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Niklas Korpi

Creating a Market Segmentation Framework for a Case Company

Metropolia University of Applied Sciences

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Author	Niklas Korpi
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The objective of this thesis was to develop a market segmentation framework for the case company's flagship dust monitoring product. The case company's problem was that there had been limited sales numbers in a market that should have vast potential.

The goal was to help the company fix this problem by providing them with a tool for segmenting their market and for gaining a better understanding of their North American customer base. The framework was also meant to help in finding the most attractive target segments from a broad pool of potential markets.

The research approach was qualitative. The necessary data was acquired from internal documents, interviews, discussions, and relevant literature.

One of the key findings of this thesis is that the company had very few operating models when it comes to market segmentation. The company also has limited knowledge of its current customer base when regarding the above-mentioned product. One of the reasons for this is the lack of resources and knowledge. The target market that the product can be applied to is very broad. A segmentation tool would help the company find the most attractive target markets so that they can target their limited resources on the most profitable segments.

The outcome of this thesis is a market segmentation framework built for the case company. The final results provide the company with proven practices and relevant information on the topic, as well as practical steps to take.

Keywords	Market Segmentation, Market Segmentation Framework

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Tekijä	Niklas Korpi
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Tämän opinnäytetyön tavoitteena oli luoda markkinasegmentointi-viitekehys liittyen kohdeyrityksen pölymittarin myymiseen. Kohdeyrityksen haasteena oli, että kohdetuotteen myyntitulot olivat olleet pettymys, ottaen huomioon kuinka laaja kohdemarkkina tuotteella on.

Tavoitteena oli auttaa yritystä tämän ongelman ratkaisemisessa rakentamalla markkinasegmentointi-viitekehys, joka toimisi työkaluna Pohjois-Amerikan markkinan segmentoinnissa ja asiakaskunnan ymmärtämisessä. Viitekehyksen tarkoituksena oli myös auttaa yritystä löytämään parhaat markkinat kohdetuotteelle, jotta markkinointi olisi tehokkaampaa.

Tämä opinnäytetyö on kvalitatiivinen. Tarvittava tieto saatiin kohdeyrityksen sisäisistä dokumenteista, haastatteluista, keskusteluista ja kattavasta kirjallisuusanalyysista.

Yksi tämän opinnäytetyön tärkeimmistä löydöksistä oli, että kohdeyrityksellä oli harvoja toimintamalleja markkinasegmentointiin liittyen. Kohdetuotteen markkinoiden asiakastuntemus oli myös melko rajallista. Syitä tähän olivat resurssien ja osaamisen puute. Kohdetuotteen asiakaskunta on erittäin laaja, joten markkinasegmentointi -työkalu olisi ideaali tapa löytää parhaat asiakassegmentit, joihin rajalliset resurssit voitaisiin kohdentaa.

Opinnäytetyön tuloksena syntyi markkinasegmentointi -viitekehys, jota yritys voi hyödyntää toiminnassaan. Tulokset sisältyvät hyväksi todettuja toimintamalleja ja muuta hyödyllistä tietoa aiheeseen liittyen, sekä näihin perustuvia suosituksia.

| Avainsanat | Markkinasegmentointi, Markkinasegmentointi-viitekehys |

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Contents

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List of Abbreviations

NA   North America

SWOT   A SWOT analysis is technique for analyzing the Strengths, Weaknesses, Opportunities and Threats related to a project

DPM   The Directional policy matrix is a tool for determining preferred market segment.

1   Introduction

These days, the global marketplace offers more potential than ever before. Globalization and digitalization have made markets more complex and transformed the way people do business. There are thousands of different markets to exploit in the global economy, which is why companies need to understand who their customers are. A common principle in business practice is "Know your customer; Know your market". (McDonald, 2012, p. vii)

The best way to do this is through Market Segmentation. Malcolm McDonald describes market segmentation as the" Bedrock of successful marketing". It is at the core of organizational strategy and the reason for many success stories. (McDonald, 2012, pp. 1-2) However, entering the global market is not easy. Conducting a successful market segmentation process can be very challenging, especially when going beyond domestic markets. Extensive market research and market segmentation are key factors in creating a successful marketing strategy. As markets grow more complex, companies must have the tools they need in order to stay competitive.

This thesis is meant to present a market segmentation framework, which can be used as a tool for segmenting markets. It will be based on the three main stages of a market segmentation process, which are Segmentation, Targeting, and Positioning. The proposed framework will be tailored for the case company and its business context.

1.1   Business Context

This thesis was carried out for or a medium-sized international company. They develop and sell analyzers and measuring equipment. Their international sales are mostly focused on dust monitoring systems, which they sell to a variety of different industries. Any industries that produce dust in some part of their processes are potential customers for these solutions. These types of industries, for example are the food, chemical, wood, pharmaceutical, and mining industries.

It is quite clear that the company has enough options when it comes to potential customers. However, their international sales numbers have been disappointing, especially when considering the vast potential of the market. They think that the main reasons for this are lack of resources and a too-broad target audience. The company wants to segment their market strategy in order to focus on the industries with the most potential. Focusing on fewer things will also help the sales team to gain deeper knowledge in the areas they want to focus on.

This thesis focuses on the company's latest dust monitor. It is an innovative product that has great potential and few direct competitors. The simplicity and reliability of the system make it suitable to all the different industries. It is used for monitoring dust levels in facilities or other areas for many different reasons such as preventing dust explosions and maintaining healthy working conditions.

1.2   Business Challenge

The case company is a leading specialist in measurement solutions with a focus on municipal, industrial, and environmental technologies. They are also a major player in process measurement, control, and non-destructive testing in Finland. Most of their business is focused on distributing various types of measuring equipment and other products from larger manufacturers. However, they also manufacture and distribute their own dust monitoring solutions.

Internationally, they have subsidiaries in Russia, Ukraine, India, China, and Japan, as well as a Sales Representative in the U.S. This international distribution network is mostly focused on selling the case company's dust monitoring systems to dozens of different industries.

The company's flagship dust monitoring system needs a further boost in sales in its most potential market area, North America. On paper, the NA market is ideal for an ambient air dust monitor, such as the Case product. The region has a lot of large industrial processes, many of which use "old school" solutions, which produce a lot of dust. Most

industrial processes in Europe are advanced enough that dust problems have been min-imized. In China and India, ambient dust is not measured as much since laws and regu-lations are not as strict. Things like employee health and dust explosion prevention are not prioritized as much in these countries.

1.3　Objective and Intended Outcome

The objective of this thesis is to create a market segmentation framework for the case company.

The intended outcome is a segmentation framework to be used in segmenting the mar-ket, starting with the NA customer base and potentially other market areas after that.

1.4　Thesis Outline

The first part of this thesis presented the business context and business challenge along with the objective and intended outcome. After this the methods and materials used in this study are described.

The third part is an overview of the current state of the company. This is followed by a comprehensive literature review, which will present proven practices and methods rele-vant to the context. These findings will be summarized as a conceptual framework.

After this, an initial market segmentation framework will be built based on the key findings from chapter four as well as Data from the case company. The fifth chapter will present a finalized market segmentation framework based on the feedback from the case com-pany on the initial proposal.

The final part of the thesis will include a summary, thesis evaluation and discussing the practical next steps of the process.

2   Method and Material

This chapter presents an overview of the methods and materials used in this thesis. This includes presenting the Research Design, Data Plan and Project Plan.

2.1   Research Design

This section showcases the research design which illustrates the different phases of this study. As seen in Figure 1, this thesis started with defining the objective of the study.

The second part included describing the current state of the company. The Data used to do this came from interviews with the company stakeholders and reviewing internal documents. The outcome of this part was to have a clear understanding of the Case product's business dynamics.

In the next step, existing knowledge and relevant literature were reviewed in order to find the best market segmentation practices and methods. The outcome of this stage was summarized as a conceptual framework.

The next step was developing a personalized market segmentation framework for the case company. This was based on Data, which was acquired through further interviews with company stakeholders as well as the understanding of the conceptual framework. The outcome of this step was a summarized market segmentation framework.

The final step will be validation of the proposal. This step includes presenting the initial proposal to the company and receiving feedback on it. The final outcome was a validated market segmentation framework.
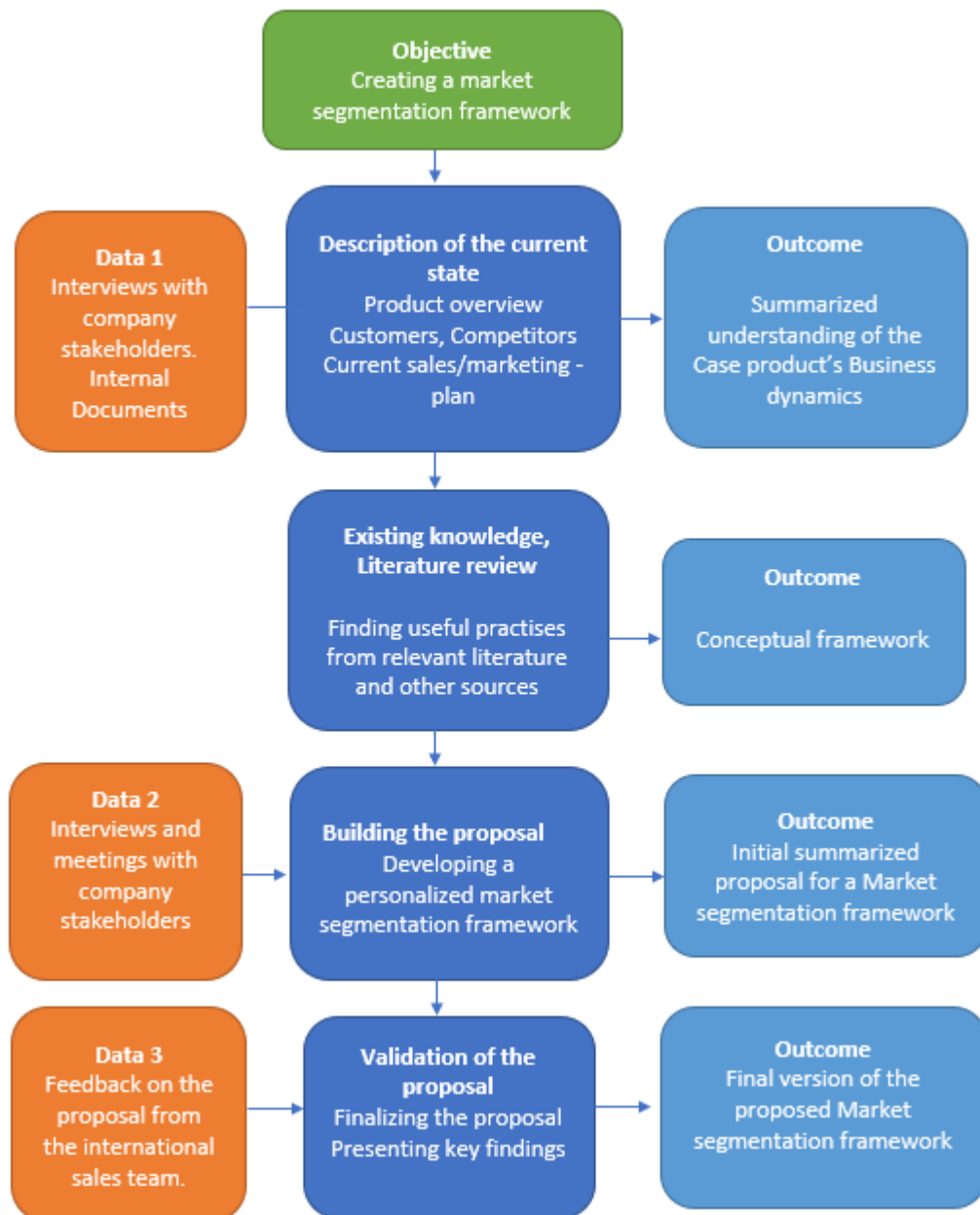
Figure 1.   Research Design of the thesis

2.2   Data Plan

The data for this thesis was collected in three different sets. They are illustrated below in Table 1.

Table 1.   Thesis Data plan

	Content	Source	Timing	Outcome
Data 1 Analysis of the current market and marketing practises	-Current State of international sales and the market (Case product) -Biggest challenges	-Company stakeholders -Internal documents	September 2020	Overview of the current market and sales strategy. How is the market segmented currently?
Data 2 Creating a market segmentation framework	-Proposed practises for market segmentation -Defining variables for market segments	-Proven solutions from relevant literature -Company stakeholders	October 2020	Initial proposal of market segmentation framework
Data 3 Validation of the proposed framework	-Finalized proposal -Determined KPIs for market segments -Defined best market segments	- Company stakeholders (International sales manager and Business Unit Director)	November 2020	A final proposal Presenting the key findings to the company.

The first set of data came from discussing the topic with the company stakeholders and reviewing internal documents. The company stakeholders included the Marketing Director and International Sales Director of the company. The initial scope of the project was determined at this stage.

The second set of data came from interviewing the company's International Sales Director and Business Unit Director. The discussions were based on relevant topics and practices found from literature. These interviews offered deeper insight into the company's business dynamics and ways of operating. The understanding acquired from this data lead to creating the initial proposal

The third set of data was feedback on the initial market segmentation proposal. At this point, the discussions were very productive, because deeper insight about the topic had been gained. The final proposal was created together with the company.

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2.3 Project Plan

This thesis was part of the Metropolia University of Applied Sciences bachelor's degree in the Industrial Management program. This project was carried out in the fall of 2020. The schedule of the thesis is shown below in Table 2.

Table 2.   Thesis Project plan

Week 1	Business challenge, objective, and outcome
Week 2	Research Design, thesis plan, data collection and analysis
Week 3	
Week 4	Current state analysis
Week 5	Existing knowledge, Literature review
Week 6	
Week 7	Building the proposal
Week 8	
Week 9	Validation of the proposal
Week 10	Final proposal

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3 Current Market and Marketing Practices

This chapter is meant to provide an overview of the current business dynamics of the company. It consists of presenting the Case product as well as its customers and competitors. The current marketing plan is then discussed at the end.

This chapter was based on data acquired from the company's internal documents and interviews with company stakeholders. This included the company's Business Unit Director and the International Sales Director. They had the best knowledge regarding the Case product and the current situation.

3.1 Case Product Overview

The Case product is a continuous ambient air dust monitor. It is the company's flagship product when it comes to international sales. The device is developed for continuous dust monitoring and can be applied to various industries.

