ANALYSING SPECIFIC CUSTOMER SEGMENTS

Case: Uponor Suomi Oy

Lahti University of Applied Sciences

Degree Programme in International Business

KURKELA, JANNE: Analysing Specific Customer Segments

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ABSTRACT

This thesis deals with analysing industrial companies' investments in plastic pipe solutions and the market potential these companies create in Finland. The thesis was carried out as a commission for Uponor Suomi Oy. The thesis examines the situational analysis, including the micro and macro environments of the case company. In addition, the industrial building sector is segmented. The analysis of market potential should help Uponor Suomi Oy, to create a holistic view of which segments show the best potential for the case company's products.

The thesis is divided into theoretical and empirical parts. The theoretical part includes the aspects of situational analysis and segmenting process as well as analysing the potential of the segments. Marketing literature is used as the source to conclude the theoretical part. The empirical part contains the actual situational analysis, the segments of the industrial building sector are created, and a quantitative questionnaire survey that was conducted is used to evaluate the potential of the segments. The objective of the survey was to study the growth prospects of industrial building companies, investments in plastic pipe systems and the reasons for the selection of a supplier for plastic pipe systems. Sources for the empirical part include the results of the questionnaire survey, interviews with the case company employees and the author's own working experience in the case company.

From the survey results, it can be concluded that the best potential in the industrial building sector can be found from the mining and energy segments. These segments had the best growth prospects as well as they invest the most in plastic pipe systems. In the thesis, the potential was searched for from a wide area and therefore the specific needs of the segments were not studied. Hence, the case company should carry out in-depth follow-up research in these two segments.

Key words: market potential, segmenting, Uponor Somi Oy

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TIIVISTELMÄ

Tämän opinnäytetyön aiheena on analysoida teollisuusyritysten investointeja muovisiin putkijärjestelmiin ja niiden luomaa markkinapotentiaalia Suomessa. Työ on toteutettu toimeksiantona Uponor Suomi Oy:lle. Opinnäytetyössä käsitellään lähtökohta-analyysin pohjalta kohdeyrityksen mikro-ja makroympäristöä sekä segmentoidaan teollisuusrakentamisen kokonaismarkkinat. Markkinapotentiaalin tutkimisen tavoitteena on auttaa Uponor Suomi Oy:tä hahmottamaan millä segmenteillä olisi paras potentiaali sen tuotteille.

Opinnäytetyö on jaettu teoria -ja empiriaosaan. Teoriassa käsitellään lähtökohta-analyysin osa-alueet ja segmentointiprosessi sekä segmenttien potentiaalin arviointi. Teoreettisen osan lähteenä on käytetty markkinoinnin kirjallisuutta. Empiriaosassa analysoidaan kohdeyrityksen lähtökohdat, luodaan segmentit teollisuussektorille ja osana opinnäytetyötä toteutetun kvantitatiivisen kyselytutkimuksen avulla arvoidaan näiden segmenttien potentiaalia. Kyselytutkimuksen tavoitteena on selvittää teollisuusyritysten kasvunäkymiä, investointeja muovisiin putkijärjestelmiin ja syitä putkijärjestelmien toimittajan valintaan. Empiirisen osan tiedonlähteenä käytettiin kyselytutkimusken tuloksia, kohdeyrityksen työntekijöiden haastatteluja, sähköisiä ja kirjallisia lähteitä sekä opinnäytetyöntekijän omaa työkokemusta kohdeyrityksessä.

Kyselytutkimuksen tuloksista voidaan päätellä, että kohdeyrityksen paras potentiaali teollisuussektorissa löytyy kaivos- ja energiasegmenteiltä. Näillä segmenteillä on parhaat kasvunäkymät ja ne investoivat eniten muovisiin putkijärjestelmiin. Tässä opinnäytetyössä potentiaalia tarkasteltiin hyvin laajalta alalta ja yritysten tarpeita tutkittiin vain pintapuolisesti, minkä vuoksi kohdeyrityksen kannattaa toteuttaa syvällisempi jatkotutkimus sille kiinnostavista segmenteistä.

Avainsanat: Markkinapotentiaali, segmentointi, Uponor Suomi Oy

CONTENT

1   INTRODUCTION

1.1   Background of study

Case company, Uponor Suomi Oy, is constantly searching for new growth areas and they recognised that more could be done in the industrial sector in Finland, and thus the need for the thesis developed. The company lacks specialised sales and marketing efforts for this business area. (Suur-Askola 2011).

1.2   Objectives for thesis, research questions and limitations

The purpose of the thesis is to gain information on what segments should be targeted in the industrial building sector. The aim is to give guidance, using primary research, on what segments should be targeted and which should yield the best financial result.

The main research question:
1. What are the most attractive segments in industrial sector for Uponor Suomi Oy in Finland?

Supportive research questions:
1. What are the key reasons for supplier selection?
2. How Uponor could service the industrial building segments.

A full-blown market analysis is many times a very time consuming process and without a clear focus or reason for the study, it ends up being a scratch of the market's surface (Porter 2004, 368). Therefore, developing a strategy for the study is essential step in the beginning of the process. This includes limiting the study so that the outcome meets the needs of the commissioner. The main research questions guide the limitation of the study. In this work it's not necessary to focus on the marketing mix, marketing plan nor implementation but rather fully

concentrate on the attractiveness work and factors that influence on the profitability of segments.

1.3   Research method and data collection

A desk research won't give enough information to answer the main research question because, as this is a brand new issue to the company, the data that is needed to solve the problem is not available (Kotler, 2001, 35). In order to achieve the objectives of the thesis, a research on the industrial building sector needs to be carried out. In addition, it's very important to have a basic understanding of the market that is studied because otherwise it might be hard to identify aspects that are important to the study. Moreover, a lack of industry knowledge is many times the reason for failing in the field research (Kotler 2003, 35). Quantitative research method will be used to gain in depth information of the market.

The information for the theoretical part will be collected as desk research using marketing and strategic management literature as well as online articles as references.

1.4   The structure of the thesis

The thesis focuses on the basic elements of market analysis. This scope was selected because Uponor Suomi Oy has not conducted any similar research on the chosen market, which could have been used as a frame of reference to this work. The thesis emphasises the business-to-business point of view on all aspects since the market that is studied involves only commerce transactions between businesses. The thesis is divided into two main parts. The first half covers the theoretical framework, including micro and macro environments, concept of business buying behaviour and segmentation and analysing segments.

The empirical part includes company presentation, analysis of the micro and macro environments, segmentation of the industrial building sector and a market research on that sector. The last chapter of the thesis is a summary of the most

essential content; also the findings and recommendations will be deliberated. The empirical part should give Uponor Suomi Oy base and guidance for further decisions about resource allocation in the industrial building sector.
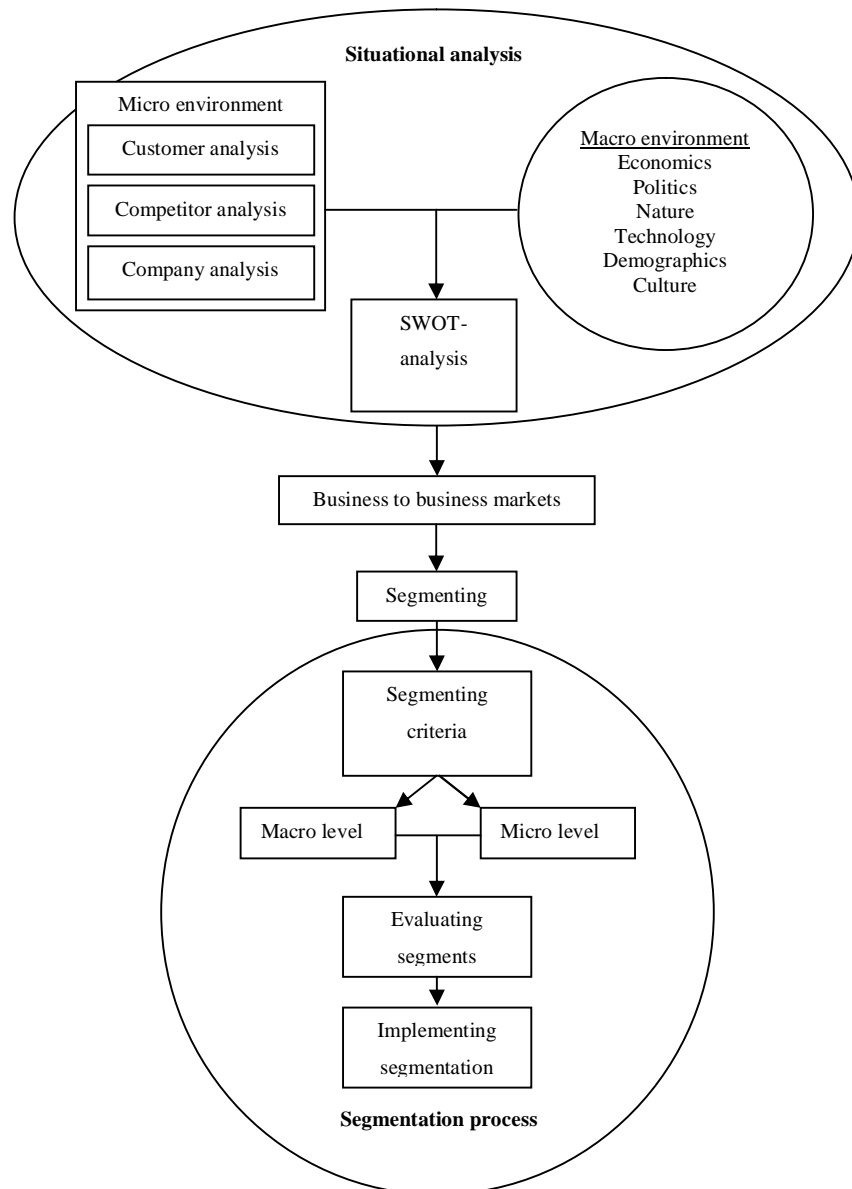
FIGURE 1. Theoretical framework.

2   SITUATIONAL ANALYSIS

Analysing the current situation is the starting point for the study. This basically means that the all the information about the company's operating condition and factors affecting the condition are gathered and analysed to find the strengths and weaknesses of the company. Furthermore, the company will be able to compare its own performance relative to the competitors and to find possible market opportunities as well as prepare for potential threats. The aim is to gain a comprehensive assessment of the company and its stakeholders as well as of the external operating environment. Understanding of the current situation will help making the strategic choices. (Westwood 2006, 27)

The company's external environment consists of different forces that shape the market place and greatly affects the company's success. In order the company can adjust to the changes in the external environment, it needs to constantly monitor its environment. The external environment is usually divided into micro and macro environments. The micro environment is explained as the competitive environment of a company. It consists of the factors that directly influence the company's major operations and ability to serve the customers. These factors include the company itself, stakeholders, suppliers, markets, and competitors. The macro environment consists of the general forces that affect the overall market. The factors of the macro environment usually have a cross-market influence. In other words, the forces affect all the members of the micro environment. Furthermore, the forces do not usually concern the short-term activities of a company but have an impact over the long-term. The macro environment includes demographic, economical, political, environmental, cultural, and technological forces. Some of these forces open new opportunities and some restrict the operations. (West, Ford & Ibrahim 2006, 68.)
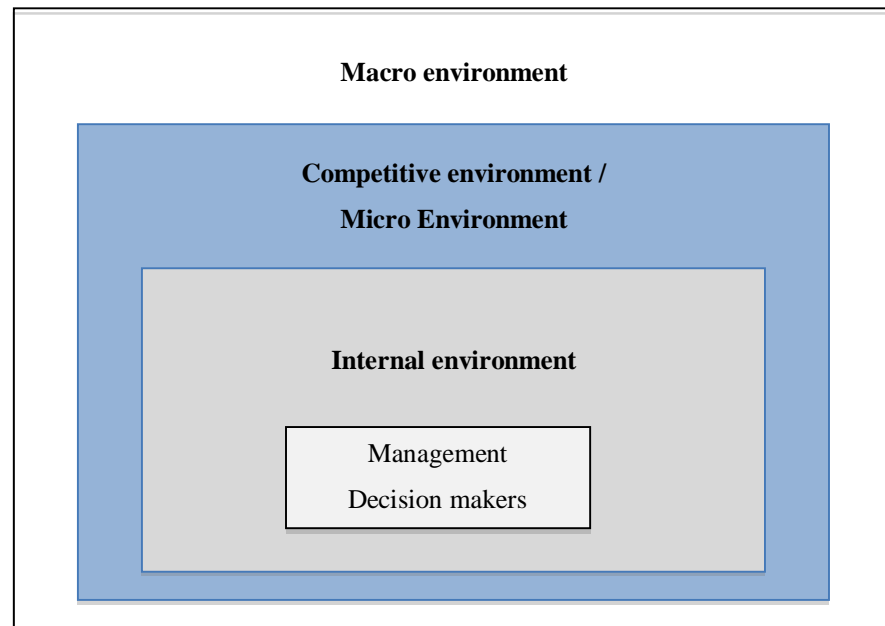
FIGURE 2. Company's environment (West, Ford & Ibrahim 2006, 68)

2.1   Micro environment

Like mentioned earlier the micro environment consists of the forces that are close to the company. The company's task is to create value to its customers by building relationships with them. It cannot achieve it alone but needs the other actors of the micro environment to make up the company's value delivery system. Therefore, the success of the company is very much dependable on the other company departments, suppliers, marketing intermediaries, customers, competitors, and various publics, which are important components of the micro environment.

2.1.1   Company analysis

The purpose of internal analysis is to review all the basic functions of the company such as human resources, products, marketing, finance, logistics, management and so on. Basically, company analysis aims at a detailed research on the company's business idea at the current time. Raatikainen's (2004, 68)

model for company analysis, which is shown in figure 3, can be used as a frame of reference for the analysis.

Need/benefit for customer	The image of the company
Customers	Products

Modes of operation		
-Marketing	- Logistics	-Finance
- R&D	- Human Resources	
-Management	- Production	
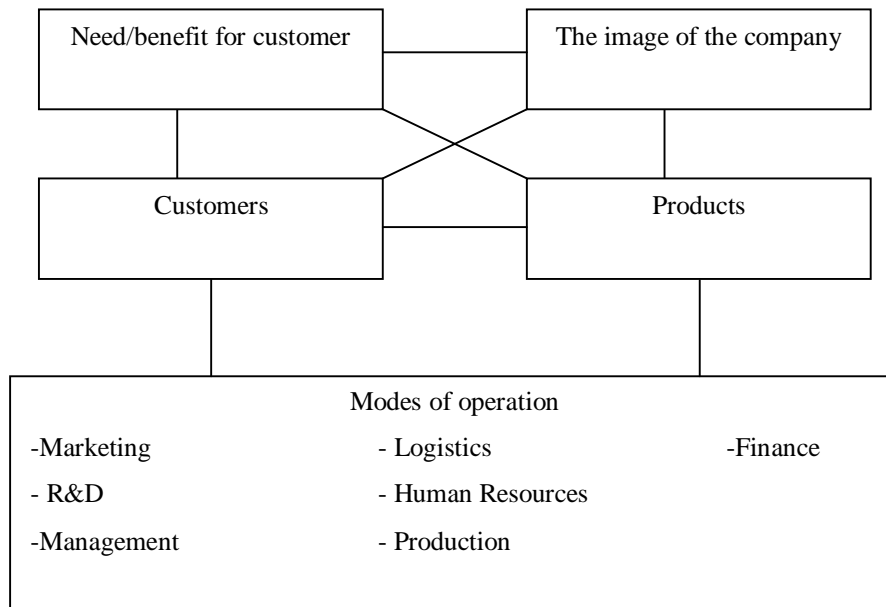
FIGURE 3. Business concept model (Raatikainen 2004, 68).

2.1.2   Stakeholder analysis

The primary goal of any business is to satisfy a certain need in a way that it is economically viable. To accomplish this task the company needs to co-operate with raw material suppliers and distribution channel members so that it can effectively deliver the right products to the target markets. (Armstrong & Kotler 2011, 95.)

The suppliers create an important part of the company's value adding chain, because they offer resources and products such as raw materials, machineries, energy and labour force, which the company needs to produce products for its customers. Difficulties with the suppliers may seriously affect the company's operations and therefore they need actively monitor the availability and cost of suppliers. Strikes, delays, lack of products, and other events can harm the sales and in the long term it can deteriorate the customer satisfaction as well.

In today's constantly changing world companies are engaging with more stakeholders in order to decrease risks associated. On the other hand, they are also aiming at long term relationships instead of individual relations. (Armstrong & Kotler 2011, 96.)

The members of the distribution channel create another very important group of stakeholders for the company. This group helps to sell and distribute the products to the end customers. Resellers and wholesalers are the most important units of the distribution channel. They help the company to find customers and sell the products to them by purchasing them and selling it at a profit. In order to create satisfying relationships with customers, the company must not only perform well itself but also succeed in creating effective relationships with the distribution channel members to optimise the entire value adding activity. (Armstrong &Kotler 2011, 96.)

2.1.3   Customer analysis

Customers are the most important component of the micro environment because the entire value-adding process is designed to specifically create and deliver value to the customers and build strong relations with them. The company may pursue all or part of the total markets, which include the consumer, business, reseller and institutional markets. Consumer markets consist of people and households that buy products and services for their personal use. The businessand re-seller markets buy the products in order to achieve a profit, either by using the acquired goods as a part of the final product, or through reselling it. Public facilities and other profit making organisations buy productsin order to producepublic services, or transfer them to those who need them. In addition to the above mentioned markets, there are also international markets, which include all the same customer types. Furthermore, the company should take into account that the same products may have demand on several markets, which then together form the total market of a product. (Armstrong & Kotler 2011, 98.)

