

Premium B2B services on a price sensitive market

- A Case Study of a Swedish B2B Service Company in India

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Abstract

- Title:** Premium B2B services on a price sensitive market - a case study of a Swedish B2B service company in India.
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- Issue of study:** Bombayworks is a Swedish web development company, whose Indian market entry will be the point of analysis of this master thesis. Many issues arise with market entry and the most prevalent ones in this case are the lack of a formalized business model and pricing strategy. One corner stone in pricing, perhaps the most important one, is value. Many have argued that the actual value of an offering is seldom the same thing as the perceived value for the buyer. This leaves companies, such as Bombayworks, with the choice of either adjust their prices to match the buyers' perception or to try to alter the clients' perception. The situation is even more challenging for Bombayworks, since one has no formalized business model and aims to enter a cost sensitive market.
- Purpose:** The purpose of this master thesis is to map the business model of a premium B2B service company in India, to identify factors that affect the pricing strategy.
- Method:** An explorative case study has been conducted on Bombayworks, a digital agency with operations in Sweden and India. The company's business model in India has been mapped through a two-month observation study and the use of the Business Model Canvas. Several external parties have also been interviewed, to get a deep understanding of the conditions that applied on the Indian market. The data components were then merged with established theoretical concepts, in order to complete the purpose of the study.

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Conclusions: The findings of the study were inconclusive. However, several indicators were found that indicated that it would be possible for the case company to charge a premium price. The primary indicator is mainly connected to the service knowledge level of the potential customer. If the customers had a high knowledge of the service, they were more willing to pay a premium price.

Key Words: Web Design, Case Study, B2B Services, Business Modeling, Pricing, Value, Value Perception

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Definitions

Active Server Pages (ASP).NET

Web application framework developed by Microsoft.

ActionScript (AS)

Object-oriented programming language primarily aimed at web development on the Flash platform.

Augmented reality

A live view of real life objects and environments, where elements are augmented by computer generated sensory data.

Cascading Style Sheets (CSS)

The language for defining the design and layout of a web page.

Content Management System (CMS)

A system that enables users to modify the content of a web page via a graphical user interface.

Flash

Web technology or software developed by Adobe Systems Incorporated. The technology enables the user to create web content that combines video, sound and animation.

Front and back end

Layers of software design. The front end is visible for the user and composes the user interface. The back end connects, for instance, a front end and a database.

Hypertext Preprocessor (PHP)

Scripting language on the server-side. PHP is an open source language especially suited for the creation of dynamic web development and one of the first languages that could be integrated in HTML.

Hypertext Markup Language (HTML)

The language that describes the text on a web site. The HTML code denotes the basic elements of a web site: the words, hyperlinks and images on the page.

JavaScript

One type of programming language, where the user can add dynamic features to web sites. The language is used by many web services.

Microsite

A smaller web page, that aims to promote a specific aspect of a bigger network. For instance, a car company could make a specific page for one newly released model.

Mobile Operating Systems

The software that manages the phone hardware and supplies common services for additional applications, iOS, Android and Windows Phone, Symbian are all mobile operating systems.

Mockup

Prototype of design and / or functionality.

Objective-C

Objective-oriented programming language mainly used for development in Mac OS X and iOS.

Search Engine Marketing (SEM)

Internet marketing aimed to promote web sites by optimizing the results in search engines.

Search Engine Optimization (SEO)

The work of improving the visibility of a website in a search engine. The process is aimed at taking advantage of the natural and un-paid search. The more frequently that a web site occur in the search results, the more visitors will be retrieved from the search engine.

Service Level Agreement (SLA)

The level of service is formally described in a service contract.

1 Introduction

The chapter will start with a brief background of the setting of the case; the Indian market, the IT-industry and the specific case company. The problem discussion will follow, which is divided into four objectives, to ease the comprehension of the more concrete purpose. The chapter will end with a deliberation of limitations and target group of the study.

1.1 Background

India is without denial one of the most important and promising growth markets of the world (Bijapurkar, 2009). The market is ready to explode in a great number of industries (Vøgg, 2012). The country is large, young and has just initiated its journey of consumption (Bijapurkar, 2009). India is the fourth largest economy in the world by GDP and offers opportunities due to its higher disposable incomes, emerging middle class and low-cost competitive workforce (HSBC, 2010). Over 1 billion people of the total population of 1.2 billion are considered as consumers. The number is growing with about 1.6 percent annually, which means that India adds itself a consumer population equivalent to the population of Australia every year. The total population of India is predicted to comprise 18 percent of the world's population in 2030. (Bijapurkar, 2009)

The Indian Information Technology - Information Technology enabled Services (IT-ITES) has for decades been an important growth driver for the Indian economy. The industry has been an initiator in the transformation of India to an economy considered as knowledge-based. In 2010-2011 the sector's contribution to the country's GDP was 6.4 percent and is expected to account for 7 percent in 2014-2015. The industry employs about 8.3m indirect jobs 2011 and according to estimates in the industry, the sector will provide a total amount of 30m jobs in 2020. (Ernst & Young, 2011) One large contributor to the growth in the IT-sector is India's position as an important service provider to the world. Activities such as back office support, accounting, payments, ticketing and customer interaction are commonly outsourced to the country. (Agrawal, Goswami & Chatterjee, 2010) India has for a number of years been the number one country of strategic offshoring, but has simultaneously become a significant and attractive market itself (McKinsey, 2005). India is ranked the number two favorable destination for Foreign Direct Investment over 2010-2012 (United Nations, 2010).

Bombayworks is a digital web agency that was founded in 2007 and sells business to business (B2B) services such as websites, mobile applications etc. The company practices a working model named Hybrid Outsourcing. The implication of the model is that Bombayworks works in integrated teams between Sweden and India, where developers are located in both Malmö and Mumbai. The company has been physically active on the Indian market since the initial phase of the company's

history, but has only sold their services on the Swedish market. Due to the high growth and development in India, Bombayworks initiated an idea of entering the Indian market and explore if there is a potential to sell their service on the market. The starting point of the case and research area of the authors was the initial phase of Bombayworks market entry in India.

1.2 Problem Discussion

The problem discussion leads to a number of objectives that in combination aim at answering the purpose of the master thesis. The objectives were formulated to better understand the motivations behind the need of further research and analysis, both for the authors and the reader. The objectives and purpose will be deliberated again in the conclusion, to determine if the results of the master thesis are in line with what the thesis was designed for.

Bombayworks had not performed an extensive research of the potential for the company's services to be sold on the Indian market before entry. Also, the company did not have a formalized business model when about to enter the market. A comprehension of the external and internal environment of Bombayworks is crucial to position the company's offering on the Indian market. Consequently, the first objective can be derived:

Objective 1: *To get an understanding of the internal and external environment and develop and formalize a business model for Bombayworks in India*

India is as stated a promising growth market, but certain characteristics are predominate on the market. In general, the Indian market and Indians are price sensitive. It is furthermore unclear how pricing and value perception are defined on the Indian market. This is especially true in the industry that Bombayworks acts in as IT services are more or less commoditized. Customers and consumers are expecting to get software for free or for a very low cost (Anderson, 2009). Application and web developers have a hard time to get return on their investments and there is a need for new business models (Foreman & Ars Technica, 2012). The trend seems to be spilling over to the business to business (B2B) sector as well, where some customers consider web services as something that can be bought by bulk (Glover, 2011; Rotsztein, 2010).

Bombayworks needs to get their pricing right in order to maximize revenues (Nagle and Cressman, 2002). Price is the one and only thing in the marketing mix that generates value for the supplier (Rao, 1984). It is consequently the most important factor in value creation (Gummesson, 2004). If Bombayworks sets their prices too high, they will loose potential customers and if prices are set to low, suppliers will lose potential revenue.

Bombayworks has from start outsourced parts of the production to their Indian development office in Mumbai. This has enabled the company to use a competitive pricing strategy in Sweden. According to discussions above, the price will presumably not be a competitive advantage on the Indian market. Instead, Bombayworks must understand what their customers consider valuable. This has been proven hard in the service sector (Sturts & Griffis, 2005). One problem might be that the supplier makes it hard for the customer to see the value of the offering by charging a constant hourly price for all their services instead of segmenting their offering (Nagle & Cressman, 2002).

The second objective can consequently be formulated as follows:

Objective 2: *To identify primary factors in the business model that affects the company's ability to determine the right pricing strategy.*

After a comprehension of what aspects that affect the case company's ability to set prices, these can be compared to previous research, which result in the third objective:

Objective 3: *To compare relevant aspects derived from the business model with established theory*

The setting and the characteristics of the master thesis are focused on the special case. The goal is yet to generalize the findings of the study, to understand what contribution the study can make in both the practical and theoretical field. The fourth objective of the study is therefore to:

Objective 4: *Generalize findings and adopt a broader perspective and contribute to the knowledge of premium services on a price sensitive market.*

The objectives will in combination result in the more coherent and concrete purpose presented in the next section.

1.3 Purpose

The purpose of this master thesis is to map the business model of a premium B2B service company in India to identify factors that affect the pricing strategy.

1.4 Limitations

The master thesis will analyze how to sell premium B2B services on the Indian market, with hopes of drawing general conclusions from the results of the study. However, several limitations apply. A case study will be conducted on the web agency Bombayworks. The company focuses on advanced programming of web- and mobile applications. Therefore, the results of the study will be restricted to the

environment in which Bombayworks operates. The observation of the company and its stakeholders will be used as the primary source of empirical data. The main sources of information are located in Mumbai and their input is therefore not equivalent with the general opinion of India or the Indian people.

1.5 Target Group

The master thesis will be of interest for companies that want to enter the Indian market, as many relevant and general aspects of the market will be presented. It will also broaden the knowledge within the research area of B2B branding, more specifically aspects related to pricing, business model innovation and value perception. Since the case study will be performed on Bombayworks, companies in the same industry will benefit the most from the presented frameworks. The study will furthermore contribute with new insights and a better understanding of the market for Bombayworks.

2 Methodology

The chapter will start with a short introduction to the case. The working process will then be discussed, which is divided into: planning for entering the field, entering the field and analyzing data. Criticism will then be directed against the authors' choice of methods.

2.1 Introduction to the Case and Method

The section will give a short introduction to the case and the methodological approach chosen for the specific case.

2.1.1 The Case

The master thesis was conducted as the final part of the master program Technology Management at Lund University. The study took place in Lund and on-site in Mumbai, India. Two months were spent in India, where the empirical study and most of the analysis took place. The case that Bombayworks presented to the authors was, in broad terms, to help the company to enter the Indian market. The authors found the case highly interesting, since they were eager to learn more about the country, the industry and the characteristics of the type of company. The starting point of the case and research area of the authors was the initial phase of Bombayworks market entry in India.

2.1.2 Methodological Approach

Along the way with new insights and empirical findings, the authors iteratively revised the frame of theories. The study has therefore followed an abductive research approach. The methodology is a combination of the inductive and deductive methods and allows refinement of the theoretical ground in accordance with empirical findings throughout the process of the study. (Alvesson & Sköldbberg, 1994) The method also supports a flexible approach, which was necessary since the authors were not sure about the research question when entering the Indian market.

The authors accepted the above-mentioned area of study from Bombayworks and then scanned after relevant methods on how to plan the work. The study was considered a case study, since it investigates one phenomenon in depth and within a real-time context, but also since the boundaries between the phenomenon and context are not evident. (Yin, 2009) The authors tried to describe and seek answers to explain "how" and "why" the context looks the way it does and describe an in-depth picture of the actual setting of Bombayworks, to understand what the primary factors are that affect the future success for the company in India. These are additional reasons why the case study can be considered a case study, in accordance with reasoning of Yin.

After an understanding of different methods, the authors decided to mainly base the study on the Case Study Research Approach presented by Eisenhardt. The method was chosen, because the tight fit with the case and because the approach is appropriate when a study is conducted in new topic areas. The study had little, or no connection to previous cases and studies, which was another reason why the method was chosen.

2.2 The Working Process

The working process of the master thesis is divided into three parts: planning for entering the field, entering the field and analyzing data, to better understand the different phases of the study.

2.2.1 Planning for Entering the Field

With starting point in the Case Study Research Approach, the study can involve single or multiple cases and include many levels of analysis. The approach is applicable when focus is on understanding of dynamics in one single setting. (Eisenhardt, 1989) The Case Study Research Approach is therefore pertinent in this master thesis, because the focus on one single case. The study will also be on numerous levels of analysis: market, industry and firm and aims at acquiring a deep understanding of the setting.

Eisenhardt (1989) stresses the importance of when entering a new field and a new type of case, it is crucial to clearly define a research question, to focus efforts and collect data systematically. By a well-defined research question, the risk of becoming overwhelmed by large amounts of data can be minimized. (Eisenhardt, 1989) The authors formulated a broad research question. Even though the research question was broad it resulted in a better understanding of what data the authors were to focus on. This was crucial to not get overwhelmed by all new information and data about the market, industry and company at an initial stage.

As discussed, the formulation of a first research question is important, thus it should not be forgotten that the initial question is just a starting point and may shift numerous times throughout the process. (Eisenhardt, 1989) The authors were early in the process aware that the initial research question would most likely change numerous times, in line with their better comprehension of the prevailing setting and environment of the case.

According to Eisenhardt (1989), the initial question can have some connections and references to existing theories, but focus on relationships and connection is recommended to be avoided in the beginning of the process. The authors' focal point was in the beginning to comprehend the prevalent setting of the case and they

searched broadly for theories related to market entry. The research before the authors' entry on the market was thus limited to general terms.

A highly iterative process characterizes the Case Study Research Approach, which is another reason why this specific method was chosen. The researcher may be focused on one part of the process at the time, but the overall process is a constant iteration back and forth between different steps. (Eisenhardt, 1989) This is applicable in the study, since the authors' approach was to enter the market to gather data about one certain aspect of the study followed by an analysis and reflection. The findings were then compared to theories, in order to understand the differences between the case and already existing theories. The team did thereafter approach the market again in order to acquire more data with a better understanding at hand.

2.2.2 Entering the Field

The evidence of a case study can be qualitative (e.g. reasoning) and quantitative (e.g. statistics) or the result of a combination of the two (Eisenhardt, 1989). Focus will be on qualitative in this study, since it improves the understanding of the rationale or underlying relationships in theory. Another reason for this approach is also that the ability to acquire data and accurate numbers on the Indian market is limited.

Eisenhardt (1989) stresses that the relevance of a study is increased when multiple data collection methods are used. The combination of methods such as interviews, observations, archival resources, surveys and questionnaires strengthens the grounding of the theory. This is the reason why the authors decided to use a number of different data collection methods. The authors mainly followed two tracks of data collection: participation in the daily work and semi-structured interviews with parties in the case company's value network, company management and company employees. A mix of secondary and primary sources of data has also been used, in order to get different perspectives and broaden the analysis.

Observations

Two months were spent working with the case company at the Mumbai office and several aspects of their business were observed. The time at the Mumbai office followed a participant observation methodology where the researchers were highly involved in the daily routine of the office. The most crucial activities are discussed below.

Sales Meetings

Sales meetings were crucial components in the daily activities of the case company's operations. These were performed by the company's sales department and aimed to explain the benefits of the company's offering and of course in the end, to establish a business relationship. During the sales meetings the case company presented its business and offering. At the same time the case company tried to get to know the

potential customer on both a personal and a business level. Several sales meetings were observed during which extensive notes were taken on which subjects were discussed, the social setting and the performance of the case company representatives. That means that the notes did not only cover subjects, but also how the potential customers reacted to certain parts of the sales presentation. Examples of this kind of observations are “do the companies seem to listen to the presentation”, “on what subjects are they asking follow-up questions” and “what are they really interested in hearing”. According to Eisenhardt (1989) it is crucial to take notes on impressions that might occur, because it is oftentimes difficult to decide what can be relevant later in the research.

There were multiple reasons for these observations. The first and foremost was to understand if the case company had a competitive offering, if the customer was buying what they were selling. Secondary was to investigate how advertising agencies in India are reasoning, what they see as the current market demand and how knowledgeable they are in terms of new web technologies. The third reason was to investigate how the case company actually performed sales pitches. The last reason was to observe if the potential customers worked with subcontractor and if so, how and for what reason.

The observer or observers took a semi-passive role during the sales meetings. Their primary task was to document the meeting, but also to raise the attention to important discussions that that might have otherwise gone untreated.

Internal Meetings

Three types of internal meetings were observed: management meetings over Skype, project management meetings over Skype and evaluation of the sales meetings/strategy meetings in person.

The management meetings were held once a week and consisted of the case company’s management team and the meetings were conducted over Skype because of the geographical spread of the management team members. The focus of the management meetings was to discuss the current condition of the daily business and strategically choices. During these meetings both subjects and interactions were documented.

The project management meetings were also conducted over Skype and these meetings were related to the progress of a specific project. The participants were developers, testers and project managers. The observers were passive during these meetings and both subjects and interactions were documented.

The third type of meeting observed was evaluation and further strategy planning following the sales meetings. The participants during these meetings were the Indian management team and the observers. During these meetings, the observers were

actively participating and sharing what they had observed during the previous meeting. All participants of the previous meeting were thoroughly evaluated and given feedback. The findings of the discussion were then synthesized and used as a basis for further strategy planning.

The aim of the authors' participation and observation of the internal meetings was at an initial stage to get a better understanding of the organization. This was especially true for the management and the project management meetings. With an enhanced understanding of the business, the authors attended more evaluation and strategy planning meetings, to analyze meetings and to understand how the company could adapt their offering to the new findings and conditions.

Research and Material Creation

The observers did also participate in the daily routine and performed tasks such as, mapping potential customers, performing background checks and making sales presentation drafts. This gave the observers a deeper understanding of the competitive landscape and the company's value proposition.

Informal Discussion with Staff

In addition to the previously mentioned areas, the observers had numerous discussions with the office staff, that is developers and support functions. These were crucial in understanding the Indian culture and to get a deeper understanding of the services the company delivers as well as insight in the art of coding.

Interviews

All interviews were followed by an evaluation where the relevancy and effectiveness of the questions, in regards of relevant data gained, were analyzed. This iterative process served to ensure a broad data scope and the quality of the questions. The questions were consequently revised according to the results of the evaluation. This conduct might compromise data comparability, but since the focus of these interviews were data scope, this was considered a lesser issue and acceptable loss.

The communication medium of choice differed from interview to interview. The bulk of the interviews were conducted person to person, whilst others were performed over phone or Skype.

All interviews were initialized with a short introduction of the interviewers and the scope and aim of the interview, in order to gain the interviewees trust and to create a secure and comfortable setting. After the introductory part the interviews proceeded to cover the questions. During this part the interviewers focused on following and dug deeper into the subjects the interviewee chose to talk about, as opposed to push the pre-determined questions. The interviews might therefore be deemed semi-structured since the interviewers mainly sat the general theme and then shaped the discussion according to the interviewees knowledge.

Companies

Interviews were conducted with companies in the case company's value network. The companies were selected due to the fact that they were customers to the advertising agencies which were potential customers of Bombayworks. Other important factors were that they were large and international players and had a great number of employees. Most advertising agencies do work with companies from a wide range of industries and backgrounds. This is the reason why the team chose to interview companies from different industries and companies that offer both products and services. A number of companies were also chosen according to their great extent of product or service adaption to the Indian market.

The factors are important since the companies might have valuable input to Bombayworks and its customers. Bombayworks can possess a future advantage if they have a deep understanding of the secondary customers and their needs. The team started to have interviews with five companies.

