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Case Study: Sales strategy for a manufacturing company

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ABSTRACT

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Business sales as a function is facing a major shift as the tools used continuously evolve, customer expectation is constantly growing and the customer's purchasing activities keep evolving to a more strategic direction. The purpose of this thesis was to study the current theory of the creation of a sales strategy and provide the commissioning organization, a Finnish manufacturing company, with a clear sales strategy. The Company X was undergoing a major shift in its sales activities and the outcome of the thesis was to be used as a strong building block in the creation of updated sales processes and ways to manage the market. The sales strategy was founded on the marketing segment of the company's choosing.

The work includes insights into the European off-highway diesel engine market, reviewing the creation and significance of strategies, the latest theoretical studies on sales as a function and the most successful business-to-business sales approaches. This was followed by evaluating the customer expectations using industry and customer observations collected during a period of 18 months followed by an analysis of Company X, utilizing qualitative research and own observations. As an outcome was a sales strategy, including customer segmentation and prioritization, enabling Company X to engage with its customers in an effective and profitable manner and subsequently the actions needed to implement the generated strategy.

The proposed strategy was based on the strengths of the commissioning company and built using the theoretical framework of the latest research available. The thesis also includes recommendations on improvements and long term development targets for Company X.

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Key words: sales, strategy, customer segmentation, customer prioritization, value selling, cross functional, off-highway, diesel engine

CONTENTS

ABBREVIATIONS AND TERMS

kW	Kilowatts
L	Litre
HP	Horsepower
KPI	Key performance indicator
PS	Pferdestärke, term referring to horsepower but brought to the modern age referring to the power needed to lift 75kg of mass vertically in one second.
USD	United States dollar

1 INTRODUCTION

Company X is a global diesel engine manufacturer with a history of more than 75 years. During its existence Company X has been part of many corporations; Corporation A, Corporation B, Corporation C, Corporation D and since 2004 the latest parent corporation, Corporation Y. The recent history has affected the brand name immensely and as the sales focus was shifted to internal and existing customers, there are no established ways of selling nor an existing strategy.

The aim of the thesis is to define a working sales strategy for Company X's diesel engine sales. This research will identify the strengths and weaknesses of the company, as well as limitations set by the Corporation Y and the requirements of the market. To achieve these targets the thesis utilizes qualitative research, including utilization of various documents such as market research, competitor data and qualitative interviews conducted with key personnel from Company X.

The industry Company X operates in is well-defined with many strong competitors and a set out way of working. As the business-to-business sales and purchasing habits have changed drastically over the years the target of the research is to define the best suited sales strategy for Company X to succeed in selected target market. This research will provide a clear sales strategy including the recognition of shortcomings Company X has and the steps that need to be taken to increase its market share and to successfully implement the proposed sales strategy.

Due to confidentiality reasons the name of the company, its competitors, the current and former owners of the company are anonymized as well as the company employees interviewed will only be referred to be title. Some references are left out due to clear references to the names of companies involved or research data not being publicly available.

1.1 History

Company X is a Finnish manufacturing company founded more than 75 years ago. Already in the 1950s they company was manufacturing off-highway diesel engines, on the

frontier on introducing turbocharger engines to the agricultural segment. For the majority of its history the company has been a key supplier in the Nordic off-highway machine supply field. Until 2004 the company was owned by several different corporations and in 1994 they had a new plant opened in Brazil.

Being acquired by Corporation Y, in 2004, it gave the Finnish engine plant an ownership, wherein they can bring concrete value to their owner. During the ownership of Corporation Y, Company X has seen an increase in volumes from 19.000 in Finland and 6.000 in Brazil to having a global volume of more than 61.000 engines (figure 1). Besides having a plant in Brazil and Finland, the last years have seen a new plant in China being established along with a new plant in Argentina. The growth in volumes was largely driven by the Company X's increased share of Corporation Y's engine use. (Company X, company presentation).

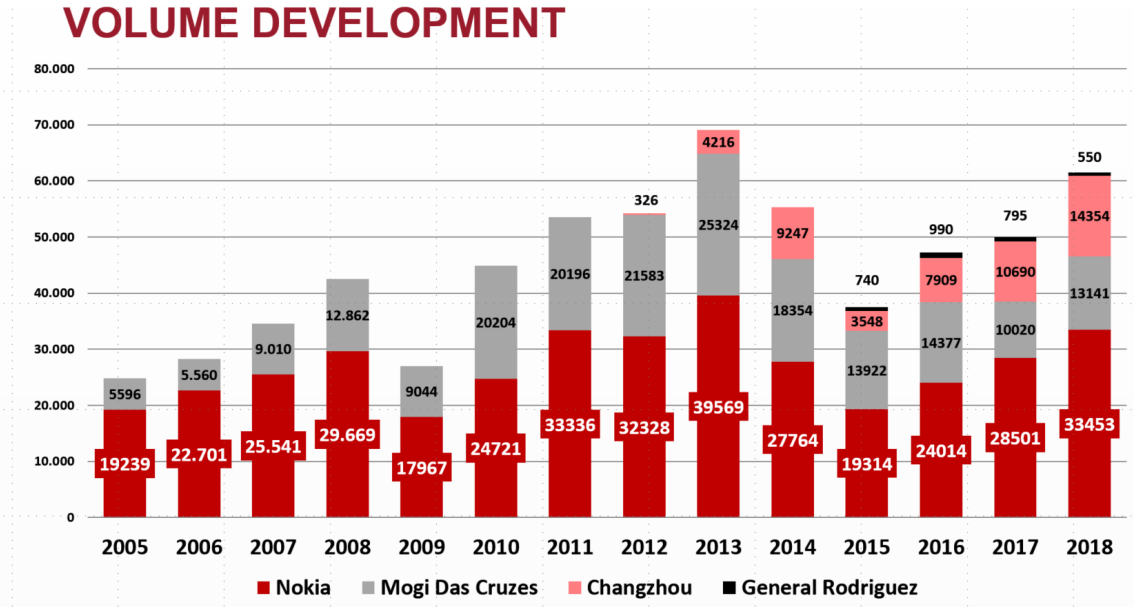
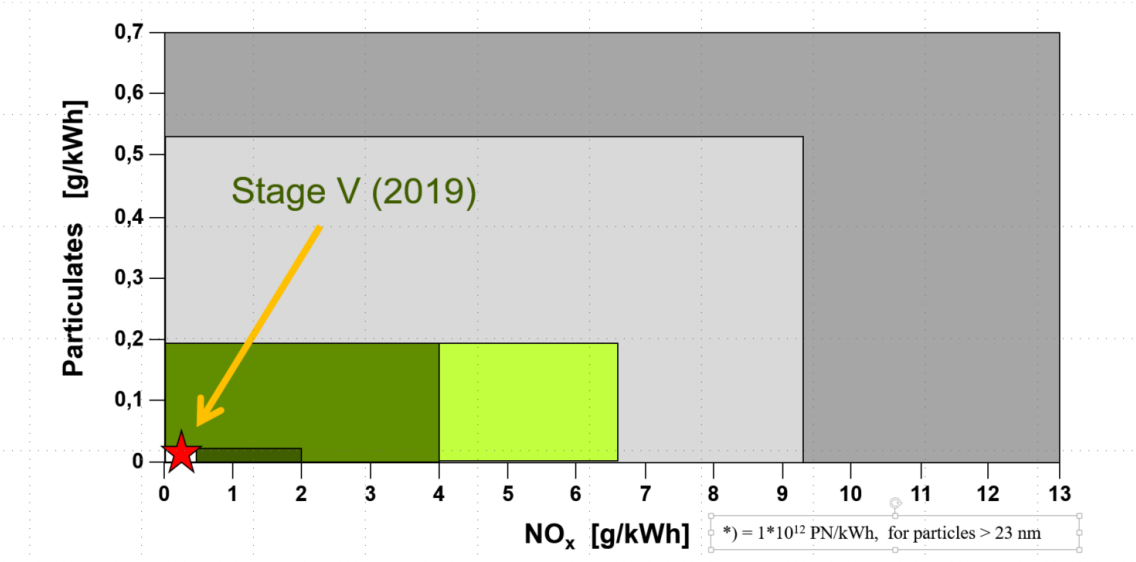


Figure 1: Company X's volume development (Company X, company presentation)

As Corporation Y's key focus is getting the engines they need for their machinery the focus on non- Corporation Y customers has been declining over the years. A big reason for this is that during the last ten years there has been a tremendous amount of emission legislation changes in the off-highway industry (picture 1). The legislations are referred to by different names, Tier x (e.g. Tier 4 Final) being the United States' legislation's reference, Stage x (e.g. Stage V) being that of the European Union and China x (e.g. China IV) being that of China. The rest of the world has adopted the Tier- based naming system.

These legislations refer to the allowed amounts and sizes of exhaust particles, primarily nitrogen oxides. The legislation from the European Union is referred to as stages, now in effect being the Stage V legislation. In the United States they refer to different Tiers, with Tier 4 Final being the current one. The rest of the world is primarily following one of the earlier versions of these legislations, with China being the exception. In the near future China will put China IV into effect, which differs from the two aforementioned legislations'' requirements. (Product management director, 2019.



Picture 1: Development of exhaust gas requirements. (Company X, company presentation)

Due to the rapid requirement changes, and Company X's strategic role in being an intercompany supplier to the Corporation Y, the strategic decision was made in 2011, just prior to the launch of Stage IV, not to take on any new customers, but to focus on existing ones and ensuring Corporation Y's brands get the engines they need when they need them. Driven by this change the sales function of Company X was officially closed and the functions new role was product management, a function that sales had been doing previously as well. (Senior sales and marketing manager, 2019).

1.2 Current situation

The doors were kept closed for new customers throughout the development of Stage V. Finally, when the biggest workload at engineering seemed to be completed Company X's management, with the approval from Corporation Y, decided that there would be support

available for new customers and a strategic target was made to actively target new customers. (Managing Director, 2019)

However, as one can imagine, during the years of focusing on existing customers and strongly reducing marketing efforts, no too many customers are asking anymore. To make it worse, simultaneously with the strategic decision of not accepting new customers the company's name was changed from Company B1 to Company X. So the current name does not remind anyone of the 75-year history of Company B1 or Company A1. (Sales and marketing director, 2019)

The target set by Company X management's new strategy is ambitious. The company targets to nearly triple the volumes sold to non-Corporation Y customers. To better understand the effect of the set target must look at the past and forecasted performance of Company X.

1.2.1 Volumes

The past and forecasted volumes of Company X Finland with Corporation Y and non-Corporation Y customers can be seen in figure 2.

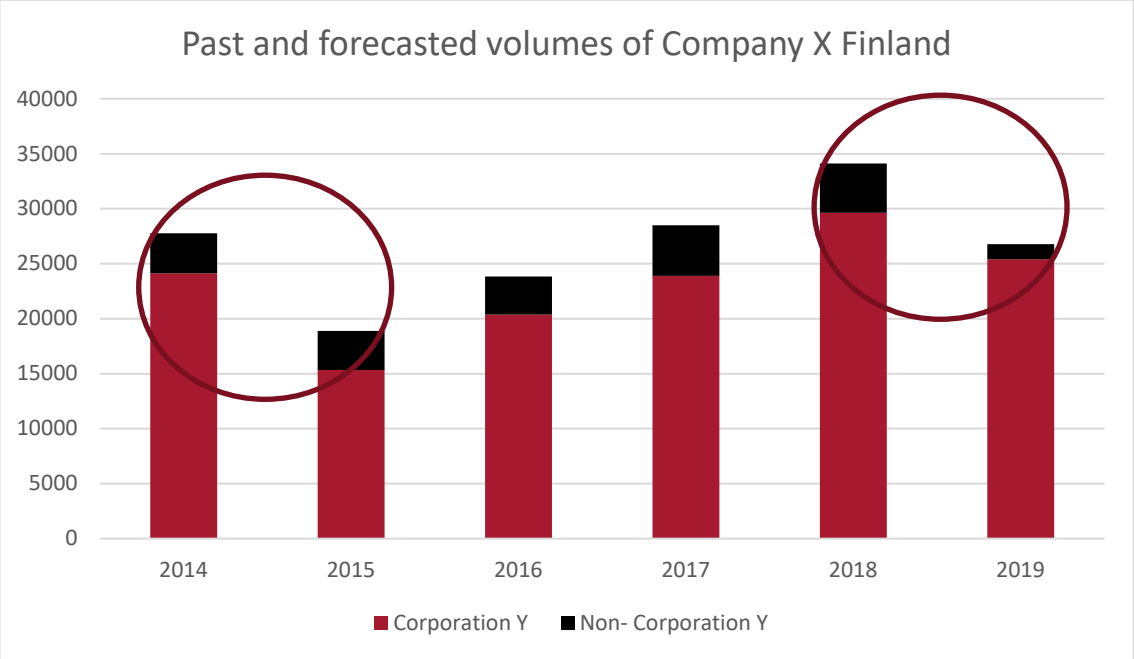


Figure 2: Company X volume history (Company X, Company presentation)

As can be seen from figure 2, there have been some variations in the volumes which are highlighted. These fluctuations can be easily explained by the changes in emission legislation. (Account manager, 2019)

As with every emission change the governmental bodies give the machine manufacturers a transition period, during which they can build machines with the components from the previous emission legislation period. The only requirements is that these components, affected by the emission legislation, e.g. engines and after treatment systems, need to be on stock by the end of the previous legislative period. The intention was to ensure that the manufacturers will not suffer any great losses due to unsold machines or excess stock. However this has turned into a routine, where towards the end of the period machine manufacturers by the engines in big numbers into their stock, so for the allowed period, normally 12 months, they can still place to market these older emission level machines which are more affordable. (European Stage V non-road emission standards, 2016)

This strategy has caused that as every emission legislation is coming to an end every engine manufacturer sees a spike in demand as machine manufacturers fill their stock for the coming transition period. As the legislation comes into effect based on power ratings, the effect is still somewhat limited. In January 2019 the emission came into effect for the power range 130 – 560 kilowatts and starting January first 2020 the legislation will affect the power range 56 – 130 kilowatts. (Product management director, 2019)

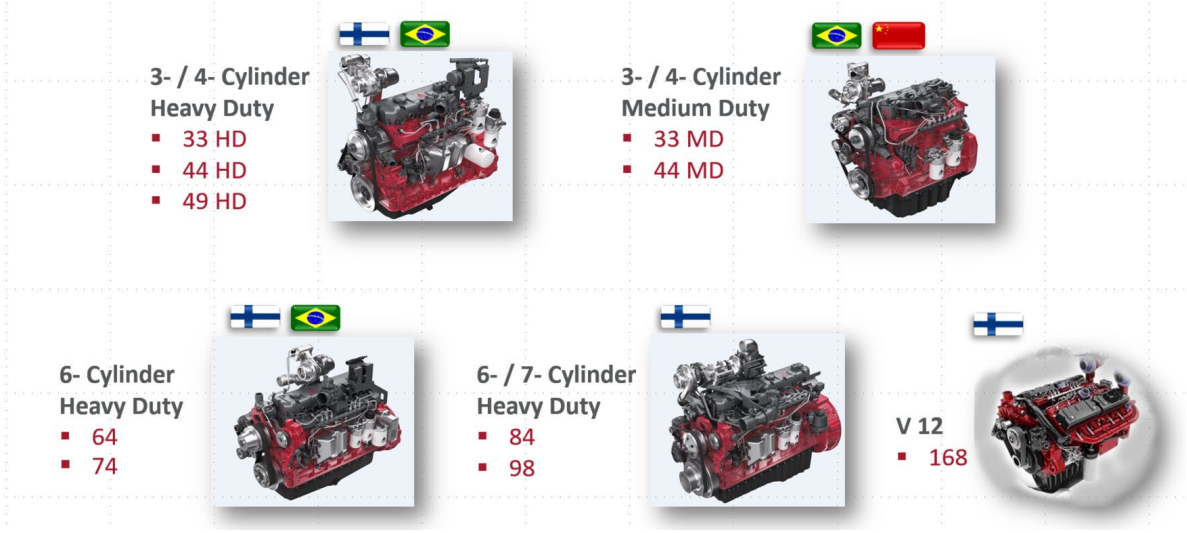
So we must look at the volume development as a whole, without focusing on any clear short-term variations where the impact can be explained.