2.1.4   Competitor analysis

Basically, competition means that there are several ways the customer can satisfy the needs and desires. The broader the company defines the target customers and its offerings, the larger the overall market potential. However, the larger the potential market, the more companies are competing for the same demand with the same or substitute products. The purpose of competitor analysis is to identify and collect as much information as possible about the company's competitors. Well-planned and conducted competitor analysis can promote the company's financial success. (McDonald & Keegan 2002, 7; Tikkanen, Aspara & Parviainen 2007, 114.)

The first step in the process is to identify the competitors. The aim is to find whom the company is competing against; who are the most intense competitors and who are offering substitute products? There are primarily two approaches to find answers to these questions. In the first approach, which is referred as customer –based approach, the competitors are identified from the customers' point of view. More specifically, this approach groups the competitors based on how much they compete for the buyers' choice. The direct competitors who offer similar or the same products are most often easily identified. However, it is not enough to only look at the primary competitors but broaden the view and search for companies who compete for the same demand but offers an alternative solution or a substitute product to the customers. (Aaker 2011, 40-42.)

There are several different methods introduced for evaluating the competitors but somewhat they are all variations of the Porter's competitor analysis in which the competitor analysis is broken down to four components. The four components are future goals, current strategy, assumptions, referring to how the competitor sees it, and capabilities. Full competitor analysis is therefore too wide entirety for this thesis and therefore a narrower solution is applied. (Porter 2004,48-49.) Raatikainen (2004, 64) outlines the main areas that should be clarified for analysing the competitors and this will be used as a frame of reference later in the empirical part:

- Names and the number of competitors
- Competitors' products
- Competitors' competitive weapons
- Competitors- market position and market shares
- Nature of the competition and the company's own role in the competitive field
- Competitors' awareness and product ranking
- Competitors' financial and operational resource: turnover, personnel
- Competitors' marketing strategy

2.1.4.1   Special issues of project based competition

The ability to define and segment the markets has an important role in project competition. For example, a company can target all the potential purchasers of their products. If this is the company's approach to target the markets, the ability to differentiate its offerings to different segments or customer profiles is a clear advantage. This will be discussed in more detail in chapter 4, which covers segmenting. If the company is unable to produce attractive offerings to a singular segment, it will end up competing with price with the standard product portfolio along side with the other operators in the markets. All in all, the ability to tailor and customise the solutions for customers in specific segments come to a great importance in a project based environment. (Tikkanen, Aspara & Parviainen 2007, 114-115.)

The ability to expand the total demand within the current customer base is seen as a very profitable way to find new growth paths. This basically means that the company has currently been unable to exploit the customers' full potential. If the company is capable of increasing the customers' purchasing frequency, the need of competing over the market shares will decrease. However, although the company has often chances to increase the total demand in its current customer network, the competition is still a very fundamental factor for company's earnings if the created or highlighted need is a onetime project because the buying organisation will most likely to ask for quotations before the acquisition is made.

Therefore, the project can still easily end up to the competitor's favour. (Tikkanen, Aspara & Parviainen 2007, 116.) Thus, pricing receives an important role when discussing about onetime acquisitions.

2.1.4.2   Price competition in projects

Mostly, singular project purchases are based on competing offers, where the price is often the decisive factor. For example, all the purchases of public organisations are put up for tendering according to EU legislation. Usually when the quotations are public to all, there will be many interested parties in the deal, like suppliers and wholesalers, and often the cheapest offer is accepted. So, when the company is preparing the quotation, it needs to balance the strategic objectives about profitability and growth, hence too low price makes the business unprofitable and high price will conclude to a losing offer. The company's profit depends on the costs of fulfilling the quotation and therefore the price is based on the company's own costs. In addition, related issues in pricing are evaluation of the competitors' prices, company's offer policy, amount of free capacity and estimating the probability of winning the project. The price is not always the only significant component but the buying organisations can evaluate them on offered quality, reputation and reliability. On the contrary, if the competitors offered products are similar to each other, the price is usually the only determinant. (Anttila & Fogelholm 1999, 174; Laitinen 2007, 202−204.)

The pricing process of quotations can be broken down to following stages:
1. Estimating the costs
2. The received profit with different prices
3. Estimating the possibility of winning the quotation with different prices
4. Choosing the price while taking into account the results of the previous stages
5. Ensuring that the offer corresponds the company's strategic goals
(Laitinen 2007, 202-204.)

2.2   Macro environment analysis

Company cannot control its macro environment, besides the forces change constantly. That is the reason why it is important that the company scans the macro environment on regular basis to have a sound knowledge of the trends and new developments in the market place. This way a company can anticipate changes and hold on to their competitiveness by adjusting to the new requirements set by the macro environment. (McDonald & Keegan 2002, 7; Armstrong, Kotler, Harker& Brennan 2009, 59)
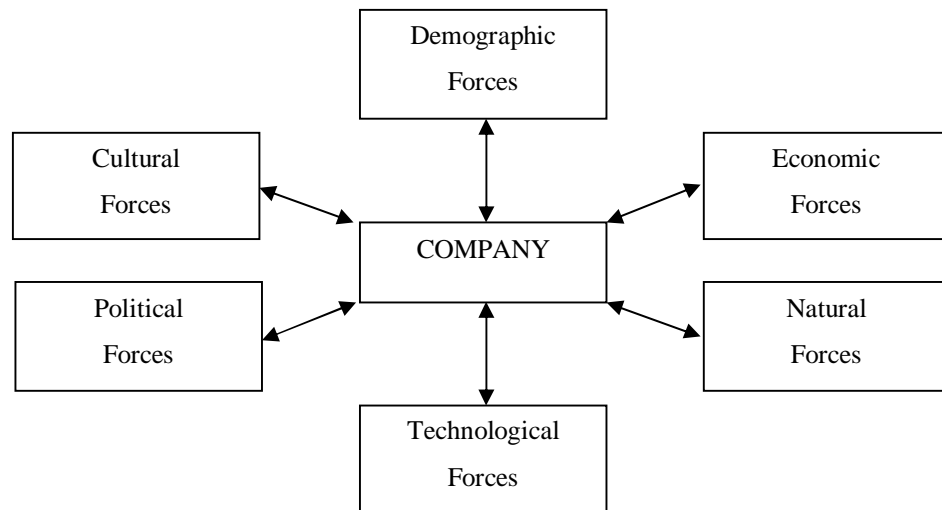
FIGURE 4. Major forces in the company's macro environment (Armstrong & Kotler 2011, 98).

The figure 4 presents the major forces, which influence the company and the other operators in the market place. Analysing the different elements will help the company to stay on top of the game, as mentioned earlier in the introductory chapter. The demographic forces are perhaps the most interesting element for a company because it includes changes in people and the people are the same thing as the markets. Therefore, demographic changes, such as age structure, educational level or geographic shifts in the population inside the country can greatly affect the demand, and needs of the customers. Also the economic forces have a major role in the macro environment. Economic forces consist of the factors that influence people's purchasing power and the consumption patterns. The company should actively look at major trends in the economy, in order to be

able to prepare for changes in a timely manner. The company should pay attention to such economical indicators as GDP, interest rates, and unemployment levels etc. The natural forces include the natural resources that companies need in their operations and in production. The company should be aware of the ongoing trends in their market place, like growing shortages of raw material, increased pollution, and increased government intervention in natural resources management. Technological environment is perhaps the most dramatic power of the macro environment, because it shapes the fate of the company. Technology is developing at high speed, and the majority of today's products were not necessarily available even 30 years ago. New technologies create new opportunities in the market, but companies must understand that new technology always replaces the older technology and thus the companies with outdated technology are most likely to be wiped out of the market. The political environment consists of the law regulations, pressure groups and political parties, which affect both business and human activities. The cultural environment consists of the basic human values, preferences and behaviour. People are growing in a certain society, which shape their beliefs and values. (Armstrong & Kotler 2008, 75-91)

However, not all macro environment forces have an impact on the success of a company, nor can the company follow all of them due to the wide scope of the macro environment. So, the company should only choose those factors for scanning that matter for the success and failure of the company and ignore those that do not contribute to the overall outcome. Furthermore, the company must carefully decide and evaluate which are those factors that are most important. Often companies fall to the pitfall of rejecting those changes and forces that they are unfamiliar with or results in negative information. This phenomenon is called strategic myopia. A good way to maintain objectivity in the evaluation of the developments in the market is to use issue priority matrix shown in figure 5. The purpose of the matrix is to first, identify likely trends, second, assess the probability of these trends actually occurring and third, attempts to ascertain the likely impact on the market. This matrix can be applied to both, macro and micro environments. (Rope 2000, 467; Wheelen & Hunger 2004, 59)

Probable impact on company

	High	Medium	Low
High	High Priority	High Priority	Medium Priority
Medium	High Priority	Medium Priority	Low Priority
Low	Medium Priority	Low Priority	Low Priority

Probability of Occurrence

FIGURE 5. Issue Priority Matrix (Wheelen & Hunger 2004, 59).

2.3   SWOT - analysis

The figure 6 illustrates the SWOT-analysis framework, which is a method commonly used to identify possible strategies which a company can follow. In this thesis the SWOT-analysis is drawn from the situational analysis to outline the current situation of the case company in relation to the operating environment. This includes a search for internal strengths and weaknesses as well as external opportunities and threats that affect organisational performance. The data for the analysis can, and should be collected from various sources in order to achieve as broad review as possible. Potential sources of information include professional journals, suppliers, bankers, government reports etc. The main sources for internal factors are discussions with employees on all levels of the hierarchy. (Daft, Kendrick & Vershinina 2010, 286; Blyth 2008, 23.)

	Helpful To achieving the objective	Harmful To achieving the objective
Internal origin (Attributes of the organisation)	Strengths	Weaknesses
External origin (Attributes of the environment)	Opportunities	Threats

FIGURE 6. SWOT-analysis (Kotler, Keller, Brady, Goodman & Hansen 2009, 101).

Based on the analysis the company can conclude about which strengths can used as an advantage, how to change weaknesses into strengths, how the future opportunities are exploited and how the threats are avoided. The result is an action plan of what needs to be done. (Blyth 2008, 23.)

3   BUSINESS MARKETS AND BUSINESS BUYING BEHAVIOUR

3.1   Defining markets

In order to be able to measure the share and growth of a market, specify the target customers, and recognise the relevant competitors, the market definition must be accurate or otherwise the findings and conclusions will be incorrect and misleading. The definition should describe the needs of a customer so that it covers all the ways the customer can satisfy that particular need. For example, if a person has a need for aremote internet access that can be satisfied by various ways such as laptops, cell phones, pads, internet cafes and so on. (McDonald & Dunbar 1998, 3.)

However, it is not enough to only think about the alternative products and services when defining the markets but also look into the future, what products could satisfy the need better than the current solutions? This is the primary reason the definition should not be product or service orientated but rather a needs based. Another common pitfall is narrowing or expanding the definition too much so that the result is not anymore a single market but rather a mixture of different ones. Hence, too broad market definition makes it hard to manage the business area and the findings that are based on the wrong definition will lead in the worst case scenario to false findings. Respectively, too narrow market definition has similar consequences, and it becomes unmanageable and the findings are unrealistic. (McDonald & Dunbar 1998, 4-5.)

3.2   Business markets

Business markets refer to the markets where the products and services are bought by local and international commercial companies, municipal and national organisations or by different institutions such as hospitals or schools. The purchased goods or services are used as part of the production of other products or services that are further sold, rented, or supplied to others, or the acquired goods

or services are sold at a profit by wholesaling or retailing. (Hutt & Speh 2010, 4; Armstrong & Kotler 2008, 161-162.)

Therefore, the usage of the product or service for which it is purchased distinguishes the business markets from consumer markets. The reason why something is bought, is often much more rational in business to business markets than in the consumer markets, and it makes the whole purchase process more rational and organised. Thus, the organisational purchase process usually involve more buyers and more professional purchasing effort in general, meaning that the decisions are prepared carefully and handled by people who are trained purchasing professionals. Other significant characteristics of business to business markets are large but fewer buyers, close supplier-customer relationship, derived demand referring that the demand for business goods come from the demand of consumer goods, inelastic demand meaning that price changes do not have a considerable affected on the demand, fluctuating demand which refers to what is called acceleration effect, a change in the consumer demand has a much greater effect on the business demand, and in the contrary if the demand decrease the affect is again greater on the business market side. (Armstrong & Kotler 2008, 162-163; Kotler, Keller, Brady, Goodman & Hansen 2009, 268-270.)

3.3   Business buying behaviour

To be able to identify profitable market segments, recognise buying influencers, and reach the buyers with an offering that responds to their needs, the company needs to understand the dynamics of organisational buying behaviour. The buying activity of an organisation can be divided into two major elements, the buying centre, which consists of all the people who are involved in the buying decisions, and the buying decision process. The model of business buyer behaviour is illustrated in figure 7. The thesis will not discuss about the marketing mix, and therefore 4P's and the buyer responses to the marketing stimuli will be excluded from the study. (Armstrong & Kotler 2008, 163.)

The environment		The buying organization	Buyer responses
The environment		**The buying organization**	**Buyer responses**

The environment

Marketing stimuli	Other stimuli
Product Price Place Promotion	Economic Technol. Political Cultural Competit.

The buying organization

The buying centre

Buying decision process

(Interpersonal and individual

(Organisational influences)

Buyer responses

Product or service choice
Supplier choice
Order quantities
Delivery terms and times
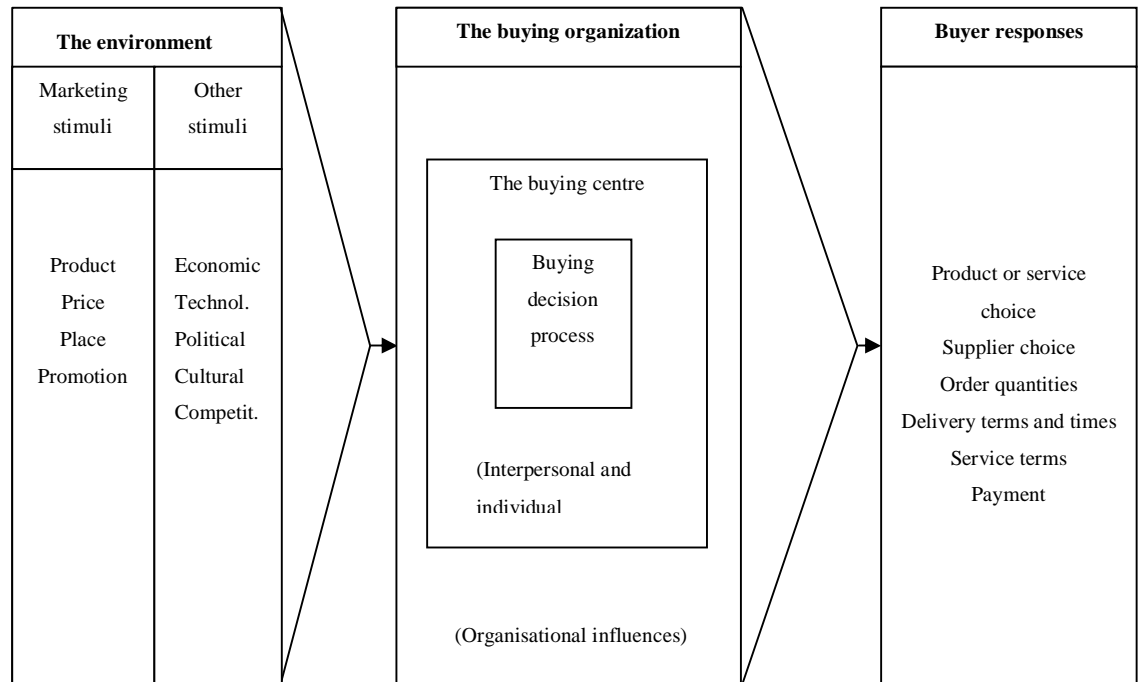Service terms
Payment

FIGURE 7. A model of business buyer behaviour (Armstrong & Kotler 2008, 164).

The organisational buying behaviour is shaped and influenced by different forces affecting the decision process and the people who are making the decisions. The overall process involves many times a complex set of smaller decisions made or influenced by several individuals. The complexity of the purchase determines the degree of involvement of the group members. In order to meet the needs of a buying organisation, and have an increased possibility to become the chosen supplier, a company must be able to answer the following questions:

- Which organisational members take part in the buying process?
- What is each member's relative influence in the decision?
- What criteria are important to each member in evaluating prospective suppliers? (Hutt & Speh 2010, 77.)

The concept of buying centre refers to the decision making unit of a buying organisation as described earlier. It involves all the participants that take part in the decision making process. The members vary according to the buying situations but some roles usually stay the same especially in a new project. It is

good to note that as the organisational buying is rather a process than an individual act, the members are important to the process at different times. The roles of the participants and the specifications of each one are listed below. (Hutt & Speh 2010, 78.)

1. Initiators: Users or others in the organisation who request that something be purchased
2. Users: Those who will use the product or service. In many cases, the users initiate the buying proposal and help define the product requirements.
3. Influencers: People who influence the buying decision, often by helping define specifications and providing information for evaluating alternatives. Technical personnel are particularly important influencers.
4. Deciders: People who decide on product requirements or on suppliers.
5. Approvers: People who authorise the proposed actions of deciders or buyers.
6. Buyers: People who have formal authority to select the supplier and arrange the purchase terms. Buyers may help shape product specifications, but they play their role in selecting vendors and negotiating. In more complex purchases, buyers might include high-level managers.
7. Gatekeepers: People who have the power to prevent sellers or information from reaching members of the buying centre.