Market Entry Input

Interviews about the particulars of Indian market entry were conducted with parties well informed about the subject. The primary sources were institutions that serve to ease market entry for foreign companies wishing to establish operations in India, for instance the Swedish trade council. To cover the other perspective of market entry, a manager from a small Swedish company was also interviewed.

The aim of the interviews was to get an extensive description of the particulars when entering the Indian market. Because of this the setting of the interview had to be very flexible. An initial set of questions was created for the first interview, focused around five key areas; background information about the interviewee, market entry strategies, offering adaption, business culture in India and Indian consumer attitudes. The first of the five areas aims to get an understanding of the interviewee, by recording this information it is easier to compensate for bias in interview answers. The second part of the interview consisted of open questions regarding market entry strategies. The aim was to get the interviewee to talk about the aspects they considered the most important during Indian market entry and to minimize the biasing effect of too specific questions. The remaining three parts of the interview aimed to get more specific data in case it had not been covered earlier in the interview.

2.2.3 Analyzing Data

The Analysis Process

At the same time that the authors collected data they also analyzed the data. The benefits of overlapping collection and analysis is that it may increase the speed of the analysis, but also that helpful adjustments can be implemented along the way. It opens up for the possibilities for the researchers to increase or decrease the number of interviews and data collection methods along with the process. (Eisenhardt, 1989)

The authors did add interviews as long as they thought that more information could be added and saturation was not yet reached. Another main reason for the overlap of analysis and data collection was to give input to the sales process of Bombayworks during the authors stay in India.

When analyzing data, Eisenhardt (1989) stresses the benefits of multiple investigators that will foster divergent perspectives, but also contribute with enhanced creativity that can add valuable richness to the study. Since the authors of this master thesis do have backgrounds in engineering and business administration, different approaches and perspectives could be highlighted during the study.

Theories

The search for relevant theories started early in the process, but the focus shifted along the way, with a better comprehension of the case and the reality of Bombayworks. The introductory search was focused on different aspects of market entry, to acquire a general picture on what aspects to analyze in the initial phase of the company's present on the new market. The topic was extensively broad and the authors strived to focus more on one actual area along with more knowledge about the case. Therefore the authors researched new areas of theory iteratively throughout the data collection phase. This was done in order to find similar literature, but also to find conflicting literature, to understand how the research question could be adapted along the way. This was also crucial to contribute to a better analysis to Bombayworks at the time that the authors were active on the Indian market. The authors discovered many interesting areas that was relevant for Bombayworks, but also for academical world and did not find difficulties in finding theories, since most theories were derived from digital sources. Focus on pricing, value perception and business modeling was finally chosen, due to the high relevancy to Bombayworks and the findings that were done when analyzing data. The pricing for Bombayworks was highly relevant in the early stage, to understand if the company would be profitable on the exceedingly price sensitive market.

The concepts of value perception, value and pricing are summarized in a framework called the Pricing Derivation Framework (PD-Framework). The framework was developed, because it provides the reader with a clear understanding of how various factors regarding value perception and value affect the pricing strategies of Bombayworks. The framework is presented in the chapter about theories and then used to structure the analysis in the later part of the report. The majority of the concepts in the theory chapter are analyzed in detail in the analysis. A few concepts are discussed in more general terms and only specific parts of the reasoning were relevant in the case of Bombayworks.

Business Models

The popularity of business models has increased recently, but the opinion of a more concrete definition varies. The authors have chosen to use the Business Model

Concept, because it is a good tool to frame the analysis and to get a comprehension of the entire organization. The model is furthermore a great help to understand how value is created and captured and delivered to the customers. The Business Model Canvas presented by Osterwalder and Pigneur was used, since it does not only take the value creation into consideration, but also the network that helps the company to deliver the created value to the customers. The sections of the Business Model Canvas will be discussed, to analyze what parameters that effect the pricing and value perception in the reality of Bombayworks on the Indian market. Some sections of the Business Model Canvas were analyzed in more detail, since they are more critical to understand if Bombayworks will be able to sell their services to a premium price on a cost sensitive market.

Thus, the Business Model was a useful frame when analyzing data. By usage of the frame, the authors could realize what the most crucial factors were and will be for the success of the company on the Indian market. The market was discovered to be highly price sensitive and therefore Bombayworks had to take this into consideration when deciding on future strategies. Therefore pricing, value and value perception were selected to be focus of the master thesis.

Pricing, Value and Value Perception Drivers

Pricing and value perception have been an issue as long as there have been businesses aimed to earn money. The pricing question is as mentioned extremely central for the studied case company. Since pricing is such a central part of business and also an area that encompasses almost all aspects of a firm's business model, the area was well suited for this particular case study.

To be able to discuss value, it first has to be defined clearly. There have been several studies of, and attempts to define, value for consumer products. However, the value perception in B2B service settings remains relatively unexplored. The theory in this study describes insight into what is perceived as valuable in the B2B service sector. After insight about pricing and value, the perception of value is described in terms of customer loyalty and country of origin. These areas are described and used because they are extensively vital for Bombayworks, due to their need of building relationships with the customers on the Indian market but also due to the fact that they origin from another country and therefore have to understand how this can affect their way of doing business on the market.

After an understanding of how value and value perception can affect the pricing strategies, the authors created a framework named Pricing Derivation Framework (PD-Framework). The purpose of the framework was to facilitate the understanding and ability to use the various views of price and value in one single concept in the analysis.

Closing of Analysis

Since the case study research method consists of numerous iterations between theory and data, difficulties can arise when deciding when to stop adding cases, theories and data collecting methods. The gathering of data should be stopped when theoretical saturation is reached and the incremental learning is minimal. (Eisenhardt, 1989) Since the team had limited time on the Indian market, the team focused the most on gathering of data when physically present on the Indian market. The team considered the level of saturation was reached in the area of research.

2.3 Criticism of Chosen Methods

The section will discuss how data was collected and analyzed and lastly mention the overall complexity of the master thesis. When presenting research findings, it is important to ensure the reliability and validity of the study. The authors have attempted to maintain a high level of trustworthiness during the entire study. Validity means to what extent the study measures what it intends to measure. (Bryman, et al., 2007) The validity has been taken into account during both the data collection and data analysis.

2.3.1 Data Collection

Data has been collected from various sources from the value chain of Bombayworks. This is a way to increase the validity of the study and get different stakeholders perspectives on setting and their role.

The study is primarily based on primary sources of data, in order to increase the validity and get the information from the first sources. Another reason is that it can be difficult to find the right information from secondary sources in India. Secondary sources of data have been used, but to a less extent than primary.

The interview objects with knowledge about market entry were mainly chosen, because they are in the network of Hjelmvik. The objects can therefore have been biased to tell information with the benefit of Bombayworks, since they do have a relationship with the Managing Director. The interview objects from companies were chosen because they are doing business with the advertising agencies that Bombayworks are interested in doing business with and the same relationship problem is not likely to occur.

The data collection can be considered biased at certain sections of the Business Model Canvas, for example when it comes to input from market entry experts. The reasoning behind is that some parts of the Business Model Canvas are more relevant to determine if Bombayworks will be able to sell their service on the Indian market and more input has therefore been collected in these specific areas.

A set of sources has been used at every part of the empiric, but since India is such a large and diverse country, it can be hard to draw any general conclusions about the collected data. This is something that the authors have taken into consideration when analyzing data. The authors have tried to limit the focus area and the levels of analysis to be able to make assumptions, but still the reader has to be aware of the fact that the conclusions might not be true for other people or organizations in the country.

2.3.2 Data Analysis

To reach reliability in a study, the same study should be able to be performed repeatedly and the same results and conclusions would be reached (Bryman & Bell, 2007).

The collected data has been analyzed by two students with different background and knowledge. Findings have been summarized and discussed to ensure that different perspectives have been highlighted in the study.

Since the study was performed at an initial stage of the market entry of the company, it is likely that the results and conclusions would not be exactly the same if the study was done again.

One action in order to ensure reliability has been to discuss collected data with employees at Bombayworks. This increases the level of reliability, since it makes sure that the results and conclusions are in line with what is possible achievable in the organization today and in the future.

2.3.3 Overall Complexity

The authors mean that the complexity of the study has been relatively high but most likely due to other reasons than would have been the case if the authors had been located in Sweden and/or performed another type of research. In the initial stage of the study, the authors felt overwhelmed of various impressions from the entirely new country, industry and type of company. This start-up phase on site in India might have taken some extra time, if compared to what it would have been if another setting had been chosen, where the authors have previous privity.

Other factors that increased the level of complexity of the study are the culture and the difficulties in communication that frequently arise. In India it was complicated to collect data and get required information for the study. Sources on the Internet were oftentimes not substantial. It was furthermore difficult to reach the intended people and companies for the study. Various tasks, travelling and services can also be extensively time consuming in India, which resulted in a higher time consumption of different parts of the process than what was initially planned.

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In conclusion, the complexity and difficulties of the study are mostly related to the type of country and market. Even though the complexity might have decreased slightly due to lack of data in some areas, but at the same time the study would not have been the same if the authors would not have been physically present on the Indian market.

3 Theoretical Framework

The chapter is divided into two main sections, *support for business environment understanding* and *support for analysis*. The first section will present deliberations about business models. The Business Model Canvas will be in use throughout the thesis and simplifies data gathering, presentation and analysis. The second section of the chapter will discuss theories that contribute to a deeper understanding and refinement of the gathered data.

3.1 Support for Business Environment Understanding

The section will give a short introduction to the business model concept and elaborate the Business Model Canvas, which was chosen to structure the gathered data.

3.1.1 Business Models

The business model concept has during recent years increased in popularity among both academics and practitioners. There has been an explosion in the number of published papers, conference sessions and discussions regarding the topic. Regardless the popularity, there are still different opinions on what a business model actually is and literature has developed in various directions, due to diverse interest of researchers. (Zott, Amitt & Massa, 2010) Schafer, Smith & Linder (2005) have researched different definitions of business models and found 42 varying building blocks.

A commonly used definition or not, some trends and characteristics have emerged regarding business models. First of all the business model is a popular frame of analysis. The business model is a holistic way to explain how to do business and the model also aims to understand how value is created and captured within the business and transferred to the customers. The business model is therefore oftentimes described through a set of building blocks on how a company captures value. (Zott et al., 2010) Schafer et al. (2005) stress that value is not created disconnected to stakeholders of a company, but rather within a network that consist of for example partners, suppliers, other organizations and distribution channels. The aspect of how value is delivered to the customer and which stakeholders that are used to extend the company's own resources can also be incorporated in the business model (Osterwalder & Pigneur, 2010).

3.1.2 Business Model Canvas

Osterwalder and Pigneur (2009) define a business model as "the rationale of how an organization creates, delivers and captures value". By having a simple and relevant way to define the organization, discussion and description of the company will be simplified. The authors argue that a business model can best be described by nine

different blocks, which indicates how the company aims to generate profit. The blocks cover four areas of a company: customers, offer, infrastructure and financial viability. The blocks are as follows: customer segments, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structure. (Osterwalder & Pigneur, 2009) The blocks will be described in detail below.

Customer Segments

The block of customer segment clarifies the different groups of individuals or companies that an organization aims to serve with its products or services. The customers are the starting point for any business, without profitable customers no company can survive in the long term. The customers can be grouped in different segments according to their needs, behavior or other attributes. It is crucial for a company to create a clear view about which segments to serve and which ones to ignore. Distinct groups of customers can be created if they require: a distinct offer, varied distribution channels, different kinds of relationships, denote variations in profitability or are willing to pay for various part of the offering. Therefore the organization has to make clear who the most important customers are and how value is created to serve every segment. (Osterwalder & Pigneur, 2009)

Value Proposition

The value propositions block is the bundle of products or services that delivers value to a certain segment of customers. The value proposition aims to satisfy needs of the customer, solve its problems and clarify it should choose one company over a competitor. A value proposition can consist of various characteristics, it can be innovative and represent a disruptive offer or it can be an already existing offer with additional features or attributes. Delivered values can be quantitative, such as price or speed of service or qualitative, such as design or customer experience. The value proposition can consist of the different elements presented to the customer such as: newness, performance, customization, "getting the job done", design, brand/status, price, cost reduction, accessibility, and convenience/usability. Thus, the list is not complete and additional elements can be added or removed. (Osterwalder & Pigneur, 2009)

Channels

The channel block explains the touch points and interfaces between the organization and the customer. Communication, distribution and sales channels are all various kinds of ways on how to reach out to the customer and effect the customer's perception of the company. The purpose of different channels can differ and can for example be: to raise awareness of products or services, help the customer to evaluate the offering, a point of purchase, deliver the value proposition or provide support. There can be a distinction between direct channels, such as sales force, web sales and own stores and indirect channels such as partner stores and wholesalers. Thus, the company has to understand how the segment can be reached

and how different kinds of channels can be integrated to best serve the customers. (Osterwalder & Pigneur, 2009)

Customer Relationships

The block describes the characterization of relationship that the organization establishes with different types of segments. The type of relationship can vary from personal to automated. The motivation behind the relationship can be: customer acquisition, customer retention or to increase sales. The corporation has to make clear what differs between the segments, since the perception of the company influences the customer's experience to a great extent. The business has to elucidate what relationships that already exist, how costly they are, how well integrated they are with the business model and the customer's expectations about the relationship. (Osterwalder & Pigneur, 2009)

There are different categories of relationships that can be divided into: personal assistance, dedicated personal assistance, self-service, automated services, communities and co-creation. Personal assistance is based on interaction between individuals during or after the sales process. This may occur through call centers, by e-mail or through other channels. Dedicated personal assistance is when the customer has one deep relationship with one person at the company, this person can for example be a key account manager. Self-service means that the customer does not have direct contact with employees at the company. Instead the company provides the customer with all necessary tools for it to help itself. Automated services can be described as a more sophisticated form of self-service, where the company provides more automated processes. Online profiles are an example of automation but with the possibility to provide the customer with personal offerings. The aim of communities is to facilitate the member or customer of the company to communicate with each other, but can also help the company to better understand its customers. Co-creation is a type of relationship where the company and the customer in collaboration work for increased value for both parties. Companies can for example engage customers to assist with new designs or innovative products or services. (Osterwalder & Pigneur, 2009)

Revenue Streams

The block of revenue streams consists of the flow of money that every segment creates. The understanding of what value the segments are paying for is crucial to understand the current situation but also to increase the generation from each segment. Streams of revenue can constitute of varying pricing mechanism such as: fixed list prices, bargaining, auctioning, market dependent, volume dependent or yield management. Other important mechanism to consider is whether the prices are fixed or dynamic. Fixed prices means that the prices are based on predetermined and static variables. Dynamic pricing means that that prices vary according to conditions on the market. The business model can furthermore be made up of distinct revenue streams, either form revenue from one-time transactions or a

continuous stream of cash from payments from the delivery of a value proposition or support. The company has to comprehend what and how the customers currently pay and analyze of this is the way that they prefer to pay. An understanding of each segments contribution to the aggregated revenues is also crucial. (Osterwalder & Pigneur, 2009)

Key Resources

The block consists of the most crucial resources in order to deliver the value proposition. The resources are therefore crucial for the company to reach the target market, acquire and maintain relationships and get revenue streams. Every type of business model requires specific resources in order to succeed. Resources can be categorized in physical, financial, intellectual and human. The ownership of the resources can vary from own by the company, leased or provided by key partners. Physical resources can for example be manufacturing facilities, buildings, machines, vehicles or systems. Intellectual resources are brands, proprietary knowledge, patents, copyrights, partnerships, customer databases and are crucial for a company to create a strong business model. This type of resources can be difficult to create, but once they exist, they can infer great value. Human resources are needed in every company but are even more significant in certain types of businesses such as knowledge-intensive and creative industries. Every business requires funds, but certain types of companies require certain types of financing such as financial guarantees, cash, credit or stocks. The company has to determine what key resources that the value proposition require, to reach out to the customers through the chosen distribution channels in order to build relationships and acquire revenues. (Osterwalder & Pigneur, 2009)

Key Activities

The block describes the actions that the company must take to realize the business model. In every company and in every block of the business model there are actions that need to be taken to make it operate in intended way. Activities can be divided in three main sections: production, problem solving and platform/network. Production means the activities related to the making, designing and delivery of a certain product. This is the dominating activity in manufacturing firms. Problem solving relates to the activity of coming up with new solutions to the customers problems. Organizations that are dominated by these activities are oftentimes consulting firms or other types of service organizations and the more specific activities are than management of knowledge and continuous training. Businesses with a platform as its key resource are dominated by activities related to platforms or networks. Platforms can for example be networks, software or brands. Key activities can than be management, service or promotion of the platform. (Osterwalder & Pigneur, 2009)

Key Partnerships

The block describes the partners and suppliers that are essential for the business model to work. The reasons behind the partnerships can vary but the importance of partnerships is increasing. There are different types of partnerships, such as strategic alliances between non-competitors, coo-petition: strategic partnerships between competitors, joint ventures to develop new businesses or buyer-supplier to assure adequate supply. There are three motivations for creating partnerships: optimization and economy of scale, reduction of risk and uncertainty and acquisition of particular resources and activities. (Osterwalder & Pigneur, 2009)

Cost Structure

The block map out the costs related to the operation of the business model. Activities related to creation of value and deliver it to the customers and maintain relationships all imply costs. Different types of business models hold various levels of cost-drivers. The company has to comprehend what key resources and activities that are the most expensive, in order to optimize the business model. The aim in all business is to minimize costs, but a low cost structure is of more importance in some business models than others. Cost structures can be divided into two categories: cost-driven and value-driven. Cost-driven models aim to lower and minimize costs to every extent. The cost structure should than be as lean as possible with use of low price value propositions, automation and outsourcing of activities. The other type of cost structure is focused on value creation and to a less extent the cost. Value propositions than oftentimes characterize of a high level of personal service and deliver a premium value to the customer. In order to understand the cost drivers the cost can be categorized in fixed and variable costs, economies of scale and scope. (Osterwalder & Pigneur, 2009)

3.2 Support for Analysis

The section concentrates on three different, but interconnected, areas; pricing, value and value perception. The concepts will first be presented and elaborated; thereafter the interconnections will be clarified and put together in a frame. The framework will thereafter be a tool that simplifies the structure of the analysis later in the report.

3.2.1 Pricing and Value Modeling

There are several ways to set prices and pricing strategies. Many aspects need to be weighted in order to get a price that reflects what the company aims to achieve. For instance, if a company aims to penetrate a specific market they might use a penetration strategy and will therefore have an aggressive pricing. In other circumstances it might be hard to estimate what customers are willing to pay and the company therefore resorts to cost-based pricing. In this case the company calculates their costs for producing a product, estimates the number of products to be sold and then adds a percentage to reach a retail price. This approach is however

disconnected from what the customers are willing to pay and therefore not advisable. A more effective and realistic approach is to investigate which value the product or service is creating for the customer. (Allen, 2012)

Smith & Nagle (2005ab) have evaluated two approaches to assert value that have been widely used since the 1980s, customer value mapping (CVM) and economic value modeling (EVM). The CVM model is widely used, most likely because of its simplicity. The model uses the base assumption that customer value is equal to price relative to quality. Another assumption of the model is that it is sufficient to rely on subjective customer input on the value of the offering as opposed to calculate the actual monetary benefit that a customer receives by using a specific product or service. These simplifications lead to a problem when evaluating the value of differentiated products or services. Since differentiation is not included in the model, all products and services that seem to have the same features and functions will be regarded the same. To illustrate this, it is important to first illustrate different levels of value.

