Growing as a business in a mature business-to-business service industry

A case study in the Swedish energy services industry

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A case study in the Swedish energy services industry

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Tillväxt i en mogen B2B service-marknad:
En fallstudie inom den svenska marknaden för underhållstjänster för energiaktörer
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business service industry:
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Abstract
In the past decade, the energy markets within the European Union have increasingly been deregulated as a means to promote increased competition, and thereby efficiency, on these markets. As a result of this, several energy institutions have been forced to become unbundled from their parent companies and to instead form smaller separate entities. Contracts that previously were guaranteed are now subjected to public competition and in order to not risk decreasing in size, these companies must now find new ways to grow and generate new business.

To study this, a case study was conducted at a Swedish energy services company who recently has been unbundled from one of the largest Swedish grid owners. Specifically, the research focused on what companies in mature business-to-business services contexts can do to increase their sales. The study was conducted primarily through gathering qualitative interview data both internally and externally, but secondary data from surveys were also used.

The findings indicate that the case company should focus on pursuing a combined strategy of market penetration and service/product penetration to increase sales. In addition, the company should continue to invest substantially into relationship marketing practices in order to build long-term potential for growth. Specifically, the findings indicate it should improve its communication and relationship investment towards its customers. Furthermore, it should adopt appropriate strategies to reduce the switching barriers of its prospective customers.

The findings contribute to the understanding of how companies in similar situations as the case company can act in order to drive growth. The study provides further empirical data in a field that has received relatively little academic attention. The author also suggests venues for future research in the concluding chapters.

Key-words
Business-to-business, services, mature industry, growth, product-market growth matrix, relationship marketing, switching barriers
Sammanfattning


Resultaten indikerar att det studerade företaget bör fokusera på både ökad ”marknadspenetration” och ”service/produktpenetration” för att öka sina intäkter. Företaget bör också fortsätta att investera i relationship marketing metoder för att bygga mer långsiktigt potential. Specifikt bör det öka sina färdigheter inom kommunikation och ”relationship investment” gentemot sina kunder. Företaget bör även använda sig av strategier för att minska bytesbarriär hos deras potentiella kunder.

Studien bidrar till kunskapen kring hur företag i liknande situationer kan agera för att dra tillväxt. Författaren föreslår även möjliga områden för framtida forskning.

Nyckelord
B2B, business-to-business, servicemarknad, mogna industrier, tillväxt, produktmarknadsmatris, relationship marketing, bytesbarriärer
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Erik Wang
1 Intro/Background

The introduction chapter describes the background of the thesis. It introduces the identified problems as well as stating the purpose and research question, followed by a description of the delimitations of the study.

1.1 Background

In the past decade, the energy markets within the European Union have increasingly been deregulated as a means to promote increased competition, and thereby efficiency, on these markets. The Swedish energy market is no exception and several of the Swedish energy institutions have thus recently been forced to undergo an unbundling from their parent company to instead form several smaller entities.

The studied company in this thesis is one of these companies. The company is an actor within the Swedish energy services industry and its business offerings include maintenance, upgrades and installations of electric transmission cables and power stations throughout the whole of Sweden. Its customers include local and regional power grid owners as well as some industrial actors.

Historically, the studied company has always been a division of one of the largest grid owners in Sweden and its main purpose has been to provide services for the internal division which owned the power grids in Sweden. However, due to the European unbundling directives, the company has now become its own separate legal entity and the previously secure contracts with the parent grid owner division are now suddenly up for competition from any outside companies.

This creates a new market situation which the company previously has not faced. As the company is very adamant in not decreasing in size, a new sales & marketing division was recently formed at the company. As it is likely that the biddings for at least some of the previously secured contracts will be won by its competitors, the purpose of the newly formed marketing division is therefore to come up with new strategies on how the company can continue to grow its sales despite the harshened market conditions.

1.2 Purpose

The purpose of this thesis is to investigate what activities a company in a business-to-business services context, and in a mature industry, can undertake in order to grow their sales organically using the studied company as a case study.

1.3 Research questions

The purpose of this thesis has been further broken down into two research questions to clarify what will be explored in this paper:
Research Question 1:
- Which market and service segments should the studied company, which operates in a business-to-business service context, target in order to grow their sales?

Research Question 2:
- What marketing practices should the studied company focus on in order to acquire and retain new customers?