Applications for the Case product:
- Housekeeping applications
- Control of unwanted dust accumulations and general dust control
- HVAC applications
- Equipment safety
- Employee hygiene,
- To help prevent explosions
- To help the efficiency of dust removal systems
- Preventing product loss

The device monitors levels of harmful dust in areas with ambient dust concentrations such as production facilities and warehouses for example. The same solution has also been used in other areas such as coal storage yards and urban dust measurements.

The product is also developed to be robust and low maintenance while being easy to use. It is meant to be a safe option for dust monitoring in rugged industrial environments.

The monitor also has several safety features and follows multiple international safety codes. Its versatility allows for many types of uses. The device can be used as a single monitor, or several monitors can be linked together as a network, to cover a larger area. The system is run by the case company's own Software, which is simple and user friendly, just like the device itself.

The Case product is based on the company's own unique Inductive Electrification Technology, which helps separate it from competing products. It is a proven method, which is based on years of research and experience. The measurement is based on particles interacting with an isolated probe inside the duct. When moving dust particles pass by or hit the probe, a signal is induced. These signals are then processed through advanced algorithms, which filter out the noise and provide an accurate dust measurement output.

Types of Common Dusts that the Case product detects:

- Grains
- Flour
- Animal feeds
- Sugar
- Coal
- Cosmetics
- Dyes
- Ceramics

- Textiles
- Wood and Paper
- Soaps
- Metals
- Stone
- Plastics
- Chemical
- Organic

Many industrial processes produce dust in some way which is why there are so many different types of dust.

3.2   Case Product Customers

The case product's customers include everyone who is handling bulk and powders. Moving stuff, especially organic material, will create dust that often ends up in the air. Anyone who has dust in their facility will benefit from dust monitoring. Typical industries in which the product is used are:

- Steel and aluminum industries, foundries, electroplating

- Cement production, ceramic industry

- Agriculture, Food Industry, sugar and grain mills, bakeries

- Wood and textile industries, cotton processing
- Chemical and petrochemical industries, fertilizer production, plastic production, color, and ink
- Pulp and paper mills
- Public facilities, subways
- Mining, gravel pits, quarries
- Power plants
- Pharmaceutical industry

The main benefits of the product for the customer include:
- Low maintenance and robustness
- Easy start-up and commissioning
- Wide measurement range
- Internal self-monitoring for failsafe operation
- Fast response time
- No sample handling required
- Product loss prevention

Most customer needs are related to health and hygiene. Many customers have already had a dust explosion in one of their facilities, which then creates a need to prevent similar events from happening in the future. Most of the time, the Case product is a nice-to-have product, not necessarily a must-have.

In North America, the most common customers are flour mills, sugar mills, and animal food facilities. Many North American processes are more "old fashioned" when compared to Europe. European manufacturing processes have minimized dust more efficiently.
A good example is the process of making cereal. In Europe, when a harvester picks the corn off the field, the next time that corn sees sunlight is when it is poured out of the box into your bowl. In North America, the corn will not be handled nearly as efficiently, which means that it will produce dust in several different steps during the process.

In Asian countries, like India and China, dust problems are largely ignored. Explosion prevention and employee safety are not as high on the priority list or people are not as

aware of them. For these reasons, the North American market is most attractive for this type of product.

3.3   Competitors

The company has lots of competitors who offer instruments, which provide very accurate and repeatable data when it comes to dust monitoring. There are thousands of options for measuring dust, many of which are very expensive. The Case product is not meant to be a direct competitor for these types of products. It is meant to be a simple robust solution for common dust problems.

There are only a couple of comparable products out there at the moment. One of them is considered by the company to be a copy of the Case product. Its advantages over the Case product will probably be a cheaper price and a larger brand behind it. Most likely it will have worse performance.

The company does not do much competitive evaluation since there are so few competitors. They would prefer much more competition because that would make the market larger. A larger market would mean that the customers would be more educated on these matters. Currently, the company feels like they are educating the market.

3.4   Current Product Sales and Marketing Plan

The company does most of its sales through its distribution network. This means they have distributors in several countries who then sell to whomever they want at a price of their choosing. The company then gets a set profit from each product sold. This is a common way of operating in the industry. The company also sells directly to end customers in some situations.

The company creates marketing material on certain applications (application notes), that are given to the distributors to use. These application notes are based on proven solutions of the Case product, like monitoring dust in a sugar mill. The distributors then target certain segments which are based on these proven solutions. In this example, they would try to sell to sugar mills in their region.

Currently, the company has looked for customers who have big enough dust related problems that they are willing to spend money on ambient dust monitoring. So far, they have not been too successful.

The company does not do enough market research to know for sure who the best customers are. Many customers have come to them to find solutions to their needs. The company's marketing budget is fairly limited. So far, they have been casting a big net and seeing what they can get. The company also has little communication with current customers. The company has not tried to get a deeper understanding of their customer base.

The market segmentation framework will be built around addressing these topics and finding ways to improve on them.

4   Searching for Good Practice on How to Segment in B2B Markets

This chapter discusses best practices concerning segmentation in b2b markets. This information was researched from relevant literature and online sources. The purpose of this chapter is to build a conceptual framework, which illustrates the key topics chosen for this study. This framework will then be utilized to build an initial market segmentation framework.

The first part of this chapter provides an introduction into market segmentation, along with its benefits and possible implementation barriers. The rest of the chapter will consist of discussing relevant theory based on the three main steps of market segmentation: Segmentation, Targeting, and Positioning. The conceptual framework will then be presented at the end.

4.1 Market Segmentation

Market segmentation is often described as the cornerstone of marketing. It is a concept, that is about bridging the gap between diverse customers and limited business resources. Market segmentation helps companies maximize resources, emphasize business strengths, and enable better marketing programs to be developed. (Sally Dibb, 2008, p. 1)

Market segmentation is a process, where similar consumers or business customers are grouped together in a market segment, in which the customers have resembling requirements and buying characteristics. Often, customers in a single market segment can be targeted with a single marketing strategy. (Sally Dibb, 2008, p. 1)

The most common market segmentation process is called the STP process. It consists of three stages, Segmentation, Targeting, and Positioning. The first part is about identifying the segments in a certain market. Different variables are used to group customers into different categories in order to make better distinctions between them. The core idea is that customers in a certain segment have similar product needs and buying behavior. (Sally Dibb, 2008, pp. 7-8)

The Targeting phase of the process is about choosing which segments to target. This includes determining the attractiveness of each segment and considering your company's capability to serve each segment. (Sally Dibb, 2008, pp. 7-8)

The final phase is about positioning yourself in the mind of the customer. It involves designing a suitable marketing program and communicating the desired positioning to the targeted segments. (Sally Dibb, 2008, pp. 7-8)

This thesis will be focused mainly on the first part of this process, Segmentation.

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4.2 Preparing for a Segmentation Process

Preparation is important for every type of project, but especially segmentation projects since they are so strategically critical for companies. Having an idea of where you are headed and what you need to get there are important ideas in any process. Segmentation is the base of all marketing projects, which makes it a special type of process in any company. (Malcolm McDonald, 2004)

When preparing for a segmentation process, it is important to know the advantages as well as the possible barriers that might be faced.

4.2.1 Advantages of Segmentation

McDonald summarizes the advantages of market segmentation as follows (McDonald, 2012, p. 40):

- One of the bases for successful marketing is recognizing customer differences. This often results in a closer matching of the customer's needs with your organization's value proposition.
- Proper segmentation can allow for finding niche markets, where your company can achieve segment domination.
- Segmentation allows for focusing company resources on where your competitive advantage is the best and where returns are the highest.
- Segmentation can make you consider the market in different ways when compared to your competitor. This can result in a competitive advantage.
- With a better understanding of the market and its needs, you can position yourself as a specialist in chosen segments. Good positioning can also lead to advantages over competitors.

These advantages will be achieved if the segmentation process is done properly. (McDonald, 2012, p. 40)

4.2.2 Implementation Barriers

Implementing a market segmentation strategy in an organization does not happen without risks. There are certain barriers that can get in the way of successful segmentation project.

One group of barriers regards senior management. Poor leadership, and lack of commitment and involvement in the process can undermine the success of a market segmentation strategy. Implementing a conclusion in a meaningful way often requires active interest from senior management. Another barrier can be the lack of resources, either for initial market segmentation, or long-term strategies. The amount of resources available must be taken into consideration before starting to pursue a plan. (Sara Dolnicar, 2018, pp. 26-27)

Organizational culture can also create barriers for market segmentation. Examples of these would be resistance to change, lack of new ideas or creative thinking, bad communication, and short-term thinking. Another common barrier is the lack of training or knowledge. If senior managers do not understand the basic fundamental of market segmentation, any implementation is bound to fail. Also, a qualified marketing expert must be involved in the process. (Sara Dolnicar, 2018, pp. 26-27)

Most barriers are easily recognized beforehand, and they can be removed before moving forward. If there are too many barriers in the way, an organization must consider abandoning any attempt of market segmentation analysis. It can then be considered as a potential move in the future. (Sara Dolnicar, 2018, pp. 26-27)

4.3 Segmentation

The first part of a segmentation process is about identifying the segments in a certain market. (Sally Dibb, 2008, pp. 7-8). It can be broken down into several stages.

4.3.1 Defining the Market

When starting a segmentation process, you must start with defining your market. Defining the market is the most crucial and complex thing when it comes to marketing. Identifying what you are selling, and to who is the backbone of successful business. Therefore, the first step of segmentation is getting to know the market your business is capable of operating in. Market definition should be described in terms of what the customer needs. It should cover all the products which the customer defines as, being capable of satisfying these needs. (Weinstein, 2004, p. 26)

However, it can be very difficult to determine where an industry begins and where it ends. Markets develop from existing, emerging, and even imagined business opportunities. Many unexploitable market opportunities are found based on customers who have not been served and customer needs which have not been clearly defined or realized. Products, such as cellphones and fax machines were developed and built in the factory long before there was a clear need for them in the marketplace. (Weinstein, 2006)

Strategic market definition model

Markets consist of a blend of customer needs, customer groups, competition, products, and technologies. Weinstein describes a three-level, nine component market definition model, which is based on these ideas. It is shown in Figure 2

Market Definition and Segmentation in B2B Markets

Level 1: The Relevant Market

Geographic (1)

Generic (3)

Relevant (4)

Product (2)

Level 2: The "Defined" Market

Relevant (4)

Untapped (6)

"Defined" (7)

Penetrated (5)

Level 3: The Target Market(s)

a

c

d

Target (9)

Segmented (8)

b

e
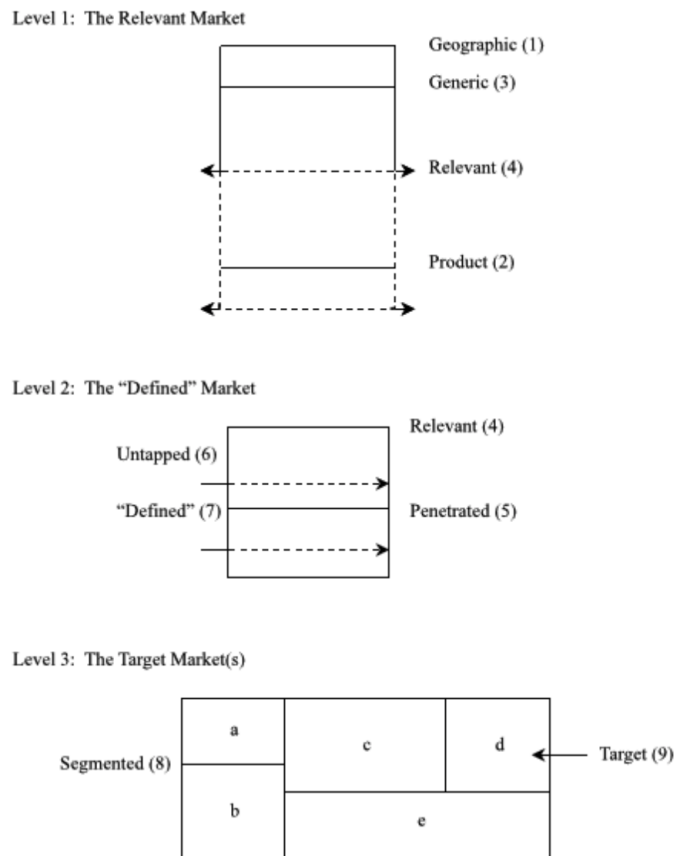
Figure 2.   Strategic market definition model

(Weinstein, 2004, p. 27)

The first level is about defining the "big" market, which is relevant considering your organization's environment, resources, and objectives. The first easy step is to identify the geographic market (Weinstein, 2004, p. 26)

A geographic boundary is important when determining a scope for a segmentation strategy. It is difficult to find a global segmentation model, which can be applied to every country. In this case, the focus will be on North America. (McDonald, 2012, pp. 48-50)

The next step is product identification, which is also fairly straightforward. It is easy for a company to list the goods and services they have available for sale. (Weinstein, 2004, p. 26)

According to Weinstein, it is useful to explicit the generic market so that management will consider various and diverse marketing opportunities. A large market definition may lead to a mass marketing mentality, which can make an organization's effort seem less significant. However, narrow, product-oriented thinking must also be avoided. (Weinstein, 2004, pp. 27-28)

The relevant market is larger than the product market but smaller than the generic market. A good relevant market definition will provide realistic boundaries to guide the operations of the business. See an example in Figure 3 below. (Weinstein, 2004, pp. 27-28)
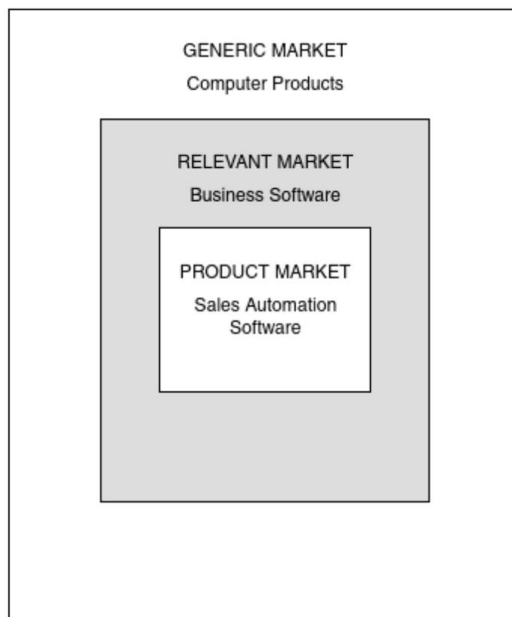
Figure 3.   Example: A software company's relevant market (Weinstein, 2004, p. 28)

Level 2 of Weinstein's model is called 'The Defined Market'. Once the relevant market has been identified, it can now be fine-tuned. This includes assessing your current customer base, or penetrated market, as well as noncustomers and untapped markets.
The defined market will then include most of the current customers and many new prospects. Customers who are not worth serving anymore will be excluded.