The roles may vary according to the needs of the buying centre and they are not always fixed to one person but several people can operate in one role or one person can have several different roles in the buying centre. For example, a purchasing manager can act as the buyer, influencer and gatekeeper simultaneously. There may also be people influencing the buying decision outside the organization, for example governmental officers, consultants, and technical advisors who can guide the product selection. (Kotler, Keller, Brady, Goodman & Hansen 2009, 274-275.)

The figure 8 demonstrates the different forces that shape the organisational buying behaviour. Hutt and Speh (2010, 71) explains that there are environmental forces, organisational forces, group forces, and individual forces.
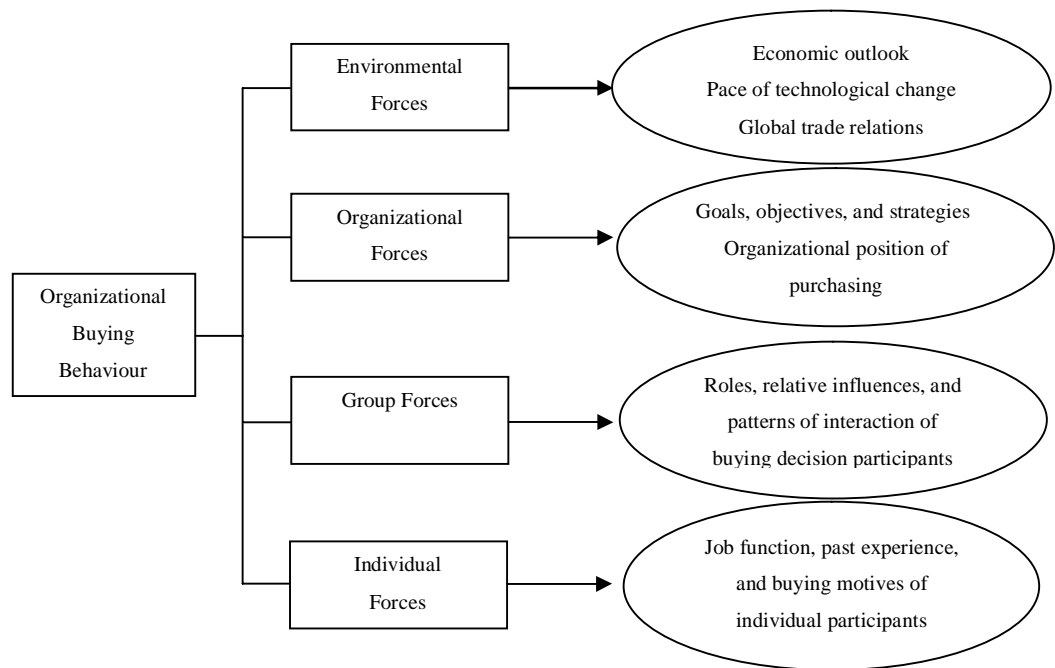
FIGURE 8. Forces influencing organizational buying behaviour (Hutt & Speh 2010, 71).

Depending on the type and complexity of the purchase, the business to business buying process follows certain stages, which are presented in the figure 9. However, in modified rebuy or straight rebuy situation some stages are commonly bypassed since the information is already there in the organisation.
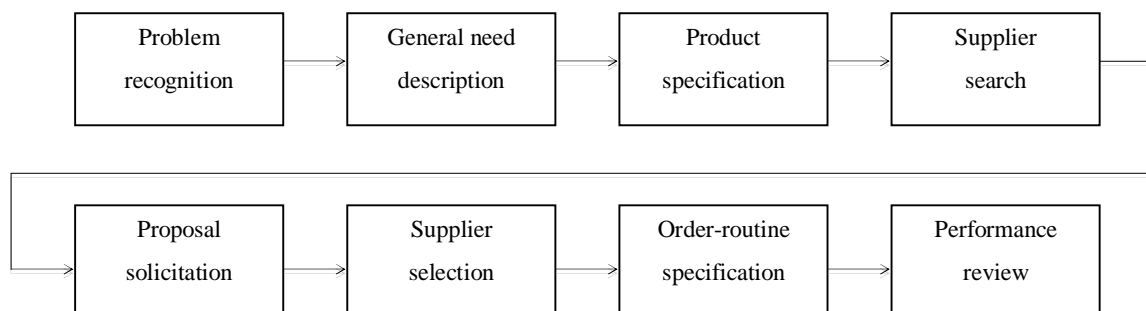
FIGURE 9. Stages of the business buying process (Armstrong &Kotler 2008, 167).

The process begins with problem recognition, meaning that someone in the purchasing company recognises a problem or a need which can be fulfilled by buying a good or service. When the need is defined, the next steps are to find out the required specifications of the good or service, search for suppliers that produce such products or services and prepare the requests for quotation. When the quotations are evaluated the company selects the supplier for the good or service. But before placing the order they need to agree upon the quantity and time of delivery. In the end of the process the purchasing company evaluates the performance of the acquired good and overall success or failure of the purchase. (Kotler, Keller, Brady, Goodman & Hansen 2009, 279-287.)

4   SEGMENTING BUSINESS MARKETS

4.1   Segmentation and benefits of segmenting

Segmenting means chopping the total markets into different sections that are significantly different from each other but similar within the section. These sections are most often referred as segments. The criteria for dividing the total markets vary, but common way is to use the customers' needs and buying behaviour so that the customer groups have relatively similar service needs and clearly consistent characteristics within the segment. The goal of segmenting is to find and choose a target group or groups that match with the company's resources and know-how and will yield with the best possible result financially. The idea is to enhance the ability to service the customers and to achieve quality and efficiency in the company's operational processes by aligning the measures for each segment, taking into account their characteristics and special features. Therefore, segmentation allows for personalised service for customers, but it does not by itself produce success for the company but rather help the company to control groups of customers. Furthermore, the company must create in every segment it participates in, such a position that the offerings differ from the competition in the customers' mind. (Rope 2000, 57; Aarnikoivu 2005, 41−42; Silk 2006, 86.)

If the segmentation is done thoroughly and the requirements are met, several benefits will accrue to the company. Firstly, the company will understand the unique needs the customers have in each segment. Secondly, when the needs of the segments are fully understood the company will be able to focus product development efforts, develop profitable pricing strategies, select appropriate channels of distribution, develop and target advertising messages, and train and deploy the sales force for each specific segment. Thirdly, the segmentation will allow the company to better allocate their marketing resources. Therefore, segmentation is the foundation for efficient and effective business marketing strategies. (Hutt &Speh 2010, 125-126.)

4.2 Requirements for effective segmenting

The segment consists of companies that have common characteristics that define what is specifically important to them and how they will react to marketing stimuli. Therefore, the question for the company is to ask, what criteria determines the characteristics, which define a unique segment. There are four criteria that company needs to take into account when evaluating the desirability of a potential market segment:

1. Measurability – The degree to which information on the particular buyer characteristics exists or can be obtained.
2. Accessibility – The degree to which the firm can effectively focus its marketing efforts on chosen segments.
3. Sustainability – The degree to which the segments are large or profitable enough to be worth considering for separate marketing cultivation.
4. Responsiveness – The degree to which segments respond differently to different marketing mix elements, such as pricing or product features. (Hutt & Speh 2010, 125.)

The ultimate goal is to identify unique and large enough segments so that there are enough incentives for the company to create separate marketing strategies for each of them (Tsai 2008).

4.3 Bases for segmenting

Segmentation is just as important in the business to business markets as it is in the consumer markets. However, in consumer markets the companies are more interested in the profiles of individuals, for example, their demographics, lifestyle and benefits sought, where as the business to business markets can be segmented on several bases which are classified into two major categories; macro and micro segmentation categories. (Wind & Cardozo 1974, 155.)

The macro segmentation focuses on the characteristics of the buying organisation and the buying situation. This will therefore divide the market by company's size, geographic location and industrial classification, in Finland this would be done by TOL-codes. These characteristics often determine the buying needs of the organisation. The micro segmentation in turn requires a higher degree of market knowledge, and focuses on the actual characteristics of the decision making unit within the macro segment. This includes the buying decision criteria, perceived importance of the purchase, and attitudes towards vendors. (Wind & Cardozo 1974, 155-158.)

An obvious approach to do the segmentation would be to first identify the meaningful macro segments and then divide the macro segments into micro segments. The key is to find good predictors for differences in buyer's behaviour, and once they are recognised the company can market its products with appropriate strategy to the target segments. Both macro and micro segmentation are further discussed in the following pages. (Wind & Cardozo 1974, 156.)

4.3.1   Macro level segmentation

The general characteristics of the buying organisation as well as the nature of the product application and the characteristics of the buying situation are the bases for the macro level segmentation as mentioned earlier. The variables that can be used to conduct the macro segmentation are presented in the table 1.

TABLE 1. Macro level segmentation criteria (Hutt & Speh 2010, 128).

Selected macro level bases of segmentation

Variables	Illustrative breakdown
Characteristics of the buying organisation	
Size (The scale of operations of the organisation)	Small, medium, large (based on sales/employees)
Geographical location	USA, Pacific, Europe etc.
Usage rate	Nonuser, light user, moderate user, heavy user
Structure of procurement	Centralised, decentralised
Product/service application	
NAICS/TOL-code category	Varies by product / service
End market served	Varies by product / service
Value in use	High, low
Characteristics of the purchasing situation	
Type of the situation	New task, modified rebuy, straight rebuy
Stage in the purchase decision process	Early stages, late stages

It will be useful for the company to split the market by size of the potential buying organisation. For example the influence of owners or Chief Executives Officers is smaller in large companies compared to smaller ones. In addition, regional variations may occur, thus adoption of geographical units to serve the markets can yield in better results than treating the whole area as one market. Usage rate is used to identify, how often and what quantities the potential customer uses the product or service. The needs might and probably are different between the heavy users compared to moderate or light users, and it is common that the heavy users will require higher level of customer service. Furthermore, there may also exist opportunities of converting moderate users into heavy users by adjusting the product and service mix. The structure of procurement determines the degree of buyer specialisation, meaning which criteria are emphasised by the buying organisation, and the composition of the buying centre. Simply put, the companies with decentralised procurement place more weight on long-term supply availability and decentralised on short-term cost savings. (Hutt & Speh 2010, 127-128.)

The next variable used for macro level segmentation is the product or service application, meaning that the market can be divided on the basis of specific end-use applications. The NAICS which stands for The North American Industry Classification System is the standard used by Federal statistical agencies in classifying businesses in the US. A similar business classification system is in use in Finland and is called TOL-code system. Using the category system the company has a better chance to find out specialised needs of the customer groups and thus the company will be more capable to differentiate the requirements of these groups and to evaluate emerging opportunities. The last variable of the product application group of variables is value-in-use. This refers to the relative value of the product or service for the purchasing organisation. For example a customer who uses the product as a component of their production or part of the product, the perceived value is high and the opposite if the company has several options how to fulfil the needs. (Hutt & Speh 2010, 129.)

The third and last macro level variable is the purchasing situation. There generally are three types of situations; new purchase, modified re-buy or straight re-buy. For example, organisations that are making a new purchase have very different information needs compared to an organisation, which is just re-buying something that they already have purchased before. Therefore, organisations can be classified based on the stage of the procurement process. The marketing strategy should be determined according to whether the organisations are in the early stages or late stages in the procurement decision process. (Hutt & Speh 2010, 130.)

All these variables set up the basis for macro level segmentation for business to business markets. A significant benefit of segmentation is that the company will search for clues that explain similarities and differences among buying organisations. (Hutt & Speh 2010, 130-131.)

4.3.2   Micro level segmentation

When the macro segments are identified it is useful to study them further to the micro level and divide them into groups based on their differences and similarities between thedecision making units. The variables that can be applied to do so are presented in the table 2. To gain insights of the micro segments, the company needs to conduct a market segmentation research since secondary sources are not enough to answer these questions. (Hutt & Speh 2010, 131.)

TABLE 2. Micro segmentation criteria (Hutt & Speh 2010, 131).

Selected microlevel bases for segmentation

Variables	Illustrativebreakdowsn
Key criteria	Quality, delivery, supplier reputation
Purchasing strategies	Single source … multiplesources
Structure of decision making unit	Major decision participants (for example purchasing manager and plant manager)
Importance of purchase	High importance…low importance
Organisational innovativeness	Innovator … follower
Personal characteristics	
Demographics	Age, educationalbackground
Decisionstyle	Normative, conservative, mixedmode
Risk	Risktaker, riskavoider
Confidence	High … low
Job responsibility	Purchasing, production, engineering

First variable that appear in the list is key criteria. This refers to what the buying organisation perceives as the most important criteria in the purchase decision. The key criteria can be uses as a gauge to divide the organisation into different groups based on their preferences. The most common criteria which buying organisations use for choosing suppliers include product quality, prompt and reliable delivery, technical support, price, and supply continuity. Another way to approach the key criteria variable is to create preferred supplier profiles that buying organisations are looking for, for example, high quality, prompt delivery, premium prices versus standard quality, less-prompt delivery, and low price. (Hutt &Speh 2010, 131-132.)

The purchasing strategy of the buying organisation can be used as a classifier for the micro segments. Differences can be found in organisations since some buyers seek for several suppliers secure the flow of goods and others may consolidate their purchases to one or two suppliers. The example of Toyota's purchasing strategy is an interesting one. They look for suppliers that can make suggestions for improving their business operations. Basically Toyota searches for companies who are creative and invest in new technologies. They have experienced that many of their innovations has actually come from their suppliers. (Hutt & Speh 2010, 132-134.)

The third variable is the structure of the decision making unit. Leaning about the decision making unit can be achieved by isolating the patterns of involvement in the purchasing process. The purchase process as well as the buying centre was discussed in the earlier chapter. An example of a buying centre could be a group that selects a singular supplier that all members will use to fulfil their needs. In the end, the company should be able tailor their messages very precisely when they are aware of the structure of the decision making unit. (Hutt & Speh 2010, 135.)

The importance of the purchase varies according to the effect it has on the total objective of the purchasing organisation. This classifying method is very useful when customers' use the product in different ways (Hutt & Speh 2010, 135).

The innovativeness of the buying organisation can be very helpful classifier, especially when company has launched new products. Some organisations are more willing to change to updated products than others and therefore the study can reveal potential customers particularly when the study is combined with demographic variables, which are discussed in the next paragraph. The study of the degree of innovativeness in micro segments can be useful even later on, when the company is introducing new products and thus they know which segments should be targeted first. (Hutt & Speh 2010, 135.)

The personal characteristics, which are most often used in the consumer market segmentation, should not be forgotten in the business markets either. The study should concentrate on the decision makers' characteristics. This includes

demographics such as age, education, personality, decision style, risk preference or avoidance, confidence, job responsibilities, and so on. Although these are important factors, which influence the purchasing decision, however they should not be a sole base for the micro segmentation but instead a wider research is needed to gain a firm and realistic basis. (Hutt & Speh 2010, 136.)

4.4 Segmentation process

To recap the two earlier chapters, the macro segmentation focuses on characteristics of buying organisation such as size, product application as the end market served by the purchaser, and the purchasing situation such as the stage, in which the purchasing organisation is in the decision process. On the other hand, the micro segmentation centres on characteristics of organisation decision making units, for example, the driving criteria in the purchase decision.

As mentioned earlier, the segmentation process of business market begins with the macro level segmentation. If sufficient amount of information is available for the macro level segmentation, it may not be necessary to move on to the micro level. However, if clear characteristics are not found on the macro level, then a deeper study to the micro level is appropriate within each macro segment. A research is obviously needed at micro level, where macro segments are divided into micro segments on the basis of similarities and differences in the decision making units. The idea is to identify small groups of organisations that response differently to company's marketing strategy. Later on, the company needs to assess whether it is worth to develop unique strategy for specific segments by evaluating the profitability of the segments before starting to invest in the process of developing these strategies. (Hutt & Speh 2010, 136-138.)

4.5 Value classes of trade accounts

To improve the market segmentation and to secure profitability for the future, companies can categories their customers into tiers according to their current and possible future profitability. An example of such differentiated service alignment,

which is based on the value of the customers for the company, is presented in figure 10.