Smith and Nagle (2005ab) define four levels of value as can be seen in figure 1. The "Value in use" represents the actual value that a company receives by using a product or service. The "Value in exchange" represents the economic value of the product or service and is composed of two parts; differentiation value and commodity value. The third bar represents perceived value or what the customer thinks that the product or service is worth. The last bar represents what the customer is actually willing to pay for the same product or service.

When using this model, the problem with CVM modeling is evident, since products or services with different differentiation values will have similar perceived value if the perceived value is mainly based on a products or service commodity value. EVM solves this problem by including a more rigorous analysis of the economic value. This analysis includes scanning the competitors' offers and identifying the differentiation value of the company's own offering.

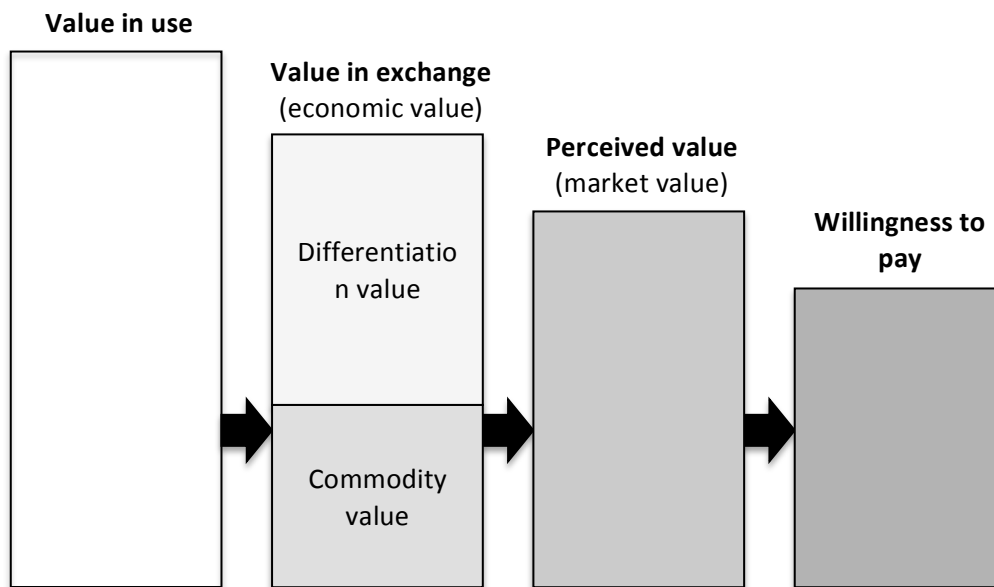


Figure 1: Different levels of value (Smith & Nagle, 2005b).

Value Concretization

Nagle and Cressman (2002) suggest that prices should reflect the value that customers are paying for as closely as possible. A company should identify what their customers are really paying for and categorize their offering accordingly. By doing this, the company can scale the offering according to customer needs and at the same time be more tangible as to what the customer is buying. Nagle and Cressman (2002) clearly show this with an example from the printing industry. The exemplified company offered the same printing possibilities as their competitors, but had much more extensive service. These costly, but useful, services were included in the overall price of the printing. Therefore, the company charged a higher price for what seemed to be the same offer. The salvation for the company was to change their quotes to show services and printing separately. In that way the company could clearly show the customers the extra value they were paying for, as well as let them buy printing without services.

A compartmentalization of the offering is not necessarily enough to be able to set competitive prices. The value of the offering must also be communicated to the customer according to Nagle and Cressman (2002). Customers that do not know the actual value of a product or service generally tend to underestimate it. Consequentially, it is of uttermost importance that companies communicate the different value-generating aspects of their offering or it might be regarded as a commodity.

Hultén, Viström and Mejtoft (2009) further emphasize the importance of making the value suppliers' offerings tangible. They show in their study that a new technology

investment not necessarily enables companies to change prices. Out of the companies studied, only those who could show the differences could alter their pricing. Specifically, quantifiable differences in delivery time, cost or service were identified as crucial for the customers value perception.

3.2.2 Value Perception Drivers

The value concept is quite easily grasped when it comes to products, but much harder when it comes to services (Sturts & Griffis, 2005). Many different intangible aspects such as customer loyalty and country of origin come into play when customers evaluate the value of a service.

La, Patterson and Styles (2008) have made the connection that perceived performance translates into perceived value. However, they find country of origin (COO) of the service provider to be a pivotal variable and do not connect their findings to customer loyalty. Specifically, five different factors on firm or individual level are shown to affect the client-perceived performance. See figure 2.

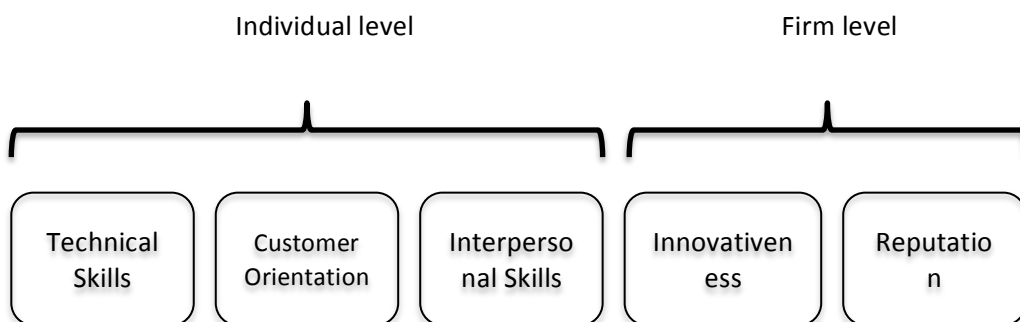


Figure 2: Factors that influence customer perceived performance.

As can be seen in the figure, *interpersonal skills*, *technical skills* and *customer orientation* are related to the individual service provider, that is, one member of the service supplier team. The two remaining factors are *innovation* and *reputation*, which are on firm level. The importance of any one of these factors is of varying importance depending on the customers' association and which type of image the customers are currently judging. The different images are visualized in table 1 below and divided into people, skills and service image. The customers' positive or negative image will according to La, Patterson and Styles (2008) be related to varying factors. For instance, if a customer has a positive image of the people of a country from a specific company, the customer perceived performance would mostly be influenced by the technical skills of the individual service provider. If the customer instead has a negative image of the people, this is oftentimes related to interpersonal skills of the individual and the innovativeness of the firm. See table 1 for the different relations and combinations.

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Table 1: The relation between COO sub-image, association and critical perceived performance variable.

COO sub-image	Positive association	Negative association
People image	Individual technical skills	Individual interpersonal skills and firm innovativeness
Skills image	Individual customer orientation	Firm innovativeness and reputation
Service image	Firm reputation	Individual interpersonal skills and customer orientation

Rauyruen, Miller and Groth (2009) have recently examined the relationship between loyalty and perceived customer value, or rather the relationship between service loyalty and brand equity, which is effectively the same. They found two types of loyalty that affect brand equity, but in different ways. One type of loyalty was attitudinal loyalty, which means that the customer trust the service provider and nurture a personal liking towards them. The study showed that attitudinal loyalty and a willingness to pay a price premium were positively correlated. The definition of price premium in this case was the willingness to pay more than the rates of the service supplier's competition. The second type of loyalty mentioned was behavioral loyalty, which means that the customers were habitual buyers. That is that customers repeatedly buy the supplier's services without rigorous consideration or benchmarking. The behavioral loyalty in this case was shown to be a predictor of share of wallet and consequently an indicator of market performance. The definition of share of wallet in this case was the ratio between services bought of one supplier and the total number of similar services bought from all suppliers. The most prominent managerial implication is perhaps that both identified types of knowledge are needed for a combination of premium price and sustained sales.

3.2.3 Pricing Derivation Framework

The above presented concepts, pricing, value and value perception, constitute a natural flow with rising complexity. When about to determine the pricing strategies for a company, value and value perception first need to be analyzed. This can be illustrated in a framework that the authors have decided to name the Pricing Derivation Framework (PD-Framework), as seen in figure 3. First, the value perception of the potential customers has to be understood, which can, according to above stated discussions be separated into customer loyalty and country of origin. The general perception of the offered valued then has to be understood and communicated to the customer, to be able to charge the right prices. The illustration is simplified and only the areas presented in this thesis are shown. The framework will be used in the analysis, to create a more clear understanding of how the value and value perception affect Bombayworks pricing strategies. Note that this

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framework is independent of type of industry. This is because the value theories and value perception theories presented are fundamental and too abstract to be viable only on a specific implementation. Implications specific for this case will be presented later in the report.

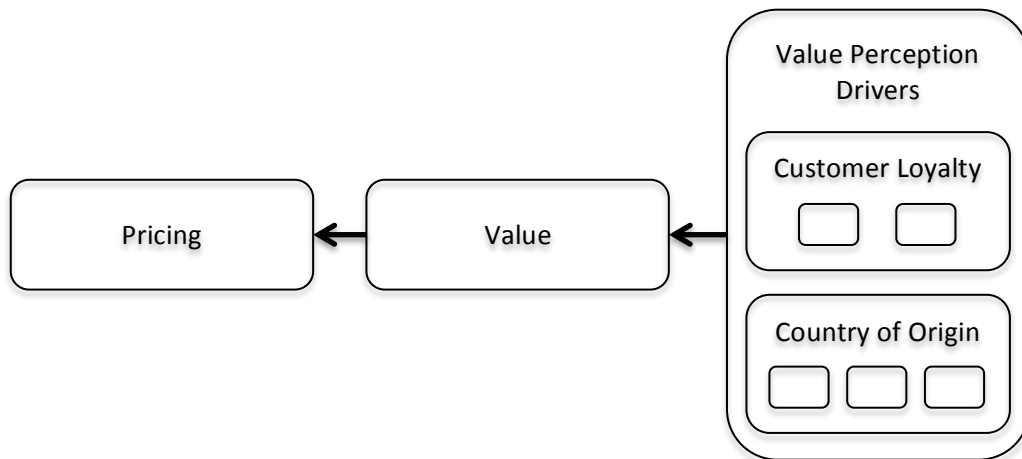


Figure 3: PD-Framework, illustrating the relation between pricing value and value perception.

4 Empirics

The chapter will start with input from market entry experts on how to build a business model in India. Thereafter Bombayworks will be presented prior entry in India and then their views and strategies when entering the market. The setting of Bombayworks potential customers will then be presented followed by input from companies and advertising agencies.

4.1 Building a Business Model in India

The section consists of input from individuals who have extensive experience about market entry India. The input and knowledge are relevant to comprehend how Bombayworks can be able to adapt their business model to the Indian market. On a high level, the section is structured according to the Business Model Canvas, in order to get a better understanding how Bombayworks can build their business model canvas.

4.1.1 Is it Important to have a Clear Customer Segmentation?

A common mistake for companies that aim to enter the market is to overestimate the customer base. Entrants do put much emphasis on numbers because they are in India and are blinded by the population of 1.2 billion. However, not all of these are customers for one specific company. Indians are shattered when it comes to disposable income, which also has to be taken into consideration. It is therefore crucial to do a thorough analysis of the actual market size and not to be overwhelmed and assume that the customer base can be large in a short amount of time, just because there are such a large number of inhabitants in the country.

India is one country, but consists of 28 different states. The states differ a lot when it comes to rules and regulations, but also the culture and way of doing business in the states vary. Companies must therefore realize that India is better comparable to many separate countries than one single country. It is therefore crucial for a company to put effort on the market segmentation and acquire knowledge about the areas and customers that the company focuses on.

Thus, it is crucial to take into consideration the differences between countries, states and regions, but it is also fundamental to understand the industry the business operates in. Conditions in industries can vary extensively, where some industries might have been present in the global market sphere for a long time and others do lack international exposure entirely.

“Market segmentation is an important factor when it comes to succeeding on the Indian market.” (Savlid, 2012)

4.1.2 Is there a Need of Offering Adaption?

If the company originates from another market and aims to enter the Indian market, there is oftentimes need for adaption of the company's offering. Uninor is an example of a company that puts a lot effort on obtaining an understanding of how their products and services had to be adapted to the market. The company devised a completely different strategy for the Indian market than other target markets.

There is in addition an immeasurable number of companies that have entered the market without adapting to the conditions on the Indian market. The result has been that they have met obstacles and after some time identified the need of product adaption and subsequently changed their respective offerings.

There are also clear examples of companies of utter failure when failing to recognize the need for adaption. For example, Education First tried to launch their operations in India, but did not realize that it is rare and culturally unorthodox for Indians to travel abroad after initial studies. Visibly, there is need for customization of products and services if the company will be successful on the Indian market.

Consequently, it is important to have a local content in the offering of products and services, but it can also be as important to connect and build relationship to the local customer.

4.1.3 How Price Sensitive are the Indians?

People from India are generally very sensitive when it comes to the actual price of a product. Indians are more concerned with the specific price rather than actual cost. This means, if packages are made small enough, the prices will be low and within the price level of a person from India. The fact that the cost per unit of product is very high does not matter; it is the investment at the certain point that is the center of attention.

One reason why price is important to the customer is that products and services have not always been that qualitative that what can be found on the market today. Before 1991 when the country liberalized, the available products on the market were only produced within the borders of the country and most of the time the quality was not considered high. After 1991, imported goods from other countries were available on the market. Products were imported from other markets that had a higher quality and oftentimes, in combination, a higher price. At that time, the customers questioned what the additional value was, which they paid for. This is one important reason why value for money is in the mindset of many Indians. Many customers and companies have the insight that there are better products or services available on the market and many times they need it, but they are still not willing or able to pay for it.

*“The price is the most important factor when analyzing the offering of a company.”
(Vøgg, 2012)*

4.1.4 Is it Possible to Charge a Premium Price?

Price is an important factor, but there are companies active on the market that charge higher prices. However, many of these companies have well known brand names that appeal to the Indians. Sony and McKinsey are examples of companies that have succeeded in charging higher prices, due to strong brand awareness and efficient offering adaptation. Sony because it has a long history of producing high quality home entertainment systems, so much that their brand is practically a synonym to quality. McKinsey has a similar advantage, but also that they entered the market years before competitors and had time to build strong customer relations in a less competitive market than what the situation is today.

Another way of charging a higher price is to dedicate resources to educate the customers. The education can focus on values, other than price, where the local actors are very competitive. Alfa Laval is an example of a company that focuses on values like efficiency and quality, rather than a specific price.

Yet another way to charge a higher price on the Indian market is to tailor the price for each and every customer and have a special offering for the customer segment the company is interested in serving.

The customer must furthermore get the perception that it is offered an exclusive offering and the presented value proposition and solution cannot be found anywhere else. The customer also needs to be clearly shown how the offered solution affects the bottom line results. The customer is interested in knowing how the solution can make the customer save money or/and increase sales.

One complexity is that the Indians require quality but to a low price. One solution could be to sell older products to a lower price. But the Indians require modern and qualitative products and do not tolerate old products, even if they provide good value. Nokia for example could not sell an old model from another market, but a new model with the same feature set as an old one is likely to be successful.

“Even though price is the most important factor there are companies active on the market that charge higher prices. However, many of these companies have well known brand names.” (Vøgg, 2012)

4.1.5 How Easy is it to Get in Contact with Companies?

Usually it is not that difficult to get a hold of people in India. Oftentimes Indians are not time pressured and find interest and curiosity in communicating with foreigners. Due to the same reasons companies are generally positive to set up meetings, since having a meeting does not imply a great sacrifice. The set up of a meeting can be

therefore be facilitated by the heritage, but can result in a large number of meetings that will not result in a favorable outcome for the business. Companies have to assure that the meeting is set up by the right intentions and that the right persons that have the right knowledge and mandate to make decisions will be present.

4.1.6 What is the Perception of Sweden?

Generally people in India do not possess knowledge or have a very vague perception of Sweden. There are examples of when Indians mix up Sweden with Germany or Switzerland and then relate Sweden to quality and precision. In general though, Sweden is not known, but large Swedish companies such as Volvo, SKF and Ericsson can be recognized, but the Swedish origin is unknown.

Indians with higher education are more likely to have knowledge about Sweden. The general perception is that it is a good and rich country. Indians that know about Sweden can have a perception of Swedish people of being wise, positive and serious when doing business, but also for coming from a high developed market that have knowledge within the design field. Generally, Indians respect companies from the western hemisphere and relate these to qualitative and hassle-free business.

“A Swedish operation and heritage is an competitive advantage. Indians respect companies from the western hemisphere and relate these to qualitative and hassle-free business.” (Lalwani, 2012)

4.1.7 What Characterize Employees?

To visualize a picture of the general Indian person is not an easy task, since the country and people are extensively diverse. But an attempt to exemplify what it can look like is crucial to understand what has to be taken into consideration when build an organization in India.

One aspect of employees in India is that they do not always take initiatives themselves if not their boss tells them to do so. Own solutions and propositions to assignments are not always frequently occurring. Thus, the Indians might not be considered as independent and self-driven if compared to other nationalities. One market entry expert meant that the underlying reasons for this is that employees come directly from the university and are scared and can hesitate to tell mistakes and come with input, due to the potential risk of being yelled at. This can be a result of the combination of their initial exposure in working life but also the Indian culture. The reason why Indians may not be that independent and self-driven can be explained by the fact that in India the whole family stays together and a number of generations live under the same roof. In this environment the oldest are the ones with the most power and the younger generation do not have as much input. The result is that the younger generation is not tough to take responsibility and own initiatives in an early age. In order to be successful and get the most out of the

employees they sometimes have to be taught how to take responsibility, learn my mistakes and understand the benefit of professional and personal development.

4.1.8 Is it Hard to Find the Right Human Resources?

A great number of students graduate from the university each year, but the skills and knowledge is still lacking behind both when it comes to white and blue collar. When it comes to staffing the sales department it is important to get personnel that speaks the local language. Most Indians in the business world speaks English, but they can still find it easier to communicate in their native language.

When Indian persons work for international and more specific for Nordic companies, it is of great importance that they understand the country and the culture of the company they work for. Employees that work for Nordic companies can for example visit the country to acquire an understanding of the culture, to be better integrated in the company.

When evaluating potential employees, the most crucial things to consider are their level of education, experience within the field and industry, existent network and personal profile.

Difficulties can arise when recruiting Indian employees to Nordic related companies. It can be hard to find the right match between the company's requirement budget and the potential employee. Persons that have a higher rank are used to have people working for them and are more often not as driven as people from a lower rank.

The labor turnover differs when comparing India to other countries. This is especially true when it comes to people with knowledge within the IT-industry, who are aware of their attractiveness and high market value. The same persons are active on the web and companies are constantly looking for new employees and the chance to get contacted and get an offer is high.

When Indians look for jobs, the selection is oftentimes much about offered salary and title. Employees might have a high pressure on them and the expectations from their families can be high, to acquire a sufficient salary to be able to give some of it back to the household. In order to attract the most talented employees, it is also crucial to have an office in an attractive location. This is especially true in bigger cities where the traffic can be a hazard that implies long travelling hours and can therefore affect the final selection between jobs.

“When Indian persons work for international and more specific for Nordic companies, it is of great importance that they understand the country and the culture of the company they work for.” (Vøgg, 2012)

4.1.9 What Characterize Organizations and Business in General?

The culture in India differs a lot from western culture. Frequently companies get surprised that factors are substantially different compared to other markets and countries.