The final and third level includes applying segmentation bases, such as benefits and usage, to the 'defined market' –definition. This will help in identifying groups of customers

with similar needs and characteristics, who will likely show similar buying behavior. See two examples of market definition below in Figure 4.

Market Definition	Steel Company	CPA Firm
Geographic market	North America	Midwestern United States
Product market	Fabrication	Audit, tax services
Generic market	Sheared/bent plate	Financial services
Relevant market	Extra-long and fifty-foot sections	Business consulting
Penetrated market	Northeastern U.S. customers of construction equipment	Existing accounting clients
Untapped market	NAFTA steel users	Nonusers (clients and nonclients) of business consulting
Defined market	NAFTA construction equipment manufacturers	Growth-oriented, closely held businesses; new IPO companies
Segmented market	Cranes, concrete pumps, off-road construction, road construction	Businesses following a growth strategy
Target market(s)	Cranes	Sales growth > 10 percent yearly; acquisition-minded companies

Figure 4.   Two examples of market definition. (Weinstein, 2004, p. 32)

Weinstein's market definition model offers a clearer view of the market.

4.3.2   Identifying Core Competencies

A core competency is a common concept in marketing management theory. It is described as a specific factor that a company sees as central to the way they operate. They are your company's biggest strengths relative to other companies in the industry. There are three basic criteria:

1. It is hard for competitors to imitate
2. It can be applied widely for many products or markets
3. It must contribute to the customer's experienced benefits and the value of the product to its customers.

Examples of core competencies are technical know-how, reliable processes, or close customer relationships. They are a fundamental basis for adding value for the customers. Core competencies reflect a company's collective learning and commitment in their area of expertise. They are developed over time through a process of continuous improvements. (Kawshala, 2017)

However, core competencies can also be described as more general activities that attribute to the success of a company, such as customer orientation and forward-thinking. Each employee might have their own competencies which make them good at their job. (Cripe, 2019),

Edward Cripe has come up with a process for determining the core competencies of a company's workforce. Here are some of the questions and instructions that are listed in the core competencies analysis worksheet. (Cripe, 2019)

1. What is your mission statement?
2. What are the strategic objectives of your company?
3. Determine the relative importance of each main strategic objective.
4. Take each objective and ask these four questions regarding each one.
a) What are the key tasks needed to achieve this objective?
b) Which four competencies are most important when trying to achieve this objective?
c) Which of these competencies would you consider a strength of yours at the moment?
d) Which of these competencies do you think are a priority to acquire or develop internally?
5. The next thing to do is consider the company's mission, vision, culture, and business strategy. What are the most important competencies or behavioral standards needed for employees to make sure that your company is successful?
6. Review the Competency dictionary (Shown in Appendix 1). Identify 5-8 competencies that you believe are most important to have and develop among employees. Then divide 100 points between them, with 10 points minimum and 20 points maximum for each competency.

a) More points should be given to competencies that that would lead to the best improvements if developed and practiced properly.

b) Heavier points should also be given to competencies that are more important to potential leaders in the company.

7. After the ratings are done, and they have been discussed (if done in a group) it is then time to agree on a set of core competencies for the company.

8. A list of behavioral indicators for each selected core competency will then be reviewed and revised.

9. Finally, levels of performance will be defined for each core competency

(The link to the full worksheet is included Appendix 1)

The listed core competencies can also be used to develop competency models for certain jobs, which will help in hiring more suitable employees if needed. (Cripe, 2019)

This type of evaluation is usually fairly straightforward, since identifying what you do best is not too challenging. However, it is important to recognize your core competencies in order to embrace them. After this, the key is to keep developing these competencies in a way that they provide increased value to your customers and help to differentiate your brand from the competition. Also, to keep a core competency as such will require attention to it over time. (Boitnott, 2019)

4.3.3   Value Proposition

Core competencies are the base of a company's value proposition.
A value proposition can be described as.

> An explicit promise made by a company to its customers that it will deliver a particular bundle of value creating benefits (Hassan, 2012)

Companies succeed by selling value and customers define value in many ways. Back in the day, value was based roughly on a combination of quality and price. These days, however, the concept of value is much broader. It includes things like convenience of doing business, after-sale service, and dependability. However, meeting all these needs is not necessary. Many of today's most successful companies have achieved leadership positions by basing their value propositions on one of three core value disciplines. They

are *operational excellence, customer intimacy, and product leadership*. (Wiersema, 1993)

Operational excellence is perhaps the most common strategic approach for delivering value to customers. When applying this approach, the main objective is to lead the industry in things like price and convenience. This includes minimizing overhead, eliminating unnecessary steps in production, and optimizing all business processes to be as efficient as possible. This kind of strategy is commonly seen in big companies that have built their entire business around achieving these goals. (Wiersema, 1993)

Customer intimacy is an approach that focuses on tailoring products and services to fit the ever-developing customer demands. This type of approach is often costly, but it is rewarded with long-term customer loyalty. Companies who embrace this approach often care about a customer lifetime value, not the value of one transaction. (Wiersema, 1993)

Product leadership is the third value discipline. The goal here is to offer the best products and services in the industry. This type of approach requires a lot of creativity and innovation in order to succeed. New ideas must be commercialized quickly, which means that the company's business processes have to be built with speed in mind. Companies pursuing product leadership are also relentless in chasing after new solutions to the problems that their old products have already solved. (Wiersema, 1993)

There are a lot of examples of companies that have embraced one of these approaches and risen to a sustainable value leadership position in their industry. However, choosing a value discipline is also choosing a customer category, which is why it is linked to market segmentation. Different types of customers define value in different ways, which is why different approaches are needed to target them. (Wiersema, 1993)

However, combining these approaches is also sometimes possible. Even though market leaders usually excel at one of these approaches, there are instances of companies mastering two of these approaches at the same time. These are usually huge companies who have, one way or the other, resolved the inherent tension that exists between the operation models of each approach. (Wiersema, 1993)

Companies who achieve and sustain value leadership are the ones who change the terms of competition. (Wiersema, 1993)

4.3.4 Evaluating the Competitive Environment

Deciding on a market segment is also deciding on a competitive environment. Some industries are very dynamic, and market stability might be affected by different things such as new technologies and entry by unexpected outsiders.

Competitive analysis is a way for defining your industry boundaries, identifying competitors, and determining their strengths and weaknesses, while anticipating their actions. A fundamental part of this process is focusing on the strategic intent of the competitors and their core competencies. This type of analysis will provide a clearer view of the competitor's strategic intent. (Michael D. Hutt, 2007, pp. 119-120)

According to Hutt & Spehh, while considering the core competencies of rivals, it is also important to examine scenarios of industry change and competitor entry and exit. Questions to think about include:

1. Who are the competitors? Including current and potential ones.
2. How does your company match up with each of them?
3. When, where, and how potential competitors will enter?
4. What is the best way to attack your own market position from a competitor's perspective?
5. What kind of strategies could be considered now to preempt future entrants?

Additional information can be obtained by examining the actions of competitors and evaluating what they did vs. what they could have done. This type of perspective helps in seeing how the competitor sees their own strengths. (Michael D. Hutt, 2007, pp. 119-120)

4.3.5 Identifying Decision Makers and Buying Behavior

When building a model of a specific market, it is important to identify the characteristics and properties of a typical purchase decision. Understanding the basic mechanics of how a market works is at the core of the segmentation process and therefore requires careful thought. Observing the purchase behavior of decision-makers and recognizing key elements in this behavior, allows for a deeper understanding of their motivations. (McDonald, 2012, p. 144)

A decision-maker can be a person or a unit of people, who decide whether to buy and from who to buy. Usually, when you are trying to sell anything to anyone, getting to the right person who is a decision-maker is very important. Your communication strategy should be aimed at hitting the person with maximum control in the decision-making process. Therefore, one of the key challenges for marketers is the ability to identify the people involved in the decision-making process. (Mukerjee, 2009, p. 85)

It should be noted that B2B customers often have a complex decision-making unit, which may involve engineers, purchasing experts, production managers, health & safety experts, and board members. These people will have different sets of priorities and different levels of influence. Variables like these must be taken into account when trying to understand customer decision-making behavior. (Harrison, 2020)

A basic principle in marketing is that customers look for features which they regard as key, because of the benefits these features provide, either alone or in conjunction with each other. McDonald refers to these features as "key discriminating features", or KDFs. They can also be referred to as "differentiators" or "determiners". Basic market entry requirements which all products must have in order to be an attractive option to any customer in the market are not included. (McDonald, 2012, pp. 146-148)

4.3.5.1 Buying Behavior

The Industrial buying process is completely different when compared to consumer buying. In b2b markets, it is essential for a marketer to recognize the entire buying process. Understanding this process will help in understanding the market segments and how to

reach the organizational buyers in these segments more efficiently. (Mukerjee, 2009, pp. 81-90)

Mukerjee describes three main types of buying situations that organizations face regularly. **New Task**, **Modified Rebuy,** and **Straight Rebuy**.

In a **new task**, the problem is new to the organization. In this type of situation, the decision-makers do not have the experience, product knowledge, or expertise that is required for handling the situation efficiently. A lot of questions will be in the mind of the customer at this stage as they try to solve their problem. (Mukerjee, 2009, pp. 81-90)

Therefore, the seller must be an active participant from the initial stages. The seller can pinpoint the needs of the customer and offer a suitable proposal. A previous relationship with the buyer will be a great advantage to the seller, especially in a situation like this. (Mukerjee, 2009, pp. 81-90)

A **modified rebuy** is a situation where a company wants to review its decisions in relation to its purchases. Often this will be a situation where there are external pressures to reduce cost or improve quality. This type of situation can also be the cause of the buyer being displeased with their current vendor. (Mukerjee, 2009, pp. 81-90)

For an existing supplier, something like this can be an awkward situation. Careful steps can be taken to stop the process, but often times the seller might end up losing some business. For an outside supplier, this is a better situation. If the buyer is already thinking about changing supplier, it is easy for an outside supplier to answer why they should do that. (Mukerjee, 2009, pp. 81-90)

The **straight rebuy** is the most common buying situation. When buyers have experience in buying a certain product before, they need very little information when doing it again. There is no need to look at alternative proposals unless there is a new technological advancement. (Mukerjee, 2009, pp. 81-90)

For a seller, straight rebuy situations are often profitable. However, they should remain alert and responsive to potential changes. Maintaining a strong relationship is important.

For an outside supplier, breaking through an account is often difficult in a situation like this. Persuading buyers to reexamine alternatives is not easy when the buyer is happy rebuying from their current supplier. (Mukerjee, 2009, pp. 81-90)

According to Mukerjee, there are eight stages of organizational buying:

1. Problem Recognition
2. Determination of the characteristics and quantity of needed item
3. Specifying the requirements
4. Search for suppliers
5. Acquisition and analysis of proposal
6. Selecting of suppliers
7. The order routine process
8. Performance feedback and evaluation

A few of these steps are more important than others when trying to understand an organization's buying behavior. In the first step, the customer needs to recognize their problem. This might happen internally or externally. An internal recognition might be equipment failure for example. An example of an external problem might be a new technological innovation that a company must acquire in order to keep up with their competition. (Mukerjee, 2009, pp. 81-90)

A company might not always be aware of certain problems they might have. A problem or need can be made aware through marketing. This could also count as external recognition.

The third step is also is a critical phase in the buying process since it is when decision-makers have the biggest role. There might be a joint discussion between departments to come up with a specific requirement. After this, the look for suppliers will start. A close relationship with influenced decision-makers is essential in this stage. (Mukerjee, 2009, p. 84)

4.3.6 Firmographics

When selecting business market segments, it is important to evaluate a multitude of descriptive characteristics. These key issues can be better understood by analyzing geo-demographic attributes or firmographics. Segmentation by these types of simple variables is easy, useful, and cheap. Also, when combined with other variables, such as product use and buying behavior, they can offer a great view of the market. (Weinstein, 2004, p. 61)

Firmographics are descriptive attributes of companies, which are often used to define target markets. They can be used to aggregate companies into basic market segments. (Smith, 2013)
Here are some common firmographics:

Industry
A company's industry refers to the activities of the company. Most of these activities are limited to certain industries due to their core competencies or customer demands. This is why industry type is a natural market segmentation variable. (Smith, 2013)

The NAICS (North American Industry Classification System) divides markets into 20 primary segments. Seen in Figure 5 below.

NAICS	Definition
11	Agriculture, Forestry, Fishing and Hunting
21	Mining, Quarrying, and Oil and Gas Extraction
22	Utilities
23	Construction
31-33	Manufacturing
42	Wholesale Trade
44-45	Retail Trade
48-49	Transportation and Warehousing
51	Information
52	Finance and Insurance
53	Real Estate and Rental and Leasing
54	Professional, Scientific, and Technical Services
55	Management of Companies and Enterprises
56	Administrative and Support and Waste Management and Remediation Services
61	Educational Services
62	Health Care and Social Assistance
71	Arts, Entertainment, and Recreation
72	Accommodation and Food Services
81	Other Services (except Public Administration)
92	Public Administration

Figure 5.   The NAICS (North American Industry Classification System) (Smith, 2013)

Location

Geographic segmentation is one of the simplest ways of dividing a market. Regional differences can be quite impactful, especially in North America. Weinstein describes North America as nine nations rather than three which are (with their capitals), the Islands (Miami), Empty Quarter (Denver), Breadbasket (Kansas City), Quebec (Quebec City), New England (Boston), Dixie (Atlanta), Ecotopia (San Francisco), Mexamerica (Los Angeles) and Foundry (Detroit). (Weinstein, 2004, pp. 62-63)

There are many ways of geographically segmenting a market. The biggest dimensions can be grouped into market scope factors and geographic markets measures. (Weinstein, 2004, pp. 62-63)

Market Scope factors

The *Global Scope* is favored by many large industrial and tech companies, who organize their marketing and sales efforts by worldwide regions. Many companies choose to go after certain states or metropolitan areas, instead of a global scope. This is the *National/Regional Scope*. The *Local Scope* consists of markets that can be counties, cities, and ZIP-codes. (Weinstein, 2004, pp. 62-63)

Geographic Market Measures

Census Classification can show population growth in certain areas for example.