1.2.2 Product portfolio

With a history of more than 75 years, Company X has had a wide range of products in their portfolio. For the entire duration of the company's history it has been focusing on off-highway diesel engines, with their products being in many various applications, from trains to excavators. (Company X, company presentation)

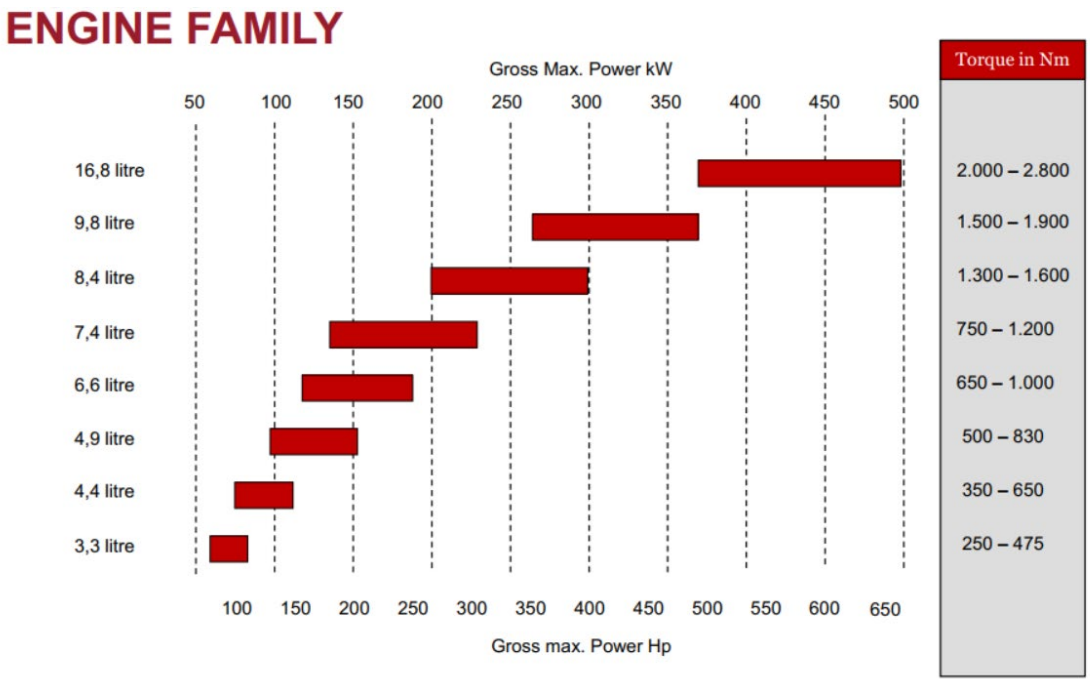
The current portfolio of the Company X consists of nine different diesel engines, available

in different emission levels. It is noteworthy, that some engines are manufactured in multiple locations, but not one location is manufacturing the full portfolio (picture 2).



Picture 2. Company X global engine portfolio (Company X, company presentation)

As can be seen for the picture 3 above, the only engine range not manufactured in Finland is the medium duty family, which is manufactured only in China and Brazil. Argentina is not on the table, as the engines and the operations are the responsibility of Company X Brazil. For this strategy creation we will focus on Finland only, limiting the medium duty engines from the portfolio. The portfolio being considered is shown in picture 4.



Picture 3. Company X engine power range (Company X 2018)

The Finnish made engine range for the latest emission level covers the range of 58 kilowatts up to 350 kilowatts, as shown above in picture 3. Below in figure 3 can be seen the share each engine had in production during 2017, when no emission legislation fluctuations were impacting the production volumes.

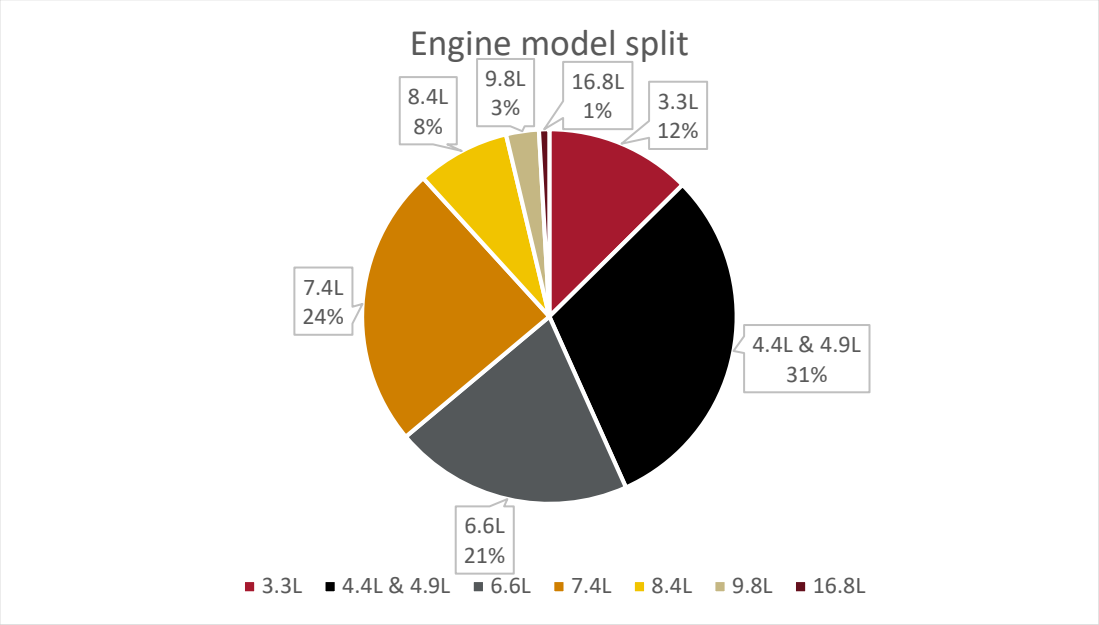


Figure 3. Company X Finland' engine volume sales split 2017 (Company X, 2018)

As is clear, the 16.8 litre engine is very low in production volumes and is the latest addition to the engine range. Also this model has a limited lifecycle, with an expectation of being phased out. Due to this planned phase out the 16.8 litre engine will not be considered part of the portfolio in the future.

2 METHODOLOGY

As Ojasalo, Moilanen and Ritalahti (2014) state development is often linked to research. Research based development is found in the middle of an axis, where scientific research is on the other opposite and common sense development on the other. (Ojasalo, Moilanen & Ritalahti, 2014, 17-18). Using the criteria defined by Ojasalo et al, this thesis is located at the center and falls under the classification of research based development as the target is to solve a problem arisen from a real life situation and research is conducted to find the optimal solution for the stated research problem. In figure 4 is shown the process of solving the defined research problem.

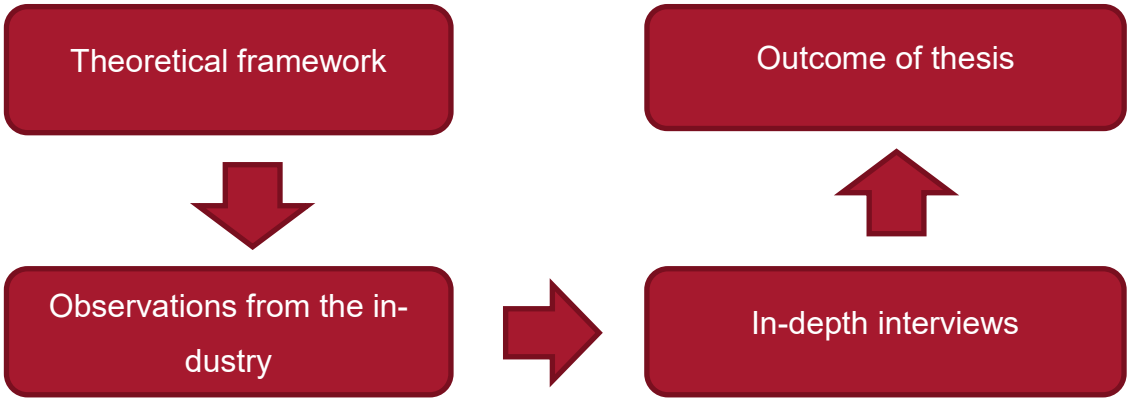


Figure 4. Visualization of the research project

2.1 Research topic

This thesis was done as part of Master of Business administration – International business management studies at Tampere University of Applied sciences during the years 2018 to 2019. The topic of the thesis was chose jointly by the writer and the commissioning company – Company X. When selecting a research topic time must be spent to select a meaningful topic, often an existing problem or weakness in the commissioning organization. As the research topic is easily too wide as such some critical assessments needs to be made to limit the topic to a manageable size so that the research can be effectively executed. (Ojasalo et al., 2014, 26).

The case company possesses a long history, but its activities in the sales sector have been non-existent in the last decade, creating a strong foundation for needing a sales strategy. The reactivation of the sales function includes a target to penetrate new market areas. So

far the sales activities have been started with a somewhat optimistic view that, once opening the "shop for business", there would be a clear interest in the market and the company could choose the customers of its choosing. However, two years into the new activities and the company is not attracting new customers in a fashion they hoped for. With a scenario like this easily the data gathering is set on the wrong tracks as was the case here as well (Ojasalo et al., 2014, 28). During the research phase it became evident that there was no strategy or a set of guidelines in place which could be utilized to define customers in the selected market segment nor the means of approaching them. Due to this the research question was adjusted to better suit the company's needs.

2.2 Research questions and objectives

The research process includes gathering data, testing a hypothesis (if there is one), after which results are gathered and reported (Davies 2007, 17). Before the research project can be started it is critical to define the reason for the research. The answer to the question why the research is conducted will impact the whole design of the research project. Only after clarifying the reason behind the research can it be established what are the best methods to be used for research, data collection and analysis. (Patton 2002, 213). This task was completed when choosing, together with the commissioner of the work, the topic, reasons behind the selection, and narrowing the topic to a manageable level.

The objective of this research is to identify the best suited sales strategy for Company X to take, in order to gain a clear foothold in the industrial engine sector. This includes analyzing different theories of sales strategy creation, understanding Company X's current position, the market situation, identifying the aspects valued by the customers in this segment and gathering proposed actions to be taken to make Company X succeed in penetrating the non-agricultural off-highway diesel engine sector.
Based on this, the research questions are:

1. What is a suitable sales strategy for Company X to engage with its customers in the non-agricultural diesel engine market?

1.1 What are the key requirements of the non-agricultural machine manufacturers?

1.2 What are Company X's strengths and weaknesses and how to improve on them?

2.3 Research methods

Due to the nature of this research it can be classified as a case study, utilizing the criteria presented by Ojasalo, Moilanen and Ritalahti (2014). A case study is a deep study of an individual target, such as a company sales strategy. Traditionally a case study is conducted through theoretical data gathering and qualitive research, however often also quantitative research, such as a questionnaire, is used to support the study itself. (Ojasalo et al., 2014, 54-55).

Defining the methods to be used is an art of its own, and according to Patton (2002, 12) as there is no clear guidance for it. To choose the right methods, one must acknowledge the purpose, the research questions, resources, and the audience of the results and the criteria to evaluate the research. (Davies, 2007, 10). For this work many methods were suitable, but based on the classification of the research being a case study the most suitable options to meet the thesis' goals were picked.

According to Kothari (2004) a research can be divided into two categories, basic and applied research. Basic research normally is used for broad and general topics whereas applied research is more suitable for specific research topics or questions. (Kothari, 2004, 3) As this is an instrumental case study, which serves a clear business purpose of a commissioning company and the case at hand requires clarity to a defined issue (Silverman 2005, 127). The nature of this thesis guided the choice to applied research.
The advantages of this type of research outline are that it allows for a more in-depth analysis of the laid out situation, where the gathered information can be rich and leading to new discoveries and insights. The people involved are aimed to cover a wide coverage of different functions while getting insights into the market. This allows the researcher to look into scenarios and the situational landscape in more detail (Brewerton & Lynne 2001, 62).

