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Business Information Systems on the Nordic Wholesale Market

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__________________________________________
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Abstract

This master thesis investigates the potential customers on the Nordic wholesale market for ABC, a German business software provider. Wholesaling companies can be divided into different segments based on the industry they are active in. ABC distinguishes between industrial-, food & beverage-, pharmaceutical- and other wholesalers leaving us with four very different customer groups. Former strategies from ABC have been to target the industrial segment first because of the many companies and large turnovers this segment has. It is also of interest to study the wholesalers from a survival perspective. Will the wholesalers remain in the supply chain? Are there threats that could faze them out? These questions are important when considering whether to target Nordic wholesaling companies.

The purpose of this study is to research the Nordic wholesale markets and determine which companies are interesting as potential customers and what segment to target first. The thesis is qualitative, explorative research based on qualitative and quantitative primary and secondary data. The design of the thesis is similar to a hermeneutic spiral. The research starts at the bottom of the spiral and each researched layer supports the rise to the next. Theoretical studies lead the research onto the empirical part whereby an understanding for the researched area is created. The understanding of the market along with the theoretical framework is the foundation for the recommendations on a go-to-market strategy for ABC on the Nordic wholesale market.

IT systems such as enterprise resource planning (ERP) and customer relations management (CRM) are useful tools for the company entering the digital era. Nowadays it is a must to be connected to the Internet and other companies in the supply chain in order to attain information and offer easy ways of doing business. ABC is one of the largest companies in the world that offer these kinds of solutions to companies in all industries and of all sizes.

The companies in the different segments are integrated in their respective supply chains to a variety of depths. The companies in the industrial segment are the most integrated and possibly the most feasible target for business solutions that stretches over the boundaries of different organizations.

The thesis supports the notion that the wholesalers still play an important role in the supply chain with their added value from services and bulk breaking. The industrial wholesaling segment is the largest in terms of large companies, total companies and total turnovers and is an interesting segment for ABC to target first. The food & beverage segment is not as far evolved in terms of IT as the industrial segment and the pharmaceutical segment is affected by major developments mainly on the Swedish market. An effort to monitor and act as this segment settles down might be a sound strategy.

Keywords: Nordic wholesale trade, e-business, e-commerce, market study
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Attachment 1. Interview guide
1 Introduction

In this chapter the reader will be given a description of the background of the problem area, the purpose, the key questions, delimitations and the disposition of the thesis. A definitions list will also be provided the reader to be able to understand what the authors mean by a certain expression.

The global supply chain includes all companies in the world from the extractors of raw materials to the company that sells the products to the final consumer. In order to manage this global supply chain companies work together in partnerships and joint ventures to secure their supply of materials and also to secure their market for their production. Large producing companies tend to seek economies of scale when producing and thus often produce large amounts of their products. This would mean a problem for them when selling their products since the buyers, often end consumers, would like to buy a small amount at each time and cannot act as bulk breakers for the large producers. The producing companies on the other hand could store goods in warehouses but this would mean that they would tie up vast amounts of money into these warehouses and could quickly lose these amounts as the market changes. One solution to the problem is wholesalers. These companies typically buy large amounts of a variety of products, for example products from the technological industry and pass them on to smaller companies such as other wholesalers, producers or retailers amongst others.

To manage the flow of products and save time, and thus money, computers have been introduced into virtually all companies in the world. The computers run business systems that via networks, such as the Internet, communicate with each other in the supply chain. Business systems range from smaller ones that manage accounting and stock to huge systems that can manage a multinational enterprise. A business system is nowadays a must if a company want to stay alive and be up to date with the market.

Information systems in today’s businesses are necessary for them to be able to compete, be cost-efficient and gain competitive advantages. According to Laudon and Laudon (2007), in North America the percentage of IT investments, as a part of total investments, in companies has grown from 34 to 50 percent between 1980 and 2004. An information system is a computer run system that receives input in form of data and produces output in form of information. The output is then used for decision making by different members of the organization depending on what level the output is produced. As the companies invest in more IT software, IT hardware and telecommunications they become fully digitalized. This means that nearly all of the company’s business relations and core business processes are digitally enabled and mediated. When the firm is digitalized both time shifting and space shifting occurs. Time shifting enables the firm to stay open outside of regular offices hours and instead conduct business around the clock. Space shifting means that the work can take place all over the world instead of just inside of one nation’s borders. When the company’s customers and suppliers move close to becoming digital too the more advantages all the companies receive. The strategic business objectives of information systems are according to Laudon and Laudon (2007) an
increase in efficiency of their operations, enabling new business models, products and services. Furthermore, the company can tie their customers and suppliers closer to them, improve their decision making, enabling new competitive advantages and provide a new support for survival in the local and global marketplace.

A wholesaler is a company that buys goods from producers or other wholesalers to resell them at a higher price to other producers, wholesalers, retailers, craftsmen or others. To be able to buy and sell products at a higher price a wholesaler must add some sort of value for their customer, otherwise there would not be rational to buy from them but instead from their suppliers. The added value typically consists of different services such as warehousing, deliveries, online order fulfilment and technical consulting amongst others.

This issue is discussed further in the article “The wholesaler’s role in the marketing channel: disintermediation vs. reintermediation” (2007) where Bert Rosenbloom examines why wholesalers exist in the distribution channels. He describes how the demise of intermediaries has been predicted by various researchers ever since 1925. However, the most recent so called slayer of wholesale intermediaries was the Internet during the dot com era. During this era the term disintermediation was widely used for describing the developments that would follow in the tracks of the Internet boom. Nevertheless, intermediaries still exist in large numbers, both as multinational corporations and family owned enterprises all over the world.

Rosenbloom (2007) argues that the only reason for the existence of middlemen is the services that they provide. The wholesalers must provide low price, high quality services or else other channel members or third party logistics companies will disintermediate them from the supply chain. The services mentioned are foremost various marketing services. The problem for the manufacturers is that they have a hard time reaching economies of scale when selling as they do while producing commodities.

According to Rosenbloom (2007) reintermediation occurs when the most fit wholesalers survives on the market and find new ways to escape the otherwise imminent disintermediation. This is done by focusing on adaptation, flexibility and innovation.

The distribution schemes across the world are always in a state of change and Dawson (2007) explains how wholesalers have seized economic power in the supply chains across the industrialized world.

According to Dawson (2007) the world economy has, since the last quarter of the twentieth century, altered the domestic distribution across Europe. The main reason for the changes is the increase in globalization processes. While the economic power resided with the producers the wholesale companies where intermediaries with clear functions, such as breaking bulk, smoothing demand and supply, marshalling information and providing credit across national borders. Wholesalers did not provide functions that were utilized by final customers; instead retailers offered these kinds of services. Earlier during the late nineteenth century and onwards to the1930s through 1960s wholesale companies in both Europe and North America had to justify their existence. Trade associations took
it upon themselves to act as justifiers for the wholesale industry and lobbied for a greater understanding of the wholesaling role amongst politicians and the business community. When the only source of added value was seen as production the distribution phase of reaching the customers was purely a cost. Wholesalers had to show that their mix of functions, their power within the channel and their cost structures justified the need for wholesalers.

In the late twentieth century the power shifted from production towards marketing and firms in the economy became more international in their activities. This shift of power meant that it became increasingly important to identify customer needs and sourcing solutions internationally than merely producing and facilitate the sales thereof. This is how wholesalers have become an increasingly important player throughout the supply chain. (Dawson 2007)

Having presented the background area of interest, wholesaling companies, the authors now move on to discuss the problem that will be researched and analyzed throughout the course of this study.

Searching for suitable business contacts lead up to the authors contacting ABC, an IT solutions provider. ABC was interested in a study of the Nordic wholesale companies for future reference. ABC needed this type of research because they wanted to expand on this market, know the potential customer base and find out more about current trends and developments. ABC and the names of the respondent companies are feigned in order to preserve their anonymity.

### 1.1 Problem background

ABC is interested in a research of the Nordic wholesale market in order to assess the current customer potential in the area. Wholesaling companies may be hard to locate since there are no trade organization specifically aimed at encompassing all types of wholesale companies. There are, however, organizations aimed at specific niches but these often cover groups of smaller wholesaling companies. ABC divides their wholesale customers into four different segments, industrial, food & beverage, pharmaceutical and others, in order for them to more easily consider the different companies special needs in a business system. Even though one can divide the customer potential into different segments, and find segment specific features, every company is still unique and often require a tuned solution.

The Nordic wholesale market is an area that ABC does not know as much about as for example the North American- or the European continental markets. Language barriers and the fact that the market is small have postponed a large scale expansion on this market until recently even though ABC has been present in the area. To be able to grow the company must take market shares on this market. It is highly likely that companies of interest to ABC already use IT and associative business solutions.

Information about what segment to target first and by what means is also of interest for ABC. On other markets, like the German market, they have been focusing on the
industrial segment because of its size in number of companies, the size of the actual companies and the large number of employees in the segment. Will this apply for this study as well?

1.2 Problem definition
The Nordic wholesalers market houses a large amount of companies ranging from family owned smaller companies to multinational enterprises. Amongst these companies there are wholesalers which are interesting for ABC as potential customers. Information regarding these companies is needed when ABC is evaluating the possibilities of these companies to become their customers. ABC is also in need of recommendations for a go-to-market strategy for the Nordic wholesale market since the company’s knowledge of the market and its companies is less than on other markets they are active on.

1.3 Purpose
The purpose of the study is to identify and categorize potential customers, with regards to the four segments, for ABC in the Nordic wholesale distribution market and propose a go to market strategy. Our main objectives include:

- What are the major trends and activities on the Nordic wholesale market?
- Which are the key wholesale companies in each of the four key segments?
- Which of the four segments is the strongest and most competitive?
- What is the total potential of wholesale company customers?
- What would be a possible go-to-market strategy for ABC on this market?

1.4 Research approach
Four areas have been identified that need to be completed in order to meet the purpose of the study and to serve as the approach for the whole study.

- Pre-study of ABC product portfolio related to the wholesale market
- Wholesale market potential
- Research of the Nordic wholesale companies
- Present a go-to-market strategy

First the product portfolio of ABC, related to wholesale business, must be studied. Staff from ABC was involved at this stage to help the researchers get an awareness of ABC and their business areas and solutions. This will provide an understanding for business system as well as ABC’s approach to this type of market.

The next step will be to research the different markets, segments and wholesale market potential for ABC. Market data will be collected from Dow Jones sales works, Amadeus and market reports from research companies. At this stage an initial list of Nordic wholesale companies will be extracted from Dow Jones sales works to serve as a base for the continued market research.
The third step will be to research the Nordic wholesale companies. Secondary data will be collected from databases. With the help from this data the researchers expect to be able to arrange the companies with regards to size and segment. This data along with scientific articles about the market will be the foundation for the market research. Primary data will be collected through interviews with representatives from thirteen of the largest Nordic wholesale companies. Information from the interviews will add to the above mentioned foundation for the market research as well as provide meaningful insights for the go-to-market strategy. Here Porters five competitive forces will be used to analyze the strength and competition in each market to complete the analysis of the segments competitiveness.

In the fourth area a go-to market strategy will be developed and presented. Marketing strategy theories will be the starting point of this research. The strategy will be helped by determining the strongest market segments based on Porters five competitive forces and by interviewing representatives from companies on the market.

The method will be designed so that it follows these four steps.

1.5 Delimitations

The study will cover wholesale companies in the Nordic market. The Nordic market encompasses the markets in Sweden, Finland, Denmark, Norway and Iceland. Note though that Iceland is excluded from the study due to its small market size. The focus will be on the large and mid-market companies in order to limit the amount of companies. For the interviews companies in the “others” segment will be excluded in order to focus on the more defined segments and because of the shifting business areas of the “others” segment. Furthermore, the amount of interviewees is limited to 13 to be able to cover all segments in each market except “others” and because of the time restrictions.
1.6 Disposition

The reader is here given an outline of the study and what to expect in each of the chapters.

In the first chapter the reader is introduced to the problem and its background.

The methodology chapter aims at showing the research process and give the reader confidence in the chosen methods.

The theoretical framework is used to bring the reader up to speed with the research area and all of its terms and expressions.

In chapter 4 the reader is presented with the collected material and data which is the foundation for the analysis.

In the analysis chapter each market segment will be analysed in order to support the conclusions and recommendations.

The final chapter will present our conclusions and recommendations for a go to market strategy.
1.7 Definitions

The reader is here provided with a list of definitions in order to understand what the authors mean with a certain expression. Some words and expressions can have various meanings depending on the circumstances and thus this section seeks to prevent misinterpretations.

Supply Chain: “A supply chain is a network of partners who collectively convert a basic commodity (upstream) into a finished product (downstream) that is valued by end-customers, and who manage returns at each stage.” (Harrison & Hoek, 2008, p7)

Supply Chain Management (SCM): “Planning and controlling all of the business processes – from end-customer to raw material suppliers – that link together partners in a supply chain in order to serve the needs of the end-customer.” (Harrison & Hoek, 2008, p7)

Enterprise Resource Planning (ERP): ERP utilizes ERP software applications to improve the performance of organizations' resource planning, management control and operational control. ERP software is multi-module application software that integrates activities across functional departments, from product planning, parts purchasing, inventory control, and product distribution, to order tracking. ERP software may include application modules for the finance, accounting and human resources aspects of a business. (Skjøtt et al, 2008)

Customer Relationship Management (CRM): “CRM is effectively computer software coupled with defined management processes and procedures to enable staff throughout organizations to capture and use information about their customers to maintain and build relationships.” (Doole & Lowe, 2004, p 326)

Electronic Data Interchange (EDI): EDI is defined as the transmission of standard business documents in a standard format between industrial trading partners from computer application to computer application. (Van Weele, 2005)

Marketing Channels: “Can be viewed as sets of interdependent organizations involved in the process of making a product or service available for consumption or use.” (Stern et al, 1996, p 1)

Standard Industrial Classification (SIC Code) indicate the company's type of business. http://www.sec.gov/
The following chapter describes and motivates the methods used for completing this study. We will also describe the data collection methods we have used as well as discuss the advantages and disadvantages with the chosen methods.

2.1 Methodological research approach

The starting point of a research process is the researcher’s scientific view. The scientific view affects his choice of method, his attitude towards the chosen method, data collection procedure, analysis and presentation of results. Researchers can generally be positioned using the terms ontology (perception of reality) and epistemology (interest in knowledge). Conceptions about the nature of social science can also be described according to a scale with the anti-poles subjectivism and objectivism. The anti-positivistic view on science tends to disapprove of the notion that objective knowledge can be generated. Knowledge is believed to be subjective and has to be understood from the actor’s point of view. The positivism, on the other hand, does often stand for the traditional, natural scientific, epistemological ideal, a search for objectivity, regularity and causal connections independent of subjectivity. (Norling & Olsen 1994)

The research will be a qualitative, explorative research based on qualitative and quantitative primary and secondary data. It will be carried out using extensive collecting methods. (Saunders 2007) This type of research works well when exploring the different areas of the market and its participants. The quantitative data will consist of data regarding the wholesale companies on the Nordic market. The qualitative data will consist of interviews, articles, reports and business news regarding the Nordic wholesale market and its companies. The work will be carried out in accordance with a hermeneutic spiral.

The starting point of this research is that the individual acts in a socially constructed world (our perception of reality). Here it becomes important to try to understand the actors from within the reality they themselves experience (our interest in knowledge). Hermeneutics is mainly in search of the knowledge form of understanding. Meanings and implications are specified through interpretation. According to the hermeneutic interest in knowledge it is ideal to, as far as possible, have a close and direct relationship to the thing you study and thus we seek an as deep knowledge as possible by interpreting both verbal and non-verbal information. (Norling & Olsen 1994)

The social science is usually split between two methodological approaches. There is the qualitative and the quantitative approach respectively. Qualitative methods are foremost used in an understanding purpose aimed at characterize and understand entireties and contexts. Qualitative methods are usually more flexible than quantitative ones. They allow the researcher to make changes in the interview guide as an effect of experiences from field work. Thus the quality of the new data can be improved during the continued collection of data. The researcher then receives an increasingly improving quality of data which in turn makes the interpretation better. Quantitative methods are used to with numbers describe different phenomena’s broadness, changes and patterns after which
often a statistical interpretation is made. In reality it can be necessary with a synthesis of qualitative and quantitative methods, as in this case. These methods should not be viewed as competing methods but as complementary ones. To combine methods and techniques in a study is often called method triangulation. By using several methods more aspects of reality can be studied and the researcher can get closer to a full understanding. (Norling & Olsen 1994)

As stated in the previous chapter a study of the product portfolio of ABC, related to wholesale business, and the market for wholesale business software in the Nordic region will be carried out. The research will be explorative with combinations of qualitative and quantitative data.

The next step will be to research the Nordic wholesale market. Secondary data will be collected from databases. With the help from this data the researchers expect to be able to arrange the companies with regards to size and segment. Also this part of the research will be explorative with combinations of qualitative and quantitative data. This data, along with interviews with respondents from companies on the market and scientific articles about the market, will be the foundation for the market research.

For the third research area a study of the wholesale market potential for ABC will be made. Here the results from the two previous areas will be used along with interviews with a strategic sample of potential customers for ABC. The result from this third step will be a quantitative prognosis complemented with qualitative reasoning.

In the fourth area a go-to market strategy will be developed and presented. Marketing strategy theories and previous strategies used by ABC in other countries will be the starting point of this step.

### 2.2 Research process

A telephone meeting was held with representatives from ABC where they presented their company, their way of doing business and their products and offerings. At the meeting information was received regarding the European wholesale market and how ABC work with these customers. They divide the companies into four segments; industrial, food & beverages, pharmaceuticals, and others in order to make it easier to determine what solutions they need and what basic needs they have. It is important for the business system solution to be able to handle the daily routines of the company. Companies in the different segments make business in different ways and in different circumstances. Laws regulate the pharmaceutical industry firmly and the food and beverage companies must handle quick deliveries and stock keeping of perishable goods. The meeting lead up to the purpose and objectives previously discussed in this thesis.

In order to get information about the companies on the market access to the database Dow Jones Sales works was given the researchers. This database contains various economical facts about a vast number of registered companies. Information about ownership and industry is also available. Industry belonging can be determined via standard industry classification codes (SIC) and these are also available in the database.
A sic code consist of a 4 digit number that stands for a certain industry. These numbers are very helpful when trying to determine what industry a company belongs to. To receive additional information about the companies’ economical figures the researchers also accessed the database Amadeus which is a database containing information about European companies.

The research of the database needed some limitations in order to produce a workable number of companies. Companies with a turnover over 10 million euro where selected to sort out the smaller ones that would be of less interest to ABC. Non-wholesalers where removed by selecting wholesalers as a search criteria in the database. Companies with their headquarters outside of the Nordic where removed since other ABC offices would be in charge of these accounts. A list of ABC’s Nordic wholesale customers was provided so that the list of companies could be cross-referenced with this in order to remove already active accounts. Finally the remaining companies where divided into the four segments using the sic codes.

After these steps had been completed there was still a large list of companies remaining. Expert knowledge about the market and its companies was needed in order to further narrowing the list of companies. This knowledge was provided by staff at ABC Svenska AB and his colleagues at the ABC offices in Denmark, Norway and Finland. Each office where tasked with selecting the three most interesting potential customers in their country from a list of 160 companies, 10 per segment in each country. The selected companies were then contacted with a request for an interview. We aimed at a minimum of 12 interviews to be able to cover each segment except “others” in all of the 4 markets. The selection phase also meant that some companies being cut from the list by the ABC offices due to various reasons thus leaving a list of 107 interesting potential customers.

The interviews required an interview guide for them to be successful. Together with co-workers at ABC the basic questions where drawn up which then where modified to suit the study. The questions covered competition, customers and suppliers, trends and developments, business model and IT solutions and internal processes. The part about the internal processes was a questionnaire based on a suggestion from the ABC co-workers in Sweden. The first four parts where intended to give an overall picture on how the company saw itself on the market and also give an idea about its competitors, customers and suppliers whereas the questionnaire was intended to let the company evaluate its internal processes to discover possible pain points that could be addressed by ABC.

A smaller study of ABC wholesale business products was conducted at the same time in order to clarify what ABC could offer these customers. This research was made with the help from staff at ABC.

When a sufficient amount of empirical data had been collected a description of the market and its players could be made. This description would be the foundation of the analysis and recommendations for the go to market strategy.
Porter’s five competitive forces will help the researchers understand the competitive advantages of each market segment and this information will be used to determine which segment ABC should target first. If a segment is weak and face serious threats of substitutes it might not be rational to try to get the companies therein as customers.

Finally an overview of the market and a suggestion for a go-to-market strategy will be formulated.

2.3 Strategic sampling

When a market researcher himself makes a decision about who shall take part in the survey and not let chance decide it can be said to be a strategic sampling. This is useful when the researcher want experts or other certain interesting persons to take part in the survey. Every company in the population do not have the same or even a chance to take part. The researcher strives to get respondents with knowledge and insight rather than a statistical determination. (Christensen et al 2002)

Purposive sampling or judgemental sampling enables the researcher to use his judgement when selecting respondents that will best enable him to answer the research questions and meet the objectives. A common method in this scenario is the homogenous sample in which the researcher focuses on a particular sub group in which all the sample members are similar. This in turn enables the researcher to study the group in great depth. (Saunders et al 2007)

This type of sampling is useful for the researchers of this study since ABC are interested in the largest and most interesting potential customers in the region rather than any wholesale company on the market. Furthermore, specific companies in this industry were of a greater interest and importance than others and this is why strategic and purposive sampling was used. Information from any wholesaler is not adequate to correctly describe the exact companies that were chosen for the study.

2.4 Interviewing technique

Christensen et al (2002) make a distinction between three different types of interviews, the structured-, the semi-structured- and the unstructured interview. The main difference between the three types is the way the interviewer organizes the questions. A structured interview has a set of predetermined themes and questions. During the course of the interview these are followed strictly and neither the interviewer nor the respondent stray from them. This type is common for questionnaires and the answers are useful for a quantitative processing. At a semi-structured interview the researcher follows a set of themes and questions but can take them in a different order or leave out a question if it is not applicable on the current respondent. Unstructured interviews do not follow themes or questions but are rather used for investigating a certain area deeply. The interview is informal and the respondent is allowed to speak freely about the subject. Both the semi-structured and unstructured interview types are used for a qualitative processing of the answers. Interviews can be used as a starting point of a research and can then be followed up with more interviews, questionnaires or different types of quantitative researches. (Christensen et al 2002)
An interview based research is useful when the researcher has an explorative or explanatory purpose. The interview case also renders a higher answer frequency than a postal or e-mail questionnaire. A further reason for using interviews is when the questions are complex or open. It is then easier to talk to the respondent than to have him or her fill out a questionnaire. (Christensen et al 2002)

The actual questioning can be done in different ways. Typically there are three different types of questions, open, probing and specific and closed questions. Open questions begin with how, what or why and will allow the respondent to define or describe a situation. In this way these questions can be used when trying to get the respondent to reveal facts or attitudes about a subject. Probing questions are used to explore responses that are of significance to the research topic. Finally the specific or closed questions are more or less only used in questionnaires since they seek to find a yes or no answer or a certain amount or number. (Saunders et al 2007)

Telephone interviews may have some advantages such as easy access, speed and lower costs. This type of interview makes distances and travel costs obsolete. Overall this method can be seen as more convenient for all parties involved. There are, however, some issues that might discourage the researcher from the use of telephone interviews. Personal contact gets significantly harder. It is also harder to control the pace of the interview and to record the data is the interview is moving on. The researcher also loses the ability to observe non-verbal behaviour and this makes it harder to know how far a certain issue can be pushed without annoying the respondent. (Saunders et al 2007) Saunders et al (2007) also suggest that a telephone interview is most suitable for short follow ups after a face to face interview.

The interview technique presented above was suitable for this research since the authors wanted to get a deeper understanding of this small part of the Nordic marketplace: the wholesaling companies. The possible downsides presented by Saunders et al (2007) are recognized by the authors but one should also take into account that the respondents of this study was very busy and in some cases at a far distance which made it expensive and impractical to try and arrange face to face interviews.

2.5 Different types of data

In the course of doing a research there are different types of data at your disposal. These are referred to as primary, secondary and tertiary. The differences between the three types of data lays in the way they have been collected. Primary data is data that has been collected for the research at hand. This data can consist of interviews, questionnaires and reports. Secondary data mostly consist of books, journals and newspapers. Some government publications are also included in this data type. Secondary data is used to place your ideas in the context of earlier research. This type of data is collected by someone else at a previous time in order to meet that persons research objectives but this data can still be useful for another research. It can be reanalyzed and wholly or partially answer one or several research questions. The quickest way to find and collect secondary data is to use tertiary data. This data type consists of summaries, abstracts and data bases.
which can be found by the use of search tools. These search tools cover most of the previous researches, journals and papers and can be accessed at libraries and over the internet. (Saunders 2007)

The primary data will consist of interviews with ABC staff and representatives from the researched companies. This information will be of importance for the researchers understanding of the market, the companies and the IT solutions available on the market.

The secondary data will consist of books, articles from academic journals, business related papers, statistical data and previous research on the area in question. The research tools will be dominated by various search engines and also the databases Dow Jones Sales works and Amadeus.

Using both primary and secondary data will help the researchers to get a lot of information in a short time. The primary data will take more time to generate than the secondary data as it is already collected. The major focus will thus be on attaining the primary data.

2.6 Hermeneutic spiral
Hermeneutics is a generic term for a group of different philosophical traditions. Among these traditions understanding can be found. Things found all around us can be interpreted and understood. Thoughts and understanding, however, cannot be researched in an isolated fashion but instead the researchers experience and background influences they way he carries out the research. Hermeneutics revolves around the entirety and the part. The entirety cannot be understood without the part and vice versa. In order to understand a research area the researcher may start with one of its parts. Then he tries to form a pattern with the help of other parts and theory. Either a pattern starts to evolve or the researcher must gather more data, more parts, of the entirety until he can be assured that the pattern he discovered is correct. In this way the researcher moves through a spiral of gathering, understanding, reflection and interpretation. The interpretation ends when the researcher reaches a plausible pattern in a coherent unit. (Olsson & Sörensen 2007)

This approach is useful for this study since the researchers have minor knowledge of the research subject from the start. By expanding the horizon a bit at the time the knowledge is widened and deepened gradually throughout the research process.

2.7 Exploratory research
An exploratory research seeks to gain as much knowledge of an area as possible, during a given time frame. Therefore different techniques and approaches are often used to gather information for such a research (Olsson & Sörensen 2007). Exploratory research is often quantitative. Exploratory research is also used to orientate the researcher of what is previously known about the research area (Lundahl & Skärvad 1992). Through the exploration the researcher is also given a good understanding of the current empirical research. Exploration can also be combined with inspection in order to revise the preliminary discoveries. (Alvesson & Sköldberg 2008)
Since the researchers’ knowledge about the Nordic wholesale markets is low an exploratory research is helpful to orientate them in the subject.