Differentiated Services   **Customer Services**

High Tier Services
• Sharing of downstream data
• Sharing of replenishment plans and
  sales forecasts
• Co-managed inventory programs

Alignment — Top-Tier

Mid Tier Services
• Special handling and packaging
• Reduced delivery cycle times
• Full-truckload discounts

Alignment — Mid-Tier

Basic services
• Standard delivery cycle time
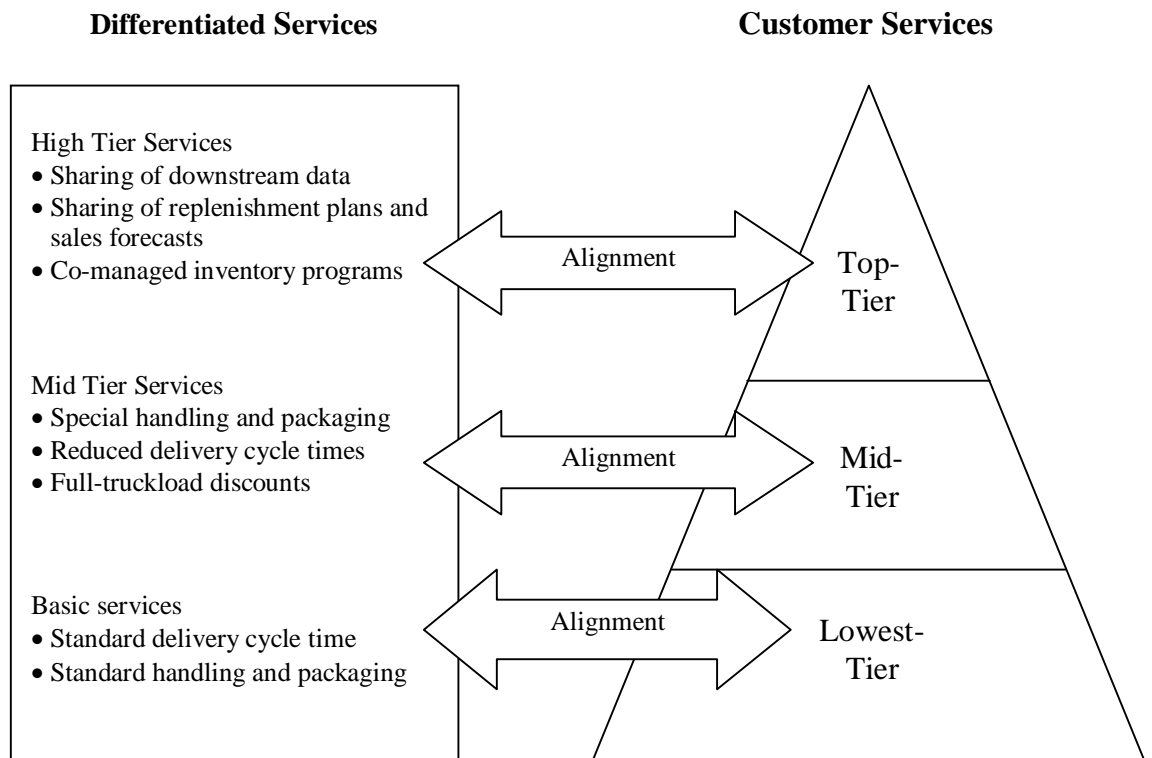• Standard handling and packaging

Alignment — Lowest-Tier

FIGURE 10. Differentiated services alignment (Lapide, 2008).

When the company knows the characteristics of a profitable customer, they can easily target their marketing to those segments that are most likely to yield Top-tier customers. For example, FedEx Corporation uses a similar tier class system in which their customers are grouped into three categories; the good, the bad, and the ugly. FedEx sets priority to the good customers, tries to convert the bad to good, and discourage the ugly. They noticed that some customers are too costly to serve and shows no potential to become profitable even in the long-term. Therefore, by knowing the needs of the customers in different tiers of profitability, they are able to tailor their services so that they can achieve even higher levels of profitability. And on the other hand, unprofitable customers can be either turned into profitable ones or got rid of. (Lapide 2008.)

Furthermore, account-based marketing (ABM) is an approach that treats an individual account as a market in its own. When ABM approach is done right, it guarantees that marketing and sales are fully concentrated on a target customer's most important business issues and that they work in collaboration to create value proposition that specifically address those issues. By using ABM it will certainly deepen the relationship with the existing customers and build profitability by shortening sales cycle and increasing win rates. ABM is the ultimate level of segmentation where each customer is its own segment, often called as a trade account, and becomes relevant in markets that are consolidating in the number of operators. (Hutt & Speh 2010, 137-138.)

4.6   Evaluating the segments

When the company has discovered the opportunities from segmenting, they need to decide how many and which of the segments they will target. Evaluation of the segments attractiveness and desirability, as well as in relation to the company's goals and resources, is essential when choosing the targeted segments. (Kotler 2003, 299.)

There are primarily three factors that the company needs to analyse when evaluating different market segments. These factors are the segment size and growth, segment structural attractiveness, and company objectives and resources. The situational analysis will create the basis for the evaluations. To match it with the segments that were identified while segmenting the markets, the company needs to find information on current segment sales, growth rates, and expected profitability. It goes without saying that the company will be mostly interested in the segments that have sufficient size and show growth characteristics.(Armstrong & Kotler 2008, 200.)

The structural factors affect the segments long term attractiveness. For example, the company might not want to enter a segment that already has several big and aggressive competitors. Furthermore, the number of substitute solutions may limit and cut the possible profits in the segment. The company should also consider the

power of the buyers. If the potential customers hold a strong bargaining power compared to the sellers, they will try to drive the prices down, demand for services and set competitors against one another, which all come from the company's profits who is serving such markets. (Armstrong & Kotler 2008, 200.)

Even if, the segment seems attractive when evaluating it based on the earlier mentioned factors, the company still needs to assess whether it fits with its own objectives and resources. The aim is to only enter segments where it can develop competitive advantages and offer superior value to the customers. If a segment passes all these filters the company must decide if they have what it takes to succeed in the segment. (Armstrong & Kotler 2008, 200.)

4.7   Implementing a segmentation strategy

Even carefully developed segmentation plan can fail if the implementation is not done properly. The list below comprises the issues that company must address in order to successfully implement the segmentation plan:

- How should the sales force be organised?
- What special technical or customer service requirements will in the new segment have?
- Who will provide these services?
- Which channels can be used to target advertising at the new segment?
- Has a comprehensive online strategy been developed to provide continuous service support to customers in this segment?
- What adoptions will be needed to serve selected international market segments? (Hutt & Speh 2010, 139).

The last item of the list can be ignored in this paper because, the case only concerns about domestic markets. The organisational independencies increase while the company moves towards to a mixture of product-service-information offerings that are customised to segments. This means that the tasks inside the company become more diverse and cross-functional. (Hutt & Speh 2010, 139.)

4.8   Theoretical framework

The theoretical framework consists of the situational analysis which include, company, customer, and competitor analysis and ends with an introduction to SWOT-analysis. The second main chapter covers the business markets and business buying behaviour and the next chapter was a continuum which goes in more detail in business to business market segmentation. Figure 1 illustrates the theoretical framework of the thesis.

4.9   Segmenting the Finnish industrial building sector

The segments that are later used in the research are created in this chapter. As explained in theory, dividing the markets into segments help to recognise which segments are growing and what are their specific characteristics.

The segmentation process starts with the macro level criteria. In this case the industrial classification codes, also known as Finnish TOL-codes, are used to separate the segments according to the product application and the end usage.

TABLE 3. Standard industrial classification codes (Statistics Finland 2011).

A	AGRICULTURE, FORESTRY AND FISHING
B	MINING AND QUARRYING
C	MANUFACTURING
D	ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY
E	WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES
F	CONSTRUCTION
G	WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES
H	TRANSPORTATION AND STORAGE
I	ACCOMMODATION AND FOOD SERVICE ACTIVITIES
J	INFORMATION AND COMMUNICATION
K	FINANCIAL AND INSURANCE ACTIVITIES
L	REAL ESTATE ACTIVITIES
M	PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES
N	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES

O	PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY
P	EDUCATION
Q	HUMAN HEALTH AND SOCIAL WORK ACTIVITIES
R	ARTS, ENTERTAINMENT AND RECREATION
S	OTHER SERVICE ACTIVITIES
T	ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS; U0NDIFFERENTIATED GOODS- AND SERVICES-PRODUCING ACTIVITIES OF HOUSEHOLDS FOR OWN USE
U	ACTIVITIES OF EXTRATERRITORIAL ORGANISATIONS AND BODIES
X	INDUSTRY UNKNOWN

The relevant segments for this study are B mining and quarrying, C manufacturing and D electricity, gas steam and air conditioning supply. Manufacturing is a large segment alone so a further classification is appropriate to identify segments that have consistent characteristics. Manufacture of food products, paper and paper products, metals and chemicals are found as basic segments inside the manufacturing category. The Electricity, gas steam and air condition supply segment is referred as energy segment, this consist of companies that produce energy such as power plants, hydroelectric power plants, peat producers and wind power producers.

Second and third variable that are used for segmenting concerns the very basic characteristics of the buying organisation. The research is in the later chapters is targeted at larger companies operating in Finland. These criteria limit the amount of companies in each segment dramatically but also increase the chance of finding the top tier customers.

At this stage where the goal is to gain more information of these segments, it is not ideal to go further to the micro level segmentation as the current knowledge of the segments is insufficient and therefore findings can become misleading. Therefore, the segments are pulp/paper, energy, foodstuff, metal, and mining.

5   CASE COMPANY PRESENTATION AND SITUATIONAL ANALYSIS

Uponor Oyj is a Finland-based company operating in the construction sector worldwide. The Company has two primary business segments: building solutions and infrastructure solutions. Building solutions offers indoor climate solutions and plumbing solutions. Indoor climate solution, includes cooling and heating systems for residential, industrial, commercial constructions, new buildings and renovations; plumbing solutions, which includes tap water and other indoor plumbing, as well as solutions to bring clean water from the source to the tap. Infrastructure solutions, in which the case will focus on, comprise systems for reliable and leak-proof transportation of fresh and used water, cable protection pipes and on-site wastewater treatment units. Uponor Oyj operates through subsidiaries in approximately 30 countries, and has 11 production plants in six countries. Uponor Corporation is listed on the NASDAQ OMX Helsinki Ltd., Finland. (Uponor Oyj 2011.)
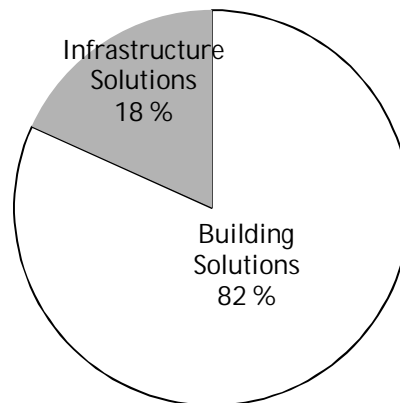

FIGURE 11. Net sales by segments in 2010 (Uponor's Annual report 2010).

Uponor Corporation has five major long-term financial targets, which are:

- Annual organic net sales growth of above six per cent (average over the cycle)
- Operating profit margin reaching the level of 15 per cent
- Return on investment (ROI) of over 30 per cent
- Gearing between 30 and 70 (average across quarters)
- A growing ordinary dividend payment: at least 50 per cent of the company's earnings annually

However, the financial crises had a great impact on Uponor's net sales which hit a record low in 2009 with a 22.7 percentage decrease in comparison to the previous year. A hit of this magnitude obviously had negative effects on the operating profit and return on investment. Again, this simply proves the point that companies cannot control the changes in the macro environment but rather the company can only prepare and evaluate the upcoming changes in the demand and anticipate them, and be ready when the economy regains the growth path.

TABLE 4. Key figures of last five years (Uponor's Annual report 2010).

Key figures of UponorOyj	2010	2009	2008	2007	2006
Net sales	749,2	734,1	949,2	1047,4	1003,7
Change in net sales (%)	2,1	-22,7	-9,4	4,4	10,8
Operating profit (%)	7,0	5,6	5,4	13,0	13,2
Profit before taxes	41,7	28,5	41,0	133,1	130,9
Change in profit before taxes (%)	46,3	-30,5	-69,2	1,7	
Return on Investment (%)	14,4	8,1	22,2	39,2	35,8
Gearing (%)	26,5	25,0	19,8	25,4	6,3
Earnings per share	0,34	0,16	0,99	1,39	1,32
Dividend per share	0,55	0,50	0,85	1,40	1,40

The largest single market for Uponor Oyj in 2010 was Germany which projected 122,7M€, and is equivalent to 16.4% of the total sales. The net sales are well spread geographically, which should help Uponor Oyj to digest the exposure to regional risks. (Uponor's Annual report 2010.)
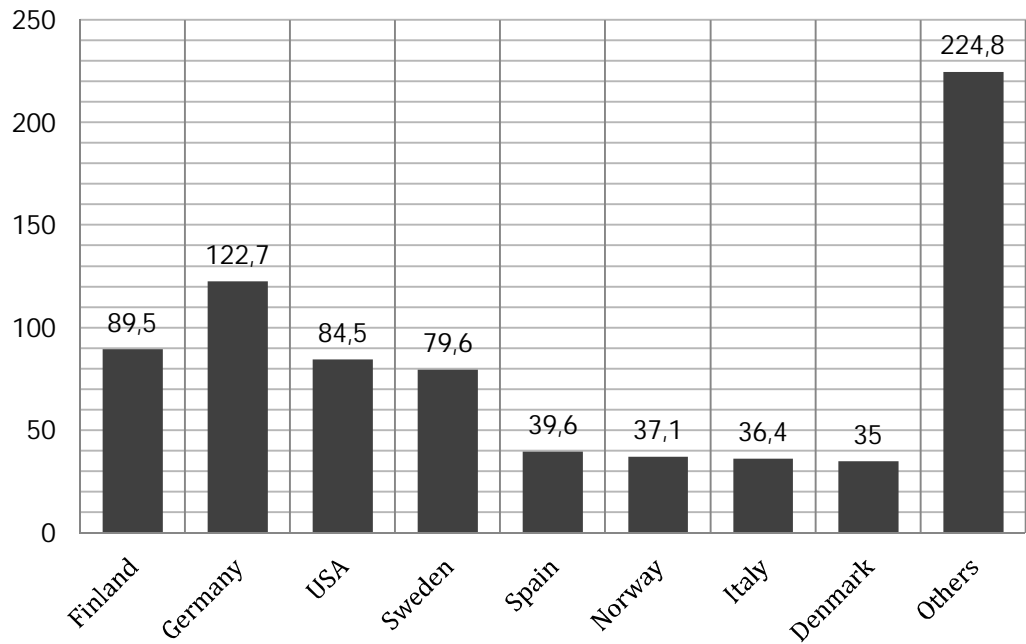

FIGURE 12. Net sales in geographical areas (Uponor's Annual report 2010).

5.1   Uponor Suomi Oy

Uponor Suomi Oy is a subsidiary of Uponor Oyj which serves the Finnish markets. The company's operations in Finland include product development, manufacturing, and marketing for builders and municipalities. The manufacturing facilities are located in Espoo, Nastola, Forssa, and Jyväskylä and employ approximately 400 people.

The infrastructure solutions of Uponor Suomi Oy include six main product categories. Those are gravity sewers, storm water drains, chambers, pressure pipes

for water and gas, cable protection and land drainage. Each category compromises a full solution for the customer's need. The table 5 illustrates a consolidated product portfolio that Uponor Suomi Oy offers for the infrastructure sector.

TABLE 5. Infrastructure product portfolio of Uponor Suomi Oy. (Uponor factory price and product list 2011).

Category	Product	Material	Application	Sizes	Connectors
Gravity sewers	UltraRib2	PP	sewage and storm water	200-560	Dupplex and UltraRib2
	Dupplex	PP	sewage water	160-400	Dupplex and UltraRib2
	PVC	PVC	sewage and storm water	160-315	PVC
	Pre-insulated sewer pipes	PP	sewage and storm water for cold temperatures	110-315	
Stormwater pipes	Uponor-stormwater system	PEH	stormwater, protection tube for pressure pipe	110	flexibles / Dupplex and UltraRib2
		PP	Stormwater, protection tube for pressure pipe	160-1145	Dupplex and UltraRib2
	Stormwatercatridge	PP	storaging and infiltrating stormwater	285L	for pipes of 110-160
	Stormwater tunnel	PP	storaging and infiltrating smaller amounts of stormwater	300L	for pipes of 110-315
Chambers	Inspection chambers for sewers				
	Stormwater chambers				
	Drainage chambers				
	Module chambers				
Pressure pipes	Profuse	PE100 / PP protective layer	fresh water, sewer water, gas and sprinkler	63-400	electric welding / butt welding parts
	PE- pressure pipes	PE100	fresh and sewer water	63-110/450-800	electric welding / butt welding parts
		PE80	fresh and sewer water	20-63	electric welding / butt welding parts
	PVC	PVC	undergraound fresh water	110-400	PVC pressure pipe parts
Cable proptection	Tripla	PE	electricity and tele communication cable protection	110-160	flexible and stiff parts
	Opto	PE	blasting technology installation f.ex. fiber-optic cable	40	Opto couplers

	Protection tube PE with wire	PE	electricity and tele cables	50	
Land drainage	Land drainage system	PEH	technical land draining	110-315	Dupplex and UltraRib2
	Field drainage system	PVC	draining fields and green spaces	50-160	

Abbreviations of materials

Pp	Polypropylene
PVC	Polyvinyl Chloride
pe	Polyethylene
peh	Polyethylene

These are the primary products that Uponor Suomi Oy can compete with in the industrial sector. Besides competing with this product portfolio, Uponor holds great amount of experience and knowledge on finding suitable solutions for the infrastructure sector in Finland. In addition, Uponor is considered to be the pioneer in the industry who develops new products.

5.2   Stakeholder's of Uponor Suomi Oy

The distribution channels of Uponor Suomi Oy consist of retail and direct channels. The Figure 13 illustrates the flow of goods to the end users. Uponor Suomi Oy has well established long-term relationships with three large wholesalers, Onninen, Ahlsell, and LVI-Dahl,which offer Uponor's solutions for the industrial sector as well as to other business sectors. Uponor Suomi Oy also markets and sells their products directly to the contractors or to end users but in most of the cases the default risk is bearded by the wholesalers who will bill the customers on behalf of Uponor Suomi Oy. (Suur-Askola 2011.)
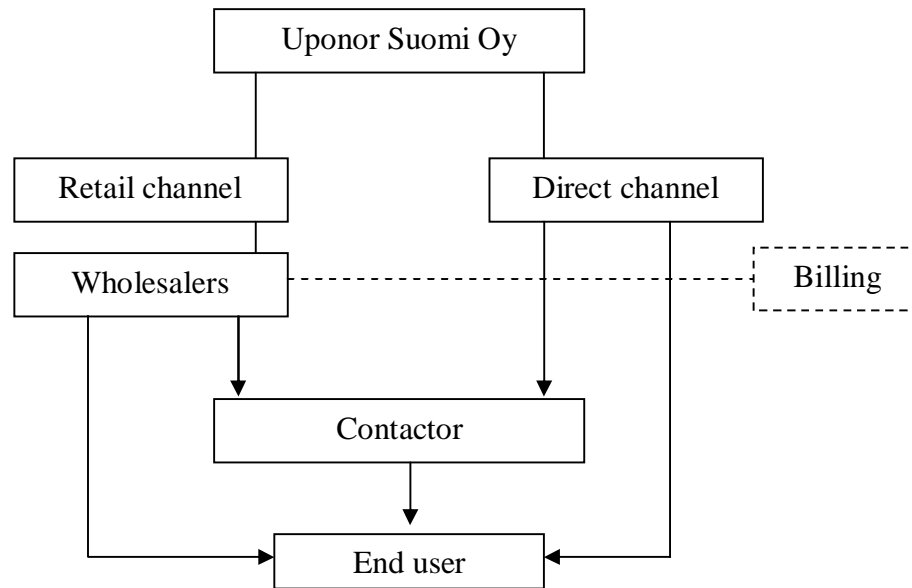
FIGURE 13. Distribution channels of Uponor Suomi Oy for industrial sector (Suur-Askola 2011).