Research methods can be divided into three segments, qualitative, quantitative and mixed methods, the last one being a mix of the first two. Qualitative research methods are used to get a deeper knowledge of a person's views, opinions and understanding (Patton, 2002, 145). This is traditionally achieved through an in-depth interview where the researcher has a chance to gain unexpected information through a direct connection with the interviewees. The limitation of qualitative research is the time-consuming manner through

which the research needs to be completed. To allow an in-depth interview considerable time is required and conducting such an interview for a target group of tens or hundreds of people is extremely burdening. (Patton, 2002, 145)

There are three different methods for data colleting in a qualitative research (Patton, 2002, 4). He states these to be: documents, interviews and observations. The last two are self-explanatory, however documents include information from various different sources. These can be but are not limited to: surveys, literacy sources and reports. Naturally a qualitative research does not need to limit the sources it uses and is able to use all three different sources. Predefining a number of interviews to be conducted does not serve a purpose in a qualitative research. Rather the conduction of interviews needs to be stopped when a saturation point is achieved and additional interviews do not bring additional value. (Ojasalo, Moilanen, Ritalahti, 2014, 111)

Quantitative research on the other hand allows for quantifiable answers and is faster distributed among a larger audience. Through a quantitative research statistics can be drawn and answers can be compared in a more simple fashion even using statistical analysis to support the analysis of answers. The challenge of a quantitative research is, that the means of collecting the data, for example a questionnaire, need to be carefully planned in order to gain valid data. The collected data must be processed in a clearly set out manner to avoid the results from being invalid (Patton 2002, 14). Another limitation for quantitative research are the limitations to gain or adapt to any unexpected information. The researcher will gain answers to their questions but nothing beyond that.

As stated earlier, mixed methods is a combination of both aforementioned research methods. An option of executing this is a questionnaire utilizing both open and closed questions (Patton, 2002, 5).

2.4 Chosen research methods

Based on the nature of the thesis, and the questions set out, the writer was determined to use qualitative research as the main source of data collection. The methods chosen were in-depth personal interviews with ten Company X key personnel, chosen to represent a

wide coverage of different departments, in order to gain a wide view of the current situation and how different functions within the company see its strengths and weaknesses. The interviews also provided insight into the completion landscape and Company X's positioning here. Also included in the qualitative research method are observations based on discussions had with different industrial machine manufacturers and their oral feedback on the requirements they have for the industrial sector. To complement the data gathered from these sources the writer also decided to include various documents, such as market research data and competitor finance reports and engine specifications, to validate the information received and gain a better understanding of the competitive landscape.

The target of including both inter-company personnel and external resources is to validate the expectations and assumptions that Company X has of the industrial diesel engine market and to identify any discrepancies in views and propose corrective measures to overcome these gaps in offering versus expectation.

2.5 Validity of the research

As is understandable, the researcher must avoid his or her own opinions and biases from affecting the research outcome. However unconscious bias is difficult to identify so clear measures must be taken to ensure objectivity, which also defines the credibility of the research. As such the researcher must take measures to ensure that bias is being removed as much as possible (Patton 2002, 50-51).

In the thesis several actions were taken with the aim of getting credible data. Firstly, the machine manufacturers with whom discussion were had were chosen with minimal prerequisites, only requiring them to being a machine manufacturer that operates within the industrial sector. There were no requirements on the size of the company, having or not having previous knowledge of Company X, gender, age or any other factors. This data provided valuable insight into the requirements of the market and unexpected results on how the end customer's view affects the decisions of the machine manufacturer.

The interview questions asked were based on the observations made by discussing with the machine manufacturers and the target was to cast light on the topics brought up by the

machine manufacturers while interviewing many different function heads, with the researcher knowing through his connection with the company, that many of which did not share his own opinions or views. This enabled minimizing the effect of bias on the research outcome.

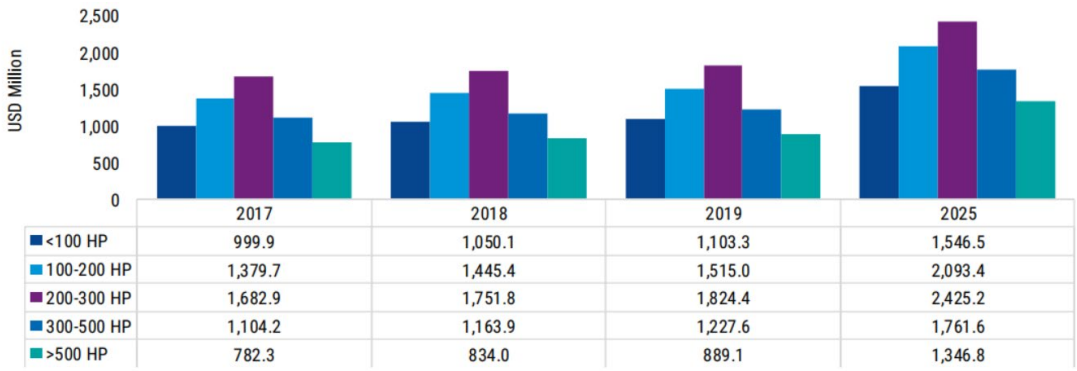
As the nature of a development process is continuous, this research only provides a foundation for the development of the sales strategy (Ojasalo et al, 2014, 22). Due to the time it takes to implement the proposed sales strategy this research does not include the re-evaluation of the effectives of the strategy. The outcome of the research needs to be validated and adjusted as it is being implemented and utilized.

3 THE OFF-HIGHWAY DIESEL ENGINE MARKET

The global off-highway market is a huge market, with significant subsectors such as construction, agricultural, mining, forestry, material handling and lawn and gardening machinery based on a professional research from which only certain figures are shared and is kept confidential. This research will be referred to as Company X ordered research. This is the sector into where Company X is looking for growth. According to the product management director of Company X, the Corporation Y has stated that selling engines to its competitors in the EU is not allowed and other cases need to be approved case-by-case by the executive steering group. This guideline has forced Company X to look beyond its traditional forte, which is the agricultural sector (Product management director, 2019).

3.1 Growth projection

The European off-highway diesel engine market has grown from 5,949 million USD in 2017 to 6,559 million USD in 2019. The market is forecasted to grow steadily and by 2025 it should reach 9,173 million USD. The compounded annual growth rate of the market is 5, 75%. (Company X ordered research) This market evaluation includes all off-highway diesel engines, from all sectors mentioned above, to all sizes classified as seen below in figure 5.



	2017	2018	2019	2025
<100 HP	999.9	1,050.1	1,103.3	1,546.5
100-200 HP	1,379.7	1,445.4	1,515.0	2,093.4
200-300 HP	1,682.9	1,751.8	1,824.4	2,425.2
300-500 HP	1,104.2	1,163.9	1,227.6	1,761.6
>500 HP	782.3	834.0	889.1	1,346.8

Figure 5. The projected growth of the European off-highway diesel engine market (Company X ordered research)

The market in Europe for off highway diesel engines is clearly present but with the limitation of segments where allowed to operate the sizes of individual sectors need to be

analyzed. In figure 6 the market turnover is split among industries. It is visible that construction is the biggest industry in the European off-highway diesel engine market, with agriculture coming second, followed by mining and a mix of industries belonging to the group others. These industries grouped together include such fields as mining and forestry (Company X ordered research).

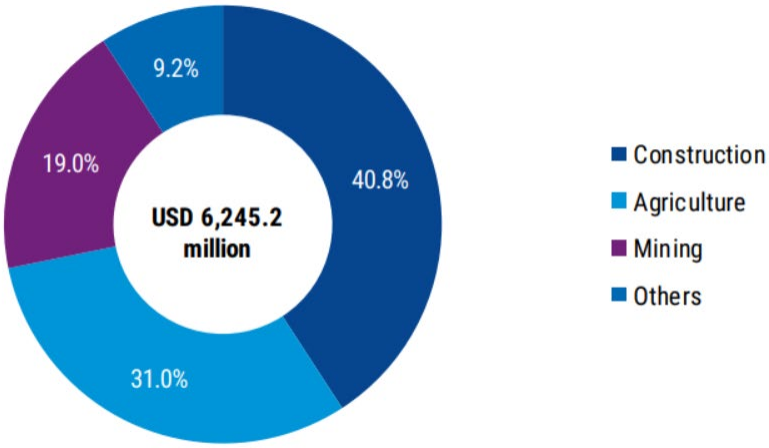


Figure 6. Industry split in 2018 (Company X ordered research)

To understand the industry based trends better we must look at the forecasted growth rates. As calculated from figure 3, the total compounded annual growth rate for the European off-highway diesel engine market was 5, 75%. Figure 7 opens this per industry, allowing a more detailed examination.

Application	2017	2018	2019	2020	2021	2022	2023	2024	2025	CAGR % (2019-2025)
Construction	2,431.6	2,549.8	2,675.1	2,812.8	2,963.5	3,125.2	3,310.5	3,508.2	3,719.0	5.64%
Agriculture	1,830.3	1,933.5	2,043.6	2,164.8	2,297.8	2,441.2	2,605.3	2,781.5	2,970.8	6.43%
Mining	1,133.3	1,187.5	1,244.9	1,307.9	1,376.8	1,450.7	1,535.2	1,625.2	1,721.1	5.55%
Others	553.9	574.4	595.6	618.7	643.5	669.6	699.5	730.5	762.7	4.21%
Total	5,949.0	6,245.2	6,559.3	6,904.2	7,281.6	7,686.8	8,150.6	8,645.4	9,173.5	5.75%

Figure 7. The forecasted growth rate based on industries 2017 – 2025 (Company X ordered research).

Based on this forecast the agriculture industry is expected to grow the most, a staggering 53,6 % by 2025. However the construction market will also grow significantly, up to 45,8% in market size by the end of 2025. These are immense growing figures which, to many, may seem very optimistic.

In figure 8 can be seen the effect of growth to the industrial sector split. As can be seen, the split between industries remains nearly the same. The only difference is that the agricultural sector takes 1% market share from the others.

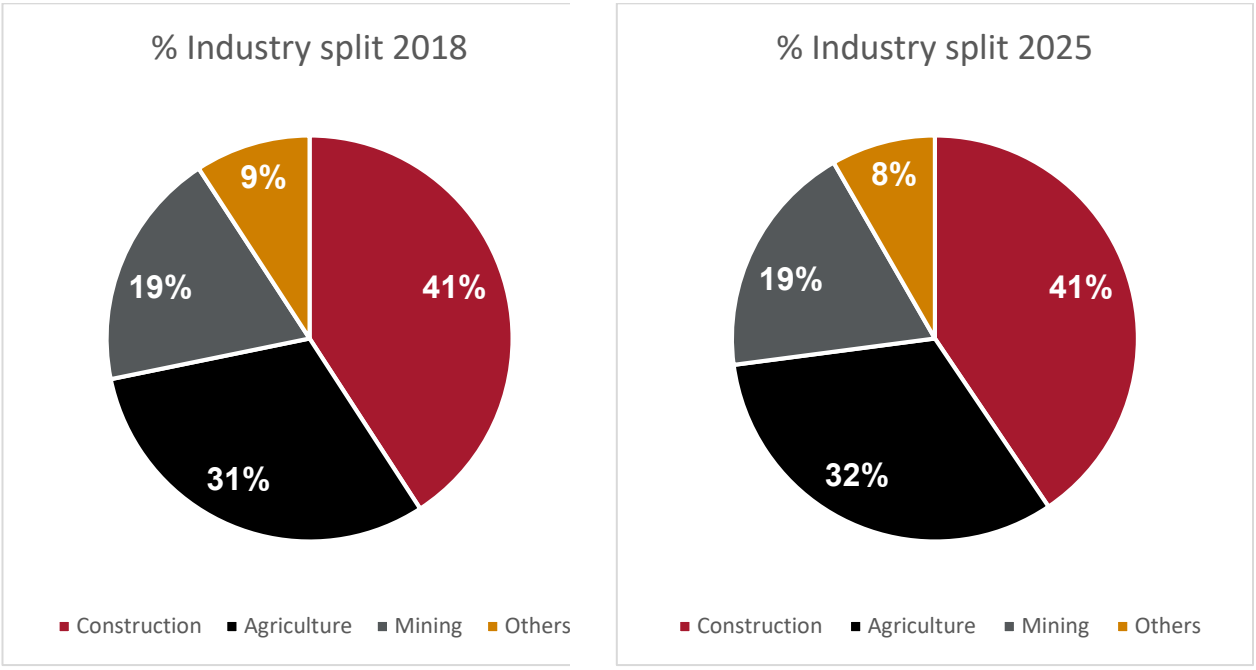


Figure 8. The changes between industry turnover development from 2018 to 2025 (Company X ordered research).

3.1.1 Understanding the drivers

It is noteworthy, that during the period of 2018 – 2025 there is a massive legislation change coming to the European market, driven by emission regulation. Clarified by Hernandez, Volvo Penta's business development manager (2019), the so called Stage V legislation is driving for more sophisticated aftertreatment systems than before striving to limit the amount of harmful substances released into the atmosphere by diesel combustion engines. This legislation takes effect on the 1st of January 2019 for below 56kW and above 130kW engines and for the power range 56 – 130kW it takes effect on the 1st of January 2020. (Hernandez, 2019). According to Company X account manager, the tightening limitations can increase the cost of the engine up to 15%. (Account manager 2019). Even with the increasing engine cost, the forecasted turnover growth is still very high.

The future market research (2019) offers the following information regarding the construction segment.

> The growth for European construction industry is primarily driven by the factors, such as favorable interest rate, increasing investment in the public sector, increase in immigration, and urbanization in countries all over the region. Such factors lead to the construction of more residential buildings and proper transport routes, raising the demand for automotive off-highway vehicles related to construction applications. (The future market research, 2019, 45)

Regarding the mining industry The Future market research (2019, 45) clarified the growth based on the following factors:

> The demand for automotive off-highway vehicles in mining operations might reduce due to the stringency of the environmental regulations, which is further expected to hinder the mining sector growth, especially in the coal-producing countries in the EU, particularly in the west. Such factors are expected to slow down the growth of Europe automotive off-highway vehicle in mining sector during the forecast period. However, an increase in

> the mining operations across developed countries is expected to be an opportunity in the market, which is expected to raise the demand for automotive off-highway diesel engines during the forecast period. (The future market research, 2019, 45)

Here one might wonder, why the growth of developing markets is affecting the European off-highway diesel engine market. Clarified by Company X account manager, it is noteworthy, that the European off-highway diesel engine market is one, where the engines are bought in Europe. As many European manufacturers or assembly plants are supplying around the world the growth in developing markets is supporting also the sales of off-highway diesel engines in Europe. (Account manager, 2019)

3.2 The effect on forecasted figures to Company X

As Company X's power range is from 58 kW to 350kW, it is important to understand how it translates to this table. As one horsepower is the equivalent of 0.745700 kilowatts, we can calculate the equivalent ranges for kilowatts (International systems of units, 2019). This is available in table 1. Company X's portfolio lies mainly in the 75- 373 kW segments and thus these must be focused on. (Company X, 2019)

HP	Kilowatts
<100	>75
100 - 200	75 - 149
200 - 300	149 - 224
300 - 500	224 - 373
>500	>373

Table 1. Comparison of used HP value to kW values, kW values rounded up.