Standardized Market Area Measures are often defined by marketing research companies. Measures like these can be Areas of Dominant Influence (ADIs) or Designated Market Areas (DMAs) for example. *Population Density and Climate-Related Factors* often relate to purchase behavior as well. For example, companies in more urban areas might prioritize dust monitoring solutions compared to ones in rural areas, where dust might not cause problems in the immediate surroundings. (Weinstein, 2004, pp. 62-63)

Size

The basic metrics for measuring the size of a company are revenue and the number of employees. (Smith, 2013)

Status or structure

A company's status and structure firmographics include the legal status of the company (private or public), and its relations to other companies. For example, parent company, subsidiary, or independent business. Status and structure related variables can often have big impact. For example, a small 50-person company might have significant financial backing from their larger parent company. (Kehal, 2019)

Performance

Performance firmographics include raw changes in a firm, such as increases and decreases in revenue, employee growth, profits, and losses. The rate of change in these variables is also an important indicator. Performance firmographics may help in determining which companies are likely to need products or services. For example, if a company is suffering heavy losses, they may be looking for new innovative solutions to fix their problems. (Kehal, 2019)

4.3.7   Identifying Customer Needs.

An understanding of your customer profile and their characteristics is a fundamental need in marketing. Information about customers is used to build segments or to add

variables to existing segments. This type of activity will also involve thinking about the needs and wants of particular customer types. (Sally Dibb, 2008, pp. 51-52)

Dibb & Simkin write about Key Customer Values (KCVs), being a fundamental requirement in the segmentation process. Examples of these would be technical requirements, pricing, and distribution-related issues, or expectations about training or additional services. (Sally Dibb, 2008, pp. 51-52)

Different customers will have different criteria and different levels of importance to said things. Understanding these subtle attributes will put you in an advantageous position when trying to sell to a customer. (Sally Dibb, 2008, pp. 51-52)

Understanding customer feelings is also a factor when trying to determine their actual needs. Customers are more likely to buy a product if it is intrinsically interesting to them. On the other hand, some products are considered necessities and they might buy them grudgingly. Usually, in b2b markets, purchase decisions are made based on rational reasons, like trying to solve a problem. Emotional factors are more of an issue in consumer markets. However, emotions can be a driver in b2b markets as well, especially regarding the environment and employee health. Different people in an organization will often have opposing views on these matters. (Sally Dibb, 2008, pp. 51-52)

Every company also makes certain assumptions about their customers. It is important to check the accuracy of certain assumptions since bad information can lead to misdirected marketing efforts or missed sales. (Sally Dibb, 2008, pp. 51-52)

As a marketer, a logical question to ask would be what would lead the customer to wanting to buy from you. Simple questions to get a better understanding of this would be:
- What are the customer's biggest pain points that are causing them their problems?
- What things are they struggling with the most?
- What are they currently paying for to alleviate their problems? Are they happy with it?

Once you know what your customers are struggling with, you can match those problems with the solution your company is offering. Ideally, you would want to find customers who are looking for the type of solution that you are offering. (Gallant, 2018)

4.3.7.1 Common Customer Needs

Customers will always have a variety of different needs which they are trying to fulfill. Some of the most common needs that must be recognized are related to price, functionality, and Support.

- **Price**

Price related needs are some of the most common, especially in b2b markets. Organizations are always going to have budgets that they need to stick to as well as price expectations for different purchase decisions. A major shift in a company or an industry can change the experience of value they are getting from a product or solution. They may feel like a certain product is not a good solution to pay for anymore, or a certain solution will suddenly be worth more resources. (Lee, 2019)

- **Functionality**

Different companies and industries have their own unique challenges that they are trying to solve. Often, different customers will have different functionality needs for the same product for this reason. A customer might not be able to use a product in the way they had hoped. They might be experiencing a bug with the product, or they are trying to use the product beyond what it was designed for. It is important to find out whether a product is fulfilling the customer's functionality needs fully or not. (Lee, 2019)

- **Support**

Customer support is often thought of as customer service, meaning that they will come to you if they have a problem. Fulfilling support related needs can also include anticipating certain challenges that a customer might face. This will increase your customer's efficiency and reduce possible frustration. Asking customers to clarify current needs upfront will give you a better understanding of where their business is headed. Asking good

questions and looking for detailed answers are key in supporting your customer. (Lee, 2019)

4.3.7.2 The SPIN Process

When trying to identify customer needs, the most important part is gathering as much information as possible about them. A simple way of gathering information about basic customer needs is the SPIN method. It is commonly used in sales, but it can also be applied to market segmentation. It consists of four parts, *Situational, Problem, Implication and Need/Pay-off.* (Lee, 2019)

First, you should try to understand the situation. This includes thinking about who your customers are, what are they buying and why, what are their problems, and how they are trying to solve them. (Lee, 2019)

The next step is Identifying the problem. Questions to ask are, what is preventing the customers from reaching their goal and why have not they been able to do it on their own. This step also includes finding out the things the customers have already tried and where/how their problem started. (Lee, 2019)

The third step, Implication, is about finding out what would happen to the customer if they cannot solve their problem. The severity of the implication is most relevant. Would the customer go bankrupt or would they be unable to reach their annual goal? Simply put, you are going to want to find out the customer cost of the problem. (Lee, 2019)

Once enough research has been done on the above topics, you will start to find out what payoffs the customer is hoping to get through solving the problem. For example, a customer might want to cut costs, but when thinking more closely about the situation problem and implications, it is determined that the real problem is that they are not meeting their goals. In this type of situation, the real need might be employee empowerment which would solve the problem, not cutting the budget. (Lee, 2019)

The SPIN process can allow for discovering better solutions for the customer's perceived needs. (Lee, 2019)

4.3.8   Identifying Key Accounts

All customers are not the same, so they should not be treated as such. All b2b companies have key accounts, who usually receive special treatment. (Hague, 2020)

A common rule in marketing is the 80/20 rule, which means that 20% of customers account for 80% of the turnover. This key 20% should be focused on with special activity since they are instrumental in the future of a business. A lot of businesses only have a handful of these key accounts, which means that it would be reasonable to treat such crucial customers as individuals. Products and services should be scoped exactly to meet their needs. This type of tailored segmentation is most effective, but it also requires the most resources. Often, key accounts should be treated as segments of their own. (Hague, 2020)

On the other hand, the other 80% of customers are also important. Clearly, they should not be treated the same as the key accounts, so some type of segmentation is needed. Without segmentation, these various types of smaller accounts might be treated the same, which will result in potentially missed sales. Also, an attempt to treat everyone by individuals will likely not be cost-effective. (Hague, 2020)

The point of segmentation is to group customers with similar needs so they can be served efficiently with limited resources. (Hague, 2020)

4.4   Targeting

The second major step in a market segmentation process is Targeting. It is about choosing which segments should be targeted. (Sally Dibb, 2008, pp. 7-8)

4.4.1   Targeting Approaches

Once market opportunities are identified the company has to choose which ones they should go after. The basic premise behind targeting is matching the company's product offerings with the needs of certain target segments. In other words, it is about finding the

best market matches for your company. There are four basic approaches to doing this (Conspecte, 2020)

- **Undifferentiated marketing**

This approach is about offering one product or product line to all customers with one marketing mix. Undifferentiated marketing is also referred to as mass marketing and it is fairly straightforward. The benefits of this approach include efficient production and distribution because the company can only focus on one product. These days companies are more concerned with maximizing their value offerings, which is why this type of marketing is not as popular as it was in the past. A company that is trying to satisfy all customers with one product may find themselves losing to competitors who offer more specialized units to smaller, individual segment of the larger market. (Conspecte, 2020)

- **Differentiated marketing**

A differentiated marketing strategy is focused on promoting several products with different marketing mixes to target smaller market segments. This approach is still aimed at satisfying a big part of the total market. It is just many products with different marketing programs, aimed at individual parts of the market. A benefit of this type of marketing is often increased sales because customer satisfaction is improved. However, it also increases certain costs, such as production and promotional costs. In a competitive market, many companies might be forced to adopt a differentiated marketing approach in order to remain competitive. (Conspecte, 2020)

- **Concentrated marketing**

Concentrated marketing is also known as niche-marketing. It is about concentrating all efforts on one profitable segment, perhaps even a small one. This approach is ideal for smaller companies that lack the resources required for mass-marketing or even differentiated marketing. Concentrated marketing can be a way for smaller companies to compete with larger competitors in an individual segment. Also, companies that offer highly specialized products often benefit from this approach. The risks of this approach include the possibility of changes in the segment. The segment can change in size or customer buying behavior can change. A sudden change in the niche market can be financially severe to a company. An emergence of a new competitor can also make things difficult. (Conspecte, 2020)

- **Micro marketing**

Micro marketing is even more narrowly focused than concentrated marketing. This means segmenting customers with very basic variables, such as postal code or occupation. Micro marketing can go as far as targeting individual customers with tailored marketing mixes. In the modern digital age, this approach is more doable because the internet allows for more customization and personalization. However, high specialization obviously requires more resources than other less intimate strategies. (Conspecte, 2020)

4.4.2 Five Patterns of Target Market Selection

Kottler & Keller describe five basic patterns for selecting target markets, which are important to acknowledge when considering a targeting approach. They are as follows:

- **Single-segment concentration**

When focusing on one segment, a company will gain a strong knowledge of the segment's needs and possibly achieve a strong position in the market. A strong single segment presence will also allow for specialization of its production, distribution, and promotion. Achieving segment leadership can lead to high returns of investment. However, this type of concentration is risky. A single, niche segment can turn sour or a new competitor can emerge. This is the reason why this type of strategy is not common. (Philip Kotler, 2009, p. 263)

Another option for companies is to concentrate on a *super segment,* rather than isolated segments. A super segment is a set of segments that share an exploitable similarity. (Philip Kotler, 2009, p. 264)

- **Selective specialization**

Selective specialization is when a company selects a number of attractive segments to target. There does not need to be any synergy between the segments if each one is profitable on its own. This type of multi-segmented approach helps in diversifying the company's risks. (Philip Kotler, 2009, p. 264)

- **Product specialization**

In this approach, a company sells one product to several different market segments. The product can be specialized for certain industries but remains virtually the same. A company can build a strong reputation in a specific product are with this strategy. The biggest risk in this strategy is that the product can be supplanted by a new innovation. (Philip Kotler, 2009, p. 264)

- **Market specialization**

Market specialization means concentrating on serving many different needs of a certain customer segment. (Philip Kotler, 2009, p. 264)

- **Full Market coverage**

A company can also try to serve all customer groups in a certain market and offer them all the products that might satisfy their needs. This type of approach is only realistic for very large companies. (Philip Kotler, 2009, p. 264)

4.4.3   Determining the Attractiveness of Market Segments

Determining segment potential helps companies in deciding which segment(s) to pursue. Key criteria must be assessed in order to find the best target market segments. These criteria can be qualitative or quantitative. (Weinstein, 2014)

Qualitative factors include, for example, geographic coverage, market trends, nature of business preferred or a SWOT analysis of industry structure. Strategic synergy is another important factor. Examples of this would be the ability to use existing distribution channels or building on certain process strengths. (Weinstein, 2014)

There are several different views on how to determine segment attractiveness. According to Dibb and Simkin (2008), the most important criteria for selecting target markets is profitability, which is followed by market growth, market size, and likely customer satisfaction. Other important criteria include sales volume, ease of access of business, product differentiation, competitive rivalry, and opportunities in the industry. (Weinstein, 2014)

McDonald and Dunbar (2004) say that segment attractiveness factors should be based on the certain requirements of a company. They provide five major areas for segment attractiveness factors, which are segment factors, financial and economic factors, competition, technology and socio-political factors. (Weinstein, 2014)

According to Kotler & Keller, there are five key criteria that a market segment must rate favorably in, to be useful. (Philip Kotler, 2009, p. 263) The segments must be:

- **Measurable**

The segment must have characteristics that can be easily measured, such as size, purchasing power and growth. (Philip Kotler, 2009, p. 263) In order to assess the attractiveness of a segment, you need to know how large the segment will be. Different measurements are one of the most important ways of judging the attractiveness of a segment. (Claessens, 2016)

- **Substantial**

A substantial segment is large and profitable enough to serve and to go after with a tailored marketing program. (Philip Kotler, 2009, p. 263) Only substantial segments are worth your company's attention since they are the profitable ones. (Claessens, 2016)

- **Accessible**

Accessible segments are easily reached and served without larger problems. This means that the segments must be reached logistically accessible and communication with the customers is efficient. (Claessens, 2016)

- **Differentiable**

According to Kotler, segments must be conceptually distinguishable and respond differently to different programs and marketing-mix elements. (Philip Kotler, 2009, p. 263)

- **Actionable**

It must be possible to formulate effective programs to attract and serve a segment, which means that you are actually capable of serving this segment. Your company must have the resources and knowledge to satisfy the customer's needs. Even if a segment is suitable in every other aspect, it is not worth targeting, if your company does not have the sufficient resources for it. (Claessens, 2016)

Hutt & Spehh also prioritize profitability over other segment attributes. According to them, many business marketing firms categorize customers into different groups based on this single attribute (For example, great, good, bad). By recognizing profitable customers, companies can focus their marketing efforts on them. Also, different strategies can be developed to target each group, such as prioritizing the great customer and offering them special treatment. (Michael D. Hutt, 2007, p. 134)

Less profitable, good customers can be targeted with strategies that take fewer resources. Bad customers must be recognized in order to avoid them in the future. This type of evaluation requires a process that shows the near-term potential and the long-term resource commitments necessary to serve a customer segment. (Michael D. Hutt, 2007, p. 134)

4.4.4 Tools for Targeting

4.4.4.1 Directional Policy Matrix

The Directional policy matrix (DPM) is a tool for determining your preferred market segments. It can help in getting a better understanding of the direction your company should take and whether certain everyday decisions are in the company's best interest. The DPM measures the attractiveness of a segment and the company's capability to support it. (Making good strategic choices – Directional Policy Matrix, n.d.)

