementing the data to our ERP and Click View systems and further analyzing the results and starting to implement the findings to support the management decisions and sales work. This means also some discussion about the marketing functions and activities towards chosen market segments. Closer targeting and positioning will take a place too.

7 Discussion and Conclusion

Summary of the thesis from objective to outcome is presented in this section. The study will be also evaluated starting from research and ending up to personal views of the study and its outcome.

7.1. Summary

Doug Gurr, vice-president of Amazon said: ‘One of the megatrends of the next five to ten years will be e-commerce moving from a primarily national to an international business. Job of a retailer is to connect a product anywhere in the world to a customer anywhere in the world—to provide that customer with the best information to aid discoverability and guide purchase decisions—and to do it with as little friction and as quickly and cheaply as possible’. (McKinsey&Company, 2015)

‘E-commerce, virtual reality and Internet of Things — these promise to support transformation of the customer retail and wholesale experience and day-to-day store operations like never before’ (Deloitte, 2018) Technology that collects data and data itself with a person who is responsible of handling and analyzing data, is truly essential when building growth to future business.

Having these statements in mind it can be said that data is the key for companies to succeed in the future. Creating a great "shopping" experience, no matter if it is wholesale or retail, face to face or e-commerce sales, data will be the key. For a long time Telpak has gathered data about served companies and the persons in charge. Company ERP
accompanied with BI tool Click View gives a good history looking data. However, there is no data collection made or data analytics to predict the future behavior of our customers. Power of prediction; no matter if it is weather, sports or casino probabilities to win are all based on data, mathematics and algorithms. To apply data and mathematics as a core of business management are the best Christal ball that the company can have.

On the other hand great customer experience comes from operational excellence; ease of finding correct information, fast service, the products or services that you need will “pop up” nice and easy in internet, price is in line with other suppliers, delivery is fast and reliable, and of course the products themselves are good. Not forgetting the service before the purchase decision or afterword’s when something needs to be clarified.

Even though that there are a lot of discussion going on about augmented and virtual reality, Big data and so on, one should not forget that we already have a lot of good (more basic) tools available that are not fully implemented or are just barely touched like CRM, google analytics, email marketing and many more that can give a good foundation for predictive data collection and usage.

In Telpak and many other companies that the author has served this need is recognized, but often no actions are taken (cost, resources…). Even thought that the objective of this study was to create market segmentation model and to do the actual segmentation the impact of this thesis is hopefully much bigger in Telpak. I wish that this study works as a beginning for a better data management, discussion about the necessary updates or renewal of some supportive IT systems and continuous analysis based on data.

The emergence of the internet as a distribution channel has meant that producers can disintermediate costly resellers (like Telpak) and sell directly to customers themselves. Also, big customers are looking the routes directly to manufacturers. To be able to operate in between means that we need to have a very good service (with recognized benefits to Telpak and customers) to be able to hold our position. Long history helps in here, knowhow and good relations, but as we know things are changing and to keep up with the change, we need to reposition and think about the future needs of our customers.

As it can be seen from the following charts, digital buying trend is growing and Telpak should act accordingly and make the best out of this, as packaging related products are
used heavily in e-commerce. The company is already serving all these markets segments shown in charts, but clear focus is missing.

Figure 39. Digital shopping as an example of fast-growing business that is not even part of Telpak market segments now.

Figure 40. Finnish web shops and their sales (Kurjenoja, 2019) Some of our customers can be seen from the list, but in the future market segmentation, we might list e-comm as one of the segments that we study and develop. Just as an example of the way that market segmentation also should evolve.
Below is a list of “technologies or trends” that needs to be considered as the ones that will change most likely our business in the future:

- Data utilization
- Mobile and Web applications = E-commerce
- Logistics - fast predictive deliveries with integrated IT systems (information flow/trackability)
- Service – looking after our customers business operations and the efficiency, bringing value as a strategic partner.
- Warehouse shopping – direct sales from warehouse to smaller customers
- Environmental aspects -> UN, Sustainable Development Goals
- Self-service stores… just to mention few to remind about the rapid change.

We are undergoing a fundamental change in how society consumes products. It is happening so fast that there are difficulties for retailers followed by wholesalers to adapt. We are still building big shopping centers at the time that some brick-and-mortar is already suffering the impact of the digitalization. E-commerce will change things more and more as it evolves and when generations change.