5.3   Customer analysis

The sales that are generated from the industrial sector are very hard to estimate. This is due to the complex and industry specific distribution network, where the supplier, Uponor does not always know who the end user is or the total needs of the end user. In such case, the end user is communicating with the wholesaler who then orders the goods from the supplier. The lack of information that is acquired from the wholesalers is the key reason why, at the moment, Uponor is not always aware who the end user of their products is, and thus do not have the knowledge of what quantities are sold to this business sector. (Suur-Askola 2011.)

5.4   Competitor analysis

The data for competitor analysis is collected by an internal questionnaire that was sent to marketing manager, sales manager, regional sales managers, and manager of product data management.

The questionnaire reveals that there is a mutual consensus of the obvious direct competitors. KWH is seen as the key and strong competitor in the industrial sector. One of the KWH's strengths is its ability to solve the customers' problem. This leads to effective project based selling where problems are solved individually and tailored for the customers' need rather than selling the same basic solution to all. (Kakko, Saarinen, Suur-Askola, Tulokas 2011.)

Another strong competitor is Pipelife, which strengths include cost-effectiveness and ability to follow the new developments. In addition, Pipelife offers specialised goods and solutions to industrial sector. This includes tailor made rotational moulded plastics. These services are aimed at mines, construction of industrial plants or as semi-finished plastic pipes for subcontracting.

Both of these competitors share some basic characteristics. Their competing means are cost-effectiveness and tailored solutions to industrial sector. However, the cost-effectiveness is mostly gained by lack of investments in research and development and marketing. (Saarinen 2011).

6   MACRO ENVIRONMENT ANALYSIS

The analysis of macro environment focuses on the economic climate of the different segments of industrial building. Variety of different indicators are analysed for the purpose of distinguishing the most potential business segment for Uponor Suomi Oy. In addition, this chapter also considers the other forces of the macro environment such as political, legal, social and technological as well as takes a broad view of the underlying economic situation.

6.1   Snapshot of the current economic climate

The main macroeconomic indicators such as GDP and inflation rate are giving negative signals for an overall review of the market situation in Finland. The year 2009 was catastrophic for Finland and the future does not look extremely bright either. Datamonitor is expecting a slow and long recovery for the future. (Datamonitor 2011).

TABLE 6. Key macro data of Finland (Datamonitor 2011).

	2008	2009	2010	2011	2012	2013	2014
GDP, constant 2000 prices ($ billion)	152.4	141.9	143.2	146.1	149.7	153.5	157.7
GDP growth rate (%)	0.9	-6.9	0.9	2.0	2.5	2.5	2.7
GDP, constant 2000 prices, per capita ($)	29,056.1	27,022.8	27,241.1	27,770.5	28,447.5	29,147.6	29,929.7
Inflation (%)	4.0	1.6	1.1	1.2	1.8	1.8	2.1
Exports, total as % of GDP	46.5	43.9	41.5	42.2	42.8	43.7	44.3
Imports, total as % of GDP	42.7	36.8	37.4	38.3	39.1	40.2	41.3
Mid-year population, total (million)	5.2	5.3	5.3	5.3	5.3	5.3	5.3
Unemployment rate (%)	6.4	8.2	9.6	9.6	9.4	9.2	9.0
Doctors per 1,000 people	3.4	3. 4	3.4	3.4	3.4	3.5	3.5
Mobile penetration (per 100 people)	130.4	139.0	143.9	146.7	148.3	149.2	149.7
Source: Datamonitor							DATAMONITOR

Similar story can be concluded from the data obtained from Economic Intelligence Unit. Overall, the economic growth in the near future in is expected to be very mild around the world.

TABLE 7. Key data of US, OECD and EU compared (Economic Intelligence Unit 2011).

	2010	2011	2012	2013	2014	2015
Economic growth (%)						
US GDP	2.8	2.7	2.2	2.4	2.5	2.4
OECD GDP	2.9	2.3	2.1	2.2	2.3	2.1
EU27 GDP	1.9	1.6	1.6	1.7	1.8	1.9
World GDP	3.8	3.0	3.0	3.1	3.1	3.1
World trade	12.4	6.4	6.3	6.7	6.7	6.0
Inflation indicators (% unless otherwise indicated)						
US CPI	1.6	1.2	2.0	2.5	2.8	2.8
OECD CPI	1.3	1.1	1.6	1.9	2.1	2.3
EU27 CPI	1.8	1.8	1.8	1.9	2.0	2.1
Manufactures (measured in US$)	3.2	0.8	0.1	1.8	1.2	1.8
Oil (Brent; US$/b)	79.6	90.0	82.3	78.3	75.5	76.0
Non-oil commodities (measured in US$)	24.0	13.9	-6.2	-4.9	1.1	0.0

The stock market index, which is presented in figure 14, is giving similar signals at the moment as there were on late 2007 and early 2008. The index is heading south without reaching the earlier peak of 2007. Not too much should be concluded from the stock index, however it should not be fully discarded either. The real life economy lags behind the development of the stock markets. For example, 2009 was a bad year in real economy where as in the stock markets hit the rock bottom and started the recovery. (Trading Economics 2011.)

FIGURE 14. OMX Helsinki index (Trading Economics 2011).

The correlation is very clear between the industrial production and the inflation rate in Finland. Both charts are currently in the positive territory, meaning that production is increasing while the inflation is putting pressure on price hikes.
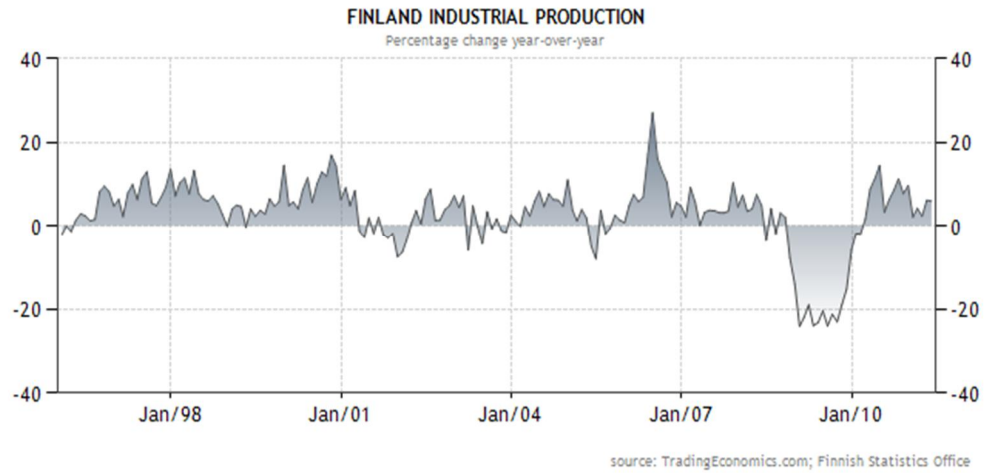
FIGURE 15. Industrial production of Finland (Trading Economics 2011).

If the market and growth is solid, the price hikes are expected and taken in with ease at the market. However, at the current state where the instability is very evident the price hikes and inflation can send the production in decline yet again. (Trading Economics 2011.)

FIGURE 16.Inflation in Finland (Trading Economics 2011).

The Finnish economy is heavily driven by the exports. While the main export partners of Finland are doing well, so is Finland. But when the things go bad, the cumulative effect is much greater in Finland than in some other countries that are not as dependent on exports.

FINLAND EXPORTS
Exports by month (Millions EUR)

source: TradingEconomics.com; Finnish Statistics Office

FIGURE 17. The Finnish exports (Trading Economics 2011).

The Finland's main export partners are Russia, Germany, Sweden and China. These four countries account for 48.5 percent of the total trade. The main exporting business segments are forestry products, chemical industry products and electric and electronics products. (Trading Economics 2011.)

Instability of the financial system is another threat to the global recovery. The instability is due to external factors such as debt servicing capacity of Greece, Italy and Spain. As a result the overall business risk is higher for all participants in the market place at this moment. (Bank of Finland 2011.)

EU: government 10-year bond yields, 2011
(%)

Italy   Spain   Germany
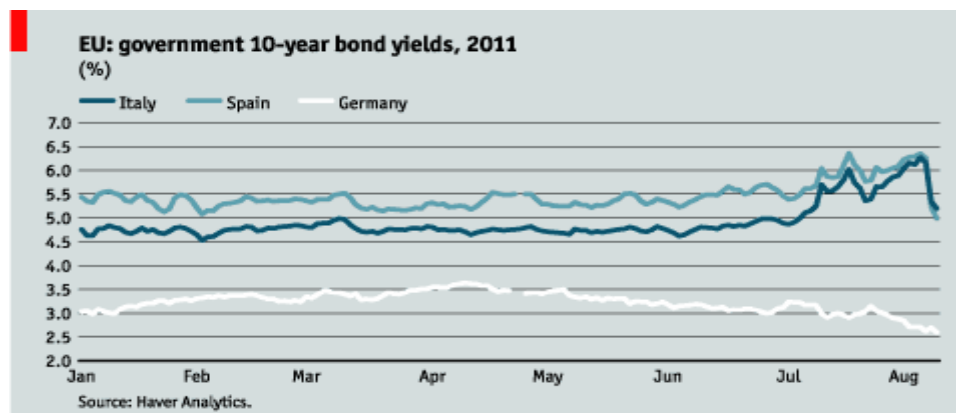
Source: Haver Analytics.

FIGURE 18. 10-year bond yields of Italy, Spain and Germany (EIU 2011).

The crisis in euro zone is still continuing. This is very evident from the bond yields, which are presented in the figure 18. Greece has already entered a severe condition where its capability of coping with its debts has put in question. Few other nations like Italy and Spain are also facing similar problems as Greece but their sheer size is way too large for EU to rescue. Therefore, Greece is now expected to restore confidence after receiving the declaration of European Financial Stability Facility. (EIU 2011.)

But how is this relevant to Uponor Suomi Oy. All in all, as it was stated in the in the theoretical part of the thesis, the company's ability to grow in markets that are declining is simply very hard at least. So, also timing should be considered when thinking about entering new business segments.

6.1.1   Review of economic growth in the industrial building segments

6.1.2   Mining

Mining sector is very prospective from technical advancement and exploration prospect. Heavily exploited counties are losing their attractiveness where as companies are searching and investing in emerging markets.

TABLE 8. Investments in mining sector (Statistics Finland 2011).

INVESTMENTS IN TANGIBLE ASSETS	2008	2007	2006	2005	2004
Extraction and agglomeration of peat	386	403	440	344	363
Mining of metal ores	1160	627	207	141	129
Other mining and quarrying	896	864	854	738	717
Quarrying of rockstone	133	124	119	105	96
Quarrying of sand and clay	590	536	581	486	483
Chemical and fertilizer and other	173	204	154	146	138

Specifically increasing importance of hi-tech metals for superconductors, batteries and electronics & nano- materials will escalate the development of new

companies. Increasing global population and standards of living has challenged the mining companies. To meet the increasing demand, the sector is heavily investing in production. (Geological Survey Of Finland 2010.)
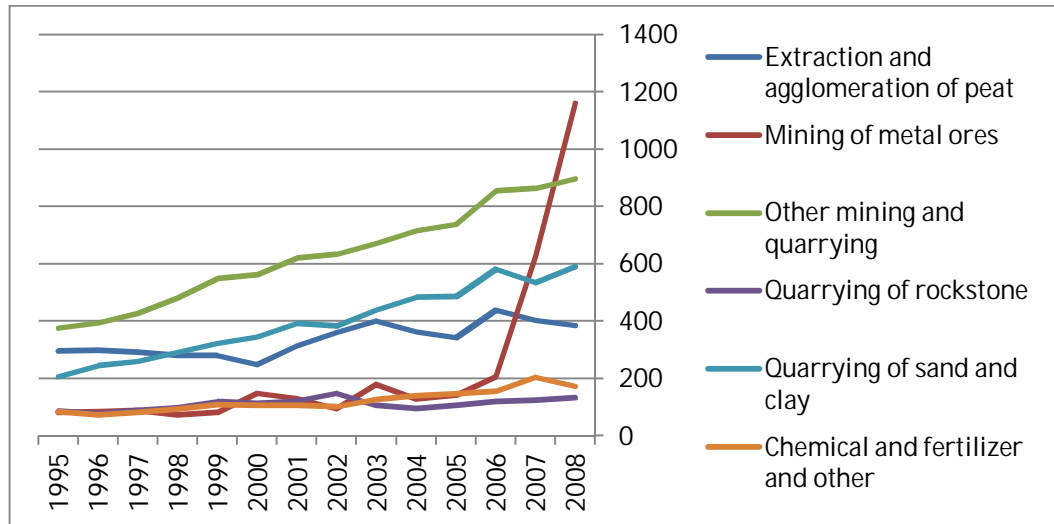

FIGURE 19. Investments in mining sector in a line chart (Statistics Finland 2011).

The investments in mining of metal ores have steeply accelerated in the last few years. The investments in other businesses inside the mining sector have also increased steadily for the last decade making it an attractive business sector by growth.

6.1.3   Paper and pulp

Paper and pulp industry has experienced an overall growth of 15.1 per cent in 2010. Mechanical pulp and chemical pulp segments were the biggest gainers with 87% and 46%.

TABLE 9. Investments in paper and pulp sector (Statistics Finland 2011).

INVESTMENTS IN TANGIBLE ASSETS	2008	2007	2006	2005	2004
Manufacture of pulp	2653	2577	2418	2107	2225
Manufacture of paper and paperboard	10911	11468	11403	9599	10924
Manufacture of paper sacks and bags	38	33	33	36	31
Manuf of corrug paper, paperboard; cont of paper etc	381	424	425	380	402
Manuf of househ and sanitary goods and of toilet requisites	446	434	437	360	355
Manufacture of other articles of paper and paperboard	123	134	125	128	134

On the other hand, manufacture of paper and paperboard remains as the largest segments with a share of 75% of the industry, making it a segment that should not be ignored even though the future might not look as great as for some other segments.
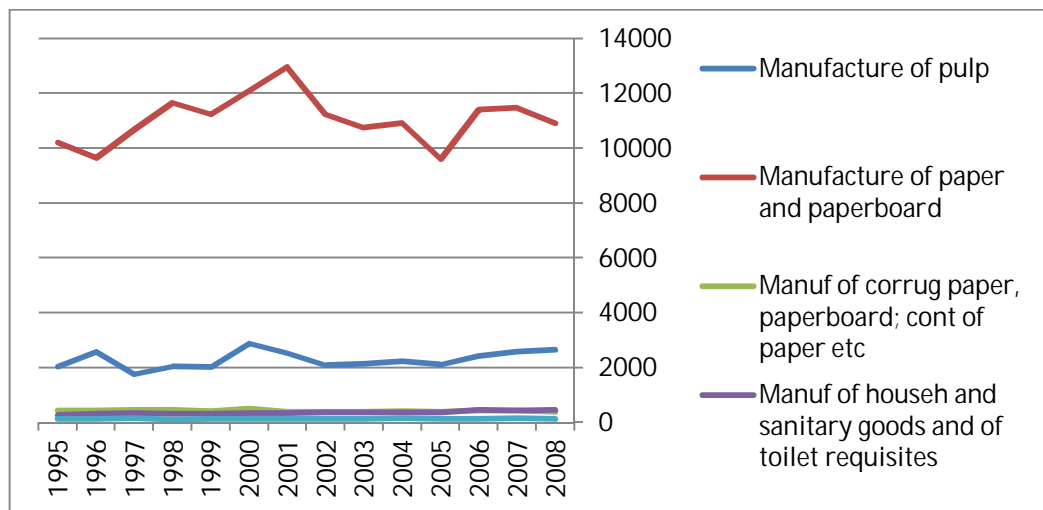

FIGURE 20. Investments in pulp and paper in a line chart (Statistics Finland 2011).

From the figure 20, it is visible that the investment for the pulp manufacturing segment has had steady growth for last 5 years. Hence, for suppliers, pulp segment is lucrative. (Forest Industries 2011.)

6.1.4   Energy

The Finnish government has priority for energy policy. New nuclear power stations are under construction and renewable energy sector will receive incentives in the long term. Companies related to energy savings will benefit in both, short and long term. Last year electricity import proves that the increase in capacity is important to meet the future growth. This capacity extension is a positive signal for the suppliers in the short term. (Energiateollisuus 2011.)

TABLE 10. Investments in energy sector (Statistics Finland 2011).