In India, companies usually have a very clear hierarchy. One problem that might arise is that there will be a communication filter between levels in the hierarchy. A subordinate can wait a long time to present a problem to his or her superior, by which time the problem might have become much bigger than it initially was. Decision processes in companies can therefore be prolix, since the agreements have to be processed through numerous levels of the organization, before the final decision is made. Negotiations with companies in India can therefore be time consuming. Administration is furthermore something that can potentially be time consuming. An activity oftentimes has to pass through many levels and go through numerous iterations within the company before completion. Some respondents claimed that the reason for the hierarchical and oftentimes also bureaucratic organizations in India is an effect of the old cast system, and that it is still prevalent in the structure of the companies.

There are some factors that Indian business men and women hold dear. One of the most prominent ones are relationships. Meetings are often started with a personal discussion of how the families are doing. The importance of relationships results in a preference of long term business relationships. International business men and women should also be aware that Indians are generally positive and an attitude that anything can be managed is often prevalent. It is therefore advisable to be cautious and conduct an independent risk assessment. Some respondents claimed that some people from India are not that willing to share information or knowledge, in the way that they want to acquire as much information as possible themselves, but not share it and instead take the credit themselves. Input from one market entry expert stressed that there is an I-factor that has to be taken into consideration when doing business on the Indian market. The I-factor is referred to as the Indian factor, which means that a lot of things can go wrong in India that you cannot always prepare for.

A lot Swedish companies do have collaborations and partnerships with different companies on the Indian market. Many collaborations were not based on the right assumptions in the first place and do not always work out that well. One prevalent reason is that the partner and the company met and the background check was not sufficient from the company before entering the collaboration. It is of crucial importance to evaluate and test several different partners before signing any long-term contracts. It also crucial to bear in mind that Indians do not invest that much at an initial stage and it takes a lot of effort until an Indian person will enter a partnership.

Another aspect is that the general opinion is that companies on the Indian market have to cost-focus and be ready to cut both prices and costs in order to succeed.

“The importance of relationships results in a preference for long term business relationships.” (Savlid, 2012)

4.2 Bombayworks Prior Market Entry India

The section will give a presentation of Bombayworks before entering India. History, organizational structure, culture and supplied services will for example be discussed.

“Digital love, from concept & design to development. - We are a web agency with a passion for advanced programming in open source software and mobile applications.”

4.2.1 History

Bombayworks started its operations in 2007 by the three founders Niklas Roupé, Gabriel Mannheimer and Jonas Rendahl. The initial idea of Bombayworks came up when Roupé and Rendahl worked for a management consulting firm and Mannheimer worked for a MNC in India. The first idea was to create a link between Swedish freelancers and subcontractors on the Indian market. The idea was not to have an office in India, but to create a connection between parties and to outsource the development of the services. Bombayworks encountered obstacles and realized the need of control, to assure the right level of quality. This led the company to set up an office in Mumbai in 2008.

The value network has changed somewhat over time for Bombayworks. Initially the company was a pure production company. The complete value network for Bombayworks initial operations is depicted in figure 4. Over the years Bombayworks has built up internal design capacity and trust from the companies that require communication solutions. This development enables Bombayworks to perform complete projects directly for the companies and the value network changes accordingly, see figure 5. A more extensive overview of the actors on the market will be presented later in the report.

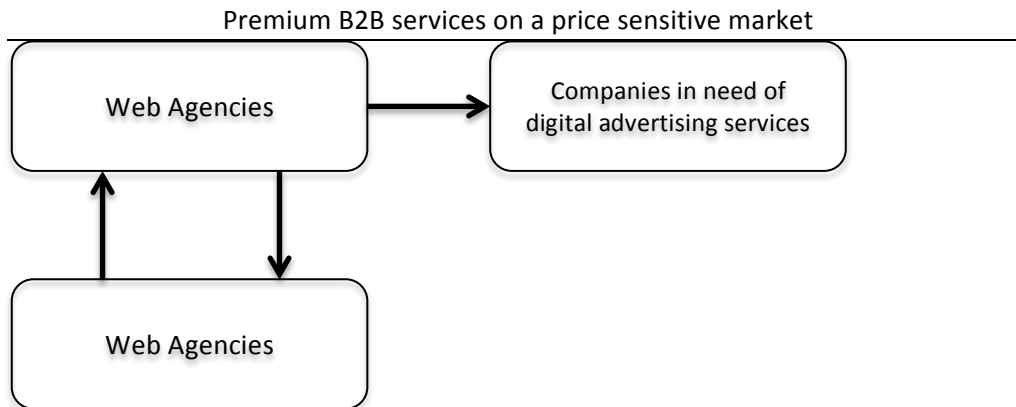


Figure 4: Value network when operating as a production company.

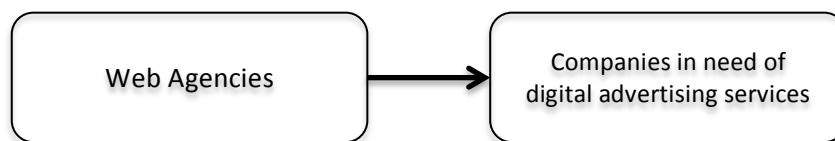


Figure 5: Value network when operating as a web agency.

4.2.2 Organization

The company is located in Stockholm, Göteborg, Malmö and Mumbai, India. The total number of employees as of February 2012 was 27 persons. The company believes in close collaboration and geographical distance to the customers and therefore has a number of offices in Sweden. The office in Stockholm consists of the two founders Roupé and Mannheimer, who focus on management and sales. The branch in Göteborg consists of Rendahl who also focuses on management and sales. The office in Malmö focuses on sales and development, but do also have two designers.

The office in India consists of seven developers, an Executive Assistant and a Managing Director/Project Manager and a Sales and Business Developer. All the employees at the Indian office are from India except for the Managing Director, Helene Hjelmvik, who is from Sweden.

4.2.3 Corporate Culture of Bombayworks

Hjelmvik stresses that the company has created a Swedish culture at the office in India. The culture is characterized with an openness to question, direct communication and without hierarchies. The implication of this is that the employers ask questions if they do not understand and come up with own solutions to problems. Hjelmvik also means that the cultural differences otherwise is a challenge for Swedish people that work in India.

The programmers in Sweden make an effort to be updated when it comes to mastering the latest trends in the industry to be able to deliver the latest

technological solutions. They provide training and quality assurance in all projects to guarantee that all programmers deliver the same level of quality.

The competence development at Bombayworks is crucial in order to keep up with the latest technologies on the market. Developers from India have therefore visited the offices in Sweden and some developers have been to the office in Mumbai, with the purpose to share knowledge between the offices. New recruits are furthermore taught by developers with more experience and knowledge in order to share knowledge between the employees.

4.2.4 Work Methodology

The business idea of Bombayworks is to take advantage of the low cost position in India and offer the customer an attractive price, but without compromising with quality and reliability in delivery. The work is done in collaboration with developers and project leaders in Sweden and Hjelmvik, the Managing Director as production leader on-site in India. The principles and working model is by Bombayworks called Hybrid Outsourcing. The meaning of Hybrid Outsourcing is that Swedish and Indian programmers work in integrated teams with high level of collaboration and the work is divided between Sweden and India. The clients always have a local project manager as a contact and the customer do not have any direct contact with the developers in India. The working method is possible due to technical tools that enables communication, shared screens, code and tools over the Internet.

4.2.5 Costs and Pricing

The cost structure of Bombayworks can be considered as simple and value-driven. Focus is on good quality and high value, rather on trying to cut costs to a great extent. The cost structure is mostly made up of fixed costs such as premises and Internet and variable costs such as salaries and equipment. The greatest portion of the costs is salaries and premises.

Most of the projects are sold as a 50-50 deal. This means that Indian and Swedish developers will each spend half of the hours estimated for a project. All projects will have a fixed cost based on time estimates. Bombayworks margin is therefore directly proportional to how correct the estimates are. The hourly price for a Swedish developer is 800 SEK and for an Indian developer 400 SEK. This results in an effective hourly price of 600 SEK for a 50-50 deal.

4.2.6 Supplied Services

Bombayworks develops systems, games, campaigns and web solutions for different kinds of companies. The company focuses mostly on the development of web and mobile applications, but the company can also help its customers with web strategy, search engine optimization (SEO) and social media. Bombayworks can be considered

to be a specialist in certain areas and do not offer a complete range of services to the customer.

Web Applications

The offered web solutions are based on an in-house developed content management system that uses open source code in PHP. This means that the code is available to the customer and its suppliers that have the possibility to modify and further develop the code after the finalization of a project. The user interface is developed in HTML and/or Flash. The company works with HTML5, CSS3, JavaScript and Flash in AS3. The goal of Bombayworks is to build solutions that are dynamic, stable, and easy for the customer to modify and in the forefront of the technical development.

Mobile Applications

Bombayworks also develops applications in Objective-C and Java for iPhone and Android. The applications can be integrated with Bombayworks's CMS-system or any other system. The company also possesses the ability to develop mobile web applications in HTML5, CSS3 and JavaScript through frameworks such as Phone Gap. The code can be compiled for several operating systems such as iOS, Android and Windows Phone.

All solutions are developed and tested on Bombayworks's servers. The software is then uploaded and configured to the clients' servers.

4.3 Bombayworks Entering the Indian Market

The section will discourse why Bombayworks made the decision to enter the Indian market and also their initial strategies and perceived strengths before entering the market.

4.3.1 The Decision to Enter the Indian Market

Bombayworks has earlier solely sold their services on the Swedish market, but decided in 2011 to enter the Indian market. There are a number of factors behind the reasoning and decision for Bombayworks to enter the Indian market.

Bombayworks has been physically active on the Indian since 2008, but has not sold their services on the market. The employees and especially the Managing Director at the office in Mumbai have been aware of the growth on the Indian market and realized that there might be profitable to sell the company's services there. Bombayworks started to take the temperature on the market in 2011, but to a smaller extent. Representatives from the company visited an advertising festival called Goafest and built relationships with people from the industry and also set up some initial meetings with potential customers. Due to lack of resources, especially

time, the market entry of Bombayworks was put on hold for some time and the final market entry was conducted in February 2012.

4.3.2 Strengths of Bombayworks Sweden

At the Swedish market, Bombayworks has several distinct properties that together compose their perceived strengths, these are listed below.

Hybrid Outsourcing

The hybrid outsourcing model has been an advantage for the company since the start. The operations in India have been a way to promote the company and get the advertising agencies attention. The hybrid outsourcing model has been an important door opener, since customers have related the connection to India and to a lower price. This has in turn oftentimes opened up for further conversations about the company's offerings.

Pricing

Since most of the projects in Sweden are sold as a 50-50 hybrid, there is a significant cost advantage compared to other players in the industry. Bombayworks charges about 800 SEK per Swedish hour and 400 SEK per Indian hour, which results in an effective hourly price of 600 SEK.

Methodology

The advertising business is characterized by clear deadlines but also a tendency for vendors to miss them. Bombayworks management team has roots in IT and Management Consulting and has infused Bombayworks with strict and precise project management, which is otherwise quite rare in the industry. Two clear results of this are rigorous assessment of the projects and solid quality assurance. Bombayworks is aware of their skills and capabilities; therefore they would never accept a project that would not be delivered on time and/or meet the specification. This has built a strong trust in their customer relationships.

Technology Culture

Many developers learn one way of coding and stays there, just to be out-competed by new competitors that uses the latest technology. This is especially true for classical advertising agencies that later focus on digital efforts. However, this is not the case for Bombayworks. The company has a pure technical background and a passion for coding and they call themselves "creative techies". It is embedded in their culture to constantly evolve and incorporate whatever the latest IT-geniuses think up. By working this way, Bombayworks guarantees to deliver a solution that is what the best current technology has to offer.

4.3.3 Bombayworks Initial Strategies on the Indian Market

This section will describe the some fundamental processes during the initial market entry in India.

Market Entry Strategies

In order to be able to enter the Indian market, Bombayworks hired a Sales and Business Developer by the name Inderjit Kaul. Kaul has a background from the Indian market and has an MBA in Marketing & Strategy from India. The responsibilities of the Kaul would be to acquire knowledge about the market, research for potential customers and build relationships with targeted customers.

Before the Sales and Business developer started, an excessive amount of research had not been made by Bombayworks. The strategy was to enter the market and get to know the market better and possess a great flexibility according to findings made. The strategy can be seen as trial and error more than a clear strategy and path of how to enter the market.

The strategy was to start with the same key success factors that have been relevant in Sweden and adapt them to the Indian market. Rendahl stressed the importance of taking care of the clients and use the same quality standards as in Sweden. The management team furthermore highlighted the importance of focus on small customers in the initial phase. This was to minimize the risk of hurting relations with bigger clients due to lack of experience on the market.

In the beginning of the entry phase the strategy was to get in contact with the targeted customers and try to get as many meetings as possible. The meetings would be a way to get to know the customers and understand their needs, but also to get a better understanding of the industry and Indian market. Research of the offered price to potential customers was seen as second priority, when knowledge about the customers would be greater.

Communication with Potential Customers

The initial customers to contact were chosen by the Sales and Business Developer and according to his network and previous knowledge of the market. Other potential customers were also contacts and friends to the Managing Director. The sales process at Bombayworks starts with that potential customers are given a cold call where the Sales and Business Developer presents Bombayworks, the strengths of the company and the offering. The potential customer is then asked if they are interested in a meeting, where Bombayworks can present their offering. Kaul means that it can be hard to get a hold of people when calling, because they are busy. If the response is positive an e-mail is sent to the potential customer directly after the telephone call, where more information can be found. The e-mail also consists of links of cases from Bombayworks Swedish portfolio and the website. The purpose of the e-mail is to give the customer a better understanding of Bombayworks and be prepared for the sales meeting. An invite to Google Calendar is also sent to the customer, to make sure that the time and date is right, but also to confirm that the potential customer still is interested in the meeting. See figure 6 for a model of the communication process.

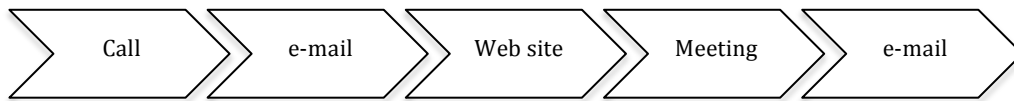


Figure 6: Model of the communication process.

Sales Meetings

The Sales and Business Developer and the Managing Director attend the sales meetings with the potential customers. The meetings generally start with a presentation of Bombayworks held by the Sales and Business Developer. Thereafter the potential customer usually describes their organization and needs. The Managing Director then shows cases from the Swedish market. The Sales and Business Developer then gives the customer statistics of the cases, in order to help them to understand the size of Sweden and the market in comparison to India. A discussion then follows about what Bombayworks possibly can help the customer with and their more specific needs. The sales meetings usually end with a better understanding of each other's needs and offerings and that the potential customer will get back to Bombayworks if they have interest in collaboration or a certain project.

After the sales meeting the Sales and Business Developer sends an e-mail to the potential customer containing a brief summary about what has been discussed during the meeting and links to the cases discussed during the meeting. If the potential has any project relevant to Bombayworks one will send a brief of the project. Bombayworks will then return an estimate and price indication of the specified project, which clarifies the responsibilities between the parties, time estimate, cost estimate and terms and conditions. The customer will then send a more precise project specification in return, which will be responded by a price quote from Bombayworks. If both parties agree a deal will then arise between the parties. See figure 7 for a model of a potential project.



Figure 7: Model of a potential project.

Customer Service and Support

Since the code is open source the aim is to not integrate with the customer to a great extent after delivery. Thus, Bombayworks offers a warranty of 90 days, where they can help the customers with bug fixes and support.

4.4 The Communication Industry

The section will handle the communication industry, in order to create a better understanding of the setting of Bombayworks's potential customers. First, the industry in general will be discussed briefly, followed by a discussion on what different types of agencies that might exist. Last, user patterns of Indians will be mentioned.

4.4.1 The Industry at a Glance

The advertising industry in India has undergone growth the last decade. The major hub for advertising in the country is Mumbai (Chilibreeze, 2010). Online advertising is increasing in India and accounts for 4 % of the total advertising expenditure in 2011. Rajan Anandan, Managing Director at Google India meant that the online advertising will face a growth of approximately 50 % in 2011 and be a major part of the companies' expenditure on marketing. The industry is considered to be a billion dollar industry in 2014. (Stock Watch, 2011) Many companies at the Indian market do not spend a large fraction of their budget on market research if compared to the more developed markets. The reason is that India is a developing country and companies, instead of focusing on actions taken, focus on future actions. (Isenberg, 2012)

4.4.2 Types of Agencies

There are about 20 considered good, full fledged advertising agencies in India (Narayan, 2012). In addition to these there are several small creative shops that do not offer a complete solution, but are good at what they are doing. In many cases, the owners and employees in these shops have previously worked for one of the bigger shops.

The primary goal for the communication agencies is to help companies to reach their customers. This can be achieved in several different ways and as a result the industry is diverse. The most generalizing way to describe the industry and their offerings is to say that there are generalists and specialists. The generalists are agencies offering a wide range of communication services such as printed media, TV-commercials, media selection, and digital advertisement. The specialist agencies, on the other hand, focus on one or a few of the different communication forks. Another aspect that further complexes the industry is presence. Some agencies are global with offices all over the world; others are local, supplying their services to a specific county.

See table 2 for examples of different communication forks and their respective descriptions. The list does not cover all possible forks, but illustrates the wide diversification and covers those of highest relevancy for this report.

Premium B2B services on a price sensitive market

Table 2: List communication forks with short descriptions.

Type	Description
Market Communication Group	Global Groups that encompass all kinds of agencies
Global Market Communication Agency	Agencies that have a global presence and offer a full market communication service package, either by themselves or through their partners
Market Communication Agency	Same as above but with local presence
Media Selection Agency	Agencies that help companies choose the right mix of marketing channels, such as web, printed media and TV commercials
Digital Agency	Agencies that design and implement digital solutions
Production Company	Agencies that implement solutions but do not do design

4.4.3 Agency and Company Cooperation

There are also several ways for companies to hire the services of the different agencies. Two generalized models of cooperation, named A and B, are illustrated in Figures 8 and 9. In the real world, endless combinations and variations of these models are frequent.

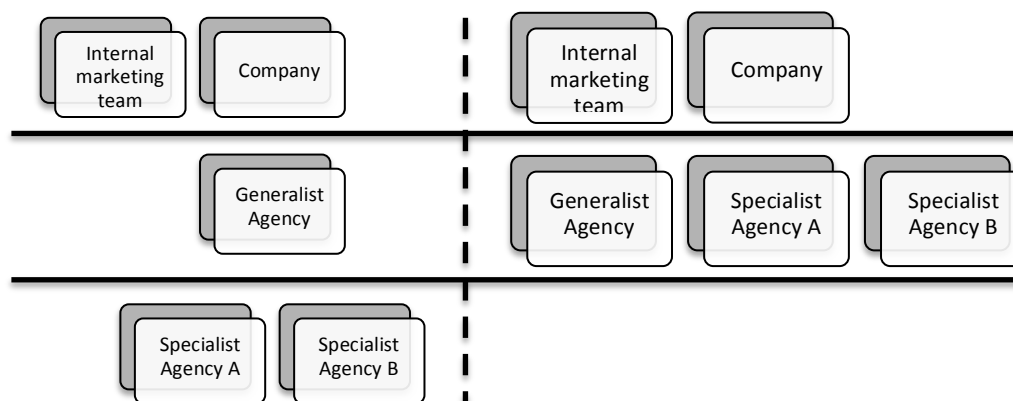


Figure 8: Cooperation model A.

