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# Internal best practice benchmarking in global corporations

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Uncovering, defining and utilizing best  
practices to grow spare parts sales

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Zlatan Alikadic

## Abstract

The purpose of this master thesis is to help a global food packaging corporation, based in southern Sweden, to uncover, define and utilize best practices connected to selling spare parts. The defined best practices will later be implemented in the corporation's market companies globally.

The methodology of the project has been to benchmark organizations with similar type responsibilities and work. The research design has mainly been divided into a quantitative analysis (analyzing sales data) and a qualitative analysis (interviews).

The challenge has been to benchmark organizations that operate in different economical and political climates (macro economy) while their industries (micro economy) differ a lot as well. Therefore a benchmarking model has been developed to take these external factors into consideration. Thereby a relevant and trustworthy benchmarking output was achieved.

Two best practices were found to impact the performance of an organization (sales) positively and significantly. These best practices have been communicated to the company with a suggested implementation plan.

While uncovering the best practices, it has been found that organizations that perceive their competition to be intense tend to formulate a strategy. The existence of a strategy drastically improves the organization's performance (sales). If the strategy is supported with relevant and related activities, the performance increases even further.

*Keywords: internal bench marking, best practice, spare parts, standard components*



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## **List of abbreviations**

5F – five forces (Porter’s)

CSR – customer service representative

DC – distribution centre

EPC – European parts centre

KPI – key performance indicator

MC – market company

OEM – original equipment manufacturer

SCD – supply chain disintermediation

SKU – stock keeping unit

SPOC – single point of contact

SPSS – spare parts sales support

TKAM – technical key account manager



# 1 Introduction

Usually companies have over the years made their profits when selling their main products to their customers. But with globalization competition has increased and margins on products decreased. Therefore, the lost profits have to be found or made somewhere else. Manufacturing companies today are realizing the potential in the aftermarket. The market that is created after the sale of their main products has taken place. This market is dominated by e.g. spare parts and services like maintenance, training etc. Benchmarks among manufacturing companies show that service revenues accounts for 25% of a company's total revenue and 46% of the profits. Profit margins in the aftermarket are in average 75% higher than a company's main business (Deloitte, 2006). An Accenture study found that "GM earned relatively more profits from \$9 billion in aftermarket sales revenues in 2001 than it did from \$150 billion of income from car sales" (Cohen & Agrawal, 2006).

Some companies have seized the potential on the aftermarket better than others. Customers today are looking at the total cost of ownership for a product and are demanding excellent after-sales service like long warranties, quick repairs or replacements when the product fails.

Saturn and Caterpillar have chosen top after-sales services as their main competitive tools in their respective markets. Caterpillar, which manufactures earth moving equipment, is able to ship 99.7% of their 600,000 spare parts to their installed base of equipment, which require maintenance up to 40 years, within 24 hours. Saturn had among the highest customer satisfaction scores in their industry thanks to their after sales support and spare parts supply chain.

The jet-engine manufacturer Rolls-Royce has aligned their whole corporate strategy to the aftermarket with their trademarked "Power by the hour" concept

where aircraft owners, mainly airlines, pay for the hours they use the engines while Rolls-Royce takes care of all the maintenance, spare parts etc.

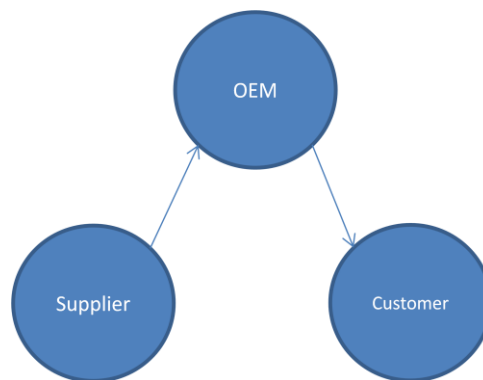
By “locking” customers into service contracts like Rolls-Royce’s, manufacturers can command up to 7 times higher profits during a products life time compared to the sale of the original product (Knowledge@Wharton, 2007). Car manufacturers, for instance, have forced their customers to repair their cars at authorized dealers to maintain their warranty. They have also kept competition out with various intellectual property regarding design and software of spare parts and diagnostics tools. This unfair advantage upset both European Union and the US government who both stepped in and regulated the market for repairs and maintenance of cars.

Even though the aftermarket offers a very lucrative business opportunity for most companies, 67% grow their after-sales services slower than their main business. A Deloitte benchmark show that the median company only has a 40% service market share of its captive market, which is the company’s own installed machine base, and a 70% spare parts market share (see figure 1.1).

	Service market share (median in percent)		Spare Parts market share (median in percent)	
	Share of “captive” market*	Share of “total” market**	Share of “captive” market*	Share of “total” market**
Aerospace and defense	20%	5%	75%	75%
Automotive and commercial vehicles	0%***	0%***	70%	18.5%
Diversified manufacturing and industrial products	50%	20%	60%	22.5%
High technology and telecommunications equipment	40%	15%	90%	15%
Life sciences/medical devices	90%	10%	95%	35%
All companies	40%	10%	70%	25%

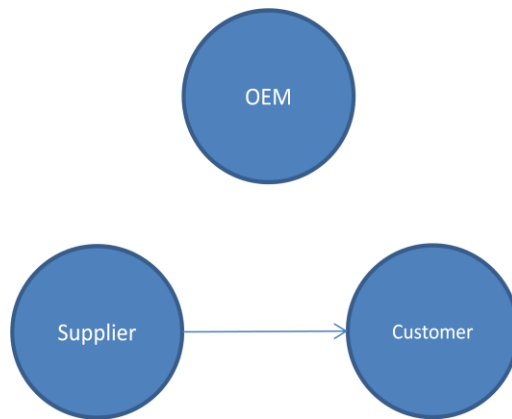
**Figure 1.1** Service and spare parts market share. (Deloitte, 2006)

Original equipment manufacturers (OEMs) are not the only ones trying to capture a share of the market. Suppliers to OEMs and other competitors are giving the OEMs a run for their money, by approaching their customers directly. The barriers to entry the aftermarket are low for a supplier since they already supply the spare parts to the OEM which later sells them to the customer with a profit (see figure 1.2).



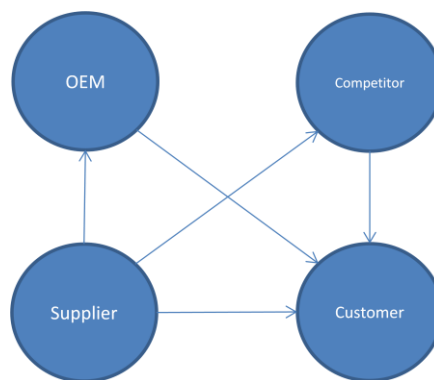
**Figure 1.2** Conventional flow of spare parts.

The current trend is that suppliers are trying to sell directly to the OEM's customer (see figure 1.3). They can successfully compete with the OEM by offering a lower price and still command a high margin on the goods sold. This phenomenon is called supply chain disintermediation (SCD) and describes a structural change in a supply chain where new relationships, between new and existing actors, are created (Rossetti & Choi, 2005). This creates a lack of direct connection between the OEM and the customer. The lack of connection shifts the distribution of power, control and information in the network – in this case from the OEM to the supplier. In scientific papers this is regarded to as a “structural hole” (Ahuja, 2000).



**Figure 1.3** Supply chain disintermediation.

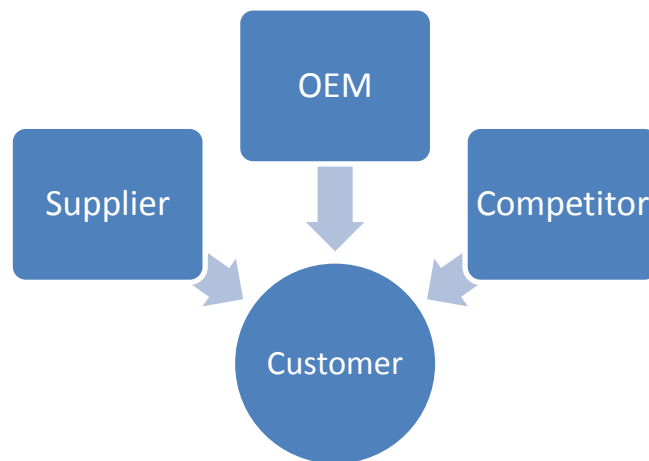
Another source of competition are companies specializing in aftermarkets (“competitor” in figure 1.4 & 1.5). They offer customers a “one-stop-shop” solution for spare parts and maintenance. Usually their competence is within sourcing, so they are able to offer lower prices with high availability due to economies of scale. Their entrance into the existing network between OEMs, suppliers and customers contributes to the SCD. The relationships in the network are constantly changing (see figure 1.4).



**Figure 1.4** Changing relationships within the network

## 1.1 Problem description

OEM's today are facing tougher competition in their aftermarkets. Power, information and control of the networks are shifting away from the OEMs to other players. Unlike in the conventional flow of spare parts (figure 1.2), where the customer had one point of interaction, the OEM, customers today have multiple choices (see figure 1.5). This phenomenon is mainly affecting an OEM's sales of standard spare parts, also known as standard components. This master thesis report is to examine how an OEM can strengthen their competitiveness and thereby increase sales of standard components by uncovering and defining internal efficiencies and best practices. Price is, of course, a way to compete, but there are other ways to become more competitive and attractive for customers e.g. delivery time, precision, availability etc. Are there any competitive tools for selling standard components "hidden" in the organization that can help to strengthen the position in the network? If yes, how can these be transferred between organizations efficiently?



**Figure 1.5** Vendor-customer interactions today.

## 1.2 Purpose

In a big organization one task can be performed in many different ways. Some ways are better and more efficient than others. This study's purpose is to find, unveil and define best practices for processes connected to selling standard components as an OEM in order to strengthen the after-sales management.

In a global organization, like this case study company's, it is hard for managers to be fully aware of how similar work is executed in other units of the corporation. Especially when divisions and units within the company have different levels of operational freedom, like the freedom of designing work processes. This results in that the same task is performed in different ways depending into which part of the organization one is looking. Some ways are bad, some are better, some are even good, but a few are superior. By uncovering and defining these "best-practices" an organization can dramatically increase the performance and output of their work. When they're ignored, or not actively sought for, there are unnecessary organizational inefficiencies, costs and loss of sales. The findings in this study will serve as a central guideline for how organizations can optimize certain processes of work by implementing best practices uncovered in other parts of the same company. This will hopefully result in increased competitiveness and improved sales of standard spare parts in a competitive market alongside suppliers and competitors.

The potential of the aftermarket, together with the case study company's limited experience of benchmarking performance, between its business units in different macro- and micro economical environments, where operational freedom is present make this study interesting from the company's point of view.

## 1.3 Delimitations

To have a successful aftermarket business there are several areas a company must master. Usually most research is focused on the supply chain related operations



like stocking, forecasting, sourcing etc. This paper will not focus on addressing these factors. Instead, focus will be on how the after-sales organizations look like and how their work processes are designed.

This study will only be based on internal findings in the case study companies. One can argue that it might have been wise to reach out to customers to find what they value in a business relationship. Unfortunately, this is not possible due to the limited resources and time assigned to this project. This is clearly an area for further research.

An aftermarket business unit of a company provides different types of parts and services. Since this study is trying to define best practices for selling spare parts on a market with several actors, this study will strictly focus on standard spare parts since these are more easily provided by competitors compared to custom spare parts and technological know-how.

A popular way to secure the aftermarket is to “lock” customers into service contracts. This is a big and identified opportunity this case study company already has people working on. Service contracts are also sold in a completely different way than transactional spare parts. A service contract is usually sold together with new equipment. When signed, it eliminates several activities like marketing, active selling etc. since the parts and maintenance have practically already been sold. Since demand can be predicted more accurately, it increases availability which is a big competitive edge. In brief, a service contract removes a lot of challenges and activities transactional sales have, therefore this study will not focus on service contracts but only transactional sales.

The case company offers over 170 potential objects for study and analysis. Sadly not all of these can or will be analyzed due to limited resources and time assigned to this project.