We are a distributor/wholesaler of goods and we sell our products to retailers and directly to companies. Many of our biggest retailers has a physical location and they are also online. What happens when some of the big manufacturers decides to go totally e-commerce-based operations and creates best shopping experience online? Some principals/manufacturers already try to go directly to big chains and vice versa so that keeps the field interesting.

Telpak thinks that it is still needed in Finland between the manufacturer and end customer because keeping inventory for our customers. Fast deliveries and service to help customers to decide the right products and technical expertise. However, the world is rapidly changing, and operations get more international all the time. Surely some customers already find some of the “same” products that Telpak sells for instance in Alibaba or Amazon. The logistics with these big companies is so good that goods travel in a day, they offer good product and technical information with low price. Big companies and retailers have their own sourcing teams and author finds it interesting that Telpak has man-
aged to keep such a strong customer base and to have also the biggest chains as customers. One core factor is the long history with branded products that are known to be good and the service seems to be fast as well as the deliveries in one day.

One key issue serving the bigger retailers is the product range that Telpak can offer. Its expected by markets to have a wider and wider product assortment to be competitive among other suppliers, as the number of suppliers needs to be smaller and smaller among Telpak customers. This also means that co-operation between companies needs to evolve. Those who used to be competitors needs to find a way to co-operate and build common customers.

In the end maybe one key factor will be the service and how well the services are designed and served to customers. It also means a wider range of services that needs to be developed. Wide range of services can differentiate Telpak from the competition. For example, being able to provide important data as a service to customers might give the competitive edge.

Below is the Optigroup description about the business model and it also describes the market drivers that the business is trying to respond.

![Figure 41. Optigroup business model: saving time and cost for customers](image)

‘Optigroup business model combines a comprehensive product range, high service levels, reliable deliveries and efficient e-commerce solutions. The essence of Optigroup’s offering is to tailor reliable solutions around a wide range of business essentials to make
customers’ everyday processes more time and cost effective. The business model of Optigroup helps customers to save time and costs and enables them to focus on their core business. Through business insight, purchase control and tailored customer solutions Optigroup optimizes customer spend. Based on global sourcing from leading multinational and local manufacturers, as well as an increasing range of own brands, customers are offered a wide range of products, available from a single source. With an efficient distribution network and warehouses strategically located across Europe, Optigroup assures reliable deliveries. (Source: Optigroup web page)

Based on the above Optigroup view, Telpak should learn how to use the collected data to better support our own business as well as customers and their strategies. We need to move towards being a strategic ally for our big customers. There is a clear place for improvement for what comes to CRM/PIM systems and utilization of different kind of digital marketing tools (Social media & e-mail marketing etc.) Not to forget the master data and update or renewal of ERP system.

E-commerce and digital services need to be considered and evaluated as part of the future strategy work. Now that the company is part of Optigroup which has already good knowledge and history of using e-comm tools the Optigroup solutions should be benchmarked and best practices studied.

It is very important to follow the changes that happens in our environment and be ready to respond quickly. The change in market drivers also can be seen through the acquisition of Telpak business. Now being part of the Optigroup 1,5-billion-euro business means certainly some changes in the future; maybe bigger product and service offering, cooperation between the different business units, sharing some operations… or who knows if the company will just be sold to some new owner.

Created market segmentation will help Telpak in the following:

- Customer behavior analysis – collecting and analyzing data
- Value proposition recalibration – We need to define our value proposition more precisely for our customers – separately for each big customer, in case by case maybe?
- Operational model redesign – Now we have the “old fashioned” sales reps running on the field and selling the products and services with catalogues and
samples. This is expensive and there are more efficient ways of doing the business in future. We should learn how to use the digital tools and be strategic partner for our customers instead of being sales rep.

7.2. Practical implications and future direction

Practical implications could be also started with the words of Doug Gurr, global vice president at e-commerce giant Amazon: ‘My personal view is that the transformative technology of the early 21st century will be data informatics, and I think it will happen much faster than most people assume. It’s a classic distinctive capability. I think in ten years’ time, in any business sector, the performance gap between an organization that invests in data informatics and one that doesn’t will be huge. I would argue that the performance gap is already substantial, and it’s only going to get bigger’.

Keeping these vice words in mind and looking for the gathered data and the difficulty of it, surely the key finding is that data management needs a lot of attention in Telpak.