When observing figure 3 more closely, it can be noted upon, that the segment of 149 to 224 kW is the largest one, being followed by the 75 to 149 kW segment. Comparing this data with picture 3 and figure 2, these are the sectors where Company X has the widest product range and highest existing volumes, supporting the continued focus on these sectors.

Based on the turnover shown in figure 3 the turnover for the engine range 75 – 373kW in 2018 was 4820 million Euro. Comparing this number to Company X's 2018 sales in the EU region for diesel engines, 220 million Euro, it can be seen that Company X's market share is very small, a mere 4,5% of the total market. This is visualized in figure 9. The calculation to verify the results is in appendix 2. (Company X ordered research & Company X, 2019)

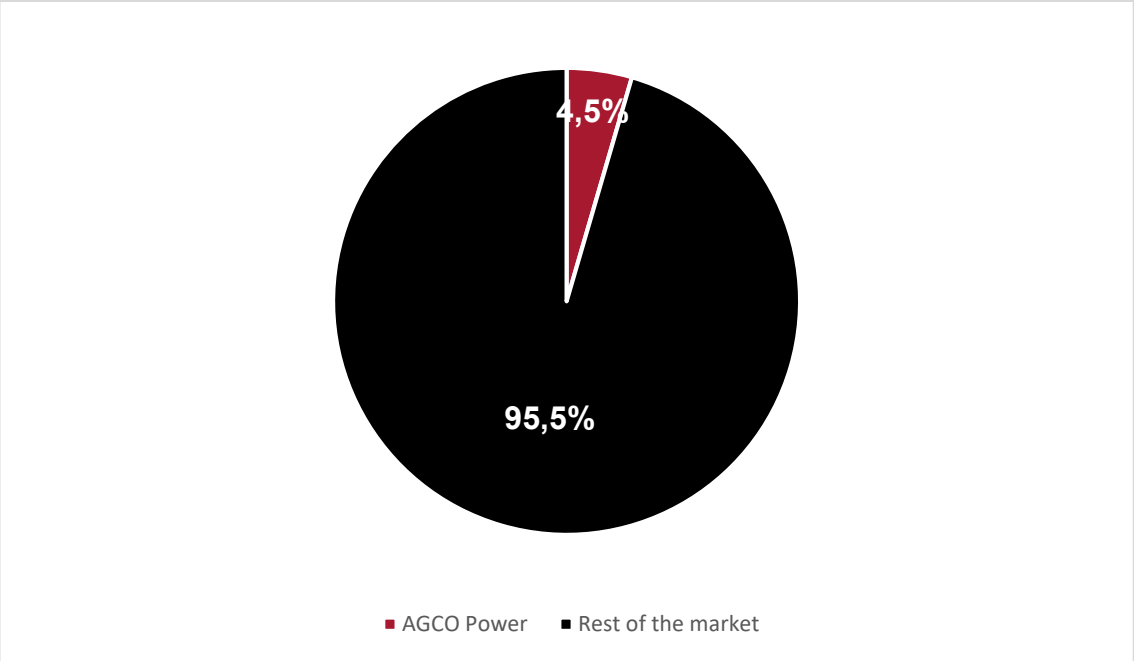


Figure 9. Company X's market share of the whole European off-highway diesel engine industry within the size range of 100 – 500 HP. (Company X ordered research & Company X, 2019

3.3 Competitive landscape of the European off-highway diesel engine market

The European off-highway diesel engine market is characterized by the presence of major European and global players. The main players in the market include Competitor 7, Competitor 1, Competitor 8 Inc., competitor 2, Corporation Y, Competitor 4 and 8 others. The competition is increasing due to growing demand for technically advanced engines. Due to this many players are investing heavily into R&D to bring out products aimed to provide them a competitive edge. (Company X ordered research).

The market itself is dominated by a couple key players, depicted in figure 10. With US-based international players such a Competitor 8, Competitor 1 and Competitor 4 owning more than 60% of the market the impact of these companies is huge.

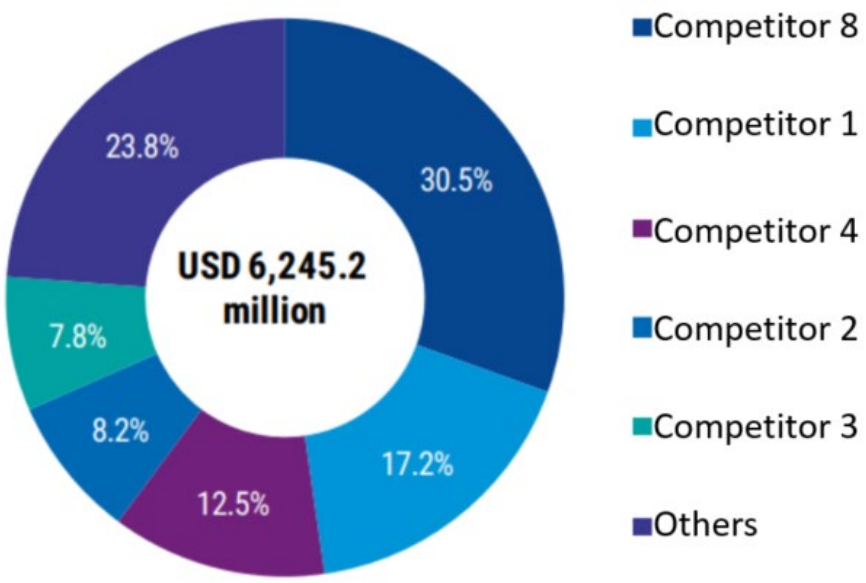


Figure 10 European off-highway diesel engine market share analysis (Company X ordered research)

3.3.1 The rule of three

This situation in the market reminds what is described by Rajendra S. Sisodia and Jagdish N. Sheth as the rule of three (Sisodia & Sheth 2002). The rule of three states that in normal, competitive markets, which are free of strong governmental regulation or patent-driven monopolistic scenarios there are three generalist companies commanding 70-90% of the market share. In the European off-highway diesel engine market the share owned by the top three players is 60%, so very close.

According to Sisodia and Sheth (2002) in the developed counties it can be seen that the market is split among, normally, three generalist companies, providing a full line and commanding a market share of 40, 20 and 10 percent each. In the market there are also niche players, who have specialized in certain smaller markets where they traditionally

own more than 80% of that niche market. The third segment in the market are the companies in the “ditch”. These own a market share between 5 and 10 % and enjoying the worst financial performance of all three segments. This is shown in figure 11. (Sisodia & Sheth, 2002)

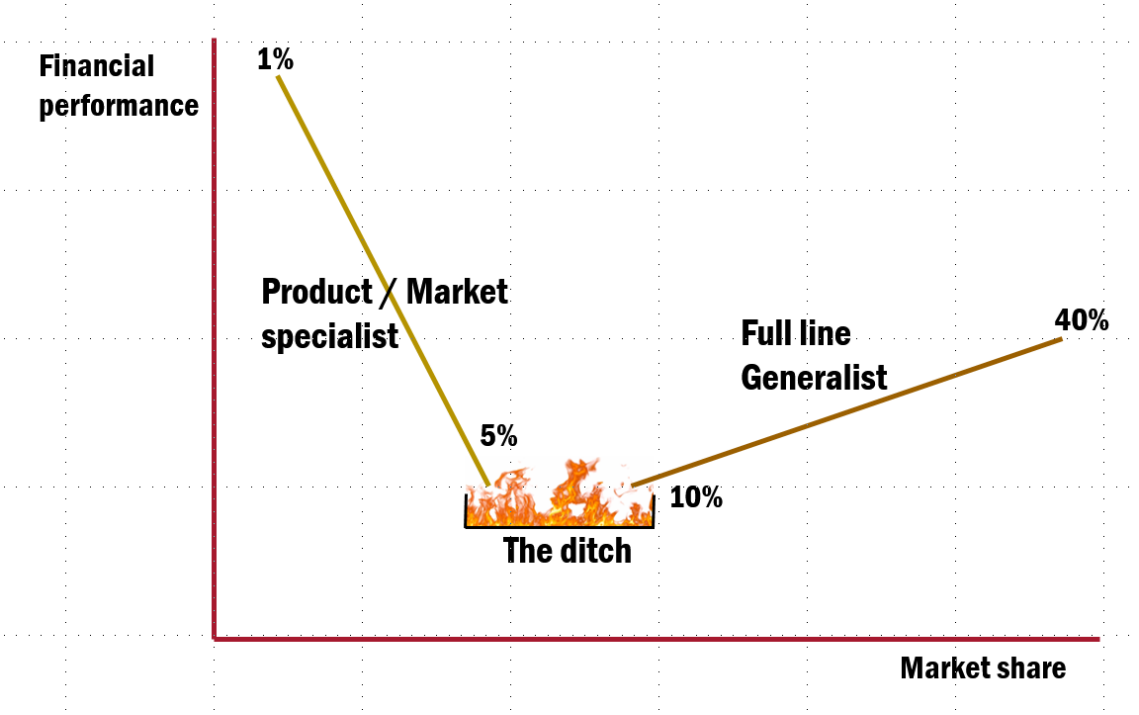


Figure 11. The market landscape according to the rule of three (Sisodia and Sheth, 2002).

As can be seen from figure 11, it plots a correlation between financial performance and market share, and illustrates the central paradigm of the Rule of Three: there can only be room for three generalists. According to this theory and looking at figure 10, Competitor 2 and Competitor 3 would be among those companies that are in the ditch. In figure 12 is a comparison of these two different manufacturers, with the addition of Competitor 8. Competitor 2 is a pure bred engine manufacturer, whereas Competitor3 creates the majority of their revenue from machine manufacturing, for the on-highway and off-highway sector. Comparing their financial performance against that of Competitor 8 can bring verification to the hypothesis of a rule of three being applied to the market. Competitor 8, like Competitor 2, is an engine manufacturer though Competitor 8 has also a component and generator set division. These divisions have been excluded from the table, as has been the machine business of Competitor 3. However in the financials of Competitor 3 are included the axle and transmission division of that company, though they play a lesser role than the engine segment.

When comparing these three companies it can be seen that is in the weakest financial situation and Competitor 8 in the strongest one. It can also be hypothesized that the turnover of the engine business influences the financial performance, however this research will not address this topic. To make this comparison the financial reports of 2015-2018 were used from Competitor 3, Competitor 2 and Competitor 8 (figure 12).

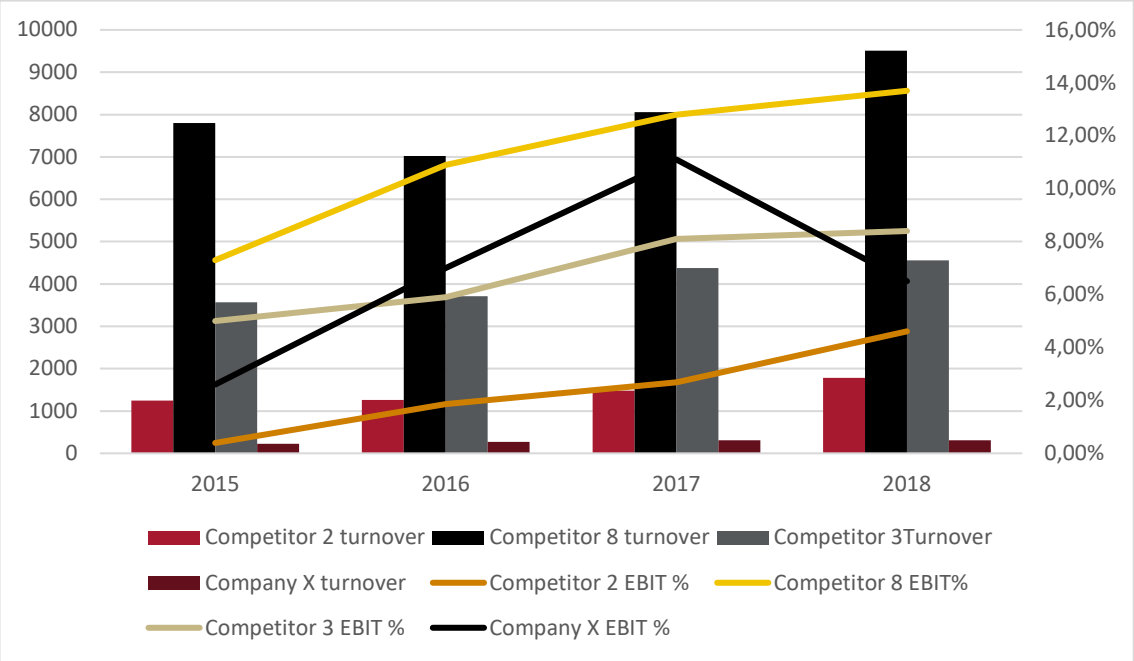


Figure 12. Comparison of turnover and profit between Company X, Competitor 8, Competitor 2 and Competitor 3. (Company X financial information, annual reports of competitiors)

When analyzing the financial performance of the chosen companies it is difficult to identify how either one of Competitor 3 or Competitor 2 should be in the ditch. This outcome would support the hypothesis that applying the rule of three to the European off-highway diesel engine market, compared to markets Sisodia and Sheth referred to, such as the steel, beer or airline industries, is challenging. This may be due to the fact that within the off-highway diesel engine market the majority of the players are supplying and developing engines internally. Also Sisodia & Seth's hypothesis that players with a below 5% market share are highly profitable are not valid as generalists are outperforming Company X, which can be segmented as a niche in its current situation. (Sisodia & Sheth, 2002; Product management director, 2019) This is the case with Competitor 4, where Company X ordered research states them owning 12,5% of a 6,245 million USD business, resulting in roughly 780 million USD sales. According to Company X sales and marketing director, without knowing the amount of engines Competitor 4 consume internally their actual

market position with external parties is impossible to deduct. The same applies to Competitor 1 and Competitor 3. (Sales and marketing director, 2019)

4 STRATEGIES AND THEIR SIGNIFICANCE IN GROWING A BUSINESS

Ann Latham (2017) says, that strategy is a framework for making decisions how you will play the game of business. It is a rather good description, depicting its significance in the way you act (Latham, 2017). As Withaar (2019) points out, strategy is answering where you want to get and how to get there. Whereas tactics define how to reach these goals (Withaar 2019).

The incapability for business directors to think clearly while defining a strategy will have devastative long-term effects for any organization (Horwath 2014, 7). The company's strategy should be such that it focuses on the long term goals (Withaar 2019). Withaar proposes, that this shouldn't mean that strategy is static, management should be able to adjust and adapt it according to the changing surroundings. Grant (2016) depicts the very basic framework of strategy as "strategy as the link between the firm and its environment" (Grant, 2016, 10). This is depicted in figure 13.