INVESTMENTS IN TANGIBLE ASSETS	2008	2007	2006	2005	2004
Electricity, gas, steam and hot water supply	14519	12221	12467	10459	10424
Production and distribution of electricity	13542	11278	11648	9918	9956
Production of electricity with hydropower and wind power	482	366	313	436	339
Combined heat and power production	2661	2189	2638	2237	2278
Production of electricity with nuclear power	2132	1657	1564	1442	1259
Combined heat and power production for industry	550	496	483	288	535
Transmission of electricity	573	557	627	483	580
Distribution and trade of electricity	7144	6012	6022	5030	4915
Production and distribution of gas, steam and hot water	976	943	819	541	468

The figure below displays a great growth in investments in the largest segments in this business secretor, expanding the total industry. The supply and the production are growing in hand in hand.
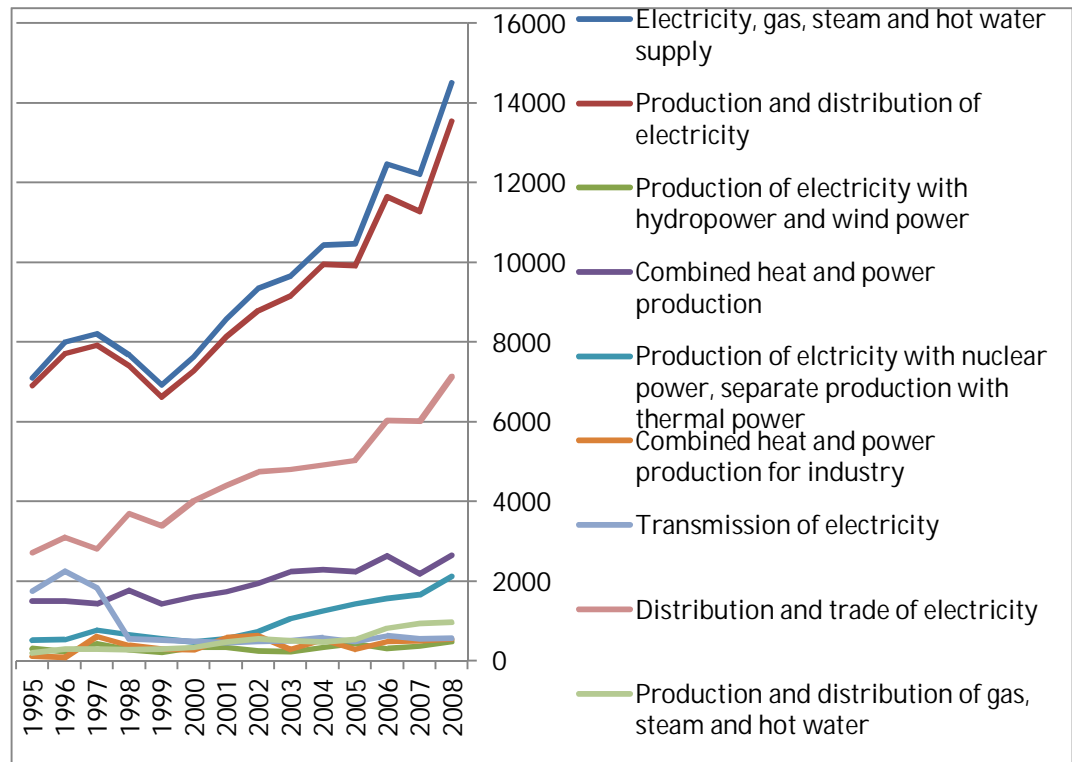
FIGURE 21. Investments in energy sector in a line chart (Statistics Finland 2011).

6.1.5   Foodstuff

Government has taken a policy to double up the food production and exports by 2030. Therefore, the sector is expected to experience 4% growth annually in short term. (Ministry Of Agriculture And Forestry 2011.)

TABLE 11. Investments in foodstuff sector (Statistics Finland 2011).

| INVESTMENTS IN TANGIBLE ASSETS FOR PROD, PROCESS, MNF	2008	2007	2006	2005	2004
meat and meat products	3013	2808	2624	2726	2593
fish and fish products	206	199	181	160	153
fruit and vegetables	598	541	540	517	518
vegetable and animal oils and fats	263	142	223	203	195
dairy products	2520	2199	2103	2047	2187
grain mill products, starches and starch products	321	295	258	295	264
prepared animal feeds	654	586	530	521	522
other food products	2376	2384	2207	2110	2154
beverages	1356	1295	1124	1091	998
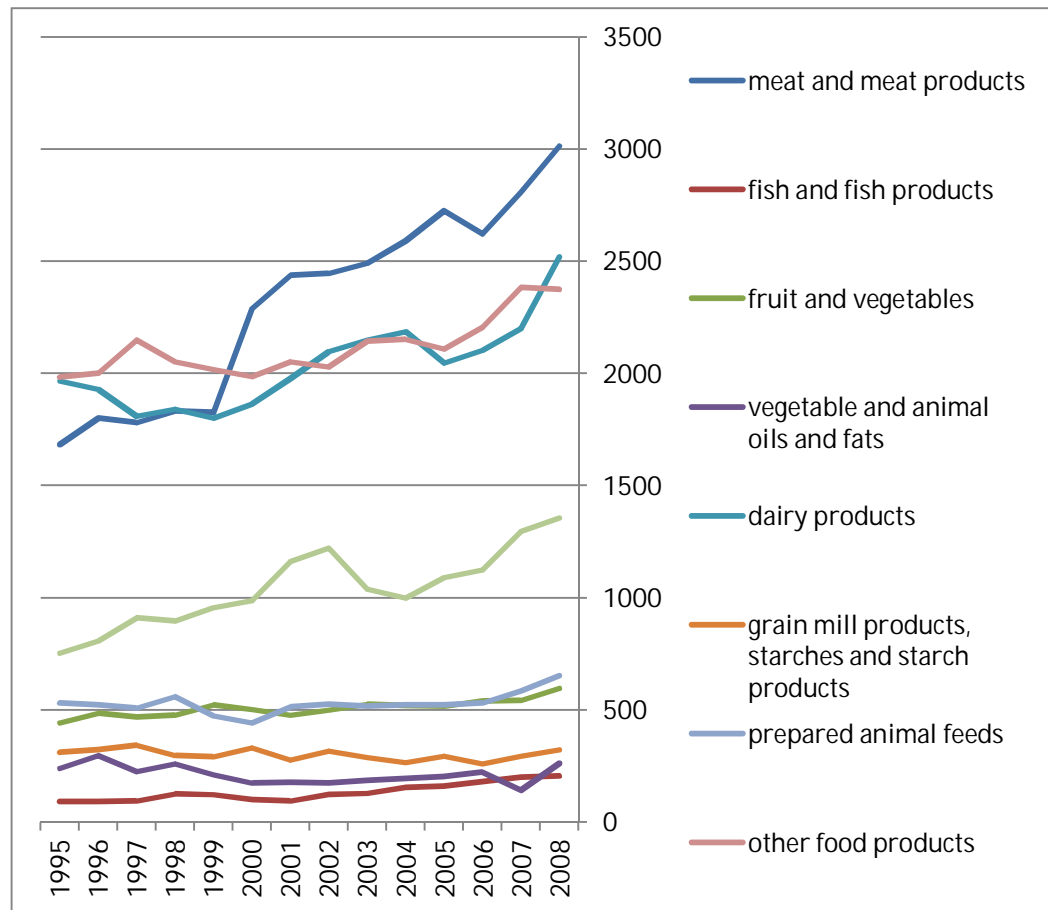
FIGURE 22. Investments in foodstuff sector in a line chart (Statistics Finland 2011).

Meat related segment along with oil, beverages and dairy products have had good investments for the last 2 - 3 years. These segments should achieve better growth in the near future as the government's policies kick in.

6.2   Manufacturing

The table 12 shows the recent development of manufacturing sector in Finland. Out of the seven segments, metal and manufacturing of basic metal segments have higher volatility and a decreasing trend for investment in the last few years.

TABLE 12.Investments in manufacturing (Statistics Finland2011).

INVESTMENTS IN TANGIBLE ASSETS	2008	2007	2006	2005	2004
Manufacture of basic metals	9339	10034	9305	7779	7767
Manuf of fabr metal products, except machinery and equipment	9845	8987	7316	6411	5885
Manufacture of other metalworking machine tools	283	260	243	213	208
Manufacture of other machine tools n.e.c.	403	385	338	289	233
Manufacture of other special purpose machinery	6619	6292	5503	4757	4192
Manufacture of weapons and ammunition	317	310	300	280	302
Manufacture of domestic appliances n.e.c.	238	229	233	213	221

On the other hand, manufacturing of other special purpose machinery,
manufacturing tools and manufacturing of fabrication metal products have
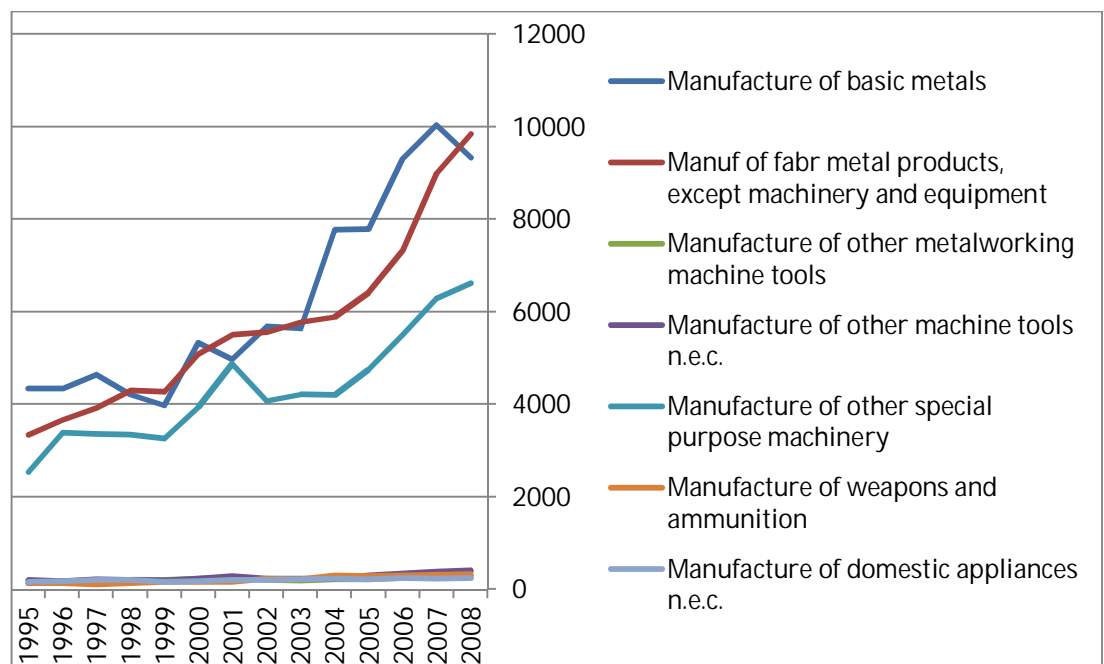experienced an accelerated flow of investments.

FIGURE 23. Investments in manufacturing in a line chart (Statistics
Finland2011).

It is also important to note that this sector is important and large sector for
Finland. Therefore, it should not be simply bypassed even though the relevance
and purchasing frequency are not high.

6.3   Political forces affecting Finland

For country's smooth governing system, most important parameters are voice and accountability, political stability and lack of violence and terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption. (The Worldwide Governance Indicators 2010.)

It can be concluded from the data obtained from The Worldwide Governance Indicators that Finland is an investment friendly country for both domestic and foreign companies. The Finnish Government is ready to welcome foreign direct investment without showing discrimination to any particular country. Legal system of Finland is very transparent as one could expect. Finland has number of international agreements regarding trade and commerce; the country is a member of European Free Trade Association, and the European Economic Area. Finland possesses free zones and free warehouse areas inland, which are duty free storage region. These are offered to domestic and foreign companies. All in all, Finland is trying to do as much as possible to attract investments to Finland (The PRS Group 2010). The figures where the conclusions are drawn are placed in the appendices.

6.4   Technological forces

Finland is ranked as the fourth innovation leader in Europe, after Switzerland, Sweden and Denmark. Higher level of intellectual property is present in Finland compared to the global average. However, the failure to file patents compared to the number of innovations is a drawback for Finland. (Innovation Union Scoreboard 2010.)

 Demanding and innovative projects are funded by the Finnish Funding Agency for Technology and innovation for better operations and developments of technology. Both the existing and freshly started companies get the advantage from the agency. (The PRS group 2010.)

6.5   SWOT analysis of Uponor Suomi Oy

The Swot analysis consists of the strengths, weaknesses, opportunities and threats from the industrial building point of view. The situational analysis works as a base for the analysis. The strengths and weaknesses were discovered in analysis of micro environment and the opportunities and threats were found while examining the external environment as well as competitor analysis.

TABLE 13. SWOT analysis of Uponor Suomi Oy.

Strengths	Weaknesses
- Strong expertise in the plastic industry - Capital adequacy - Well established supplier networks	- Lack of information of the current customers in the industrial building market - In ability to convert its pioneer situation into competitive advantage (competing with price)
Opportunities	**Threats**
- Increase the market share in the industrial building market - Capitalising the growing investments in the segments	- Economic downturn - Tightening price competition in the marketplace

7   INDUSTRIAL BUILDING SECTOR RESEARCH

7.1   Research Method

Quantitative research method is used as synonymous for primary or secondary data collection and data analysis that generates or uses numerical data for graphs and tables (Bryman & Bell 2003, 145). The term "quantitative" is widely used in business and management research to explain both data collection techniques and data analysis procedures. The distinguishing character between quantitative and qualitative research methods is their focus. Quantitative research looks at numbers, where as the qualitative study focuses on the answers itself, the quality. In research, the aim of quantitative technique is to find a probable theory, which can explain and interpret the data. The research in this thesis followed the quantitative research method. This approach was chosen to maintaining objectivity throughout the research as well as to obtain maximum amount of data. (Bryman & Bell 2003, 155.)

7.2   Raw data collection process and technique

The data for the analysis was collected by internet survey which was pointed to industrial sector decision makers. Email questionnaire was sent to the companies that were discovered that fit into the segments that were formed earlier. The companies were selected from a list of 2,000 largest Finnish companies and unions' websites. In total, the questionnaire was sent to 150 companies. The data collection took place on Digium internet survey platform and later the raw data was exported to SPSS. The obtained data is used for analysing the market attractiveness, and applicable factors through frequencies and t- tests. Raw data gives the research an unbiased output. McGivern states that primary research is designed to obtain data for a problem that has not existed before. (McGivern 2006, 60-61). The role of raw data collection is to generate data to address the information needs in relation to a specific problem or issue.

7.3   Reliability and validity of data

Consistency of scores is a gauge for data reliability. This means that if the same research was about to take place again, similar data would be achieved. As for Bryman and Bell, data validity concerns with the integrity of the conclusions that are generated from the research. The primary validity types are measurement and internal validity. Measurement validity includes the query whether the research measures what it claims to measure. Internal validity refers to the ability of the questions to measure what is aimed to measure. When internal validity is achieved it enables to make links and associations between the variables. (Bryman & Bell 2003, 33). The dataset in this research is quite narrow due to exact limitations. The case company's need to research the market is focused only on the largest companies in Finland and this made it very difficult to obtain the information about the markets. Therefore the validity of the research is questionable; is it a true image of the current market? Certainly the segments where only one or two answers were recorded, the data validity is very questionable. However, the mining and energy segments can be considered valid and reliable because of the total size of the companies compared to the total markets.

7.4   Interpreting and analysing data

The next chapters introduce the gathered data and present it in figures. The descriptive statistics is used for interpretation of the data. IBM's statistical analysis software called Statistical Package for the Social Sciences (SPSS) is used for analysing and drawing the graphics.

7.4.1   Introduction of the dataset

In total 20 responds were gathered by the internet questonnaire. The percentage distribution of the business field of the respondents is prsented on the figure 24.
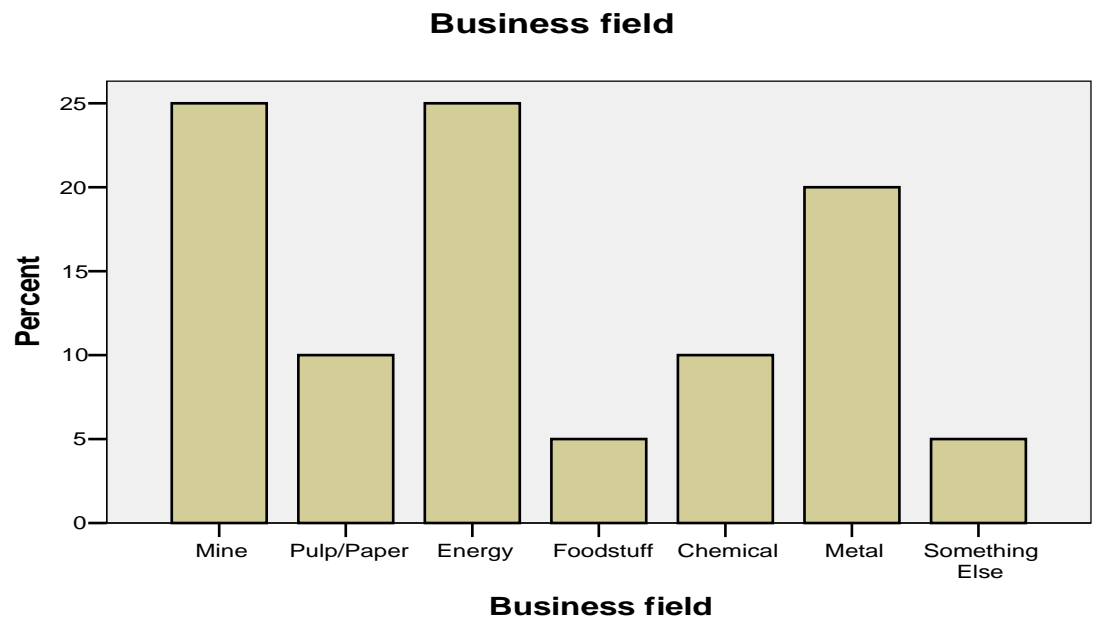
Business field

FIGURE 24. Distribution of respondents in bar charts.