2.7.1 Quantitative approach
Quantitative research often starts in theory based on earlier research. This type of research can be descriptive or explanatory. In this case the quantitative research will be descriptive in its nature because the authors intend to describe the market situation. (Olsson & Sörensen 2007)

2.7.2 Qualitative approach
In a qualitative approach the researcher strives to understand the full picture of a situation. The researcher uses a framework to hold the different parts of the situation together and provide a foundation for the interpretation of the results. In a qualitative research nothing is predetermined since the research contexts are natural and not constructed. (Olsson & Sörensen 2007)

2.7.3 Quantitative collection methods
There are different ways of quantitative collections methods. Among them are questionnaires and statistical data. This study will use secondary data from data bases. When using secondary data the researcher has to be aware of the fact that the data can have parts missing or other limitations. Therefore he has to be as cautious as when collecting his own quantitative data. (Olsson & Sörensen 2007)

2.7.4 Qualitative collection methods
Qualitative collection methods are all time consuming. This is due to the fact that the researcher has to interview, observe or talk to different people. Meetings have to be arranged and the relevant respondents must be found and convinced to take part in the research. However, a researcher can use secondary qualitative data for his own research. This includes other researcher’s texts and interviews. The researcher may also study literature such as books and articles. This type of previous research can then be presented in a table which facilitates a comparison between them. (Olsson & Sörensen 2007)

The above described research approach is useful for this study as the idea is to be able to describe the markets and suggest a strategy. As much information as possible about the markets is therefore needed and the above mentioned approach will provide the researchers with the information they need.

2.8 Analyzing the empirical data
When enough empirical data about the Nordic wholesale market, companies and related business systems have been collected the analytical phase will begin. A presentation of the market with its current trends and activities along with the companies who are active here will be made. Depending on how the market works suggestions for a go-to-market strategy will be made. Furthermore, the overall market potential will also be analyzed and presented with its foundation in the statistical data gathered from data bases.
2.8.1 Qualitative analysis

The qualitative analysis focuses on the whole picture and the context of the researched subject rather than its individual parts. The collection and analysis also occur at the same time. In the beginning of the work there is mostly collecting of qualitative data but as the work proceeds more and more analysis is made and can also dictate the direction of the gathering part of the work. The aim of the qualitative analysis is to shed light on the underlying pattern and processes that exist in the material. The qualitative analysis takes its start in three processes; reduction, structure and visualization. Collected data is broken down by the reduction process, structured and then visualized to see patterns and possible things missing in the pattern. By doing this the researcher can then describe and explain the researched area. It is possible to generalize with the starting point in a qualitative analysis. However, you cannot achieve a statistical generalization but more of a qualitative generalization. This generalization is then used as a foundation for a decision or a recommendation. (Christensen et al 2002)

Classification and analysing through conceptualization is required when analyzing qualitative data. Data categories must be developed and categories made up in order to produce well grounded conclusions. Computers can aid the researcher in the analysis of qualitative data, especially in the case of project management, coding and retrieval and data management. The analysis will be based on meanings expressed through words. When analysing qualitative data the researcher can make good use of terms that emerge from the data, terms used by the participants and terms from existing literature and theory. (Saunders et al 2007)

2.8.2 Quantitative analysis

In order to quantitatively analyse data the researcher must let the research problem and the problem analysis dictate the work. It is also important to remember what measuring scales the work utilizes because different methods of analysis require different scales. The researcher can then go ahead with the analysis and also test the result with tests of significance and an analysis of possible sources of error. A collective review of systematic and random errors can be done while discussing the validity and reliability of the research. (Christensen et al 2002)

When analyzing quantitative data the researcher should collect and code the data at different levels of numerical measurements. The data type will constrain the data presentation, summary and analysis methods the researcher then can use. Using numerical codes is an appropriate way of coding the data to facilitate the analysis. The analysis will be based on meanings derived from numbers. (Saunders et al 2007)
2.9 Credibility discussion

A discussion about the thesis credibility is necessary for evaluating its reliability, validity, and its contribution to the research.

2.9.1 Critical view on the research process

Having described the choice of methods and procedures for the thesis a number of critical objections can be raised against the way the results have been produced. The number of companies available for this study was huge and in the process of eliminating companies there are a number of issues that can cause an error. The database research can produce some errors when sampling due to the usage of SIC codes for sorting. Since modern companies often are engaged in a number of areas they often have several SIC codes whereby the ones singled out for this study may or may not be suitable for the research of wholesaling companies. Holding companies, conglomerates or groups of companies makes it especially hard to single out the wholesaler of the group. Even though a company might not be a wholesaler per se it is probably still interesting for another ABC business unit outside of the wholesale segment.

The economical figures used were taken from different sources, Dow Jones sales works, Amadeus company information database and the companies’ respective annual reports, and different years depending on availability and fiscal years used by each company. This can give a differentiated picture of each company but as the intention is not to compare companies’ performances but merely provide a picture of their economical standings this should not affect the result of the study.

When making the distinction of large, midsized and small companies the lower level for turnover was set to 10 million Euros. This can exclude some important, profitable and emerging companies from this study. However, when asked, the ABC co-workers admitted that companies with a turnover below 10 million Euros might not be worth the time and effort anyway.

The segment containing “others” was not paid any extensive attention. The segment obviously contains a fair amount of large and interesting companies but the activities in which the “others” companies are involved in are too dispersed to say anything concluding about in terms of competitiveness.

According to Christensen et al (1998) the researcher cannot draw any statistical generalizations from a qualitative research. However, an analytical or qualitative generalization is possible. Hence, the target company for the research, in this case ABC, can use the results for a decision should they feel that the result in fact is reliable and trustworthy. In this case the analytical generalization leads up to a go-to-market strategy with recommendations for ABC’s behaviour when targeting different segments of wholesalers on the Nordic markets.
2.9.2 Reliability

The definition of reliability is; measured results shall remain stable over time, other studies of the same subject should reach the same result (Saunders et al 2007). According to Saunders et al (2007) there are a number of threats to the reliability. These threats will be presented and addressed from this thesis point of view in the following sections.

Regarding the interviewed subject two threats to the reliability can arise, subject error and subject bias. The subject error can arise when the subject, or respondent in this case, is interview at a bad timing. Happiness at the workplace might be higher on a Friday than on a Monday. The IT solution used at the company may be viewed as more problematic closely after its implementation than after several months of usage. The subject bias can arise when the respondent feels like he or she must answer a question in a certain way rather than what they really feel. By guaranteeing the respondents possibility to remain anonymous this threat to reliability can be worked around. In the same way the observer can cause errors. One way of triggering this error is to use several researchers all following a loosely based interview guide. By using one or a few researchers following a tightly scripted interview guide the possible observer errors can be minimized. The observer can also be biased and have a pre-determined view on the research subject. This can be prevented by the observer having an open minded view and take in other researchers view on the matter. (Saunders et al 2007)

The reliability of this study is dependent on the input from ABC co-workers and respondents from the wholesaling companies. This demands good prior knowledge about the researched area. The authors of this thesis had little knowledge beforehand but their knowledge about the researched area gradually increased over the course of time leaving them with a well supported knowledge at the time of conclusions and recommendations. There will always be some subjective judgements but in general this should not implicate the overall result of the study in a negative way. The interviews are a possible source of misinterpretations or false information but since different interviewees gave corresponding answers, especially in the same segment, the errors resulting from interviews should be minimal.

Telephone interviews may lead to some level of misinterpretation while the researcher lacks the ability to have the personal contact with the interviewee and be able to view his or hers facial expressions and gestures. This could have been helped by performing live interviews but the geographical distances put an effective barrier for this. Sending the questions in advance may also have its pro’s and con’s since the respondent is given the possibility to prepare himself for the study. There is a chance that the quality of the answers is improved but also the risk of the respondent avoiding some sensitive subjects. It is also important that the right person for the interview is found. This problem has been avoided by investigating what person is most likely to have the answers but also by sending the questions beforehand for an overview. On some occasions the problem has been avoided by the interviewee himself as he has sent the questions to a more suitable co-worker. During the interview both researchers were present so that one can focus on the interview and the other one note taking. This makes the interview flow well and
the information gathering more secure. The results where then interpreted together by the two researchers in order to avoid diverging interpretation of the interview results.

However, in a qualitative study like this one the foundation for insecurity is that the humans and the world around us is under constant development which makes it impossible to measure the exact same thing twice. The same thing cannot exist twice but rather almost the same or generally the same as before.

2.9.3 Validity
Validity is concerned with whether the findings are really about what they appear to be about. Is the relationship between two variables a causal relationship? There are factors that can affect the outcome of a study in different ways. History might play a role if a research is undertaken right after a major event has taken place at the company, might it be a redundancy programme or an implementation of a new IT system or production line. When testing some variable the staff might think that their future relies on the test result thus offsetting the result by working differently. Staff taking part in a research might drop out during the test thus affecting the test negatively. (Saunders et al 2007)

These factors have not been investigated any further and may cause the result to be tipped over to either favour. However, since the research was particularly wide, encompassing most of the companies’ activities any of these factors coming into play should not cause the overall description of each company to be largely wrong in any sense.

As the previous research on the area, Nordic wholesale companies, is scarce there are also few possibilities to compare our findings to previous results. What this study can do, however, is to function as a starting point for an extended research of the subject when more time and interviews can be included to the result. Such a study could then complete this research in a more all-encompassing way to give a complete picture of the Nordic wholesale markets and its companies.

The companies studied and interviewed are thirteen in total, five in the pharmaceutical segment four in the industrial and food & beverage segments and zero in the others segment. Because of there in reality being some 1800 companies in the Nordic market thirteen closely studied companies will not give the full picture.
3 Theoretical framework

In this chapter the reader is provided with the theoretical framework that the authors will base their analysis on. A general description of the wholesale industry is given along with a brief historical development of the industry.

3.1 Marketing strategy

3.1.1 Business to business marketing

The business market covers all the organizations that buy goods and services to use in the production of other goods and services but also the organizations that solely buy goods to resell them or rent them to another company at a profit. The demand on a business market is derived from the consumer demand. If there is no demand from the final customers then no company demand services or products to produce the final product. Common on the business market is inelastic demand. This means that the demand is not affected by changes in the price, especially in the short run. The buying and selling procedures are more advanced than on the consumer market since professional purchasing agents spend their working lives learning how to buy well. A buy decision is also more complex on the business market than on the consumer market because of the large amounts of money that is involved. Furthermore, the buying process often takes a long time to be completed since formalities such as product specifications, written purchase orders and careful supplier searches are demanded. Other characteristics of a business market are direct buys, reciprocity and leasing. (Kotler et al 2008)

Systems buying and selling is a case of a specific buying decision. This means that the buyer looks up a single seller in order to buy a complete solution to a problem. This began with governmental buying of powerful weapons systems. Systems selling is a key to winning and holding onto accounts since the contract often goes to the company which provides the most complete system meeting the customer’s needs. (Kotler et al 2008)

3.1.2 Promotion

Promotion through communication is important for the company to address current and prospective customers. Companies of today hire specialists to work with their image, public relations, advertising, direct marketing and sales incentive programs. It is no longer about whether to communicate with the customers or not but how much should be spent on the communication. The promotion mix includes all the activities the seller takes into action to promote a product or service. The mix can consists of various degrees of advertising, personal selling, sales promotion, public relations and direct marketing. (Kotler et al 2008)

The customers of the market communicator normally pass through six stages on their way to a purchase. For the communicator to be efficient in his communication and promotion it is vital to know where the customer stands at the moment. The stages are awareness, knowledge, liking, preference, conviction and purchase. Customers in different stages need different messages and communication in order to move to the next stage. The awareness stage is concerning creating brand and name recognition among the customers.
Less focus is put on what product or service is offered. In the knowledge stage the customers are informed of what they can expect in terms of products or services after hearing about the name of the company, product or service. When the customers are familiar with name and content the seller tries to create a fondness or liking with the potential customers. As the customers tend to lean towards the company and its products a preference is built up. This is done by promoting the advantages with the product or service. Beneficial features are quality and value vis-à-vis competing products. In order to convince potential customers that the product they prefer is in fact the one they should buy the seller may employ advertising campaigns and personal sellers to stress specific features of the product like performance or innovation. Once the customers are convinced they need to make the actual purchase. To persuade them to take the final step the seller can phone, send personalized letters or invite customers for special offers or testing. (Kotler et al 2008)

3.1.3 Managing marketing channels

According to Rosenbloom (1999) marketing channels belong to the place category of the marketing mix’s four P’s. A marketing channel is made up of interdependent organizations that are involved in the process of making a product or service available for use or consumption by consumers or industrial users. This is also known as a distribution channel. The way the marketing channel is organized can make or break the involved companies’ success. Using intermediaries reduces the number of transactions in the channel and reduces costs. A producing company does not have to interact with all of its end consumers one by one when using intermediaries. The members of the channel help bridging the gaps in time, place and possession that separates the goods and services from those who demand them. In the marketing channel special attention is given to information, promotion, contact, matching and negotiation whereas physical distribution, financing and risk taking are taken care of by other actors in the distribution channel. (Kotler et al 2008)

A business to business marketing channel can be made up of several levels. The manufacturer can sell directly to its business consumer or use one or two intermediaries. These intermediaries can be either a business distributor or the manufacturers own sales branch. (Doole & Lowe 2004)

In order to understand the marketing channel, it is important to grasp the underlying reasons for the emergence of channel structures. There is an economic rationale for the existence of channels because economics is the foremost determinant for channel structures. Intermediaries can help increasing the efficiency in the chain as well as lowering the total number of business contacts. The intermediaries must have a sorting function to bridge the discrepancy between the producer’s assortment of goods and services and the assortment demanded by the customers. The intermediary can then have the following sorting activities.

- Sorting out
- Accumulation
- Allocation
- Assorting
Byers and sellers are involved in a double search process in the marketplace. This process is time consuming and uncertain since sellers don’t always know what the customers wants and the customers are not sure of getting what they want. Marketing channels facilitate the process of searching. (Stern et al 1996)

Marketing channels houses a number of functions and the members of the marketing channel perform these functions such as carry inventory, generate demand or sell. The structure of marketing channels has three important principles. First they can eliminate substitutes, secondly they can’t eliminate the functions they perform thus thirdly when an institution is eliminated the function is moved either forward or backward in the channel and taken over by other members. (Stern et al 1996)

The wholesaler plays an important role as financier in the marketing channel. As soon as the wholesaler is carrying a stock of goods bought from a manufacturer he assumes the role of capital carrier for the manufacturer who has produced these goods. This opens up capital for the manufacturer to be invested elsewhere. (Stern et al 1996)

Information in the marketing channel is very important. Every member of the marketing channel must relay information about demand and supply throughout the channels information system in order to accurately predict demand and supply levels. (Stern et al 1996)

The survival and growth of a certain channel and its members and the demise of others is best explained by viewing the channel as an open system. The members must adapt to changes in the environment. The evolution of the channel system is an ongoing adaptation of the organizations to economic, technological and socio-political forces both within the channel and in its environment. (Stern et al 1996)

Channel management is often regarded as a key strategic asset of a manufacturer because decisions about the delivery of goods and services to target markets are critical affecting all other marketing decisions. Marketing channel success is often dependant on strong channel members who can efficiently perform the distribution tasks necessary to reach the channel target. Distributors who maintain both interpersonal and electronic links with manufacturers and customers often achieve high quality to cost ratios which in turn create value for the manufacturers. In this way manufacturers have become accustomed to rely on distributors for distribution and marketing activities. The distributor in turn relays information about the customers and their needs backwards through the channel while at the same time enhancing customer satisfaction. In order to fulfil the channel needs the distributors must provide the correct services at a competitive price. Forming long term agreements between manufacturer and distributor benefits both parties since the channel performance will increase over time as the actors learns each other’s routines and form new ones. Most manufacturers cannot, unless they are very well known, wait to be contacted by distributors but instead have to recruit their distributors. (Lin & Chen 2008)

Lin & Chen (2008) suggest the four key factors for manufacturers’ selection of distributors as being firm infrastructure, marketing capabilities, relationship intensity and
logistics capabilities. There is evidence that marketing capabilities and relationship intensity might be more important for the manufacturer when selecting distributor. The distributors’ competency in marketing and earnest devotion to a mutual and close relationship seems to have more influence on the manufacturers’ decision.

The contribution of logistics to the marketing mix is the selection of location or in other words place as in the fourth P. This includes decisions such as channel selection, market coverage, distribution systems and dealer support. (Harrison & van Hoek 2008)

3.2 Forces driving industry competition

All firms have differing abilities to deal with competition and other factors that surrounds them in their daily work. Competing firms are the most striking answer to what can be called a firm’s competition but both social and other economic forces needs to be taken into account because they affect the firm’s success as well. Competition in an industry derives from the underlying economic structure and goes deeper than just the behaviour of the current competing firms. The competition in an industry depends on five basic competitive forces and together these forces determine the definitive profit potential in said industry. The more intense these forces are the less is the profit potential and vice versa. (Porter 1998)

![Figure 1 Forces driving industry competition (Porter 1998, p 4)](image1.png)
3.2.1 Threat of entry

When new companies enter the market they bring new capacity, resources and a desire to gain market shares. Even buy-ins should be regarded as a new entry even though an entirely new company has not emerged on the market. The barriers to entry determine the threat of entry. There are seven major barriers to entry:

- Economies of scale
- Product differentiation
- Capital requirements
- Switching costs
- Access to distribution channels
- Cost disadvantages independent of scale
- Government policy

If the current price level in the industry is above the entry deterring price companies will foresee a profit by entering the market. The firms on the market can use the price to make a long run low profit and at the same time deter new entrants since the short term profits are low. (Porter 1998)

Government policies can have an impact on entry barriers. The government is a buyer or supplier in many industries and can affect the competition in said industry by the policies it adopts. The government can for example grant subsidies or impose regulations on an industry. The industry can, however, threat the government as an actor to be influenced by lobbying or other means. By doing this the industry can try to affect the government’s policies regarding their own industry and thus change the competition inside it or affect other parts of the surrounding society. (Porter 1998)

3.2.2 Intensity of rivalry among existing competitors

Price competition is unstable and often leaves the industry worse off than it started out. Price cuts can be matched easily and a lower profit for all firms is now a fact. Instead advertising competition does a better job at differentiating the industry and expands the demand for the firms’ products. (Porter 1998)

High exit barriers can keep firms in an industry even though the profit is low. Barriers of this type can be specialized assets that have low liquidation values or high conversion costs. It can also be fixed costs of exit and strategic interrelationships. Managers of the firms can also be unwilling to exit because of loyalty to the workers, fear of losing their jobs and identification with the business. (Porter 1998)

When exit barriers are low and entry barriers are high the returns are stable and high. From a firms point of view inside the industry this is the best case scenario since very few new firms will enter this market. Unsuccessful businesses will also leave the market since nothing is stopping them from doing so because of the low exit barriers. The worst case is when entry barriers are low and exit barriers are high. Here capacity will remain in a chronically low profit industry. (Porter 1998)
3.2.3 Pressure from substitute products

A substitute product will take away some of the industry’s profit by offering the same solution to a problem in a different way but to a better price. An industry with many substitute products will be unable to enjoy high profits since they cannot raise their prices without risking losing many customers. The most dangerous substitute products are the ones that are subject to trends improving their price-performance trade off with the industry’s product or are produced by industries earning high profits. The second type is important because here the products are made cheaper or better due to the competition that arises in a high profit industry. (Porter 1998)

3.2.4 Bargaining power of buyers

Buyers will affect the industry’s profitability by bargaining for lower prices, higher quality and better services. A group of buyers are powerful given that the following circumstances are true.

- Buyers purchase large volumes related to seller sales.
- The product the buyers buy represents a significant part of the buyer’s costs.
- The products are standardized or undifferentiated.
- The product earns low profits.
- Buyers pose a threat of backward integration.
- The product is not important to the quality of the buyer’s products or services.
- The buyer has full information.

The selling company can make a severe strategic decision by choosing its buyer groups carefully. In this way the firm can improve its strategic posture by getting buyers who have the least power to influence the industry. (Porter 1998)

3.2.5 Bargaining powers of suppliers

Suppliers can threaten to raise prices or reduce quality as a way to exert power over an industry. The suppliers can in this way increase their profitability on a market where the industry itself can be unable to recover these costs in their own prices. A group of suppliers are powerful when they are few and more concentrated to the industry they sell to and when they don’t have to contend with substitute products for sale to the industry. The industry can also be a less important customer for the group of suppliers and can therefore don’t make demands on price and quality by threaten to go somewhere else. The suppliers can also have a very important product that the industry can’t buy elsewhere. Finally the supplier group can force a viable threat of forward integration. To lessen the supplier groups bargaining power the industry can strengthen its position to integrate upwards. This way they in turn pose a viable threat to their suppliers industry. (Porter 1998)

3.3 The value chain

Every firm is a collection of activities that design, produce, market, deliver and support the firm’s products or services. The value chain represents these activities and is also a reflection of the firm’s history, strategy, approach to implementing the strategy and the
underlying economics of the activities. The most relevant value chain is the single firm’s value chain. To try to view the value chain of an industry or sector will produce a result that is too wide. The interesting part is to see the difference between competing company’s value chains since these differences makes up the competitive advantage of one of the firms. The value chain displays total value and consists of value activities and margin. The value activities are used by the company to create a valuable product and the margin is the difference between the total value and the cost of performing the activities. The costs derive from the employed purchased inputs that each activity uses. Each activity produces, besides from the product or service, information and financial assets. Value activities are usually divided into primary and supporting activities whereas the primary activities produce the product or service and the support activities support the primary activities and each other by providing purchased inputs, technology, human resources and various firm-wide functions. An analysis of the value chain rather than value added is the correct way to examine competitive advantage. Value added should not be used for this as it incorrectly distinguishes raw materials from other purchased inputs needed for production. (Porter 2004)

![Value Chain Diagram](image)

**Figure 2** The Value Chain (Porter 2004, p37)

### 3.3.1 Competitive scope and the value chain

Competitive scope can have a powerful effect on competitive advantage, because it shapes the configuration and economics of the value chain. There are four different dimensions of scope that affect the value chain.

- Segment scope
- Vertical scope
- Geographic scope
- Industry scope
A broad scope may allow the firm to take advantage of benefits of performing more activities in house. Here the firm can also make use of interrelationships between the value chains to allow the same sales force to sell the products of two business units. This may, however, result in costs for sharing and integration that takes away their benefits. Narrow scope can allow the firm to tailor its chain of service to a particular target segment to achieve lower costs or to serve that segment in a unique way. The breadth or narrowness of scope is clearly relative to competitors. In some industries a wide scope means serving all customers with a range of all products available in that industry. In another it can mean that the firm must integrate vertically and compete in related industries. A combination of narrow and wide scopes can also be put into play. An example of this would be to serve a small segment of customers worldwide. (Porter 2004)

3.3.2 Technology and the value chain

Every value activity uses technology to combine purchased inputs and human resources to produce some output. Technology is also used throughout the support activities. Information systems technology is particularly pervasive in the value chain since all value activities create and uses information. Information systems are used in scheduling, controlling, optimizing, measuring and otherwise accomplishing activities. Inbound logistics uses an information system to control material handling, schedule deliveries and manage raw material inventory. Information systems also play an important role in linking activities together. Since information is so important in the value chain information systems are becoming increasingly important and also viewed upon as a way to get competitive advantages. (Porter 2004)

3.4 The global supply chain

Organizations throughout the world must cooperate to be able to meet the needs of their customers. This is how Skjøtt et al (2008) introduce the reader to the global supply chain. This supply chain stretches beyond the boundaries of both companies and nations from the raw material to the ultimate customer and several processes are executed along the flow of materials and products. The supply chain traditionally revolved around turning raw materials into standardized products for sale to companies and consumers but a recent change from standardization has lead to customization of both products and services. This place a pressure on the way companies manage the supply process. According to Skjøtt et al (2008) the development of new ways to communicate via phone and information networks together with new, fast and relatively cheap ways to transport goods around the world opens the possibilities for all companies to adapt to the change to customization. The mentioned developments also helps to coordinate operations and remove investment and direct ownership problems. What it all requires, however, is cooperation.

Since the flow of the supply chain in most cases is described as a flow from producer to consumer the chain is push oriented and thus driven by a forecast demand. Skjøtt et al (2008) have adopted a more recent view where the customer initiates the supply chain decisions, making the chain pull oriented. This turns around the flow of decisions and earlier members of the chain are in this way chosen by the customers.
The characteristics of the supply chain encompass vital and interesting features for our research. The most interesting one is that “A common information system accessible to all members makes coordination possible between organizations” (Skjøtt et al 2008). A standard information system, that each organization can connect to and exchange vital information through along with receiving output such as reports from, is crucial for the supply chain to work effectively and efficiently.