The DPM employs multiple measurements and observations to define the dimensions of the portfolio matrix. The vertical dimension is called market attractiveness and it includes all market-related aspects, such as expected profitability, competitive intensity, and industry sales for example. (Sally Dibb, 2008, p. 108)

The horizontal axis is called business strength or capability of the organization. It includes various factors such as relative market share, product quality, market knowledge and price competitiveness. These strengths are supposed to be unique internal capabilities of your company and they should be benchmarked against your strongest competitors. (Sally Dibb, 2008, p. 108)

Any company using the DPM tool will select their own unique set of variables relevant to their business context and way of operating. It is recommended that the same variables should be used for a while so that changes in the company portfolio in the future can be more easily monitored. (Sally Dibb, 2008, p. 108)

Scoring the directional policy matrix is done in five basic steps:

1. Debate internally which variables to include to come up with a suitably balanced set of criteria.
2. Score each criterion based on importance. Dibb & Simkin recommend a three-way approach: 1.0 high 0.5 medium 0.0 low
3. Weight the relative importance of each factor of attractiveness and business strengths by allocating 100 points between the variables. The weight should reflect the factor's contribution to the goal of the marketing strategy. This step can include a mix of personnel, each doing their own weightings.
4. Score the segments against each criterion and their weights. See Figure 6 for an example.
5. Showcase the results on the DPM. This can be done in excel with a bubble chart graph. See Figure 7 for an example.

Illustrative Market Attractiveness Criteria				Illustrative Business Strength Criteria			
	Score ×	Weighting =	Ranking		Score ×	Weighting =	Ranking
Market size	0.5 ×	25 =	12.5	Product quality	1.0 ×	30 =	30.0
Volume growth (units)	0.0 ×	10 =	0.0	Product new technology	0.5 ×	10 =	5.0
Level of competition	1.0 ×	40 =	40.0	Market share, key segments service back-up	0.0 × 1.0 ×	20 = 15 =	0.0 15.0
Market structure	1.0 ×	25 =	25.0				
		100	77.5	Manufacturing efficiency Manufacturing technology	0.0 × 0.5 ×	10 = 15 =	0.0 7.5
						100	57.5

Figure 6. Example of the calculations of the market attractiveness and business strength values (Sally Dibb, 2008, p. 109)
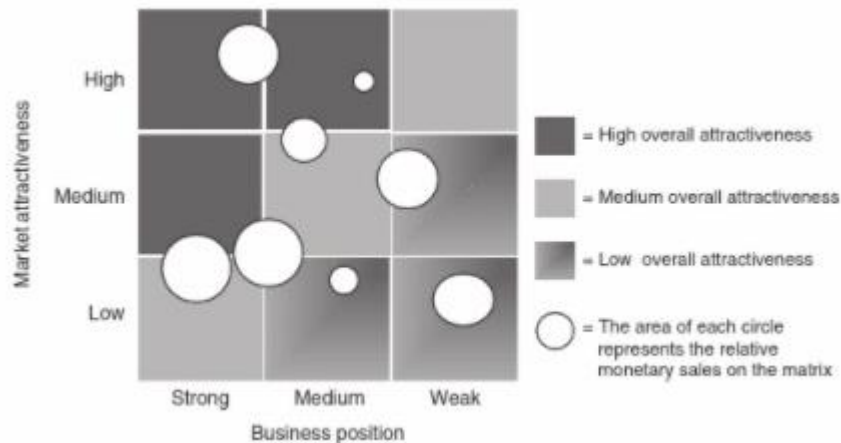
Figure 7.   Illustrative DPM. (Sally Dibb, 2008, p. 110)

4.4.4.2   ABC: Contribution Analysis

An ABC analysis is a simple tool for ensuring financially unviable segments are not supported. On its own, the tool is not sufficient for directing target market selection, but it is useful when used in conjunction with the DPM. (Sally Dibb, 2008, pp. 115-116)

The aim of an ABC analysis is to show the level of sales and the financial worth of these sales to the company. Sales volume figures do not always determine financial success. Identifying the relative value and attractiveness of market segments will help in allocating company resources more efficiently. (Sally Dibb, 2008, pp. 115-116)

In an ABC analysis, the market segments are divided into three categories: A, B, and C. Category A contains the most profitable segments and customers (usually the important 20%, from the 80/20 rule). Category B represents middle of the road segments, that are worth serving, but are not as significant as the ones in category A. Finally, category C is for the lowest priority segments, that are not necessarily targeted directly but that contributes to sales here and there. This is often the largest group. (Luenendonk, 2019)
To perform the analysis, each market segment should be judged with four key metrics: Sales revenue, revenue potential, contribution margin and support cost. The segments should be ranked in each category and put into charts. After this the charts will be com-

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pared with each other, especially the sales revenue and contribution margin. The segments can then be grouped into their respective categories based on this information and showcase in a chart (see example in Figure 8). (Luenendonk, 2019)

Benefits of an ABC analysis:

1. This type of analysis can identify highly attractive customers or segments in terms of associated contributions, but where sales are fairly low. For these types of segments, an increase in sales will be very rewarding.

2. An ABC analysis can also determine key accounts who have high sales figures but low contributions. Good cash flow does not always mean good profitability. In these cases, an increase in contribution is desirable.

3. The analysis can also challenge the manager's historical view of "good customers". Certain segments might not be as lucrative today as they were in the past. Therefore, allocating company resources elsewhere would be a better option.
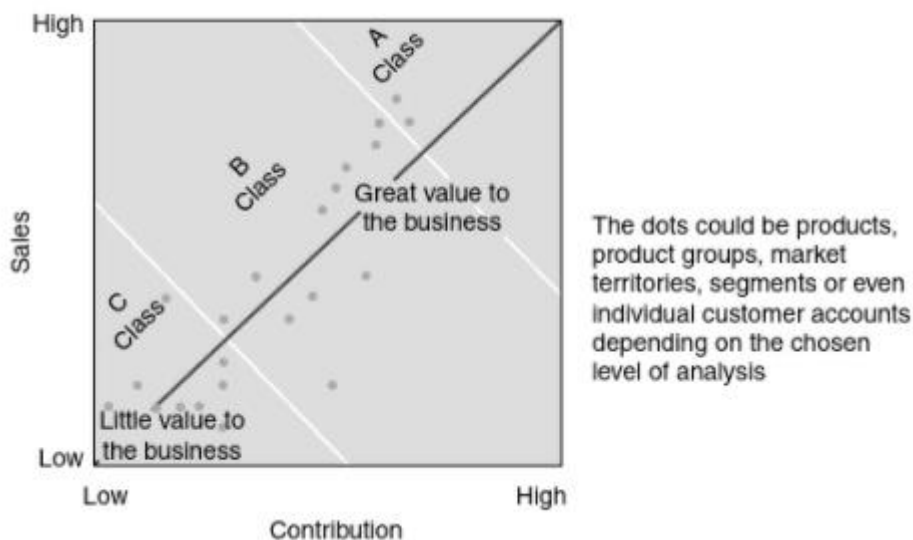
(Sally Dibb, 2008, p. 117)

Figure 8.   The conclusion of an ABC analysis is easy to visualize with a simple figure. (Sally Dibb, 2008, p. 117)

4.4.5   Assessing Competitiveness

Once segments have been chosen, a company must assess its own competitiveness and strengths in each segment. This means determining the degree to which the company can take advantage of a segment opportunity. (McDonald, 2012, p. 330)

McDonald describes a summarized five-step procedure for assessing company competitiveness:

1. List the needs of each segment. The needs are part of the Decisive Buying Criteria of each segment.
2. Assess the relative importance of each buying criteria. This should be done by listing them in order and distributing 100 points between them.
3. Set a parameter for competitiveness from 1-10. (0-3 being uncompetitive, 4-6 being competitive, 7-10 being highly competitive.
4. Choose a segment and evaluate the buying criteria of the segment by scoring your own firms and competitor's performance for each of these criteria based on the parameters set above. This should be done from the customer's perceived perspective. After this, multiply the scores by their weight and divide by a hundred. Then add all of them together to get a total between 0 and 10. This will be done for each company
5. In the final step, assess your own firm's competitiveness relative to the competition by dividing your firm's total weighted score by the highest total weighted score of the competitors. The result will be expressed as a ratio (your company: best competitor)

(McDonald, 2012, p. 330)

4.5   Positioning

Positioning is the third big step of the segmentation process.

According to Ries & Trout: "Positioning starts with the product. A piece of merchandise, a service, a company, an institution or even a person." They also argue that positioning

is not about what is done to the product. It is about what is done to the mind of the customer. (Jack Trout, 2001, p. 2)

This theme has also been adopted by Kotler & Keller who describe positioning as follows. "Positioning is the act of designing the company's offering and image to occupy a distinctive place in the minds of the target market" (Philip Kotler, 2009, p. 308)

According to Haverila, the idea of positioning is to decide how you want to compete in the chosen target market segments. Strategically, the goal of positioning is to execute different actions than competitors, or similar actions, but in a different way. Haverila lists three key questions that must be answered in order to utilize segmentation effectively. (Haverila, 2004, p. 107)

1. What are the most important purchasing variables that the customers consider when evaluating competing value propositions in the target market segment?
2. What are the competing value propositions?
3. Regarding these purchasing variables, what are the main differences between your value proposition and the competing ones?

(Haverila, 2004, p. 107)

4.5.1 Common Ways of Positioning

The job of marketers is to find a position for the product which is in line with the company's constraints while still being uniquely suitable to certain customers when compared to competitive offerings. There are a bunch of ways positioning can be done.

Attribute positioning is about positioning based on one or two special product attributes.

Benefit positioning means positioning in a way that a certain benefit is highlighted in a way that makes the value proposition different compared to competitors.

Competitor positioning means marketing the product in a way that it is directly compared to a competitor. Emphasis is made on the differentiating features.

Product category positioning means that a product is showcased as belonging to a particular category and not the same crowded category as some competitors.

Positioning can also be based on **quality/price**, which means that it is marketed as the best value for its cost. This is a common way of positioning even though it might be difficult to prove your quality to cost ratio as being the best. (Conspecte, 2020)

There are also common errors that are done when deciding on the positioning of a product. Sometimes the product performance does not match with the value promised in the product position. This is called *over positioning* and it must be avoided. *Under positioning* is also not good. For example, highlighting an attribute that is not that important in the customer's eyes. Customers will not see enough value in a position like this. *Confused positioning* occurs when customers categorize the product in the wrong category. The product will likely not perform as expected in a situation like this. *Doubtful positioning* means that a customer does not fully believe the positioning claims. (Conspecte, 2020)

4.6   Conceptual Framework

The outcome of the literature review can be summarized as a conceptual framework, which is used to build the market segmentation framework for the case company. The conceptual framework can be seen below in Figure 9.

Figure 9. Conceptual framework

Segmentation	Targeting	Positioning
Defining the market (Weinstein, 2004)	Targeting approaches, (Conspecte, 2020) Patterns for selecting target markets, (Kottler & Keller 2009)	What is positioning? (Haverila, 2004)
Identifying core competencies (Kawshala, 2017) Value proposition (Wiersema, 1993)	Determining Segment attractiveness (Hutt & Spehh, 2007)	Common positioning apporaches (Conspecte, 2020)
Evaluating the competitive environment (Hutt & Spehh, 2007)	Strategic planning tools for targeting (Dibb & Simkin,2008)	
Define Decision-makers (McDonald, 2012) Understanfing buying behaviour, (Mukerjee, 2009)	Assessing company competitiveness, (McDonald, 2012)	
Firmographics, (Weinstein, 2004)		
Identifying Customer needs (Dibb & Simkin,2008)		
Determining Market segments, identifying key accounts (Hague, 2020)		

The conceptual framework of this thesis is based on the three main stages of market segmentation, Segmentation, Targeting, and Positioning. This thesis is focused more on the segmentation aspect of the process in order to avoid a too broad take on the topic. Targeting and especially positioning, have not been outlined as closely, but they are included since they are such important parts of the whole segmentation process.

The next step is creating the initial market segmentation framework.

5   Creating a Market Segmentation Framework

This chapter presents the initial proposal, which is largely based on data which was acquired by interviews and discussions with the case company. The author had several conversations with the International Sales Director of the company as well as the Business Unit Director. Quick summaries of initial discussions are found in Appendix 2 and 3. The Author also obtained information from internal documents and reports.

The proposal was put together based on this data in combination with the knowledge acquired by reading relevant literature on the topic.

The proposed market segmentation framework consists of four phases. Creating the segments, Understanding the segments, Choosing the best segments, and positioning in the segments.

5.1   Phase 1. Creating Segments

The first phase is about creating the market segments. It can be broken down into three parts.

5.1.1   What is the Market?

The first thing to do in the segmentation process is defining the market.

As already mentioned before, the market for the case company's flagship dust monitor has been very broad so far. The company describes its market as anyone who produces bulk and powders. This means that it can be a chemical plant, cement plant, sugar mill or even a dog food factory. It can include anyone who is moving a lot of stuff, which creates dust. The two main segments are:

1. Explosion prevention, risk handling
2. Health and hygiene, environmental

The market is also loosely defined with certain applications for satisfying customer needs. In a competitive market, it is important for a company to define the market it wants

to serve. However, the competition in the market in question is minimal, which is one of the reasons why it is so loosely defined. A loose definition might also be a reason for missed sales, which is why a middle ground should be found. The company admits that its market definition is way too broad and that it can be better specified.

Weinstein's three-level market definition model (described in chapter 4.3.1) could be a good starting point for a clearer market definition. A geographic boundary is also in place, but the company might want to consider dividing the North American market into smaller segments, such as described in chapter 4.3.6. The company already recognizes differences in certain regions. Whether these differences should determine if different regions should be treated differently is still unclear. Taking a closer look at the customer data might offer some revelations in this regard. Product identification is also easy since this thesis is focused on a single product.

Weinstein mentions that a large market definition often leads to a mass-marketing strategy. Currently, this is somewhat true with the case company. The strategy so far has been to go after a large market and see what they can get. The company does have different marketing material to go after certain types of customers, but clear marketing mixes for different segments are not in place.

Market definition can be difficult, especially in situations like this. However, it should be realized that markets develop from existing, emerging and even imagined business opportunities. Many unexploitable market opportunities are found based on customers who have not been served and customer needs which have not been clearly defined or realized. Products, such as cellphones and fax machines were developed and built in the factory long before there was a clear need for them in the marketplace. (Weinstein, 2006, pp. 115-116). It could be argued that the Case product might be a product like this.

5.1.2   Proposed Segmentation Variables

Currently, the company segments through application notes, which is about offering proven solutions to common problems. For example, product loss- and explosion prevention in a sugar mill. The company makes marketing material based on applications

such as this, which are then given to the distributors as a tool for targeting potential customers. The initial segmentation step should be based on the market definition. The author suggests dividing markets based on three key variables:

- Geographic location
- Industry, (Considering the application notes already in place)
- Size

Currently, the company does not clearly segment markets by firmographics. Here are four basic firmographics that a company should consider more closely.

Industry is usually a natural variable for segmenting markets. Currently, the company has targeted a variety of different industries because the market is so broad for them. With a market this broad, you can afford to be a little picky. The company could consider choosing the 2-3 best-performing industries in a region and focusing all (or most) marketing efforts on them. The company already has an idea of what these industries might be.