The delimitations will help to make a complex business easier to understand and analyze. By focusing, the hopes are the output of the study will be more relevant and applicable.

## 2 Company

Our case study company is a major player in the food packaging and processing industry. It has a global presence with over 20,000 employees worldwide. The company, which is privately held, reported revenues of €11b. for the fiscal year of 2012.

It pioneered carton packaging for beverages during the 1950's. Today the product portfolio consists of filling and packaging solutions for dairy, beverages, ice-cream, cheese etc.

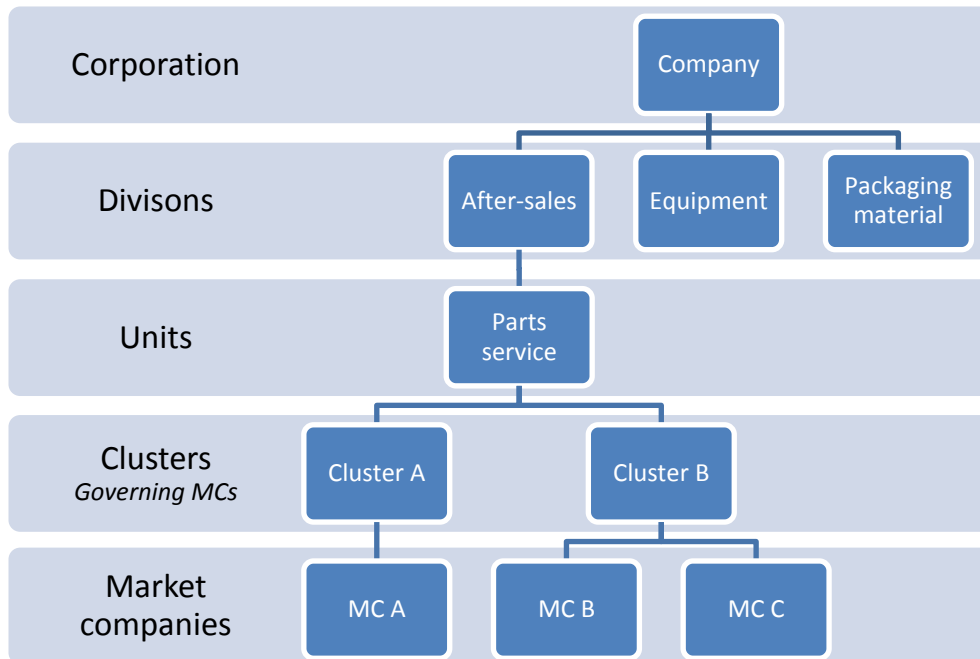
This study is conducted on-site in one of the after-sales divisions at one of its branches in southern Sweden.

The company is divided into divisions based on activities. For instance, one division handles everything related to after-sales while others are responsible for equipment and packaging material.

Within every division there are units. Each unit is responsible for a more focused business area i.e. spare parts within the after sales division is managed by the Parts service unit.

Regardless if after-sales services, packaging material or equipment are being sold on a market, the market company (MC) is responsible. The market companies are representing the company on specific markets. The market companies are governed by different clusters depending on their geographical location.

Figure 2.1 shows a simplified and incomplete organizational chart of the company. The chart doesn't show and explain all division, units, clusters or market companies. It shows how spare parts are managed within the company and sold through market companies. The purpose is to give a basic understanding of the spare parts business.



**Figure 2.1** Organizational chart of the company spare parts business within the company.

## 2.1 After-sales division

There are several divisions within the company that focus on the aftermarket. The after-sales division this study is conducted at sells training, maintenance and spare parts to customers. Hereafter, this division will be referred to when writing after-sales division.

Other aftermarket divisions sell packaging material and other packaging related materials.

The after-sales division coordinates all of the related product and service sales worldwide. It coordinates the out- and inbound logistics for all distribution centers (DC) around the world. The DCs supply their assigned markets and customers with the requested goods and services. Stock levels, forecast and other types of inventory management are done centrally at the after-sales division.

Since this division makes forecasts and has an insight into each market's sales, it formulates annual goals and targets. These are communicated to clusters, which governs over several markets in a designated geographical area. The clusters later break down these goals into sales growth and profitability each market should achieve during next year.

## **2.2 Parts service unit**

Within the after-sales division there are several sub-units. One of these is parts services. Parts services has the overall responsibility for the spare parts business, including what is sold through contracts, to support, drive sales and pricing of spare parts and consumables (wear parts). Spare parts are divided into two main categories; unique and standard parts.

Unique parts are custom-made parts that require drawings or patents for manufacturing that only this company has in possession. Due to intellectual property, the competition's barrier of entry is high for these parts, so therefore competition is almost non-existing. However, during recent years pirate-manufacturers, that offer some high-volume/low-tech parts from this assortment to some customers, have popped up. This is mainly taking place in the Far East.

Standard parts are purchased from different suppliers and re-sold through the company's own organization. In other words, customers can purchase these parts from other vendors relatively easily. Other vendors comprises the company's suppliers, firms specializing in the after-market and other OEM's that supply after-sales products and services to their installed equipment at a customer's site.

Parts services regularly analyze the sales of the spare part assortments on different markets. The analyses show e.g. if price adjustments are necessary. They also support the market companies with pricing issues like enquiries and pricing complaints.



### **3 Theory**

To successfully conduct this study a multifaceted theoretical framework is needed. The framework will need to help understand each case study's internal operations, the industry it operates in and the macro economic climate. A business' performance and productivity is not only a result of the internal operations, but is external factors which cannot be managed that easily e.g. importing restrictions etc. By building a theoretical framework that takes external factors into consideration the real productivity can be measured. In other words, performance due to external factors will be dedicated to the external factors while operational efficiencies will be dedicated to the organization.

To sum it up, the framework will guide through the process of benchmarking, it will help understand the business and also help to understand the surroundings of each case study object and the impact it might pose in the business.

The purpose of this study is to find best practices by measuring the output of work processes in different organizations. By ensuring the measured outputs are correct, the results and recommendations will be more relevant and trustworthy.

Each one of the theories' application and purpose will be given more detailed in section 4.

#### **3.1 Theoretical background**

There has been a several studies conducted on how a business should set up and optimize its logistics for a successful aftermarket operation (Cohen & Agrawal, 2006). Much of the research has focused on how to forecast and predict demand for a highly volatile spare parts market, this to be able to serve customers with spare parts with short lead-times without having to carry big inventories. Researchers also focus on finding efficiencies when it is necessary for a business to carry 15 to 20 times more stock keeping units (SKUs) than usual and when the majority of the

SKUs are slow moving SKUs. These are just a few of the differences between a manufacturing and an after-sales supply chain which figure 2.1 points out (Cohen & Agrawal, 2006). The many challenges a after-sales supply chain brings makes it very interesting object to study both from a operational but also commercial point of view.

Relatively little attention has been given to the aftermarket on a strategic level. How should a firm align its after-sales service organization strategically to capture as much as possible of its potential market?

Two Chains Compared		
PARAMETER	MANUFACTURING SUPPLY CHAIN	AFTER-SALES SERVICES SUPPLY CHAIN
Nature of demand	Predictable, can be forecast	Always unpredictable, sporadic
Required response	Standard, can be scheduled	ASAP (same day or next day)
Number of SKUs	Limited	15 to 20 times more
Product portfolio	Largely homogeneous	Always heterogeneous
Delivery network	Depends on nature of product; multiple networks necessary	Single network, capable of delivering different service products
Inventory management aim	Maximize velocity of resources	Pre-position resources
Reverse logistics	Doesn't handle	Handles return, repair, and disposal of failed components
Performance metric	Fill rate	Product availability (uptime)
<b>Inventory turns</b> (The more the better)	Six to 50 a year	One to four a year

**Figure 2.1** Shows the differences between a manufacturing and after-sales services supply chain. (Cohen & Agrawal, 2006)



## 3.2 Theoretical approach

The study's theoretical approach is based on well known frameworks within business planning, strategic management, marketing and benchmarking. Each of the five frameworks will be described in this section. How they were applied will be reflected on in section 4.

### 3.2.1 Benchmarking

To uncover, adopt and implement best practices in a company or organization benchmarking is a relevant approach. The definition of benchmarking that will be used is:

“The continuous process of measuring products, services, and practices against the company's toughest competitors or those companies renowned as industry leaders.” (Camp, 1989)

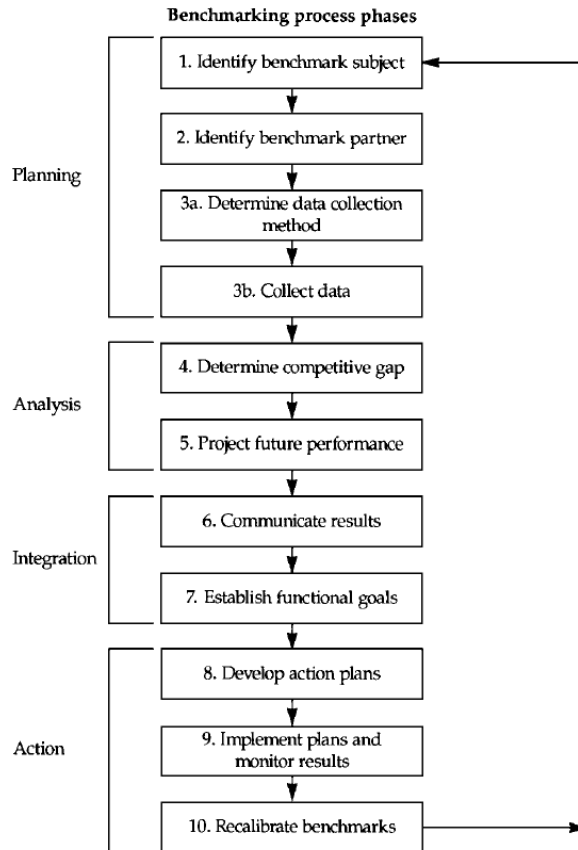
Basically benchmarking is company-to-company comparison of processes and practices to identify the “best of the best” to attain competitive advantage with the main purpose of:

- Establish there is a need for change
- Identify what should be changed
- Define how the organization should look after the change

The purpose of benchmarking is well aligned with our purpose of the project; therefore it will be an essential research method. To ensure benchmarking is done in a structured and valid way, the benchmarking process will follow a 10-step process described by Robert C. Camp.

The 10-step process model was developed to be relevant when conducting an internal benchmark as well. In fact, the main difference when performing an

internal benchmark lies within the decision whom to benchmark an data collection. Instead of doing a company-to-company benchmark, an internal benchmark is done between two departments performing the same or similar work. Also, when benchmarking internally, relevant data is usually easier to get which makes the output more accurate.



**Figure 2.2** The formal 10-step benchmarking process. (Camp, 1989)

According to the 10-step process model there are five essential phases to benchmarking (see figure 2.2). The fifth phase, maturity, is not illustrated in the figure since it is not an active phase like the others that requires active input and monitoring.

### ***3.2.1.1 Planning***

During the first phase it is necessary to identify what and whom to benchmark. Look at different products or outputs that can be tracked to help improve overall performance. Consider what data will be needed for the benchmarking. Data needed varies depending on whether the benchmark is done externally or internally in a company.

### ***3.2.1.2 Analysis***

If conducting an external benchmark it is vital to fully understand the internal processes before comparing them to external organizations. When the internal processes are mapped and understood it is time to examine external best practices and measure the gap.

### ***3.2.1.3 Integration***

During this phase the findings of the benchmarking need to be communicated to upper management. Goals should be redefined accordingly to the findings.

### ***3.2.1.4 Action***

Action plans are to be developed and implemented and best practices accordingly. The process should be monitored to recalibrate best practices and benchmarks when ever needed.