Figure 13. A company's strategy is its connection between the company and their environment (Grant, 2016, 10).

Porter (1996) take a slightly different approach in his work "What is strategy?" by describing the meaning of strategy as creating a competitive advantage to the company. This should be done by carefully choosing different activities than the competition or a different way of performing the same activities and making a working fit of those strategies (Porter 1996, 62). Porter (1996, 70) highlights the need to make trade-offs between the activities and it is vital that the company's strategy defines what not to do. His view would be best summarized by this quote:

> *The success of a strategy depends on doing many things well ---not just a few and integrating among them If there is no fit among activities, there is no distinctive strategy and little sustainability. (Porter, 1996, p.75)*

Both Porter and Grant see the purpose of strategy somewhat similar. Porter (1996) argues that strategy should be by about focusing resources and creating a position for the company in the market that fits the company's activities. He also highlights the need to clearly communicate the company's strategy to all employees, supporting everyone's decision making (Porter 1996, 69). Grant (2016, 15) is on a similar view, with seeing strategy acting as a guide, helping the company and its employees to navigate and decide with their tactical decisions.

When looking at the key aspects of the strategy, again Grant (2016) and Porter (1996) are on similar tracks. Porter (1996) proposes that the crucial element is to have all the activities fit with one another, the company and its surroundings. Grant (2010) sees there being four parts that need to align for a strategy to work. These are: 1) simple, consistent and long-term goals, 2) a thorough understanding of the competitive environment, 3) an objective assessment of resources and 4) an effective implementation (Grant 2010). Grant's (2010) view is depicted in figure 14 below.

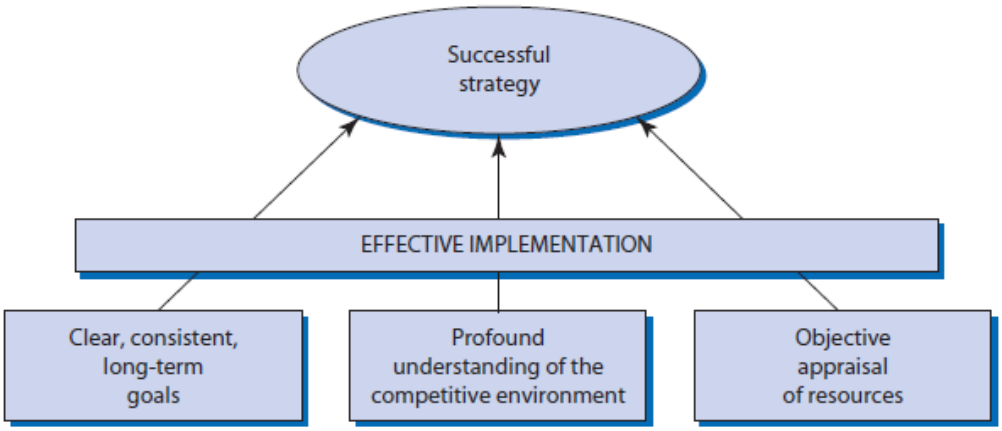


Figure 14. The ingredients of a successful strategy (Grant 2016, 8)

It is also worth noting, that there are multiple layers of strategy, a corporate strategy defines the businesses which a company engages in, business-unit strategy defines how a company's business unit competes in a market and functional strategy defines how a function maximizes its productivity (Panagopoulos and Avlonitis, 2010, 48).

4.1 Strategic marketing segmentation

Weinstein (2006) states that market segments define, the customers the company wants to target. Too narrow segments will limit opportunities whereas too wide segments make the company's marketing resources seem inefficient and inadequate. Often the marketing segments used by companies are too broad and cannot serve their purpose sufficiently. Weinstein (2006) shares examples of the segment being constructed purely based on product definition (e.g. phone, computer) or by geographical location (e.g. Europe, Africa). He argues that more complex and defined models are needed to maximize the potential of marketing segmentation (Weinstein, 2006, 115).

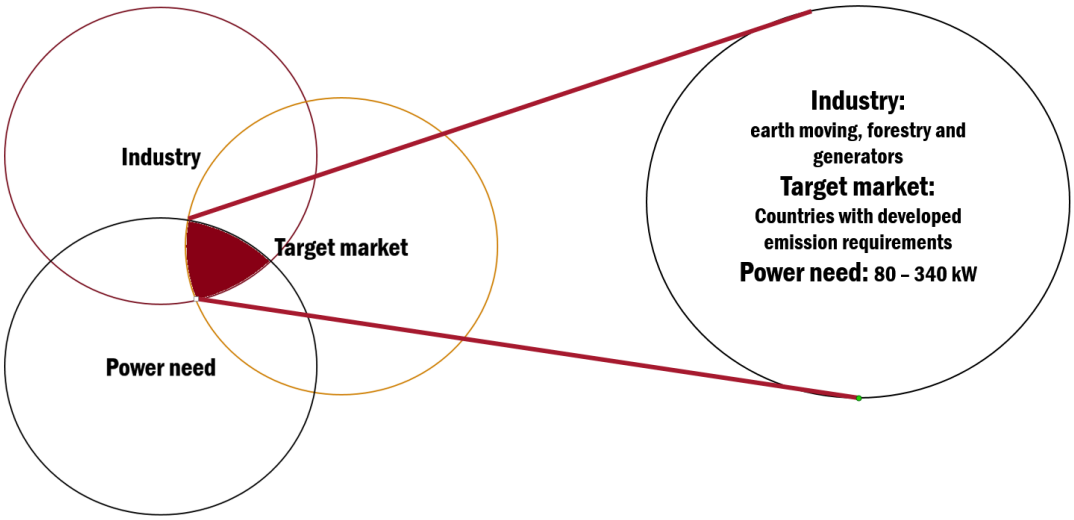
Weinstein (2006) created a strategic market definition model. The model entails three levels and nine components. The starting point is the relevant market, defined by the suitability for the company based on the company's capabilities and objectives. This is followed by the defined market, where the company assesses its existing customer base and the untapped market. With the second level the company can fine-tune its definition of the market. The last level is the company's target markets, here the company segment the markets by identifying the needs and habits of customers. Based on these segmentations the company can choose its target markets. (Weinstein, 2006, 119). Abratt and Bendixen (2018) present the target of market segmentation being the identification and selection one or multiple segments where the requirements of customers meet the offering of the company (Abratt, Bendixen, 2018, 19).

Based on the presented theories of market segmentation and capabilities of the Company X, the following market segmentation was defined (picture 4). As the whole off-highway diesel industry base as such is too wide a base to formulate any clear strategies. Based on the requirements received through observations in the market, the company's internally assessed capabilities and market analysis the following three criteria should be evaluated in the creation of the ideal customer segment: 1) Industry type, 2) geographical target market and 3) the power needed by the customers.

Depending on the industry the machines operate under a different set of parameters, these include but are not limited to, physical environment, accessories attached, installation dimensions and expectations of the operator (Application engineering manager, 2019).

Also each geographical target market has different requirements, starting from different legislations affecting them, different value expectations to different cultures influencing the buying decision (Sales and marketing director, 2019). As stated by Paesbrugghe et al, cultural market orientation positively affects satisfaction (Paesbrugghe et al., 2015, 174).

Additionally the power range available by Company X is predefined and changing this range is a very costly and time-consuming effort with an unguaranteed payback (Sales and marketing director, 2019).



Picture 4. Company X target marketing segment

4.2 The role of sales

As Storbacka, Ryals, Davies and Nenonen bring about in their article (2009): The changing role of sales: viewing sales as a strategic, cross-functional process (Storbacka et al., 2009, 2), sales is shifting from a purely "selling" function to one where salespeople aim to increase customer productivity. The article argues, that sales is merging with marketing to take on an even greater strategic role in the company. This is also reflected in the article of Terho, Eggert, Haas and Ulaga (2015), who suggest that leading business-to-business companies are shifting to a service-dominant logic from the traditional goods-dominated mind set and focus on a value-creation perspective (Terho, Eggert, Haas & Ulaga, 2015, 7).

Cuevas, Donaldson and Lemmens state in their book Sales management: strategy, process and practice (2015), that sales growth will require significant internal transformation in

structures, systems and processes. Sales leaders need to persuade the organisation to become more customer-centric and re-focus activities and allocation of resources to enable sales growth. (Cuavas, Donaldson & Lemmens, 2015, 112).

Storbacka, Ryals, Davies and Nenonen also bring fourth how sales is taking on a larger role as the custodians of the customer relationship. They argue this is driven by an increasingly sophisticated customer, with whom the product specialist role that has been the traditional sales position has been moved to customer service. (Storbacka et al., 2009, 3) This view is supported by Terho, Eggert, Haas and Ulaga, who state that value-based selling and sales people's customer orientation have been shown to be key drivers in the performance of the sales department in business-to-business markets, where long-term relationships where created customer value plays an important role (Terho et al., 2015, 17).

4.3 Sales strategy

Panagopoulos and Avlonitis state in their article (2010), that despite a lot of research on the topic of marketing and strategy, there is no clear depiction of what a sales strategy is and how it should be developed (Panagopoulos & Avlonitis, 2010, 46). Often mixed with marketing strategy, there is a clear difference. According to Panagopoulos and Avlonitis (2010, 48) marketing strategy comprises of marketing activities and generating and maintaining a competitive advantage for the company. This includes the selection of potential market segments and the creation of a marketing-mix for the customers in the chosen segment (Panagopoulos & Avlonitis, 2010, 48). The concept of the marketing-mix is depicted in figure 15 below.

	Price	Place	Product	Promotion
Price	Optimal Price	1B. Price charged fits with costs to get product to customer location	2b. Price charged provides needed mark up to cover costs and profit needs	3b. Price charged covers all marketing costs
Place	1c. Customer's price fits with the search time intensity customer is willing to expend	Optimal Place	4b. Location and logistics maximize ability to efficiently distribute product to customer	5b. Location and logistics ties with branding and communication efforts
Product	2c. Product is priced to fit customers budget and amount willingly paid for value received	3c. Location and logistics match customers' expectations for product acquisition	Optimal Product	6b. Product lends itself to promotion efforts that can support needed revenues and volumes
Promotion	4c. Promotion supports value indicated by price paid by customer	5c. Promotion utilizes location, and logistics are interpreted as customer benefits and are part of promotion efforts	6c. Product promotion focuses on customers' expectations of product doing the job they need done	Optimal Promotion

Figure 15. Marketing mix (Randazzo, 2014, 132)

Panagopoulos and Avlonitis (2010) took a deep look into what should belong under the umbrella of sales strategy. They state that while marketing is responsible for defining the marketing segment, sales has the responsibility of selling to all customers within that segment. By researching numerous literary sources as well as conducting individual interviews with sales executives operating within business-to-business companies (Panagopoulos & Avlonitis, 2010, 48). The end result was the following:

> Sales strategy is the extent to which a firm engages in a set of activities and decisions regarding the allocation of scarce sales resources (i.e., people, selling effort, money) to manage customer relationships on the basis of the value of each customer for the firm. (Panagopoulos & Avlonitis, 2010, 48).

The summary proposed above, sets the sales strategy to define how the company sets out to conduct a set of activities, which include: 1) customer segmentation 2) customer prioritisation and targeting, 3) development of defined relationship objectives and the use of different sales models and 4) the use of multiple sales channels (Panagopoulos & Avlonitis, 2010, 48).

Also discovered during the research was the feeling of sales executives that corporate or business unit strategies are too aggregate to serve in the creation of a sales strategy. Hence the view that the key place for crafting a sales strategy is within the sales function. (Panagopoulos & Avlonitis, 2010, 48) On the other hand Storbacka, Ryals, Davies and Nenonen argue that sales strategy must be aligned with business unit strategy and senior executives need to be on point to be able to provide the resources needed to execute the strategy successfully (Storbacka et al., 2009, 5). As Panagopoulos and Avlonitis identified four factors that were clearly the highest repeated topics as the building blocks of a sales strategy these were chosen to be more closely inspected (Panagopoulos & Avlonitis, 2010, 49)

4.3.1 Customer segmentation

Customer segmentation is a defined way of how the company categorizes their customers. As Terho, Eggert, Haas and Ulaga (2015) point out, customer segmentation is needed for the company to better understand and identify customers with different types of needs and structure their sales accordingly (Terho et al., 2015, 16). Panagopoulos and Avlonitis bring forth some criteria to be used to develop a granular customer typology, these are among others: buying behaviour, lifetime value or customer profitability (Panagopoulos & Avlonitis, 2010, 48). One example of the utilization of customer segmentation is shown in the research of Storbacka, Ryals, Davies and Nenonen (2009), where an example company developed different sales processes to meet the needs of customers in different segments. These segments were created based on the following basis; if the customer owns or uses the property, operates in a public or private sector and the different end uses. The example company also created its own segment of strategic accounts formed of the biggest customers regardless of previous classifications. (Storbacka et al., 2009, 13). Leigh and Marshall state in their work that market-driven firms should segment their customers

based on their buying preferences. In the case of Company X, these pretences can define if the customer wants to use a single source supplier for all engines or prefers to buy the best suited engine for each machine. (Leigh, Marshall, 2001 86)

4.3.2 Customer prioritization

Customer prioritization is a continuance of customer segmentation. The prioritisation are done to identify customers who play an important economical or strategic role among the set out customer segments. (Panagopoulos & Avlonitis, 2010, 50). Many companies claim, that they are prioritising customers, but Homburg, Droll and Totzek noticed in their research that the intended strategy is often left unused (2008). They argue, that in many cases this is due to the company's organisational structure, processes or culture (Homburg, Droll & Totzek, 2008, 111).

There is often the understanding, that prioritization leads to happier important customers and disgruntled low-tier customers, as they get less attention (Homburg et al. 2008, 115). However during their research they noted, that customer prioritization led to more satisfied top tier customers, benefiting of the increased focus given by their suppliers. However their research also concluded, that low-tier customers did not become less satisfied after customer prioritization was implemented. This was especially visible in the business-to-business sector. They propose this to be a result of business customers having a realistic understanding of their importance to their supplier. With a low-level customer they would not expect to get "too good" of a service. The research also showed an increase to average customer profitability, when scarce resources are not spent on low volume customers. (Homburg et al., 2008, 125)

As Haas et al. found in their research, prioritization does not have a direct impact on sales performance, however they effect indirectly through customer orientation and value based selling (Terho et al., 2015). Based on their research it can be theorized that customer prioritization is a needed tool in managing various customers within a predefined customer segment.