Figure 9: Cooperation model B.

In the case of model A, the company has chosen to hire a generalist agency of the type market communication agency. That agency in turn hires specialists, such as digital agencies or production companies, to help them with different parts of productions. For instance, the market communication agency might have the

customer and the design concept ready, but not the technical skills and/or resources to implement it and therefore hires a production company. The company hires the generalist agency on an annual basis and the internal marketing team and the agency agrees on how to reach the customers. The generalist, in turn, hires specialists on a per project basis.

In the case of model B, the company hires both generalist and specialist agencies on annual contracts and they all cooperate on how to best reach the customers and promote the company.

4.4.4 The Indian User

Indian internet usage differs greatly from the world average. For instance only about 10% use internet. Thus the number of users has increased each year the users do not follow the pattern where Internet Explorer is the dominant browser. Instead Firefox and Chrome have about 35% each and Internet Explorer around 25%. (IWS, 2010)

Research has shown that adaption of social media is higher in emerging markets, such as China, India, Brazil and Mexico, than in western countries. The fascination and passion for new technologies and social networking is strong. Individuals in emerging countries are more frequent users of social media platforms, where 93 percent of online users use, at a minimum, one social networking site. The level of activity and creation of content are furthermore different in emerging countries and the western world. 70 percent of the western consumers can be labeled as spectators, where they rather consume content of others than contribute with creation. The number can be compared to India and China, where 75 percent of the consumers in India are active in the creation of content, which can be compared to 24 percent in the U.S. (Campaign India, 2012)

When it comes to updates of status at social media platforms, two thirds of the consumers in emerging markets update their status weekly. The number can be compared to one third in the U.S. and one quarter in Europe. Companies of today have to understand the pattern of their customers in order to gain attention and influence in the online arena. The social media is such a strong influence on the customers and their behavior online and differences in the adoption of social media and digital media in different countries should not be neglected. (Campaign India, 2012)

4.5 Input from Companies

The section will cover different aspects of interactions between advertising agencies and companies interested in their services. Specifically, how the companies prefer to work with advertising agencies, how the companies evaluate potential partners and the companies online advertising strategy. Companies have the potential of being

direct customers to Bombayworks in the future; therefore an extensive understanding of their situation and needs is relevant.

4.5.1 Does Companies in General have a Digital Strategy?

In general MNCs in India do not have an integrated media strategy. Their profile in the digital world might differ greatly from their regular media profile. Companies in the industry also differ when it comes to time perspective on their digital strategy, some companies focus on short term and others on more long term strategies. More tactical strategies focus on short term digital campaigns, while long term strategies can focus more on the company's website and long term presence in social media. The majority of MNCs focuses mostly on short term digital campaigns. Thus, most companies do not have the digital strategies integrated in the overall media strategy and focus mostly on short term digital campaigns. However, different strategies and time perspectives are existent.

"MNCs focuses mostly on short term digital campaigns." (Khandelwal, 2012)

4.5.2 Does Companies have Digital Resources In-House?

Some companies do have some kind of digital section or office, thus they do not outsource the complete customer communication to their agency. It is also common that they have an internal team that manages the over all marketing strategy.

Sometimes companies use several types of agencies to support their marketing efforts. For example, one company in the automotive industry uses five agencies, one general advertising agency, one CRM, one PR, one media and one digital agency. Companies can furthermore utilize separate agencies for media channel selection.

There are furthermore examples of companies that only use global advertising agencies that work with the certain company on a global level. This helps to cut costs since a lot of marketing material, such as photo shoots, can be shared among geographically separate business units.

4.5.3 Which Parameters are Important during Agency Collaboration?

Knowledge and Capabilities

MNCs in India generally look for advertising agencies that have an extensive amount of knowledge within the industry that the company acts in. It is furthermore important that the company is exposed to a large sized audience through the agencies medium, thus that the media reach is large.

When it comes to the offering, it is significant that the advertising agency is able to deliver what the company asks for. Companies also highlight the importance of the advertising agency's innovation level and ability to come up with creative ideas.

One of the most important aspects when it comes to evaluating an offer from an advertising agency is the price that that company has to pay. It is furthermore crucial that the projects are delivered within the pre-determined time frame. If there is a trade-off between time and quality, time is prioritized.

Collaboration

When collaborating with agencies it is of uttermost importance that the parties can have a close relationship. One company highlights that the legacy of the relationship is the most important aspect when it comes to collaboration, in order to build trust.

Companies value an advertising agency's understanding of the product or service and the entire value proposition of the company. The agency should furthermore sympathize or share the same values, in order to be dedicated and committed to the project and company and spend the right level of manpower to the company's projects. Communication and clearness are also aspects that are crucial for a successful collaboration.

For some companies it is also important that the agency do not collaborate with any of the competitors to the company.

Evaluation of Agencies

When a company has an intention of entering collaboration with an agency they usually evaluate a number of different agencies. One way of doing a careful evaluation is to make a number of agencies present their solution on a specification from the company. To make sure that the advertising agency can deliver the required services, the track records, past experiences and reputation within the industry are relevant. In order to evaluate advertising agency they analyze the previous work and entire portfolio of the agency. One company also highlighted the importance of showing what previous projects have yielded in terms of numbers. Another aspect that is taken into consideration is the advertising agency's works current clientele. It is appreciated if the agency works with a large number of customers and also if they are active in a large network.

Key Aspects

In more concrete terms the most important aspects that companies consider when choosing an advertising agency are their knowledge of the specific industry they act in and the price of the offered services. For a successful collaboration companies also value a close relationship, where the advertising agency has understanding of the company's value proposition and is dedicated to the project. When evaluating agencies companies highlight the importance of reputation, portfolio and current customers.

“One of the most important factors when it comes to selecting agency is their creative ideas and how well they have aligned their proposition with company’s specification.” (Attarwal, 2012)

4.5.4 Does Advertising Agencies Satisfy All the Needs of the Companies?

MNCs prefer agencies that deliver a full package of advertising services. The MNCs expect that their agency will take care of all and any marketing task they suggest. Thus, this is not always the case and companies do hire external partners for certain projects and in special areas. This is especially common when it comes to digital solutions.

4.5.5 What can a Collaboration Process Look Like?

The collaboration process can vary in a number of different ways. One common way is that the company creates the overall structure and concept of a new project internally. A specification is then handed over to the advertising agency.

One example of how it can be done if the company does not have the resources in-house and a new marketing strategy will be created, is to invite their agencies to participate in a brainstorm. In some cases different agencies supply their piece of the puzzle to one project. One company also exemplifies that their internal team gives feedback on the material created by advertising agencies.

“A specification is handed over to the internal creative team that in turn uses market research and advertising partners to create a final strategy.” (Naheed, 2012)

4.5.6 Are Advertising Agencies Hired on an Annual or Project Basis?

MNCs acquire services of advertising agencies in two ways, either they have a retainer agreement or pay per project. Many MNCs usually have a number of agencies that are hired on an annual basis. It is furthermore common that companies hire external partners on a per project basis for certain projects. This is the case when that other agency is especially competent in a certain area, which is common for digital productions.

“In some cases an external agency, that is especially competent in their area, can be hired on a per project basis. This is common for digital solutions.” (Singh, 2012)

4.6 Input from Advertising Agencies

The section will cover input from advertising agencies. Since they are potential customers to Bombayworks, an extensive coverage of their needs is highly relevant. During the data gathering phase, several sales processes were initiated by Bombayworks and their development was observed. The primary sources of data

were sales meetings and internal meetings following the sales processes. This section will present observed and the relevant findings.

Sales processes from nine different advertising agencies were followed. These agencies and related descriptions are listed in Appendix A.

4.6.1 What are the General Market Trends within Digital Advertisement?

In general the demand for digital advertisement services is increasing. Companies are more interested how they can be present in the digital space and spend more money on digital efforts, especially social media. However, companies themselves have generally little knowledge of what can be done on the web, which technologies and channels should be used. Companies still think of the web as another marketing board and mainly focus on short term efforts in form of banners and campaign sites. They do not see the potential and need for long term investments and are therefore less willing to pay for more extensive projects. This cost sensitivity combined with limited knowledge leads to that negotiations about long-term, strategical digital solutions are some times canceled.

“There has been a big rise of interest in digital advertising over the past few years, especially through social media.” (Media2Win, 2012)

4.6.2 What is the Demand for Flash?

There is still a big, but not increasing, demand of Flash solutions in India. There is a great legacy of Flash solutions, most companies have Flash pages today and the design language that is specific to Flash is well known and liked.

Advertising agencies understand Flash’s weaknesses in general. They recognize that more technologically mature markets have moved away from Flash, but argue how relevant this is in India. Some agencies think that India will soon follow the same path as many other countries have done before them, where flash is widely substituted by HTML5. Others mean that flash will stay strong in India for a long time to come.

Advertising agencies in general also have a strong Flash development team and therefore strong incentives to promote such solutions.

“The global trend is clear, flash is largely being replaced by HTML5.” (Lowe Lintas, 2012)

4.6.3 What is the Demand for New Technologies such as HTML5?

As mentioned before, the prevailing trend in the web industry is that HTML5 is the given successor of Flash.

There is however a difference between Indian and multinational companies in this matter. In general, multinational companies are more aware of HTML and seek these solutions to a higher extent than their Indian counterparts. The Indians on the other hand still have a preference for Flash. This difference is a direct result of varying knowledge levels between companies. Most companies have little or no knowledge about web technologies. Some have heard about HTML and Flash but do not know what it means. When companies see a demo of what can be done in HTML they are impressed, but they have generally had no previous experience working with it. The main focus for companies is therefore a nice looking end product and which technologies should be involved can be up to the advertising agency.

Advertising agencies are generally well aware of different web technologies and how they can be used. However, they still have a hard time to move towards HTML because of several different reasons. The main reason of these is that the agencies have few capable developers that can deliver HTML solutions. In addition to this it is hard to find vendors and developers with HTML knowledge. As a result, advertising agencies have limited possibilities to deliver HTML solutions to their customers and therefore limited incentives to promote the same.

“Companies do not generally ask for different kinds of technologies, because they do not have the knowledge about it.” (RK Swami Interactive, 2012)

4.6.4 What is the Demand for Mobile Sites?

Another strong trend in Indian web development is a move towards mobile solutions. Companies are asking for mobile solutions and more specifically apps that work on the Android platform. Advertising agencies realize this trend and push mobile solutions to their customers. However, most agencies have just begun the development of mobile applications. They do not know best practices and have a hard time finding developers with the right competence. To exemplify the knowledge level, most agencies are not even considering using HTML/web-apps as opposed to native apps. Some agencies have also expressed concern over rising costs since mobile apps have to be made on either many different platforms or for several different screen resolutions.

“It is impossible for web apps to look as good as their native counterparts.” (Rediffusion Y&R, 2012)

4.6.5 Are Customers Interested in Other Technologies?

Microsites and augmented reality were also common discussion subjects during sales meetings. One advertising agency was strongly arguing that conventional microsites would soon give in to Facebook equivalents. That is, instead of making a separate campaign site, a page on Facebook constructed to promote, for instance, a product.

There is a big interest from companies regarding augmented reality. They have seen some implementation and think that the technology is eye-catching and want to do something with it, but they do not really know what that would be.

“A lot of our clients are asking for augmented reality.” (Lowe Lintas, 2012)

4.6.6 How does Advertising Agencies Work with Sub-Contractors?

All bigger advertising agencies work with vendors in one form or another. For instance, WPP, which is a global marketing group, has a policy that all their agencies should work with three vendors for every project.

Agencies' reasons for working with vendors are many, but three reasons were prevalent; to save time, not enough capable staff, no capable staff. The “save time” and “not enough staff” reasons are somewhat interlaced since the reason that an agency is short on time might be that they are short on staff. The last reason is that the agency actually has no staff with the right competence for the relevant projects.

Agencies usually hire vendors on a per project basis. That is, they do not have long-term contracts with their vendors; instead they make an assessment for every project if they can handle it in-house. If that is not the case, they contact and hire vendors.

Once in a business relationship, the cooperation can take many forms. The most common form of collaboration is where the agency does the complete design and vendors only implement the solution. That is, vendors get mock-ups of the end product and translate it to code. The reason that this is the most common form is that most vendors in India have very little knowledge about design. A subversion of this form is when parts of the coding are done by the agency and the vendor. Project management and coordination are of great importance in these cases since work from two separate units will need to be integrated. The third form is a complete outsource where the vendor gets a brief of the general direction of the project and then completes the projects from start to finish. In these cases the agencies are more or less just a link between the vendor and the end customer.

Regardless of cooperation type, all projects have a brief explaining what the vendor is expected to do. These briefs are varying in quality and scope. Some are very detailed, specifying code parameters, others gives the vendor more freedom to solve the implementation as they see fit.

“Most of the web development vendors focus solely on implementation and have no or very little knowledge about customer needs and design. However, we would prefer to work with a digital partner that knows both design and implementation.”
(Contract India 1, 2012)

4.6.7 What are Bombayworks Strengths During Sales Meetings?

The agencies were mainly interested in Bombayworks portfolio, that is, earlier work they have done for other customers in Sweden. During these demos, the technology used, usage statistics and the creative implementations were key selling points. For instance, Bombayworks have done several campaign sites where social media platforms have been integrated. That is, visitors of the site can log in with for instance, their Facebook credentials.

Productions for international companies were also pivotal in gaining the agencies' interest, as international companies are in general more selective when it comes to choosing vendors.

Most agencies enquired about the educational background of Bombayworks's sales team. They were especially impressed by Helene's background in Human Computer Interaction and Interactive Media Technology from KTH Royal Institute of Technology, as user experience competence is very scarce in India today.

Another key selling point was to tell about the Swedish market and Bombayworks's heritage. The main reason for this was to stress the fact that Bombayworks is used to operate in a much more mature and competitive market and that their work reflects this.

The final point of interest was the fact that Bombayworks has employees that have an understanding of both front-end and back-end development, even if they specialize in one area. This is quite rare in India and a vital property for companies that wishes to deliver high quality productions.

5 Analysis of Business Model

In the chapter, the empiric will be analyzed with help of the structure of Business Model Canvas presented by Osterwalder & Pigneur, to get an overall understanding of how the company can be able to compete on the Indian market. The analysis will follow in the order of the different building blocks: customer segments, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partners and cost structure.

5.1 Customer Segments

The section will first discuss the primary needs of its potential customers, followed by secondary needs. The various needs will then result in four segmentation groups, which will be highly relevant in the following discussions.

Bombayworks needs to comprehend what customers one aims to serve. The starting point for the company is that they operate on the Indian market and in the area of Mumbai. The structure of the industry naturally presents an initial segmentation of potential customers into companies and advertising agencies. Specifically, companies that wish to buy digital production services and advertising agencies that look for a digital production partner. According to input from the two different kinds of customers, there are certain resources that both of them are likely to be lacking. Regardless of whether the potential customer is an agency or a company they can therefore be ranked according to four parameters.

The parameters are level of outsourcing, managerial skills, web knowledge and web resources. The parameters are interconnected in the customer segmentation and different combinations can be equally attractive depending on what Bombayworks wishes to achieve. However, all combinations or segments will require different approaches for a successful project. These parameters and how they are derived from the empirics will be discussed to a greater extent below.

5.1.1 Primary Needs of Customers

Two of the factors, level of web knowledge and web resources represent the two primary customer needs. A single customer might have a need for a single one of these factors or a combination of both. Web knowledge in this case encompasses how well educated the potential customer is regarding upcoming web standards and the benefits of a well executed web strategy, as well as what is generally accepted as good web design within the web design industry. That is to say; if a potential customer has high web knowledge, it will understand the complex process of making competitive online advertising. The customer will also recognize the difference in potential return of investment between a poorly constructed web solution and a state of the art solution.

Web resources encompass the potential customers' internal capacity to produce solutions using the latest web technology. For instance, a customer might be very well educated and aware about web design and might have high web knowledge, but not enough capable web developers to cope with the current workload.

5.1.2 Secondary Needs of Customers

The level of outsourcing a potential customer is willing to commit to is furthermore important for customer segmentation. If an agency creates a design but outsources all development to Bombayworks the project is likely to run efficiently and smooth. This is because of the fact that Bombayworks has total freedom in what platform to use and how to manage and plan the work flow.

If parts of the production is performed by the agency, the potential customer's internal project management skills will be a deciding factor, as previously discussed. If the customer is used to outsourcing and has well structured and rigorous processes the administrative overhead will be minimal. If the opposite is the case then the administrative overhead might rise significantly.

5.1.3 Segmentation Groups

By analyzing the interconnections between the four deciding customer parameters, four main customer groups can be identified: the easy project, administrative overhead, administrative and educational overhead and educational overhead. The derivation of these four groups, the customer segmentation framework (CS-framework), is illustrated in figure 10. The mentioned customer groups will be discussed in more detail in the following section about value proposition.

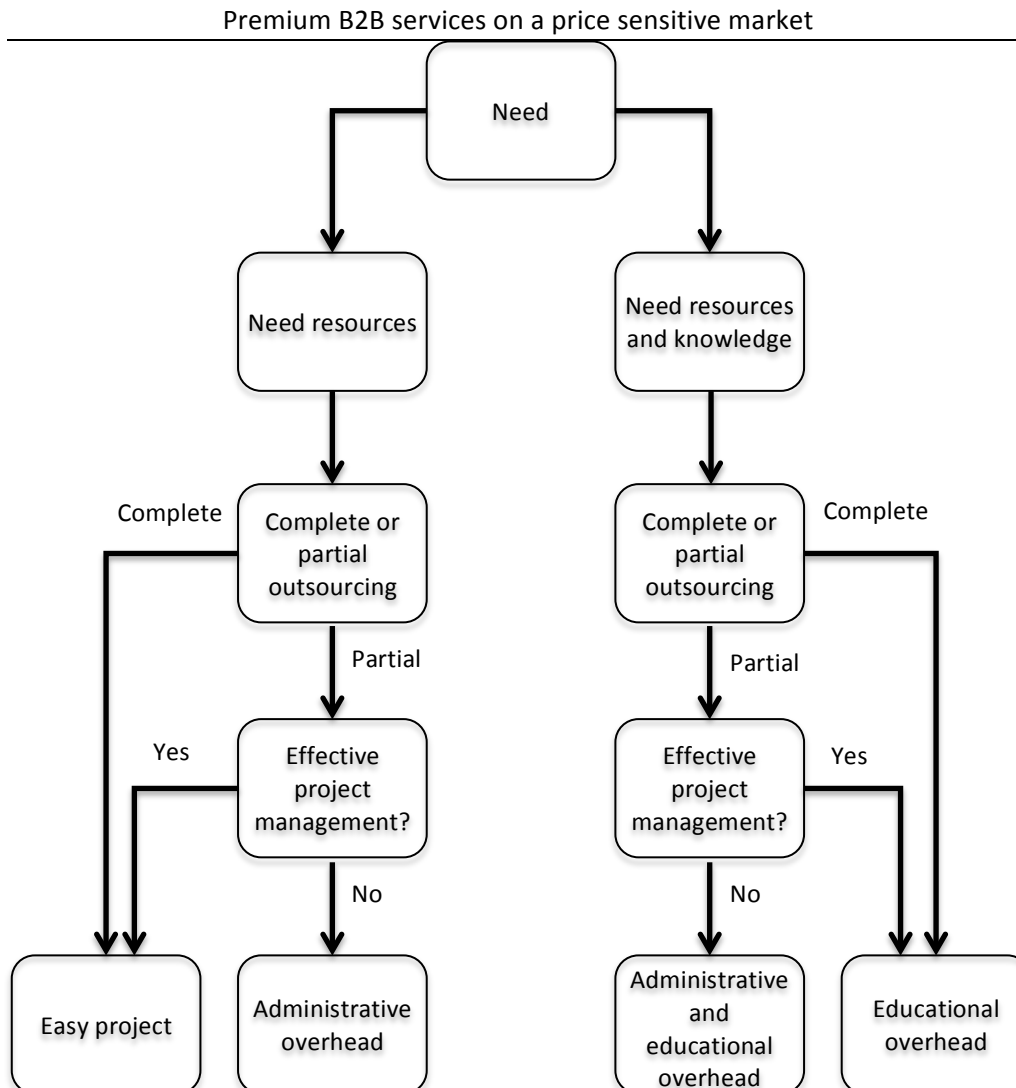


Figure 10: The CS-framework; derivation of the customer segmentation groups.