### ***3.2.1.5 Maturity***

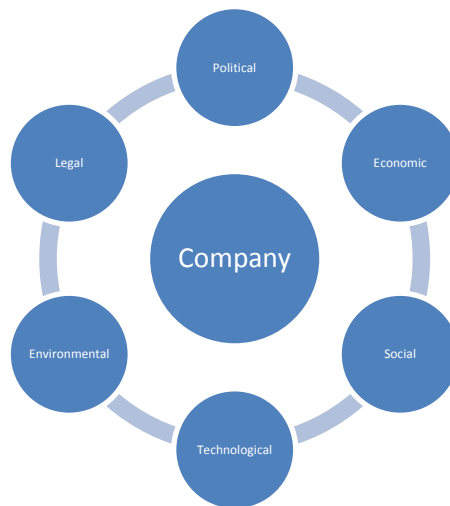
When all the best practices are implemented and benchmarking becomes a standard guide of work the organization has reached the maturity phase. Even though the organization has achieved, or soon to be, an industry leadership the benchmarking and improvement of performance levels never stops.

### 3.2.2 PESTEL

PESTEL is a framework used when conducting strategic analysis or market research externally. The model is designed to give an overview of a market's macro environmental factors. The name, PESTEL, is an acronym for political, economic, social, technological, environmental and legal (Porter, 1980).

#### 3.2.2.1 Political

Political factors include tax policies, labour laws, trade restrictions, tariffs etc. This pillar of the framework gives an overview of how much the government intervenes in the economy. Infrastructure, health and educations are also to be covered in this pillar.



**Figure 5.3** Porter's five forces (*Porter, 1980*)

#### 3.2.2.2 Economic

Economic factors include the country's economic growth, inflation rate, interest rate, currency and exchange rate. All these factors have a major impact on a business operations and there also its decisions.

### ***3.2.2.3 Social***

Social factors gives an overview of the demand for a company's products or services by considering factors like age distribution, population growth, education etc.

### ***3.2.2.4 Technological***

Technological factors include rate of technological change, R&D activity, technology incentives etc. This helps to determine barriers of entry and outsourcing decisions but also understanding costs, quality and innovation.

### ***3.2.2.5 Environmental***

Environmental factors include ecological and environmental aspects like weather, wind, climate, climate change etc. Helps to understand how changes in these factors can affect a company's operations.

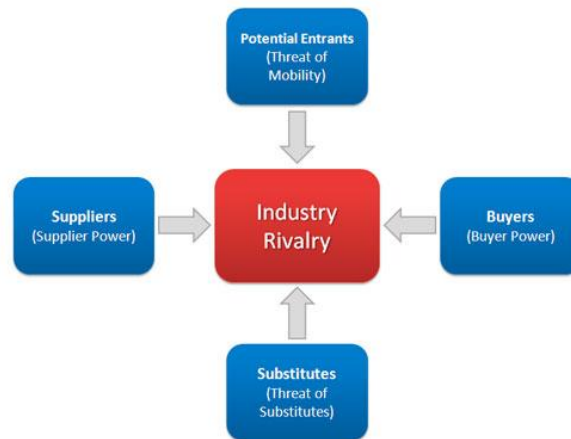
### ***3.2.2.6 Legal***

Factors included here are consumer laws, antitrust laws, employment laws, health and safety laws etc. This has a big impact how a company's operations should be designed.

## **3.2.3 Porter's five forces**

Porter's five forces is a framework for an external industry analysis and business strategy development. The framework gives an overview of the microeconomic environment since it focuses on a specific industry. The five forces in the framework are: threat of new entrants; threat of substitute products or services; bargaining power of customers; bargaining of suppliers and intensity of competitive rivalry. When all the five forces have been taken in consideration a company can determine a market's attractiveness by the ability to serve customers

and still make a profit. If the majority of the forces are intense (high) the average industry profitability is low and low for the opposite (Porter, 2008).



**Figure 2.4** Porter's five forces. (Porter, 2008)

### ***3.2.3.1 Threat of new entrants***

Profitable and attractive markets will attract new entrants. Unless barriers of entry aren't established, new entrants will drive profits towards zero. There are several different ways to set up barriers of entry some examples are intellectual property, access to distribution, switching costs etc. By analysing this threat a company can predict the long-term profitability of an industry.

### ***3.2.3.2 Threat of substitute products or services***

Are there any offerings from competitors that aren't exactly the same as our offering but does the same thing? This is a measure of product and service differentiation. If costs of switching are low and substitution is easy, customers' propensity of switching is high.

### ***3.2.3.3 Bargaining power of customers***

This force tells how easy customers can put a company under pressure and how price sensitive they are. If the ratio between suppliers and customers is high, which means there is more supply than demand, customers can play the competition against each other and benefit from lower prices. This force also analyzes distribution channel dependencies and switching costs. If dependencies and switching costs are high it is harder for customers to apply pressure.

### ***3.2.3.4 Bargaining power of suppliers***

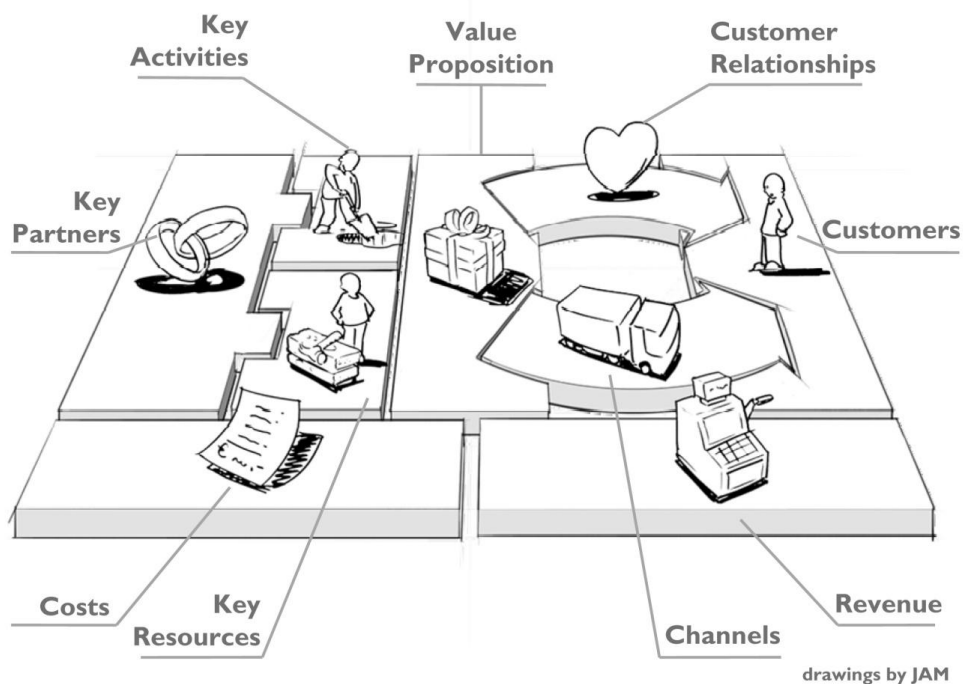
Just as the customers can put pressure on a company so can their suppliers. If there are a few substitutes for e.g. raw material, services, labour etc. suppliers can demand high prices or even refuse to work with a customer. This force examines a firm's own switching costs between suppliers, dependencies, substitutes etc.

### ***3.2.3.5 Intensity of competitive rivalry***

This might be the major determinate of an industry's competitiveness. This force gives an overview of how many firms are competing, what is the competitive advantage and if it is sustainable, advertising spending, transparency etc.

## **3.2.4 Business model canvas**

The business model canvas is a tool for developing new and documenting existing business models. It documents a company's offering, customers, finances and infrastructure by breaking the business model into nine blocks: value proposition; customer relationships; customers; channels; revenue; key activities; key resources; key partners and costs (Osterwalder, 2010).



**Figure 6.5** Business model canvas. (Osterwalder, 2010)

### 3.2.4.1 Value proposition

A company's value proposition is its collection of services and products it offers to its customers. The proposition can be quantitative like price and performance but also qualitative such as overall customer experience, service, brand etc.

### 3.2.4.2 Customers

In order to build and operate a successful business, a company must identify which customers it tries to serve. Dividing customers, based on different characteristics, is known as customer segmentation. A company must decide whether it's going for the mass market or one or several niche markets.



### **3.2.4.3 Channels**

How does a firm deliver its value proposition? Are the channels they use their own (stores), a partner's (distributors) or a combination of both? Effective channels are fast, cost effective and efficient.

### **3.2.4.4 Customer relationships**

A company must identify what type of relationship is needed with its customers. Different services/products and customers require different types of relationships. For instance some products require personal assistance with training and after-sales after a product is purchased, while sometimes automated self-service is good enough.

### **3.2.4.5 Revenue**

There are several different ways of generating revenue streams. A firm must identify how it is going to make an income from each of its revenue streams. Different segments have different needs, so therefore it's obvious they will not pay the same way. Some common revenue streams are:

- Asset sales – selling ownership of physical goods i.e. groceries
- Usage fees – pay only when you use i.e. postal service
- Subscription fee – periodical fee i.e. cable and TV
- Leasing – giving exclusive rights for a particular period of time i.e. rental cars

### **3.2.4.6 Key activities**

These activities are the most important ones when executing a firm's value proposition. Depending on a firm's value proposition key activities change. For a low-cost competitor, like a low-cost airline, it is necessary to make the organization and its processes as efficient as possible in order to keep costs down. For luxury

apparel firms it is more important to be more dedicated to customer relationships by building its brand and marketing.

#### ***3.2.4.7 Key resources***

A firm should be able to identify its most valuable resources. What resources are assets that support and keep the business going? For some it is their distribution channels, while others are more reliant on their intellectual property, the people working for them, the relationships with their customers etc. Different value propositions require different key resources.

#### ***3.2.4.8 Key partners***

Partnerships can optimize the operations and reduce the risk for a firm's business model. Partners can be suppliers but also other firms we acquire key resources from or who performs key activities for us.

#### ***3.2.4.9 Cost***

To begin with a firm should be aware of its business structures. Is the business main focus on minimizing all costs (cost-driven) or on creating value for their products/services (value-driven)? Regardless the structure of the business, the cost structure in a firm while delivering their value proposition should be known. What resources and activities are the most expensive? What are our fixed costs? What are our variable costs? Can we benefit from economies of scale or/and economies of scope?

### 3.2.5 Marketing mix (4 Ps)

The marketing mix, also known as 4 Ps, is a business tool for marketers. The mix helps marketers to determine a certain brand's, product's or service's offer by analyzing the price, product, promotion and place (distribution). By using the tool, marketers get help putting the right product in the right place, at the right price, at the right time. The tool helps one migrate from mass marketing to niche marketing (Kotler & Keller, 2009)



**Figure 6.6** 4 Ps (www.learnmarketing.net, n.d.)

#### 3.2.5.1 Product

Product also covers services. This P helps to create a product/service-market fit by asking questions with following characteristics:

- What need does it have to satisfy?
- What does the customer want from the product/service?
- How and where will the customer use it?
- How is it differentiated from the competitors' offerings?

### 3.2.5.2 Price

Pricing a product right is an art. There are several ways to go around it. One approach is *cost plus*, which is basically calculating the price by taking the cost and adding a profit (margin). This might be a good alternative if the company is a cost-leader and want to grab market shares by undercutting competitors while still keeping margins.

Another method is *competitive pricing*. How are competitors pricing the same or similar offerings? Depending on the industry, this approach is easy or hard to apply. In some industries list prices are available and therefore price benchmarks are easy to perform, while in others quotations determine the price to a customer and benchmarks are hard to do.

In general, the best way to price a product or service is the highest price a customer is prepared to pay for a service/product. This is decided by the perceived value to the customer. “*How much is this offering worth to me?*” is the question to be asked. *Value based pricing* requires a lot of knowledge of the product/service, how it is being used, why it is being used, by whom etc. Usually value-based pricing helps commanding the highest margins of the pricing strategies described, but it is the hardest one to master.

### 3.2.5.3 Promotion

Products/services require different types of promotion for different audiences. Promotion is about how we are communicating, where we are communicating and when we are communicating. Promotion is not just about what channels are being used (TV, radio, internet, mail etc.) but also how the message is being crafted and communicated.