With the costs of changing a supplier being a very costly and slow process the relationships are easily very long. The introduction of a new engine supplier is a high risk effort

and will not be done lightly (Product management director, 2019). The larger the corporation, the higher the risk the change of supplier brings. For smaller manufacturers the commitments to the existing supplier are smaller, the relationship is more on an extrinsic or even intrinsic level. This leads way to a clear prioritization between larger and smaller manufacturers.

4.3.3 Different sales models

Different sales models, also referred to as different relationship objectives, are seen as a third element of a sales strategy. These models can range from transactional to collaborative exchanges. (Panagopoulos & Avlonitis, 2010, 50). Homburg, Droll and Totzek bring out in their research how relationships are naturally affected by prioritization. As successful prioritization can be done based on economical or strategic metrics it is evident that these two go together. (Homburg et al., 2008, 121). The link of prioritization and relationship objectives comes also clear through the statements made by Leigh and Marshall (2001) where they emphasize the demand from customers for sales organizations to adapt a partnership based business model. (Leigh & Marshall, 2001, 84)

4.3.4 Multiple sales channels

Panagopoulos and Avlonitis's research identified the use of different sales channels as the fourth aspect of a sales strategy. Their work brought forward the need to identify what customers want and through which sales channels the customer's needs can be met in the most effective way. Different sales channels include but are not limited to: online sales, key account teams, internal sales teams or sales partners. Based on the customer segment and defined customer prioritization the selling models and ways of interaction should be defined. For Company X this means that different people should manage different customer groups and the management should be done through different channels. (Panagopoulos & Avlonitis, 2010, 50).

4.3.5 Settled ways of operating in the industry

The notes on how the competition of Company X is working has been gathered through various discussions with customers, different manufacturers and their representatives. The clear message has been that as established earlier in this research the off-highway diesel engine market is dominated by a handful of players. Traditionally these players have been using two distinct sales channels, either direct sales from the factory or through a representative who is working directly with the manufacturer, either directly with the headquarters or in some events through a remote branch run by the manufacturer.

Many of the bigger players, such as Competitor 1, Competitor 4, Competitor 6 and Competitor 7 are also machine manufacturers, they need to have a wide network to support the sales and service of their machinery as well. They have chosen to utilize this existing network to also promote, sell and service the engines they sell to various other companies. It is noteworthy, that these service partners are located according to the needs of the machine customers. However also pure engine manufacturers, such as Competitor 2 and Competitor 8 also have a large representative network, 800 and 6000 respectively. In order manage such a range e.g. Competitor 2 has ten distribution companies, nine sales offices and 17 service centres (Competitor 2 n.d.).

As raised by the research referred to earlier, to maximize the potential of managing several sales channels it is crucial to do prioritization. For example Competitor 1 has a policy, where only customers purchasing over 1.000 engines annually are qualified to be supplied directly from the factory. With others, similar economic criteria exist as well. Naturally, each company has the discretion to be flexible on this account, to support the relationship management of smaller, but strategically important customers. (Panagopoulos & Avlonitis, 2010, 48-49).

The role of the network is not only to realize companies' prioritization models regarding sales but also to provide service to the engine itself. As a component, a diesel engine requires service at manufacturer defined intervals and spare parts are needed to carry out this service. The majority of competitors in the market require the customer to acquire the service and spare parts for the machines through the engine manufacturer's network and the engine manufacturers, and their representatives, benefit from this by increased revenue and customer retention.

It can be seen that through extensive coverage and the availability of service many engine manufactures are selling value to their customers, be it through a stronger brand supporting the machine manufacturers brand image and by enabling the machine manufacturer to provide reliability through a wide service network they get access to by buying from an engine supplier who has a large service coverage. Miller, Heiman and Ulaga noted that while understanding the competition's position is important, no strategy is solely in the hands of the competitions actions and as such there should not be too much focus on the actions of the company's competitors. (Miller, Heiman & Ulaga, 2005, 286-287)

4.4 The effect of a sales strategy

Panagopoulos and Avlonitis (2010) discover in their research, that the creation and implementation of a clear sales strategy have a positive influence on the sales force and the company's performance. They discovered that a sales strategy influence all three sales force performance dimensions (behavioural, outcome and customer relationship management). They assert, that a working sales strategy allows the sales force to improve their productivity, by matching customers' needs to their sales models. Also they argue that companies actively engaging in sales strategy creation have a better understanding of their customers' demands of service level, allowing optimized resource capitalization and resulting in higher financial performance. (Panagopoulos & Avlonitis, 2010, 51 & 54). Terho, et al. (2015) take this examination to a deeper level, where they research the effect of the different sales strategy elements and their role to a customer relationship. Based on their research they discovered no clear link between the creation of different sales models and customer prioritization to the sales force performance. They noted that the only clear sales performance increase was achieved through customer segmentation. However they also note, that customer prioritization brings positive value to higher priority customers without reducing the satisfaction levels of lower level customers. (Terho et al., 2015, 25). This indicates that a company must decide if they see value in customer prioritization and if so they will not suffer in customer satisfaction through its implementation.

5 THE MODERN CUSTOMER

The role of business-to-business customer has changed over the last years. The modern business customer has evolved rapidly over the last decades with purchasing growing to be more controlled and managed. Currently firms view their suppliers and supply chains more strategically, leading the purchasing organization's role to grow and evolve. (Paesbrugghe, Rangarajan, Sharma, Syam, Jha, 2017, 173). Paesbrugghe et al. state that the research conducted in the last decades proposes an evolution of the purchasing function which starts form transactional (order processing), to commercial (prices) to purchasing coordination (synergy), to internal integration (TCO), to external integration (supply chain) to value chain (strategy). The research however points out, that the majority of purchasing organizations are not in a strategic phase yet and hence these stages were left out of the research scope. (Paesbrugghe et al., 2017, 173). Based on the observations made for this research the hypothesis can be made that the larger the company is the more advanced their purchasing organization is, there being exceptions to this as always.

In her research Hautamäki states the existence of three different buyer types: intrinsic value buyers, extrinsic value buyers and strategic value buyers. The intrinsic buyers' value is in the product itself and thus the purchasing has moved to online stores today. The extrinsic value buyers identify value in additional information on how to use the product. With this group the sales personnel's role is to bring insights into the selection of the product and by solving certain specific needs that the customer has. The last group, strategic value buyers, prefer win-win scenarios where there is mutual benefit of the cooperation. (Hautamäki, 2016, 3). The shift in business buyers to a more strategic approach is part of the evolution mentioned earlier. The benefits of identifying the customers purchasing evolutionary stage has been brought forth by Storbacka, Ryals, Davies and Nenonen (2009) as they discovered during their research that companies that shifted their sales to interact and offer based on the customer classification improved their sales efficiency. (Storbacka et al., 2009, 25)

5.1 The needs of a customer

Company X does not have history of actively engaging with customers. The strategy of the past has been to passively engage with customers or more recently not to accept any new customers (Product management director, 2019). As the formulation of a successful sales strategy is highly dependent on understanding the market requirements this chapter of the research focuses on providing an insight to the requirements of the customers in the industrial off-highway sector (Storbacka et al., 2009, 10-11). Based on the observations done when engaging with customers and interviewing Company X key personnel it became evident that there are four main factors affecting the purchasing decision. These factors are in no significant order: 1) Brand, 2) Service level, 3) Performance, 4) Cost.

The information provided here focuses on data gathered through observations, discussions with various machine manufactures and a qualitative survey conducted with key personnel from another engine manufacturer operating in the off-highway diesel engine industry. In Appendix 2 is a table with information of 25 machine manufacturers engaged with during the years 2018 and 2019. Out of the 25, two have awarded the business to Company X, one was chosen not to sell to by Company X and 5 did not specify any reason for not awarding. So the feedback of the remaining 17 companies can be used to analyse what were the key drivers for Company X to lose the opportunity. Some companies gave multiple reasons not to choose Company X, leading to the total sum of reasons being over 17. Also visible is the amount of companies who had heard of Company X prior to contacting them. This is visualised in figure 16 below.

As defined earlier in this research, the competition in the market has set out a trend to which the majority of the customers have adapted to. However the basic fundaments of the customer are that of any industry. A customer needs a product or service which meets their needs at a cost that they are comfortable with. This does not necessarily mean cheap, but it needs to be a price the customer feels they are willing to pay in order to get the defined product or service. (Miller, Heiman & Tuleja, 2005, 305-306). Based on customer interactions, the main requirements of a machine manufacturer are the following: 1) cost of the engine, 2) the performance of the engine, 3) the service network available and 4) the brand value of the engine. These topics will be looked into in more detail.

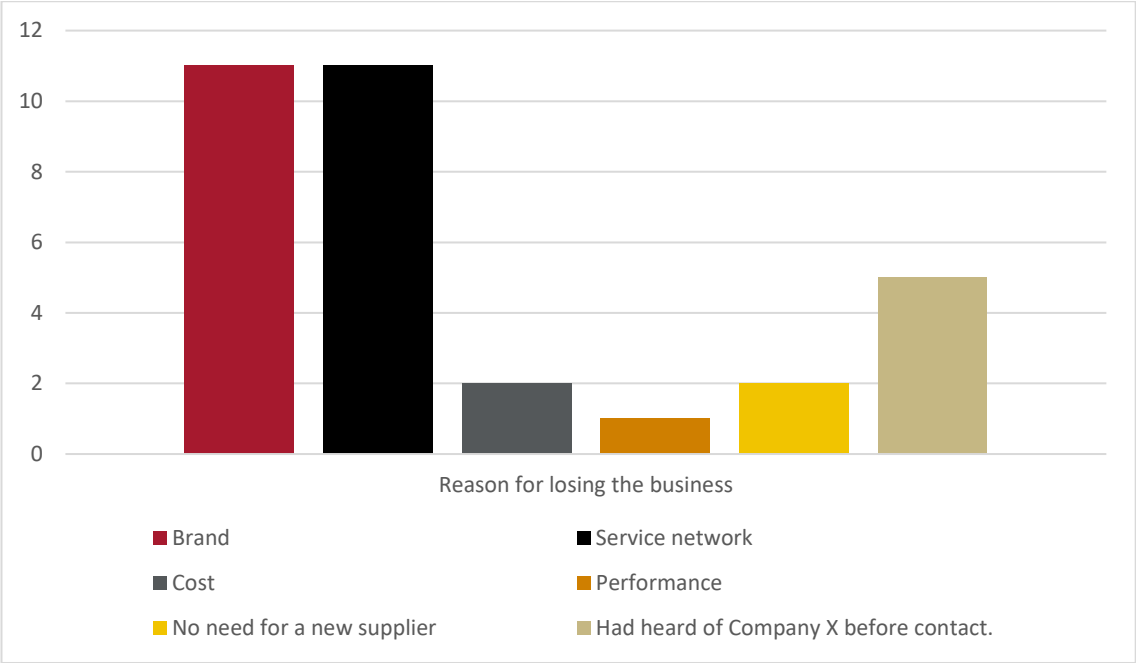


Figure 16. Reasons of Company X losing business

5.1.1 The role of the brand

In any business brand has a positive impact on profits, due to customers understanding the product to deliver a certain level and type of value (Ward, Light & Goldstine, 1999, 86). During the discussions with many manufacturers the engine is the single most critical aspect and many end customers feel very strongly about this. A majority of machine manufacturer executives talked to, say that they need an engine with a strong brand to support sales activities. There have also been three distinct views. One view of the manufacturers is that they rely heavily on the brands of their suppliers in order to sell and promote trust of to their product. This view applies mainly to manufacturers with a weaker brand themselves.

The second view is that they do not want the extra burden of selling the engine as well as the machine itself. This view is more with the better established manufacturers. Even if the engine itself would be more cost effective and meeting their performance requirements, the argument is that they are unable to benefit from the cost savings as they cannot sell the product with a similar premium when the engine is not from a well-known brand.

The third view is not as common as the first two. Manufacturers in this group feel that they do not rely on the engine brand in any form in marketing, as long as the rest of the requirements they have are met.

This feedback from the market would suggest, that even if marketing to the end customers cannot be argued to bring direct benefits to the engine supplier, it presents itself as a critical element when reaching out to new customers. The main concern of any company is to achieve its sales targets and companies are willing to accept losing on some savings opportunities not to jeopardize these targets.

5.1.2 The role of a service network

As brought forward in the chapter 5, the industry standard in the business has been such that the engine supplier provides the service to the engines in whatever machines and sells the spare parts needed. As this is a common industry practice, the sales and service organizations of the majority of machine manufacturers has adapted to his way of working. There have not been clear requirements upon the locations of the service points, with the exception of the mining industry, as the majority of industrial machines are being used in various locations and operations.

Traditionally in the industry, you do not need a large network to sell internationally. Especially when considering bigger machines, centralized sales operations are more cost efficient as the cost of the machine is so high longer travels are justifiable by achieving sales. Great example of these types of companies are Junttan and Soilmec, both active internationally and having a global footprint. Junttan sells a couple hundred machines per year and Soilmec sell nearly 800 machines. Both rely heavily on the engine supplier's service network, as Junttan has 24 service locations globally and Soilmec 45. Neither company concerns themselves too much of the engine brand, but the service side must be well managed. (Junttan n.d., Soilmec n.d.)

Mining is mentioned as an exception as the mining industry is focused on clearly limited mining areas, where there are potentially hundreds of machines operating in a single mine. These mines are traditionally far away from normal construction and material handling locations and as such bring specific service requirements.

There is a small segment of customers who have shown the interest in getting to manage the engine service and more importantly spare part sales as well. However, even taking over such a responsibility from their current engine provider is not without complications.

However when examining the industry's current way of working and the feedback received from machine manufacturers operating within different sub-segments of the industry, a service network is a crucial factor for machine manufacturers deciding what engine to use.

5.1.3 Performance

The main specifying element of a diesel engine is the amount of power that the engine must produce. According to Maddali Krishna, the power at rated speed is the single most important factor in engine specifications (Krishna, 2015). Often performance is used as a broader term to describe not only the power output of the engine but also the torque, quality and fuel consumption. The first two are easy to compare when looking at the available data of different engine manufacturers.

The comparison is done with Stage V engines with two different engines sizes. In Figure 17 the different manufacturers nearest 1 litre per cylinder 4cylinder engines are compared and in figure 18 the six cylinder products close to 7 litre displacement are being compared based on power (kW) and torque (Nm). In figure 17 it is clearly visible that with the lowest kW per litre rating Company X is not competing head to head with companies achieving over 30% more power per displacement litre. Figure 18 shows Company X being more competitive with their 7.4 litre engine. However being second to last they are still not reaching the average performance ratings of the competitors.