1.4 Delimitations

The scope of this thesis has been limited to study only the specific company in question in detail. The research will also only include data and empirical data from the Swedish market.

In addition, the feasibility of the marketing activities in terms of costs and profit will not be considered to great extent. The main objective of the research will be to investigate how the company can reach its goals of increasing sales.

Furthermore, the scope of the thesis is also limited in time and to the expertise of the researcher. As such, the conclusions should be regarded as more indicative in nature, based on the company and researched sections of the market, rather than definite truths that apply for the whole industry.
2 Background – The Swedish Energy Services Industry

This chapter presents brief overviews of the Swedish power grid system, the Swedish energy services industry and the EU-regulatory frameworks that exist for the energy markets.

2.1 The Swedish Power Grid System

2.1.1 Structure of the Swedish power grids

The Swedish power grid is divided into three main voltage levels which all have different types of actors who are responsible for operating them. The three main different voltage levels and the names for the grid that have these voltage levels are: the national transmission grid (stamnätet in Swedish), the regional grid and the local grid.

![Diagram of the Swedish power grid system](image)

Figure 1. The Swedish power grid system (Vindlov, 2018)

The national transmission grid, which is directly connected to the sources of energy production (i.e. hydro power plants, wind power plants and nuclear plants), is operated by Svenska kraftnät which is a state-owned authority appointed to maintain and develop the Swedish grid for electricity (Svenska kraftnät, 2015). The voltage
levels on the national transmission grid range between 220 kV to 400 kV. The national transmission grid forms the backbone of the electricity system and transmits large volumes of electricity over large distances across the whole country (and also to other neighboring countries).

The national transmission system is connected to the regional grids, which are more limited to a smaller geographical area than the national grid. The electricity on the regional grids usually spans between 40 kV to 130 kV (Energiföretagen, 2018). The main purpose of the regional grids is to transport energy from the national transmission grid either to the local grids or to large production or industrial facilities that may be connected directly to the regional grids.

The local grids are connected directly with the regional grids and their main purpose is to deliver electricity directly to end-consumers or to smaller production facilities, offices, suburban areas, and so on. The voltage levels in the local grids are usually below 40 kV (Energiföretagen, 2018). The voltage level is dialed down to 230 V when the electricity reaches end-consumers or households.

2.1.2 Ownership of grids
In total, there are around 170 owners and operators of electricity grids in all of Sweden. As mentioned, the national transmission grid is solely owned by Svenska Kraftnät. The regional grids are to a large majority owned by one of the three main large grid owners in Sweden – E.ON Elnät Sverige, Vattenfall Eldistribution och Fortum Distribution. The local grids are owned either by one of the three largest grid owners or by smaller local grid owners. Each grid is only owned and operated by one owner. The local grids are also the primary grids that the studied company in this report provides their services for.

The ownership structure of the grids vary significantly in different regions in Sweden. In some regions, particularly in the northern parts of Sweden, all the grids within that region are owned by one of the three large grid owners. In other parts of Sweden, particularly in the southern regions, there grids within a region are owned by a multitude of smaller grid owners (Södra hallands kraft, 2018).

2.2 The energy services industry and the studied company
The term “energy services industry” in this report refers to the industry in which companies who own electrical equipment or assets, e.g. power grids or industrial production facilities, outsource the maintenance and repairs of these assets to other service companies. The business offerings of these energy services companies usually include a variety of services to handle maintenance, renovations and upgrade requests to handle, primarily, energy transmission cables and power stations.

In Sweden, the largest energy services companies all stem from one of the three main power grid owners in Sweden – E.ON, Vattenfall and Fortum. Due to directives from the European Union, the service divisions of these grid owners had to be unbundled from the parent companies (more on this in the following section below). The studied
company in this report is one of these energy services companies which has recently been separated from its larger parent company. Even though a majority of the largest business deals in the industry are subject to so called LUF-regulations (in Swedish: Lag om upphandling inom försörjningssektorerna; Riksdagen, 2018), there are still many ways in which the actors in the industry are able to influence the contracts deals without being forced to rely purely on economical factors.

2.3 Regulatory EU directives and the unbundling of energy services

In 2009, a legislative package for an internal gas and electricity market in the European Union (EU’s Third Energy Package) went into force. One of the main elements of this package included so called ownership unbundling, which stipulated the separation of companies’ generation and sale operations from their transmission networks. Essentially, this meant that the large grid owners who traditionally owned all the stages in the energy industry – from producing the energy to selling it and also maintaining the transmission grids – now had to be unbundled and separated into smaller legal entities.