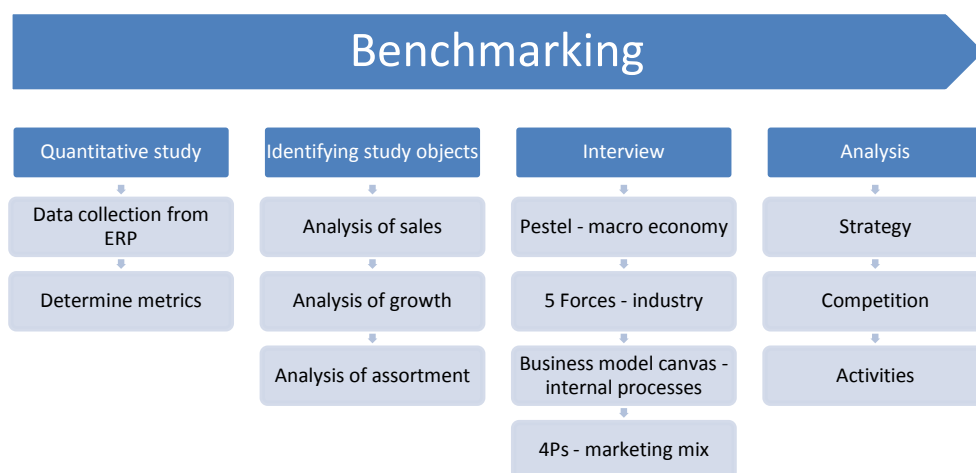
#### ***3.2.5.4 Place***

Place equals distribution in the model. Where is the product/service being sold and where does the potential customer look for our product/service? How can we access the right distribution channels? Are we selling on the internet or in stores? With the increasing popularity of internet, some argue place has become less relevant. They think that today is more about convenience to buy than location. With today's credit cards and fast deliveries much effort should be put into making the product/service easy to find and purchase.



## 4 Methodology

This research uses a holistic case-study approach with benchmarking as the main supporting process (see figure 4.1). The 10-step benchmarking process (see figure 2.2) will be the foundation of this research. There are several reasons that approach is chosen. Firstly, for finding best practices within a business unit, company or industry there must be someone else the object can compare its processes with (Camp, 1989). Second, the 10-step benchmarking process adds validity to the study since it describes a structured way of comparing processes within a company or externally. Lastly, the case study company has made a lot of data available for this research. The more data that is available the more relevant it is to perform benchmarking.



**Figure 4.1** Research design to find best practices in this study.

### 4.1 Quantitative study

The huge amount of data provided from the case study company makes it necessary to limit the study to a certain amount objects to benchmark. Depending

on what output is being looked for in the benchmark, it is crucial to choose which metrics to take in consideration during this early stage (Camp, 1989).

The standard component business is a growing business on almost all markets. Therefore net sales growth (%) is the metric that will be analyzed.

In this stage it is also necessary to validate the validity of the data, since the output is dependent on the input – “garbage in, garbage out”. This will be done by triangulation by analyzing data from several sources.

## **4.2 Identifying objects to study**

Most of the markets are experiencing growing spare parts sales. However, they are in different maturity stages. On some markets standard components have been sold for some time, while on others operations have just been intensified. The latter ones tend to show hefty growth (triple digit growth) since the initial sales are very low to begin with. These markets are not appropriate to analyze due to the underlying uncertainties. Steady growth and considerable sales volumes compared to other markets are criteria markets have to show to be good fit for this study. The ambition is to choose 10-12 markets that will be subjects to a qualitative study and analysis.

## **4.3 Interview – Qualitative study**

The approach for qualitative studies will be interviews with objects, previously chosen to benchmark. For the interview, a questionnaire has been prepared. The questionnaire will be identical for all interviewees. The aim of this qualitative study is to gain knowledge of each object’s organizational structure, processes of work (mapping), microeconomic environment (industry), macroeconomic environment etc. To cover all these areas, the questions need to cover different areas but still go into some details. A lot of the questions were inspired by the



different frameworks and tools described in chapter 3. This overview shows for what each different framework was used.

- **PESTEL** – This framework was used to give questions a character that will help to understand in what macroeconomic environment each benchmarking objects operate. This is necessary to take into consideration when benchmarking objectives to each other. If the macroeconomic environment is not taken in consideration there is a risk that the result will lose validity. This since performance levels might be affected by the internal organization to various degrees throughout our sample.
- **Porter's five forces** – The five forces help to formulate questions that position the case study object in its industry and market. What forces are dominating on different markets? This is crucial to take into consideration when comparing objects to uncover best practices. A non-competitive industry does not require actors to be efficient to stay profitable and command high margins, while a highly competitive does. 5F will help to point out which markets require their companies to find efficiencies and best practices within their organization. This helps mapping the competitive landscape.
- **Business model canvas** – This framework is optimal to quickly gain knowledge about a firm's business model, in this case an object's. Questions inspired from this framework will allow looking into an object's business from their own point-of-view. It will help to understand where they are focusing and why. All the necessary activities and resources will hopefully be uncovered. Information about how and how well they are serving their customers will be uncovered. This is a study of the internal organization and their activities.

- **4Ps** – The 4P framework was mainly used to understand how the MCs worked with promotion. Since the product (spare parts), place (distribution) and price is shared by most of the MCs, the promotion is the marketing differentiator between them. The framework would help to understand how the different MCs position themselves on their market.

Mapping and understanding the internal processes are the main priority, therefore a lot of the questions are dedicated to that topic. However, it might be interesting to investigate the correlation between internal activities and the micro- and macroeconomic environment. Unfortunately it is not possible to investigate each market's landscape, so therefore it has to be based on the market companies' own perception.

#### 4.4 Analysis

When all the qualitative data was collected from the interviewees it was time to analyze. This was the hardest part for several reasons. Firstly, it is hard to acquire all necessary information needed from people during one 60-minute interview. The people interviewed are extremely busy people so it was hard to get back with follow-up questions. Secondly, their answers are never 100% complete. Some details they don't think matter might have been left out even though they might have had a huge impact on the study. However, these are all factors all types of studies and research project face. Thirdly, all the answers leave room for interpretation, both for the interviewer and the interviewees.

Unique activities' performance has to be evaluated somehow. First, we will take a look if there are some overall pattern between activities and external environment. For instance, what activities tend to be common when competing in a very competitive landscape and vice versa. By gathering good practices, the best can be picked and evaluated.

## **5 Empirical study**

### **5.1 Data collection**

The first step of the study was to gather data from potential benchmarking and study markets. Sales data from over 170 markets worldwide was gathered. The data was obtained from several enterprise resource planning (ERP) sources including sales, sourcing/procurement, planning etc. The data enabled tracking sales of individual spare parts e.g. where they were sold, where they were sourced, how many were sold etc. This amount of data was overwhelming to deal with and analyze without the proper tools. Therefore a QlikView-application, developed internally, was used. The application allowed to easily structure, filter, sort and search data - quickly with different criteria.

The obtained data was triangulated and validated against another business intelligence tool – SAP NetWeaver Business Warehouse. This tool also allowed tracking sales of parts on different markets. This was mainly performed to ensure the QlikView-application was gathering and structuring valid data.

### **5.2 Data Analysis**

Even though QlikView is a powerful tool, the available data still was overwhelming. Sales data dating back up to 3 years from over 170 markets is too much to proceed with for more qualitative analyses. For every market, markets or clusters that were looked at, their total sales, sales of standard components from certain suppliers and sales of all other standard components (see figure 5.1) were available. The most recent sales data available, when this analysis was initiated, was from September 2013.

<b>Market X</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Total sales (€)</b>	8 000 000	10 000 000	13 000 000
<b>Supplier A</b>	1 200 000	1 500 000	1 950 000
<b>Supplier B</b>	800 000	1 000 000	1 300 000
<b>Supplier C</b>	640 000	800 000	1 040 000
<b>Supplier D</b>	320 000	400 000	520 000
<b>Supplier E</b>	240 000	300 000	390 000
<b>Other suppliers</b>	4 800 000	6 000 000	7 800 000

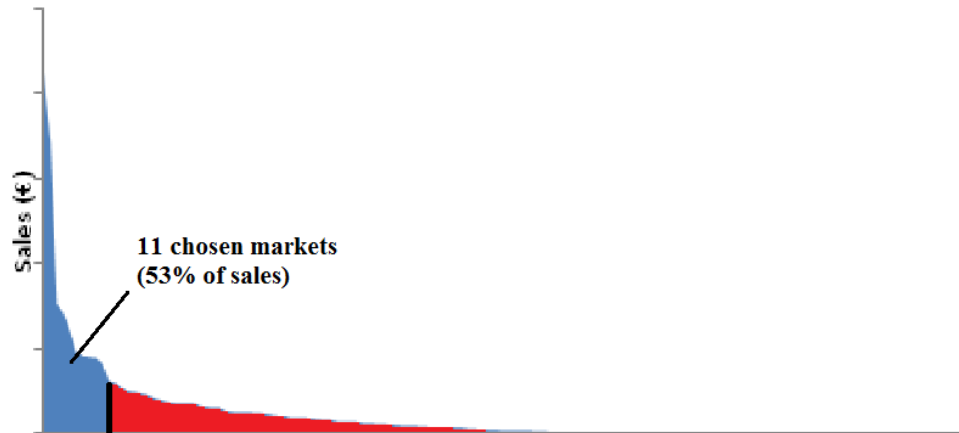
**Figure 5.1** Fictive sample sales data from Market X.

Clearly, to be able to successfully handle the data, different criteria had to be introduced that markets would have to meet in case to be evaluated with interviews.

Firstly, all markets that didn't have sales history from 2011 were removed. The glitch of missing sales data is due to the global roll-out of the ERP that was done gradually. Second, the total sales in were analyzed. The ratio between the ten biggest markets and the smaller ones was almost 10,000. The smaller markets showed great inconsistencies with spikes and dips in sales. This made it very hard to make any conclusions what so ever about in what stage the market was. Markets that had a steady and consistent growth without spikes and dips were sought for.

The distribution, like figure 5.2 shows, of the markets' sales showed there were a small number of markets that make up a huge chunk of the revenue. A closer number analysis showed that 18.4% of the markets contributed with 80.4% of the total sales. In other words, by reducing the scoop of potential objects to just 18.4% of the initial number, 80% of the sales was still available to analyze. Even though this reduced the markets substantially, there were still over 30 markets in these 18.4%. Further narrowing had to be done.

## Distribution of sales on markets



**Figure 5.2** Distribution of sales on just over 170 markets.

Next step was to calculate an average of how the sales are distributed between major suppliers (see figure 5.3). The average was based on the 18.4% left. These values would serve as a reference later to help spot good performers. By identifying the markets that perform very well with certain suppliers, it was assumed these are doing something different from the others. Percentages in categories that were substantially higher than the average functioned as an indicator. This analysis was conducted on the just over 30 remaining markets. When picking which ones to choose, several factors were considered. It was highly desirable to have a geographical spread among the markets chosen for a qualitative study. The markets should also show consistency in their growth of sales. In other words, markets that showed growth, then reduction, then growth again were not desired. Finally, after weighing all these factors together 11 markets chosen that would be studied through interviews with representatives from respective markets. These 11 markets accounted for 53% of total standard component sales.