Supply chain management (SCM) can be regarded as a way to combine business logistics and marketing channels since the logistics is focusing on the activities no matter who performs them and the marketing channels put great emphasis on the actors taking part in the distribution arrangements. Joining the two approaches together through SCM is a good start since they complement each other. (Gripsrud et al 2006)

Market orientation with a market driven emphasis provides a framework focusing on creating a value proposition superior to those supplied by the rival. According to the conclusions of the same article collaborative capability in the supply chain is a key driver for maintaining sustainable performance advantages. This in turn strengthens the firms’ value creating processes to increase customer satisfaction and loyalty. (Hyvönen & Tuominen 2007)

3.4.1 Information flow in the supply chain

By sharing the end customer demand information across the supply chain a demand chain is created. This demand chain is directed at providing enhanced customer value. Information technology enables the rapid sharing of demand and supply data at increasing levels of detail and sophistication. The aim is to integrate such demand and supply data so that an increasingly accurate picture is obtained about the nature of business processes, markets and end-customers. One firm cannot do this by themselves but instead the whole supply chain must be integrated. (Harrison and van Hoek 2008)

3.4.2 Integration in the supply chain

Integration in the supply chain is done in three ways, internally, externally and electronically. The internal integration aims at integrating functions within the organization. One example can be to integrate the marketing and logistics functions. This can result in better performance and better effectiveness between departments. Firms with higher internal integration levels show higher relative logistics performance compared with less integrated firms. Higher level of integration also helps to achieve higher customer satisfaction levels as well as meeting customer needs. (Harrison and van Hoek 2008)

External integration might bring even better improvements than internal integration. With external integration the involved companies can eliminate the buyer/salesman roles in the relationship and replace them with a supplier employee based at the customers purchasing office. This employee can place orders for the customer at his own company and also do materials planning for the customer. The supplier can also be based in house with the customer. This is one way to skip past time consuming buyer-supplier business deals. (Harrison and van Hoek 2008)
Electronic integration first started out as electronic data interchange (EDI) but EDI systems are generally incompatible with each other and also have high development and installation costs. With the fast development of the Internet and personal computers companies can enjoy the advantages of interchanging data online via business platforms. Internet is cheap and can be made available to all players of the supply chain relatively fast and efficient. Trading partners can integrate electronically in three different ways; transactional planning, information sharing and collaborative planning. (Harrison and van Hoek 2008)

Transactional planning is most common in the B2B e-commerce. The trading partners here focus on automation of business transactions such as purchasing, invoices and shipment notices. These transactions involve the electronic transmission of a fixed-format document with predestined data and information fields. Trading partners are given access to a system with shared information. This helps to reduce uncertainty by letting the partners be aware of the others activities. Collaborative planning embraces integration at all levels; strategic, tactical and operational. This is the most sophisticated form of electronic integration. It enables trading partners to work together to understand future demand better and to put plans in place to satisfy such demand profitably. The trading partners collaborate on new product planning, demand forecasting and replenishment planning and work closely to align their organizations’ plans. (Harrison and van Hoek 2008)

3.4.3 Third-party logistics
Since early 1990s there has been a change in shipper-logistics provider arrangements. The scope has become more strategic than the previous aims to release capital and reduce costs. Nowadays we can see logistics companies offering to increase market coverage, improve the service levels or increased flexibility. All these steps have been taken in order to meet the changing customer expectations. The solutions are now often tailored to specific requirements and include value adding services such as assembly, packaging, quality control and information providing. This is a broader, long term, customized and cooperative arrangement named third-party logistics (TPL). (Skjøtt et al 2008)

TPL can be defined as “an external supplier that performs all or part of a company’s functions”. The things that many authors emphasise are management, cooperation, long term arrangements and relationships. It exists different types of TPL where competence, asset specificity and degree of integration changes. The most basic TPL works with market exchanges, the next level also have customized logistics solutions followed by joint logistics solutions and in-house logistics solutions. Market transactions do not require specific assets or integration between the parties and the actions are often single or continued purchases of logistics services. The relations are typically at arm’s length. The price is an important competitive factor and the services are basic or include some specialized service. The next step includes warehousing and the shipper usually maintains control and management internally while outsourcing operational activities to a service provider. Price and cost savings are important factors and the time frame does normally not exceed a year. The joint logistics solution is the third step in the development between the shipper and the service provider. Here both parties have integrated their
operations, have shared interfaces between their information systems and inter-organizational teams. Mutual trust and open information exchange are the cornerstones of the cooperation. The fourth step, in-house logistics solutions includes shared strategic decisions. The most important part of this step is to optimize the clients supply chain, IT competencies and global coverage. Specified assets such as dedicated warehouses and, specialized handling equipment and human assets, such as specialized training, are common at this stage. (Skjøtt et al 2008)

3.4.4 Information systems and the supply chain
Managing the supply chain is more than just managing the flow of goods. The information that can be collected, viewed, analyzed and used for the company’s purposes is just as important to manage. IT is now not only used as an enabler for more efficient ways of doing business but is also seen as an enabler of new opportunities. Businesses can no longer ignore the power of IT to transform operations and strategy. (Skjøtt et al 2008)

The most important contribution of IT is to bring visibility to the entire supply chain. Before the introduction of IT companies where unable to ascertain how much their customers needed at a specific moment in time and thus large quantities of goods were kept in stock. With IT on the other hand companies in the supply chain can at any moment view stocks, sales and get automated reports and orders. Resources can be ordered more efficiently from locations that optimize delivery times and usage of logistics companies services. (Skjøtt et al 2008)

Information from logistics can be grouped according to its functionality.

- Transactional information, records individual logistics activities
- Management control information
- Decision analysis information
- Strategic planning information

Implementing a logistics management system with this differentiation in information is suggested to improve the planning of real demand and to avoid forecasting based on inaccurate data. An ERP system that uses SCM-software is one good solution to the task of sorting through these types of information. (Skjøtt et al 2008)

In order to optimize the total supply chain all supply chain actors must be integrated in the information processing. The role of the information system is then to bind the entire chain together as a single integrated unit. The problem here is not the information systems but the organizations willingness to create these intra-organizational networks. (Skjøtt et al 2008)

3.4.5 Supply chain management in the future
There are several key capabilities that will make or break supply chain managers of the near future. The managers need to be effective at interfacing with customers. This is new since sales departments used to monopolize the customers and thus leaving the supply
chain manager without relevant customer insight. The interpersonal skills need to be raised in this field which earlier focused on technical and operational matters. The business people need to be included in the managing of the supply chain. Internal and external relationships are increasingly important as opposed to being focused on running only an operation. (Harrison & van Hoek 2008)

### 3.5 Function and structure of wholesale companies

A wholesale company is a trading company. This type of company differs from a retail company in several ways. Typically a wholesale company would spend less money on promotion, shop layout and selection of location. This is because their customers often are other industrial companies or retailers. A wholesaler does business with a limited number of companies and retailers whereas retailers have a large number of customers. The activities that are the most important for a wholesale company are purchasing, inbound logistics and outbound logistics. Since no production is taking place very little time lapses between purchase and sale. Because of this many wholesale companies have joined their purchasing and sales functions together as one unit and refer to it as category management. (Van Weele 2005)

Wholesale companies add value to the supply chain by a number of activities. Without these activities no value would be added to the supply chain and it would not be rational to employ the services of a wholesale company. A wholesale company can reach many smaller customers and retailers at relatively low costs. It is also easier for a wholesaler or retailer to build up a brand image towards the customer than it is for the producer who is more distant from the customer. By selecting products from several producers a wholesaler can build up a product assortment to fit several specific target groups. Products are also bought in large quantities from the producer and split up into smaller batches or are sold one by one. This reduces costs for the producer and makes the products available to smaller customers. The products are also kept in stock, both for the producer and the customer. This enables the producer to save space and the level of availability is high for the customer. Wholesalers often take over the transportation from the producer so that their focus can remain on their core activity, production. With perishable products the wholesaler also takes over part of the risk from the producer, which also lowers the total costs, in terms of obsolete or perished products, for the producer. (Van Weele 2005)

### 3.6 Electronic business

Electronic business has been one of the most interesting IT areas for several years, especially for the transport and logistics businesses. The term “electronic business” encompasses all forms of business and not only the buying and selling parts. Next step is to offer electronic services. In the logistics business these include tracking of goods, quotation of prices, time tables amongst others. There is a difference between direct and indirect electronic business. Direct electronic business covers the case when order, delivery and payment are all made electronically. Products or services which can be ordered, delivered and paid directly are for example music, computer games, written articles and different types of advice. Indirect electronic business need transportation of
the good from the seller to the buyer and thus a transportation company is required. (Fredholm 2006)

All though electronic business has increased in popularity it is not entirely new. Electronic direct interchange, EDI, has been used since the 1970’s. The increase in electronic business in later years is due to the fact that more households and businesses have gained access to fast internet connections. The Internet has not taken over the role of EDI systems but instead served as a way of sending EDI messages. EDI is therefore a standardized system for sending business messages and the Internet is a network that is used to send these messages through. Web-EDI has helped smaller business to gain access to EDI systems. A message sent to them through EDI is translated to an electronic form which can be viewed with a web browser. (Fredholm 2006)

For the strategic use of information technology, managers must confront four questions. These questions are Who, What, How and When. The “who” refers to the person, role or organization with access to the system. This can be a supplier, customer or service provider. “What” is the information content and can be raw data, selected input, verbal communication or face to face contact in electronic conferencing. The method of transmission answers the “how” and is nowadays more often done via the Internet. Finally “when” answers the question of data availability. When should the users be able to access new data? (Skjøtt et al 2008)

3.6.1 Electronic business to business

Buying and selling electronically can be done in a number of different ways. The buyer can connect to the sellers system online, via a phone or through the sellers extranet. Here the buyer can view stock status, delivery schedules and place orders. The transportation business along with grocery, vehicle, electronics and telecom businesses are ahead on the electronic business market. The main motivational driver for this is automation which saves work hours and lead time. Automation also leads to fewer errors and thus enables a higher quality. In a more mature IT environment companies tend to include more and more functions in their electronic business exchange. Everything that can be managed electronically is included as for example prognosis, catalogues, price and product information and delivery notifications. In companies with a lot of deliveries the flow of products through logistics companies are often also included, especially when they have advanced in the electronic commerce. When including the logistics company in the business system many advantages, like information about deviations, delivery notifications and receiving electronic delivery invoice, are gained. (Fredholm 2006)

Determining whether or not IT/B2B e-commerce investments contribute to business value is a critical issue for IT executives. Based on the research by Lin et al (2007) it is recommended that the IT executives of large organizations should focus on making IT an integral part of their business strategy. It is important that they can match the outcome of an IT or B2B e-commerce investment with their strategic vision.
3.6.2 Current IT solutions

Enterprise resource planning has become ever increasingly common lately. ERP is used for simplifying, support, planning and follow up of the operations. The systems are often specialized for one function or put together as modules. Many companies share the most common functions or modules but every industry has its specialized functions needed by those particular companies. Many systems can also be divided into operational or strategic systems where the operational systems handle day to day activities and the strategic systems do follow ups, tests and perform measurements. In order to keep the IT system up to date, functional and minimize disturbances there are a number of actions the company can take into consideration: (Fredholm 2006)

- Steady measurements of the systems availability
- Education of employees and special operating technicians
- Standardized IT platform
- Storage of data on centralized servers
- Collective upgrading of software solutions
- Internal helpdesk
- Frequently asked questions database to unburden the helpdesk

When choosing between internal or external development of IT solutions the companies nowadays mostly choose to employ an external developer. The reasons for this are many but the most important ones are very high costs when developing in house, long developing time which makes the system obsolete before it is finished, the market for standardized systems has become more developed and the systems have become better and finally the standardized systems have become more flexible and more easily adapt to specific operations. Some considerations against a standardized system are that they from time to time are expensive to adapt to the specific operations and that a successfully in house developed system makes room for a positive competitive advantage. In order to facilitate the integration between systems utilized within the organization a middleware could be used. These programs work as an integrator between systems, platforms and portals and let them exchange information without them having to understand each other directly. (Fredholm 2006)

In the article Enterprise Resource Planning – A Brief History (2006) the authors, Jacobs & Weston, discuss the future for ERP systems. ERP systems have, in their opinion, reached a level of maturity where both software vendors and their customers understand the technical and human resources that are needed for implementation and future use. ERP systems should now enter a new era of relatively easy configuration that, with implementation, takes days and weeks up to a maximum of 2-3 months. Large corporations are using implementation cycles that should at most go on for 6 months. It can still be hard to go through with an implementation in a global corporation because of differences in culture. Generic ERP software packages are already increasingly tailored to specific market segments. By incorporating best practices and standard business procedures future implementations can be simplified. Hardware and software platforms within and between firms will help to move data in any format anywhere in real time. Systems will also become much more intelligent. Data mining and intelligence tools
including expert systems and advanced planning systems will increasingly be used to make or suggest business decisions.

Another popular set of software is CRM (customer relationship management) which is used to track and organize the contacts with the company’s current and potential customers. Particularly sales intensive organizations have started to see CRM as an important group of applications for their daily business activities. According to a study from 2004 by Nelson the implementing of CRM ranks among the top five corporate objectives in over 60 percent of enterprises. (Tanner et al 2005)

CRM can be divided into three aspects, strategic, analytical and operational. The strategic aspects cover managerial decision making, business processes and culture. Analytical CRM refers to the firm-level processes involved in analyzing customer and market level information in order to provide the intelligence and insights that guide the firm’s strategic marketing, CRM and go-to-market choices. Operational CRM consists of the specification of suitable and replicable business processes designed to implement the firm’s desired customer relationship model in terms of customer access, customer interaction, sales and channel choices. (Tanner et al 2005)

When organizations implement CRM they believe that supplying information technology to their sales force will help them achieve better results in terms of sold items, better customer service, higher customer satisfaction and enhanced relationships. This has yet to be proven with a method for calculating return on investment on CRM technology. Industries that are more data intensive may benefit more from sales technology due to increased efficiency in handling and managing large amounts of data about products and customers. Understanding variables that support or enhance the effect of technology on sales force efficiency should be a high priority when taking implementation of CRM into account. (Tanner et al 2005)

The principle behind CRM is that market strategies are continuously extended in order to strengthen customer loyalty. Eventually, customer and supplier are so closely related that it would be difficult to sever that relationship. The exit barriers become higher and higher. CRM software can be used to monitor customer data from for example loyalty cards in order to enhance demand management. This will help the company asses how much each customer group in each area will demand from a certain type of item. (Harrison and van Hoek 2008)

3.6.3 Information systems as a lever for company processes

As companies are integrated in the supply chain the complexity of information and decision making increases. This is why integrated planning systems can give great advantages in supporting the information exchange and decision process. Relevant information can with the help of an integrated system be collected and dealt with rapidly and the company is given a clearer picture of the situation than it would without the help of a system. Integrated administration systems, as provided by companies like ABC, Baan or Oracle, are often referred to as ERP systems. These systems are standard systems which houses and integrate all the sub processes in the company’s functions. Because
they are integrated they all affect each other. ERP systems are focused on internal optimising of the company. This is the first step towards optimising the entire supply chain. More advanced systems, such as APS (Advanced planning and scheduling) systems, have recently arrived on the market. This type of system integrates and shares information and planning between companies that are business partners in a supply chain. These systems also use mathematical algorithms which can handle multiple capacity limitations from several companies. (Dam Jespersen & Skjøtt-Larsen 2006)

ERP can help a company optimise individual processes. Such processes include:

- Forecasting
- Operational planning
- Supply planning
- Rough planning of production
- Distribution and transport
- Order management

One must, however, keep in mind that an IT system is not the same as optimising. In order to optimise the company needs to think about a number of dimensions. Three of these important dimensions are:

- Process orientation
- IT implementation
- Change management

Process orientation includes all the duties that are connected to the business processes. This dimension identifies and defines the optimising goals for the individual processes. The processes need to be well coordinated across functions and levels but also ensure support of the business needs and strategic goals. IT implementation revolves around the technical design, construction and activation of system functions. These actions try to ensure that the business processes are supported in the best possible way. The goal of change management is to ascertain the most flexible adjustment between the old and the new ways of working. Keeping involved parties informed throughout the process is another vital function in this dimension. (Dam Jespersen & Skjøtt-Larsen 2006)

Benefits from ERP are not automatically received upon implementation. Customization and organizational mechanisms must support the implementation of ERP and help correct possible misfits of the implementation. (Chou & Chang 2008)

The importance of information and communication technology (ICT) in business services has been increasing dramatically. Company performance is becoming highly dependent on their ability to harness the breakthrough in the ICT services in business processes. ICT services are, however, becoming increasingly complex due to the continuous development in their underlying technologies. For the providers of ICT services this means that they have to manage the complexity to avoid higher production costs, system failures and customer dissatisfaction and defection. (Hyötylainen & Möller 2007)
In many organizations concentrating on customer and sales the manager is often the last person to know about a certain sale or promise that has been made to a customer. With better internal communications through better ICT systems the manager can be much closer to the sales staff and help the salesperson understand each customer’s needs in order to provide a solution that the company actually can deliver. Without internal communications the salesman can promise a solution designed and developed to match a specific customer need without any concern for the management. (Hyötylainen & Möller 2007)
4 Empirical research

The focal company, ABC, will be presented here along with their business areas and product portfolio. The gathered data from the research are also presented in this chapter as well as how the empirical study was completed.

4.1 Structure, approach and completion of the empirical study

The purpose was to provide ABC with a market potential for the Nordic wholesale market, list the most important companies and suggest a go to market strategy. This required background information. This information had to cover topics such as market trends, challenges for the companies in the wholesale business, economical data about the companies and potential IT software investment budgets for the whole market. This information can be gathered by a combination of interviews and database research. The interviews were conducted with both personnel at ABC and representatives from the wholesale companies.

To be able to study the Nordic wholesale market, with a view on business systems, data was needed. The collection of empirical data started with researching the database, Dow Jones Sales works, for relevant wholesale companies in the Nordic market. This part of the research is called data mining. A large amount of data was collected out of which relevant data was extracted for the research. The raw data contained variables like turnover, employees and country. A number of restrictions where used to narrow down the research results. Only companies with a turnover of more than 10 million Euros where selected along with limiting the location of the companies head offices to Sweden, Finland, Denmark or Norway. This produced a list of well over 5000 companies on the relevant markets. A number this large was too large to cover in a reasonable time frame so it had to be narrowed down. To further narrow the number of companies the list was checked versus a list of ABC customers in the Nordic market. Companies that were already customers were then removed. In order to determine in what industry the different companies where, standard industry codes (SIC) where used. These SIC codes where provided to us by ABC and these are the ones used by the company to sort companies into different customer segments. First the SIC codes where used to establish if the companies where indeed wholesale companies and then to determine in what segment each company belonged. The four segments used to sort the companies where industrial, food and beverage, pharmaceutical and other wholesale companies. With the help of the companies’ web pages and their financial reports a list of the ten most interesting companies in each segment and country was constructed. This list would have contained 160 companies in theory but since the pharmaceutical wholesale markets where either small or dominated by companies from outside the Nordic region and the ABC offices cut some companies from the list 160 companies were not reached but instead 107.

To be able to study the most interesting and important potential customers for ABC, input from the regional ABC offices in Sweden, Finland, Denmark and Norway was needed. Each office was tasked with pointing out the 3 most interesting companies in each of their country’s segments, leaving the list with 48 potential respondents for interviews and
deeper researches. However, the offices managed to find more than three companies in some segments and less than three in some leaving the researchers with a total of 39 potential respondents. The interviews required an interview guide so one was constructed based on suggestions from ABC and the researchers own ideas. The interview questions can be read in attachment 1.

4.2 **ABC’s wholesale business solutions**

The business solutions can monitor processes such as planning, sourcing, storing, selling and analyzing.

Plan functionality supports all the phases of supply chain planning, from flexible demand forecasting to supply planning. Sales and procurement targets can be calculated on the basis of historical, existing, and estimated future data. The tasks in the plan macro process enable determination of demand quantities and delivery dates for product distribution and monitoring of stock and the automatic creation of procurement proposals for purchasing and distribution.

Source functionality supports all the phases of procure-to-pay scenario, from materials sourcing, purchasing, goods receiving, and inventory management, to invoice and rebate processing. The tasks in the source macro process enable external procurement of materials and services, determination of possible sources of supply for a requirement identified by the plan macro process, monitoring of supplier deliveries and payments and good communication between all participants in the procurement process.

Store functionality supports all the phases of warehouse management, from providing flexible and automated support in the processing of all goods movements to the managing of stock in distribution centres. The tasks in the store macro process enable the scheduling and efficient processing of all logistics processes within a distributors warehouse.

Sell functionality supports all the phases of the order-to-cash scenario, from the creation and pricing of sale orders and quotations, and creation of deliveries, to the execution of billing procedures and charge backs. The tasks in the sell macro process enable sales order generation, customer credit checks, inventory availability checks, product allocation strategies and customer invoicing. Additionally, they enable non-stock orders, counter sales, and supplier chargeback processing.

Analyze functionality supports all the phases of financial management, from accounting and controlling, to human resources, and business analytics. The tasks in the analyze macro process enable general ledger and asset accounting, the margin evaluation of market segments according to products, customers, orders, or business units and other reporting, analysis, and planning tasks to support the evaluation and interpretation of a distributors data.

Furthermore, ABC applications utilize SCM with;
• Demand and supply planning
• Supply network collaboration
• Warehouse management
• Manufacturing
• Transportation management

There is also SRM- (supplier relationship management) and CRM- systems that are integrated in the business solutions and provide support for each of the five processes plan, source, store, sell and analyze. (ABC for wholesale distribution)

4.3 Nordic wholesale markets

4.3.1 Industrial wholesale market
The companies in the industrial trade are slowly growing with stable revenues. In the current recession the costs are important and it is also here that the risks in the industry lie. The reason for the risk of higher costs is due to the fact that they don’t manufacture their own goods but acts as a wholesaler. In order to stay competitive it is important to keep the fixed- and sales costs low. The company won’t be able to face diminishing sales with too high fixed costs. Another important factor in times of crisis is the company’s product and customer mix. Most industrial wholesalers have a broad range of both products and customers which makes them stronger when facing certain niche specific risks. (Isskander 2008)

4.3.2 Food and beverages wholesale market
According to a report, Nordic food markets – a taste for competition, from the Nordic competition authorities from 2005 the total number of food & beverage wholesalers is on decline. This is due to the fact that retailers are integrating vertically and taking over functions previously performed by the wholesaling companies. The strongest relationships occur when the same entity owns both the wholesaler and the retailer thus forming a fully integrated chain of supply. Because of the advantages received from vertical integration there are only a handful independent wholesale companies left on the market. This is a problem for new independent retailers starting up operations since it becomes almost impossible to find a wholesaler that can and will supply them at reasonable prices and competitive terms. Because of producers and distributors are constantly customizing their activities, for example the distribution patterns, more and more retailers have taken over the actual delivery of goods to the stores in order to lessen the effect of said customizations on their margins. (www.kkv.se)

4.3.3 Pharmaceutical wholesale market
4.3.3.1 Economic figures and growth of the Nordic pharmaceutical markets
The value of the Finnish pharmaceutical market in 2008 was approximately 2 billion Euros while the equivalent market in Sweden was roughly 3 billion Euros. The Finnish and Swedish pharmaceutical markets are estimated to grow by about 3 to 5 percent annually. In 2008, the pharmaceutical market grew by approximately 7 percent in Finland and about 4 percent in Sweden. (www.kkv.se)
4.3.3.2 Characteristics of the Nordic pharmaceutical markets

A report, konkurransmessige problemstillinger i apotek og legemiddelsektoren, from the Nordic competition authorities explains some of the characteristics of the pharmaceutical markets in the respective countries. The report is from 2008 and describes retail and wholesale trade on the different markets. The pharmaceutical markets in the Nordic are, as in most European countries, heavily regulated. (www.kkv.se)

4.3.3.2.1 Regulation of wholesalers and retailers

On the wholesale level there are free entries on all the Nordic pharmaceutical markets but licenses or qualifications are needed to do business. In Denmark only two full range wholesalers account for almost all distribution to the pharmacies. The market in Finland is in the same way dominated by two large wholesalers who uses agreements with the pharmacies to tie their customers closely to them. In Norway wholesalers that sell pharmaceuticals to pharmacies must have a full product range while wholesalers that sell to other sales points must have a minimum product range. Producers are also allowed to engage in wholesale activities with their own products. Here the market consists of three full range wholesalers. The Swedish market has a system with a single channel distribution that in practice implies that there are high barriers to entry. Only two large wholesalers account for almost all distribution to Apoteket AB which is the only allowed pharmacy in Sweden. (www.kkv.se)

The retail level differs even more throughout the different markets. Denmark uses a pharmacy qualification system that issues licenses for those who want to open a sales point. Therefore the entry is somewhat restricted. Non prescription drugs, however, are allowed at shops other than pharmacies. In Finland the company must show a proof of need to establish a pharmacy and you have to be a pharmacist to own the pharmacy. The market in Norway has free entry but a license is required. Non prescription drugs can be sold by shops other than pharmacies. In Sweden there is a statutory state monopoly on the retail sales of prescription- and most non prescription drugs. Animal or mineral based substances are permitted at retailers other than Apoteket AB. (www.kkv.se)

Production and import is free on all four markets but licenses are required and issued by the concerned authorities. However, vertical integration to own both wholesale and retail companies is not permitted in Denmark and Finland while it is permitted in Norway. (www.kkv.se)

4.3.3.2.2 Price regulations

The prices throughout the pharmaceutical supply chain in the Nordic markets are subject to government price regulation. The toughest regulations apply for the patented prescription drugs where the respective authority in each country controls the prices the retailer must pay for the pharmaceuticals. Prescription drugs with generic competition are often subject to forced substitution for the lowest priced generic drug. This way the government can save money on reimbursed prescription drugs. Non prescription drugs are not subject to price regulations except in Finland and Sweden where the same consumer price must be used on the entire market. (www.kkv.se)
4.3.3.2.3 Reforms and experiences
During the last 15 years the Nordic markets for pharmaceuticals have undergone dramatic changes. On the retail end the pharmacy monopoly in Denmark and Norway was removed in 2001. The visible effects were lower prices and increased accessibility in Denmark but in Norway only the effect on accessibility was noticed. In Sweden and Finland generic substitution has been brought in during 2002 and 2003 respectively. This has meant considerable savings for the authorities on reimbursed prescription drugs. On the same two markets there has also become allowed to sell nicotine replacement treatments in grocery stores during 2006 (Finland) and 2008 (Sweden) and the effects have been easier access and lower prices. (www.kkv.se)

On the wholesale side in Finland the government decided that the price retailers pay for the products be reduced by 5% in 2006. The result was that the producers withdrew 81 pharmaceuticals from the list of reimbursed drugs. (www.kkv.se)

Future reforms will include an abolition of the pharmacy monopoly in Sweden during 2009 and thus this market will be open to competition. Non prescription drugs will also become available in grocery stores and other sales points during 2009 in Sweden. In Denmark the Ministry of Health and Prevention will review the legal framework of the pharmacies. (www.kkv.se)

4.3.3.3 Parallel imports and generics
The market for pharmaceuticals in Europe is changing due to external forces such as generic production, parallel imports and patent challenges. Pharmaceutical companies in Europe will need to re-shape their go to market strategies while remaining cost effective. In many countries physicians have had a prescription monopoly which has meant that they have been a major sales target for the pharmaceutical companies. This meant that the companies only needed to identify the doctors and their levels of prescription. After that the company with the best trained sales staff and the largest sales headcount was the only things that mattered. (Wadman & Hütt 2004)

Now these companies must target the full range of players from players, payers, physicians, nurses and pharmacists. Each of these groups is looking for something. Patients want quality and affordability, payers want to optimize their spending. Nurses want to achieve training and knowledge and so forth. The successful pharmaceutical company will have to treat customers differently in the near future. Identifying, differentiating, interacting and using all relevant data to customize their different offerings will be the key to increase the impact in each of the customer groups. (Wadman & Hütt 2004)

Generic medicines are drugs that are chemically and biologically equal to off-patent, branded drugs but usually priced significantly below the original drug. This makes them attractive to government health ministries. Prescribing of generic drugs is on the rise throughout Europe. Parallel trade occurs when a company exports cheap drugs from lower priced markets to the higher priced markets. The UK market is the most affected market for this in Europe. (Wadman & Hütt 2004)
4.3.3.4 The deregulation of the Swedish pharmaceutical market

In Sweden there are 946 pharmacies and 855 representatives. There is currently a deregulation process going on and Apoteket AB is expected to face competition from international pharmacy companies. 466 of Apotekets pharmacies will be sold to large actors while 150 will be offered to small business owners. A buyer of some of the 466 pharmacies must buy between 10 to 200 pharmacies divided between city and country regions (svt.se). On the consumer market there is also an expected competition from single pharmacy owners working cooperatively. The most likely competitors to Apoteket AB when it comes to non prescription drugs are grocery stores and health food stores. Apoteket AB will keep 330 pharmacies under their name. (www.kkv.se)

During 2009 the European Union is expected to make a decision about a new health care directive that will make it easier for the patients to receive health care across the borders. There are mainly three areas that will affect the pharmacies:

- Common recipes valid in all member countries
- A high cost protection that is valid no matter what country the patient is in
- Simplified e-business services between countries

So far the strict regulation of the pharmacies in Europe has stopped both horizontal and vertical integration. In countries where the market has become less regulated both competition and the level of integration increases. Norway, followed by Great Britain, is the country where the pharmacy chains have the biggest portion of the pharmacy market. Sweden has relatively few pharmacies per 1000 inhabitants today if compared to Norway and Germany. When the Swedish market is deregulated this number is expected to increase as the pharmacies in Sweden will face more competition from European chains. Companies like Celesio, Tamro, Finland 3 and Alliance Boots have all showed an interest to enter the Swedish market. (www.kkv.se)

On the first of September 2008 Apoteket AB does not longer have an exclusive right to deliver drugs to the healthcare system. The ambition of the government is that the monopoly of Apoteket AB is brought to an end and that the market is opened for other companies as well. The purpose with the deregulation is to accomplish a potentiation, increase the accessibility, lower the prices and keep a secure and suitable usage of medicine. The reflections from the pharmaceutical market investigation are the foundations of the framework for the deregulation of the market. The Swedish parliament made a decision about the possibilities for private actors to run pharmacies in April 2009. The nearest future date for the new rules to take effect is 1st of July 2009. Exceptions from the free ownership of pharmacies will be pharmaceuticals producers and persons or authorities with the right to prescribe drugs. Each pharmacy will need a license and a pharmacist in order to be legal. To secure the medicine sales in the back country the pharmacy representatives will remain during a transitional periods and anyone who buys a back country pharmacy will be obliged to run it for a certain amount of years. To further improve the accessibility the government will allow certain non prescription drugs to be sold at grocery stores. One such example is the nicotine replacement treatments that
are allowed at grocery stores from the 1st of March 2008. Here no pharmacist is required but the store must report to the local authorities and the treatment must not be sold to persons under the age of 18. (www.kkv.se)

4.3.3.5 Effects of a deregulated Norwegian pharmaceutical market
In Norway three companies dominate the market; Alliance Boots, Phoenix Group and Celesio. These companies together cover about 85% of the market. Besides them there is a smaller chain, Ditt Apotek, which is tied to Celesio. Other than that there are about 20 single pharmacies. The total number of pharmacies in Norway has raised 57% since the deregulation in 2001 and is now around 600. (www.kkv.se)

4.4 Interview results
The results from the 13 interviews are presented below. This will serve two purposes. First it will give the reader a presentation of the potential customers and secondly it will serve as a foundation for the analysis of the Nordic wholesale markets.