5.2 Value Proposition

The section will start out with a discussion about how an offering and value proposition can be adapted to the Indian market, in order to be successful. The discussion will then be followed with the potential strengths of Bombayworks in India. Thereafter an analysis of the two main customer types will be presented. Lastly, an analysis of the customer segments of the CS-framework will be presented as it covers all potential customers. The customer type and customer segment sections will connect previous information and present tangible value propositions.

5.2.1 Offering Adaption and Initial Strategy

In order to be successful on the Indian market it is essential to understand how and to what level an offering has to be adapted.

Premium B2B services on a price sensitive market

Market experts stress the fact that people from India are extremely sensitive when it comes to price. It is the actual price that is the center of attention and not the actual cost. If Indians are asked to pay a higher price than expected they need a clarification of what the extra value is that they pay for.

Experienced people from the Indian market mean that companies can meet difficulties if trying to charge a premium price and especially if the company does not have a well-known brand name. An option to charge a premium price would be to educate the customers and focus on values and quality and not the price. Another complexity is that the Indians require good quality but are oftentimes not willing to pay for it, which can be a problem if trying to charge a premium price and stress the aspect of higher quality. It is hard work to make the customer understand the certain benefits of the product or service and make them willing to pay the extra money that it might be worth.

The initial strategy of Bombayworks when entering the market was to hire a Sales and Business Developer to acquire knowledge about the market and research for potential customers and build relationships with targeted customers. The company had been present on the market for numerous years, but had not done an extensive research of their potential of success in the industry and on the Indian market. The selected strategy can be characterized as trial and error and possesses flexibility and learns about the market while entering. The strategy was to start with the same key success factors that have been relevant in Sweden and adapt them to the Indian market during the process.

The strategy to not do an excessive research before entering and then adapt the offering along the way can have both pros and cons. The strategy is an effective and efficient way to get to know the market end potential customers. The strategy can also be a way to avoid spending unnecessary resources on planning and research. Another benefit with the strategy is that it allows Bombayworks to take action directly and consequently do not miss chances, if the company thinks the timing is right.

The strategy might also consume resources in terms of time and money, spent on business relationships with no real potential. This risk could have been minimized if a better research would have been done before entering. Another risk is that Bombayworks would get in contact with potential customers and miss future collaborations if they are not able to meet and understand the needs of the customer in the initial stage. To use the Swedish offering as a starting point can also be risky. Bombayworks might assume that characteristics of the market and customers are similar and fail to adapt the offering to the right level.

5.2.2 Strengths of Bombayworks India

The value proposition of Bombayworks in India will differ from the one in Sweden. The value proposition can be categorized in four different sections and will be discussed below.

Experiences - Latest Technologies and High Quality

The fact that Bombayworks originates from a highly developed market, in comparison to India, has been a selling point. The main reason for this was to stress the fact that Bombayworks is used to operate in a much more mature and competitive market and that its work reflects this. Customers get impressed by number that reflects how mature the Swedish market is when it comes to Internet usage and speed and how much of the mobile traffic, that comes from iPhones. The majority of customers understand that the customers in Sweden are picky with web design and quality and that Swedish companies are aware of this fact and generally knowledgeable about IT.

Customers also raised interested in the background of the employees at Bombayworks and especially Hjelmvik's background in Human Computer Interaction and Interactive Media Technology, an unusual education in India. Another advantage of the heritage from a highly developed market is that the company already has experience from collaborations with some of the biggest international groups in the industry. This was a clear selling point when interacting with potential customers, since international companies in general are more selective when it comes to selection of vendors.

Bombayworks has a technology lead compared to most competitors on the Indian market. This has become very clear speaking to potential customers. Most of them were impressed by the state of the Swedish market and realized that India now sees the same development that Sweden did several years ago. Because of this, the company knows how to get the most out of the latest technologies and especially HTML5, which is the first choice of the company. Another point of interest from the customers point of view is that employees at Bombayworks have an understanding of both front-end and back-end development, even if they specialize in one area. This is not common in India and a success factor for companies to be able to deliver high quality productions.

Indian customers do require high quality and since the company does have an eye for detail and is clear about that they only deliver high quality productions this is an aspect that should be stressed.

Products - Complete Digital Portfolio

Potential customers showed an interest in Bombayworks portfolio from the Swedish market. Something that is missing on the Indian market is that many advertising agencies do not know how to transfer fussy ideas from customers and take them

digital. The portfolio of Bombayworks shows that the company has the knowledge on how to do this. Bombayworks has the ability to give the customers what they asks for in terms of corporate websites, mobile applications, micro sites and social media implementation.

Methodology - Technical Consultants

Another important area of Bombayworks's value proposition is that they can be seen as technical consultants. One of the reasons why this has been possible at Bombayworks is that the developers at the company are eager to learn and develop within their field. They are not only coders, they are also creative developers and are more than eager to share their experiences with each other but also with their customers.

Another selling point is that Bombayworks has a feeling for design. In Sweden the company has two designers that can assist with input. Additionally, the fact that the company originates from another type of market, with another type of sense for design is another important factor.

The company can assist their customers with creative input on design throughout the entire process, from the brief, to design and guidance, development, warranty and support. This is a selling point since the customers highlight the value of innovation and creative input during the development of marketing initiatives. The ability to offer the customers input and workshops throughout the process can be a valuable selling point.

Beliefs - Honesty and Reliability

Other valuable aspects for the company is their beliefs in what they stand for. As input from market experts has shown, it is important for Indians to build long-term relationships. Bombayworks strives for being honest about their capabilities and what they are able to achieve in terms of time and resources, which is most likely a key to building long term relationships. Those who are aware of the global development in digital advertising have also expressed a shortage of competent digital partners in India, which shows that this is an important aspect for the company to highlight.

Input from potential customers furthermore shows the importance of dedication and understanding of the customer's offerings and values. This can furthermore be strength for Bombayworks, to show the customer that they are dedicated in the projects.

The company also stresses the importance of always deliver on-time. This is an aspect that also has been raised by potential customers. This is especially vital for Bombayworks since a number of potential customers meant that delivery on-time cannot always be taken for granted in India.

5.2.3 Needs and Value Proposition for Customers

The Indian market is very different from other markets. Advantages on the Swedish market might be the same on the Indian market, but for different reasons. Others do not apply at all. Relevant areas and aspects of this will be analyzed below and needs of the different customers will be connected to the value proposition of Bombayworks. The link between the strengths of the company and the needs of the customers is important to understand in order for Bombayworks to solve the customers' problem. The discussions are generalized, but every potential customer has to be taken into consideration with the specific situation in mind.

Value Proposition Companies

A great number of companies lack the knowledge of how to take fuzzy marketing ideas and transfer them to the digital space. Since Bombayworks does have great knowledge about the web, the company can offer them input on what is possible to take digital. Another knowledge gap of many companies is their knowing of how to integrate digital effort in the overall marketing strategy. Bombayworks has knowledge about many different devices and platforms on the web and can therefore advise the company on how to connect them and create a coherent digital strategy for long term presence in the digital space.

Companies do not have that much knowledge about technologies and the advantages and disadvantages of use of different ones. Indian companies do have a preference for Flash, but more international companies do have an understanding for the benefits and future of HTML5. Companies do furthermore see the future potential for mobile applications and have in some cases heard about new upcoming technologies such as augmented reality. In terms of technologies Bombayworks can offer the company input on technologies from numerous years of experiences within the field. Due to the fact that Bombayworks has a preference for HTML5, this is something that could be a great help.

Typically, companies use a number of advertising agencies, but have raised a need for an agency that can deliver everything they ask for and would like to have input on. Whether companies have internal resources or not, they request partners that can offer innovative and creative input on digital solutions. Bombayworks can offer companies most things that they ask for; Bombayworks has knowledge of production of mobile applications, but mostly in Sweden. Bombayworks does not have knowledge about how to develop augmented reality. Consequently, it might be advisable for Bombayworks to acquire capabilities to implement augmented reality solutions. Bombayworks can furthermore offer companies input on their ideas and assist their customers with creative input on design throughout the entire process, from the brief, to design and guidance, development, warranty and support.

Companies are mostly looking for long term relationship, where their partner has an understanding for their values and offering. Companies are also in need of someone

that can deliver on time. Bombayworks has previously had a great number of long term relationships and always look for future collaborations. The company does furthermore highlight the importance of holding deadlines.

Value Proposition Advertising Agencies

Advertising agencies generally do have an understanding of the increasing demand for digital advertisement and the trend that mobile applications are getting more and more popular. They do also have a comprehension of the fact that HTML5 is the future technology and related to a great number of advantages. The complexity is that most advertising agencies do have resources to do Flash but not enough resources to do HTML5. Due to difficulties in finding developers and capable vendors, advertising agencies usually promote Flash, even though they know that HTML5 might be the better alternative. The same difficulty is true when it comes to mobile applications, companies are asking for it but the advertising agencies do not have enough resources to deliver it. Bombayworks can deliver Flash productions to customers, even though this is not their priority. Due to the fact that many advertising agencies are lacking resources or do not have enough resources for HTML-production, this is something that Bombayworks can offer. Bombayworks do have the knowledge in Sweden and some in India of how to deliver mobile applications, so this could be something that the company can offer in the longer term perspective.

There is furthermore a lack of vendors that offer an entire range of digital resources. The number of advertising agencies that have developers with an understanding of both back-end and front-end is low. Today, Bombayworks does not have the capabilities to deliver a full range of digital solutions, but does have the experience and knowledge about both back and front-end.

The most common way of collaborating between an advertising agency and a vendor is that the agency does the design and the vendor implements the solution. Advertising agencies are therefore in need of vendors that give them more input on design and choice of the right technologies in order to reach the required effects. Briefs and scope vary from vendor to vendor. Bombayworks is more than just a production company and can offer customers input on design and technologies that are most suitable for different kinds of projects.

Most advertising agencies usually hire vendors on a project basis and long term relationship when it comes to digital production is not that frequently occurring in the industry. Since, there are not a great number of vendors that deliver a wide range of solutions and empathize longer term relationships; this is something that could be a key offering from Bombayworks.

5.2.4 Needs and Value Proposition of the Groups CS-Framework

Different players on the market are in need of different resources such as knowledge, digital resources, but might also need managerial skills. The varying needs are the motivation behind the four different segmentation groups: the easy project, administrative overhead, administrative and educational overhead and educational overhead. Every case and every customer is different, but an initial strategy of what customers and segments they are focusing on will be a benefit. A coherent strategy can then be formulated on how to stress the specific value proposition for the chosen segment. The needs, value proposition and potential and risks will be discussed for each of the segmentation groups.

The Easy Project

Need

The customer has the knowledge about existing web technologies and what the trends are in the industry, but due to some reason aims to outsource the entire project. The customer has an effective management and is easy to collaborate and there will not be excessive administrative work.

Value Proposition

- Resources with the right knowledge about the web
- A complete solution and offering
- Efficient collaboration

Potential and Risks

The customer has knowledge about web and therefore Bombayworks does not have to educate the customer. This is most likely beneficial, since that otherwise is a source of time and money consumption. The customer is furthermore easy to collaborate with, which will probably lead to a more efficient project and a better relationship. Collaboration with this type of customer can probably easily be handled and leads to a good relationship, but there are risks connected to this type of projects as well. Now the customers just lack the resources and there is a great likelihood that the customer in a short amount of time will get the capabilities itself. This can especially be true if the customer does not have enough resources, but has some resources. Even though it is difficult to find the right capabilities on the market, it makes it easier for the customer to in a short amount of time get the right amount of resources in-house, since they know what they are looking for. Thus, this type of customer is risky and there is a great risk that the relationship will not be sustainable in the longer term.

Administrative Overhead

Need

The customer does not have the knowledge about existing web technologies and what the trends are in the industry and require a partner that they can outsource some part of the production to. The customer does not have efficient project management skills.

Value Proposition

- Resources with the right knowledge about the web
- Help with parts of a solution
- Efficient project management

Potential and Risks

The same educational benefits that apply for *the easy project* also apply in this case. However, the customer does not have an efficient way of handling projects, which will lead to an administrative overhead. This means that Bombayworks would have to dedicate additional resources to project management.

It is possible that the customer will have a hard time acquiring project efficient project management skills by themselves and would therefore benefit from the efficient project management of Bombayworks.

At the same time there is a risk that the company will acquire the resources and project leaders that can better handle the projects. If this would be the case, the relationship would be synonymous to *the easy project* and perhaps not beneficial for Bombayworks in a longer time perspective.

Administrative and Educational Overhead

Need

The customer does not have knowledge about the web nor has the resources. The customer is looking for a partner that can deliver parts of their projects and need help, in order to have a more effective management.

Value Proposition

- Knowledge about the web
- Resources with knowledge about the web
- Help with parts of a solution
- Efficient project management

Potential and Risks

The customer is in the need of a partner that can give them more knowledge and offer help with parts of their projects. The disadvantage is that they do not have an efficient management. This could be a problem since according to Bombayworks the

work is a shared effort and difficulties in collaboration might arise. The relationship can be beneficial if the collaboration works, since the customer would be dependent on Bombayworks not only in terms of resources but also management.

Educational Overhead

Need

The customer does not have resources or knowledge in order to deliver digital projects. The customer is in the need of a partner that one can outsource the entire production to. The customer does have an effective management.

Value Proposition

- Knowledge about the web
- Resources with knowledge about the web
- A complete solution and offering
- Efficient collaboration

Potential and Risks

The customer is looking for someone that can give them knowledge, resources and a complete solution. Since the customer is in need with a number of things, the relationship can lead to a long term relationship since they will be dependent on their partner. The customer is also easy to cooperate with, which of course is a great benefit and will not lead to extra administrative work. If Bombayworks is willing to spend the time and the resources on educating the customer, there is great potential for a flourishing collaboration.

5.3 Channels

The section will determine the various channels that Bombayworks uses to reach out and build relationships with their potential customers.

Bombayworks only has direct communication channels towards its customers. The initial mode of contact is to call the potential customers directly and try to get an initial meeting in order to establish a business relationship. If the initial calls are successful, they are followed by informational e-mails and meeting propositions. The e-mails have links to the homepage and cases from Bombayworks portfolio. This seems as a reasonable strategy since it serves to further raise the potential customers' interest after first contact is made.

Companies mention that they invite several competitors to do a sales pitch before choosing a partner. This points to that Bombayworks has found and uses the standard channel for starting business relationships. However, this channel might be somewhat ineffective. The interviewed market entry experts claim that it is easy to book meetings as a result of the Swedish heritage, but that it is likely that most

meetings do not lead to a deal. This leads to many sales calls and meetings without return on investment.

Naturally the company has to interact with a lot of potential customers in the beginning in order to get to know the market better, but Bombayworks has to make sure that the representatives of potential customers they meet are eligible to make decisions. There can be difficulties in gathering data about a potential customer before a meeting, since the information on the Internet can be limited. Thus, Bombayworks should try to gather as much information as possible and find out in advance in what segment they assume that the customer will exist and if that is the type or relationship that they are looking for.

Bombayworks has one more channel for communication except for sales calls, e-mails and meetings; its web page. This does not only serve as a vessel for presenting the companies portfolio and general information. Hjelmvik claims that it has been much easier to find and recruit talented developers after updating the site. Hence, the web page also plays an important role in the recruitment process. This is most likely due to the fact that talented programmers tend to analyze the web page of their future employers. If the page uses old technology or is otherwise badly designed, they might look elsewhere for a job opportunity.

Bombayworks only deliver purely digital products and therefore has no need for other distribution channels than Internet, which is very beneficial from a cost perspective.

5.4 Customer Relationships

Cultural and organizational aspects of customer relationships will be handled in the beginning of the section. The customer relationships will then be deliberated with the segmentation groups in mind.

The motivation of building customer relationships in the beginning of the company's presence on the Indian market is naturally to acquire customers on the market, to build an Indian portfolio, which can work as reference for other customers. The motivation is naturally also to increase sales on the market. Once the first customers are acquired more focus and resources might be allocated to increase the retention rate, in order to build long term relationships to increase sales and ensure flow of income in the longer term.

In order to build relationships with customers on the Indian market it is vital to bear in mind the special characteristics of the Indian market and the culture. The most prominent characteristics according to market entry experts will be discussed and related to Bombayworks operations below. Thereafter the groups from the CS-framework will be discussed in a customer relationship perspective.

5.4.1 Cultural and Organizational Aspects

First of all it is of great importance to know a lot about the special characteristics of the culture. In the case of Bombayworks, the company has been physically active on the market for a number of years. Since only people from India work at the company, except for Hjelmvik, there is a lot of in-house knowledge about the culture. The Sales and Business Developer is from India and has vast knowledge about cultural aspects that might influence the customer relationships of Bombayworks.

It is also vital to understand what characterize organizations in India and what companies can bear in mind when doing business with companies on the Indian market. Prominent character features are that many Indian companies are hierarchical and bureaucratic and there can be a clear filter of communication between people of different roles. The result is that decision processes, negotiations and administration can be extensively time consuming. Since Bombayworks has not done business on the Indian market before, they are not in the possession of an extensive knowledge about doing professional business on the market. The employees do naturally have knowledge about how organizations work, but since they are not active in the sales process this might not be a great help. The Sales and Business Developer has professional experience from working at the Indian market for several years, so his knowledge might be a valuable source of information for the company.

Bombayworks has to be patient before the first contract is signed and also in the longer time perspective. From the first call, the time for the decision process, negotiations and administration can take longer time than expected.

When it comes to the more personal relationships with people from India, it is crucial to understand that Indians appreciate relationships to a great extent and have a preference for long term business relationships. People from India are also generally positive and their response is oftentimes that anything can be managed. The consequences for Bombayworks is that they should understand their preference on relationships and aim for building long term relationships. This is important to take into consideration when Bombayworks is segmenting its customers and deciding which ones to focus on. The positive attitude of Indians is also vital to bear in mind when integrating with potential customers. What might look like a deal in words might be far away from the closing of a deal, due to their preference of giving a more positive feeling than what is the actual case.