	Average		Market 1		Market 2		Market 3	
	2012	2013	2012	2013	2012	2013	2012	2013
Supplier A	7,4%	7,1%	8,3%	7,8%	5,8%	4,9%	7,5%	8,2%
Supplier B	5,1%	4,9%	3,9%	2,9%	7,6%	8,2%	6,9%	5,2%
Supplier C	3,4%	3,2%	4,1%	3,9%	3,5%	2,1%	3,3%	3,8%
Supplier D	4,3%	4,8%	6,1%	6,6%	5,8%	6,9%	3,1%	4,0%
Supplier E	1,8%	1,5%	3,1%	1,9%	0,5%	1,4%	2,7%	2,0%
Supplier F	0,1%	0,1%	0,1%	0,1%	0,0%	0,0%	0,1%	0,3%
Supplier G	5,2%	5,0%	7,1%	6,8%	2,2%	3,6%	5,1%	2,8%
Supplier H	3,2%	4,1%	5,4%	6,0%	2,5%	5,1%	3,9%	4,4%
Supplier I	4,6%	4,2%	4,1%	3,9%	4,6%	4,4%	6,0%	4,6%
Supplier J	2,6%	3,5%	1,8%	2,8%	1,7%	2,3%	2,6%	4,1%
Other suppliers	62,2%	61,5%	56,0%	57,4%	65,7%	61,0%	58,8%	60,6%

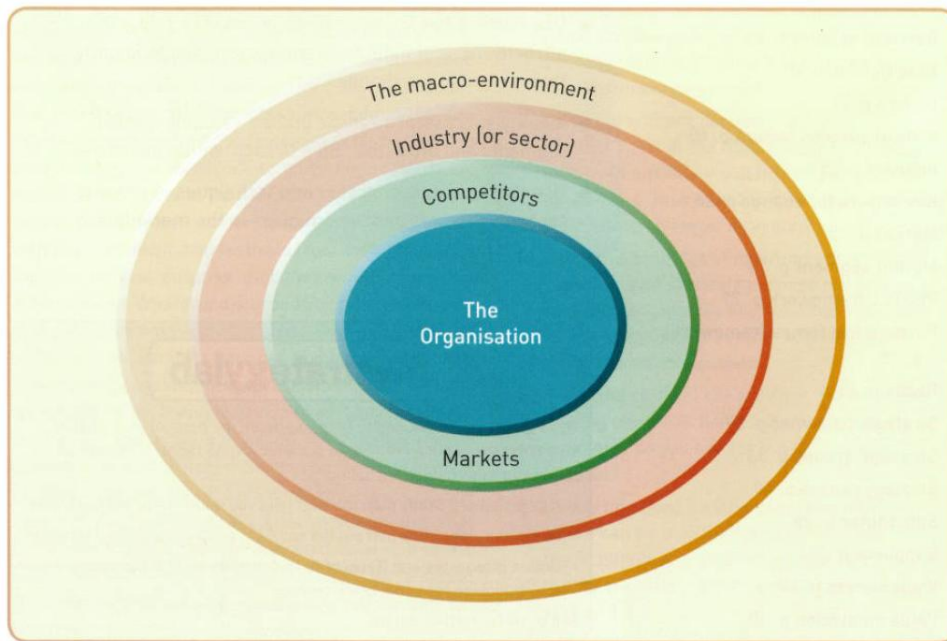
Figure 5.3 Sample data of distribution of sales between suppliers globally and markets.

## 5.3 Interviews

The interviews were the main tool for gathering qualitative information about the markets selected for a further analysis. To be able to do conduct an interview that provided good and valid data, it was necessary to craft a questionnaire that would cover everything of interests. The qualitative research was about to understand the macroeconomic environment, microeconomic economic environment (industry) and the internal work and processes (see figure 5.4). Therefore, the qualitative data collection could be divided into two phases; making the questionnaire and the interviews. The interview guide is to be found in the Appendix.

### 5.3.1 Writing the questionnaire

The time available with each of the interviewees was limited. To ensure good and relevant information and data is collected during the interview, it was absolutely crucial that the questionnaire covered a lot while it picked up details as well. The questionnaire was written with a lot of inspiration and help from three, for the business-minded, well-known theoretical frameworks/models; PESTEL, Porter's Five Forces and Business Model Canvas.



**Figure 5.4** Layers of the business environment. (*Johnson and Whittington et al., 2012*)

#### 5.3.1.1 PESTEL

The PESTEL-framework was used to formulate questions that would help to understand in what type of economic and politic climate each of the study objects operated in. It was also desired to uncover if the case study objects might have an “unfair” advantage or disadvantage due to external factors. Basically the questions that were asked were if there were any regulations that were specific for that market, regulations that might affect sales and competition. In some countries, there are some regulations that complicate import of goods with intense bureaucracy and high tolls. Circumstances like these acts like entry barriers for competitors, especially smaller ones. If tolls are high and bureaucracy intense, it requires, in general, actors to carry huge stocks in order to be able to be responsive to their customers’ needs. Factors like these make markets unattractive for potential entrants. Being one of few established firms in a country due to external reasons results in good sales and profits even though the service or products provided might be sub-standard. Because of this, it was necessary to understand which

market companies operated in this specific environment, so their performance could be dedicated to regulations and not internal efficiency.

#### ***5.3.1.2 Porter's Five Forces***

With the 5F framework the industry rivalry would be understood. First, how much competition do the market companies face? Second, what type of competition do they face? The competition can be either direct or substitutes. By asking about the competition and then follow up with strengths and weaknesses it is possible to see how much the market companies know about their industry and competition.

#### ***5.3.1.3 Business Model Canvas***

Mapping a company's processes and understanding its way of doing business is relatively hard to do – especially if time is limited to one hour. The business model canvas, which is relatively new, is generally used to visualize a company's complex business model but also to map competitors. It is a very powerful tool because it quickly lets one identify the essence and the core of a business. The model slices the business into nine modules. For this study the main interests were everything except the revenue streams and cost structure. These are of course vital elements of a successful business, but don't really fit the current scope. The interviewees' perceptions on their organization and its value proposition towards its customers wanted to be understood. If they weren't able to communicate it during the interview, there is a risk that they cannot communicate these values to their customers. Communicating the value propositions clearly is not the only thing they can do to make them more attractive for buyers. The relationship with a customer is just as important. Therefore relationships management would be brought up as well.

#### ***5.3.1.4 4Ps***

The 4P framework was used mainly to understand how the objects were working with awareness and promotion of products.



### 5.3.2 Interviews

To get a general opinion about how organizations and work processes should be designed and structured, an interview has been conducted with a representative from the central organization (after sales division) whose task is to coordinate all our case study objects. The knowledge acquired during this interview will serve as a reference during the others. It will help to detect major differences during our time-limited interviews and ask follow-up questions.

In a big organization like the case company's, finding the right people is a challenge. Not to mention pin-pointing the right people to interview globally. To find relevant people to talk to, assistance from this study's supervisor, who has been with the company for some time, was needed. Even for a person like him, it was a challenge to know exactly who would be the best fit for the interview.

Together with the supervisor a strategy for the interviews was set up. First, spare parts coordinators in different clusters would be interviewed. If the information on some topics was perceived as "thin", other individuals would be interviewed regarding these topics. These individuals could be people working closer with customers, e.g. technical key account managers.

Before each interview, information about the study was sent to targeted people at chosen market companies. The information comprised a short project background, purpose and five topics that would be covered in the interview. The idea was to prepare people, but also make them feel as a part of the project. The intention was to raise their cooperation and set them in a more open mindset instead of "defending" their organizations and their current way of working.

The questions were never sent in advance to the interviewees. A couple of requests for the questions were made, for preparation, but were rejected. The risk of sending questions ahead of the interview is that answers can be fabricated to sound better

than they actually are. This will not only undermine the study, but will hurt the organizations.

Each interview was done as a conference call with one or more representatives. The person contacted could choose if they wanted to have someone else present during the call. Usually this other person was someone with more operational detail knowledge. This was just positive and added value to the interview.

The interviews always started with a short description of the project's background and purpose, to refresh the interviewees' memory. After the short intro, the interviewees talked about their work and responsibilities within the organization. After the introduction, it was time for the questions.

The idea was always to structure the interview by starting with something more general, like KPIs and strategy. Usually the interviewee connects this to the organization and their work, so the transition to organizational questions was natural. It is important to have keep the interview coherent by not changing topics too often. This lets the interviewee talk freely and share important information. If the topics are changed frequently, there is a risk that the interviewee will answer shorter and leave out crucial information since their perception will be that kind of answers and behaviour is sought for. Instead, focus was on having a dialogue. However, it is important not to let them talk too much about something irrelevant or too long. This consumes valuable time while it puts the whole interview at risk of not getting any valuable information.

Once they have shared information about their organizations, they were asked more specifically about the activities taking place in their respective organization. How are the processes designed and who owns various tasks? Besides the activities, questions about how relationships are being managed and by whom were asked. The whole process of approaching a customer to raise awareness and to grow the accounts bigger was investigated.

Finally, when there was enough information about the organization, their work and relationships with various customers available, the scope of the questions focused on the country and industry they operate in. First, are there any specific regulations that apply to the representative's market company? These regulations can be special customs regulations and processes or anti-trust regulations if the market company is a dominant player on their market. Regulations can be a major explanation to someone's success or lack of success. Questions regarding the competition on their market were asked. First, about what kind of competition they faced. Are competitors small local agents, major distributors or branch offices? Different types of competition may require different action. After the competition has been defined, the interviewees were asked to list their unique value propositions, strengths and weaknesses compared to the competition. This helps to understand what they see as their biggest threat, but also what their core competence is and how they are taking on their competitors. Direct competition is not the only option, sometimes competition can become co-opetition through partnerships for instance. For those reasons they were asked how they view and work with local partnerships.

To summarize the interview it collects information but also checks validity. Some questions are not really a perfect fit for the study, but serve as an indicator how much knowledge about their business the interviewees have. It is always hard to take someone's word for granted and assume everything is more or less the way they've told it. Therefore these checks can help to determine the validity of the topics covered, but also the interview in general. Occasionally some interviewees started to talk freely and drifted away from the question. This was a clear indication that the person lacked proper information to answer the question accurately.

The interviews were not recorded, but notes were made during the interviews.

When the first round of interviews was done, a decision had to be made whether there was enough qualitative data available to proceed with for analysis.

## **5.4 Analysis**

The questionnaire for the interview consisted of 28 questions covering different topics. The purpose of this has been stated and can be read in section 5.3. When trying to study several different topics and areas, one will get a lot of data and information. Unfortunately, not all the data collected is completely relevant for the purpose. This is not strange, since some questions were deliberately written to “fish” for information and uncover underlying answers and reasons to a certain output. Therefore, in this section, data that was believed not to be relevant for the study was left out from the analysis. Left out doesn’t mean the data has not be considered or looked at; it will just not be an object to study further in this report. Typical examples of what has been left out are; number of people in different teams, minor differences in responsibilities etc.

### **5.4.1 Distribution of sales between suppliers**

Before the interviews were conducted, the hope was to be able to understand the variances in distribution between suppliers. This data was the main approach to find best practices, but it didn’t turn out as well as imagined - the main reason for that being the installed machine base.

The case company has sold filling and packaging machines for over 4 decades. While the average economic life time of a machine is 15 years, there are machines on certain markets that have been around for over 30 years. These machines require different spare parts than modern machines. For instance, older machines may be built with a lot of components from supplier A, while modern machines are more

dependent on supplier C. This creates discrepancies in distribution of supplier sales between markets.

Another fact that heavily impacts the sales and distribution is the type of machines being sold. Different types of packages require different machines. Depending on the package, the configurations of the machines, and thereby components, vary very much.

Since the defined best-practices should be relatively general and easy to implement, best practices that are independent of a specific installed base are only of interest. So, in the pursuit for best practices, the ambition of analyzing sales distribution between suppliers has been left behind. This is a set-back, since much of the picking process was based on this data. However, the markets are still the best performing ones and the confidence that best practices will be applicable more widely and not just on certain assortments, is high.

### 5.4.2 Strategy

Strategy is fundamental in a business. It is a plan to achieve set goals in conditions of uncertainty. The strategy should be reflected in all decisions that are being made.

Interviewees were asked what the strategy for growing spare part sales was. The data shows that strategies between market companies vary a lot. In some cases there was no strategy in place at all, which should be worrying. In general, the 5 following growth strategies were the most common ones:

- Competitive pricing
- One-stop-shop
- Service contracts
- Products and promotion
- Market and opportunity analysis

The strategy formulated centrally said growth was going to be achieved with competitive pricing and a big product assortment. This is the general idea, but for some markets this might not be the right fit due to market conditions. An example of a market where market prices are not the necessary would be a market with few players due to e.g. regulations. Therefore variations should be expected and not considered strange.

Usually, there was an idea of a strategy but an executive plan was missing. For instance, some stated competitive pricing was the strategy but the lacked a process, knowledge and resources to collect market prices. This creates a strategy misalignment since the organization cannot execute its strategy and competitive edge.