4.4.1 Presentation of the companies
Each company presentation below is based on an interview with a co-worker from each company. The presentations are of same format as the interview guides. The reader can then read through each presentation with the interview questions as a guide to make it easier to follow. The respondent at each company have chosen to remain anonymous.

4.4.1.1 Sweden 1 AB
Sweden 1 is a Swedish company that market and sell components, systems and services with a high level of technical content throughout a number of selected niches. The company continuously acquires new companies that either fit their profile or are successful in an important industrial niche. Sweden 1 is a large group of companies consisting of about 100 subsidiaries located in 15 countries. 80% of these companies are technology sellers and 20% are producers of technology products. All of the companies are working towards specific niches or industrial segments. The organization is decentralized in terms of business activities and accounting and each company is responsible for their own business, balance sheets and statements of income.

<table>
<thead>
<tr>
<th></th>
<th>Sweden 1 AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>2008</td>
</tr>
<tr>
<td>Turnover MSEK</td>
<td>6778</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>760,0</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>11,21</td>
</tr>
<tr>
<td>Solvency %</td>
<td>36,2</td>
</tr>
<tr>
<td>Employees</td>
<td>2728</td>
</tr>
</tbody>
</table>

Source: www.Sweden1.se
Sweden 1’s turnover is above the industry average for both 2007 and 2008 and their operating margin is also above the upper quartile for the industry. Their solvency is close to the industry median which is good for such a capital intensive business. (SCB 2009)

4.4.1.1 Competition
The competitive situation is fierce in the respective niche but the company as a whole does not have any direct competitors. Instead each of the subsidiaries faces an everyday competition from other niche players on the market. However, most of the Sweden 1 companies are leaders in their respective niche. Sweden 1 views their ability to provide solutions to technological problems as their main differentiation from their competitors and this is also a major barrier to entry, along with core competence, for new companies. The competition is handled locally by each Sweden 1 company. The companies throughout the Sweden 1 group face competition from less expensive Asian companies and their strategy to counter this is to sell products with high quality, good technological consulting and a large portion of technological content. Even though many industrial companies chose to move to countries with low salaries Sweden 1 assess their possibilities to stay in the Nordic region as good. Their customers are in industries that have good possibilities to keep a competitive production in the Nordic region. Competition from pure wholesaling companies is something that only affects about 10% of Sweden 1’s turnover.

Sweden 1’s strategy for growth is to expand in existing and new business areas. The growth will also be enabled by a broadened offering with regards to support, education and post-market services. Finally the company will also grow on selected new marketplaces.

4.4.1.2 Customers and suppliers
Sweden 1’s customers are in the energy, workshop, paper and pulp, pharmaceutical, grocery, chemical, petroleum and steel industrial segments. A majority of the customers are in fact industrial with energy as the largest segment. These segments are then divided among Sweden 1’s four business areas consisting of engineering and equipment, flow technology, industrial components and special products. Almost all sales are to the industries in these different segments. The subsidiaries have a large number of customer and the biggest customer makes up for 1% of Sweden 1’s total turnover. The main areas of development are technology, automation and geographical location. A majority of the customer relations are close and long term and the most important expectations from the customers on Sweden 1 companies are technical consultation and delivery precision. Customers with repetitive needs are an advantage when predicting the cash flows and making prognoses for future sales. Many industrial companies aim at minimizing their internal service and support functions which raises the demand for outsourcing of these types of services. This opens up new possibilities for Sweden 1 as they can provide these and complementing services as well. Another goal for these companies is to lower their number of suppliers in order to save time and money at the administration end. This is positive for large industrial wholesalers as their product and service ranges must be increased in order to be able to cater to these customers needs.
Also on the supplier side Sweden 1 builds relations based on long term business agreements. The suppliers look for partners that can help to develop their markets and sales but also a company that can handle a technical development. Suppliers with strong competitive products are favoured when Sweden 1 searches for new suppliers. Consolidations on their supplier side can mean that Sweden 1 gets a different product range from time to time as products are introduced on or taken of the market. It also opens up for the risk of their suppliers opening their own distribution channels. On the other hand, larger suppliers can allocate more capital for research and development which brings new and more advanced products to the market. Sweden 1s suppliers have allocated some production to Asia which means lower prices and a rise in Sweden 1s competitiveness.

4.4.1.1.3 Changes and trends
Sweden 1 views logistics as the main area of changes. The entire company will have to be more efficient and precise when dealing with deliveries and stock keeping. Furthermore, an active approach on the different markets is valued highly in order to seek out new technological breakthroughs and inventions. It will also be important to react to the customers changing needs as the market evolves. The fear of being phased out as a wholesaler in the industrial market is not viewed as very likely. The need for availability will help the wholesaler keep his position in the market for the time being and the near future. The biggest challenge for Sweden 1 companies is to keep and develop their technological competencies. The environmental issues and legislations is something that the Sweden 1 group is constantly monitoring and adapting to but since Sweden 1 only have a small production of their own their effect on the environment is small. Most of their environmental impact comes from their transports which in turn can be affected by laws. In order to lessen the effect on the environment better planning and logistics can be utilized.

Sweden 1 foresee good possibilities for acquisitions because of the recession. Owners of interesting companies have previously not been willing to sell to Sweden 1 at their proposed prices but since the downfall in the economy, several of them have reopened the dialogue with Sweden 1.

4.4.1.1.4 Business model and IT solutions
The business model used by the Sweden 1 group is decentralized technology sales. The company aims at having good knowledge about their customers’ systems and processes along with a good technological knowledge and thus becoming the most effective partner for their customers as well as their suppliers. In order to build up the competencies required for creating value for the customers and thereby revenue the operations must be focusing at a few niches. Being decentralized comes naturally due to the niche focus of the group.
The Sweden 1 companies provide technical expertise, customized solutions, service and training. The supply chain also gets more structured as the companies acting as middle men reduce the number of resource demanding business relationships.

The company does not use a centralized IT solution but instead each subsidiary is responsible for their own IT solution and its compatibility with the central processes. Investments into IT software solutions are an ongoing process throughout all of Sweden 1s subsidiaries. As of now there are approximately 20 different software systems being used in the group.

4.4.1.1.5 Internal processes
The answers from Sweden 1 are in general terms as there can be divergences between their different companies. The planning processes are good and important overall with little need for improvement. Sourcing is very important at Sweden 1 because of their need for a stable supply of products with good quality and competitive prices. These processes are well functioning at the current state but attention will be needed in order to stay on top of things and don’t lose ground to competitors. The processes regarding store are all stable and almost as important as the sourcing. As for now Sweden 1 are of the opinion that the processes here are in a good state and will stay this way for the coming years. Processes in the sell department are all doing well except for e-commerce where considerable improvements are needed. The most important processes here are customer relations management and global trade management. Finally, the corporate functions and analytics processes are doing well but with a need for continuous improvements. They are all equally important for the company and a foundation for a well run business at Sweden 1.

4.4.1.2 Sweden 2 AB
Sweden 2 is a Swedish company in the food and beverage wholesale segment. They provide restaurants, large scale caterers and grocery stores with food, beverages, equipment and non-food products. The company has approximately 900 employees divided on four regions in Sweden and is also one of the largest players on the Nordic foodservice market. Sweden 2 was previously known as Ica Meny and the separation
from Ica has meant large lump payments for the company which influenced the result negatively during 2007. The company is growing through strategic acquisitions of companies with key functions. This has been done primarily in the fruit & vegetable and meat industries. Sweden 2 have also expanded to the Norwegian market during 2008.

Table 2 Key figures for Sweden 2

<table>
<thead>
<tr>
<th></th>
<th>Sweden 2 AB</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>2007</td>
<td>2006</td>
</tr>
<tr>
<td>Turnover MSEK</td>
<td>4652</td>
<td>4555</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>-13,4</td>
<td>23,2</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>-0,29</td>
<td>0,51</td>
</tr>
<tr>
<td>Solvency %</td>
<td>8,38</td>
<td>11,87</td>
</tr>
<tr>
<td>Employees</td>
<td>985</td>
<td>903</td>
</tr>
</tbody>
</table>

Source: Amadeus

Sweden 2’s turnover is well above the industry average for companies of comparable size. However, their operating profit and operating margin are below the average due to large onetime costs stemming from the separation from the retailer ICA. Their solvency is also below industry averages due to large loans also stemming from the same separation. (SCB 2009)

4.4.1.2.1 Competition
There are four large competitors and some hundred smaller ones on the market. The barriers to entry consist of large investments and customer relations. The large competitors to Sweden 2 are Servera, Martin Olsson, Axfood Närlivs and Svensk Cater. The competition is mostly handled with on a national level although some regional variations in the competitive behaviour may occur. Sweden 2s primary differentiations from their competitors are high service levels and their wide range. They have about 39 000 articles when counting all of their product groups.

4.4.1.2.2 Customers and suppliers
Sweden 2 mostly have small customers ranging from retailers to restaurants and institutions in the public sector. There are no technological developments here that affect their business activities but some consolidation is present on the market. There is, however, an increasing level of professionalism along with a focus on sustainable development and fresh groceries. The customers are all in a close relationship or partnerships with Sweden 2 and they expect business solutions, fast and precise deliveries and product knowledge. An increase in demand has been met by Sweden 2 with a wider assortment and in order to handle a wider product range Sweden 2 have developed a more efficient logistics system including a central warehouse in Strängnäs, Sweden. This will help the company to better cater to their customers’ needs. Pre-prepared foods such as chopped or shredded vegetables in order to save time and staff at their customers operations are one such customer need.

On the supplier side Sweden 2 is experiencing a boost in the number of suppliers that are automating their ordering and invoicing systems. There is also a turn towards global
sourcing which changes the delivery times and order sizes. Sweden 2 have close relationships with a few of their suppliers but the majority of them are business contacts at arm’s-length. Since e-business is gaining ground most of the suppliers demand the use of e-business systems for processes like ordering and billing.

4.4.1.2.3 Changes and trends
According to Sweden 2 the wholesalers in the food & beverage segment will have to focus more on planning, finances and delivery precision. The demands on “right goods at the right time” is increasing all the time and the service levels are creeping closer and closer to 100%. They have no fear of being phased out of the supply chain but are instead of a strong belief that their role will be strengthened in the near future. The foodservice industry in Sweden consists of a few large companies alongside many smaller local ones but the trend here is a concentration towards national full range wholesalers.

Changes on the end consumer stage like increased travelling, more restaurant visits, a wider interest for ecological food and an increased amount of single households have brought more work for Sweden 2s customers and thus a larger turnover overall. These trends have been experienced by the company on both the Swedish and the Norwegian markets.

Regarding environmental issues the company is foremost concentrating on transports, energy consumption, materials & packaging, recycling and ecological goods. The transports will be optimized by the usage of their own owned trucks and central warehouses which makes it easier to plan and monitor the operations. Furthermore, the fuel usage of the transports is expected to be lowered by using more efficient transportation methods. Legislations regarding the food industry and environment are being monitored by the company and reacted to as they are made official.

4.4.1.2.4 Business model and IT solutions
The business model employed by Sweden 2 is to sell and serve everything that is needed at their customers operations, a full range wholesaler. This includes food, beverages and equipment. The goal is to create success for their customers by providing value added service and quality.

The most important IT solutions for their business are sales, logistics, warehousing, ordering and billing. Orders must be handled quickly and efficiently. These processes are integrated in the business system run throughout the whole organization. Their current IT supplier is IBS and they are running ASW 5.5. The company requires a better solution for business intelligence as this area is in need of a total remake. A decision support system would improve the company’s processes.

4.4.1.2.5 Internal processes
For the first segment of processes, the planning segment, the company experience some problems as of today. All three processes are important but score low on current status so here is an area that requires a lot of improvements. The same goes for the two sourcing processes that are important but less functional at this time. Store processes are doing
better but there is still room for improvements as these processes are also important. The company has no export but the other sell processes are doing well except for e-commerce which could use an upgrade to live up to future demands. Finally corporate functions and analytics are also in need of improvements although they are not as low scoring as the sourcing processes. All in all the company could use a fine tuning of all of their internal processes.

4.4.1.3 Sweden 3 AB

Sweden 3 is a part of the Finnish corporation Finland 3, which consists of Finland 4 Oy, Sweden 3 and several smaller companies, which is present on the Swedish, Finnish, Danish, Baltic and Russian markets. Sweden 3 is split into two business areas, pharmaceutical trade and healthcare trade. Their goal is to be the leading company in trade and logistics with medical products in Sweden and Finland while having a selective growth on their other markets as well.

Table 3 Key figures for Sweden 3

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover MSEK</th>
<th>Operating Profit (EBIT)</th>
<th>Operating margin %</th>
<th>Solvency %</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6704</td>
<td>46,0</td>
<td>0,69</td>
<td>20,44</td>
<td>394</td>
</tr>
</tbody>
</table>

Source: Amadeus

Since Sweden 3 was incorporated into Finland 3 during 2006 and the key figures from 2005 above are therefore the company’s last as a single entity. Since then the accounts of Sweden 3 cannot be accessed separately since Finland 3 does not publish the accounts of all their subsidiaries.

The company’s turnover was, however, during 2005 well above the industry average although their operating margin was below and their solvency was close to the middle. (SCB 2009)

4.4.1.3.1 Competition

The Swedish pharmaceutical market has been monopolized by the Swedish company Apoteket for about 40 years. Now, however, this market will be partly privatized and 615 Apoteket stores will be sold out to other actors. The Swedish pharmaceutical market has been dominated by Sweden 3 and Tamro for a substantial time period. The two companies have had about 50% each of the Swedish market. Apoteket AB has monopolized the market for prescription drugs in Sweden and is because of this a major customer for the pharmaceutical companies. Since they are a third party logistics company, and provide the core logistic service, they have the makers of drugs and pharmaceuticals as their customers for whom they perform delivery services amongst others. Since the wholesaling market is dominated by Sweden 3 and Tamro there are barriers to entry and it would be hard for a newcomer to take market shares from these
well known companies. Sweden 3 see their service levels and fast deliveries as their main
differentiation from their competitors but since they are a third party logistics company
they cannot decide upon their range of products themselves. This may change since the
company consider buying some of the pharmacies that are being sold and thus decide
upon the range themselves.

4.4.1.3.2 Customers and suppliers
Around 100 pharmaceutical companies rely on Sweden 3 to handle their flow of products
to their customer Apoteket AB on the Swedish market. About 20 of these companies are
well conversant in the electronic business while others have started to adapt and a few do
most of the paper work by hand. These companies decide the range of products that are
available on the market and Apoteket AB order from these product ranges. With each
customer there is essentially a unique solution in terms of handling the order and billing
and thus making up for around 100 different ways of handling these processes. Sweden 3
guarantee their customers to deliver the goods within 24 hours and the mean lead time is
8 working hours. This is accomplished all over Sweden at about 945 Apoteket stores and
other customers as well such as county councils in Sweden. Sweden 3 have little to say in
terms of delivery times during a day and the format on the deliveries. Being a third party
logistics company they have to do it the way their customers want. What they would
prefer though is more fixed delivery times from their customers and a more standardized
way of how the goods are delivered. This can be related to such things as standardized
pallet sizes amongst other things. The expectations their customers have on them is to
help them develop their sales and become more effective in the way they deliver goods.

4.4.1.3.3 Changes and trends
The current situation on the pharmaceutical wholesale market when a majority of
Apoteket AB pharmacies are being privatized could indeed make Sweden 3 transform
into a wholesale and retail company instead of their current state as a third party logistics
company. The trend in the transport sector is green transport which takes the environment
into consideration. A part of greener transport is to keep a track of what is loaded into
each truck and have good route planning so that the trucks run empty for as short
distances as possible. This is something Sweden 3 is continuously working with. Sweden
3 have also had its environmental certification for over 10 years.

4.4.1.3.4 Business model and IT solutions
The business model run by Sweden 3 is third party logistics with exclusive contracts for
producer and buyer of pharmaceutical supplies. The company aims at actively contribute
to the creation of an effective Swedish health care system with focus on what’s best for
the customer and their patients.

The main areas where Sweden 3 feel that they excel are warehousing, ordering and
billing. The main IT solutions provider for the company is IFS but other solutions from
other providers are used side by side with their main IT solution. Sweden 3 argues that
investments will be needed in the IT area as a whole all though many functions are more
than satisfying at the moment.
4.4.1.3.5 Internal processes
The internal processes at Sweden 3 are consistently viewed upon as good and well functioning but with an overall aim to improve throughout the company. The most well functioning internal processes are found in the storage segment. The other four segments of processes are almost equally good. The importance of corporate functions and analysis will be different in the future as this has to do with the change in the current market and the potential change in the company as a whole. Overall Sweden 3 expect to have top functioning processes within three to five years.

4.4.1.4 Sweden 4 AB & Sweden 5 AB

4.4.1.4.1 Sweden 4 AB
Sweden 4 is a holding company in the pharmaceutical business that is active on the Swedish, Danish, Finnish and Norwegian markets through its 10 subsidiaries. All 10 subsidiaries report to Sweden 4 who is the coordinating body of the group. Sweden 4 and their subsidiaries aim at through well documented products and easy accessible distributions serve the customers’ needs for products that increase their health and life quality. The company market both their own and licensed products. These products are sold through six channels; Internet, health-food stores, pharmacies, fitness stores, export sales and grocery stores. Rising costs for medical care in hospitals and institutions makes room for self care solutions in which Sweden 4 have a 15% share of the market. Products in the self care segment are dietary supplements, dermatological care and naturopathic drugs. Sweden 4 aims at leading the market with innovative products, good marketing and the spreading of knowledge. The company tries to do as much of the production and distribution within their 10 subsidiaries.

Table 4 Key figures for Sweden 4

<table>
<thead>
<tr>
<th></th>
<th>Sweden 4 AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>2008</td>
</tr>
<tr>
<td>Turnover MSEK</td>
<td>801</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>95,2</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>11,89</td>
</tr>
<tr>
<td>Solvency %</td>
<td>34,4</td>
</tr>
<tr>
<td>Employees</td>
<td>164</td>
</tr>
</tbody>
</table>

Source: www.Sweden 4.com

Sweden 4 went from numbers below industry average during 2007 to numbers well above industry average during 2008. The sales peaked and the operating margin sky-rocketed. The solvency did not change much and remained close to the median of the industry. (SCB 2009)

The Nordic healthcare market has a 10 billion SEK annual turnover to its end consumers and a steady annual growth of 7%. In order to attain a larger market share Sweden 4 is going to grow both organically and through acquisitions. The demand for Sweden 4’s products are affected by the general economic situation but so far the company have noticed only small effects of the reigning financial crisis. As for the IT solutions situation in the group there are currently no pain points but investments will be necessary in
business systems solutions handling financial control. Microsoft Dynamics AX is the company’s current enterprise resource planning software.

4.4.1.4.2 Sweden 5 AB
Sweden 5 AB was founded in 1989 and privately owned and run until 2006 when it was acquired by the Sweden 4 group. Sweden 5 has around 55 employees and its headquarters is situated in Falköping, Sweden. The company offers both their own and others pharmaceutical products on the Nordic market and most of its products are sold in health specialized stores. Their products can be found on the shelves of Apoteket AB, at the general dealers and on the Internet as well.

4.4.1.4.3 Competition
Sweden 5 is one of the distributions companies within the group while others are strict producers. Out of the ten companies in the group four operates on the Swedish market where Sweden 4 holds about 30% of the market shares. The competition varies from product to product. This is due to the fact that some products that Sweden 5 offers are unique on the market whereas others have competing products from companies such as Cederroths and New Nordic. Sweden 5 stresses that their main differentiation from their competitors is their market leading brands.

4.4.1.4.4 Customers and suppliers
The company keeps a close relationship with both suppliers and customers since ordering by phone or fax machine are still the most used methods, around 1% of their business is conducted via business solutions. Human contact is preferred over technical solutions such as EDI or web based order and invoice systems. The foundation of their operations is close and loyal contacts with both suppliers and customers in order to keep their fast delivery times on their products.

4.4.1.4.5 Changes and trends
Since Apoteket AB is Sweden 5s biggest customer the development here will be crucial for the company. Instead of one customer they will have to deal with four or five big actors. Sweden 5 argues that they are in the front edge of the business and are well suited to keep up with the changes in their business. The next interesting step is to develop technical solutions for replenishing of the stores stocks and shelves. This area could be more effective in terms of deliveries and order taking. Ordering from suppliers in the close geographical proximity of the company is also something that is getting more attention. This is one of the things Sweden 5 is doing in order to meet the environmental demands along with environmental friendly packaging and transportation. The company is not engaged in any production that requires environmental licensing but general environmental legislations are monitored and followed.

The health consciousness on the Nordic market has risen during the latest years which have helped the market for self care products to grow about 6% per year.
4.4.1.4.6 Business model and IT solutions
Each company in the Sweden 4 group operates on their own and is able to choose freely from different IT solutions providers as long as the systems are compatible within the group. Important IT solutions for Sweden 5 are logistics and production planning related ones.

At the moment the company uses paper invoices but would like to convert to electronic invoices in the near future. This would also include order and stock systems. The internal communications uses face to face, phone, fax and the Internet and is perceived as well functioning. The goal is to harmonize the IT solutions throughout the group so that all 10 companies can communicate and share information in a fast and reliable way.

4.4.1.4.7 Internal processes
Sweden 5s internal processes are mainly well functioning. In the planning segment the category planning needs extra attention to match the other two in the future since all three processes are equally important. As for the sourcing processes not much work is needed except regular work to keep them up to date. The store processes are all important and most work is needed in the warehouse management process as it is lagging behind the other three in development. Processes in the sell segment will need some more work as the company’s wish is to do more invoicing and billing online in the future. Corporate functions and analytics are also important and doing well at the time being. Human capital management could however need a brush up to meet the future demands of how it should work.
4.4.1.5 Finland 1 Oy
Finland 1 is a Finnish company that provides its customers with industrial products. The company offers industrial products and services for manufacturing, maintenance, construction, warehousing etc. Finland 1 is part of the Finland 1 group which is a family owned business consisting of about 30 companies. Around 1630 persons are working throughout the whole group and about half of them are employed by Finland 1.

Table 5 Key figures for Finland 1

<table>
<thead>
<tr>
<th></th>
<th>Finland 1 Oy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>2007</td>
</tr>
<tr>
<td>Turnover MEUR</td>
<td>278</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>17,2</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>6,16</td>
</tr>
<tr>
<td>Solvency %</td>
<td>62,31</td>
</tr>
<tr>
<td>Employees</td>
<td>1444</td>
</tr>
</tbody>
</table>

Source: Amadeus

Finland 1 have economic figures above industry average in all categories. This implies that this is a well run company with good future expectations. (SCB 2009)

4.4.1.5.1 Competition
Finland 1 is in the business to business trade with technological products. They are one of three big companies on the Finnish market where the other two are Würth and B&B Tools. The current situation is that the bigger companies take over the smaller ones in order to grow and be able to compete with the other two. Finland 1 is in a leading position in certain areas, these are welding, bearings and protective gear such as helmets and shoes for dangerous work places. The barriers to entry are low and the only thing a new company would need is a lot of capital. This is why many new companies enter the market albeit at a later stage being bought by the bigger ones. The competition was fierce before and the financial crisis throughout the world only made it harder on Finland 1s markets. The competition is also getting more globalized as both sourcing and selling of products have started to take place in China as well as in Europe. What differentiate themselves from the other companies is that they have high service levels, competent staff and good credit and finance functions.