When doing business on a foreign market it is important to understand how the relationship can be affected by your own heritage. Therefore, Bombayworks has to take this into consideration when building relationships on the Indian market and how the Swedish heritage is perceived. According to market entry experts, people from India do generally not have knowledge about Sweden, or just a vague

perception of its location. All-round educated Indians can have a perception of Sweden as a good, rich country and developed market, considered wise, positive and serious when doing business. Generally, Indians respect companies from the western hemisphere and relate these to qualitative and hassle-free business. This is something that was confirmed during sales meetings, where potential customers found interest in the heritage and background of the company. The reasons were that Sweden is a much more mature and competitive market than India and is years ahead when it comes to the development of the web and usage of various technologies.

5.4.2 Customer Relationships in the CS-Framework

The most important and relevant type of relationship for Bombayworks is personal assistance, where the interaction between the parties may mainly occur through calls, by e-mail and at meetings face-to-face.

The motivation for a customer relationship is most of the times to acquire new customers, retention of customers and to increase sales. The motivation and type of relationship might differ in the beginning of Bombayworks presence on the market and when the company has acquired customers on the market. The motivation in the beginning is naturally to acquire customers on the market, to build an Indian portfolio that can work as reference for other customers. After initial entry the motivation will naturally be to increase sales on the market. Once the first customers are acquired more focus and resources might be allocated to increase the retention rate, in order to build long term relationships to increase sales and ensure flow of income in the longer term. It is vital to get a feeling for what type of relationship that Bombayworks is likely to have with various kinds of customers and segmentation groups, to allocate time and resources right.

A discussion will follow on how Bombayworks can adapt their relationships to the different segments, the motivation behind the relationship from the perspective of Bombayworks but also the expectations from the perspective of the customer.

The Easy Project

The motivation of the relationship is to acquire customers and will, as discussed, be of great importance in the beginning of Bombayworks's presence on the market. Since it is likely that this type of relationship is short term, the retention rate will most probably be low.

The customer expects Bombayworks to have an extensive knowledge about the web and new technologies. It is furthermore likely that the customer expects an easy collaboration since they are good at project management.

The motivation behind the relationship from the customers' side can be to gain more knowledge about the web and technologies and get a better understanding of

what type of resources they are lacking. Another motivation can also be to build a long term relationship if the cooperation is mutually beneficial. This is reasonably likely since both parties have a great understanding of web development.

However, the probability is also high that the customer is just looking for a short-term relationship and to acquire the resources themselves in a short amount of time. For Bombayworks this can be a good thing in the beginning of their presence on the market, since the easy project might look for a temporary partner to act as their digital arm.

Administrative Overhead

The motivation of the relationship is most probably to acquire customers and will, as discussed, be of great importance in the beginning in order to be able to show a portfolio to other customers. The likeliness for a longer-term relationship with this type of customer is not high and therefore the main motivation should be to acquire new customers and not retention.

The expectations from the customer are likely to get the right resources with the right knowledge about the web in the area of a project where they lack skills. The customer expect an efficient project management from Bombayworks, since they will be in charge of the entire project.

The customer might have in mind to get the resources themselves in the near future and might expect the collaboration to be over as soon as possible. This is especially true since the customer has some resources and will just outsource some parts of a project to Bombayworks. The motivation behind the relationship from the customer's side can also be to gain more knowledge about the web and technologies, but also project management, to get a better understanding of what type of resources and skills they are lacking.

As in the case of the easy project the relationship and project can be a great way for Bombayworks to build a portfolio in the beginning. Thus, Bombayworks has to evaluate if the customer is seeing any long term potential in the relationship. If not, the project can be extensively time consuming since they have to deal with the company's poor skills in project management. The probability for the relation to be of the longer term character is probably small, but there is still a chance that it is the case. If so, Bombayworks has to decide if it is worth the hassle of poor management and time consuming projects.

Administrative and Educational Overhead

The motivation of the relationship is at first to acquire new customers but can then be retention. The reason is that the customer is lacking both resources and knowledge and there might be possibilities to build a long term relationship, where

Bombayworks supplies the customer with the capabilities they themselves are lacking.

The expectation from the customer might be to have a partner that has experience and knowledge about the web, but also the resources with knowledge about the technologies. The customer has some resources in-house and is in need of help with parts of a solution. The customer is probably looking for a partner that has an efficient project management.

The motivation behind the relationship from the customer's perspective might be to collaborate with someone that can enlighten the company about the web and give them the right resources. The customer is in need of some resources, knowledge but also skills in project management. Either, the company is looking for a partner, so they will not have to deal with all the gaps of knowledge and resources themselves or they would like to learn and acquire the knowledge themselves in the future.

This type of relationships will be time and resource consuming, since Bombayworks has to deal with poor management but also to educate the customer about the web and technologies. If Bombayworks gets the feeling that there is not a chance for a longer term relationship, a project of this type will be characterized by inefficient collaboration and waste of time. If there is a possibility for a long-term relation and Bombayworks would like to spend the resources on education and additional administration it can be worth the effort. Due to the fact that the customer is in lack of resources and knowledge in both the web and project management there is a potential for good relationship in the future because the customer will be dependent on Bombayworks and the knowledge and skills that they are providing.

Educational Overhead

The motivation of the relationship is at first to acquire new customers but can later on be retention. The reason is that the customer is lacking both resources and knowledge and there might be possibilities to build a long term relationship. The customer expects Bombayworks to provide them with knowledge about the web, but also resources with knowledge about the web and the ability to deliver a complete solution. The customer also pictures an efficient collaboration between the parties.

The reasons for the collaboration are most likely to cooperate with someone that can add knowledge to the customer and gives them the right resources that can deliver the entire project they ask for.

As in the previous case the relationship can be time consuming, since Bombayworks has to educate the customer. If there is no longer time perspective on the relationship, it will probably not be worth the time and effort. But, if there is any chance for a forward-looking relationship it can be worth the time and struggle.

Especially, as the customer outsources the entire project and Bombayworks does not have to deal with poor management. The customer can be dependent on Bombayworks, since they are in possession of both the resources and the knowledge and the collaboration can run smoothly after some time when the customer is better educated.

5.5 Revenue Streams

The section will argue about the revenue streams of Bombayworks and will first mention price sensitivity and thereafter terms of payment.

The revenue streams are the flows of money that every customer segment creates. An understanding of what value each segment is paying for is important to be able to estimate the size of the revenue stream from each segment, but also how to increase it in the future. Due to the fact that Bombayworks does not have any customers on the Indian market yet, it is difficult to fully determine if the value proposition will be what the customers are actually prepared to pay for. Price sensitivity and terms of payment will be discussed below.

5.5.1 Price Sensitivity

According to market entry experts, people from India are generally very sensitive when it comes to the price of a product or service. If they are asked to pay a higher price, they would like to know what the actual value is that they have to pay for. Value for money is in the mindset of many Indians. The price is one of the most important factors when analyzing an offering of a company. One general complexity for Bombayworks is that they will sell their services for a higher price than many of the existing players on the Indian market. It is then crucial for the company to be clear of what the extra value is that the customers are given and what it will result in for their company.

Even though price is an important factor, there are companies that use a premium pricing strategy on the Indian market. The reason for their success is that they oftentimes have high brand awareness or have succeeded in teaching their customers, where the education has focused on values rather than price. Since Bombayworks does not have a famous brand on the Indian market, one option for the company could be to educate their customers. This strategy would be especially good when it comes to the segments where the customer is lacking both resources and knowledge. If the offering can be successfully communicated and understood by the customer there can be potential for the company to sell services to a premium price.

5.5.2 Terms of Payment

MNCs on the market acquire services from advertising agencies in two ways, either they have a retainer agreement or pay per project. Advertising agencies usually hire

vendors on a per project basis. That is, they do not have long-term contracts with their vendors; instead they make an assessment for every project. Consequently, it is rarer for advertising agencies to have long term contracts with their vendors than what it is for MNCs to contract agencies. Since Bombayworks has not yet had any customers on the Indian market, it is difficult to determine exactly how their customers would like to pay. Initially Bombayworks will most likely be hired on a per project basis and especially since they do not have experience from the market, or an Indian portfolio to show.

5.6 Key Resources

The section will first discuss the key resources of Bombayworks which are arranged into the categories: human, physical, intellectual and financial. All relevant types of resources will be discussed below but the most attention will be on human resources. This is because Bombayworks is a service company, where the most important assets for the company is their human capital. A discussion will thereafter be held of what Bombayworks has to take into consideration when taking care of its employees, but also what to think about when finding the right competencies.

5.6.1 Resources of Bombayworks

The most important physical resources for the company is their offices withholding inventory. An office is naturally vital for the company to run its business, but it is not essential for the company's success. Financial resources are self-explanatory for the success of the company. It is especially important that the company has sufficient financial muscles when entering India, in order to withstand initial losses and to be able to act on up-coming possibilities.

Intellectual resources such as brands, customer databases, partnerships are crucial for a company to build a strong and sustainable business model. Bombayworks has brand recognition in the advertising industry in Sweden, but is not well known among companies and end customers on the Indian market. Consequently, the company will not have the benefit of a well-known brand name in the Indian market. This can be a disadvantage, since people from India appreciate brands. Bombayworks has done business with a number of famous international advertising groups, which is something that can be stressed to raise credibility during sales meetings.

As previously mentioned, the most important resources for the future direction and success of Bombayworks is their human resources. In Sweden the founders, sales people and developers are essential for the company to operate. The designers in Sweden have also played a more significant role for the company, since they have added a design and creative side of the company. In India, Hjelmvik is an important asset for the company because she has a background as developer and had knowledge about both the Swedish and Indian market. Due to the fact that she has

worked for the company since 2009 she is a corner stone in the Mumbai operations and a role model of what Bombayworks stands for. The developers in India are also essential for Bombayworks to deliver their value proposition. The company has to assure that the right competencies exist in-house in order to be on the front-line when it comes to being updated on the latest use of web and new technologies.

5.6.2 Employees

Bombayworks has to assure that they hire the right competencies also in the future. According to market entry experts it is crucial to understand what characterizes employees from India. For instance they generally do not take that much initiative, are not that independent and self-driven and do not propose own solutions to their superiors. They also do not generally like to work in teams. Employers should be prepared to spend time and effort to micro-manage their employees initially, to assure the right quality and that deadlines are kept.

The corporate culture of Bombayworks is according to Hjelmvik influenced by an openness to question, direct communication and without hierarchies. Employers are furthermore encouraged to raise questions about issues they do not understand and come up with own solutions to problems. Hjelmvik also means that the cultural differences otherwise is a challenge for Swedes that work in India. Bombayworks emphasizes the importance of competence development and transfer of knowledge between and in the offices.

According to input from market entry experts, the culture at Bombayworks differs from other organizations in India. The employers are more driven and are encouraged to contribute with input and new ideas. The reason why it differs might be the fact that Bombayworks is of Swedish heritage, where another type of working climate is prevalent. For Bombayworks to be successful in the longer term, it is crucial that the culture is kept and that the right competencies will be found. It is crucial that future employees have the right basic knowledge, but it is as important that they are eager to learn and get input from older employees at Bombayworks. They should furthermore be willing to take responsibility, learn from mistakes and understand the benefit of professional and personal development for themselves and for the future success of Bombayworks.

5.6.3 Finding the Right Employees

Market entry experts mean that the numbers of students that graduate from the university each year are high. But there can still be difficulties to find the right competencies; both in terms of white and blue collar. The labor turnover is higher in India compared to Sweden and this is especially true regarding people with knowledge about IT. The competence is highly sought after and they have a high market value. Bombayworks has to take this into consideration; both in terms of existing employees but also future hires. People in the industry are highly active on

the web and recruiters are constantly looking for the right employees through recruiting sites such as LinkedIn.

Level of education, experience within the field and industry, existent network and personal profile are the most crucial things to consider when hiring an employee on the Indian market, according to market entry experts. The goal for Bombayworks in this regard is to find the right people with an education within the field and experience from the industry. It is especially beneficial if the new employee has a network that can supply feedback on Bombayworks's operations or lead to additional customers. Of higher significance is the person's personal profile. As discussed above the person's ability and eagerness to learn and take initiatives and be a part of Bombayworks's culture is one of the most important things for the company in order to keep the culture for years to come.

If the company's heritage is from another country with another culture, experts stress the success factor in having the employers deeply understanding the culture and the company. A clear example of doing this is to let employers go to the country of origin, visit the company there and get to know other people within the organization. This is a great way for the new employee to comprehend the heritage, the offering and the specific strengths and weaknesses of coming from another country and culture. A number of people from Bombayworks in India have visited Sweden and a number of employees from Sweden have also been at the office in India. This has been a great help in maintaining the company culture. It strengthens the culture for the specific people that have been abroad, but the sharing of experiences and knowledge between the countries and discussions in the entire company is also an important aspect.

5.7 Key Activities

The section will be focused on the most significant key activities of Bombayworks.

Key activities are the actions that have to be taken to make sure that the business model works the intended way. The activities are oftentimes classified in three different sections: production, problem solving and platform/network. In the case of Bombayworks the most essential activities are related to production and problem solving. Production in terms of web development and coding and problem solving in terms of get an understanding of the customers' problems and how they can be solved.

A number or process can be identified that is needed in order to deliver the intended value proposition and that highlights the activities most vital for the success of the company. The primary processes of Bombayworks are related to project delivery and can be further divided into: the sales process, development process and service process. These are of course essential for Bombayworks since

they enable the company to reach customers and deliver solutions to the customers' problem.

The sales process is about getting in contact with the right customers and then build and withhold the relationships. Bombayworks then has to understand the motivations and expectations between the parties to allocate resources right, primarily in terms of time and money. The development process is the process that starts when a contract is signed and the development and coding are initiated. The vital parts of the process is the actual coding, project management and an efficient and effective collaboration between Sweden and India. The service process is related to the activities that take place after the production is delivered and is mostly about tackle incoming inquires. It is vital to be on top of the service process in order to ensure customer retention.

The secondary processes can then be divided into: the recruitment process, education process and support processes. The recruitment process is about finding and recruiting the right human resources, which is very important for Bombayworks since it is a service company. Another process is the education process, which is to educate new employees but also to give employees the time to develop and be updated about the newest trends on the market. This process is important for maintaining the company culture and ensuring that all employees keep refining their skills. The support process is related to tasks in the field of the financials and management of the company and is naturally a prerequisite for the company to run smoothly. This process is needed for maintaining operations, but is not part of the core.

5.8 Key Partners

The most important suppliers and partners will be the topic of the section.

It is important to get an understanding of what kind of suppliers and partners that are essential for the business model to work. It is furthermore important to consider what type of partnership that the company aims at, but also what the motivation is behind the partnership from both perspectives.

Bombayworks has a number of suppliers, but most of them are to secure efficient operations. Bombayworks's need of supplies mainly consist of commodities such as computers, office supply and a secure Internet connection.

The partnerships that are most likely for Bombayworks to take place are strategic alliances between non-competitors and/or coo-petition; strategic partnerships between competitors. There is likelihood that Bombayworks will enter strategic alliances on the Indian market. One possible partnership could be with a player that is in possession of design resources. Bombayworks will not have design resources in-house initially. However, there is a need of more innovative, creative and design

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input on the market. A cooperation could be a way of fast getting the lacking resources and enable Bombayworks to offer and push a complete solution. This would also buy the company time to acquire the resources themselves.

The partnership can be characterized as a strategic alliance or cooperation. The difference between the two can be subtle, where there can be chances for a partnership at the same time as they can be considered as competitors. The level of partnership can be better understood by first doing a clear segmentation and then be able to understand the other company's need of resources and/or knowledge.

It is crucial for Bombayworks to understand what type of partnership they are looking for and how the partnership should be framed. When doing business on the Indian market there are a number of things that are important to understand. Relationships are for example something that Indians hold very dear. Market entry experts also stressed that people from India are not always that keen on sharing information and knowledge and especially not when not in partnerships. Market entry experts did furthermore mention that there are numerous companies that enter collaborations that do not work out that well. The reason is oftentimes that the collaboration is not based on the right assumptions and expectations in the initial stage. One way to avoid the problem for Bombayworks would be to get a clear understanding of the motivations and expectations of the partnerships from the perspective of both parties. Bombayworks should also evaluate and maybe test a number of alternatives, before entering any long term contracts. Since the border line between customer and partner is very fine, it is also important to consider the different aspects of the culture and their implications on doing business as discussed in "customer relationships".

5.9 Cost Structure

The cost structure of Bombayworks will be treated in the following section.

The cost structure for Bombayworks is relatively simple and value-driven. That is, the company does not try to minimize its cost to the greatest extent, but rather takes account of that they have the means to deliver services with good quality or high value. A list of their most significant costs can be seen in table 3.

Table 3: Fixed and variable costs for Bombayworks.

Fixed costs	Variable costs
Premises	Salaries
Internet	Equipment (e.g. Computers)

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It is unclear how the cost structure alters depending on scale of operations and customer segment. However, Bombayworks can only benefit partly of economies of scale since it is a service company. One plausible explanation for this is the fact that the greatest costs for Bombayworks are salaries and premises. Salaries scale linearly with the number of employees and consequently the amount of services that can be performed. The premises will only be a fixed cost post in a certain range of number of employees and will also increase with scaling.

Regarding the customer segments there are costs related to different customer groups, earlier presented as administrative and educational overhead. These overheads are a risk to the profitability of a single project as previously mentioned, but they could also be an opportunity. The extra costs related to these customers could be isolated and charged separately, thereby generating a new revenue stream.

The chapter has discussed the Business Model Canvas in detail. To provide the reader with a more concrete picture of the business model, a summarizing picture will be presented in the following chapter.

6 Summary of Business Model Canvas

Figure 11 will summarize and substantialize the Business Model Canvas for Bombayworks, in order to create a better understanding of how the company can deliver value in the Indian market.

Figure 11: The business model canvas for Bombayworks’s operations in India.

Key Partners <ul style="list-style-type: none"> Partnerships: strategic alliances between non-competitors and/or co-petition: strategic partnerships between competitors Suppliers: efficient operations 	Key Activities <ul style="list-style-type: none"> Production and problem solving Primary processes: project delivery Secondary processes: recruitment, education and support 	Value Proposition <ul style="list-style-type: none"> Strengths Bombayworks India: <ul style="list-style-type: none"> experiences products methodology beliefs Customized value propositions for segmentation groups 	Customer Relationships <ul style="list-style-type: none"> Motivation of relationship: <ul style="list-style-type: none"> acquire customers increase sales retention Customized customer relationships according to segmentation 	Customer Segments <ul style="list-style-type: none"> Mumbai 2 customers Primary needs and secondary needs 4 segmentation groups
Key Resources <ul style="list-style-type: none"> Physical resources Financial resources Intellectual resources Human resources 		Key Channels <ul style="list-style-type: none"> Channels: <ul style="list-style-type: none"> calls e-mails website meetings 		
Cost Structure <ul style="list-style-type: none"> Cost structure: simple and value-driven Greatest costs: salaries and premises Segmentation groups various levels of costs Do not need to cut cost 		Revenue Streams <ul style="list-style-type: none"> Willingness to pay? Indians are price sensitive Higher price → extra value to customers? Educate customers and focus on values 		

With a more concrete picture of the Business Model Canvas of Bombayworks, next chapter will connect the findings in the business model to relevant theories to understand what aspects that will affect the future pricing strategies of Bombayworks.

7 PD-Framework Analysis

In the chapter the reality of Bombayworks will be discussed and connected to the various theories in the PD-Framework, to identify the various factors that affect the pricing strategies of Bombayworks. The value perception will first be mentioned, followed by a discussion about value and lastly the pricing. The structure of the chapter will follow the flow of the PD-Framework to give a clear understanding of how the factors affect the pricing.