However, there were two strategies that were well thought out and had an executive plan supporting them. The two are the “Products and promotion” and “Market and opportunity analysis” strategies.

#### **5.4.2.1 Products and promotion**

This strategy is all about making the assortment more attractive and accessible for customers. *Product* and *Promotion* are taken from the 4P’s framework. Product has the product the company is selling in focus. By constantly working to increase performance and safety, to reduce downtime during maintenance, the products become more desirable to customers. Combining these value-adding features with the one-stop-shop offering, which means customers can buy all the maintenance and parts they need in one place, the after sales offering becomes much more attractive to customers. An example is to bundle parts that usually are sold together into kits. By doing so, it will become easier for customers to buy what they need. The customers can focus more on their core business rather than administration.

The other P, promotion, takes the marketing in consideration. If you have the best product but no one knows it, how can they buy it? Customers must be aware how

your offerings can help them grow their business. A more detailed description of the activities is given in section 6.1. In general, the promotional activities have been weak among the market companies.

#### ***5.4.2.2 Market and opportunity analysis***

This strategy involves processing a lot of raw data. The idea is to analyze buying patterns and match these to the installed machine base at customers and markets to approach them with customized offerings. By doing so, sales can be increased by offering customers parts they need, but didn't know they could buy through this sales channel. These customized offerings will include spare parts for the company's equipment, but also other OEMs' equipment.

#### ***5.4.2.3 Key performance indicators (KPI)***

Throughout the organizations the same KPIs were used. The KPIs what were being used were:

- Net sales (€)
- Margin (%)
- Growth (%)

None of these KPIs are customer-centric. Instead they are all financial and focusing on the internal operation and its performance.

A few market companies measure their service level (%). Service level measures the percentage of order lines leaving the company's facilities on or before the requested delivery date over the total number of order lines. This is measured by comparing the end shipment date vs. the requested delivery date. This can be viewed as a somewhat more customer focused KPI, since it tracks how many customers get their complete orders in time.

### 5.4.3 Organization

During the interview one particular thing was brought up repeatedly – the organizations were undergoing, or had recently undergone, a re-organization. Along with the re-organization some new positions came, like the spare parts sales support (SPSS) role. The role was created to promote and drive active sales of spare parts to customers. This was quite bothersome for the study and will be described more in detail in section 7.

#### 5.4.3.1 *Technical Key Account Manager*

To better understand the fit and purpose of the SPSS it is necessary to get an overview of the organization and roles involved selling spare parts. Each customer have an assigned technical key account manager (TKAM), whose main responsibility is to provide the customer with solutions to technical issues related to performance, safety, costs etc. This includes maintenance and spare parts to a great extent. The relationship the TKAM had with the customer, varied depending on the TKAM's personality, the customer, the size of the customer, how many accounts each TKAM had etc. Some were very close with their customers and decisions makers, while others had a transactional relationship with the purchasing department. Because of the interaction between the TKAM and the customer, most of the market companies stated that the active selling is the TKAM's responsibility.

Having the TKAM responsible for actively driving sales might be a good idea since he/she can leverage the technical knowledge and relationship he/she has with the customer. But there are some issues with this idea. Firstly, almost none of our interviewees said they had a formal process for how active selling should be performed. Secondly, many of the TKAMs have a very solid technical background but lack commercial soft skills. The lack of a formal process and appropriate commercial skills leaves the selling approach to the TKAM. The result being that almost all transactional sales are reactive, which means that the customer contacts the MC when they need spare parts.



### ***5.4.3.2 Sales process and Spare Parts Sales Support (SPSS)***

The lack of a sales process reflects the view most of the MCs have on the spare parts business. The general view is that spare part sales is an administrative task. By having this view, MCs tend to miss the tremendous opportunity of capturing a large share of a very profitable market. The central organization is aware of this and has therefore introduced the spare parts sales support (SPSS) role in market companies. The SPSS's role is to support the TKAM during the sales process with understanding customer needs, develop a concept, quote, negotiate and finally implementing the solution.

### ***5.4.3.3 Customer Service Representative (CSR)***

When a customer has some kind of an issue or question, a customer service representative is the customer's point of contact. Customers can call to order parts, check if a certain part is stocked etc. The CSR administrates customer requests or forwards their inquiry to relevant persons, if necessary. One MC realized the CSRs are, just like the TKAM, "personal" to a customer. With personal, they mean that a customer has a CSR assigned to them and will handle all their requests. Eventually they form a relationship, just like the customer and the TKAM. The MC decided to leverage that relationship to actively sell and promote spare parts to customers. The idea is based on a single-point-of-contact (SPOS) strategy. Instead of introducing a new role, the SPSS role, the MC has decided to use the CSRs. In section 5.4.4.1 the sales and marketing activities of the CSR will be described in further detail.

## **5.4.4 Activities**

Some of the common activities MCs shares between them are price simulation and converting the prices to their local currency. Since most of the MCs ship from regional distribution centres (DCs) they didn't perform any inventory related

activities e.g. forecasting. All these types of activities were done centrally. However, there were some activities that are worth highlighting.

#### **5.4.4.1 Promotion**

Promoting the carried assortment turned out to be an issue for many of the interviewees and their MCs. Central guidelines prevented them from handing over the price list, which is the list with the active spare parts being sold, to customers. Not having the list makes it harder for customers to compare prices with competitors. However, it also makes it less convenient to buy for the customer. Today, each part needs to be quoted by phone, fax or a web-based interface. Not only is it causing a delay, but it makes it almost impossible for customer to “discover” parts they currently are buying from other suppliers. As a result of these circumstances, almost all of the interviewees state they don’t actively promote the assortment to customers. Luckily, there are some few and interesting exceptions.

#### **Including promotional material in shipments**

One MC is sending promotional material with shipments. They simply put folders and flyers into the box before shipping it. This way, they can promote new assortments but also highlight something they think the customer would be interested in. This activity doesn’t just have high potential, it is also very easy and cheap to implement. The promotional message included makes sense since it is somewhat related to the content in the box. The person receiving the box is very likely the one that placed the order, so therefore this channel lets the promotional message reach the ones most likely to notice it.

The promotional material can also be some sort of free samples of a product that will increase the customer’s performance.

## **Marketing activities by CSR**

Like stated in section 5.4.3.3, one MC is using their CSRs to actively sell and promote the carried assortment. Since they already are the customers SPOC, there is already trust established. The CSRs have some knowledge about what their customers tend to buy and can therefore send promotional material electronically. Utilizing the CSR as a sales channel makes the sales approach very natural since the customer is familiar with the CSR.

### ***5.4.4.2 Data-driven opportunity analysis***

One MC reported that they have initiated a data driven opportunity analysis to grow sales. By analyzing data such as sales, installed machine base and historic transactions, they get good customer insight. Based on the data, customers' needs can be identified and a relevant offer made to the customer.

A new organization called European Parts Centre (EPC) has been formed within the company to take over the administration, from order to billing, from the MCs in Europe. By being relieved from the administrative tasks, the spare parts can be given a more sales oriented focus.

The MC that initiated the analyses said that the SPSS will be the ones conducting the analyses. The vast amounts of data will be split among the MCs within a cluster. For instance, one MC will analyze a certain supplier's assortment while another conducts an analysis of the installed machine base.

Implementing this kind of activity requires the right resources. The analyses must be performed by people with proper skills to be relevant. However, the findings in these analyses can be the foundation for many other activities. It could leverage marketing efforts by allowing relevant promotional material being sent to the ones most receptive.

#### **5.4.4.3 Collecting market prices**

Many MCs reported that collecting market prices, prices from competitors, was a major issue. Most lack the proper resources or skills to perform this task. If resources were not a problem, getting quotations was. It was not unusual that suppliers and distributors refused to give quotations when the request came from a company they perceived to be a competitor. In some cases the quotation was not accurate because of discounts offered to big potential customers.

A couple of MCs found some ways to go around these obstacles. One MC sent out requests to their customers. In the request they asked what parts were purchased from other sources and for what price. Other MCs contracted third-party agents to send quotations to suppliers. They believed these “unknown” agents would get prices that would reflect the customer price more accurately than if the MC sent the request itself.

#### **5.4.5 Market & Competition**

All of the MCs understood what their customers liked about buying from them. The company’s top-of-the-line supply chain made it hard for competitors to match assortment, availability and delivery time. They also perceived that customers prefer to buy all parts and services from one source.

The perceived intensity of competition among MC varied. Some thought the competition was very intense and customers price sensitive, while others felt it was very limited. The competitors are usually the suppliers and their agents/distributors. But the perception in general was that all the MCs thought they had a high share of their captive market. Each market's intensity of competition was ranked on a low-medium-high scale. The ranking was based on what type of competition (suppliers,

agents, firms specializing in after-sales etc.) each MC faced and how they perceived the threat.

#### ***5.4.5.1 Partnership with suppliers***

One MC that perceived the competition to be very intense managed to strike a partnership with one of its suppliers. The partnership meant that the supplier would sell all their parts through the MC existing sales channels. However, this case was a little special since the supplier had huge problems with pirated parts on that market. Practically it meant that the MC had become an authorized distributor.

#### ***5.4.5.2 Third-party one-stop-shop after-sales solution***

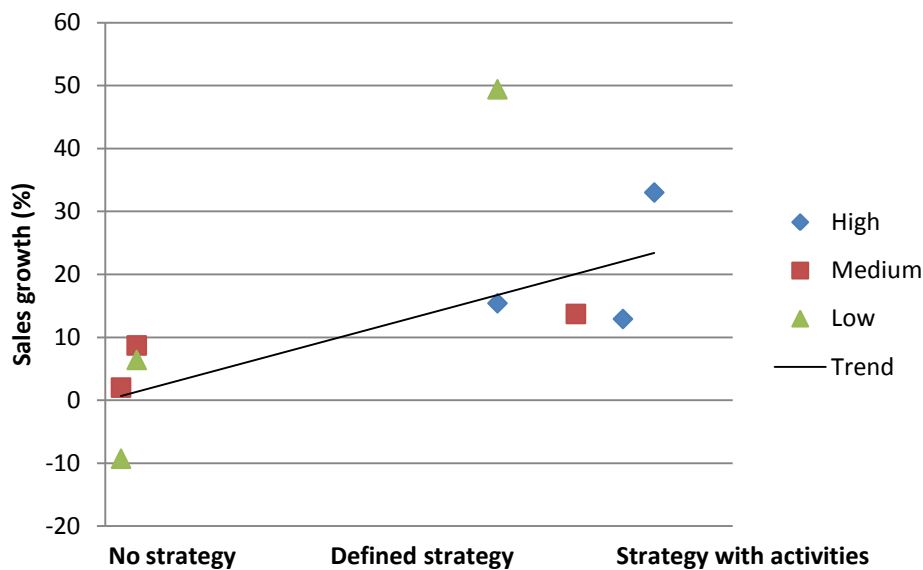
In some European markets, MCs faced a relatively new type of competition. Their customers were approached by firms offering them a one-stop-shop solution, similar to the strategy adopted by some MCs. These firms tell the customers they could sell all parts and some services as the MC, but with a better price. Usually, these firms have sophisticated supply chains and good prices to the volume turnover.



## 6 Results and recommendations

The result shows something quite interesting. The MCs that perceive their market to be highly competitive are the ones with the best performance (Table 6.1). This is counter intuitive, since the general believe and Porter's Five Forces say markets' attractiveness increases when there is less competition. 9 of 11 markets were plotted for practical reasons. The two markets that have been left would not affect the result in a different way.

In all segments (low, medium, high) there are both developed and developing countries represented. Since their growth rate in a specific segment follows the segment's trend, it can be assumed that macroeconomic indicators (e.g. GDP% growth) are not the main drivers of sales growth. If they were, there would be greater inconsistencies within the segments.