4.4.1.5.2 Customers and suppliers
Finland 1s customers are small local ones or large who often have a nationwide coverage. This can for example be a paper pulp company or a large retailer. There is a trend among these larger companies to cut their number of suppliers, form partnerships and harmonize their product ranges across the area. There are both technological and geographical developments on their customer side which affects Finland 1s businesses. On the technological side the product range must be updated to meet new demands and needs and on the geographical side the trend to do business in China on the new rising market there. The company has partnerships in place with the large customers. A key account manager typically has one client to deal with so these partnerships are important both now and in the future. The customers have demands along the lines with web shops, bar code systems, high service levels and fast services.
On the supplier side the development is equally divided between geographical and technological changes but there is also the financial part in which credits are becoming more and more important. The time value of money is important in times of crisis whereas a euro today is worth more than a euro tomorrow. Finland 1 is trying to decrease its number of suppliers. They want to buy everything from a few partners to lower costs. The usual cost that is not always taken into account when having many suppliers is the logistics costs. These can be cut when cutting the amount of suppliers. Their suppliers’ demands often revolve around e-business and online ordering. The typical issue here is to make it possible the different IT systems to communicate with each other. Finland 1 is also trying to replace older equipment like faxes for ordering and other customer and supplier contacts.

4.4.1.5.3 Changes and trends
Current changes in the business have made Finland 1 start to centralize their procurement processes. They are also trying to form close partnerships within logistics with companies in the supply chain in order to share costs and improve planning of transports. Also, as have been mentioned earlier, the credit and finances function have increased in importance. The deliveries are now scheduled to take place more frequently as no one wants to keep large amounts of goods in stock. Possible threats to the wholesaler’s role in the supply chain are not perceived as very likely. The capital needed to buy products in large amounts has to be provided by someone. Furthermore, although web shops and e-business is increasing this would rather help the wholesaling company in its daily business operations. Legal changes have had an impact on the Finnish market already since Finland became member of the European Union. Now companies from the EU have easier access to the Finnish market and a natural response to this competition is to grow bigger.

Other challenges affect products. For example tougher demands on protective gear could be an advantage for Finland 1 since they are in a leading position on this area. Suppliers of cheaper products are another challenge which can be dealt with by having a higher quality and longer lasting products.

4.4.1.5.4 Business model and IT solutions
Finland 1 describes their business model as centralized buying so that their clients can do what they are good at and put more focus into their daily routines.

The ERP system used by Finland 1 includes planning, procurement, logistics, deliveries, finance and credits, and sales. There is always strife to be more efficient in all of these processes and an ERP system really helps in this situation. In the case with human versus machine Finland 1 still think that a well educated and experienced salesman is still important no matter how far the computerized systems evolve. In general Finland 1s IT solution is newly procured and the next big investment does not fall inside the IT area.
4.4.1.5.5 Internal processes
Finland 1’s internal processes range from bad to good. The best working processes are found in the planning segment. Here not much work is needed except monitoring for future changes. Sourcing is also doing fine but the import process needs some more attention to live up to future standards. The store processes at Finland 1 are in need of improvements. Inbound logistics still have room for improvements before being top notch. Processes with the most need for improvements are found in the sell segment. Here the future wishes are high but today’s standards are low. Export and e-commerce will need extra attention. Finally the corporate functions and analytics do well with regards to analytics and business intelligence but worse in the finance and human capital management processes. Future wishes are high so development will be needed here as well.

4.4.1.6 Finland 2 Oy
Finland 2 is a Finnish wholesaler of fruit and vegetables. Today they are the largest privately owned company in the segment and also leaders of the Finnish and Estonian markets where they have 17 subsidiaries and around 150 employees.

Table 6 Key figures for Finland 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Finland 2 Oy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Turnover MEUR</td>
<td>530</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>15,2</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>2,86</td>
</tr>
<tr>
<td>Solvency %</td>
<td>81,91</td>
</tr>
<tr>
<td>Employees</td>
<td>71</td>
</tr>
</tbody>
</table>

Source: Amadeus

When comparing Finland 2’s economical figures to the industry averages it is clear that the company is above the median of the industry. However, the operating margin has dropped to a modest level during 2008. (SCB 2009)

4.4.1.6.1 Competition
There are three large companies on the fruit and vegetable market. Other than Finland 2 there is also SOK and Kesko. The competition on the market is close to an oligopoly but there also exists a large amount of smaller companies. However, Finland 2 is their main supplier and most of them don’t import any goods. The company has no global focus but instead aim at being leaders on their national market. Their main differentiations are high service levels, multiple daily deliveries and a very wide range of products.

4.4.1.6.2 Customers and suppliers
Finland 2 has all types of customers, a few large companies and many smaller ones. The customers are producers, other wholesalers and retailers out of which wholesalers have about 60% of the turnover and retailers 40%. Producers are counted as other wholesalers in their statistical data. Their customers tend to localize to large cities and are changing their old technology to hand held computers for ordering and e-business systems. With
regards to partnerships and day to day customers the company has them all. The cooperation is done via contracts that handle purchases and sales. There are companies that are important for Finland 2 and vice versa. It is important for Finland 2 to keep these companies close in order to build stronger relationships. Their customers are starting to demand business solutions and online invoicing. The company follows their customers to some extent, checks what they use and make sure that they can operate in the same manner. Communications between their different systems must be mediated via modules that can handle intra system communications.

The suppliers of Finland 2 have some technological development but nothing that really changes the business for them. It is still all about the product and that will not change much over the coming years. The company has close relationships with its suppliers but they can change to a new supplier at any time given a better price or other conditions. For their sourcing in Spain they use an agent who has a good overview of this market. This way they don’t have to have direct contacts but instead trust that the agent finds suitable deals for them. The suppliers have no demands on them in terms of E-business or other online functions. Southern Europe is generally behind on these areas in Finland 2’s opinion.

4.4.1.6.3 Changes and trends
The planning will be a lot tougher in the future in this industry. The stock should be on the road to maximize proceeds and minimize stock keeping and obsolescence of the products. The importance of e-business will rise. Wholesalers will be needed in this industry also in the future since it is hard for the individual grocery store to buy the amounts of fruit and vegetables they need at a daily basis to a reasonable price. Locally grown fruit and vegetables are also increasing in popularity but the amounts of these products grown locally are too small to cover the demand on Finland 2’s markets. The logistic situation in Finland is expensive. It is a large country relative to its population and the transport companies charge quite a lot to drive to the northern and eastern most parts of Finland. A final challenge is to keep the largest national grocery chains as customers, without them it would be hard for Finland 2 to keep doing business. On the environmental area the company has all required certifications and they react to legislations as they arrive. Waste is not a problem for Finland 2 since they can send back bad quality products to the supplier.

4.4.1.6.4 Business model and IT solutions
The current IT solution includes all the parts mentioned in question 10 of the interview guide found in attachment 1. The planning is quite easy in this business. The company knows what the customers want and can place orders with their suppliers. The procurement process is in their opinion the most important at the moment. Investments on the IT area are needed continuously, specifically in the e-commerce area. They currently follow a tailor made IT solution with planned upgrades after a certain time period. This system is provided by Western Systems, a Finnish developer.
4.4.1.6.5 Internal processes
Finland 2’s internal processes are generally good but with some room for improvements. The planning processes are all important and well functioning although the transportation planning could use more work to be satisfactory. Sourcing is of course important as well but in their opinion they excel in these areas and are already at a good level. Store processes are important and its importance will increase during the coming years. Work to improve all these processes will need to be done in order to more effectively handle the stock and keep it on the road as much as possible. The sell process e-commerce is currently under-developed and investments will be needed here to be able to offer a good and effective online shop for their customers. The corporate functions and analytics are well functioning except human capital management. The company is in need a fresh outlook in this area.

4.4.1.7 Finland 4 Oy
Finland 4 is a Finnish company and a part of the Finland 3 corporation that is active on the Finnish, Russian, Swedish and Baltic markets. They distribute pharmaceutical supplies to private pharmacies and other points of sale. Finland 3 is also the major owner of the Swedish company Sweden 3 which operates in a similar way as Finland 4 but on the Swedish market. Finland 4 is engaged in healthcare trade and pharmaceutical trade. On the pharmaceutical side customers are pharmaceutical manufacturers and importers as well as pharmacies, hospitals, healthcare centres and other parties in the healthcare system acting as both retailers and end-users. On the healthcare side the customers are hospitals and primary care, laboratories in the healthcare and industry business and research institutes. In the pharmaceutical wholesale business, the established practice in Finland and Sweden is the single channel model, wherein a pharmaceutical distributor agrees with a pharmaceutical company on the exclusive distribution of all the company’s products to all the pharmacies nationwide. Finland 3’s strategy in short, in which Finland 4 is an integral part, is as follows:

- Integrate and expand wholesale and retail business in Russia
- Transform into integrated pharmaceutical retail in Sweden
- Transform into pharmaceutical wholesale and retail in Finland
- Implement wholesale business model for Healthcare Trade
- Improve operational competitiveness

Table 7 Key figures for Finland 4

<table>
<thead>
<tr>
<th></th>
<th>Finland 4 Oy</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year</td>
<td>2007</td>
<td>2006</td>
</tr>
<tr>
<td>Turnover MEUR</td>
<td>637</td>
<td>602</td>
<td></td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>25,4</td>
<td>16,5</td>
<td></td>
</tr>
<tr>
<td>Operating margin %</td>
<td>3,98</td>
<td>2,74</td>
<td></td>
</tr>
<tr>
<td>Solvency %</td>
<td>25,65</td>
<td>24,94</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>1051</td>
<td>1136</td>
<td></td>
</tr>
</tbody>
</table>

Source: Amadeus
The turnover for Finland 4 is excellent and well above the industry average. Their operating margin and solvency are, however, closer to the median. It is still a strong enterprise and the company will probably increase their turnover. (SCB 2009)

Table 8 Key figures for Finland 3

<table>
<thead>
<tr>
<th></th>
<th>Finland 3 Oyj</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>2008</td>
</tr>
<tr>
<td>Turnover MEUR</td>
<td>1581</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>36.4</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>2.30</td>
</tr>
<tr>
<td>Solvency %</td>
<td>23.5</td>
</tr>
<tr>
<td>Employees</td>
<td>3807</td>
</tr>
</tbody>
</table>

Source: www.Finland.com

The financial statement of Finland 3 of course depends on the success or demise of Finland 4 Oy and Sweden 3. So far the companies in the group have had a turnover above industry average but only a mid-level operating margin and solvency. (SCB 2009)

4.4.1.7.1 Competition

Finland 4 is active on an oligopoly market which consists of two very large companies. The other company is Tamro. This makes the competition extra fierce since a contract lost is almost automatically a contract won for the opponent. The business area of Finland 4 is the Nordic markets, the Baltic states and Russia although their most important market is Finland. Both the two large companies have well functioning business solutions, fast deliveries and high quality but Finland 4 are of the opinion that they handle their customer relations better than Tamro. Finland 4 and Tamro also work differently since Finland 4 is more of a third party logistics company and Tamro is a pharmaceutical wholesaler. This means that Finland 4 have two kinds of customers; pharmaceutical producers and buyers. Finland 4 takes on delivering the supplies that the producer and buyer have agreed on. In the case with exclusive contracts, as this is, the customer is forced to buy the products via Finland 4.

4.4.1.7.2 Customers and suppliers

Since Finland 4 is working as a third party logistics company they treat both producers and buyers as their customers. They have all kinds of customers from small to large ones both as producers and pharmacies. They don’t focus their efforts on a special kind of customer segment in the pharmaceutical industry but instead all interesting companies are welcome to do business with them. The company works closely together with its customers but no partnerships are utilized. Instead exclusive contracts are drawn up which stipulates the business agreements. Almost 98% of the orders are placed online via their business platform so the personal contact is more valuable when deciding on agreements than during the daily work. There are about 800 private pharmacies in Finland to which Finland 4 deliver products from producers. There is not a government monopoly on pharmacies in Finland which makes it possible for private actors to own and operate their own pharmacy. Pharmacies on the country side are generally much smaller than the ones located in the larger Finnish cities.
4.4.1.7.3 Changes and trends

Since the Swedish pharmacy market is being deregulated there will open a new option for Finland 4. This option is to buy a number of Swedish pharmacies and become a retailer as well as a logistics company. By doing this the company will become a buyer of pharmaceutical supplies and this will change their whole system. Changes and development of the logistics are always important for the company to deal with. They must be on top of the development and preferably ahead in order to stay effective. Possible threats from substitutes don’t seem all that likely. The two big companies have a firm grip of the market and producers and buyers still need a middleman to handle deliveries, stock keeping and bulk breaking issues. Should Finland 4 also move into retail they would become their own wholesaler as well.

Consolidation is increasing in the global pharmaceutical market, healthcare equipment and supplies market, which leads to larger companies being formed. Consolidation is also taking place in pharmaceutical retail and wholesale and in the wholesale of healthcare equipment and supplies.

Finland and Sweden have a single-channel model of pharmaceutical distribution where the pharmaceutical wholesaler enters into a contract with a pharmaceutical company to exclusively distribute all its products to every pharmacy in the country. The healthcare product manufacturing industry merged further, with the largest companies continuing to acquire other businesses. This affects Finland 3’s ability to increase its market share through adding new representations since the largest companies market most of their products themselves. On the other hand, basic products are becoming increasingly similar, which means that customers can be offered parallel products, and customers are also adopting local models of procurement. The increasing likeness of products and new procurement models represent opportunities for Finland 3. Mergers among healthcare customers have been continuing, both in the public and the private sector. This process of mergers is reinforced by the pressure to cut healthcare costs. When different organisations decide to merge certain functions it can also render in new opportunities in procurement and logistics services.

4.4.1.7.4 Business model and IT solutions

Finland 4’s business model is to make exclusive contracts with their customers on what to deliver. In this way the tie up their customer for a period of time in which Finland 4 is their only deliverer of their supplies to the contracted customers.

In order to make the company’s business model work they are very dependent on their ERP system. This system, which is delivered by IBS, covers all the daily processes that are required to carry out orders and deliveries effectively. Investments in the system are made continuously to install improvements and catch up with the technical requirements.

4.4.1.7.5 Internal processes

The internal processes at Finland 4 are both good and less good. In the first segment, planning, all processes are important but only transportation planning works really good
at the moment. Demand & supply planning and category planning need extra attention to
live up to their important status. Sourcing is less important but there is an intention to
improve these processes as well in the future. Out of the store processes only inbound
logistics need a good looking over since the rest are doing good today. Out of the sell
processes global trade management and e-commerce are not living up to the required
levels and will also need improving. The corporate functions & analytics processes are
important for the company but analytics and business intelligence will need to be
improved for the future.

4.4.1.8 Denmark 1 A/S
Denmark 1 is a Danish company in the industrial wholesale business. They specialize in
tools, heating and sanitation and electronic appliances. Their business activities are
divided in two markets, the professional market and the do it yourself market. They are
market leaders with a turnover at 2.7 billion Danish crowns. The business idea is to
enable the customer to buy everything they need of the above mentioned categories at the
same place. The deliveries are made overnight so that the customer can receive the
ordered products one day after ordering. Around 3000 orders are processed at a daily
basis within Denmark. Denmark 1 has an arrangement with Wholesalers of Installation
Material (WIM). This means that they buy their products together with several other large
European wholesalers which in the end mean lower prices for their customers.

<table>
<thead>
<tr>
<th>Table 9 Key figures for Denmark 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Turnover MDKR</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
</tr>
<tr>
<td>Operating margin %</td>
</tr>
<tr>
<td>Solvency %</td>
</tr>
<tr>
<td>Employees</td>
</tr>
</tbody>
</table>

Source: www.denmark1.dk

The turnover for the company is and has been high but the problem is the small operating
margins. It was low during 2007 and has sunken even more during 2008. This leaves little
margins for investments and other non-standard costs. (SCB 2009)

4.4.1.8.1 Competition
The competition for Denmark 1 is four large companies and a wide range of smaller
companies, where Denmark 1 is at least amongst the top 3 companies on the market. The
main competitors are Brødrene Dahl, Nordisk Solar, Sanistaal and Lemvigh-Müller and
the competition is focused around price and services. The competition is dealt with
locally as it is almost 100 percent domestic. The barriers to entry are high and revolve
around costs and technological knowledge. Denmark 1 consider their range as their main
differentiation from its competitors.
4.4.1.8.2 Customers and suppliers
The customer side of Denmark 1 is divided into many small companies and other customers and it is their geographical activities that mainly affect Denmark 1. This includes delivery locations and storage locations. As for relations, Denmark 1 have close relations with many of their customers and these customers expect business solutions, timely deliveries and technological consulting to some extent. With the smaller customers the relationships are held at arms length. On the customer side the company has to adjust to both technological and geographical developments. New products hit the market at a continuous pace and sourcing is taking place globally. Here they naturally receive benefits when working together with WIM. The suppliers are looking for help when developing their sales on the Danish market and they also require business solutions in order to be effective when doing business with their customers, in this case Denmark 1.

4.4.1.8.3 Changes and trends
The most important change according to Denmark 1 is the movement towards e-business. The company will have to respond to this with powerful applications that can handle the entire supply chain. The most important areas will be financing, procurement, sales and credits. There are no imminent threats to the wholesaler except disintermediation, which is a sale directly from the producer to the final customer and not through a wholesaler. This is, however, not happening on Denmark 1’s market at the time being. The market is regulated by the Danish government to prevent cartels or other illegal cooperation or fusions that might offset the competition. This is something that the companies on the market must take into account when forming joint ventures or cooperate in other manners. The most challenging part is, according to Denmark 1, to keep adding value to the supply chain. This is expected to be done mainly by new services and higher service levels. Another challenge is to make the transports environment friendly now when sustainability is taking more and more ground. Globalization is yet another challenge for Denmark 1. Foreign companies, markets and supply channels are a threat but also a possibility to source and sell much more abroad. The company will also try to recycle at least 60% of its total waste during 2009.

The future is hard to predict because of the financial crisis. The construction sector is expected to decrease but maintenance companies will still have work to do although on a lower level. Because of the economic situation Denmark 1 will focus on creditworthy customers in order to lessen the credit risks. The company is also expecting a tax reform and a government package stimulating economic growth which will help to raise the optimism on the market.

4.4.1.8.4 Business model and IT solutions
It is Denmark 1’s aim to be the preferred supplier to companies in the construction business. This includes construction, heating, ventilating and air conditioning (HVAC) and maintenance companies. The concept is one-stop-shopping where each customer can pick up or have delivered all that they need for their everyday business. Each order should be delivered within 24 hours no matter where in Denmark the customer is situated. Each registered customer also has access to the business portal ao.dk where they can place orders and check statuses for their different orders.
The most important functions for the company to be able to conduct their daily business are logistics, sales, financing, credits and deliveries. A new ERP system has been implemented in the organization in order to make daily business more effective and save money in the administration and sales functions. The ERP system is also expected to make the stock keeping better and easier to overview. Future regular occurring investments in this area are planned. The company will hold courses and train the staff in using the new system as well as in general computer knowledge. All in all the company is of the firm belief that the new ERP system will enhance their business activities and help the financial result in the future. Their IT suppliers today are Lawson and local Danish IT consultants.

4.4.1.8.5 Internal processes

The processes regarding planning work well at the company. They do, however, require more from these processes in the future which makes continuous improvements necessary. The two sourcing processes, purchasing and import, are equally important for the company but the import needs to be strengthened. Store processes are also important but all processes except transportation management are doing well at the moment. In the future the company wants all the processes to be top notch. The sell processes are of shifting quality and most attention is needed at the CRM and e-commerce processes. Corporate functions and analytics are doing well and only minor attention is needed for these processes.

4.4.1.9 Denmark 2 A/S

Denmark 2 is one of Europe’s leading importers and distributors of frozen fish and shellfish. They have about 1000 different items in their product range. The company’s major shareholders are the Japanese company Nissui and the New Zealand based company Sealord. Denmark 2 operates their own cold warehouse and production facilities as well as the distribution of fish and shellfish products. The market segments of their customers are food service, retail and industrial.

<table>
<thead>
<tr>
<th>Year</th>
<th>Denmark 2 A/S 2008</th>
<th>Denmark 2 A/S 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover MDKR</td>
<td>1707</td>
<td>1411</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>44,4</td>
<td>52,8</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>2,60</td>
<td>3,74</td>
</tr>
<tr>
<td>Solvency %</td>
<td>20,15</td>
<td>19,96</td>
</tr>
<tr>
<td>Employees</td>
<td>94</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: Amadeus

The turnover for the company is well above the industry average but the operating margin has sunken from above to mid-level between 2007 and 2008. The solvency is low compared to the industry due to large loans. (SCB 2009)
4.4.1.9.1 Competition
The competition consist of a few large and many smaller companies. Out of these companies Denmark 2 is in a leading position on most products in their range. There are low barriers to entry and this makes the competition fierce in many products segments. The largest competitors to the company are World Seafood, Dan Lachs, Simonsen, Galana, Royal Greenland and Fregat Seafood. Most of the competition is local so there is not a great deal of global competition to deal with. The company differentiate themselves from their competitors by having fast deliveries, high service levels, good credit and finance functions and a superior product range.

4.4.1.9.2 Customers and suppliers
Their customers are comprised of a few big companies and many smaller ones. The tendency is that the smaller companies are being bought by the large ones. This of course results in fewer and larger customers for Denmark 2 to deliver to. Their main type of customer is wholesalers of different niches. There are wholesalers in food service, frozen fish, meat, ethnical and ship supply which the company sells their products to. Developments on the IT side are important at the moment. Here an increase in business solutions is noticed and a will to place orders electronically. The company aims at building close relations with their customers in order to become their preferred supplier.

On their supplier side the most changes occur in products which may influence their assortment. The suppliers are held close in order to make agreements about market approach and sales. The suppliers have expectations regarding growing sales but not as much on the e-business side as the customers.

4.4.1.9.3 Changes and trends
In the future better logistics systems will be demanded by the customers. Also a movement towards more e-business is noticed throughout the market. More wholesalers will have a full assortment which means that Denmark 2 will have to deliver a wider range of products to each customer. The products tend to become more and more finished from the factories since less people work at the end customers side which is restaurants and caterers as an example. Denmark 2 are being proactive in their work which means that they are looking out for new trends and try to act before they get popular. This makes it easier to adapt to new trends as they can prepare themselves in advance. As for substitutes to wholesalers in this sector the company cannot see any clear alternatives. In this industry wholesalers will be needed to perform the typical wholesale actions.

Regarding the legal changes the company answers that the labelling is getting more important. This includes labelling of packaging dates, expiration dates et cetera. To be able to live up to the government demands on labelling safety along the whole vertical production line is required. Therefore the company’s own laboratory performs tests on inbound and outbound products. The whole chain of cold storage and cold transports is also meticulously monitored in order to secure the quality and durability of the products. In order to further control the cold storage the company will build their own cold storage in the near future and limit the amount of goods stored at public warehouses.
Sustainable development is also getting increasingly important and the company already has a wide range of Marine Stewardship Council (MSC) certified products in their range. The global aspects do also play a role in the trends as large groups tend to buy smaller companies.

4.4.1.9.4 Business model and IT solutions
The business model revolves around import, storage, financing and distribution of seafood products. The products are imported from all over the world and are then sold in the EU region as well as Eastern Europe. There is also a production and packaging function situated in Denmark that contributes to the business activities.

The most important IT solutions for their daily business activities include logistics, sales, financing, deliveries, credits and planning. Their current business system was installed at the end of 2007 and was made to be able to cope with developments in the industry such as the government demands for lot codes and expiry dates. Their IT suppliers are Navision and Microsoft.

4.4.1.9.5 Internal processes
Processes regarding planning work very well at Denmark 2 at the moment and not much have to be done to stay on top of things here. Sourcing processes, however, can be improved a lot and this is needed since their importance for the company is great and the future expectations are high. In the store segment the four processes are split in half regarding to importance and function. Inbound logistics and warehouse management are equally important and need some attention to be improved. Outbound logistics and transportation management are not as important and requires less work. The whole sell segment is not as important as planning and sourcing but still some attention is needed to keep up with the development. Finally corporate functions and analytics are of less importance but there are still some expectations of improvements in the coming years.

4.4.1.10 Denmark 3 A/S
Denmark 3 Group A/S is the largest supplier of medical products in Denmark and the largest parallel importer of medical products in the Nordic countries. The Group includes a numbers of companies that engage themselves with import, production, re-packaging, distribution, registration and sale of medical products in the Nordic countries, Germany and The Czech Republic. The main activity is parallel import of medical products from EU/EEA countries which are being sold in Denmark, Norway, Sweden, Finland and Germany. In addition to this the Group has since 2002 engaged itself with sales of generic medicine in Denmark, Sweden, Norway and Finland. The company provides generic products and parallel imported products on all of these markets. The idea is to provide medical products at a lower price and thus help governments and private customers to save money. Saving money on parallel imports is possible since pharmaceutical companies sell their products at different prizes throughout the European Union. Another company, like Denmark 3, can, with approval from the authorities, buy these products at the cheapest market, transport them to other markets and resell them there at a lower price than the original manufacturer is selling them for in that specific market and by doing this, the target society of the company’s operations can save money.
on these business transactions. The part of Denmark 3 this interview is focusing on is the Danish branch and therefore the wholesaling part of the group, Denmark 3.

Table 11 Key figures for Denmark 3

<table>
<thead>
<tr>
<th></th>
<th>Denmark 3 A/S</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>2007</td>
<td>2006</td>
<td></td>
</tr>
<tr>
<td>Turnover MDKR</td>
<td>2009</td>
<td>1634</td>
<td></td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>14,6</td>
<td>27,8</td>
<td></td>
</tr>
<tr>
<td>Operating margin %</td>
<td>0,72</td>
<td>1,70</td>
<td></td>
</tr>
<tr>
<td>Solvency %</td>
<td>6,3</td>
<td>3,9</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>210</td>
<td>207</td>
<td></td>
</tr>
</tbody>
</table>

Source: Amadeus

Denmark 3 show good economic figures for both 2006 and 2007 in terms of turnover. Their operating margin is at par with the industry but the solvency is very low when compared to companies in the same business. The long-term debts are the ones financing the company at the present time although a continued good run will increase the firm’s equity as the years pass by. (SCB 2009)

4.4.1.10.1 Competition

Denmark 3 is the leading company on the Danish market where a number of large companies compete along with a score of smaller companies. The smaller ones are foremost active on the parallel imports market and this is also the area where Denmark 3 are getting most of their new competitors. Denmark 3 is in a leading position on the Danish pharmaceutical wholesale market where no barriers to entry exist regulatory or product wise. A new company would, however, need a strong financial situation to challenge the larger companies like Denmark 3. A smaller barrier to entry is chain cooperation which makes it harder for new companies to find their place in the supply chain. The competition is perceived to be fierce and the principal threats to the company are the original producers of pharmaceuticals but both generic producers as well as other parallel importers are being watched closely since the market is fast paced in its nature. Denmark 3’s main differentiations from its competitors are fast deliveries, high service levels and a wide range of products.