It is vital for the management to have deeper view of market segments served as well as customer segments going even deeper with the customers purchase behavior in the future. Current ERP must be taken into closer look and corrective actions are recommended to be done. Especially customer and product related data must be taken care better. Project for this has been also already planned. Below is the summary of the overall impact of this study to different aspects studied in the current state interviews.
Figure 42. Summary of target state development steps

Following chart describes what should be the direction for further development of Telpak market segmentation towards customer segmentation.

Figure 43. Example of Customer segments and channels of the Deutsche Post
(Source: On the basis of Demuth 2005, p. 9 and 13.)
As a result of this study and after the market segments has been successfully entered to Telpak systems the next steps to go forward could be something like shown in the figure 44. Market and customer segments must be divided so that it will be shown how to take a better care of the customers. Example of future development direction concerning Telpak shown below.

![Figure 44. Modified based on Dannenberg & Zupancic, 2009.](image)

7.3 Evaluation of the Thesis

It is hard to evaluate the thesis. The outcome is in line with the objective to create market segmentation for Telpak. Obvious benefits can be found and acquired information helps in the future development steps. However, authors personal reflection is that market segmentation is a process that evolves on a yearly basis, as information needs to be updated and analyzed. New angles to interpret the data with new tools or technologies applied gives a better view in the future of what can be accomplished through a good market segmentation process. Having the market segmentation done the company has increased its knowhow about the served customers and that gives a better ground for future strategy work accompanied with yearly planning.

Author would argue that It is impossible to build perfect model for segmentation in the first place. There are too many variables and things that can be argued on behalf or
against to be attached to the model built. Main thing is that the process of market segmentation has been started and that leads towards better operations for sure. The main difference compared to what has been accomplished here is that the systems will give more detailed, accurate and overall better view as the information just gets entered to the systems.

7.3.1. Outcome vs objective

The objective was to create market segmentation model followed by the actual market segmentation for Telpak. The objective was met and market segmentation model with actual market segmentation was done. It needs to be pointed out that this is a project that will keep on evolving and analysis will develop even more detailed in the future. As the company most likely makes modifications for its IT tools and technologies used, data handling, updates processes, and at least has a deeper discussion about the responsibilities and way of operating, it can be said that change for the status quo has been accomplished.

As Oliver Wendell Holmes, Jr. states: “I find the great thing in this world is not so much where we stand, as in what direction we are moving: To reach the port of heaven, we must sail sometimes with the wind and sometimes against it, but we must sail, and not drift, nor lie at anchor”.

7.3.2. Reflection and afterword

First, timing could not have been better for this study to take place. Joining the company one and half years ago, in the middle of my studies, gave a good starting point for this study. Through many subjects covered in classes and individual/team tasks concerning the businesses we were involved, made me and my fellow students to dig information inside the companies.

I joined Telpak sales team just the time that the company was sold to Swedish Optigroup. Partly due to this acquisition there has not been many changes made for few years now. (One year before / year and half after). Optigroup is looking (continuously) for the growing businesses as their paper business is declining. They are looking to improve sourcing and purchasing capabilities as well as warehousing, distribution and digital capabilities. Telpak has not seen any other changes than some administrative ones that kind of happens more behind the scenes. All this means also that at least
some company personnel are sort of “waiting mode” what is going to happen in the future.

This study worked as a starting point for me as I needed to take a closer look at the company’s operations and processes. Working on sales and managing quite big customer base leaves me normally very little time to stop and analyze things. Even thought that that is one critical aspect in handling key accounts.

When joining a new company, we all make observations and coming from outside it is “easier” to recognize what is working and where is room for development. All comes quite naturally and easily as getting acquainted for the operations. These observations are easily sometimes superficial and deeper understanding might be missing. It is so easy to make assumptions. As I have studied now closer all operations, had many interviews and discussions with personnel, I am finally starting to have some verified data behind assumptions. Many of those assumptions are valid but through better understanding the entity I have been able to deepen the main reasons behind things. Why something is like it is.

Gate model as a research method was also very good and it gave a nice structure for the study. Even though that I was not able to follow the schedule. Most challenging part for me was the conceptual framework as it was kind of hard to find exactly the model that would suit in our situation. There are so many ways of doing market segmentation and criteria’s to be used vary case by case. I believe more in a practical hand on approach that looks the answer directly through data analysis. Of course, I do understand the meaning of having theory and already studied and written literature behind choosing the direction.