**Table 6.1** Results on performance

When analyzing what the top-performers have in common, it is clear they have a well thought through and formulated strategy. Even though the strategies among

them vary, it seems to help them make good business decisions. The findings also indicate that the more strategy related activities a MC has, the better it performs (Table 6.2-6.4). For instance, Market 1 has chosen a strategy focused on promotion and product. Therefore they initiated promotional activities like sampling and sending promotional materials in shipments and by email. The material was to promote assortment of Supplier G. The result was a 38% sales growth over a 12 month period. This growth contributed a lot to the total 33% year over year growth.

This strong growth in sales due to promotion is remarkable, but not surprising. Just by looking at the findings, 6 out of 9 markets do not promote their assortment actively. The reason for this promotional inactivity is due to non-existing promotional material. The MCs don't carry catalogues or something similar. The only material that could be compared to something promotional material is the price list. It is basically an electronic sheet with part numbers and prices. Usually the price list is not handed over to customers, due to a central recommendation, since it could be used to benchmark the assortment and prices with others. Therefore a customer must quote a part for availability and price if a purchase is considered.

Another big issue most of the market companies had was the lack of an active selling process. Most of the active promotion and selling was entirely up to the TKAMs to design and carry out. As a reaction to this problem a new role, SPSS, was introduced on a centralized initiative. However, this new role has been welcomed but also caused confusion among the market companies. Many of them have had some trouble efficiently integrating the role into their organization. The responsibilities of the new role have not been uniform in the market companies. Just like the selling, much is left to the market company to figure out what the new role should do. For instance, one market company will use their SPSS as business analysts whose main responsibility is to look for business opportunities in data. The findings are to be communicated to TKAM that will evaluate the findings and later approach the customer if the opportunity can be seized.



<b><u>Low</u></b>	<b>Market 10</b>	<b>Market 3</b>	<b>Market 11 (regulated)</b>
YoY-growth	-9,3%	6,4%	49,4%
<b>Activities</b>	<p>Started to map competition.</p> <p>Started to check market prices with 3rd-party agents.</p>	Customer satisfaction surveys.	<p>Person dedicated to work with government due to market regulations.</p> <p>Inventory management.</p> <p>No price adjustments even though there are discrepancies.</p>
<b>Strategy</b>	None defined.	One-stop-shop for parts and services.	Focusing on service contracts (preventive maintenance).
<b>Promotion</b>	No active promotion.	No active promotion.	Sending price list with part numbers.
<b>Types of sales</b>	Fulfilling customer requests.	Fulfilling customer requests.	Fulfilling customer requests.

**Figure 6.2** Findings on markets with low competitive intensity

<b>High</b>	<b>Market 1</b>	<b>Market 4</b>	<b>Market 7</b>
<i>YoY-growth</i>	33%	15,4%	12,9%
<b>Activities</b>	<p>Monitor market prices by themselves or through third-party agents.</p> <p>Track and act on sales variations.</p> <p>Team dedicated to innovation and opportunities.</p>	<p>Collecting market prices from customers that want to share.</p>	<p>Collecting market prices from customers that want to share.</p> <p>Analyzing installed machine base and buying pattern to find opportunities.</p>
<b>Strategy</b>	<p>Well-defined strategy with an executive plan based on promotion and distribution.</p>	<p>Focusing on service contracts (preventive maintenance).</p>	<p>Find growth opportunities data analysis.</p>
<b>Promotion</b>	<p>Sampling.</p> <p>Promotional material through e-channels.</p> <p>Promotional material in shipments.</p>	<p>No active promotion.</p>	<p>Communicate analysis findings to customers.</p> <p>Surveys about assortment.</p>
<b>Types of sales</b>	<p>TKAM tries to sell at customer site during visits.</p> <p>Focused on selling solutions.</p>	<p>Fulfilling customer requests.</p>	<p>Fulfilling customer requests.</p>

**Figure 6.3** Findings on markets with high competitive intensity

<b>Medium</b>	<b>Market 5</b>	<b>Market 8</b>	<b>Market 6</b>
YoY-growth	8,7%	2%	13,7%
<b>Activities</b>	Activities focused on inventory and logistics.  Some partnerships with suppliers	None, even though customers complaints say prices are too high	Collecting market prices from 3 <sup>rd</sup> party agents, FSEs, DCs and vendors. One person dedicated to this task.  Tracking lost sales
<b>Strategy</b>	None defined.	None defined.	Competitive pricing.
<b>Promotion</b>	No active promotion.	No active promotion.	No active promotion.
<b>Types of sales</b>	Fulfilling customer requests.  TKAM tries to sell at customer site during visits.	Fulfilling customer requests.  TKAM tries to sell at customer site during visits.	Fulfilling customer requests.  TKAM tries to sell at customer site during visits.

**Figure 6.4** Findings on markets with medium competitive intensity

## 6.1 Development of benchmarking methodology

In order to achieve a credible and substantiated result, an adequate benchmarking methodology is necessary. When looking back on what tools, frameworks and theory that have been used, a further developed benchmarking framework can be defined. The model has been designed to benchmark a corporation's organizations (branches, market companies etc.) in a global environment with cultural, economical, political and commercial differences. By adding existing frameworks, like PESTEL, 5 Forces etc. as crucial steps in a bigger process, the benchmark will take external factors into account when helping to reach an output. The proficiency of the process and the model have been showed in this study's result. Markets that perform evenly don't necessary have the same macro- and micro economic conditions.

The model is also useful in today's business climate where the sizes of bonuses have been debated. A model like this can serve as a guide to set goals for bonuses while taking external factors in into the equation.

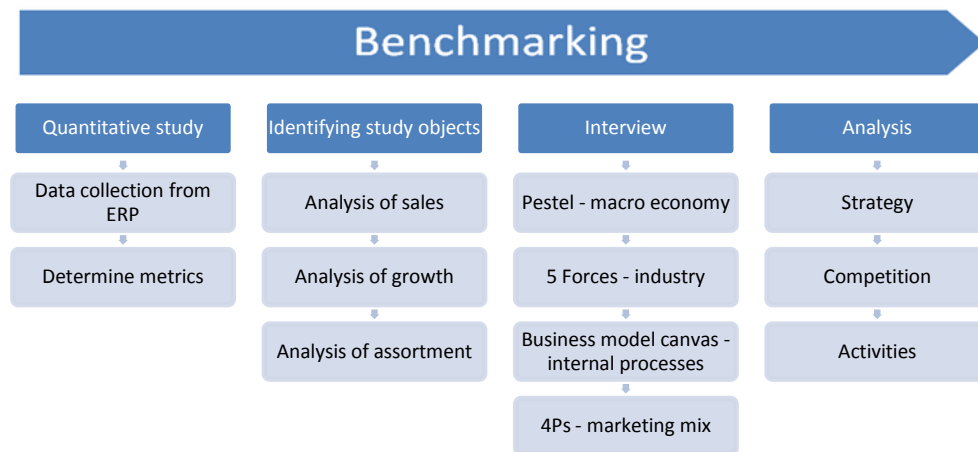


Figure 6.5 Developed benchmarking model.

## 6.2 Hypotheses

When analyzing the results, some general patterns appear. In order to investigate their scientific validity in the future, hypotheses for each one of them will be formulated.

### 6.2.1 Effects of strategy and related activity

- The performance of an organization is directly connected to the existence of a strategy and related activities. The strategy doesn't necessary have to be groundbreaking on order to affect the performance positively.

The results and findings (section 6) show a clear and strong correlation between performance and the existence of a strategy with related activities. Just like the findings describe, MCs that have a strategy and supporting activities perform significantly better than MCs that don't.

It is noteworthy that none of the best performers had the same strategy. They all had different strategies and activities but still managed to show superior growth compared to the other segments. This might be an indicator that they all have adapted their business to the conditions of their respective markets or their resources.

Therefore formulating a centralized strategy that later should be passed on to MCs is probably not a good idea.

### 6.2.2 Effects of awareness

- Increased awareness of the value proposition, industry and macro economy will help organizations make decisions what will boost their performance.

When managers are to adapt their organizations to the landscape of their industry, it goes without saying that they have to be aware of the market's prevailing

conditions. In order to successfully do so, they need to have certain knowledge about business, organizations and their dynamics.

The described positive effects of a strategy, described in section 6.2.1, are indirectly effects of strategic management knowledge. For managers, being able to see the environment around their organizations through existing models and frameworks (PESTEL etc.) helps them evaluate it and focus resources where they are needed most. One example is the top performers different strategies and activities.

Not only is the proper knowledge useful for managers, but also for people involved in the selling process. The belief is that the absence of active selling processes in some MCs is due to a lack of knowledge in selling. During the interviews, several MCs told people responsible for selling to customers just relied on their technical background because they lacked commercial experience.

### 6.2.3 Summary

Market 1 is a good case to study. It clearly shows the positive effects of knowledge and strategy. Market 1 has identified their market's competition to be intense. An intuitive action would be to lower prices in order to stay competitive. Instead of acting impulsively and intuitively, market 1 analyzed their own business and offerings, just like they analyzed the market. They found the strength of their value proposition was their distribution (delivery and availability) and products (assortment and innovation). Their value proposition was, according to them, worth charging premium for, so they decided to intensify their marketing instead. Activities and resources were focused on promoting the assortment in different ways. Their outcome is to be found in section 6.3.1.

This was done by mainly using the 4P framework, also known as the marketing mix.

### 6.3 Recommendation

During the interviews many good practices have been collected. Even though a study like this can be met by scepticism by people involved, managers from market companies have passionately shared how they work. The purpose of the study has been communicated and very clear during the whole process, which I believe has contributed to the reception. Clearly, market companies understand there is room for improvement and that help is needed. This is completely in line with Camp's model which stresses that changes cannot be done before the need of change is established within the organization.

When choosing what to recommend the company, certain factors have to be considered. Introducing a new way to work should not require hefty reorganizations and changes in the surrounding environment. No matter how good the best practice is, it will not be implemented in an existing organization if it requires too much planning and becomes a project itself. Therefore, the best practice must be relatively easy to implement and maintain.

All the proposed best practices should have a clear mission. It should answer the questions; *What? How? Why?*

- What? – What is to be implemented? What process need to be changed, created or removed?
- How? – How are we going to implement it? What resources and knowledge are needed? Will it require external expertise?
- Why? – Might be the most important question to be asked and answered. If all these changes and sacrifices are to be done, explain why. Why is this

change necessary? Where has it been done before? What will the outcome be?

Because of the reasons stated above, the following recommendation will be given to the company:

- Ship promotional material with spare parts
- Data driven opportunity analysis

### **6.3.1 Ship promotional material with spare parts**

Shipping promotional material with spare parts has shown to be a success in one of the market companies. Just like described in section 6.2.3, Market 1 managed to grow sales in a certain assortment by 38% during a 12-month period just by promotion.

The company's supply chain centralized warehousing philosophy, with few global distribution centres, makes it easier to implement the practice than if there were a larger number of shipping locations. A distribution centre operations manager has been consulted regarding the practice and thought it was possible to implement it. There would be some minor challenges that have to be overcome, but shouldn't cause too much trouble for the operations management.

The relatively easy implementation and the well documented process of work and outcome make me confident to recommend the practice. Further details of the process, current implementations and effect will be provided to the company.

### **6.3.2 Data driven opportunity analysis**

Growing sales is done by increasing volume, raising prices or a combination of both. Market 7, which is in a competitive market, figured volume, has to be the driver since prices cannot be raised. Selling more spare parts to customers is not



easy. A customer buys spare parts when they are needed or according to stock recommendations. Therefore, they realized opportunities had to be found in new assortments.

Selling actively without a plan requires a lot of effort while the results don't impress. To intensify efforts where it is needed data can be utilized.

Market 7 has developed a process for analyzing sales data and segmenting markets based on different criteria. The process is designed in a way to consider installed machine base, track buying patterns etc.

This process uncovers big opportunities to grow sales. The well documented process makes it easy to share it.



## **7 Discussion and conclusions**

What is the reason MCs who perceive they are in highly competitive markets perform better than the ones, according to themselves, in less competitive landscapes? The initial thought is that the MCs that perform well are initiating activities and formulating strategy due to pressure from competitors. Another explanation can be that the best performers want to think their market is competitive to enhance their performance even more.