A new problem for Denmark 3 is that large producers of pharmaceuticals limit their sales on certain markets where Denmark 3 buy their products. This leaves fewer products available for export and Denmark 3 cannot buy as much products as they could have sold on their target markets. Denmark 3 do, however, believe that limiting the products available is in violation of the European Union rules for free movement of products and services and a number of cases has been brought before the EU commission in order to be solved and remove these barriers imposed by the producers of pharmaceuticals.

Another threat to Denmark 3’s operations is direct sales from producer to pharmacy thus skipping the wholesale stage. By doing this the producers can make it impossible for Denmark 3 and other parallel importers to buy pharmaceuticals on low priced markets.
However, this type of business is also considered to be in violation with EU rules and a number of cases are yet to be decided.

The market for generics in Denmark has increased partly because of a higher number of products have been introduced by Denmark 3 and also because of agreements with suppliers to secure the supply of products to Denmark 3.

4.4.1.10.2 Customers and suppliers
Denmark 3 keeps their customers close, often in partner relationships. The customers mainly consist of other wholesalers and retailers. Changes at their customer side are most common in the geographical area which affects their delivery distances and proximity to their customers. Denmark 3’s customers have great expectations on their ability to deliver fast and accurate but they also value good pricing and well planned marketing activities. On the supplier side Denmark 3 is mostly affected by their suppliers’ technological advancements. New products and production methods require a careful product evaluation. A common relationship type on their supplier side is the partnership and this requires a good information exchange as most ordering and billing is done online.

4.4.1.10.3 Changes and trends
The pharmaceutical wholesale market is changing and this requires swift action from its participants in order to stay ahead and on the track. This is as true for Denmark 3 as for any other company. The most active areas for optimization are planning and logistics since Denmark 3 are of strong belief that money can be saved when making them more efficient. The next step for companies on this market is to form strong online relationships where the daily business activities are carried out. This requires powerful and resourceful business solutions that can tie the companies together and support these activities. Substitutes to wholesalers might be the suppliers themselves but in certain supply chains the wholesalers own the entire chains. In Denmark, however, the chains are more independent. The important thing from where Denmark 3 is standing is that they need to see the logistic value they add to the supply chain and keep developing that value. As for legal challenges the company tries to follow developments in the area closely and adapt ahead of legislations to stay proactive instead of reactive. Other challenges for the industry are self diagnosis and illegal internet drug sales which in Denmark 3’s opinion might damage the trust the industry has throughout the society. Price drops also affect the companies’ abilities to stay competitive.

On the Danish market the company has experienced an increase in the competition since the Danish government only reimburse the patients at the cost of the lowest-priced synonymous pharmaceutical. With an improved operations and purchase scheme Denmark 3 has been able to take advantage of these new rules and make a good profit on these products.

4.4.1.10.4 Business model and IT solutions
As Denmark 3 is a trading company their business model revolves around buying and selling products to make an earning of the difference in price.
The critical business solutions for Denmark 3 cover planning, logistics, sales and deliveries. No IT areas are perceived as being pain points at the moment, except their internal data set. For future investments Denmark 3 mentions CRM, WEB and logistics areas. At the moment the company is running Microsoft Dynamics AX, formerly known as Axapta which took about 6 months to fully implement. The new business system has helped the company achieve a higher efficiency and quality in their work as well as a paperless production at their facilities in Odense.

4.4.1.10.5 Internal processes
Planning is an important internal process where everything except category planning works well at present. Sourcing is equally important and has no area of less function today. Storing is also an important area of processes and here warehouse management is less functional than the other four and this is something that the company would want to work better in the near future. The sell process e-commerce is really underdeveloped today and requires some work in order to meet the future demanded performance level. Other than that one the sell processes works good but some improvements can be made here as well. Corporate functions and analytics all work well and nothing much can be done here to improve except regular upgrading.

4.4.1.11 Norway 1

4.4.1.11.1 Norway 1
Norway 1 (N1) is a subsidiary to the Norway 1 Parent (N1P) which is one of the world’s three largest ship supply companies. N1 handle the ship supply part of N1P which consists of providing marine and offshore supplies, marine equipment, spare parts and services. The company has two main business areas, marine equipment and marine supply & logistics. Marine equipment supplies lifeboats, security equipment and deck and maintenance equipment to ships/new buildings and production platforms worldwide under its own trademark. Marine supply & logistics delivers goods, equipment, services and spare parts. N1 is localized in countries such as Norway, France, United States and the Netherlands but this presentation will focus on the Norwegian branch in this presentation. N1 has a global service offering, where the customer benefits from economies of scale, purchasing advantages and logistics. Combining these with competent staff and local services N1 can cover every need of a modern shipping company. N1 is present in over 60 ports worldwide and this is important for them in order to be close to their customers operations.
Table 12 Key figures for Norway 1

<table>
<thead>
<tr>
<th>Year</th>
<th>Norway 1 As</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2007</td>
</tr>
<tr>
<td>Turnover MUSD</td>
<td>374</td>
<td>153</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>15,0</td>
<td>2,2</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>4,02</td>
<td>1,44</td>
</tr>
<tr>
<td>Solvency %</td>
<td>21,32</td>
<td>21,67</td>
</tr>
<tr>
<td>Employees</td>
<td>1140</td>
<td>550</td>
</tr>
</tbody>
</table>

Source: www.Norway 1.com

The company has gone from a middle of the industry turnover to a turnover high above average. The operating margin has also risen due to the increase in profits. The solvency is, however, below average for the industry. (SCB 2009)

4.4.1.11.2 Norway 1 Parent (N1P)

N1P is an independent company listed on the Oslo Stock Exchange. N1P was created through the merger of TESMA (100 per cent owned by CECO) and the stock listed company Strømme ASA. N1P provides services ranging from technical management, crew management, ship supply and logistics, to marine equipment and insurance broking, through the following subsidiaries: Norway 1, N1P Ship Management and N1P Insurance Brokers.

N1P brings together maritime operations and services: the business areas of ship management and ship supply. The company aims at creating value for customers and shareholders through a multi-disciplined organization, purchasing capability and efficient logistics. It is the strategy of N1P to continue to grow within the maritime service industry, either through acquisitions or joint ventures. The acquisition of Provimar is a consequence of this strategy, and strengthens the position of N1P in Southern Europe and North and South America.

The US economy has been hampered by the sub-prime crises, and at the time of writing it is uncertain what the impact will be worldwide. Nevertheless, continued growth in the East is expected to balance the declining US economy. It is anticipated that N1P will increase its earnings as a result of increased sales, cost savings realized in connection with closing of offices, and further improved utilizations of the synergies between the three divisions of N1P. It is anticipated that the earnings from N1P in the long-term will be less volatile than the income from the ship owning and trading activities.
Table 13 Key figures for N1P

<table>
<thead>
<tr>
<th>Year</th>
<th>Norway 1 Parent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Turnover MUSD</td>
<td>408</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>12,1</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>2,97</td>
</tr>
<tr>
<td>Solvency %</td>
<td>25,1</td>
</tr>
<tr>
<td>Employees</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: www.N1P.com

The turnover for N1P has also risen during 2008 to a level above industry average and the operating margin has reached the mid-level of the related industry as the profits have gone from negative to positive during 2008. (SCB 2009)

4.4.1.11.3 Competition

N1 has three large competitors, Ove Wrist, Fuji Trading and Sinwa, on a market consisting of both large and small companies. The competition is fierce and the barriers to entry are high because of the technological and experience advantage the existing companies have. The competition N1 is facing is global and thus handled with on a global level. In the shipping industry and its support industries the players must be able to meet the customers all around the globe since sea transports are made over such long distances. N1 is in a top position on the market and they differentiate themselves from their competitors by their swift deliveries, high service levels and repairs and maintenance. N1 supplies a complete range of marine products under well-known brand names. The branded products are engineered for dependability under rough conditions at sea by N1 and partners. This is something that the company uses as a competitive advantage in comparison with other companies who buy their entire range of products from other suppliers.

4.4.1.11.4 Customers and suppliers

The largest customer, which stands for the largest percentage of the turnover, is the rest of the N1P group but the company also has customers in the shipping, ship management shipyards, cruise and offshore operations businesses. The customers are relatively few altogether but very large. Large companies get economies of scale and the shipping business and tend to survive harsh times so the effect is that smaller companies merge or are being bought up by larger organizations. The most important developments on their customer side are the geographical changes. Their customers have global operations and they must be able to supply and provide maintenance all around the globe. The customers are kept both close and at arm’s length depending on how important the customers are. There are also partnerships occurring when advantages can be gain from it. The most important expectations the customers have on N1 are deliveries. Both the speed and the accuracy of the delivery are very important since ships move from port to port and are often on a tight schedule. Proximity to customers in the Middle East region is important as this area is one of the worlds most dynamic and fast growing markets, because of this N1 have recently acquired an office and warehousing in Dubai.
On the supplier side there is always a technological development that needs to be taken into account and keep up with. New technological solutions and products must be monitored so that the company can offer their customers the latest technology on the market. The development of quality and prices are also very important for N1 when it comes to choosing a supplier. Long term relationships often evolve into partnerships and there is a careful monitoring of and exchange with a supplier before a partnership is drawn up. The suppliers usually require business solutions in order to quickly and effectively handle incoming orders. Face to face meetings are important to make initial contacts and discuss general terms of agreements but the daily business transactions should be dealt with online and through business systems to be as effective as possible.

4.4.1.11.5 Changes and trends
Areas of increasing importance in the future will first and foremost be procurement, logistics and deliveries. The customers always demand faster and more precise deliveries so this is an area that will need constant attention and improvements. Another important area is the trading platform ShipServ. This trading portal is used by companies worldwide to find, connect and trade with other companies in the shipping industry. ShipServ was founded in 1999 and has grown exceptionally ever since. Buyers and suppliers connect the online marketplace to find and trade with relevant companies. The wholesalers in this market might face some threat from this marketplace but someone still has to buy large quantities and act as bulk breaker since the volumes from producers are large. Other challenges are to find partners for long term relationships, withstand hostile acquisitions, buy and/or merger with smaller or equally sized companies to grow bigger and arrange good framework agreements with suppliers and customers. The environmental issues have become increasingly important during the latter years. For N1 this means getting environmental friendly products that does not pollute the water. For example there are separators that can separate oil from water so that the spillage of oil into the oceans can be reduced. Shipping has become known as a very polluting industry so much work needs to be done in the environmental field. The legislation surrounding the shipping industry and environmental issues is also becoming tougher and the shipping companies must adapt to tighter rules regarding pollution of the oceans and lakes.

The world’s shipping industry is facing challenging times with difficult financial markets, reduced volumes and lower freight rates. For N1 a potential reduction in overall volumes might be partly offset by improved operational efficiency, improved purchasing power and the market’s need for more cost-effective suppliers. In addition, the division has significant activities in the military and off shore segment, which are less influenced by the current situation. The ship management business is well positioned to benefit from ship owners looking for cost-effective outsourcing solutions.

4.4.1.11.6 Business model and IT solutions
The company has a flat organization structure where employees work on the same level across the organization both locally and globally. This kind of organizations structure is referred to as cross-empowerment.
The most important business solutions for the company are the ones handling procurement, logistics, sales and deliveries. Without these the company would have problems conducting its daily business routines. Business solutions that are not up to date at current and may cause some problems are the CRM system and the Intranet. Future investments in the IT area could very well focus on these parts. Global communications between the company’s different offices and branches will also be an important area for future investments. The company uses its own made system but also accounting systems from Visma. Future investments will also include Microsoft’s SharePoint. The implementation of a global business system continues as planned. The system is now fully integrated in Hamburg, Rotterdam and Singapore, with Norway following in the fourth quarter. When the new business system is fully integrated throughout the entire Ship Supply organization, Norway 1 will benefit from a global and integrated IT platform, obtaining strong business control and further improving logistics and operational efficiency.

4.4.1.11.7 Internal processes
Internal processes at N1 are overall good but there is room for improvements as with all processes. Out of the planning processes the category planning needs the most attention but this process is also of less importance than the other two. Demand and supply planning is very well functioning at current. Sourcing works well and are important now and in the future, both need some attention in order to stay on top of things. Processes in the store segment are generally doing well and transportation management is the most important one here both now and in the future. The company tries to improve all four processes here to be able to provide faster and more accurate deliveries. E-commerce, belonging to the sell processes, doesn’t work well at the moment and investments will be necessary here to be competitive. Finally the corporate functions and analytics processes have a great importance but attention will be needed in order to improve the human capital management.
4.4.1.12 Norway 2 As
Norway 2 is a Norwegian trading company in the fresh and frozen fish industry. The company was established in 1994 and many of its suppliers and customers have been trading with the company since then. The company buys fish from producers in Norway and exports it to other countries around the world. Norway is the world’s largest producer of salmon and stands for about 70% of the global supply. Norway 2 does not only sell salmon but it is their largest product by far. Other products are fjord trout, value added products like filets, pelagic fish and white fish. Their transportations of fish are done via truck, boat and airplane and performed by professional third party logistics firms.

<table>
<thead>
<tr>
<th>Year</th>
<th>Norway 2 As</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Turnover MNOK</td>
<td>1880</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>42,1</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>2,24</td>
</tr>
<tr>
<td>Solvency %</td>
<td>30,53</td>
</tr>
<tr>
<td>Employees</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Amadeus

Even if the turnover was slightly lower during 2007 than 2006 the company increased its profit and operating margin. The turnover was still well above industry average and the solvency is in the middle when comparing to the industry. (SCB 2009)

4.4.1.12.1 Competition
The competitive situation in Norway is hard with about 20 exporting firms selling to Sweden only. Out of these exporting firms some are customers to Norway 2 as well. Norway 2 is in the top 3 fish selling companies in Norway and has as only company been awarded twice with the Salmon Exporter of the Year. The company exports around 400 tons of salmon to Sweden each week. According to Norway 2 there is a trend in buying healthy food and salmon is in a very good position when it comes to the healthy food market. Even though companies in Norway compete with each other there is a live and let live approach to competition since they all realize that they can all exist on the market. This is due to the increasing demand for salmon and salmon products worldwide. The most important factors to stay competitive are price and quality. Norway 2 uses Kotlers 4 Ps as a way to differentiate themselves from their competitors. But in this line of business it is hard to differentiate from the competition. The product is the same and they all buy from the same suppliers of fish.

4.4.1.12.2 Customers and suppliers
The customers of Norway 2 are usually divided into three segments. These are industry, supermarkets and HoReCa which stands for hotels, restaurants and caterers. The personal contact with their customers is important for Norway 2 and they arrange meetings between their suppliers and customers in order to make their suppliers see who the end customer is and how important he is for their own business. Consumers also demand around 7-9% more seafood each year which drives the production upwards. What has
happened on the customer side with regards to the financial crisis is that the HoReCa segment gets a tough time while the supermarkets do better. This is due to the fact that the consumers can’t afford restaurant and hotel visits but instead stay at home to eat. Norway 2's customers demand high quality, fast deliveries and availability. Ordering via an e-commerce platform is not as demanded as in other businesses since fresh food can’t be stored in the same way as durable products. The stock had to be on the move and Norway 2 cannot say exactly how much fish they can sell at any point in time. Instead they use prognoses to ascertain how much fish each customer can buy.

Other demands from the customers are traceability and certificates. The certificates range from environmental- to exportation certificates. The customers are close or at arm’s-length, no real partnerships are upheld in this business. The trade relations have been built up over several years and their foundations is trust and friendship. Although, no partnerships are used Norway 2 still draws up contracts to stipulate quality and price. They also divide their customers depending on how much they buy and how long time they have been their customers. Customers that buy each week are a-customers and should be served first with their requested quantity and quality. B-customers buy less often and c-customers are only monitored for future reference and do not buy anything at the moment. It is very important for Norway 2 to deal with complaints since a customer that is helped in a good way after complaining comes back to a greater extent than a customer that had no problem at all in the first place.

On their supplier side there is from time to time a problem with the production. It can be too high when it is a good fish year or too low when illnesses hit the fish farmers. Economies of scale are important in the fish farming business and in times of struggle smaller farmers usually fusion their businesses into larger units. Out of Norway 2's suppliers many have been with the company from the start in 1994. This makes up for close relations but neither here nor with their customers are partnerships being used. Norway 2 utilizes about 30 suppliers which they divide into a similar way as they would the customers. A-suppliers are bought from each week, b-suppliers not so often and c-suppliers are just being monitored for the future. The suppliers also have expectations on Norway 2. These expectations are to sell the fish at good prices and on the right markets. A fish farmer with god quality salmon also want his salmon to be used for high quality foods. The markets of southern Europe are generally seen as markets where lower quality salmon can be sold and thus this is not a market where top quality farmers want their fish sold.

4.4.1.12.3 Changes and trends

The most severe changes in an otherwise calm industry are the demand for traceability both from customers and authorities. Each shipment of fish can be traced back to its breeding place. The financial crisis also puts its mark on the industry as the margins decreases. E-business is not as widespread in the food and beverage industry, especially not in the fresh food industry. Fresh food must be sold and consumes quickly and the sales are often made based on a prognosis of what the company can sell each day. Personal contacts and confirmations via e-mail is what Norway 2 is using on a daily basis. Another important impact on the Norwegian fish industry and export have been the
tolls that the European union have imposed on Norwegian salmon from time to time giving countries such as Chile a chance to sell more on this market.

There are no major future challenges for the company. They are well aware that they are in line with the healthy food trends. The only real threat at this time is salmon illnesses that can affect the production of salmon in Norway. Should the suppliers suffer these problems it will affect the whole chain of supply. The logistics will continue to evolve and better packaging and transportation methods will shorten delivery times and increase food safety.

4.4.1.12.4 Business model and IT solutions
Norway 2 utilizes a business system made by Maritech which handles their entire business operations. The program provides prognosis, stock and expected deliveries. Since no one can say exactly how much fish there is in each fish farm the fish is sold in advance. Each fish farmer provides Norway 2 with a prognosis of their fish status and the fish is equally distributed with the most fish in the 4-6kg segment. Every customer is also visible in the system and statistics on everything can be viewed. This way the salesmen at Norway 2 know what each supplier usually can provide and what each customer usually demands. The system is run on a remote server and one area that can break from time to time is the mail order system. It is important that the e-mail server is working since all confirmations to suppliers and customer go this way. In this area the company foresees the most imminent investments.

4.4.1.12.5 Internal processes
Throughout the planning processes Norway 2 has strong numbers although the category planning could do better. Especially demand and supply planning and transportation planning are very important and crucial to make the company work well. Sourcing is important too because without efficient sourcing the company would have nothing to sell. There is room for slight improvements here as well as in the store processes but overall they all work very well currently. The same goes for the sell processes and the corporate functions and analytics.

4.4.1.13 Norge 3 As
Norge 3 is a Norwegian company in the healthcare business. They are the leading wholesaler of medical equipment and supplies for hospitals and the primary health care. Norge 3 was previously known as Medeco but changed their name to Norge 3 in 2009. The company also provides general practitioners with laboratory equipment and medical disposables. Norge 3 has a direct supply channel from wholesaler to end user which saves time and money by simplifying the flow of products and information to the market.
Table 15 Key figures for Norge 3

<table>
<thead>
<tr>
<th></th>
<th>Norge 3 As</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Turnover MNOK</td>
<td>309</td>
<td>272</td>
</tr>
<tr>
<td>Operating Profit (EBIT)</td>
<td>15,8</td>
<td>12,7</td>
</tr>
<tr>
<td>Operating margin %</td>
<td>5,10</td>
<td>4,67</td>
</tr>
<tr>
<td>Solvency %</td>
<td>21,87</td>
<td>18,37</td>
</tr>
<tr>
<td>Employees</td>
<td>98</td>
<td>99</td>
</tr>
</tbody>
</table>

Source: Amadeus

Both turnover and operating margin reached the mid-level of the industry during 2006 and 2007. The solvency, however, is lower than the industry average which implies large loans to finance the operations. (SCB 2009)

4.4.1.13.1 Competition

The market is made up of many small niches and Norge 3 have 12 different business units to cover these niches. There are two large competitors, Noragro and Maske, and a smaller one Medinor. Noragro consists of 12 smaller companies that share a centralized stock. Norge 3 operate a store where they sell their products. The competition is fierce and the different companies compete in getting contracts both on the national and the communal markets. The Norwegian communes have arranged themselves in five larger actors and Norge 3 have currently 50% of the national and communal contracts. Norge 3 is the only one of the largest companies that has specialized in health care and this gives them an advantage over the other companies who have a harder time controlling their large product ranges. It is also easier for Norge 3 to keep a high level of competence on a smaller range of products. The operating margins in the business have shrunk 30% so to stay afloat the business demand larger parties of products from the Far East. The knowledge in this business has shifted from being product oriented to customer oriented. This means that Norge 3 and the others must know what the customer views as most important and act thereafter.

4.4.1.13.2 Customers and suppliers

Norge 3’s customer side consists of the Norwegian primary healthcare and the public sector. Customers are now able to place their orders at a pharmacy and receive their goods from Norge 3’s central stock. Since some medicals and supplies are subsidized by the Norwegian government Norge 3 then invoice the involved administrative authority. The smaller margins have led to global sourcing instead of local and regional sourcing. Products from companies in Norway and the EU are becoming too expensive and new, cheaper suppliers in China and other Asian countries are being used. This makes it necessary to buy large quantities and keep a larger stock than before which makes order, logistics and stock keeping processes increasingly important. The relationships with their customers are different depending on if it is a public or private sector customer. With the public sector, customers like the primary healthcare laws regulate the contracts. The involved companies make offerings which are then overviewed and in the end the best offering is accepted in the so called public procurement. This is typically done in these situations to prevent corruption and bribing. With customer from the private sector Norge
3 have tailor made solutions and close relations. The customers have high demands with regards to business solutions, e-commerce portals and web shops. The customers also demand high service levels and the company currently hold a 98.5% service level.

Norge 3 have around 200 suppliers out of which they can choose their preferred partners. Since Norge 3 covers such a large share of the Norwegian market they are in a position to put pressure on their suppliers. Much like a public procurement the suppliers turn in offerings and Norge 3 accept the best ones. All contracts are, however, renegotiated every, or every other, year so the suppliers must be on their toes. Technological developments at their supplier side are few and nothing that affect their business activities today.

4.4.1.13.3 Changes and trends
The industry is moving towards 100% e-business trading. Today Norge 3 have about 30-40% online trading with the public sector but are aiming at 50% before the end of 2009. The hard part will be to completely remove the helpdesk consisting of 12 people answering phone calls from customers. This particular service might be hard to do in another way. There are also plans in the company to be less paper document dependant but instead move to digital documents. Regarding the large hospitals the wholesalers have already been phased out since they buy and import their supplies directly from producers in Germany and other European countries. In the primary healthcare and public sector, however, Norge 3 see no imminent threats of being phased out. There are no upcoming legal changes that will affect the company but they follow the legal debates closely to be able to be proactive. Major future challenges include keeping the margins up and make revenue. Other than that Norge 3 don’t see any impending challenges. They are in the position they have striven for and their share of the market is large. On the environmental field they live up to the standards required by the Norwegian authorities but they admit that they are still well behind countries like Sweden in this aspect.

4.4.1.13.4 Business model and IT solutions
Norge 3’s aim is to be the best at fulfilling customer needs. Here the logistics play a large part to keep the service level high. Their goal is to understand the customer and his needs.

The company uses an integrated business system of which all parts are equally important for their business model to work. At present the whole system would need an upgrading and a complete investment on e-business is needed. Today customer services at Norge 3 manually type in orders into the system which in turn are printed out at the central stock. The system used today is made by IBS.

4.4.1.13.5 Internal processes
The planning processes are all important and well functioning except category planning that need more work to live up to the future expectations. Sourcing works well at the moment and only a little can be done to improve them at present. Their sourcing is mainly done in the Far East so the import function must work satisfying as well. In the store cluster outbound logistics and transportation management are most important although closely follow by the other two. Transportation management is run by Schenker.
Incoming goods are being kept as a buffer for future orders. In the sell area e-commerce is becoming increasingly important and a lot has to be done here in order to reach the high hopes the company has in turning the whole business into an online business. Billing and collection management is currently outsourced. Corporate functions and analytics all work very well today and are just being monitored for smaller improvements for the future.

4.5 Potential of the Nordic wholesale markets

4.5.1 Customer potential on the Nordic wholesale market

The total number of potential wholesale customers in the Nordic region is 1870. The industry segment houses the largest number of companies followed by others, food & beverage and pharmaceuticals.

Table 16 Customer potential by segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>No. of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>880</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>289</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>126</td>
</tr>
<tr>
<td>Others</td>
<td>575</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1870</strong></td>
</tr>
</tbody>
</table>

Source: Dow Jones Sales works

Table 17 IT spending on the Nordic wholesale markets

<table>
<thead>
<tr>
<th>IT Budget Market Values</th>
<th>2008 Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sweden</strong></td>
<td><strong>861 000 000</strong></td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td><strong>492 500 000</strong></td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td><strong>462 500 000</strong></td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td><strong>344 500 000</strong></td>
</tr>
</tbody>
</table>

Source: Radar Group

The total IT spending for the wholesale markets during 2008 was highest in Sweden followed by Finland, Denmark and Norway respectively. According to Radar Group the spending on each market is expected to grow 3 to 4% per year to 2012 although the economic crisis may hamper these growth expectations to some extent.

4.5.2 Potential customers divided by country, segment and size

The Swedish wholesale market is the largest one, in terms of total companies, in the Nordic region followed by Denmark, Norway and Finland. The Industry segment is the largest segment, in terms of total companies, in each country. However, the food & beverage segment is larger than the others segment in both Finland and Norway while in Sweden and Denmark the order remains the same as in the total Nordic potential. The pharmaceuticals segment is the smallest one in each of the four markets.
### Table 18 Customer potential by country and segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sweden</th>
<th>Finland</th>
<th>Denmark</th>
<th>Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>350</td>
<td>141</td>
<td>256</td>
<td>133</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>66</td>
<td>46</td>
<td>63</td>
<td>114</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>55</td>
<td>12</td>
<td>23</td>
<td>36</td>
</tr>
<tr>
<td>Others</td>
<td>282</td>
<td>29</td>
<td>208</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>753</strong></td>
<td><strong>228</strong></td>
<td><strong>550</strong></td>
<td><strong>339</strong></td>
</tr>
</tbody>
</table>

Source: Dow Jones Sales works

When dividing the potential customers in large, mid-sized and small companies the following distribution is received. As visible in the table Sweden and Finland houses two thirds of the large companies while Denmark and Norway share the last third equally between them. Two thirds of the mid-sized companies are found in Sweden and Denmark while Finland and Norway share the last third equally. Sweden has 40% of the small companies while Denmark has 30% followed by Norway and Finland with 20% and 10% respectively.