The study will benefit the company as it gives tools to define more wisely direction for the business efforts. Due to this study the change process has been started and the company is able to take development steps towards CRM and marketing functions. From detailed description about company’s operations the management will get a closer view how Telpak employees see company’s current situation. Clear challenges have been identified and now it is managements job to evaluate which are the ones that the company wants to tackle next.

Amazon CEO, Jeff Besos summarizes Amazon way of thinking and his own thoughts in The David Rubenstein Show as follows. You should use analysis of the basis of decision making if you can but always trust your gut and own instincts. That is the way that
he has made his best decisions in life and business. He also says that the purpose for the existence of a company should be to help customers. Company should be more focused for their own operations than to the competition. Amazon values states that they are customer obsessed and always eager to invent. They are long term thinkers with time frame of 5-7 years. management tries to see behind the corner. Sometimes management is forced to take part on firefighting exercises, but main effort is in the future. Operational excellence is in core of their business. These are accompanied by behavioral and cultural education for the people.

With these wise words it is good to reach the end. I want to thank my fellow students: Niko Neuvonen, Anniina Leppänen and Stina Sundman for giving me great support and many good moments while making my studies. I appreciate your friendship that will most likely last as we made a very close study group. Also big thanks to my friend Kari Kuutsa for advices in using Excel, my wife Mia (and boys Leo & Noa) who has been patient enough and has understood my long hours making my studies and this thesis. Thanks to my supervisor Antti Hovi for guiding me through this thesis work, challenging and advising for direction. Finally, I want to thank Telpak Managing Director Jon Sundén for giving me the opportunity to do this work for the company.
References:


Holmes O.W., quote


## Appendix 1: Data collection diary

<table>
<thead>
<tr>
<th>Data round</th>
<th>Data type</th>
<th>Data source</th>
<th>Date</th>
<th>Notes</th>
<th>Interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data 1 CSA</td>
<td>Face to face conversations</td>
<td>MD</td>
<td>25.1.2019</td>
<td>Yes</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supervisor</td>
<td>25.1.2019</td>
<td>Yes</td>
<td>Supervisor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>8.2.2019</td>
<td>No</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Asiakastieto</td>
<td>12.2.2019</td>
<td>Yes</td>
<td>Asiakastieto</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>14.2.2019</td>
<td>Yes</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>21.2.2019</td>
<td>No</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales</td>
<td>15.3.2019</td>
<td>Yes</td>
<td>Salespeople</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Buyer</td>
<td>15.3.2019</td>
<td>Yes</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>18.3.2019</td>
<td>No</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>30.4.2019</td>
<td>No</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supervisor</td>
<td>2.5.2019</td>
<td>Yes</td>
<td>Supervisor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>2.5.2019</td>
<td>Yes</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Buyer</td>
<td>25.6.2019</td>
<td>Yes</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales support</td>
<td>25.6.2019</td>
<td>Yes</td>
<td>Sales support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>26.6.2019</td>
<td>Yes</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales</td>
<td>26.6.2019</td>
<td>Yes</td>
<td>Sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>28.6.2019</td>
<td>No</td>
<td>MD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consultant</td>
<td>30.6.2019</td>
<td>YES</td>
<td>Consultant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales support</td>
<td>1.7.2019</td>
<td>Yes</td>
<td>Sales support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales support</td>
<td>1.7.2019</td>
<td>Yes</td>
<td>Sales support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consultant</td>
<td>4.7.2019</td>
<td>YES</td>
<td>Consultant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales</td>
<td>8.7.2019</td>
<td>Yes</td>
<td>Sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales support</td>
<td>8.7.2019</td>
<td>Yes</td>
<td>Sales support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales support</td>
<td>10.7.2019</td>
<td>No</td>
<td>Sales support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales</td>
<td>16.7.2019</td>
<td>Yes</td>
<td>Sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>20.7.2019</td>
<td>Yes</td>
<td>MD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales support</td>
<td>26.7.2019</td>
<td>Yes</td>
<td>Sales support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>6.8.2019</td>
<td>Yes</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales</td>
<td>20.8.2019</td>
<td>no</td>
<td>Salespeople</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supervisor</td>
<td>3.9.2019</td>
<td>Yes</td>
<td>Supervisor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD</td>
<td>13.9.2019</td>
<td>Yes</td>
<td>MD</td>
</tr>
</tbody>
</table>