7.1 Value Perception Drivers

Sturst and Griffitts (2005) stress that the perception of value is easier to comprehend regarding products than services. The motivation is that there are numerous intangible factors that affect the perceived level of value, such as country of origin and customer loyalty. The aspects will be discussed below in the setting of Bombayworks and how they can affect and determine the company's ability to charge premium prices and be successful.

7.1.1 Country of Origin

La, Patterson and Styles (2008) stress the importance of understanding the country of origin aspect and how the heritage of the people and company will affect the company's ability to be successful. Five different aspects on the individual and firm level will affect the client-perceived performance. This is something that Bombayworks has to take into consideration when doing business and building relationships on the Indian market. The COO can be divided into three sub-images: people, skills and service, these will be discussed below.

People

Input from market entry experts showed, that in general, people from India do not have or have little knowledge about Sweden. If they do have knowledge about the market, the perception is oftentimes that it is a good and rich country, with people that are serious and easy to do business with.

During sales meetings, the authors noticed the potential customers' interest in the Swedish heritage of the company. Indian customers were in general impressed by the Swedish market and people and considers them hardworking and honest. Interest was also raised around the background of the employees of Bombayworks, especially Hjelmvik's background in Human Computer Interaction and Interactive Media Technology. It was quite easy for Bombayworks to book meetings, even with multinational advertising agencies. One reason to this is the people's interest in foreigners and more specifically in Sweden and their eagerness to learn more about the people and market, to understand how this can be an advantage for their own business.

The general perception of people from Sweden and people from Bombayworks can therefore be considered as positive and that people typically are serious, hardworking and honest. If positive perception is associated with the image of the country and the people, the company will, according to the reasoning of La et al., benefit from stressing the individual technical skills of the employees. The implication for Bombayworks is therefore that they should highlight the technical skills in a clear way, to make the other party understand how they can benefit from the specific skills of Bombayworks.

Skills

People in India with knowledge about Sweden do generally have an apprehension of the market to be more mature and competitive than India and years ahead when it comes to the development of the web and usage of various technologies. The positive association was something that the authors also got confirmed during sales meetings and potential customers got impressed by the numbers related to Internet usage and mobile traffic.

Bombayworks does have a technology lead compared to most competitors on the Indian market. The perception of Bombayworks is that it is a highly skilled company, with knowledge and experiences about the latest technologies and especially HTML5. The potential customers furthermore seemed to understand that the customers on the Swedish market are selective when it comes to web design and quality.

The positive perception of the skills of Bombayworks was also determined by showing the portfolio from the Swedish market, which confirmed for the customers that the company has the abilities to offer them what they ask for in terms of corporate websites, mobile applications, micro sites and social media implementation.

Another key selling point during the meetings and a way for Bombayworks to show their skills and trustworthiness was to talk about and show projects that they had done in collaboration with some of the biggest international groups. This was a positive move, since large international groups in general are more selective when it comes to selection of vendors.

According to La, Patterson and Styles (2008) a positive association of the company's skills, will implicate that Bombayworks has to focus on individual customer orientation. The reasoning implicates that Bombayworks has to continue to stress their heritage from the Swedish market but also their technology skills. It is of uttermost importance that they do not generalize customers and stress the same skills for every customer. Each and every customer has to be treated individually and in accordance with the customer segmentation, in order to offer best possible customization.

Service

Indians do oftentimes respect companies from the western hemisphere and relate them with qualitative and hassle-free business. There can be a potential for Bombayworks to act as its customers' technical consultants and support the customer with innovative and creative input and deliver high qualitative projects. The positive perception of services delivered from western companies can then be highlighted.

According to La et al., a positive association of the services delivered by the company can give the company even more value if they put efforts in enhance the reputation of the firm. Since Bombayworks is a newly entered company on the Indian market, the reputation of the company is crucial. The delivered services and Bombayworks's ability to act as the customers' technical consultants should be in focus, to build brand awareness and a buzz around the company in the industry.

7.1.2 Customer Loyalty

According to Rauyruen, Miller and Groth (2009) two kinds of loyalty exist that affect brand equity: attitudinal loyalty and behavioral loyalty.

Attitudinal loyalty means that a customer chooses a company, because you feel a personal liking towards it, which is the motivation for the customer to pay a premium price that oftentimes is higher than the competitors. Pursuant to above discussions related to country of origin, most customers that the authors were in contact with had a positive picture of the people, skills and offered services of Bombayworks and therefore it is likely that the customers will have a liking towards a collaboration with the company.

Thus, there might be variations regarding different kinds of customers in accordance with the CS-framework. Nagle and Cressman (2002) elucidate the importance of communicating the specific offer to the targeted customers, because if the customers do not understand and know the value of the service, they will underestimate it. The level of liking and understanding of the offer of Bombayworks can be discussed. If the customers do have knowledge about the web, there is a great chance that they also will appreciate the fair value and be willing to pay a premium price. As earlier discussed, there is a chance that this type of customers will not be long-lived customer to Bombayworks. Buyers with less knowledge about the web, can also have a positive attitude towards the company, since Bombayworks is in possession of significant skills that the other company is in lack of. Most likely Bombayworks will have to spend some time on educating them to communicate efficiently but also to secure that the customer will understand the right value and be willing to pay.

The other type of loyalty is behavioral loyalty, which means that the customer repeatedly buys services from the same company, without a rigorous evaluation of

options. Since Bombayworks has just recently entered the market, it can be expected that the company will not acquire behavioral loyalty in the initial phase. As earlier discussed, the customers that are most likely to be repeatedly buyers over time are the customers with little knowledge about the web and in-house resources, since they will be more dependent on the offered service and will most probably not acquire the knowledge and resources in the near future.

Rauyruen et al. emphasize that both attitudinal and behavioral loyalty are essential to be able to charge a premium price and secure sales over time. In accordance with above reasoning, the likelihood that potential customers of Bombayworks will have an attitudinal loyalty is high. The likeliness for behavioral loyalty in the initial phase is small, but with focal point on the right customers it can be developed over time.

7.2 Altering Customer Value Perception

Bombayworks seems to base its prices on their production costs. This strategy is a poor match with their offering since it is aimed to supply superior value. A more effective strategy could be to base the pricing on the value that the customer receives according to Smith and Nagle (2005b). The following sections will discuss how Bombayworks can move from a cost-based to a value-based pricing strategy and the issues relating to that transformation.

The cost-based pricing might be a result of the lack of a formalized business model. It is hard to identify customer perceived value without a formalized model since it is unclear what is being sold and to whom it is being sold. A first step for Bombayworks could be to make a need-based customer segmentation. One possible segmentation is presented in this thesis, which incorporates both customer needs and customer value perception. Since the different segmentation groups have different initial value perception they must also be treated differently in order to be able to charge a premium price. The segmentation groups are illustrated in figure 12 for reference.

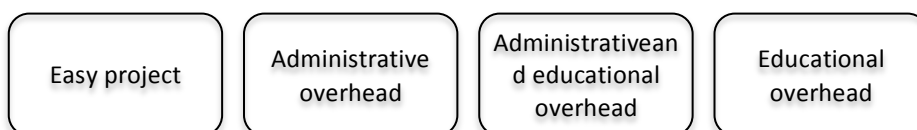


Figure 12: The customer segmentation groups.

The segmentation groups have different needs. If Bombayworks does not make their offering tangible and tailored for all relevant customer segments, their product might be regarded as a commodity and their ability to charge a premium price marginalized. This is illustrated in figure 13, where the differentiation value is checkered. If the differentiation value is removed, the customers' willingness to pay will be much lower.

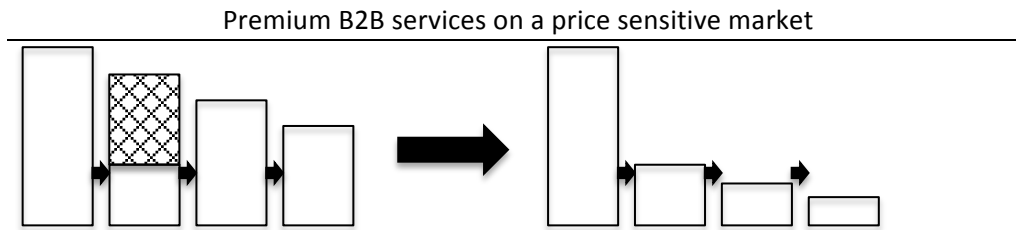


Figure 13: Value levels transformation if the differentiation value is unclear and thereby removed.

In this thesis it is shown that the differentiation value and customer perceived value are dependent on the level of web knowledge of the customer. A customer with low understanding of web development will for instance have a lower perceived value of Bombayworks's services compared to a customer with a higher understanding of web development. If Bombayworks wishes to charge a premium price for a customer with low understanding of web they will have to alter the customers value perception and by making the differentiation value tangible. In this case that means to educate the customer about web services and the gains of using premium web services. This is a specific example of how to make the offering more tangible for the customer in the general way that Nagle and Cressman (2002) propose. Following the findings of Hultén et. al. (2009), Bombayworks also has to show quantified benefits of using their services.

Consequently, the key challenge in this case is to understand the value perception and value perception drivers for each customer segment. This is essential if Bombayworks wants to be able to alter the customers' value perception and thereby charge a price that is mutually beneficial.

However, it is not enough to have this information; the company also has to act on it (Nagle & Cressman, 2002). Customers that do not know the actual value of a product or service tend to underestimate it. This means that Bombayworks also has to communicate their offering in a categorized and tangible way in order to alter their customers' value perception.

7.3 Practical Implications

This section will present the pros and cons of all identified customer segments, which will be followed by a discussion of recommendations for Bombayworks regarding future strategies.

7.3.1 The Easy Project

The easy project can possibly be related with risk, since the customer might look for acquiring the resources themselves in a short amount of time. If Bombayworks get the feeling that the relationship will not just be a single project, the relationship can be characterized by an efficient collaboration.

Due to the fact that the company has the knowledge about the web, there is a possibility that the customer will get an understanding of the benefits and value of the value proposition presented by Bombayworks. It is therefore a possibility that the customer is willing to pay the quoted price. The question is if they are willing to do it in the longer term perspective. Since the requested price of Bombayworks might be much higher than other advertising efforts that the customer currently is undertaking, the customer may be starting to acquire in resources. The risk is that the customer hires Bombayworks for a short amount of time, to learn from the company to be able to deliver the services to their own customers. The customers will than pay the price but just during a transition period.

7.3.2 Administrative Overhead

A project with a customer in the segmentation group of administrative overhead is also related with a risk that the company will acquire the resources themselves soon. The collaboration can also be related with a high level of time and resources consumption, due to poor skills in project management.

As in the case with the easy project, the customer has the knowledge about web and it is believable that the customer will understand the offered value proposition by Bombayworks. This indicates that there is a chance that the customer will be willing to pay for the provided service. The customer has some resources in-house and will just outsource some parts of the project. This is a reason to believe that the customer will get the resources themselves soon, since the additional cost for parts of the project will be high. What might indicate the opposite is that the customer is in lack of project management skills and may be willing to pay additional money to be able to deliver qualitative project to their customers on time.

7.3.3 Administrative and Educational Overhead

Collaboration in the segment of administrative and educational overhead will be time and resource consuming, since Bombayworks has to deal with poor management but also to educate the customer about the web and technologies.

If Bombayworks is willing to allocate resources on education and additional administration it can be worth the effort. If Bombayworks can successfully communicate the value proposition and educate the customer, the customer might be highly dependent on the relationship. The customer does not have previous knowledge about web technologies; this leads to that is it even more important for Bombayworks to be convincing about what the web investment can be worth for the company, so they will be willing to pay the price.

7.3.4 Educational Overhead

The customer will be characterized by high time consumption, since Bombayworks has to educate the customer. If there is chance for a forward-looking relationship it can be worth the time and struggle.

The same dependency relationship can be prevalent as in the administrative and educational overhead and maybe even to a higher level, since the customer does not have any resources in-house. If Bombayworks successfully can stress the value that it will give the customer, the customer may be willing to pay and the collaboration can be highly fruitful for both parties.

7.3.5 Discussion and Recommendations

Bombayworks does not have a high brand awareness, but still aims at charging a higher price. One option to do this is to educate its customers and focus on offered values rather than price. This leads to that Bombayworks should focus on the segmentation groups' administrative and educational overhead and educational overhead. Bombayworks then has to be willing to spend extra time and resources on the customers, but there is a possibility that the collaboration will be prosperous for both parties in the longer term. The customers have to be taught about web technologies and understand the benefits of formulating a long term digital strategy in line with the overall business strategy.

The strategy on focusing on educating the customers is according to market entry experts a great option when lacking experience and high brand awareness. This is one way for Bombayworks to be able to succeed on the Indian market and to build long term and value driving relationships. Sufficient financial muscles will be critical in this initial stage, primarily to be able to spend extra resources on the related overheads.

Since Bombayworks does not have experience from the market, or an Indian portfolio to show, they will most likely be hired on a per project basis initially. If Bombayworks early in the relationship stresses their focus on long term relationship, there is a chance that it will not only be a one-time project, but collaboration for the future.

The human resources will continue to play a pivotal role. Hjelmvik will be an important corner stone even in the future, to manage the employees and the Indian office in the right direction. Thus, the company has to consider what will happen if Hjelmvik leaves the company. The Sales and Business Developer is furthermore an important actor in the future and will influence the success of the company. The person has to be able to elucidate the specific aspects that the customer will benefit from if choosing Bombayworks instead of another player or to acquire the resources in-house. If a tangible offering cannot be communicated through the chosen channels, such as telephone, e-mails and sales meetings the risk is that the customer

will not clearly understand how they will benefit from the collaboration and will not pay the requested price.

7.4 Summary of PD-Framework Analysis

According to the above discussion it is likely that Bombayworks has great potential in succeeding on the Indian market. The company gets a positive response from most customers and pushes the right skills to be able to be regarded as a high-performing company according to the COO parameters. The positive attitude of the customer can also be regarded as attitudinal loyalty, which would further strengthen Bombayworks ability to charge a premium price.

That being said, there are some areas where Bombayworks shows potential but would benefit from additional efforts. So far, there have been no repetitive buyers and thereby no behavioral loyalty from the customers. Both types of loyalties are needed in order for the company to be successful. The company is still young on the market but should aim to acquire repetitive customers in the long run.

Furthermore, Bombayworks should make their differentiation value more tangible. This can be achieved by tailoring their offering to each customer segment proposed in this thesis, where the level of web knowledge possessed by the customer is a pivotal parameter.

The evidence found in the thesis can be regarded as indicators. That is, there is great potential for Bombayworks to succeed on the Indian market, but there is still no proof that this will be the case and that the strategy is sound.

7.5 Generalization of Findings

Most of the findings in this thesis are related and limited to the environment of Bombayworks. However, the proposed customer segmentation framework illustrated in figure 10 could possibly be used in other settings. There is empirical evidence in this thesis that multinational companies already spend a lot of time educating their customers on the strengths of their value proposition. A lowered customer perceived value as a result of lacking knowledge of the product or service should therefore be present in additional industries.

When looking at the value perception drivers in the PD-Framework, the findings are mostly confirmatory. This part of the theory was mainly used as a frame of reference and basis for discussion. However, the results give additional empirical evidence to these theories.

Even though the results of this thesis are limited to a specific industry; the thesis contains a lot of information that can be useful for any company that wishes to enter the Indian market.

8 Conclusion

The chapter will first discuss the four objectives of the master thesis in the same order as they were mentioned in the problem discussion. Every objective will be stated and then discussed if the authors have fulfilled the predetermined objective and the result of the specific objective. Thereafter the purpose will be handled, to evaluate if the purpose was fulfilled. The chapter will end with a deliberation over aspects and reasoning that have been handed over to further research and might be valuable for other researchers.

8.1 Connection to Objectives and Purpose

The objectives of this master thesis were as follows:

Objective 1: *To get an understanding of the internal and external environment and develop and formalize a business model for Bombayworks in India*

The authors collected data from various sources, such as employees at Bombayworks, market entry experts, companies and advertising agencies. This data can be found in chapter 4. *Empirics*. The data was collected in order to get an understanding of the prevailing setting of Bombayworks. The gathered data was the foundation for the development and formalization of the business model canvas of Bombayworks. The result was a business model that is summarized in short in chapter 6. *Summary Business Model Canvas*.

Objective 2: *To identify primary factors in the business model that affects the company's ability to determine the right pricing strategy*

The business model was a tool for the authors, not only to create a formalized overview of the company's overall potential to be successful on the Indian market, but also to give the authors an understanding for further analysis to identify the more specific aspects that affect the pricing strategies. The aspects were identified in the business model canvas in chapters 5. *Business Model Canvas for Bombayworks in India* and then discussed in the chapter 7. *PD-Framework Analysis*. The most important factors enabling Bombayworks to charge a premium fee for their offering were human resources and thorough customer segmentation. The recommendation for Bombayworks is to focus on educating its customers and build long-relationships. To build portfolio in India, it can thus be a necessity to focus on a number of short-term collaborations in the initial phase.

Objective 3: *To compare relevant aspects derived from the business model with established theory*

The identified aspects that would most likely affect Bombayworks's pricing strategies were compared and discussed with relevant theories and structured in the PD-Framework, as found in chapter 7. *PD-Framework Analysis*. The analysis indicated that the customers have a positive image of the company's people, skills and service and possess an attitudinal loyalty. At this initial stage Bombayworks does not have behavioral loyalty, but can be acquired in the longer term, if focusing on the right segment of customers. The differentiation parameters furthermore have to be clearly tangible and tailored according to the specific characterizations of the customers, in order to visualize the extra value that Bombayworks offers.

Objective 4: *Generalize findings and adopt a broader perspective and contribute to the knowledge of premium services on a price sensitive market*

The setting of Bombayworks is quite specific, but the aspects that influence the pricing strategies were also discussed in a more broad perspective, to try to extend the knowledge within the research area of B2B branding and even more unique aspects related to value perception, value and pricing. The reasoning may be relevant for the academy but also for other companies in the same industry as Bombayworks. Companies in other industries that wish to enter the Indian may also find the thesis informative as it contains several aspects that are related to general Indian market entry. The discussions can be found in the section 7.5 *Generalization of Findings*.

Purpose: The purpose of this master thesis was to map the business model of a premium B2B service company in India to identify factors that affect the pricing strategy.

The purpose can be considered as accomplished, since the above discussed objectives were fulfilled. The contribution of the master thesis is discussed in clear terms in chapter 7. *PD-Framework Analysis*, where both the practical and theoretical implications are covered.

8.2 Further Research

The study mainly contributes with additional empirical evidence in the research area of B2B branding. For the most part, aspects of established frameworks were confirmed in a new, unique setting. However, it would be interesting to test the proposed customer segmentation framework in other markets and industries. That is, to try to find knowledge parameters in a particular setting and see if they affect the customer perceived value.

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10 Appendix

Appendix A: Observed Advertising Agencies.

Agency	Date of meeting
ARC	2012-02-13
Isobar	2012-02-14
Contract India	2012-02-21
Quasar	2012-02-28
Rediffusion Y&R	2012-02-29
Media2Win	2012-03-07
Grandmother	2012-03-07
RKS Wamy Interactive	2012-03-15
Lowe Lintas	2012-03-21

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