### Table 19 Company size by country

<table>
<thead>
<tr>
<th>Size\Country</th>
<th>Sweden</th>
<th>Finland</th>
<th>Denmark</th>
<th>Norway</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>15</td>
<td>14</td>
<td>7</td>
<td>6</td>
<td>42</td>
</tr>
<tr>
<td>Mid-size</td>
<td>140</td>
<td>58</td>
<td>120</td>
<td>69</td>
<td>387</td>
</tr>
<tr>
<td>Small</td>
<td>597</td>
<td>157</td>
<td>423</td>
<td>264</td>
<td>1441</td>
</tr>
</tbody>
</table>

Source: Dow Jones Sales works

This classification is based on their turnover where large are companies with a turnover over 500 million Euros, mid-sized are companies with a turnover between 50 and 500 million Euros and small are companies with a turnover between 10 and 50 million Euros.
5 Analysis

The analysis of the Nordic wholesale markets will have its starting point in the interviews and Porters five competitive forces. The interview results will serve as a foundation for the analysis as they have covered areas revolving around the five competitive forces. Each market will be analysed in order to tell how competitive companies on that market are and how important it will be for ABC to acquire customers from this market segment. A strong market segment indicates that there are successful companies there that can utilize solutions from ABC in order to make their business activities more efficient.

5.1 Nordic wholesale markets

The wholesale markets in the Nordic countries are the home grounds of both large and small companies. Naturally the overall market potential is much smaller than for example in the United States or Germany but it is still large enough to arouse interest from a provider of business solutions such as ABC.

5.1.1 Industrial wholesale markets

The industrial wholesalers segment in the Nordic houses the most companies and also the largest combined turnover. The market is not dominated by a few companies in any of the four countries but instead there are at least four or five large companies and numerous mid- and small sized ones. Because of this situation there are a large number of potential customers for a supplier of business solutions. The competition is fierce and the companies also face competition from companies on the Asian continent. There are companies that move to low salary countries in both the supplier and customer end but there are also companies who stay in the Nordic region because of their high quality products and technological knowledge which can be hard to produce and find respectively on the evolving markets.

5.1.1.1 Intensity of rivalry among competitors

Throughout the research it has been evident that the competition among the industry wholesaling companies is fierce. The respondents have all answered that they have large, equal competitors and according to Porter (1998) this can lead to one of two outcomes. If there is a clear leader this company can impose stability and coordinate the industry but if the leadership is uncertain it can create instability and the companies may fight each other in different disciplines of competition such as price or advertising. It seems, however, as if it is the latter that is true for this segment throughout the Nordic markets. The companies seek low cost products in order to lower prices but they also try to differentiate themselves with unique service offerings and branded products. Another trend on the market that creates strong competitors is the consolidation of smaller companies. To keep up with this the companies that want to stay independent must buy smaller companies to grow otherwise they might face consolidations or mergers themselves.

A few respondents answered that products and services are used as differentiation from competitors and this works as insulation against competitors as customers have preferences and loyalties towards certain products. This also helps to reduce the volatility.
of the competition in a certain segment whereas price would otherwise increase the volatility.

According to Porter (1998) the competition in a slow growing industry often turns into a market share game which is much more unstable than the competition in a fast growing industry. Since the respondents from the industrial wholesaling companies have answered that they are often involved in battles for market shares thus making the market a bit more volatile. The battle for market shares on this market will also harden since many customers want to lower their total number of suppliers in order to save time and money at their administration end.

5.1.1.2 Threat of entry

Out of the seven major barriers to entry mentioned by Porter (1998) there are first and foremost two that hinders new companies from entering the industrial wholesale market. Experienced staff with high technical knowledge is necessary in this business and new entrants must endure heavy start up losses from below or near cost pricing in order to gain this knowledge. Other costs that must be covered are customer credits and inventories. This requires capital which is the second most mentioned barrier to entry. Lenders of capital might be reluctant to finance risky undertakings such as entering the industrial wholesale market.

Another factor that can deter new entrants on the market is product differentiation. As more and more industrial wholesalers, according to the respondents, move towards a full assortment a new entrant might find themselves up to their necks in products that must be categorized and kept in stock. They will also have to find suitable suppliers of all products which can in fact be tedious and time consuming. Since the established firms also have many suppliers tied to them through partnerships and contracts new entrants can find it hard to be supplied with the products they dearly need to serve their customers. It can also prove expensive to overcome existing customer loyalties.

When entering a market the new entrant can face customers with high switching costs. This is because they are tied up by other suppliers through partnerships, contracts, they are integrated in information systems or have equipment from other suppliers. All these factors make it expensive and sometimes almost impossible to change supplier within a near future. Since many companies in the industrial wholesale business work closely with both suppliers and customers this can indeed be a tough barrier to overcome for a new entrant and this makes the markets protection from new entrants strong.

5.1.1.3 Bargaining power of buyers

When the buyers business is important for the sellers result the buyer gets increasing bargaining power. The buyer can then use this power to get lower prices and extra services from the seller. In the study the customers of the respondents where many and of different sizes. This implies that the wholesalers have many customers to choose from even though every customer is important it is hard to believe that many of them could bargain for lower prices to a great extent when they are also relying on the wholesaler for so much more than just the product. The service offerings and the added value that
derives from these services are very important and an integral part of the wholesalers core competencies. The price of the actual product doesn’t strike one as the only thing that is important when studying the industrial wholesale business in the Nordic countries.

The bargaining power of the buyers of this segment is hampered by switching costs. Since the industrial wholesalers often tie up their buyers with contracts and/or partnerships it can take both time and money before the buyers can switch to a new supplier. Integration through business systems and usage of unique or advanced machinery supplied by the wholesalers also makes it expensive to switch to a new supplier.

Furthermore, the companies in the study do not foresee any threats of being phased out of the supply chain via vertical integration or disintermediation described by Rosenbloom (2007). This is another factor reducing the bargaining power of buyers in this market. Industrial companies on the market also seek out companies that can provide them with services that are outside of their own core processes. This is another way for the wholesalers to expand their services to the industrial companies and offer the services their customers wishes to buy instead of performing in-house.

5.1.1.4 Bargaining power of suppliers
A group of suppliers can according to Porter (1998) exert power over their buyers if a certain amount of conditions are in place. For example if the group of supplier consist of a few large companies that are more concentrated than the industry it sells to they are in fact powerful. However, in the Nordic industrial wholesale market the wholesalers buy from companies all over the world, thus their suppliers are neither few nor concentrated. Furthermore, these suppliers often need the wholesalers for developing the market for their products, arranging distribution channels and tend to the logistics solutions.

The European suppliers of industrial products do also compete with producers from low salary countries in Asia which makes the threat from substitutes more acute. As long as the products supplied to the industrial wholesalers cannot be found elsewhere, the suppliers haven’t tied the wholesalers to them through contracts and created switching costs or pose a viable threat for forward integration in the supply chain the suppliers to the industrial wholesalers will not have a great bargaining power. Throughout the research there is more evidence of the wholesalers having bargaining power towards their suppliers than the suppliers having bargaining power towards them.

5.1.1.5 Pressure from substitutes
Since the respondents from the industrial wholesaling companies have deemed the competition to be fierce there is also a fierce pressure from substitute products and services. According to Porter (1998) another company may offer a similar product and a suitable service to go with it at a lower price, a better quality or accompanied by another factor that might make the customer switch to this supplier. The substitutes that require the most attention are the ones subject to trends improving their price-performance ratio or coming from industries earning high profits. It is common amongst the customers to want to harmonize their product range across business areas which make it important to
be a full range wholesaler. Otherwise the customer might find a supplier that can offer the same products their first supplier keeps in stock plus the ones they lack.

What the industrial wholesalers don’t seem to fear is to be phased out of the supply chain by an entirely different type of business or by direct sales from manufacturer to customer. In their opinion wholesalers will still be needed in the industrial sector because of their functions as bulk breakers, creditors, stock keepers and logistics managers amongst others.

5.1.1.6 Competitiveness of the industrial wholesale industry
The industrial wholesale markets in the Nordic region appear to be competitive and have a good control over both suppliers and customers. Since capital is needed to enter the market the companies can be relatively sure of not having many new entrants in the near future since the financial situation throughout the world is in a recession. The companies are also diversified and active in different technological niches which help them resist slow businesses in one niche by increased sales in another.

5.1.1.7 Analysis of IT solutions in the industrial wholesale segment
According to Harrison and van Hoek (2008) EDI systems are old, expensive, take a long time to implement and are often unable to communicate with each other. New online business platforms accessible via an internet connection are less expensive, easier to implement and easier to use across organizations. This is also what is happening in the Nordic industrial wholesale segment. The interviewees from this segment have said that an important issue for them is to be able to communicate electronically both within the company and exchange information with customers and suppliers, either by using compatible IT solutions or via an online business portal.

Skjøtt et al (2008) argues that in order to optimize the total supply chain all supply chain actors must be integrated in the information processing. The role of the information system is then to bind the entire chain together as a single integrated unit. The problem here is not the information systems but the organizations willingness to create these intra-organizational networks. As far as the study has shown both suppliers and customers to the industrial wholesalers seem willing to be integrated in the supply chain through business systems. These systems are viewed as important factors for the ability of participating in the supply chain at all.

However, merely by procuring an IT system, for example an ERP system the company is not guaranteed instant success. According to Dam Jespersen & Skjøtt-Larsen 2006 the company must have a process oriented view on the implementation, well thought through IT implementation and a well developed change management. These issues where not addressed by the respondents but they can also be hard to uncover through one interview session.

According to Tanner et al (2005) the implementation of CRM ranks among the top five corporate objectives in over 60 percent of enterprises. In our study one of the industrial
wholesalers indicated that this is an area of investment in the near future. This is obviously a point of entry for a supplier of business systems.

There is evidence that marketing capabilities and relationship intensity are important for the manufacturer when selecting distributor. The distributors’ competency in marketing and earnest devotion to a mutual and close relationship seems to have more influence on the manufacturers’ decision (Lin & Chen 2008). This is evident throughout the study as the respondents state that their suppliers are interested in wholesalers who can help to expand their markets and retain a continuous relationship that benefits both parties.

### 5.1.2 Food & beverage wholesale markets

The food & beverage wholesale markets in the Nordic region are consisting of companies of all sizes. The companies also differ a lot from each other in terms of what food and beverages they deal with. There are companies entirely devoted to fresh foods such as fruit, fish, meat and vegetables and others who concentrate on frozen and pre-manufactured foods such as factory made meals. On the Nordic food and beverage wholesale markets it is common that the companies stay inside each nations borders or at least have the majority of their business in their home market. The industry is changing relatively fast and the trend is to merge with or buy other companies in order to become a full range wholesaler.

#### 5.1.2.1 Intensity of rivalry among competitors

The competitive situation on the food and beverage wholesale markets is varying. The companies in the study have mix of large and small competitors. According to Porter (1998) the market can be stable with a few large companies dominating the market together but lead by one company. Without a clear leader the market becomes unstable and the companies will fight each other by various means. The industry is growing relatively fast which prevents the market share game among the companies. The companies can instead focus on keeping up with the industry which makes the competition less volatile.

One of the respondents in the restaurant and catering business answered that products and services are used as differentiation from competitors and this works as insulation against competitors as customers have preferences and loyalties towards certain products. This also helps to reduce the volatility of the competition in a certain segment whereas price competition would otherwise increase the volatility.

On the other hand there is a lack of differentiation among other products, especially on the fresh fish and fruit & vegetables markets, which makes the competition focused on price and services. According to Porter (1998) price competition makes the market more volatile so a market with severe price completion is more unstable than a market with a high degree of differentiated products. The markets for wholesaling of ready-made and half fabricated foods is therefore less volatile than the wholesaling of fresh fish and fruit & vegetables.
5.1.2.2 Threat of entry
In the food and wholesale markets in the Nordic the barriers to entry are first and foremost capital requirements and customer relations. This means that the customers will have significant switching costs when switching to a new supplier.

The product differentiation in the food and beverage wholesale industry is varying between the different business areas. In the fruit & vegetable and fresh fish industries the product differentiation is non-existent. The differentiation here depends on what services the company can offer since the products will be pretty much the same from any supplier taking their goods from the same place. However, customer loyalties can still be gained given that the company can offer high quality and competitive pricing.

Another barrier to entry is the access to distribution channels which again depends a lot on the customer relations. The existing companies have already a large deal of the potential customers tied to them with contracts, close relationships and to some extent partnerships to the point where a new entrant would find it hard to secure a market share for their own business.

There are also government policies and regulations that apply to the food & beverage wholesale business. For the export of Norwegian salmon there are requirements such as licences to be allowed to operate as an exporter and also demands on labelling the products with information regarding expiry dates and point of origin. What this does to the industry is that new entrants might find it cumbersome to abide to these legislations and find it too expensive to enter this business area at all.

5.1.2.3 Bargaining power of buyers
The bargaining power of buyers has some criteria that need to be fulfilled in order to be strong. However, the food & beverage wholesale industry is so diversified that it is hard to give a unified answer unless it is divided into sub-markets.

On the fresh food and fruit & vegetable wholesale market the buyers face undifferentiated products but the buyers are not a concentrated group but rather a vast number of companies without any form of collaboration towards their suppliers. The competition here is more of a live and let live as the wholesalers of fresh fish have realised that most of them can co-exist on the market.

However, on the full range side that companies like Sweden 2 are on, the retailers pose a credible threat to backwards integration which has been seen throughout the market recently. When the retailers are in this position they have a greater possibility of bargaining for better deals or to integrate backwards and have the wholesaling areas in house as well. According to a study by the Nordic competition agencies from 2005 there are only a handful independent wholesalers left in the food & beverage wholesale segment. This will also deter entrants on the retail stage as they will have a hard time finding a supplier that is not tied to the major grocery retail groups.
5.1.2.4 Bargaining power of suppliers
According to Porter (1998) the suppliers bargaining power stems from factors such as concentration of companies in the business, competition from substitute products, importance of the industry as a customer group to the suppliers and importance of the suppliers product to the buyers.

In the fresh fish industry the suppliers are abundant and the wholesalers can pick freely from them. However, since the suppliers are important for the wholesalers they work in a symbiosis to get as big a market share as possible. The competition from substitute products is small since the second largest exporter of salmon is Chile and they have somewhere around 25% of the market. The suppliers do not have competition from outside of Norway and this makes their bargaining situation better. The wholesalers of fresh fish do, however, rely heavily on their Norwegian suppliers of fish and they depend on the good quality from the fish farmers. This means that they in turn can have demands on the wholesalers as where to sell the top quality fish and where to sell the lower quality. They also work together to cover the markets in the best possible way. On the fruit and vegetables side the suppliers are often in a less good position as they are abundant. Most of mid- and southern Europe has large fruit and vegetable growers and this makes it easy to substitute one supplier for another. The differentiation on the fruit and vegetables market is low and the supplier must compete on price which makes their margins smaller and their bargaining power less powerful.

In other parts of the food & beverage wholesale market the suppliers also have less bargaining power. The suppliers are expected to demand more business solutions to trade but pose no immediate threat to forward integration in the channel.

5.1.2.5 Pressure from substitutes
The pressure from substitute products is low and mainly consists of other wholesaling companies. No company in the study foresee any threat outside of the wholesaling market that could come in and take over their role in the channel. However, there is the possibility that retail companies take over the wholesaling function and try to phase out the independent wholesalers. The competition is fierce to moderate depending on the market situation and on some parts of the market there is a market share game going on. The Norwegian fish wholesalers have experienced government involvement that restricted their amounts of fish sold to the EU. This enabled fish from Chile to be sold at a cheaper price than the Norwegian fish throughout the EU. However, lately these trade barriers have been cancelled and the threat from substitutes from Chile has been lowered to normal competitive levels again.

There is also the factor that a company need an export license in order to export fish and act as a wholesaler and this is issued by the government. A substitute service offering to buy and sell fish would need the contacts with the suppliers and a license on a market already crowded by wholesalers and exporters. Still the market is large and continues to grow so it could swallow another company doing the same thing but in a slightly different way.
On the market Sweden 2 is in they see little possibilities, except retailers taking over the wholesale functions, for substitutes to what they are providing.

5.1.2.6 Competitiveness of the food & beverage wholesale industry
The companies in this segment have good control over their place in the supply chain. The capital requirements for entry on the market keep the number of new entrants at a steady level. The development of large retail chains to integrate backwards has made the number of independent wholesalers smaller but the large wholesalers will not have problems to stay in business. Their knowledge in procurement, logistics and value adding services is useful to the retailers.

5.1.2.7 Analysis of IT solutions in the food & beverage wholesale segment
According to Fredholm (2006) when entering a more mature IT environment companies tend to include more and more functions in their electronic business exchange. Everything that can be managed electronically is included as for example forecasts, catalogues, price and product information and delivery notifications. Respondents from the food & beverage segment have indicated that they need to upgrade or rebuild their decision support system. This is a sign of the segment entering a more mature IT environment as they add more functions in order to make their daily business run smoother by automating important functions. A decision support system is a part of the business intelligence area which is supported by ABC solutions in the analyze functionality. This discovery could function as a way in on this market.

Harrison and van Hoek (2008) argues that EDI systems are old, expensive, take a long time to implement and are often unable to communicate with each other. New online business platforms accessible via an internet connection are less expensive, easier to implement and easier to use across organizations. This is also what is happening in the Nordic food & beverage wholesale segment. The respondents from this segment have answered that an important matter for them is to be able to communicate electronically both within the company and exchange information with customers and suppliers, either by using compatible IT solutions or via an online business portal. Electronic invoicing is seen as an important feature while ordering remains an important face to face process due to the nature of fresh fruit, vegetables and food.

According to Skjøtt et al (2008) it is important that all supply chain actors are integrated in the information processing in order to optimize the total supply chain. The role of the information system is then to bind the entire chain together as a single integrated unit. The problem here is not the information systems but the organizations willingness to create these intra-organizational networks. As far as the study has shown customers to the food & beverage wholesalers seem willing to be integrated in the supply chain through IT systems. These systems are viewed as important factors for the ability of participating in the supply chain at all. However, the suppliers of fruit & vegetables often operate in southern Europe and this area lags behind in the usage of IT systems according to the respondents of the study. Other suppliers in the Nordic region are more often up to date with the modern IT business climate and are more easily incorporated in the digital information exchange.
Tanner (2005) argues that particularly sales intensive organizations have started to see CRM as an important group of applications for their daily business activities. This is further supported by the respondents of the food and beverage segment as they have responded that they are in need of better customer relations systems due to the fact that they are caught in old tracks to some extent in this discipline.

The tracking of products with regards to point of origin, package and expiry dates and other information will increase due to customer demands and government regulations. Electronic services that can cover areas such as these and provide the information that is required are according to Fredholm (2006) increasing in popularity and use. The ability to provide the concerned parties with the requested information is something that an integrated information system has.

5.1.3 Pharmaceutical wholesale markets

Even though this segment houses few large companies there are still major players on these markets. Large companies such as Tamro and Finland 3 have divided the Finnish market between them and in Sweden Finland 4, through Sweden 3, have a large position. The upcoming deregulation of the Swedish pharmaceutical market will open up for new players as privately owned pharmacies will be a possibility. The companies in the research are active in wholesaling to pharmacies, health food business, parallel imports and generic drugs sales. This mix of companies sums up the Nordic pharmaceutical wholesales in a good way and the research gives a good overview of the market situation in the Nordic region.

5.1.3.1 Intensity of rivalry among competitors

Porter (1998) assesses the intensity of rivalry among competitors based on a few criteria. Rivalry occurs because one or more competitors either feel the pressure or sees the opportunity to improve their position. Firms are mutually dependent so a move by one firm will affect the others. Moves and countermoves can even affect the business negatively so that all companies are worse off. This can happen to some extent in the pharmaceutical wholesale business with regards to the parallel imports and generics part of the market. The big producers of drugs see the opportunities made by the parallel importers to buy cheap drugs on one market and sell them at another market to a low price compared to the producers’ price on that market. Because of this the producers in different ways try to prevent this by writing contracts with their customers in order to keep the sold drug inside each country. The contracts stipulate a cheap price if the customer proves that their lot is not sold to an exporting firm amongst other agreements. This price battle can of course affect the whole market and lower the revenues for the companies involved leaving everyone worse off.

The market situation differs somewhat between each of the four countries where for example Finland have two large companies sharing the market for pharmaceutical wholesales turning this market into a market share game. In this way the market becomes more unstable than others because the two companies will fight more fiercely for their market shares. In Sweden the market is still regulated and Apoteket do almost all their business with one supplier, Sweden 3, although this is expected to change during 2009
when the market is deregulated. The market is bound to be filled with numerous companies giving it a level of balance. The Danish and Norwegian markets have already been deregulated and the competition on these market is divided amongst large- mid- and small sized companies occupied with various parts of the above mentioned business areas.

Slow industry growth can, according to Porter (1998), lead to a market share game which makes the market more volatile but the pharmaceutical wholesale market is a fast growing industry. New companies emerge in all sectors and especially the parallel imports see a lot of new companies devoted to utilizing the price differences on the European market to their advantage.

The differentiation amongst the companies on the market is wide. While some wholesalers also produce some of their products by their own brand name others buy their entire assortment from pharmaceutical producers. There is also a difference between companies engaged in the wholesale of health food products and traditional drugs. Since these companies have different customer groups they don’t compete with each other in their entire assortment although some of their products could very well be viewed as substitutes to one another. According to Porter (1998) both product differentiation and diversified competition gives insulation against competitive warfare. Foreign companies entering a market, which will most likely be seen on the Swedish market, often bring diversity to industries because of their differing goals and strategies. Because of their commitment on other markets the entry on a new market can be part of a bigger plan to cease market shares internationally or function as a cash cow on the given market.

5.1.3.2 Threat of entry
The barriers to entry on the Nordic pharmaceutical markets are capital requirements, product differentiation, access to distribution channels and government policies. A barrier that has existed in Sweden because of the regulation of the market will disappear during 2009.

The product differentiation barrier is, according to Porter (1998), the established companies’ way of having customers loyal to them through brand differentiation, advertising, customer service or being first in the industry. New entrants will have to spend considerable amounts to overcome the existing customer loyalties. This entry barrier is most noticeable in the full range pharmaceutical wholesaling part of the market as the parallel and generic drugs do not rely on brands but on price. The need of capital brings the focus to capital requirements. Capital will mainly be required for sales campaigns as the goods are already there and supplied by the producers.

The access to distribution channels is another important factor since the wholesalers tie both suppliers and customers to contracts over one or two years. This gives new entrants little possibilities to come in and negotiate as most potential customers will be in a business relation already. Switching before a contract has ended can mean costs for the customer as contracts are usually expensive to break. New distribution channels will, however, be formed in Sweden when the monopoly is overturn and more companies can
own and operate their own pharmacies. This will lead to a rally for the wholesalers as they try to be the favoured supplier for as many pharmacies as possible. There is also the idea of taking over pharmacies themselves and enter the retail stage of the distribution channel as well.

Government policy may also be a barrier to entry as the government on a certain market can prevent new entrants altogether by legislations. Porter (1998) gives examples such as issuing licences and limiting the access to raw materials but restrictions can also be applied for environment- and water pollution. In the pharmaceutical wholesale business the governments have one by one deregulated their markets and only the Swedish market remains to be deregulated. Regulations that remain are licences to operate pharmacies and conduct parallel imports which grants some control over the companies engaged in the trade.

5.1.3.3 Bargaining power of buyers
The buyers will have a good bargaining power if the following criteria are met; the buyers are concentrated or purchase large volumes, the products bought are standard or undifferentiated, the buyers face few switching costs, buyers pose a threat of backward integration. (Porter 1998)

However, even though the buyers buy large quantities and as pharmacies, grocery stores, primary health care locations, health food stores and hospitals are a somewhat unified customer group the products they buy are not standard or undifferentiated. Since there are a vast number of pharmaceuticals, health foods and medical supplies produced by a large number of manufacturers but only sold by a small number of large wholesalers the customers have a small bargaining power against the wholesalers. The wholesalers carry a full range of products and have economies of scale to draw benefits from. There are also no immediate threats of backward integration but rather the opposite. Companies like Finland 3 are thinking along the lines of becoming a retailer as well when the Swedish market gets deregulated and a number of pharmacies will be sold to private actors on the market. Since the retailing sector in Sweden has consisted of Apoteket this sector will be expanded with a number of companies who will need wholesalers or are already backed by existing ones. Switching costs in the industry isn’t something this study has come across. Changing to another supplier can have disadvantages if the new supplier lacks certain products requested by the retailers’ consumers. Companies tied together by existing business systems might, however, face switching costs in order to adapt to the new wholesalers system or vice versa.

5.1.3.4 Bargaining power of suppliers
The bargaining power of the suppliers of course mirrors the ones of the buyers. If the suppliers are few and more concentrated than the industry they sell to, they don’t have to contend with substitutes, the industry, pharmaceutical wholesalers, is not an important customer group, the suppliers’ product is an important input and they have built up switching costs, then they have bargaining power. (Porter 1998)
However, since for example the parallel import- and generic drug wholesalers tend to compete with the producers of the products, the wholesalers try to exert power over the industry by contracts with the customers. They do not have control over the wholesalers as a group. They do have some bargaining power towards third party logistics companies as Sweden 3 and Finland 4 since these companies transport the products from producer to customer on contracts. The suppliers do have substitute products since the industry for producing pharmaceuticals is large and the one thing that hinders substitutes for certain pharmaceuticals are patents. When a pattern runs out other companies can start to make copies, generic drugs, of a certain pharmaceutical and sell them at a cheaper price to make a profit.

5.1.3.5 Pressure from substitutes
The pharmaceutical wholesale business in the Nordic region has little pressure from substitutes. The only real threat would be disintermediation described by Rosenbloom (2007) but the firms in the study foresee good possibilities to stay in business and be competitive. Wholesalers are needed in the industry to break bulk and act as creditors. The most imminent threat of disintermediation is the producers’ attempts to stop parallel imports by signing contracts that prevents their products from leaving the country they are sold in. The pharmaceutical wholesalers need to monitor the development on the market and look for substitutes that perform the same services as them but at a higher price-performance trade-off or earn a higher profit. Otherwise, the risk is that the wholesalers will fall behind and other solutions, like direct sales, gain ground on their expense.