Location is not a common driver for segmenting unless it is geographic location. However, sometimes the location is a relevant factor, especially if the customer has a facility in a residential area. Harmless dust from any facility can quickly become a nuisance to people living nearby. Complaints by people can be an important driver for a company to consider a dust monitoring solution.

Geographic location is a common variable in segmentation. North America is such a broad market, that the company might benefit from dividing it up into certain areas as already mentioned above.

Size is a factor that should be looked at from three angles. Size of the segment, size of the company and size of facilities. The size of the company can make a difference because a bigger company will often have many facilities. If the company wants to focus on finding potential key accounts, they should definitely consider prioritizing larger companies. The size of a single facility is also a big driver. Bigger and older plants do not have dust control measures, so they are more likely to have dust problems. In this context, the company should be prioritizing the size of the company when segmenting markets.

Performance was an issue that the company had opposing internal views on. One opinion was that a successful company is more likely to be a customer. Another internal opinion was that successful companies usually have newer facilities and better processes and therefore do not have as many dust problems. Older plants do not have dust control measures and therefore are more likely to have dust problems.

5.1.3   Determining Segments

The case company should segment markets on **industry** and **size**. Performance and location (not geographical location) are secondary variables that should be kept in mind when looking at the formed segments.

Industries are the easiest and simplest way of categorizing customers. The company has already segmented customers based on applications most of which are already unique to a certain industry. Since there are so many industries that the case product can be applied to, they should be segmented in order to avoid a too broad target market. Segmentation by industry will also allow for determining the most profitable industries later in the process.

Company size is a factor that is usually not at the top of the priority list when talking about b2b segmentation. However, it was chosen for this framework due to the potential profits that a large key account could give to a small company. The company has recognized the importance of having such customers and they are trying to acquire more of them. For this reason, the company should target more of their limited resources on larger companies in hopes of getting a large deal. However, a large deal like this happens with time. Usually, the product/solution is implemented in one or few facilities at first before the customer decides to get it for all their facilities.

The company has also already sold to some larger companies, but they have not had enough repeated sales like this. However, even one big deal with a large brand would be a homerun when considering the company's current sales numbers.

The case company stakeholders have already given thought to the 80/20 rule, but they have not made any closer analysis on the topic. Currently, in North America, 80% of the business should come from the safety side of the market, which would be the important 20% of all customers. This includes detecting explosive dust to prevent explosions and housekeeping, which is about keeping workers safe from breathing too much dust. Currently, they encourage their distributors to focus on the important 20%. Current key accounts do not receive special treatment.

Spending more resources on targeting the best 20% might increase the chance of getting large key accounts. The company might want to consider developing a specialized marketing mix to target these segments more efficiently.

5.2   Phase 2. Understanding Segments

Once the segments have been determined, it is time to analyze them to gain a better understanding of the market. This phase can be broken down into four steps.

5.2.1   What are we Selling?

Before figuring out who to sell to, one must first know what they are selling. A successful business usually recognizes the key values that they are offering to the customer with their sold products and services.

The company lists the case product's "payback" as follows:
- Confidence in dust collection
- Prevent product loss
- Increase filter life
- Avoid catastrophic failure
- Good housekeeping practice
- Avoid downtime
- Employee hygiene
- Satisfy local regulation
- Continuous online information of process

- Environmental responsibility

According to the company:

> The biggest core competency is that it is an instrument that will work forever, in the most unbelievable circumstances. It is robust and reliable

The case company should analyze if they can really fulfill these needs the way they intend to. One of the biggest questions the company has is that, why they do not have more repeat customers. If they truly fulfill all the criteria that they promise, then common sense says that they should be successful. Of course, there are many variables that affect the outcome, but this certainly is a valid point to consider. Determining the customer's decisive buying criteria is a continuous process of sorts because things are changing constantly.

The company might want to consider focusing on one of the three value disciplines described in chapter 4.3.3, which are **operational excellence, customer intimacy and product leadership**. Currently the company's value proposition has aspects of all these approaches, but operational excellence describes their operations the best. The company has been selling the Case product as a cheap and convenient solution for common dust problems. The Case product can also be considering a leading product in its field since there are few products that even compete with it. However, product leadership requires constant innovation and development, which is not what the Case product is about. The company has also offered tailored solutions to certain customers when it comes to this product. Focusing on customer intimacy would increase the chance of getting the big "house accounts" that the company has desired. However, the product in question does not suit this value discipline that well. At the end of the day its hardware that cannot be tailored as much as a software product would for example.

The company should consider focusing their value proposition entirely on operational excellence since it suits the Case product the best. Things like reliability, fast delivery and overall convenience are much valued by customers.

The current value proposition could be analyzed to find out if it still true. Questions the case company stakeholders should ask themselves:

1. Is the Case product as reliable as promised? Considering technical difficulties, with the Software etc.
2. If the value proposition is fulfilled, why aren't there more repeat customers?
3. Should the company focus solely on one of three value disciplines? (operational excellence, customer intimacy, and product leadership)
4. Should there be a specialized marketing plan and value proposition for each segment or certain selected segments?

5.2.2 Who is Buying?

Identifying how the market works is one of the most important parts of a segmentation process. This includes defining the decision-makers and understanding the customer's buying-behavior. The company does recognize certain decision-makers in different companies, such as safety managers, health and hygiene people, process managers, and environmental managers. These types of people are probably the ones you most want to talk to and sell to.

For example, let us take a cement plant or paper plant. The environmental manager might not care if they are leaking harmless dust into the environment. He only cares if the leaked dust is dangerous since his job is to make sure that his organization is compliant with environmental regulations.

However, the process manager of the same plant might be concerned with the amount of product loss that results from dust leaks. A hole in a filter might be leaking a certain amount of product out as dust, which will accumulate over time to be a quite significant amount. Lost product is lost money. Dust monitoring is a solution for detecting such leaks before they become expensive. However, harmless dust can be a nuisance if the plant is in a suburban neighborhood. Then it can be an issue.

In this example, it is easy to recognize who should be targeted when trying to market the Case product. Perhaps this type of things should be made clearer for the distributors. Currently, it is not necessarily spelled out that they should contact the responsible people to maximize the chance of a successful sale.

5.2.3   What do the Customers Need?

Understanding customer needs is naturally a critical step in the segmentation process. Different segments will have different criteria and different levels of importance for each criterion.

Based on the company's Case product sales history, the biggest customer needs are related to employee health and hygiene. Also, companies who have already had dust explosions in their facility often have an urgent need for dust monitoring.

The most ideal need would be some sort of regulatory requirement that the Case product will satisfy. There are a lot of regulations in different industries and it is possible that the Case product could be developed to comply with some of them, or it already does. This would open up a natural and profitable market segment. However, these types of markets are hard to find, especially with few resources spent on market research.

Common customer needs

Customer feeling is often an important factor when it comes to figuring out their needs. Genuinely interesting products are more likely to be bought, whereas products that feel like necessities might be bought more grudgingly. Nice-to-have things are not that high on the priority list for most companies. This is the case with the Case product since it is not usually bought as a necessity.

It is important not to overlook some of the most common needs of customers such as price, functionality, and support.

Price related needs are usually tied to budgets and price expectations. A major shift can also make a product suddenly worth the investment, like a dust explosion for example. A North American distributor was criticized for charging up to three times the normal price for the Case product, which might be one of the reasons for low sales. However, it might be difficult to determine whether this was a driving reason for low sales numbers. The company could encourage other distributors to sell at more reasonable prices and see if there are better results.

Fulfilling a customer functionality related needs are not always certain. Since customers have different needs and priorities for the same product, some of them might not be fully satisfied with the product's functionality. Maybe the product is not working as they hoped. This might also be a reason for the lack of repeat customers.

The company should also consider whether customer's support related needs are fulfilled at the level they should be. Current customers have already had software-related problems with the product. Making sure these problems are fixed efficiently very important. Having a clear dialogue with the customer will also help in preventing potential future problems of occurring.

The SPIN process described in chapter 4.3.7.2 is an easy way of determining basic needs. However, the most important part of it, is gathering information about the customer. This can be done in various ways, such as surveys and maintaining an open dialogue. However, the company has limited resources, so it must be determined whether these types of actions are worth it.

Questions to consider:
1. Are the basic needs Price, Functionality, and Support, fully satisfied?
2. Is the currently enough information gathered about the customer to truly understand their needs?
3. How should information about customers be gathered in the future?
4. Are there any regulatory needs that could be satisfied? How could a market like this be found?

5.2.4   Who is the Competition?

The next step would be to take a closer look at the competitive market. Currently, the company does not really keep track of their competitors. This is due to a lack of resources to do this, and a lack of competitors to keep track of. The company would actually prefer many more competitors with higher turnover, just so that the market would be more relevant and better educated. The company feels like they are educating the market. As a small company with few resources, that is hard to do.

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Hutt & Spehh list five questions to consider when evaluating the competitive environment.

1. Who are the competitors? Including current and potential ones.
2. How does your company match up with each of them?
3. When, where, and how potential competitors will enter?
4. What is the best way to attack your own market position from a competitor's perspective?
5. What kind of strategies could be considered now to preempt future entrants? (Michael D. Hutt, 2007, pp. 119-120)

The first two questions are not that relevant since the sales numbers are so low. However, it is important to keep some sort of track of competitors.

Questions 3 and 4 should be considered most. The company's current analysis of the market indicates that there is a lot of potential and that the market is largely untapped. If this is true, then it is possible that some competitors might emerge in the near future, who might find more success. A large industrial company will have better chances to expand into an untapped market with its large brand and vast resources. The company should keep an eye out for potential competitors emerging in the future.

5.3   Phase 3. Choosing the Best Segments

The third phase consist of determining segment attractiveness and choosing which ones to target. It can be broken down into two steps.

5.3.1   What Segments are the Most Attractive?

Once the segments are better understood, they can be assessed in order to find the best ones. Often, big marketing efforts are needed to develop strategies to match the company's offerings with certain market segments.

The company should find out what value customers are expecting in certain market segments and determine which segments needs match up best with what they are offering.

The segments could be analyzed based on Kotler & Keller's five key criteria for attractive market segments which are measurable, substantial, differentiable, accessible, and actionable. (Discussed in chapter 3.4.3)

The segments should be inherently measurable since they are determined based on size and industry. Variables to consider would be size, purchasing power and growth. This type of information can be found with basic market research. Segments that rate favorably in this type of regard are likely also substantial, meaning they are profitable enough to go after. Since the company has so little competition, most segments might seem substantial enough, which is one of the reasons for the company's broad target audience in the first place. Therefore, it is important to determine these measures in a way that emphasizes profitability above all else.

Accessibility is another factor when discussing segment attractiveness. Due to company's good distribution network, most segments should be accessible enough, which is why this criterion is not as important. Kotler & Keller also mention differentiability as one of the key attributes. This is to ensure that no segment is thought of as the same, even though many similarities might occur.

A segment must also be actionable, which means that the company is able to serve it realistically. This means that the company has the resources and knowledge needed to satisfy the segment needs. This is an important factor because even if the segment is brilliant in every way, it is not worth targeting if your company does not have the resources to do it properly.

The DPM and ABC can be useful tools in the segmentation process. The company should try getting a clearer image of their market segments and assess their market a bit more analytically. Better analysis of the customer base is always useful to any company. However, a detailed analysis should not be done at the expense of other key business processes. The case company should consider internally, whether these types of analyses are worth the cost, especially when it comes to this particular business context.

5.3.2 Target Market Selection Pattern

So far, the company has not spent too many resources on marketing. The current strategy is somewhere between undifferentiated marketing and differentiated marketing. The company does do mass-marketing, but they also target certain segments with unique marketing material. The company might want to consider moving more towards differentiated marketing since the current strategy has not provided the best results. This would mean spending more resources on marketing, which the company might not be willing to do.

A way of selecting the markets to target has not been clearly spelled out either. Marketers have identified five basic patterns for selecting target markets which are discussed in chapter 3.4.3.

It could be a possibility for the case company to adapt a single-segment concertation strategy if the segment in question was a so-called super segment. This means that each account in the segment would share an exploitable similarity. This could be a set of niche needs that the product fulfills completely. However, for the Case product, this type of strategy is arguably not ideal because its value proposition is so broad.

Currently, the company has adopted somewhat of a selective specialization strategy when it comes to their dust monitoring solutions. However, when considering the Case product specifically, the current approach can be described as product specialization. The same product is marketed to several industries and it is arguably the leading product in its product area, but since the product area is niche and a little vague, it is difficult to talk about a leading product.

The company should stick with its current target market selection pattern since it suits the Case product well. Continuing to build a strong reputation in the ambient dust monitoring –business is important especially considering the company's future. Lots of experience in this field will be very valuable in the future if the market blows up someday, which is entirely possible.

5.4   Phase 4. Positioning

So far, the company has not had a clear positioning strategy, even though they have given thought to it. This is understandable because there are so few competitors to position against. However, the company might have to consider this more in the future especially if the market expands.

So far, the company has recognized that environmental issues are a growing segment in the North American market. The emissions control market is highly competitive, but the company will try to position themselves in the segment based on price since they have the cheapest measuring principle.

It is possible that some over positioning has been at play in the past. Perhaps some companies have not been fully satisfied with their solution if they were expecting more. The company should also try to analyze whether customers are doubtful of the current positioning claims. This might be one reason contributing to missed sales goals. It is also possible that some customers are confused with the positioning of the product and think of it as belonging to a different category. This can be avoided with better marketing to ensure that the product's position is made clear.

However, this is only speculation A problem like this can only be fixed if some indication is found that it is true. The point of this proposal is to direct the company's attention to the possibility of certain types of problems. The company can then discuss internally whether some things need to change or not.