On the other hand, how come the worst performers perceive themselves being in a landscape where competition is very limited? Can it be that MCs in low competitive landscapes lack incentives and a “push” to intensify activities since they are not losing any business? The growth might be small relative to other MCs, but it is present.

However, the findings in the analysis are consistent with existing and recent research (O’Cass & Weerawardena, 2009). The study shows that the managerial perception on market competitiveness plays a key role in the firms’ market learning and capabilities. Managers are simply triggered by challenging and competitive landscapes to devote resources to strategy, marketing and market research. The belief is that this somewhat validates the managerial perceptions of the competitive landscape in their markets.

### **7.1 Further research**

There are some shortcomings of this study that should be considered if a similar is to be done in the future. This study was designed to look for best practices in culturally, politically and geographically different organizations. Due to time, resources and availability, the study has been looking at the organizations and their work from a managerial viewpoint. Looking at an organization from a manager’s

perspective has its pros and cons. A manager will be able to give a holistic view and explanations about how work is delegated, performed and measured. However, this holistic knowledge will give details that are perceptual – the manager's perceptions.

I tried to arrange meetings with some people closer to the sales process and customers, but was unable to conduct an interview with any of them. I believe that talking to one of these people would benefit greatly to the understanding of the sales process that a manager impossibly can define, since it is designed by the, in this case, TKAM individually.

Another reason why talking to people closer to the actual processes might be a good idea, is that their involvement can help future implementations of new processes. They are stakeholders that will be affected by future changes. Just like Camp suggests, the need of change has to be realized by stakeholders in order to carry new changes into effect. To summarize it, engagement and involvement by as many as possible will help carry through changes and improvements.

Because of these circumstances and limitations, our conclusion and findings are focusing on the promotional and market understanding activities.

## **7.2 Contribution to science**

When benchmarking organizations, whether external or internal, Robert C. Camp's name comes up. Camp pioneered benchmarking and has written a vast number of books and articles on the subject. His 10-step benchmarking process has not only been the foundation for this study, it has also guided several corporations interested in the benefits of benchmarking.

His process helped finding the proper metrics, relevant objects to measure and will serve as a framework for recalibration in the future. It helped structuring the benchmarking process for an organization that lacks experience from these kinds of studies. During the study some issues with the existing model have been uncovered. For instance the model does not take the following factors into consideration:

- Recent changes and re-organizations in an organization
- External conditions like macro economy and industry

During my work I realized some of the organization had recently undergone some major re-organizations and had not yet gotten the new organization up to speed. Needless to say, this has an impact on the organization's performance. Camp's process can definitely be completed with a step in the planning phase where the history is examined.

Another limitation Camp's 10-step process has, is its complete ignorance of the industry and macro economy. The process is, after all, designed to benchmark an organization with its competitors, preferably in the same industry, but also other units within the same company.

I believe the research shows that Camp's model can be used to benchmark organizations globally in different markets with different cultures, macro environments etc. However, it is important to investigate the macro economy and industry when analyzing the results. For instance, this study's result showed a clear pattern. Market companies with a strategy and related activities outperformed the ones lacking activities and/or strategy. But there was an outlier in the results, market 11, which is a low competitive industry and lacks a specific strategy, shows 49% year over year (YoY) growth. If the performance benchmark was complemented with information about the macro and micro economy it would be hard to make conclusions on the results. Fortunately, the research was designed in

a way that unveiled that market 11 is a regulated one. It has very strict regulations on import of goods, which affects the whole industry.

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## Appendix 1

### Questionnaire

#### **Strategy and KPIs**

What is your spare parts sales strategy?

How do you formulate sales goals?

How do you communicate the goals?

How do you track your performance?

#### **Organization**

How does your sales organization built?

How much attention do you pass to the spare part business?

How are spare parts being sold in your organization?

What does your sales process look like?

What competences do the sales team have?

Is there a difference between the new equipment and spare parts organization?  
Which?

What is the inventory strategy?

### **Activities**

How does your pricing mechanism work?

How do you make forecasts?

Key resources? Key activities?

How do you form partnerships and why?

### **Customer relationship**

How is awareness among customer raised?

How do you acquire/retain/grow customers?

How do you track lost customers?

What is the maintenance strategy?

How would you describe your relationship to your customers?

Do you segment your customers?

### **Market & competition**

Are there any special regulations on your market?

What does your competition look like?

What is your unique value proposition compared to your competition?

What is your organization's strength and weaknesses? Compared to competition?

How do you deal with the suppliers to make them non-competitors?

Do you see any trends among your customer? (aging machines/consolidation/cannibalization of parts)

How good knowledge do you have about the installed machine base on your market?

## Appendix 2

Below is a short presentation of non-confidential material that has been used in the research. All confidential information, such as sales, suppliers, customers etc. have been left out.

### Market 1

**Quantitative analysis:** Showed impressive an impressive 33% year over year growth, which is the highest for all non-regulated markets. The market's sales volume was also among the highest ones. Clearly, this market was a showing steady sales volumes with steady and continuous growth. The market's sales of specific supplier components (Supplier A, Supplier B etc.) were above the average in the most of the supplier categories.

**Qualitative analysis:** There was a lot of thought behind the well defined strategy, which was complemented with an execution plan. The market had a tradition of taking initiatives for new products, services and activities. They were all measured and only the best were kept. The focus on selling solutions instead on services and products was reflected in the whole organization and their way of working. Market 1 was also well aware if the competition on their market and perceived it as highly competitive. They were able to name competitors and had done segmentation on them.

**Regulations:** None

**Summary:** Market 1 is the top performing market when it comes to trying and achieving growth of spare parts sales. Other MCs can learn a lot from this market and their work.

## Market 2

**Quantitative analysis:** Showed historically steady growth around 15% a year, but the extrapolated growth for 2013 increased the year over year growth to roughly 24%. Market 2 was also outperforming, significantly, the global average within 2 supplier assortments. The analysis of the sales distribution between suppliers also showed inconsistencies in the distribution.

**Qualitative analysis:** The interview showed there was no specific strategy in place for selling spare parts and the historical focus haven't been on standard components. However, a recent market price study suggested the prices for standard components were in line with the market. Since many of the customers were price sensitive on this market the offering (price) was quite attractive. Focus was mainly on selling service contracts.

**Regulations:** None.

**Summary:** Much of market 2's success can be dedicated to external factors. The customers seem to be very price sensitive and the industry price competitive. It shows market 2 have attractive prices even though they actively haven't focused on transactional sales or pricing. Not much to share with other MCs.

## Market 3

**Quantitative analysis:** Market 3 was one of the biggest markets. It showed steady growth but had recently showed a dip. Was outperforming the other markets with 3 suppliers and lagging in 1.

**Qualitative analysis:** Market 3's strategy was to provide the customer with one point of contacts. In other words, each customer should have one contact for buying everything they need (parts, maintenance, education etc.). Like many other MCs they had an awareness problem. They had trouble promoting the assortment. During the interview it showed that market 3 was very dependent on 2 customers, with which they had a good relationship. The customers had recently been on an acquiring spree, so the consolidation had been in favour of the company on market 3.

**Regulations:** None

**Summary:** The market didn't think there was any competition on their market, so therefore there was a reactive approach towards selling spare parts. The growth can mainly be dedicated to the 2 big customers market 3 have and invest a lot of time and effort into. Nothing in particular to pass on to other MCs.

## Market 4

**Quantitative:** Market 4 shows high sales and steady annual growth. Meet all the criteria without being remarkable in any way.

**Qualitative:** Market 4's main focus was to grow sales by selling service contracts. The market has identified that competitors are posing a big threat on their market. Suppliers and third party after sales firms are competing with the market company. Market 4 identified prices as their biggest weakness against the competitors while technical knowledge, assortment and availability is their strength. Therefore selling service contracts and preventive maintenance is their choice of strategy. Even though they are not allowed to adjust prices they monitor them to prepare for action if discrepancies become too big.

**Regulations:** Restrictions to pricing.

**Summary:** Facing tough competition but tries to adapt and use strengths to beat competition. No particular activities that can be passed on to others. However, a good example when it comes to adapting the business to the market and resources.



## Market 5

**Quantitative:** Steady annual growth around 8-9%. Sales volumes are among the highest. Distribution of sales between suppliers is in line with the average with one exception, where the market is better than the average.

**Qualitative:** Market 5 had plans and visions for how to grow spare parts sales, but lacked a strategy. Their organization had administrative characteristics and lacked a department for selling spare parts – actively. They were aware of competitors, but didn't think it had a major impact on their business.

**Regulations:** Customs took 3-5 days.

**Summary:** Visions without a clear strategy or plan. A reactive approach to spare parts sales. No best practices to share with others.

## Market 6

**Quantitative:** Biggest market. Historical growth indicates that the market is far from saturated, but a recent dip brings down annual growth to 13,7%. Was performing quite badly in supplier assortments when the distribution is studied. However, they outperformed all the other markets with one supplier. Interesting to analyze why they have succeeded with one of the suppliers.

**Qualitative:** During the interview they revealed that they want to compete with competitive pricing. They used a quite large network to collect market prices from competitors. They also had people dedicated just to monitor market prices. They knew there was quite intense competition on their market, but believed they had a very large share of the captive market. They believed the good result with one of the suppliers was due to the competitive pricing, but also the installed machine base.

**Regulations:** Anti-trust regulations make it hard for big players to dictate the conditions on the market.

**Summary:** Good strategy with supporting activities. Unfortunately, competitive pricing is not possible on all markets due to regulations. Therefore, the market price collecting process will not be documented and shared.

## Market 7

**Quantitative:** Steady sales volumes with an annual growth at around 13%. Distribution of sales between suppliers was very mixed. In some assortments they were better than the average, while in others they were clearly performing worse.

**Qualitative:** The strategy to grow sales was to actively look for sales opportunity within existing and new assortments. By analyzing similar customers' installed machine base and buying patterns opportunities can be found. The believe was that they needed to approach customers with relevant and customized offerings in order to beat the very intense competition. Competition was mainly suppliers but also third party firms specialized in after sales solutions.

**Regulations:** Restrictions to pricing.

**Summary:** Despite intense competition the market managed to show steady growth. The opportunity analysis is something other market companies can implement in order to find new business. Not only is the activity good to find new business, but it can help approach customers and raise awareness for offerings of relevance. Opportunity analysis will be recommended.

## Market 8

**Quantitative:** The smallest market analyzed, but large relative to others not included in the study. Was considered as a wild card since they showed impressive growth some years, while in others they had negative growth. Added to the geographical spread and was the biggest player in its region.

**Qualitative:** The interview explained a lot of the inconsistencies in growth. The organization considered spare parts being something administrative and therefore people involved were just involved on part time. There was no strategy in place or special activities.

**Regulations:** None.

**Summary:** Nothing to pass on to others. This organization will benefit learning from others.

## Market 9

**Quantitative:** Showed impressive growth. Sales volumes are satisfying. Distribution between suppliers is in line with the average, but with one they outperform everybody else. The extrapolated growth, which comes with a portion of uncertainty, drives up the annual growth. Therefore a qualitative study is necessary to investigate the reasons for the high growth.

**Qualitative:** Wasn't able to schedule a meeting with responsible person.

## Market 10

**Quantitative:** Big market with large sales volumes but with very poor growth. Was below average with almost all suppliers. Interesting object to study and while trying to find out what the reason for the poor performance is.

**Qualitative:** Very reactive organization with no active sales, strategy or special activities. Just started to map the competition which they believe is almost non-existing.

**Regulations:** None.

**Summary:** A good example for how the perception of competition affects the need for a competitive strategy and the performance.

## Market 11

**Quantitative:** Had the highest growth of all markets – a stunning 49,4%. Must be evaluated!

**Qualitative:** It turns out the vast growth is due to regulations on import of goods. This forces the market company, but also the competition, to carry a large inventory in order to meet customer needs. The conditions doesn't make the market attractive to competitors and therefore the market company can dominate its market without a sophisticated strategy or activities.

**Regulations:** Restrictions and time consuming import of goods.

**Summary:** Performance can be dedicated to external factors. Nothing to pass on to others.