5.1.3.6 Competitiveness of the pharmaceutical wholesale industry
The pharmaceutical wholesale industry is growing, especially in the parallel imports and generics trade. These areas have no R&D costs but are instead interested in finding the right market for the right product at the right price. The traditional full range pharmaceutical wholesalers are often large enterprises with long experience from the market. Few companies share each market and barriers to entry are high due to capital requirements, knowledge and government policies. The pharmaceutical wholesalers do also see the chance to own and operate pharmacies in Sweden when the market is deregulated there. Diversification will insulate against volatile competition such as price and market share battles.

5.1.3.7 Analysis of IT solutions in the pharmaceutical wholesale segment
According to Fredholm (2006) ERP can help the company improve a number of processes such as forecasting, operational planning, supply planning, rough planning of production, distribution and transport and order management. Implementing an IT system of this kind is the first step towards optimising the entire supply chain. More advanced systems, such as APS (Advanced planning and scheduling) systems, have recently arrived on the market. The respondents in this segment rely on ERP systems for their business activities and the next natural step would be to implement APS systems. The wary supplier of business systems can therefore see a way into this segment by offering such solutions.
Tanner (2005) argues that particularly sales intensive organizations have started to see CRM as an important group of applications for their daily business activities. This is further supported by the interviewees of the pharmaceuticals segment as they have responded that they are in need of better customer relations systems in order to keep up with customer demands and requirements.

Fredholm (2006) states that buying and selling electronically can be done in a number of different ways. The buyer can connect to the sellers system online, via a phone or through the sellers extranet. Here the buyer can view stock status, delivery schedules and place orders. The transportation business along with grocery, vehicle, electronics and telecom businesses are ahead on the electronic business market. The main motivational driver for this is automation which saves work hours and lead time. Automation also leads to fewer errors and thus enables a higher quality. However, the pharmaceutical wholesalers and third party logistics companies in the study admit that because of their customers being hospitals, pharmacies and county councils their adaptation to e-commerce in particular has been slow. Orders and invoices are often processed manually which is both tedious and costly. The problem, however, often lies at their customer side since public procurements of IT systems are slow and time consuming. This has had the effect that their customers have had a hard time adapting to e-commerce and the wholesalers and third party logistics companies haven’t been able to demand e-commerce from them. It may be the case that the implementation of IT systems must take place at the customer level first and that the wholesalers must adapt to these systems once this is done.

However, according to Lin et al (2007) determining whether or not IT/B2B e-commerce investments contribute to business value is a critical issue for IT executives. It is recommended that the IT executives of large organizations should focus on making IT an integral part of their business strategy. It is important that they can match the outcome of an IT or B2B e-commerce investment with their strategic vision. This is important for the companies in this segment to consider when choosing their IT system. Just implementing a business system will not without human intervention enhance the company’s business activities.

Government legislations regarding traceability, licenses to operate as parallel importer or operate a pharmacy places demands on the companies that are active on this market. The development into privatized retailing in the entire Nordic region with the latest additions being Norway and Sweden makes this market even more important to monitor. The survivors and new companies that arise in the wake of the deregulation will need solid business systems for their operations.
5.2 Analysis of internal processes

Each respondent was asked to fill out a form covering the performance, importance and expected future status of their company’s internal processes from 1 to 5 where 5 is superior. Their answers have been presented in each interview presentation. However, here the researchers will review each segment in turn to see which processes are the most important for each given industry and also give a hint on what processes to target with specific modules.

5.2.1 Industrial wholesalers

The Industrial wholesalers have good functioning internal processes throughout the study. All areas are important for them and they strive to improve in each discipline. The least functionality is found in the companies’ e-commerce process as it scores low overall on current but high on expected future functionality. This can prove to be a way in for ABC as they approach the potential customer with their solutions. Aside from that the industrial companies in the study have IT systems that are free from pain points at the time being. The industrial wholesalers have come further than the other two segments in their IT implementation and are more focused on the usage of IT. Their long term and re-occurring purchasing and selling is also very suitable for digital transactions through IT systems and the Internet.

Table 20 Internal processes, industry segment

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<th>Averages</th>
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Source: Interview results
5.2.2 Food & beverage wholesalers

Wholesalers in the food & beverage segment work very differently from industrial and pharmaceutical wholesalers. The food & beverage wholesalers in this study do a lot of their business transactions through personal contacts via phone or meetings and the transaction in itself often differ in specifications from one time to another. Because of the nature of fresh foods such as vegetables, fruit, fish or meat the buyer cannot be sure of some certain quality that will be the same from time to time. Also the quantities produced can change because of the season or other factors. This means that they have to divide their customers in different segments regarding how much and how often they buy and serve them after this scheme. Because of this the personal contact is important and sales cannot always be done via digital means. This is one reason why this segment lags behind in the e-commerce process but in the future the companies here see it as an important process to evolve.

Table 21 Internal processes, food & beverage segment

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<td>Other support functions</td>
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Source: Interview results
5.2.3 Pharmaceutical wholesalers

E-business in the pharmaceutical wholesale is gaining ground with the rise of generic drug trade and parallel imports. The companies in this study foresee a greater importance of business solutions in the future and will move towards 100% e-business. Even though personal contacts are important for the initial buy the trend is to make repeat buys and have both suppliers and customers that are recurring business contacts rather than one time buyers or sellers. Overall there are no processes that will be of less importance in the future in this segment so the main way in here is to offer a solution that covers most of the processes.

Table 22 Internal processes, pharmaceutical segment

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<td>Other support functions</td>
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Source: Interview results
5.3 Analysis of the Nordic wholesale market potential

5.3.1 Analysis of the customer potential on the Nordic wholesale market

Out of the total potential of 1870 companies on the Nordic wholesale market around 600 to 700 companies are interesting from ABC’s point of view. This cut is made due to the fact that even though the search criteria is wholesale companies a lot of producers will be included in the list since they are also engaged in wholesaling of their own products. These companies can therefore be targeted by other ABC branches aimed at producers.

The largest amounts of companies that are still interesting for this study are represented by the industry segment. This segment has also been targeted first by ABC on other markets because of its size in both number of companies and total revenues. The segment is also far evolved when it comes to adapting to e-business and ERP solutions. Using information technology is seen as a must in order to be competitive in the industry.

The segment containing companies classified as others is the second largest segment but due to its diverse types of companies it is hard to analyse this segment in a satisfactory way. The companies differ widely in business areas and structure of the company. There is also a risk that many of them are into retailing as well and thus fall under another category of companies. There are pure wholesalers in this segment but it would require a more in depth research to determine exactly how many there are. It is also hard to analyze this segment as a whole because of the diversities amongst the companies in it.

In the food & beverage segment the number of independent wholesalers is on decline. The trend is that retailers expand into wholesaling in order to secure products at good prices for their retail side. This segment is the one lagging behind in terms of e-business as the personal contacts are so important for the quality of the products. However, the functions handling logistics will have an increased importance as the companies strive to keep their stock on the road as far as possible.

The pharmaceutical segment contains less but large and powerful companies. Things will happen rapidly and there is a possibility that the number of companies will rise due to the deregulation of the Swedish market. The number of potential customers in this segment is uncertain due to the fact that the deregulation is yet to come and time will tell which companies will stay, which will disappear and which new ones will join. Another factor that is limiting the number of potential customers is that many pharmaceutical wholesalers in the Nordic region are owned by large European companies already targeted by ABC.

The expected spending on IT solutions on the wholesale market is expected to rise with 3 to 4 percent each year on all four markets. Swedish- followed by Finnish companies, despite having fewer companies than Denmark, spend the most while Danish and Norwegian companies spend less. This is because of the type and size of industries that are active on the market. Sweden is a large market with very large enterprises, especially in the industrial segment and this is true also for Finland. Food & beverage wholesalers which are abundant in Denmark and Norway are usually not as large and thus spend less.
5.3.2 Analysis of potential customers divided by country, segment and size

The wholesale markets in Sweden, Finland and Denmark are dominated by industrial wholesalers while in Norway the food & beverage segment is equally large as the industrial segment. This is due to the large fresh fish industry and export that is situated in Norway. Each market is affected by the natural resources available and this does also show in the type of companies active on each market. Sweden has the most companies of each size but interestingly enough Finland is home to more large enterprises than Denmark and Norway together.

So far an overview of the potential has been presented. The most interesting potential customers, however, was picked out of the material with the help of the Nordic ABC offices. Companies from this list that were interviewed and researched have been presented in the empirical research chapter. There are companies left on the list that needs to be looked into because of their hesitation to take part in the study. Out of a list of 39 highly interesting wholesaling companies in the Nordic markets 13 have been interviewed and researched in depth.
6 Conclusions and recommendations

The following chapter will conclude the thesis and present the recommendations for a go-to-market strategy for ABC on the Nordic wholesale market.

6.1 Conclusions

The research has lead up to a number of interesting findings about the Nordic wholesale markets.

6.1.1 Major trends and activities on the Nordic wholesale market

6.1.1.1 Industrial wholesale market

To be able to operate and survive in this industry you have to be active and open for changes. Both technological and geographical conditions change rapidly over time and the company must be up to date with these changes. Important conclusions about the trends and activities among industrial wholesalers are;

The companies in this segment have the most advanced view on supply chains and channel management. They see the entire supply chain and take actions to integrate themselves and their business contacts through information technology. Logistics costs and green transports are in focus. E-business is a must for large enterprises and increasingly common even at smaller suppliers and customers. Bulk breaking, financing and other added values will keep the wholesalers in the business. There is no evidence for disintermediation of the wholesalers. Pressure from low cost companies in Asia can be taken advantage of by buying cheap products from that market or offer superior quality in products, services and increased service levels. The number of deliveries is increasing since large stocks are no longer preferred. Lean production and just in time production has made large stocks obsolete in most industries. The companies’ expertise and technological knowledge is an advantage when it comes to identifying and solving customer problems. Small to midsized enterprises tend to be bought by larger ones or merged with others to become large. Achieving a wider product range to become a full range wholesaler is also important as their customers seek to narrow their number of suppliers.

6.1.1.2 Food & beverage wholesale market

The food & beverage segment house a variety of companies. Out of the potential customers this study covers two fresh food companies, one company in the trade of frozen and semi-manufactured products and finally one company in the full range business. This has had the effect that their answers about market trends, and importance of, for example business solutions are diverse. However, the conclusions about this segment are;

The competition on the market is local with large and small companies on each market. Trade between the Nordic countries is widespread. Customers are mostly held at arms length relations while the most important suppliers are held closer by contracts and partnerships. Functions that are gaining in importance are planning, financing and delivery precision. This is connected to the movement towards keeping the stock on the
road to get more timely deliveries and less storage costs. The customers in the restaurant, hotel and catering businesses also demand more semi-manufactured products to save time and money at preparations. This customer segment is also expected to increase the most as the consumers change their habits. The wholesalers’ role in the supply chain is expected to hold although retailers in the grocery business have integrated backwards to overtake wholesaling functions themselves. Smaller businesses are also facing the threat of being bought by large wholesalers since the trend is to become full range wholesalers.

The view on supply chains with integrated business systems and information sharing is not as extensive as in the industrial wholesale segment. Labelling of expiry dates and traceability of all kinds of food is demanded by both the governments and customers and the actors in the business are taking steps to live up to these demands. Since the companies in this segment differ a lot from each other they have given diverging answers to the importance of online ordering and billing systems. Companies in the fresh food, fish and fruit & vegetables still need the personal contact in order to verify the quality and nature of the product they order and sell. It is also harder to say exactly how much of each product they can supply. Frozen and semi-manufactured food is more predictable and longer lasting which makes the predictions of quantities more precise. This enables these products to be ordered and sold via online business platforms. The food & beverage segment is also focusing on sustainable development and green transports. In the fish industry the companies work with certifications like MSC to ascertain less negative environmental effects.

6.1.1.3 Pharmaceutical wholesale market

The pharmaceutical wholesale market houses companies of varying structure and activities. In this study full range wholesalers, third party logistics companies and niche players have been interviewed and presented. There are also interesting changes happening on the Swedish pharmaceutical market as the deregulation opens up for new and old actors to invest in their own pharmacies. This will change the whole company structure as wholesalers and third party logistics companies venture into the retail market as well. A few large companies share each market on the full range wholesaler side because of heavy entry barriers. The increasingly important parallel imports and generics business hold a lot more companies of various sizes because of the easy entry on these markets. The tendency is also to buy smaller ventures to grow and be competitive. On the full range-, parallel- and generics wholesale markets it is common with integration through partnerships and business systems while in the third party logistics business customers are tied to a specific company through contracts. The segment overall is well advanced when it comes to a supply chain outlook since the integration of companies is widespread.

Technological solutions for ordering, replenishing and stock keeping are demanded in this business as planning and logistics functions are evolving. Sourcing is done globally in for example Asia to a wide extent since products are less expensive from the producers in that area. Customers to the wholesalers are also advanced when it comes to e-business as they often demand solutions for online ordering and billing from their suppliers. This
segment does not have the situation with varying quality or quantity as the fresh food wholesale business and is therefore much easier to convert to 100% e-business coverage.

Government regulations control many aspects of this business. Regulations such as licences for operating pharmacies importing and exporting pharmaceuticals are used on all markets. Traceability and public health issues also affect the market situation.

6.1.2 Strongest and most competitive segment

The industrial wholesale segment appears as the strongest and most competitive segment in this study. This makes the companies in it interesting for ABC since they can become economically stable and long lasting customers of the company. The large number of companies and employees raises the potential of systems and licenses that can be sold to this segment. This information is important for ABC since the company wants to focus on one segment first on these markets before moving on to the other ones.

The analysis, based on Porters five competitive forces, of the industrial wholesale segment have shown that the companies in it are in a strong position where they have leverage versus both suppliers and customers. The fear of being phased out of the supply chain is minimal. Large companies grow through mergers and acquisitions and new entrants on the market would need a strong capital base to challenge the large players. The globalization with products from low salary countries offer more possibilities than threats as the industrial wholesalers can lower their purchase costs when buying from these markets or offer high quality products and services to counter the influx of low priced products. Government regulations mostly affect this segment with regards to the transport sector. Free movement of goods and services within the EU is something that can be both a threat and a possibility for the companies in this segment.

6.1.3 Key companies in each of the four segments

The companies that are interesting potential customers for ABC can be viewed in attachment 2. The companies in bold text are the most interesting potential customers although all the companies in the list are viable targets for ABC.

6.1.4 Total potential

The total potential of the Nordic wholesale markets is 1870 companies but due to various reasons around 600 to 700 can be targeted by ABC’s Nordic offices. Reasons for a company to be less favourable can be;

- Decisions are made outside of the Nordic region
- Newly implemented IT solution
- The company is already a customer
- The company belong to another business segment
- Enterprises being owned by holding companies

Despite the sorting that has been done to arrive at the total potential of 1870 companies it is possible that many companies fall under one of the headlines above and are therefore out of reach of ABC’s Nordic offices.
The spending on IT solutions on the Nordic wholesale market is high which means that there are revenues to be had for IT suppliers. The spending is also expected to rise in the years between 2009 and 2012. The development is slow and stable which is also confirmed by the respondents as the implementation of IT is seen as an ongoing process which stretches out the investments related to IT systems over several years. The economic crisis may, however, hamper the expected rise in investment in IT solutions the coming years.

### 6.2 Go-to-market strategy

In this final section a number of recommendations regarding targeting potential customers in their respective segments will be given. Table 23 show each segments possible target processes and important areas. Table 24 gives recommendations about how to target companies of different sizes. The segments have been divided into sub-segments based on the respondents for more specialized descriptions and recommendations.

- **Segment to target**
  The most interesting segment in terms of companies, turnover and IT-maturity is the industrial wholesale segment. The food & beverage and pharmaceutical segments are here divided into sub-segments because of the different conditions within these segments. Since all wholesalers are active in different supply chains it can be advisable to target specific supply chains and show what solutions could improve the results of the entire chain. To do this ABC need to determine which supply chain to focus on and identify the companies that make up the supply chain. An exhibition for invited members of the supply chain can work as an initial contact and eye-opener. This is a good way to make contact and show the channel members what their solution can help them achieve.

- **Segment specific needs**
  The table below lists all segment specific needs, divided into Target Processes and Important Areas, which must be considered when addressing each segment.

- **Possible target processes**
  The possible processes to use as targets in order to get a potential customers attention are the ones with less functionality but large importance.

- **Important Areas**
  These areas are segment specific areas that are of great importance now and for the near future. The companies must have business solutions that can handle these areas.
### Table 23 Segment specific needs

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sub-segment</th>
<th>Target Processes</th>
<th>Important Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>Full range</td>
<td>• E-commerce, &lt;br&gt; • CRM &lt;br&gt; • Global trade management</td>
<td>• Range &lt;br&gt; • Delivery precision</td>
</tr>
<tr>
<td>Food &amp; Beverages</td>
<td>Fresh</td>
<td>• Transportation management &lt;br&gt; • Transportation planning, &lt;br&gt; • E-commerce</td>
<td>• Delivery precision, &lt;br&gt; • Traceability &lt;br&gt; • Labelling</td>
</tr>
<tr>
<td>Frozen</td>
<td></td>
<td>• Global trade management (import) &lt;br&gt; • Purchasing &lt;br&gt; • CRM &lt;br&gt; • E-commerce</td>
<td>• Traceability &lt;br&gt; • Delivery precision</td>
</tr>
<tr>
<td>Full range</td>
<td></td>
<td>• Inbound logistics &lt;br&gt; • Warehouse management, &lt;br&gt; • E-commerce &lt;br&gt; • Human capital &lt;br&gt; • management</td>
<td>• Delivery precision &lt;br&gt; • Traceability &lt;br&gt; • Range</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>Full range</td>
<td>• Demand &amp; supply planning &lt;br&gt; • E-commerce &lt;br&gt; • Category planning</td>
<td>• Range &lt;br&gt; • Traceability &lt;br&gt; • Delivery precision</td>
</tr>
<tr>
<td>Parallel imports</td>
<td></td>
<td>• Category planning &lt;br&gt; • Warehouse management &lt;br&gt; • E-commerce</td>
<td>• Traceability</td>
</tr>
</tbody>
</table>

- How to address companies of different sizes
  Companies of different sizes should be contacted in different ways. This is due to the possible revenue that can be had from companies of different size. One must spend accordingly to what a possible contract might bring in, in terms of sold licences and revenues. The recommendations in Table 24 are derived by comparing the solution fit, number of companies in a segment, IT-maturity, drive for improvement, cost and potential revenue. This results in a prioritization of the different field and hence different recommended actions depending on the potential.
<table>
<thead>
<tr>
<th>Segment</th>
<th>Sub-segment</th>
<th>Marketing actions</th>
<th>Marketing actions</th>
<th>Marketing actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>Full range</td>
<td>• Aimed mail merge messages, Refer to their current pain points, Breakfast meetings, Workshops</td>
<td>• Tailored solution for the largest, Invitations to events, Offer free workshops, Invite to breakfast meetings</td>
<td>• Tailored presentation, A unique action for each company based on their current situation</td>
</tr>
<tr>
<td>Food &amp; beverages</td>
<td>Fresh</td>
<td>• Aimed mail merge messages, Refer to their current pain points, Refer to homepage</td>
<td>• Invitation to events, Offer free workshops, Invite to breakfast meetings</td>
<td>• Invitation to events, Offer free workshops, Invite to breakfast meetings</td>
</tr>
<tr>
<td></td>
<td>Frozen</td>
<td>• Aimed mail merge messages, Refer to their current pain points, Refer to homepage, Invite to road shows</td>
<td>• Invite to road shows, Invite interested companies to workshops</td>
<td>• Few large companies, Tailored presentation, Invite to work shops</td>
</tr>
<tr>
<td></td>
<td>Full range</td>
<td>• Aimed mail merge messages, Refer to their current pain points, Refer to homepage, Invite to road shows</td>
<td>• Invite to road shows, Invite interested companies to workshops</td>
<td>• Few large companies, Tailored presentation, A unique action for each company based on their current situation</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>Full range</td>
<td>• Aimed mail merge messages, Refer to their current pain points, Refer to homepage, Refer to national ABC office</td>
<td>• Invitation to events, Offer free workshops, Invite to breakfast meetings</td>
<td>• Tailored presentation, A unique action for each company based on their current situation</td>
</tr>
<tr>
<td>Parallel imports</td>
<td></td>
<td>• Aimed mail merge messages, Refer to their current pain points, Refer to homepage, Invite interested companies to work shops</td>
<td>• Tailored solution for the largest, Invitations to events, Offer free workshops, Invite to breakfast meetings</td>
<td>• No companies in this segment of this size, Monitor growing companies for future reference</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Turnover M Euros</th>
<th>10+</th>
<th>50+</th>
<th>500+</th>
</tr>
</thead>
</table>
Explanations to table 24

- **Aimed mail merge messages**
  This type of advertising is aimed at a broader range of recipients and its meaning is to inform and create interest and awareness about ABC and their products. Companies that get in touch after receiving a message could be invited to various events or meetings to further point out the advantages and possibilities of ABC’s solutions.

- **Road shows**
  Grab hold of smaller organizations, students and potential partners on local information meetings. Universities, trade fairs and other local arrangements are possible venues for this action. This type of action also creates interest and awareness of ABC’s products.

- **Events**
  Events that are held for certain customer groups or participants of certain value chains or marketing channels can be visited by ABC in order to create an interest and raise the knowledge about, and the presence of, ABC on the market. An event can be used to raise the potential customers’ knowledge about the products available.

- **Breakfast meetings**
  These are informal meetings where thoughts and ideas can be exchanged in an open forum. Guest lecturers with presentations of interest to the invited guests can be used in order to introduce an appealing theme to the meeting. This type of action will help raise the customer’s preference towards ABC and their offerings.

- **Workshops**
  Companies of all sizes can be invited to workshops to raise their knowledge about ABC solutions and to further show them what advantages they can have from implementing an ABC business solution. Workshops can aid ABC in enhancing the potential customers liking and preference of ABC products. A workshop is intended to convince the potential customer of the advantages in choosing an ABC solution for their company.

- **Tailored presentation**
  Used for the largest and most interesting potential customers. Study the large enterprises to get an overview of their situation. Pin point their strengths and weaknesses in order to give a presentation that addresses their needs. The presentations goal is to ultimately lead to a convinced customer and pave the way for a purchase decision.

The steps awareness, knowledge, liking, preference, conviction and purchase are all part of the purchase process adapted from Kotler (2008).
7 Bibliography


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Amadeus (2005) Sweden 3 company report
Amadeus (2007) Norge 3 company report
Amadeus (2007) Sweden 2 company report
Amadeus (2008) Denmark 2 company report
Amadeus (2007) Denmark 3 A/S company report
Amadeus (2007) Finland 4 Oy company report
Amadeus (2007) Finland 2 Oy company report


Radar Group (2008) IT spending report


ABC for wholesale distribution DVD-Rom


Attachment 1

Interview guide

**Competition**

1. How do you assess the competitive situation in your industry?
   - Are there many big companies?
   - Many small companies?
   - Are you in a leading position?
   - Are there high barriers for entry?
   - Is the competition fierce or mild?
   - Who is your main competitor/s?
   - Do you deal with geographical competition locally or globally?

2. What would you consider your main differentiation from your competitors?
   - Fastest deliveries
   - High service levels
   - Good credit and finance functions
   - Repairs
   - Warranties
   - Range

**Customers and suppliers**

3. What is the structure of your customer side?
   - Few large customers with a large proportion of the turnover?
   - Many small customers?
   - Retailers, craftsmen, producers, wholesalers or others?
   - Type of customer groups

4. What developments on their side influence your current and future business activities?
   - Technological?
   - Geographical?

5. How would you assess your relationship with your customers?
   - Close or arms-length relationship?
   - Partners?
   - Number of A, B and C customers?
6. What expectations do they have in you?
   - Business solutions?
   - Technical consulting?
   - Deliveries?
   - Other expectations?

7. What developments on your supplier side influence your current and future business activities?
   - Technological?
   - Geographical?

8. How do you assess your relationship with your suppliers?
   - Close or arms-length relationship?
   - Partners?

9. What expectations do they have in you?
   - Business solutions?
   - Online ordering?

Changes and trends in the wholesale industry

10. How do you expect the functions and activities of wholesale distributors in your industry to change in the future?
    - Planning
    - Procurement
    - Logistics
    - Sales
    - Financing
    - Credits
    - Deliveries
    - Other services

11. What technological changes is there that influence the development of your industry?
    - What action is required of your company to react to these changes?

12. Are there potential substitutes who threaten the role of wholesale distributors in your industry?
    - Disintermediation?

13. What legal changes is there that influence the development of your industry?
    - What action is required of your company to react to these challenges?

14. Where do you see major challenges for your industry in the future?
15. What environmental challenges do you see for your industry in the future?
   - Sustainability
   - Globalization

**Business model and IT software solutions**

16. How would you describe your current business model?

17. What IT solutions are crucial to make your organizations business model work?
   - Planning
   - Procurement
   - Logistics
   - Sales
   - Financing
   - Credits
   - Deliveries
   - Other services

18. What IT areas are pain points at the moment in your organization?

19. Where do you see future investments?

20. What IT software suppliers does your organization use today?
Assessment of internal processes

Please rate the following internal processes on a scale from 1 to 5 where 1 is the worst and 5 is the best. Also rate the importance of this process and how well you want this process to function in 3-5 years.

<table>
<thead>
<tr>
<th>Planning</th>
<th>Current</th>
<th>Importance</th>
<th>Future</th>
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</thead>
<tbody>
<tr>
<td>Demand &amp; Supply Planning</td>
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<tr>
<td>Transportation planning</td>
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<tr>
<td>Category planning</td>
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<table>
<thead>
<tr>
<th>Sourcing</th>
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<th>Future</th>
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<tbody>
<tr>
<td>Purchasing</td>
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<tr>
<td>Global trade management (import)</td>
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<table>
<thead>
<tr>
<th>Store</th>
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<tbody>
<tr>
<td>Inbound logistics</td>
<td></td>
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<tr>
<td>Warehouse Management</td>
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<tr>
<td>Outbound logistics</td>
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<tr>
<td>Transportation management</td>
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<table>
<thead>
<tr>
<th>Sell</th>
<th>Current</th>
<th>Importance</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Relationship Management</td>
<td></td>
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<tr>
<td>Global trade management (export)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Billing &amp; Collections management</td>
<td></td>
<td></td>
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<tr>
<td>E-commerce</td>
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<tr>
<th>Corporate Functions &amp; Analytics</th>
<th>Current</th>
<th>Importance</th>
<th>Future</th>
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</thead>
<tbody>
<tr>
<td>Analytics &amp; business intelligence</td>
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<tr>
<td>Finance</td>
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<td>Human Capital Management</td>
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<tr>
<td>Other support functions</td>
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