5.5   Initial Proposed Market Segmentation Framework

The four phases discussed above can be summarized as a visualized framework. (See Figure 10 below)
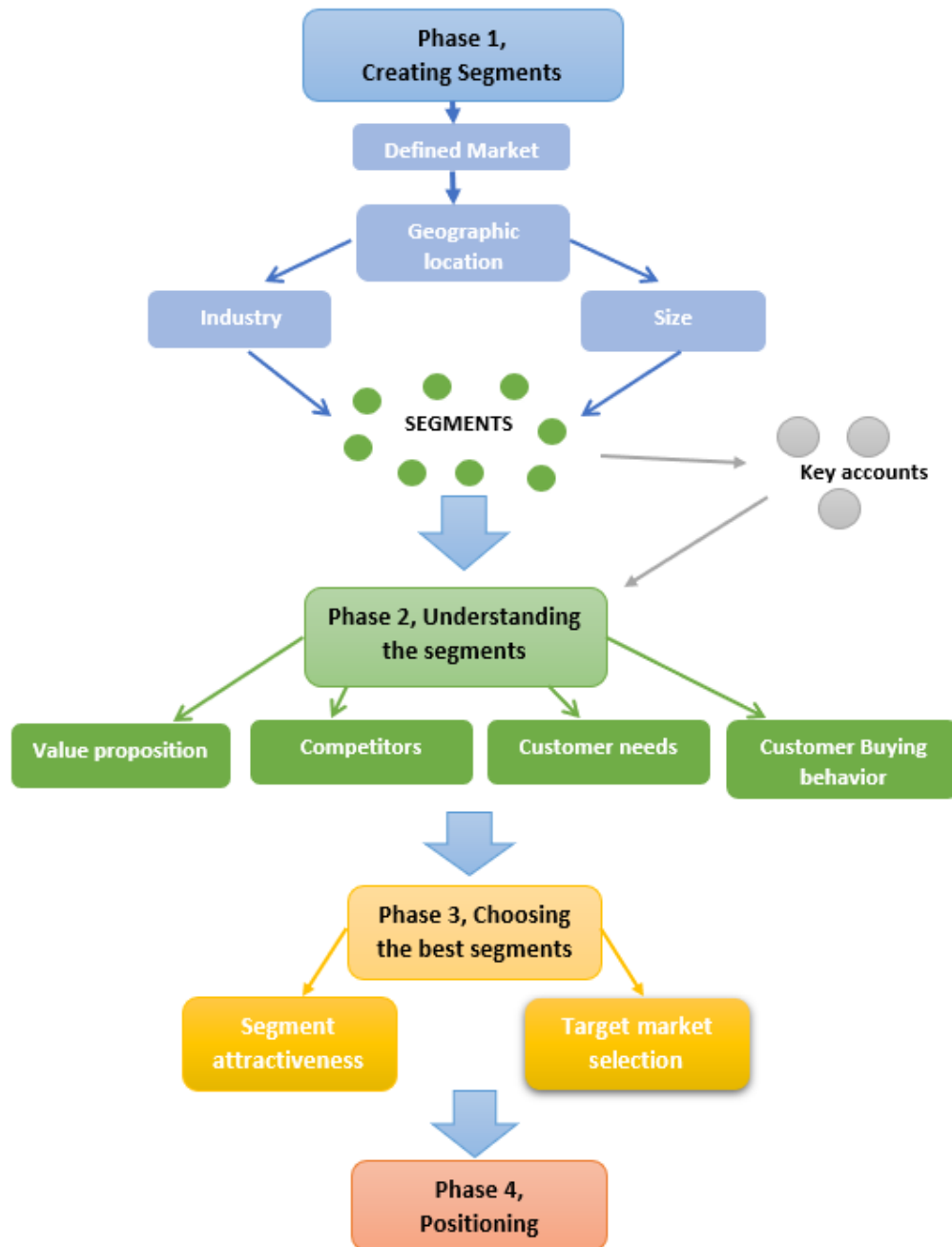
Figure 10. A simple Illustration of the market segmentation framework

The next chapter goes over the company's feedback and thoughts about the initial market segmentation framework.

6 Feedback on the Initial Proposal

This chapter goes through the company's feedback on the initial proposal. A finalized market segmentation framework is presented at the end.

6.1 Overview of the Feedback Received by the Case Company

The initial proposed framework was presented to the company. The results were discussed, and feedback was received. The segmentation framework was validated in the process. This is an overview of what the company stakeholders thought about the proposed segmentation framework.

The company wanted to add a third main segment when defining the Case product's market, which is nuisance dust. This means dust that causes nuisance such as leaking out into the surrounding area. The broad market will then consist of three main segments which are

1. Explosion prevention, risk handling
2. Health and hygiene, environmental
3. Nuisance dust

6.1.1 Feedback on Proposed Segmentation Variables

The company agreed with the chosen segmentation variables but also had some feedback on them.

Size is a variable that should be made clearer since the size of the company and the size of a single facility are both important variables. Big facilities move more product which means there is more dust, which makes them more likely to want dust monitoring solutions. This has been a decent driver so far. The size of the company and the size of the facility should not be confused with each other because they are a different thing. Big companies have many facilities, some of which might be smaller. The most attractive customers would be big companies with many large facilities. Even though these can be important factors, they will not be included in the finalized segmentation framework.

Company performance is a variable that is not too simple. It is true that successful companies have newer facilities and better processes, which leads to fewer dust problems. However, a successful business can afford more things, especially when talking about nice-to-have solutions. Successful companies are more willing to invest in things that would help them stay successful in the future. Organizations that are not doing as well will be looking for solutions to increase their profits. Usually, ambient dust monitoring is not a radical solution for this. At the end of the day, everyone wants customers with money.

Therefore, performance was not selected as a key variable for the segmentation framework. The company recognizes there are other key variables that make customers more attractive.

The company also wanted to add another main variable, which is **Risks**. This means the risks that the company faces if they do not buy dust monitors. Some segments will have lesser risks, such as leaking harmless dust into the surroundings. Often there will be no severe consequences if this happens, which is why the customer might not care about it. They are not willing to invest in a solution that fixes a problem that is not really a problem for them. Or it is such a small problem that investing in dust monitoring solutions is not considered worth it.

However, companies in certain segments will be facing risks that are much more severe. For example, they might be dealing with dust which is much more likely to explode. A dust explosion can cause a lot of damage to structures, equipment, and personnel. When the risks surrounding the problem are more serious, companies are willing to invest more in preventing them.

After the feedback, the chosen segmentation variables are as follows:
- Geographic location
- Industry, (Considering the application notes already in place and past successes)
- (Size)
- ***Risks***

6.1.2 Feedback on Understanding the Segments

When it comes to the second phase of the proposal, the company was happy with the proposed steps. However, they wanted to emphasize the risk aspect, which was mentioned above, when it comes to customer needs. This should be considered more when choosing segments to target. It can be described as customer "pain". More painful problems will be alleviated sooner and more efficiently than others. The company thinks that customer "pain" (needs) is the more important variable when analyzing market segments.

The company had a customer who had already had three dust explosions in their facilities, which meant that there was quite an urgent need for a solution to prevent a further explosion. This is an example of a customer who had a painful need and who were very willing to spend money to fix it. The customer found the case company through their own market research.

However, sometimes it is difficult to determine who has the biggest needs. It could be argued that the case company does not do enough market research to find customers like this.

The company also agrees that they should ask themselves the questions in chapter 5.2.1, which were related to the value proposition and whether the company is fulfilling it as promised. A way of validating a value proposition is asking the customers, whether they are happy or not. An open dialogue with the customers is very important, especially in today's business world where product value has a broader definition as ever before.

Currently, the company does not do enough in this regard and they admit it. The reasons for the current limited dialogue with the customer are lack of time and resources and inconvenience, meaning they need to go through the distributors to talk to the customers which complicates things.

6.1.3   Feedback on Choosing the Best Segments

The company was also pleased with the third phase of the proposal. Finding a common pain within a market can be an effective way of targeting. A common need like this also makes a segment attractive since it is then easier to target. The company gave an example of sugar mills. Most of them are large facilities and all of them have silos, conveyor belts, and mixing rooms that are very dusty. Sugar dust is also fairly explosive, which is why it should be monitored in order to prevent accidents. This is an example of a clear market segment, that the company has already targeted. Finding more segments like this who have shared needs would be valuable.

According to the case company, another way of choosing target markets would be basing them on past successes. When you have a good customer, it would be good if others like them could be found. This means finding other customers who have the same pains and problems as current customers. This type of approach is suitable for the company, since there are so few resources spent on market research. The company feels like this would be one good way of finding customers in the future.

The company should do more market research and look for common "pain". This means searching for needs and problems that are characteristic to a certain segment. For example, the company helped a sugar mill, who had contacted them, to solve a problem. The company found out afterward that the problem they solved is common to all sugar mills. This opened up the possibility of targeting sugar mills with a proven solution. However, when the problem in question is not severe, the customer might be hesitant in spending money to solve it.

The company also thinks that the biggest problem for the lack of repeat customers is that the Case product is such a new solution. Many customers want to do long test runs with the product before they decide whether to get it for all their facilities. Currently, the company has customers like this who might turn into key accounts sometime in the future.

6.2   Further Developments

The company thinks that the biggest problem for low Case product sales is that it is a nice-to-have product for most customers. This makes it harder to sell, especially in today's market. Ideally, a product should be a must-have for it to be attractive to customers. That is why the company should find some sort of driver which makes it a must-have. The company realizes this, and they are willing to take steps towards it.

A possible way would be to target employee health regulations or insurance-related factors, which the Case product complies with. The product could then be marketed as a must-have solution for a certain regulatory need. The best way to find segments where the Case product is a must-have product is to increase marketing and market research. If the company does find a segment like this, then the resources spent on finding it will most likely be worth it.

It is also possible that in the future some industry will suddenly have a regulatory need for something like the Case product due to changes in legislation for example. The company gave an example where they compared the Case product to smoke detectors. Back in the day, they were a nice-to-have product and now every house has them because they satisfy a regulatory need. Continuous market research will allow for noticing if there are regulatory changes in certain industries that open up large potential market segments for the product.

Another future development that the company is looking to do is increase communication with the customers. This will start with collecting customer data from the distributors and opening a dialogue with the end-customers. Finding out the customer's biggest "pains" (needs) requires talking to them. The company is prepared to take further steps towards this goal.

The company is also working on a new marketing plan which is about targeting proven segments based on past successes. It will include satisfying carefully determined common needs and targeting decision-makers with tailored marketing material. The plan also includes providing new marketing tools and material for the distributors and making sure

better communication is achieved. The plan can also be applied to new segments which might be found through a better segmentation process.

6.3   Finalized Summary of the Market Segmentation Framework

An illustration of the finalized market segmentation framework can be found below in Figure 11.

The first phase of the proposed segmentation process includes defining the market and creating segments based on key variables. It was concluded that the company should segment their markets based on industry and the level of customer risks, since these variables were found to be the most important. Past successes will also be considered in the initial creation of segments. Also, key accounts should be identified because the company should consider offering them special treatment.

After the market segments have been determined, it is time to understand them by analyzing them based on four key topics. First, the needs of the segment must be evaluated. Finding the customer's biggest pain point are key in this stage. Also, the company should look specifically for regulatory needs in certain segments since they would make the Case product a must-have product. Other steps in this phase include analyzing customer buying-behavior and finding decision makers, as well as keeping an eye on competitors. The company should also make sure that the value proposition is relevant for each segment by analyzing the segment needs and making sure that the value promised matches the expectations of the segment.

The third phase of the process is about choosing the most attractive segments to target. The most attractive segments would be determined based on the variables discussed in the previous phase. This phase includes practices that help in determining which segments are most effective as well as different targeting approaches that the company should consider.

The final phase is about positioning in the chosen market segments. It was meant to give the company a brief overview of positioning approaches and what they mean.
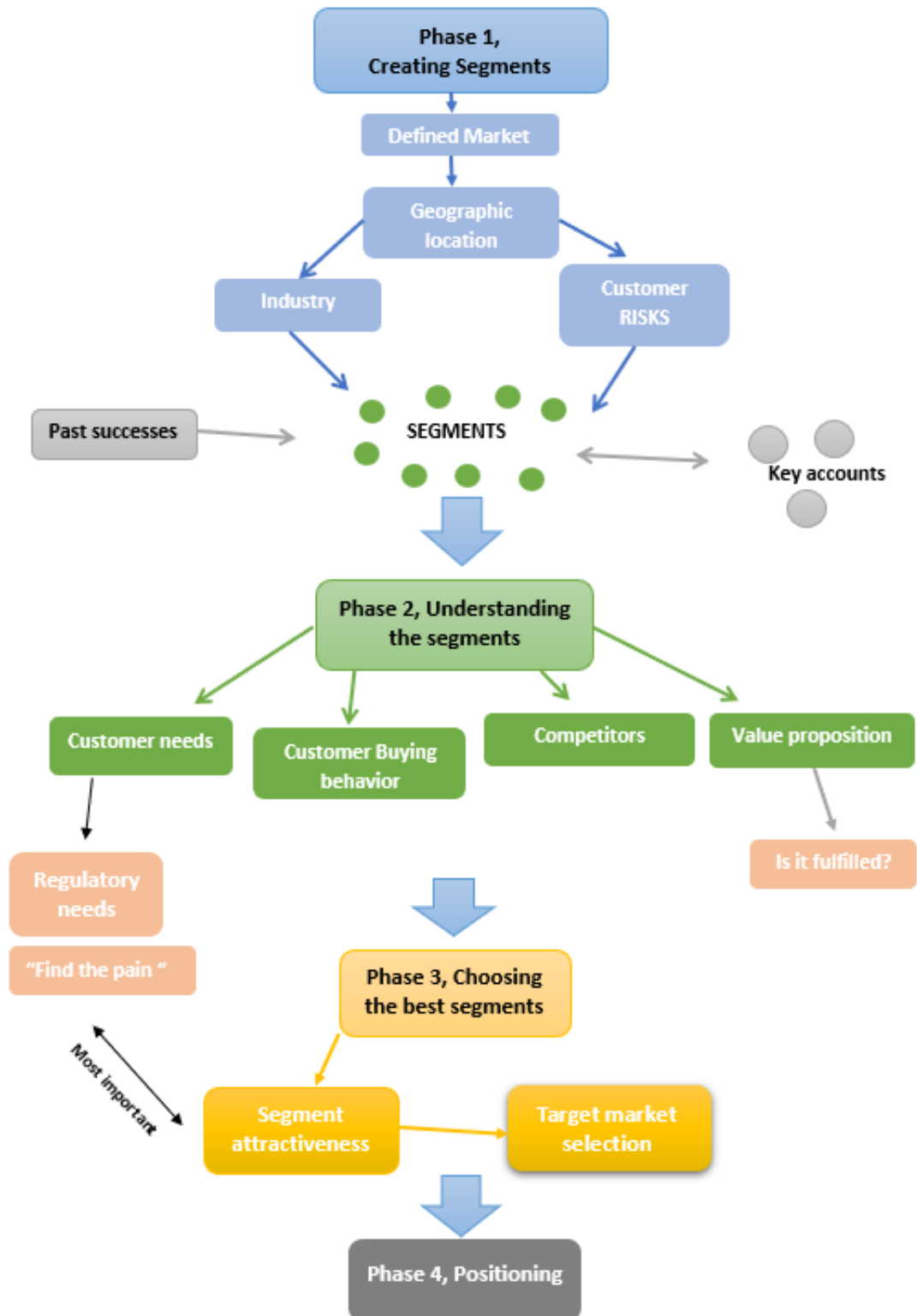
Figure 11. Finalized summary of the market segmentation framework

The next chapter is about concluding the study and discussing the key findings.