Majority of the respondents are from mining, energy and metal fields. These three segments account for 70% of the respondents. The rests of the respondents are from pulp/paper, foodstuff and chemical segments. Only one of the respondent is not from the earlier mentioned industries. Hence, 95% of answers fall into these six segments.

TABLE 14. Distribution of respondents.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mining	5	25.0	25.0	25.0
	Pulp/Paper	2	10.0	10.0	35.0
	Energy	5	25.0	25.0	60.0
	Foodstuff	1	5.0	5.0	65.0
	Chemical	2	10.0	10.0	75.0
	Metal	4	20.0	20.0	95.0
	Something Else	1	5.0	5.0	100.0
	Total	20	100.0	100.0	

7.4.2   Q1/ How will your industry develop in the next five years?

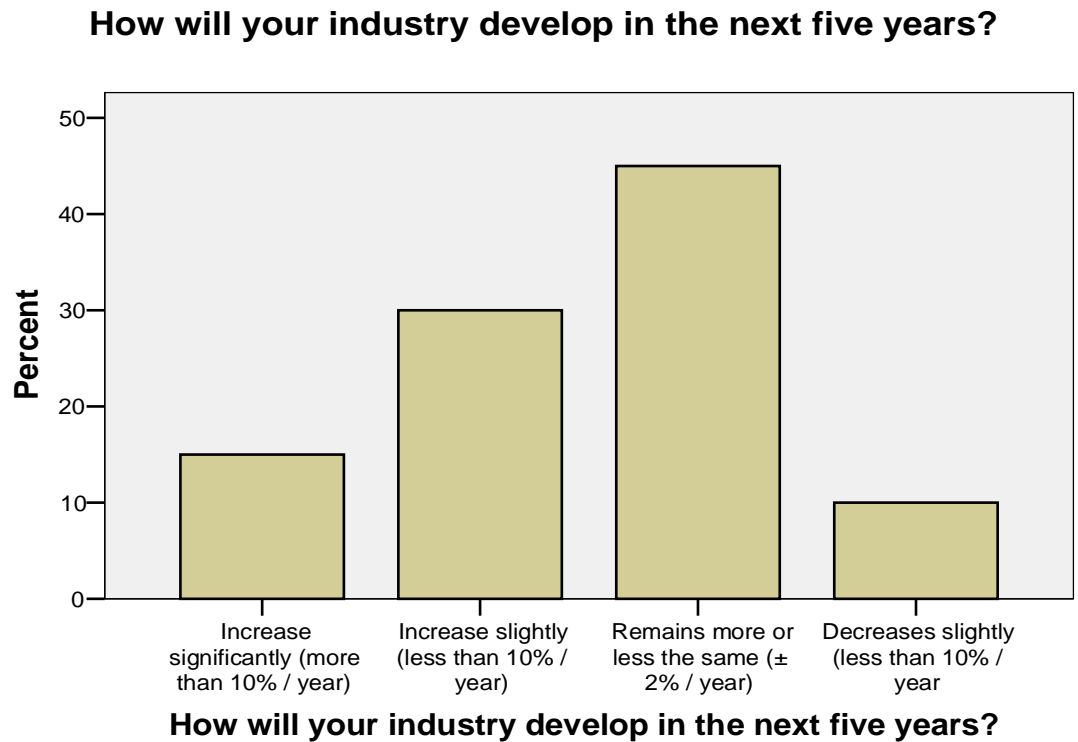**How will your industry develop in the next five years?**

FIGURE 25. The industry development.

The figure 25 presents the answers to the first question, which is, how will your industry develop in the next five years? Nine respondents think that their industry remains more or less the same (± 2% / year), this accounts for 45% of total. Also slight increase received support, 30% of respondents see their industry grow above 2% but less than 10%. 3 respondents believe in strong growth while there were no respondents who thought that their industry would decrease significantly.
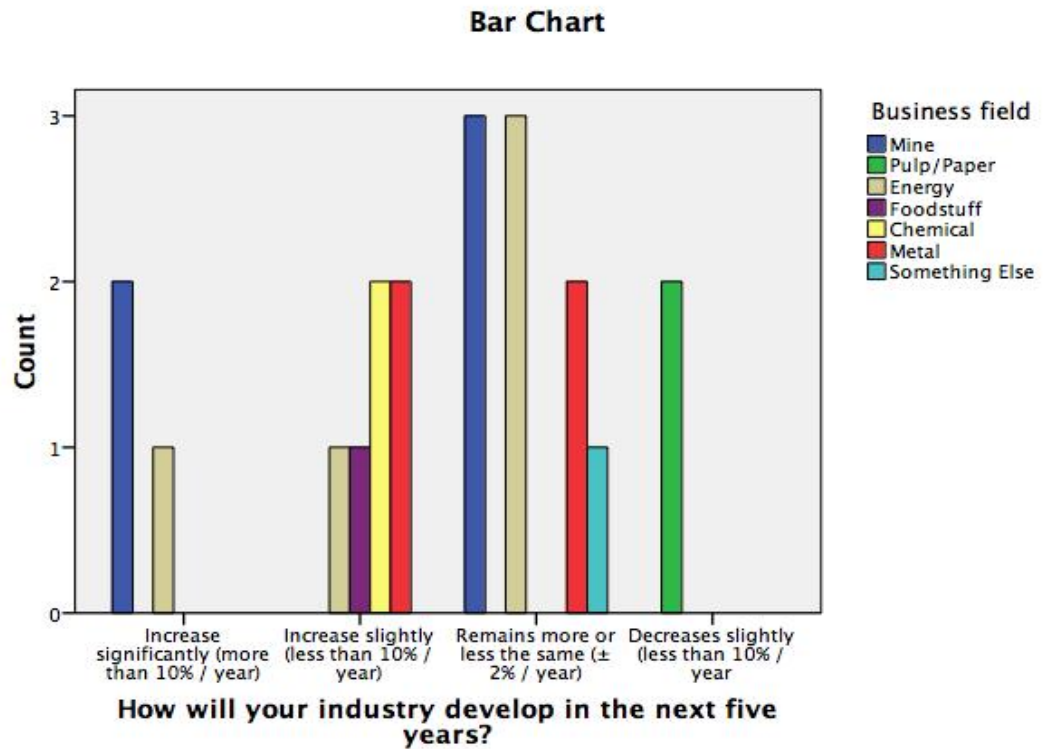
Bar Chart

 FIGURE 26. Cross tabulation of industry development expectations and business field.

To find out which industries expect good growth for the future, cross tabulation is used to gain the insights. The three respondents that are expecting significant increase within their industry are from the mining and energy segments. Two out of these three respondents are from mining industry. Both of the respondents from the chemical field are expecting slight increase as well as 50% of the metal are in favour of slight increase and 50% for remaining the same. In the other end of the spectrum, all of the respondents, two, that anticipate slight decrease in their business come from the pulp and paper segment. Therefore, some pattern formation can be found from the data. More or less the energy and mining segments are looking for growth in the near future.

7.4.3 Q2 / How much will you invest in plastic pipe systems on annual basis?

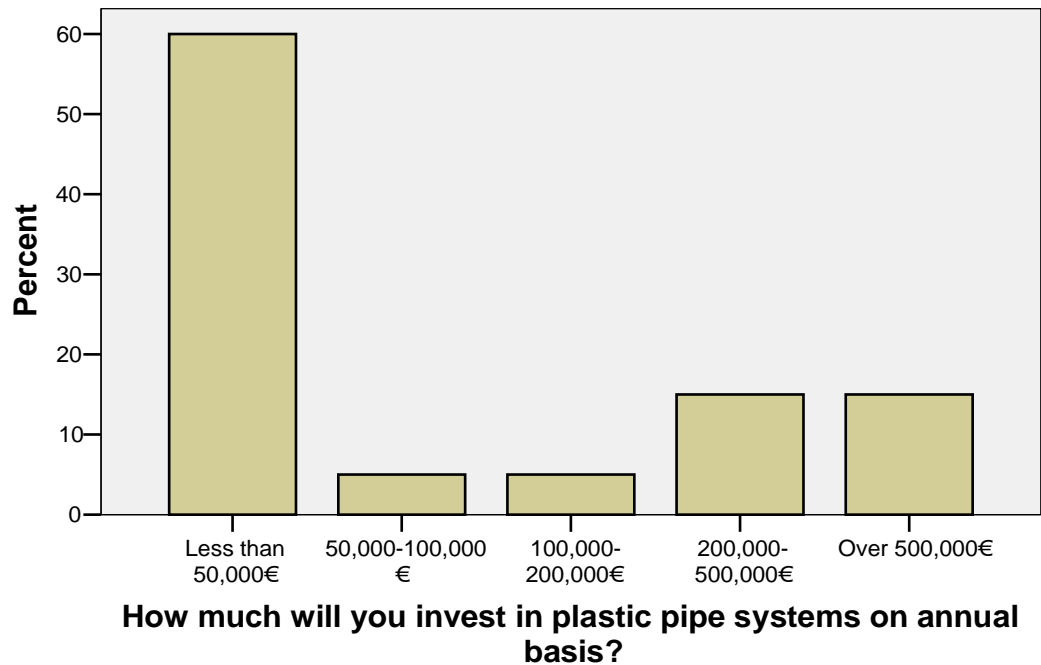**How much will you invest in plastic pipe systems on annual basis?**

FIGURE 27. Investments in plastic pipes on annual basis.

The next question is, how much will you invest in plastic pipe systems on annual basis. Majority, 60% of respondents answered that their investment will be less than 50,000€ On the other hand, 30% are looking to invest more than 200,000€ In total if counting from the lowest possible values, these respondents are expecting to spend 2,250,000 Euros on plastic pipes on annually.

TABLE 15. Investments in plastic pipes on annual basis.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 50,000€	12	60.0	60.0	60.0
	50,000-100,000€	1	5.0	5.0	65.0
	100,000-200,000€	1	5.0	5.0	70.0
	200,000-500,000€	3	15.0	15.0	85.0
	Over 500,000€	3	15.0	15.0	100.0
	Total	20	100.0	100.0	

Before to see which of the businesses are behind these figures, a Pearson's correlation test is used to find out whether there is any correlation between the respondents who believe the growth is either high or low with their investments.

TABLE 16. Pearson's correlation test.

		How will your industry develop in the next five years?	How much will you invest in plastic pipe systems on annual basis?
How will your industry develop in the next five years?	Pearson Correlation	1	-.072
	Sig. (2-tailed)		.762
	N	20	20
How much will you invest in plastic pipe systems on annual basis?	Pearson Correlation	-.072	1
	Sig. (2-tailed)	.762	
	N	20	20

Table 16 clearly presents that there is no correlation between the respondents who believe the growth is either high or low with their investment; the reading came out as -.072 with statistically insignificant value and show no correlation between these the two variables.
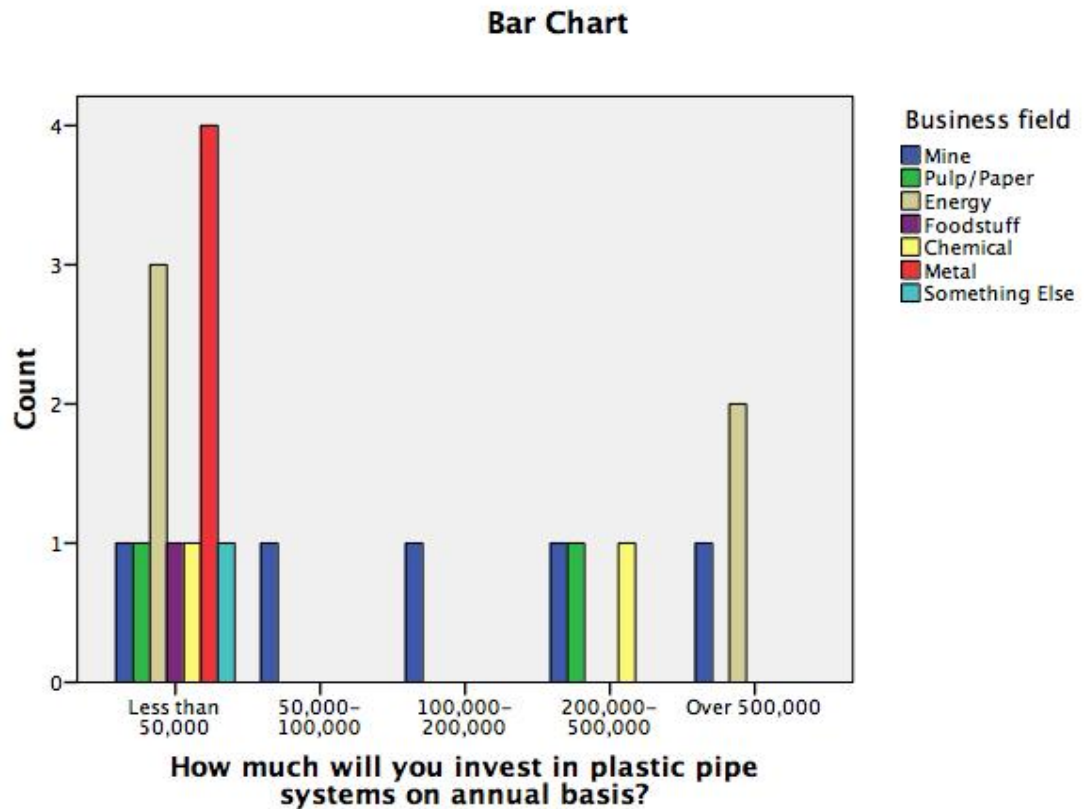
Bar Chart

FIGURE 28. Cross tabulation of business field and annual investments.

The cross tabulation over the business field and annual investments bring some light to the issue of which companies are going to spend more on plastic pipe solutions. The patterns shown on the figure are not strong but visible. For example, the mining respondents all gave a different answer, suggesting the investments in this segments can vary from less than 50,000 Euros to over half a million. All of the metal field respondents reckon to spend less than 50,000 Euros. Clearly the energy industry is, according to this research, going to spend the most on plastic pipe systems. Two out of five respondents believe to spend more than 500,000 Euros annually.

7.4.4   Q3/ Who influence the purchase decision?

The third question is, who influence the purchase decision? This question was presented as a multiple choice question where the choices were, company decides, designer, contractor/installer and someone else. The answers are presented by each segment below.
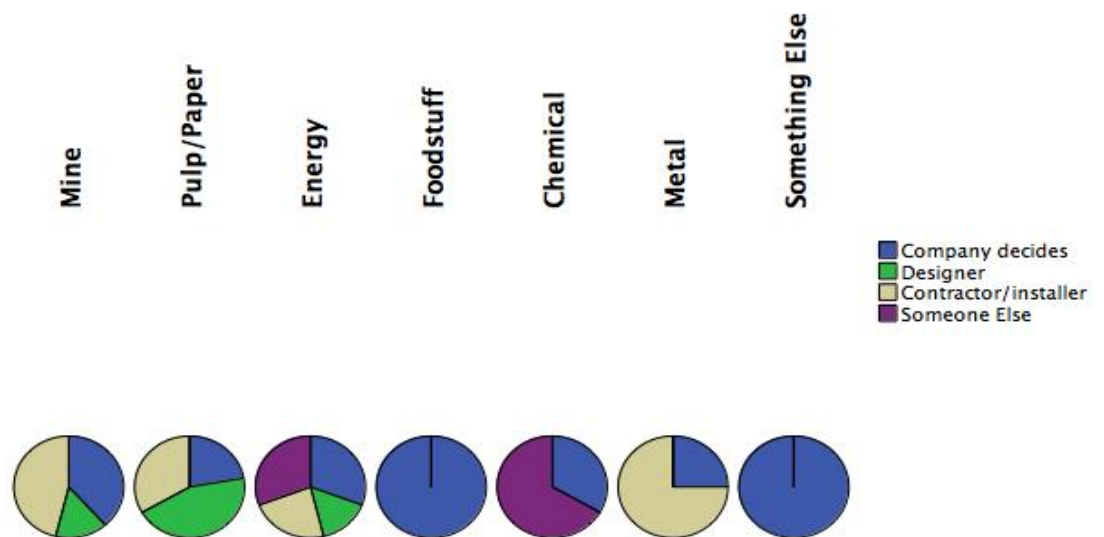

FIGURE 29. Decision influencers by each segment.

The decision influencers vary quite a lot when comparing the segments to each other. Interestingly, the two largest plastic pipe purchasers, mining and energy segments share some characteristics but are not identical. The biggest influencers of the decisions made in the mining segment are, company itself and contractor, also the designer has some influence. In the energy segment, all of the choices received support; however company's influence and, interestingly someone else's influence gained the most popularity.

On the whole industry level, a t-test was run to find out whether the findings are statistically significance.

TABLE 17. One-sample test of purchase influencers.

One-Sample Test

	t	df	Sig. (2-tailed)
(company decides)	10.376	19	.000
(Designer)	2.179	19	.042
(Contractor installer)	2.854	19	.010
Someone Else)	1.453	19	.163

Table 17 demonstrates that company, designer and contractor/installer are significant as influencers for a purchase.

7.4.5 Q4/ The basis on which the company choose the supplier for plastic pipe systems?

The fourth and last question is, again, a multiple choice question where the respondents are asked which criteria they use to select the supplier for plastic pipe systems. The choices are price, value for money, past experience with the supplier, supply assurance, awareness of the supplier, delivery time, product availability, technical solution, contact personnel and supplier location. The output shows that value for money is the primary factor when looking at all the segments together.