### Data 2 Building the proposal

<table>
<thead>
<tr>
<th>Data type</th>
<th>Data source</th>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales meeting</td>
<td>Sales &amp; MD</td>
<td>15.3.2019</td>
<td>Going through initial current state analysis -&gt; defining target state for Market segmentation</td>
</tr>
<tr>
<td>Face to face conversation</td>
<td>MD</td>
<td>25.4.2019</td>
<td>Market segmentation findings and next steps towards creating Market Segmentation model for Telpak</td>
</tr>
<tr>
<td>Internal interviews</td>
<td>Whole Personnel</td>
<td>25.6-20.8.2019</td>
<td>CSA interviews and conclusions</td>
</tr>
<tr>
<td>Sales meeting</td>
<td>Sales &amp; MD</td>
<td>20.8.2019</td>
<td>Deep conversations about the market segmentation, the purpose of doing it and possible benefits</td>
</tr>
</tbody>
</table>

### Data 3 Validation

<table>
<thead>
<tr>
<th>Data type</th>
<th>Data source</th>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face to face conversation</td>
<td>Managing Director</td>
<td>13.9.2019</td>
<td>Validating proposed Market segmentation + next steps</td>
</tr>
</tbody>
</table>
Appendix 2: CSA

<table>
<thead>
<tr>
<th>Current state Analysis, Interview questions for stakeholders</th>
<th>Management</th>
<th>Sales</th>
<th>Sales support/Service</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Background information</strong></td>
<td>Name</td>
<td>Name</td>
<td>Name</td>
</tr>
<tr>
<td></td>
<td>Title</td>
<td>Title</td>
<td>Experience in Telpak</td>
</tr>
<tr>
<td></td>
<td>Responsibility</td>
<td>Responsibility</td>
<td>Responsibility</td>
</tr>
<tr>
<td><strong>Strategy; mission and vision</strong></td>
<td>What is Telpak Strategy; mission ja vision?</td>
<td>What is Telpak Strategy?</td>
<td>What is Telpak Strategy?</td>
</tr>
<tr>
<td></td>
<td>How do you see strategy in actions?</td>
<td>How does strategy impact for sales?</td>
<td>How does strategy impact your work?</td>
</tr>
<tr>
<td></td>
<td>How do you see that market/customer segmentation could help in strategy work?</td>
<td>Do you recognize strategically important customers?</td>
<td>Do you know the direction and actions taken in the company?</td>
</tr>
<tr>
<td><strong>Data Management</strong></td>
<td>Do we have reliable data?</td>
<td>What are the biggest challenges in data management?</td>
<td>Biggest challenges in data management?</td>
</tr>
<tr>
<td></td>
<td>What kind of data is missing?</td>
<td>Is there some sales related data that would help you in your sales efforts?</td>
<td>Is there tools or technologies that could help you in your work?</td>
</tr>
<tr>
<td></td>
<td>Possible impact on business?</td>
<td>Do you feel that you need some analysis of your customers?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Biggest challenges in data management?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>How data management could be improved?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>How do you see the importance of having right market/customer related data?</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tools and Technology</strong></td>
<td>Is there tools or technologies that could help in overall business development?</td>
<td>Is there tools or technologies that could help sales to grow?</td>
<td>Is there tools or technologies that could help you in your work?</td>
</tr>
<tr>
<td></td>
<td>Why tablet application (web shop) was not finalized?</td>
<td>Are there some sales related channels that could benefit Telpak?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Is the company willing to invest in technology/tools wise if new market segmentation model requires that?</td>
<td>Why did you stop using tablet where was the web shop application?</td>
<td></td>
</tr>
<tr>
<td><strong>Processes</strong></td>
<td>What processes could be improved?</td>
<td>What processes could be improved?</td>
<td>What processes could be improved?</td>
</tr>
<tr>
<td></td>
<td>We have core processes and supportive processes; do you see that there are still some processes that has not been defined (marketing)?</td>
<td>Are some processes missing?</td>
<td></td>
</tr>
<tr>
<td><strong>Organization and People</strong></td>
<td>How is the organization organized, is something missing?</td>
<td>Do we have too little, enough or too many people to operate effectively?</td>
<td>Do we have too little, enough or too many people to operate effectively?</td>
</tr>
<tr>
<td></td>
<td>How do you see our situation with personnel? (Enough/too little?)</td>
<td>Are organizational roles clear?</td>
<td>Are organizational roles clear?</td>
</tr>
<tr>
<td></td>
<td>Could it be possible to have someone to take care of marketing?</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current situation with market / customer segmentation</strong></td>
<td>How well do we understand the markets and customers that we are serving?</td>
<td>How well we understand the markets and customers that we are serving?</td>
<td>How well we understand the markets and customers that we are serving?</td>
</tr>
<tr>
<td></td>
<td>Is there clear segments that has been identified?</td>
<td>Do we need market segmentation?</td>
<td>What value Telpak creates to its customers?</td>
</tr>
<tr>
<td></td>
<td>What are you expecting to gain from market segmentation information?</td>
<td>Why yes or no?</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>How could Telpak benefit for having market segmentation made?</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 3: CSA Summary