7   Discussion and Conclusion

This chapter presents the summary of the conclusion of the thesis, as well the next practical steps towards implementation. The thesis is also evaluated and discussed.

7.1   Executive Summary

The objective of this thesis was to create a market segmentation framework for the case company regarding their flagship dust monitor and its North American market. The intended outcome was that the proposed framework could be used to segment the North American customer base, which had yielded disappointing results in the past. The hope was that segmenting the market would help in finding the best customers to target, which in turn would increase sales.

This thesis was carried out in four parts. First, the business challenge, objective and intended outcome were presented along with the project and data plan. After this, the product was overviewed, and the current market and marketing practices were discussed. Once the business context was made clear, it was time to present good practices and proven methods regarding market segmentation, all of which was based on relevant literature and online sources. The key findings were presented as a market segmentation process, which consists of three stages: Segmentation, Targeting, and Positioning. The biggest emphasis was on the first part of the process, since it is the most important. Also, the scope of the study could not be too broad. Certain parts of the Targeting process were also emphasized due to their high relevance regarding the context. Positioning was discussed very briefly. These findings were then summarized as a conceptual framework.

As a whole, the literature review served as a good base for interesting discussion with the company. The data acquired from these discussions, combined with the conceptual framework allowed for creating the initial proposed market segmentation framework. It consists of four phases which were designed specifically to tackle the problems that the case company faced.   They key findings were then presented to the company. The initial proposal was validated, and feedback was received.

The final part of the thesis was about building a finalized market segmentation framework, which was based on the feedback and discussion with the company. All in all, the final proposal is expected to provide value for the international sales team. The company was happy with the results and they look forward to fixing their problems.

7.2   Next Practical Steps Towards Implementation

This thesis outlines the basic steps of market segmentation. It offers the case company a framework that will hopefully help them segment their target market more effectively. The next practical step for the company would be to discuss the proposed results internally and determine what changes are worth making. The company should also determine how a market segmentation process would be done. This thesis presents a broad overview of the process. It is up to the company on what they want to do.

Proposed practical things that the company should do include:

- Start collecting more customer data. Use it to make a better market definition and to gain a deeper understanding of the customer base.
- Increase communication with the customers. Discuss what would be the best ways to do this.
- Make sure the value proposition is being fulfilled by communicating with the customers
- Discuss whether increasing marketing resources is worth it.
- Review the marketing plan. Discuss internally on what changes should be made.
- Consider doing more market research

No matter what, the company should remain mindful of their current state and keep evolving in the future. At the end of the day, the most important thing is to keep moving forward.

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7.3   Evaluation of Thesis Quality

This thesis addresses a relevant business challenge, which had to do with selling dust monitors solutions to North America. The problem was that the market was very broad and there were few segmentation measures in place, which made finding good customers difficult. The objective of this thesis was to create a market segmentation framework in order to tackle this problem. The case company's current state was analyzed, and the findings were relevant. The conceptual framework was also based on relevant sources.

The outcome of this thesis is in line with the objective set in the beginning and the research design. The study was done in four stages, each of which benefited the stage after. The literature review was done with the company's current state in mind. The initial proposal was then based on the conceptual framework and a deeper understanding of the company's business dynamics. The final proposal was done based on feedback on the initial proposal and further understanding of the topic.

The arguments in this thesis are based on information which came from the case company of relevant literature. However, the company's international sales team only consists of two members. In a small company it is hard to get a many different perspectives on a topic. The perspectives considered were still sufficient enough to make valid points. From the literature perspective, the number of sources was sufficient.

Many of the findings in this study are not linked to tangible data because of the nature of the context. The findings were partly based on the stakeholder's personal experiences and observations which might raise questions about reliability. All in all, the thesis can be considered helpful for the case company.

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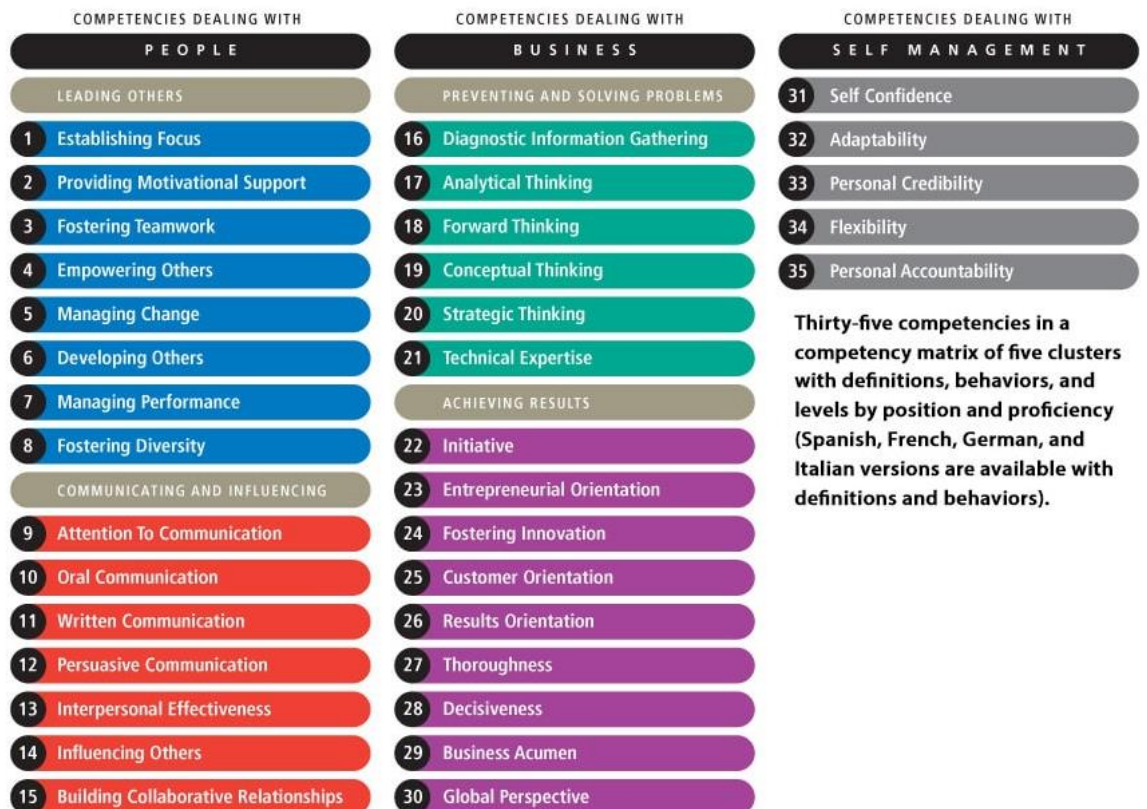
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Appendices

Appendix 1, Competency Dictionary and Link to Core Competencies Worksheet

Competency Dictionary:

COMPETENCIES DEALING WITH PEOPLE	COMPETENCIES DEALING WITH BUSINESS	COMPETENCIES DEALING WITH SELF MANAGEMENT
LEADING OTHERS	**PREVENTING AND SOLVING PROBLEMS**	31 Self Confidence
1 Establishing Focus	16 Diagnostic Information Gathering	32 Adaptability
2 Providing Motivational Support	17 Analytical Thinking	33 Personal Credibility
3 Fostering Teamwork	18 Forward Thinking	34 Flexibility
4 Empowering Others	19 Conceptual Thinking	35 Personal Accountability
5 Managing Change	20 Strategic Thinking	
6 Developing Others	21 Technical Expertise	Thirty-five competencies in a competency matrix of five clusters with definitions, behaviors, and levels by position and proficiency (Spanish, French, German, and Italian versions are available with definitions and behaviors).
7 Managing Performance	**ACHIEVING RESULTS**	
8 Fostering Diversity	22 Initiative	
COMMUNICATING AND INFLUENCING	23 Entrepreneurial Orientation	
9 Attention To Communication	24 Fostering Innovation	
10 Oral Communication	25 Customer Orientation	
11 Written Communication	26 Results Orientation	
12 Persuasive Communication	27 Thoroughness	
13 Interpersonal Effectiveness	28 Decisiveness	
14 Influencing Others	29 Business Acumen	
15 Building Collaborative Relationships	30 Global Perspective	

(Cripe, 2019)

Link to full core competencies analysis worksheet:

https://www.workitect.com/PDF/core-competencies-worksheet.pdf

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Appendix 2 Summary of the Discussion with the Business Unit Director

Defining the market

There are two main segments,

Atex supervision, and risk handling

Health and hygiene

The market includes everyone who produces bulk and powder. There is no clearer de-fined market at the moment.

Identifying core competencies

The main case product core competency is that it is an instrument that will work forever, in the most unbelievable circumstances. It is robust and reliable.

Evaluating the competitive environment

There are lots of competitors who offer instruments, that offer very accurate and repeat-able data when it comes to dust monitoring. However, there are a couple comparable products out there.

The company does not do much competitive evaluation since there is so little. They would prefer much more competition because that would make the market larger.

Defining decision-makers

The company does recognize certain decision-makers in different companies, such as safety managers and health and hygiene people. Perhaps this should be made clearer for the distributors. Right now, it is not necessarily spelled out that they should contact the responsible people.

Understanding customer buying-behavior

Customers usually do not recognize their problem. They are contacted, and the problem is sold to them. Many of them might even be afraid of measuring their dust levels. They would rather not know if there is a problem, because then they would have to do some-thing about it. There is no regulatory need, so that is why many customers do not care.

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Identifying customer needs

Most customer needs are related to health and hygiene. Many customers have already had a dust explosion in one of their facilities, which then creates a need to prevent similar events from happening in the future. A regulatory need would be most ideal. This means something that proves that the case product is necessary. The best way to attack this market would be to find a regulatory requirement, and then make a product that complies with them.

Determining market segments, Key accounts

There are a few key accounts. Bigger installations with many facilities. Perhaps there should be more focus on these types of accounts, because there is not that much re-peated sales. There should be huge potential in these segments, but we are just not getting there.

Maybe the products do not offer what they were looking for. Or maybe they do, but they are forgotten about, because it might be low on the priority list. We have not tried finding out the reasons in a systematic way. Maybe we should, but it is very hard.

Determining segment attractiveness

Companies who have had dust explosions are most attractive. Segments who have any type of regulatory need would be the most attractive.

Determining company competitiveness

The sales numbers are so low that there is no need for determining competitiveness. We would prefer many more competitors, because then the market would be more aware of dust related issues. Robustness and reliability are the biggest advantages when com-paring to competing products.

Selecting segments to target

Companies who are doing well should be targeted because they are more likely to buy.

Positioning strategies

Product performance is the most important thing. Personal contact is very important as well. Financial stuff is usually secondary. It is not about the price as much as the other things

Determining competing value propositions

Not done too much. Should do more

Appendix 3, Summary of the Discussion with the International Sales Director

Defining the market

Anyone handling bulk and powders. It can be a chemical plant, cement plant, sugar mill. Could be dog food. It can be anyone who is moving a lot of stuff. It is too broad.

We segment using application notes, which are proven solutions. They are given to the distributors, who then target customers based on them. We give the distributors application notes and build presentations around them.

Identifying core competencies

- Value proposition
- Confidence in dust collection
- Prevent product loss
- Increase filter life
- Avoid catastrophic failure
- Good housekeeping practice
- Avoid downtime
- Employee hygiene
- Satisfy local regulation
- Continuous online information of process
- Environmental responsibility

This is Industrial dust monitoring. Sensitive monitors, that can be put into rough, tough environments. The biggest core competency is that we are a dust specialist. That is the only thing our company does by itself.

Evaluating the competitive environment

We do not really keep track of the customers and their value propositions. Should do better in this area.

Defining decision-makers

Safety managers, Environmental managers, Process managers. These types of people are probably the ones you most want to talk to. For example, a cement plant or paper plant. The environmental guy might not care if they are leaking harmless dust into the environment. However, the process manager of the same plant might be concerned with

the amount of product loss that results from dust leaks. However, harmless dust can be a nuisance if the plant is in a suburban neighborhood. Then it can be an issue.

Understanding customer buying-behavior

The plant manager of a sugar mill will be worried about all the dust that is laying around because it can cause a potential dust explosion. He would love to spend money on dust monitoring equipment.

Another big sugar country like Thailand, they could care less if it blew up.

Identifying customer needs

You need to find the pain. They need to have a driver, that makes them look for a solution. In America, the three main drivers are:

- Environmental needs
- Health and safety
- Preventing product loss

Dust explosions are really expensive in America, due to lawsuits. Etc., which is why companies want to avoid them.

Environmental issues are not as big with Trump in power.

EPA, Environmental Protection Agency in America has different laws compared to Europe.

Determining market segments,

We segment using application notes, which are proven solutions. They are given to the distributors, who then target customers based on them.

We give the distributors application notes and build presentations around them.

The bigger and older the plant, is a big driver. Old plants do not have dust control measures, so they are more likely to have dust problems.

Location can be a driver. If they are close to residential areas, they care more about blowing dust into their surroundings. We do not look at that too much right now.

Companies who are doing really well are not necessarily more interested in investing in dust monitoring. They usually have newer plants and better dust control.

Key accounts

We want to get some House accounts. For example, an end-user, that is a huge international company with many facilities all over the world. We really do not have any yet. 80/20 rule

In America 80% of the business should come from the Safety side, which is the important 20%. This includes Housekeeping and Explosive dusts

The three most important industries should be flour mills, sugar mills, animal foods
Most of its going to be explosive dust, and dust that people are breathing in.
We try to make our distributors focus more on the important 20%. At the moment, there is no special ways of treating them when compared to others.

Determining segment attractiveness

All segments offer pretty much the same returns. Selling a certain amount in one segment is as profitable as selling the same amount in another one.
Dust monitoring is nice-to-know information for most, which is why drivers are needed to make it more of a must.

Planning tools

Do not use any at the moment.

Determining company competitiveness

We are kind of educating the market.
We wish that we had more competitors so someone else would be educating the market as well.

Selecting segments to target

Environmental issues are a big driver. Emissions control is a growing market in America. It is a highly competitive market, but we will try to position ourselves with having the lowest price. We have the cheapest measuring principle

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