TABLE 18. Criteria for supplier selection.

		Frequency	Percent
Valid	Other	11	55.0
	Price	9	45.0
	Total	20	100.0
Valid	Other	7	35.0
	Value for money	13	65.0
	Total	20	100.0
Valid	Other	12	60.0
	Past Experience	8	40.0
	Total	20	100.0
Valid	Other	10	50.0
	Supply Assurance	10	50.0
	Total	20	100.0
Valid	Other	17	85.0
	Awareness of the supplier	3	15.0
	Total	20	100.0
Valid	Other	14	70.0
	Delivery time	6	30.0
	Total	20	100.0
Valid	Other	14	70.0
	Product availability	6	30.0
	Total	20	100.0
Valid	Other	12	60.0
	Technical Solutions	8	40.0
	Total	20	100.0
Valid	Other	17	85.0
	Contact personal	3	15.0
	Total	20	100.0

Valid	Other	19	95.0
	Supplier Location	1	5.0
	Total	20	100.0
Valid	Other	20	100.0

Running a one-sample test, it is found that that only awareness of supplier, contact personnel, and supplier location are insignificant basis for choice of supplier. The rest of the factors, price, past experience, supply assurance, delivery time, product availability, and technical solution are statistically significant meaning the respondents use these criteria as basis for their decisions. The significance readings are shown on the table 19 below.

TABLE 19. T-test of supplier selection criteria.

One-Sample Test

	t	df	Sig. (2-tailed)
(Price)	3.943	19	.001
(Value for Money)	5.940	19	.000
(Past Experience)	3.559	19	.002
(Supply Assurance)	4.359	19	.000
(Awareness of the supplier)	1.831	19	.083
(Delivery time)	2.854	19	.010

(Product Availability)	2.854	19	.010
(Technical Solutions)	3.559	19	.002
(Contact Personnel)	1.831	19	.083
(Supplier Location)	1.000	19	.330

Only value for money has above 50 per cent frequency and therefore is a major criteria for supplier selection. However, these readings do not tell much about how the decisions are made within the segments but rather give an overall view of the whole industry.
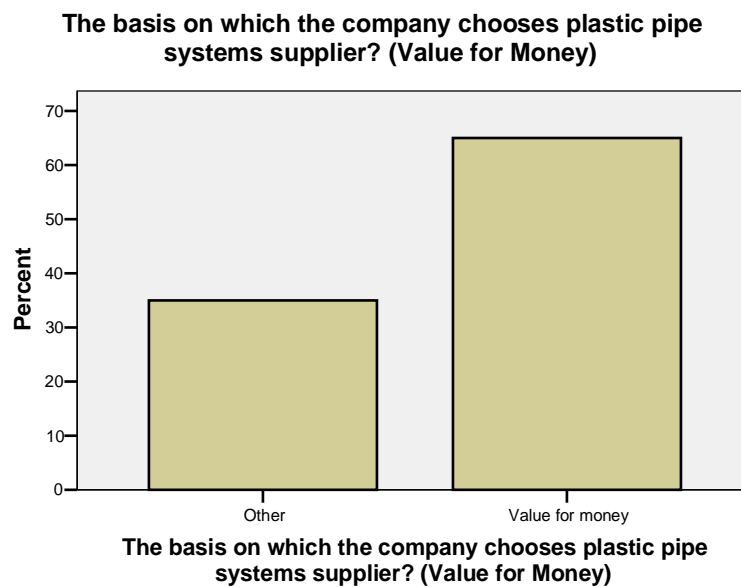

FIGURE 30. Value for many versus other criteria.

The figure 31 shows the different criteria used to make the purchase decision in each segment. The data breakdown by segments tells a whole different story than looking at the industry level. Only in chemical and energy segments the value for money receives support. In addition, price only gains very marginal support.
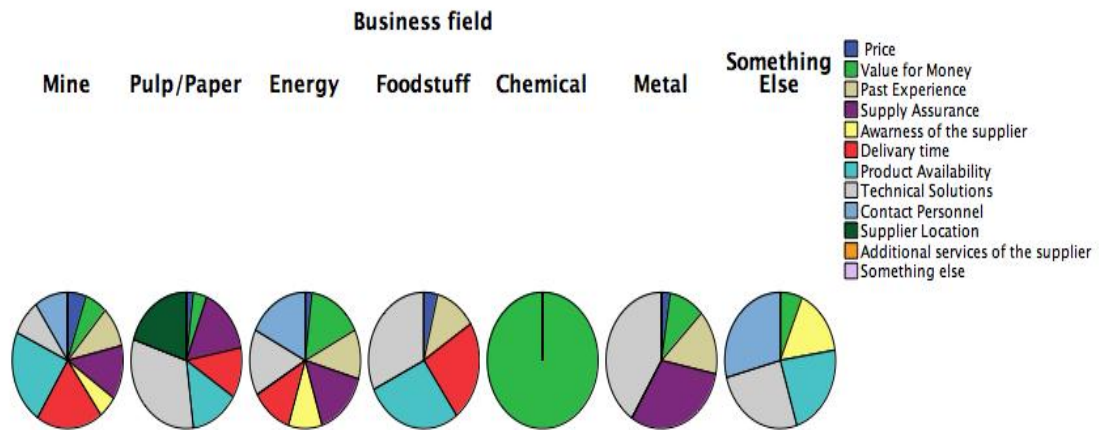

FIGURE 31. Supplier selection criteria by segments.

Over half of the decision weight is put on product availability, delivery time and supply assurance in the mining segment, price and value for money are in this segment marginal criteria. In paper/pulp, foodstuff and metal segments the major criteria is the technical solution provided by the supplier. In the energy segments all of the criteria received some support and are quite evenly distributed. Contact personnel, supply assurance, and value for money account for more than 50%. These pie charts clearly show that the reasons for the selection of supplier are different in each segment.

8   FINDINGS & RECOMMENDATIONS

Using the data obtained in the research to draw a matrix of purchase volume versus the growth outlook results in figure 32.
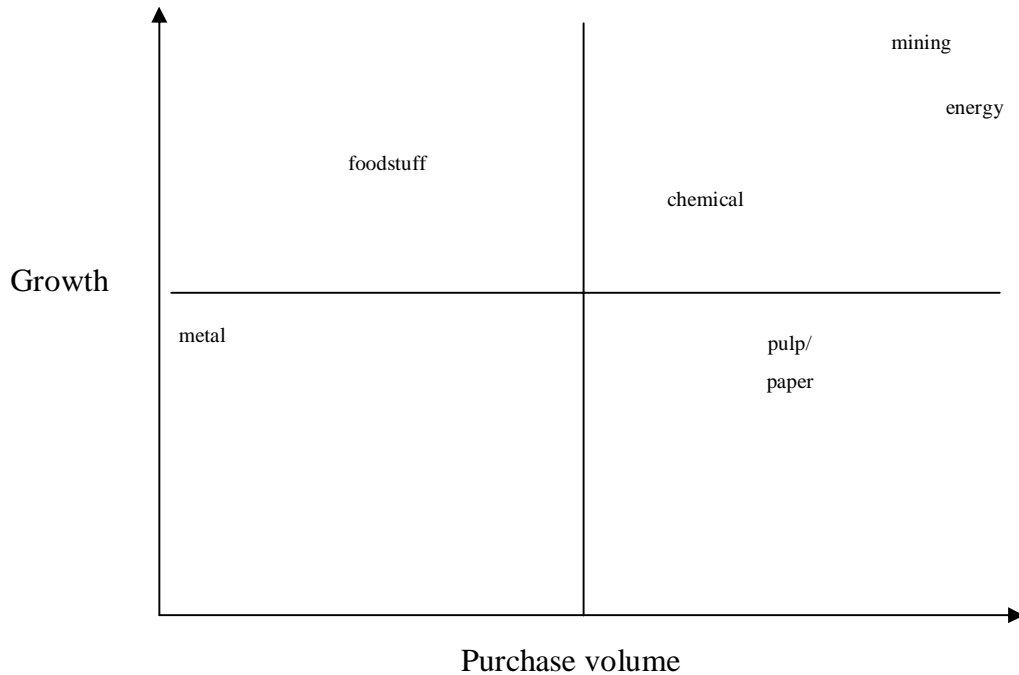

FIGURE 32. Segments' purchase volume and growth matrix.

Two of the segments are classes on their own, giving good growth and high purchase volumes. These are the miningn and energy segments. The third segment that also ends in the positive territory is the chemical segment.

As it was mentioned in the theoretical part, the attractiveness of segment is built on three factors, which are size, growth and structure. Structurally, the two main competitors are known to be key players in the industrial sector. In order for Uponor Suomi Oy to beat its competitors in these two segments they need to build a position so that it differentiates from the competition. Both of the competitors solve the customers' problem by tailoring the solution directly to the customer. This could be a starting point for Uponor as well, but adding differentiated customer service alignments according to their attractiveness builds a competitive advantage.
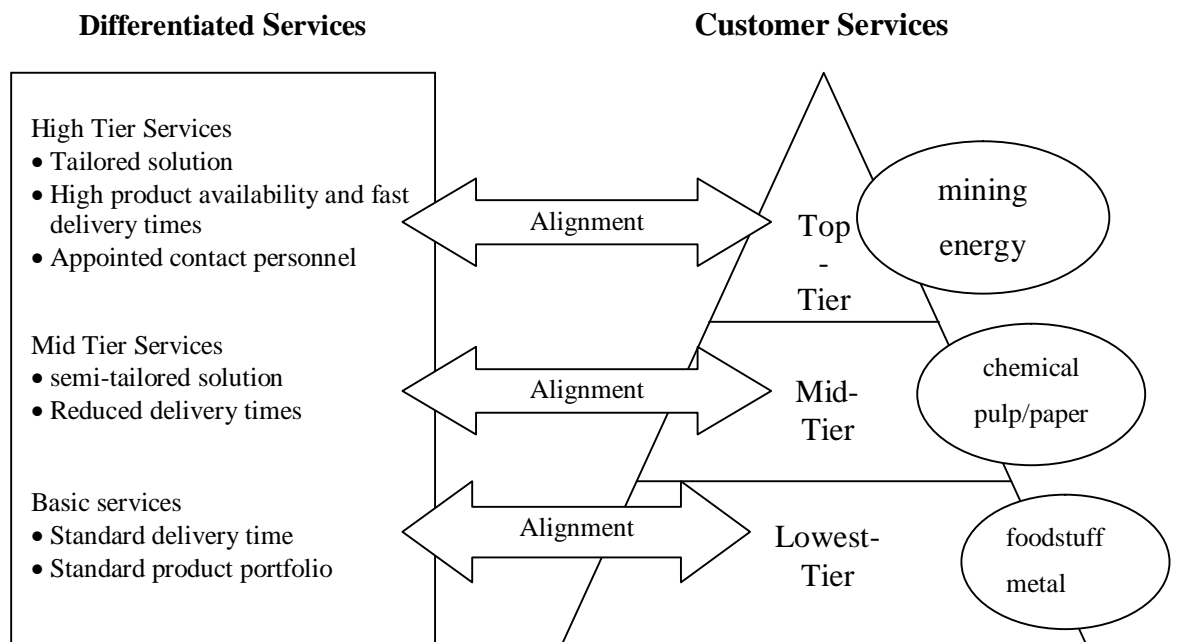
FIGURE 33. Suggestion of differentiated service alignment for Uponor.

Using customer tier classes, Uponor will be better equipped to serve its most attractive and possibly the most profitable customers.

This study does not give answers on how to implement the segmentation and differentiated services, thus future research should focus on the implementation and the specific needs of these customer segments.

9   SUMMARY

The topic of the thesis was to search for the most attractive customer segments in the industrial building market. The thesis is research based and the primary research is in the chapter 8.

The theoretical part of the thesis covers the situational analysis, which consists of the micro and macro environments as well as the common analysing method called SWOT. Introduction of business markets and business buying behaviour, and lastly segmentation process from start to finish were also discussed in theory.

The empirical study concentrates on the industrial building sector in Finland. In the beginning, the segmentation process was carried out to discover segments within the industrial building market. The segmentation was done only on the macro level and the variables that were used are size, location and business classification. The segments that were identified are mining and quarrying, energy supplying, manufacturing of foodstuff, metal, chemical and pulp and paper. All the other segments were categorised as "something else".

Notable from the micro analysis is that the main direct competitors are already targeting the industrial building market and Uponor is lagging behind. However, Uponor's position as the pioneer and market leader in general is enabling them to generate some sales from the industrial market through the wholesaling network. Problematically, Uponor's only competitive mean at the current time is price, which was later discovered to be a less significant criteria for the most attractive segments.

The primary research results revealed that the companies operating in the mining and energy supplying fields view their future prospects most brightly. Furthermore, these two segments also show the best potential by having highest purchase volumes. In contrast to Uponor's current competitive mean, the respondents answered that the supplier selection is based on product availability, delivery time, supply assurance and technical solutions.

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APPENDINCES

FINLAND, 1996-2009

Aggregate Indicator: Voice & Accountabillity

Individual Indicators used to construct Voice & Accountability

Appendix 1. Voice and accountability (The Worldwide Governance Indicators 2010).

FINLAND, 1996-2009

Aggregate Indicator: Political Stability and Absence of Violence

Individual Indicators used to construct Political Stability and Absence of Violence
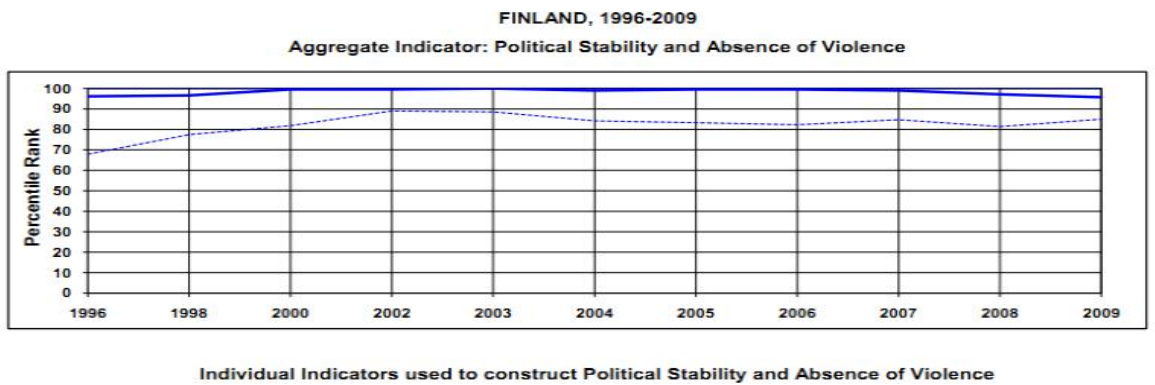
Appendix 2. Political stability and absence of violence (The Worldwide Governance Indicators 2010).

FINLAND, 1996-2009

Aggregate Indicator: Government Effectiveness

Individual Indicators used to construct Government Effectiveness

Appendix 3. Government effectiveness (The Worldwide Governance Indicators 2010).

FINLAND, 1996-2009
Aggregate Indicator: Regulatory Quality
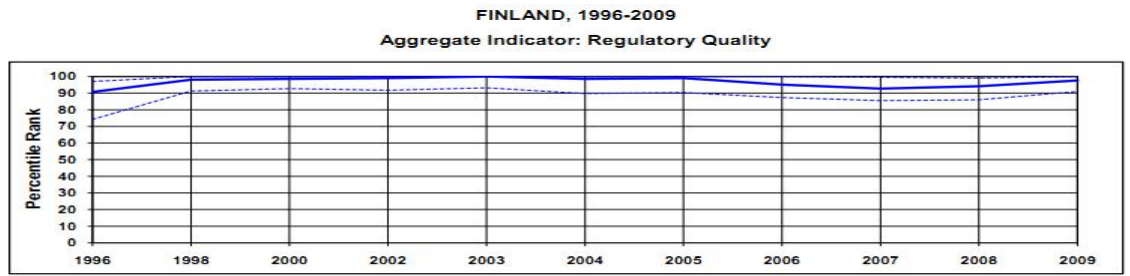
Individual Indicators used to construct Regulatory Quality

Appendix 4. Regulatory quality (The Worldwide Governance Indicators 2010).

FINLAND, 1996-2009
Aggregate Indicator: Rule of Law
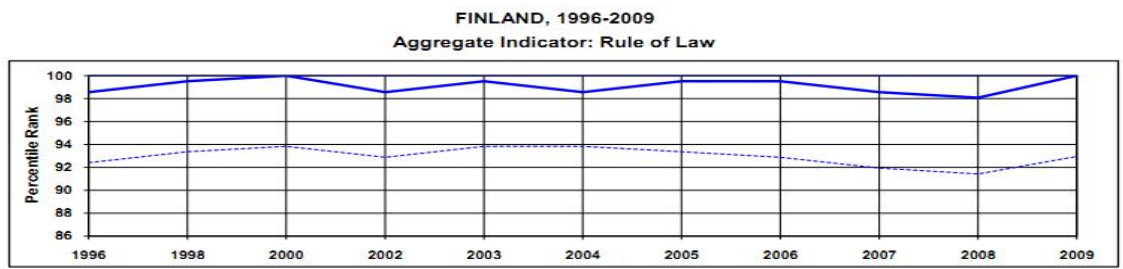
Individual Indicators used to construct Rule of Law

Appendix 5. Rule of law (The Worldwide Governance Indicators 2010).

FINLAND, 1996-2009
Aggregate Indicator: Control of Corruption

Individual Indicators used to construct Control of Corruption

Appendix 6. Control of corruption (The Worldwide Governance Indicators 2010).