Manufacturer	Engine size (L)	Max power (kW)	rated speed	Max torque (Nm)	rated speed	kW / Litre
Company X	4,4	115	2100	680	1500	26,14
Competitor 7	5,13	175	2310	950	1300	34,11
Competitor 2	4,1	126	2400	610	1600	30,73
Competitor 8	4,5	149	2500	780	1500	33,11
Competitor 4	4,5	129	2400	667	1600	28,67
Competitor 3	4,5	129	2200	710	1500	28,67
Competitor 5	4,4	150	2200	825	1400	34,09
Competitor 1	4,4	150	2200	825	1400	34,09

Figure 17. Power comparison of 4 cylinder close to 1 litre / cylinder engines

Manufacturer	Engine size (L)	Max power (kW)	rated speed	Max torque (Nm)	rated speed	kW / Litre
Company X	7,4	225	2100	1280	1500	30,41
Competitor 7	7,7	250	2210	1200	1300	32,47
Competitor 2	7,8	260	2200	1400	1440	33,33
Competitor 8	6,7	243	2200	1375	1500	36,27
Competitor 4	6,8	187	2400	1000	1600	27,50
Competitor 3	6,7	210	2200	1150	1500	31,34
Competitor 5	7	240	2200	1268	1400	34,29
Competitor 1	7,1	240	2200	1268	1400	33,80

Figure 18. Power comparison of 6 cylinder close to 7 litre displacement engines

As noted by Company X's application engineering manager, there currently is not much information available from Company X in terms of comparing fuel consumption figures, which, with data present is also a rather simple comparison to make. However the function of the engine and transmission of the machine affect the fuel consumption as a whole, and thus theoretical fuel consumption and real life data can be misleading. (Application engineering manager, 2019). Whereas the last part of the performance aspect, quality, is a more challenging aspect to measure. Quality is a very broad subject and can be defined by different functions in different ways. As Hull (2010) states, quality in the eyes of a consumer is when a product meets their expectations on performance and lifetime and

when it exceeds them it is considered a high quality product. From an engineer perspective it means the product staying within tolerances, performing as expected, designed in an easily usable fashion and the list goes on. (Hull, B., 2010, 4) Allen (2004) states that quality can be seen as a key factor in customer satisfaction (Allen, 2004, 116). It can be argued that quality is a key in customer retention and can be advocated by customers but proving quality during a sales process is challenging.

5.1.4 Importance of cost

Traditionally price is seen as a key element in attracting customers. This is more so in the business-to-consumer world rather than in the business-to-business world (B2B selling is different, n.d.). However a study has found out that within all business-to-business customers a mere 20% prioritize price. For four out of five business decision makers' price is not the main deciding factor. (Harrison, n.d.). Based on Harrison's research data, it is rather clear that the price of the product is not the single most important purchasing criteria. This supports the outcome of the research done by Terho et al, that value based selling is a key success path in the business-to-business industry (Terho et al, 2015, 28).

This sentiment shines through figure 16, where only two manufacturers announced the price being the reason for not nominating the business to Company X. However it is noteworthy that the significance of cost is culture and industry dependant. The observation made during the research has been that in emerging markets and generally with low emission level engines cost plays a significantly larger factor. This is also the case with generator sets, where the engine unit can represent up to 25% of the total product cost (senior sales and marketing manager, 2018).

6 COMPANY X IN THE MARKET

To create a strategy, a company must understand the position they are at (Miller et al., 2005, 53). Without knowing where one stands on the map in relation to competition or customer demands the creation of a roadmap is extremely difficult. To be able to draw conclusions and formulate a strategy it is mandatory that this research analyses Company X's current position. The information here is gathered through qualitative interviews with key players in the company (attachment 1), observations and discussions with other company personnel as well.

6.1 Current way of working

Prior to January 2019 Company X did not have a sales or marketing department. The customer face to the company was the product management department, where customer were being managed by account managers reporting to the product management director. This structure had been in place for five years, during which no new customers were being accepted. This strategy left the company of needing a clear sales and marketing strategy, as the main focus of Company X was to provide the corporation Y with engines, while serving existing external customers given that they would not require too much effort from engineering. During this period also the existing dealer network that had been neglected for some time already shrank to a mere handful of partners who were co-operating on the marine engine side of the business.

Since then, in January 2019 a new sales and marketing department was set up with the intention of increasing the amount of external customers for Company X. The current way of working in the company is described in figure 19 below. Effectively, the changes to reach the company's goals were left to the creation of a new department managing the new responsibilities without making changes to the prior processes and responsibilities. This has led to two departments being responsible for customer interaction with the signing of a supply contract being the point of responsibility handover.

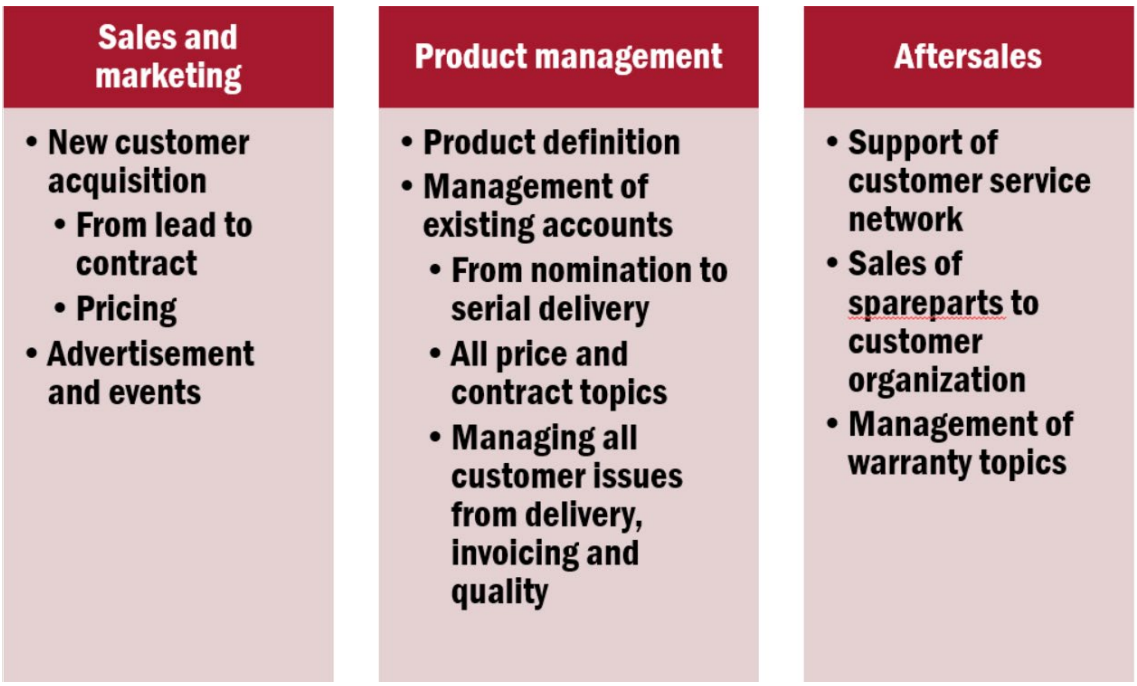


Figure 19. Company X customer responsibility split

The management of existing accounts does not include any clear segmentation, other than internal and external. This is somewhat due to the low number of external customers, though they vary in size and industry. Currently there is no clear set of guidelines for customer prioritization nor any working customer relationship management system. Regarding the service, with increased profitability and customer retention, the strategy has been to empower the customers to provide the service for the engines through their own network, with Company X training the customer service personnel at Company X's facility. Other Company X location around the world have no clear sales organisation or sales targets, many of which have never in their existence actively pursued new customers.

6.2 Profitability

Company X has been profitable in its operations, though the internal supplier role may create a falsified image. The external customers of Company X do represent a more profitable line of business, with the profitability difference varying from customer to customer. The profitability against competitors can be seen in Figure 12.

6.3 Targets

Company X's management has defined that a certain number of engines need to be sold to external customers by 2022. This is no easy task, as the current sales volume to external customers is less than half of that and a regular project may take up to three years before deliveries begin with nearly a year of negotiation prior to any decision being taken. The actual cumulative annual growth rate needed to meet this target is 25,78%, calculation in appendix 2.

During the interviews done for the research the respondents were asked to rank Company X among 7 different engine manufacturers based on 6 different criteria with the instructions on ignoring the agricultural sector, visible in figure 20. From the internal opinion it is already clear where Company X sees their strengths to lie. A top performer in performance, second in quality and third in cost level. These are all great starting points from a product perspective. However as stated earlier, brand and service network play a clear role for many customers.

	Company X	Competitor 1	Competitor 2	Competitor 3	Competitor 4	Competitor 5	Competitor 6	Competitor 7
Performance	6,8	3,2	3,8	3,5	5,1	1,8	5,7	6,1
Quality	5,5	3,8	2,4	2,9	5,0	2,3	7,0	6,6
Cost level	5,4	2,2	4,4	7,1	3,3	7,1	3,4	3,1
Brand value	1,3	7,0	4,2	3,3	4,4	3,8	5,7	6,3
Service network	1,0	7,2	3,7	3,8	4,1	6,0	4,7	5,5
Brand awareness	1,2	7,7	4,3	2,8	3,7	5,5	4,7	6,1
Average score	3,5	5,2	3,8	3,9	4,3	4,4	5,2	5,6

Figure 20. Company X key personnel ranking vs seven competitors

Based on figure 20 and reflecting on the feedback from the market it is clear that in order to meet the targets set out by Company X's management some improvement must be done. The service network of Company X was rated unanimously as the worst one and customer see it as one of the most critical factors. The two topics related to brand are not being reviewed much kinder.

6.4 Current hurdles that slow progress

Company X having its main purpose to serve Corporation Y, is a challenge itself. It means that growing business outside of Corporation Y is not a main focus (Product management director, 2019). Sales is a cross functional effort as stated by Storbacka et al (2009). Transforming the organization to meet aggressive sales targets is a challenging task even without limitations (Storbacka et al., 2009, 11). Figure 21 summarizes the challenges that rose during the interviews. Based on the interviewed ten people a clear majority, 70%, indicate that the lack of a service network is the single biggest blockage for getting new customers. This is followed by the lack of brand in the market and the lack of resources available to support these actions, which is a reflection of the sales endeavours not being a priority (Product management director, 2019).

Topic	Views
Brand	4
Service network	7
Lack of main focus	3
Resources	4
Product offering	2
Corporate processes	1
Engineering costs	3

Figure 21. The challenges seen by Company X key personnel

7 ANALYSIS OF INTERVIEW FINDINGS

To get a better understanding and to verify the findings received from the interviews it is important to compare the findings to one another and to the theory researched (Ojasalo, Moilanen & Ritalahti, 2014). Looking at figure 22 below, it is important to notice that the smallest variations were exhibited in evaluations of their competitor, Competitor 7, with Company X being with the second smallest sum of variations. Competitor 4 and Competitor 6 are the most controversial competitors with Competitor 4 variations being above two points on an 8 point scale on each question. Internally, the variations between quality, cost level and performance are the highest. The analysis of replies will focus on these results with the others being covered in lesser details due to the unanimous views of Company X personnel.

	Company X	Competitor 1	Competitor 2	Competitor 3	Competitor 4	Competitor 5	Competitor 6	Competitor 7
Performance	1,76	3,96	3,56	3,45	3,29	0,76	3,41	1,69
Quality	2,45	4,56	3,04	0,89	2,4	1,61	1,4	1,44
Cost level	2,64	2,36	3,84	1,49	2,81	0,89	2,64	1,09
Brand value	0,41	2	2,16	2,41	4,64	2,76	3,81	0,61
Service network	0	1,36	1,81	3,16	3,29	4,2	2,61	1,45
Brand awareness	0,16	0,41	1,61	0,76	2,61	3,25	4,21	0,69
Variation of average score	0,24	0,65	0,73	0,86	0,68	0,76	0,95	0,39
Sum of all variations	7,42	14,65	16,02	12,16	19,04	13,47	18,08	6,97

Figure 22. Variance in replies given in the interviews of Company X key personnel.

The internal view of Company X is, that the performance of the engine itself is above market average. This view suggests that there no work needs to be done on the base product itself. This view can be challenged by the values shown in figure 20 and 22. These two tables only take note of power available and it is noteworthy, that the majority of manufacturers did not specify whether the power defined as max power is available continuously or just for a shorter period of time. Company X's products only offer continuous power currently and it would suggest a deeper study to clarify if all engines are being compared equally. The results however impact the current slogan of Company X, which does not reflect the results of the comparison. Also when looking at performance as a

whole, many different aspects may be included, examples that came up during the interviews are fuel economy and response. Company X feels they are outperforming their competitors in these fields, but their marketing lacks any concrete evidence. Itt would be noteworthy to document these findings allowing Company X to relay their competitive edge to the market.

Part of the technical view was also quality. Here Company X key personnel rated the company being third best in the comparison group. Though it was not specified in the questionnaire, but became evident through the interviews conducted, that respondents viewed quality as merely the reliability of then engine itself. During the theory research however it came clear, as Hull (2010) states, that customer service is a crucial element of customer perceived quality (Hull, 2010, 124). Also the service aspect of quality would be worth focusing on for Company X to better understand if the technical quality of the product and the customer perceived quality, which includes service, are equally seen. As being unable to view the construct as whole may lead to faulty KPIs resulting the issues seen from the outside never to be fixed internally.

Looking at the cost element of the product, Company X key personnel reviewed their products being the third best of the peer group cost-wise. However when challenged during the interviews for any base for these arguments there was little evidence to support these claims. A study done in 2008, appendix 2, shows a result of Company X's product being 10-20% above required price levels for them to be competitive. During 2008 the production volumes of Company X Finnish operations were rather close than those of 2019, as seen in figure 1. However during 2008 the emission requirements were completely different (Greater London authority, 2017). So the cost comparisons of 2008 were not looking at a product comparable to the existing portfolio. In order to establish the understanding of cost levels it is highly recommended for Company X to conduct a reliable price comparison allowing for Company X to establish its pricing position in the market.