<table>
<thead>
<tr>
<th>Current state analysis, brief summary</th>
<th>Current stage</th>
<th>Thesis Objective</th>
<th>future target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy: mission and vision</td>
<td>Strategy is not clear to all employees. Same goes with mission and vision. It’s been written to quality manual but is not seen in daily operations. Strategy should be updated.</td>
<td>Market segmentation will offer facts to support 2020 action planning. Purpose is to find better quality prospects to grow the business and increase productivity. Strategy will be revised and updated.</td>
<td>Market- and further developed customer segmentation supports strategy work. Segmentation offers valid data to make data driven decisions. Marketing functions build to supports sales.</td>
</tr>
<tr>
<td>Data Management</td>
<td>Clear challenges have been recognized. Main challenge is Master Data that is not in order. Needs cleaning and standardization. Customer &amp; product data is incomplete. Enterprise needs to be updated. CRM/PIM needed.</td>
<td>To make sure that there is possibility to use the market segmentation by entering the information to Telpak ERP system. Also to make the company consider how this data will be collected and processed in the future.</td>
<td>ERP is updated and Master data is repaired. There is procedures and resources in place to look after the data. New systems (CRM/PIM) to support marketing functions will be discussed to decide if implemented or not.</td>
</tr>
<tr>
<td>Tools and Technology</td>
<td>There are challenges to serve the current customer base efficiently. ERP system needs to be updated. Some IT systems like CRM and PIM are not used. New digital tools are not exploited in a way that those would support sales. Web shop would be great for certain products.</td>
<td>To at least start to use some email program to inform the customers (market segments) about new products and make some marketing campaigns.</td>
<td>New systems (CRM/PIM) to support marketing functions. Web pages updated and web shop implemented and completed.</td>
</tr>
<tr>
<td>Processes</td>
<td>Core and supportive processes have been described in quality manual. Marketing does not exist in any form. Sales and customer management processes should be updated and supplemented. Otherwise processes are well in place.</td>
<td>Market segmentation leads to debate about the marketing function. As there are clear market segments found with certain product needs the information should lead to target some actions towards these segments. This means that also sales and customer management processes will be updated.</td>
<td>Marketing process should be further developed by implementing some easy to use tools for the use of salespeople. At least there should be some decisions made how to better market and communicate our products and services. Process evaluations should include new subjects to discuss to improve performance.</td>
</tr>
<tr>
<td>Organization and People</td>
<td>Currently everyone has a clear role. No extra people resource available. Recently hired person for service support. No one developed the business. Opportunities do exist inside Optigrup that should be examined more closely.</td>
<td>To move one step closer to marketing functions. It is important to have first a clear view of market sectors that the marketing efforts should be aimed. Objective is to point out that there is a need for sales support looking at the channels and the way that things are currently done.</td>
<td>Possibly someone hired to take care of marketing functions. CRM implementation, PIM project, ERP master data project etc. If the company wants to &quot;develop&quot; some changes needs to be done.</td>
</tr>
<tr>
<td>Current situation with market / customer segmentation</td>
<td>Customers are well known and can be categorized in some manner. (Industry, retail and end user categories mentioned) Quality and environment handbook classifies customer segments to ABCD categories, but this is not used. Blank spots exist and full customer or market segment potential cannot be seen. Room for development exists.</td>
<td>To have a clearer view of served market segments. Understanding size and profitability of the market sector. Discover growth opportunities within market sectors. Understand what products are sold and where.</td>
<td>Ongoing process that will evolve each coming year. More market and customer sector variables in use to recognize more niche sectors and to be able to serve these sectors better. Looking at the marketing mix, 4 P’s closer. Product, price, place and promotion.</td>
</tr>
</tbody>
</table>