With the topics of brand, service network and awareness being those where Company X scored the least points, and the respondents agreeing the most on, the analysis focus more on their importance. Through the qualitative interview and observations made during the course of this research it can be seen that the significance of all three topics is of utmost importance to the customers. The single biggest reasons for Company X to lose business

has been the lack of a credible brand and the existence of a service network. The whole sales process starts with the brand. Naturally, if no one knows Company X exists, no one thinks to contact them. With the assumption that Company X is known, Steward, Narus, Roehm and Ritz state that the customer sales journey, as theorized by Edelman and Singer, starts with consideration of the options and needs. In their research they assert that 57% of the whole business-to-business buying process is completed before the supplier is being contacted. (Steward, Narus, Roehm & Ritz, 2019, 2). This shines a very bright light on the significance of the brand, supported by the machine manufacturers' needs of having an engine brand enabling sales.

8 CONCLUSION AND REFLECTION

This chapter aims to conclude this research by answering the research questions and to provide theoretical and practical contributions from this study for Company X with suggestions for continued research.

1. What is a suitable sales strategy for Company X to penetrate the industrial diesel engine market?

1.1 What are the key requirements in the industrial diesel engine market?

1.2 What are Company X's strengths and weaknesses and how to improve on them?

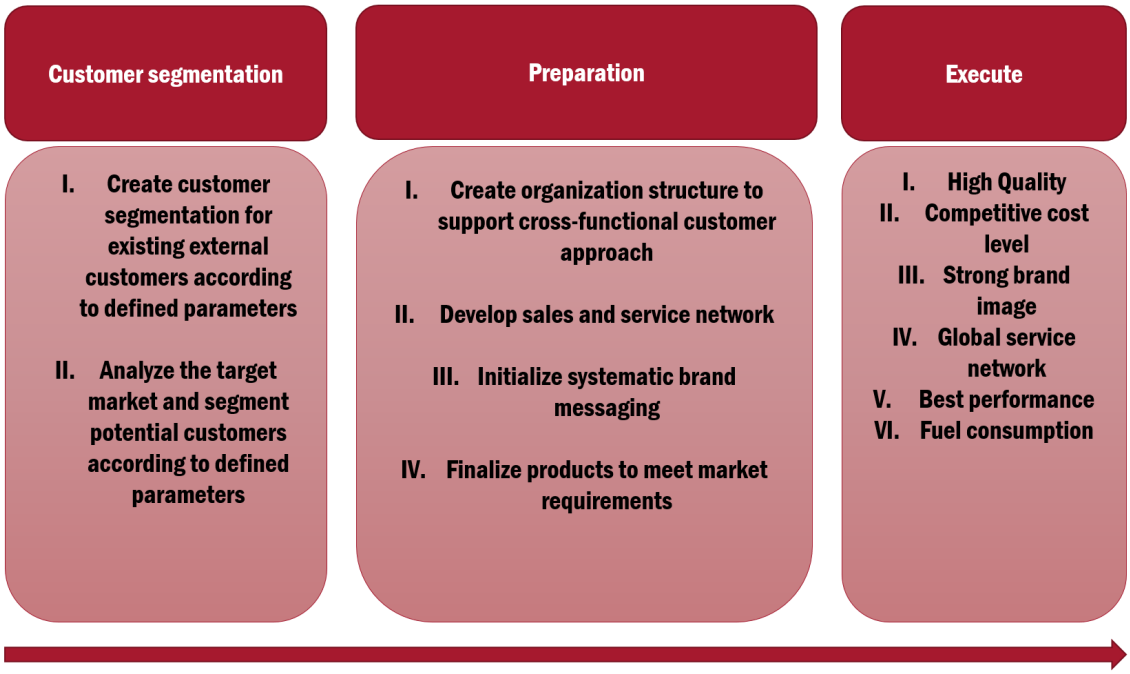
The research has analyzed the questions posed by the author and findings are summarized below.

8.1 Sales strategy for Company X

The successful implementation of a sales strategy can act as a competitive advantage in the business markets (Terho et al., 2015, 23). Based on the interviews of the management team of Company X, there is not a unified understanding of the role of sales nor the methods on how to implement a sales strategy. As Storbacka et al. state in their research, sales is a strategic and cross-functional process (Storbacka et al., 2009, 25). This is very visible in the world of off-highway diesel engines, where the majority of suppliers have a long history in the field and after decades of minor improvements the whole industry is phasing a large shift through electrification and alternative fuels (Sales and marketing director, 2019). Through the decades of competition certain ways of working have become custom to the industry and customers expect these topics. As sales has grown from transactional to managing customer relationships and as value added sales is crucial for the modern business buyer, it is vital that no resources are wasted on the wrong type of segment or the wrong resource managing different customers. (Terho, Haas, Eggert & Ulaga, 2015, 13)

Currently Company X is operating only in a subset of the whole market, as they almost solely focus on agricultural engines. Due to the fluctuations in demand caused by changes

in the agricultural machine demand based on crops yield, weather, subsidiaries and others, there is a strategic target set to expand out of the agricultural industry and increase their share in the non-agricultural sectors (Managing Director, 2019). For Company X to grow in the uncharted market area of non-agricultural off-highway diesel engines, it is crucial to research the different market boundaries and to choose the ones Company X is the most comfortable in operating. As an outcome of this research the approach shown in picture 5 is recommended.

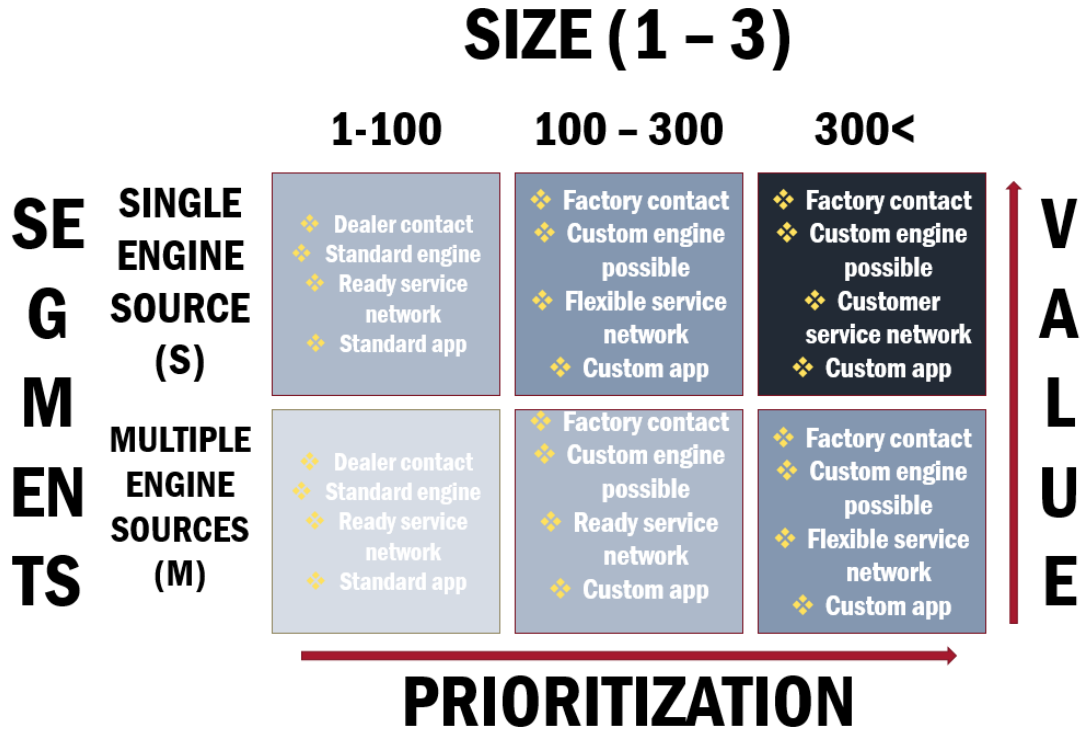


Picture 5. Company X actions to execute the proposed sales strategy.

8.2 Proposed strategy

The sales strategy is based on the marketing segmentation depicted in picture 6. In the creation of the sales strategy the following criteria have been taken into consideration: 1) potential lifetime value of the customer (size), 2) the customer's buying habits (single / multiple suppliers) and 3) the value the customer expects to receive. Based on different customer segments the prioritization was built, where the focus is both economic and strategic. The darker the colour in the segment box the higher the segment's priority is. Through the utilization of both factors, the segments and their priority, different selling models are being applied. The lightest colour represent the most transactional sales model whereas the darkest colour represent highest value based sales with clear partnership structure intentions. Two different sales channels are to be utilized in the execution of this

sales strategy, them being sales through a dealer or representative for the lighter colours and a designated account manager with a technical support team for the darker colours.



Picture 6. The proposed sales strategy

A more detailed approach per customer segments is depicted below in picture 7. Company X is able to base the sales processes and resource allocation using the detailed approach per customer segment. A crucial strategic factor is the amount of engine suppliers a customer has. When a customer has a single source strategy the potential of creating a strong partnership is much higher and the dependence to Company X can be strengthened. For high volume customers using multiple engines the strategic potential plays a higher role. If the customer is using only Company X engines in the power range available from Company X it can be considered to be treated as a single source engine user. The possibility of gaining more foothold of the customer's portfolio and the situation of the customer's industry (e.g. first customer to adopt Company X engines in an industry) plays also a role in the strategic relevance of the customer.

Picture 7. A more detailed customer segment based approach.

8.3 Verification of planned actions

Before Company X can start the implementation of this strategy it is vital that a better market understanding is achieved for the industries in the ideal market segment. This should be done at a stage when alternative options are available and used as a tool to

choose the best alternative, rather than justify decisions already done (Barappa, 1990, 105). The market understanding should cover two topics: 1) customer requirement (power, performance, brand, service, unmet needs, and critical requirements) and 2) competition landscape (offering, pricing, value promises, and upcoming solutions). Based on the information gathered here can it be established whether the proposed sales strategy and planned product offering have a chance of being successful.

If establishing the needs of the customer and the landscape of the current and future market the Company must align the ways of working and the means of strategy implementation.

8.4 To win the market

Through interviews and observations, the strengths of Company X are a global manufacturing footprint allowing the servicing of various customers, a strong and steady production demand from Corporation Y and a robust and well performing base engine. As brought out by interviews the product offering is still unclear and as such is unable to compete with competition on a kW per liter scale (figure 20 & 22), the brand is not supporting sales activities (figure 21) and the highly demanded service network does not exist (figure 21).

For the company to be able to meet the requirements of the market and challenge the bigger competitors it needs to allocate the limited resources it has carefully to maximize the outcome. Through development of a service and sales network the company can delegate the management of lower priority customers while using a smaller number of internal resource to do so. Savings on resources with lower level customers bring benefits when Company X is able to put more focus on high priority customers. As the research of Terho et al. shows, the increased focus on high priority customers is beneficial for the company itself while having no adverse effects regarding the lower priority customers (Terho et al., 2015, 13).

The service network will also eliminate one key reason why new business is not won and supports on strengthening the brand image, tackling another main reason for losing business (figure 16).

As the execution of the sales strategy proposed in this research is highly dependent on the creation of a service network the Company should study the expenses, resources and requirements related to the creation of a service network in order to determine the best course of action. If the service and sales network is deemed unable to create an alternative solution is required. A simple alternative would be to continue the existing way of working and only work with companies willing to take over the servicing of the engines into their own network. This alternative requires a change in marketing segmentation with cutting the sales strategy to leaving only SB2, MA3 and SA3 as targetable sales segments. The utilisation of the alternative approach will have implications on the strategic goals set out by Company X's management and their effect need to be studied in advance.

Regardless of the strategy chosen to increase sales Company X should focus on strengthening the brand image to support sales activities and to add value, and a value promise to existing and new customers. Also Company X would benefit from focusing on strengthening the cross-functional role of sales, which is something modern customers expect and demand even. A sales strategy must be accepted and embraced by all functions (Storbacka et al., 2009, 25). The current way of working with two departments being responsible for customers, depending on the stage the customers are at, needs to be evaluated as this does not reflect a unified front and causes distrust in customers. Also the technical nature of the solutions sold, supports the utilization of teams to sell to and to manage customers. Based on the interviews engineering resources are very limited and this is an issue that needs to be overcome, allowing the technical support for sales to meet the customer requirements. Due to the different nature of internal and external customers processes should not be replicated, but modified to fit the different requirements. Through the development of a truly cross functional sales approach, precise customer segmentation and a customer centric view Company X should target customers from various industries and provide high value offerings to form partnerships to base future growth on.

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APPENDICES

Appendix 1. Qualitative questionnaire form

Kerro nykytila: Volyymi, ennusteet, industrial osuus liikevaihdosta (vrt EU markkina).

Kuinka valmiina koet nykyisen tuoteportfolion non-agri käyttöön?

Mitä meillä tuoteportfoliossa on tavoitetasolla?

Mitä meillä pitää vielä kehittää tuoteportfolion osalta?

Millaisia ovat tavoiteasiakkaitamme tässä non-agri segmentissä?

Mitkä ovat tällaisen asiakkaan kolme tärkeintä vaatimusta?

Miten arvioisit näiden merkkien järjestyksen seuraavissa aiheissa (parhaimmasta(8) huonoimpaan(1)) non-agricultural segmentissä

	Company X	Competitor 1	Competitor 2	Competitor 3	Competitor 4	Competitor 5	Competitor 6	Competitor 7
Suorituskyky								
Tuotteen laatu								
Kustannustaso								
Brändin arvo								
Huoltoverkko								
Tunnettuus								

Mitkä ovat suurimmat ajurit Company X:n kehittymiselle non-agricultural segmentissä?

Mitkä ovat suurimmat esteet Company X:n kehittymiselle non-agricultural segmentissä?

Millaista roolia näet huolto- ja jälleenmyyntiverkon näyttelevän myynnin kasvun kannalta?

Tarvitseeko huolto- jälleenmyyntiverkon nykytilaa muuttaa?

Miten näet brändin vaikuttavan myynnin kehittymiseen? OEM- valmistajan silmissä sekä loppuasiakkaan silmissä?

Montako markkinoinnin kohderyhmää näet olevan, ja mikä/mitkä ne ovat mielestäsi ovat?

Koetko Company X:n tarvitsevan kumppania päästäkseen tavoitteisiinsa?

Jos, niin minkä sektorin kumppanuutta tarvitaan?

Strategian jalkauttaminen on tärkeä osa sen menestystä – Mitä asioita pitää huomioida myyntistrategian jalkautuksessa?

Kuinka vastaat asiakkaan kysymykseen ”Miksi minun pitäisi valita Company X kilpailijoidenne sijaan?”

Onko ongelma jos asiakkaalle myydään diilerin kautta suoran tehdaskontaktin sijaan.

Kuinka Corporation Y konsernina hyötyisi Company X:n brändin kasvatuksesta?