In 2012, this also led to the effect that the studied company in this report, which provides maintenance and services to the grid owners, had to be unbundled from its parent company and the grid owners who previously were the primary customers.

In essence, this meant that the business and projects from the parent grid owner company – which previously had been exclusive to the (internal) energy service company – were now available for any company to bid on. This meant that the energy services company now faced competition, which it had not done previously, and was at a risk of losing a large portion of their projects if they did not manage to protect their business from the new competition. As a consequence of this, the energy services also needed to look into areas where they can grow their business and which are outside of the traditionally served parent grid company.
3 Theory

This chapter introduces the different theoretical concepts that the study was based on. The concepts primarily includes theory regarding product-market growth strategies, relationship marketing and reduction of switching barriers.

3.1 Growth strategies

This section will provide an overview of some of the most relevant theories in the literature when it comes to growth strategies for service companies. The first part will offer some insights into the seminal theories of Igor Ansoff’s product-market growth strategy matrix and the second part will present theories focused on growth at minimum risk for service companies.

3.1.1 Ansoff’s original product-market growth matrix

One of the most commonly cited models when it comes to strategies for future growth is that of the product-market growth matrix first conceived by Igor Ansoff (1957). The matrix is defined as a two-by-two matrix with products & services being on one axis and markets being on the other axis. The matrix, in its original and simplest form, is shown below:

![Figure 2. The product-market growth matrix (Ansoff, 1957)](image)

The matrix gives rise to four different strategies that a company can follow in order to grow, as listed below:

i. Market penetration.
ii. Market development
iii. Product development
iv. Diversification

Ansoff (1957) argued that it is essential for a company to continually weigh and compare the advantages of these four alternatives in order to stay relevant and to not be outrun by its competitors.

3.1.1.1 Ansoff’s four strategies: market penetration, product development, market development and diversification

The safest and most conservative strategy is generally market penetration which means that the company attempts to grow by using its existing products or services in the current markets (Ansoff 1957). Essentially, the company would try to grow its market share in its existing markets, which can be done through either increasing the volume of current products and services or through selling to new customers within the existing markets.

The market development strategy describes when the company attempts to expand to new markets using its existing product line or some slightly modified versions of it (Ansoff 1957). The new markets could include e.g. new geographies or countries, new customer segments, new industries, and so on. An example of this could be an airplane company that adapts and sells its passenger transportation for the mission of carrying cargo transportation instead.

The product development strategy describes when the company tries to develop new products and services for its existing markets (Ansoff 1957). A company who adopts the product development strategy develops new products or services with new and different characteristics that will better serve the desired outcome of the customer.

The last strategy, diversification, describes when a company attempts to grow through creating new products or services which are applied to new markets. In a case of diversification, the company attempts to grow from departing from both the current product line and market structure (Ansoff 1957).

Both market development and product development are considered to be riskier than market penetration as they both involve new or unfamiliar processes. The riskiest, but also the potentially most rewarding strategy, tends to be diversification. Diversification involves a high degree of risk and uncertainty, but it may also open up new business opportunities that previously were not available to pursue (Ansoff 1957).

Even though each strategy describes a distinct path that a company can take towards future growth, most companies in reality follow several of these paths at the same time. In fact, Ansoff (1957) argues that a company that follows the three first strategies (market penetration, market development and product development) simultaneously is usually a sign of a well-run business. Diversification stands out compared to the other three strategies as it generally requires new company skills or capabilities and usually leads to organizational changes that are new compared to the business’ past experience. Furthermore, Ansoff (1957) also stressed the importance of forecasting trends which are deemed to likely have any affect on what strategy the company should pursue.
3.1.1.2 Diversification opportunities and strategies
Ansoff (1957) argued that while analysing each of the four strategies, the company also needs to consider the long-term trends of the industry, contingencies and unforeseeable events. Ansoff argued that there were three main ways to undertake a diversification: *vertical diversification, horizontal diversification* and *lateral diversification*.

By choosing a vertical diversification, the company would integrate further up or down in its value chain in order to produce new products which cater to new markets or customers (and most likely also to the company itself). By choosing a horizontal diversification, the company would create new but similar products based on existing know-how and experience which meet different or similar needs of the existing market (Ansoff 1957).

Finally, a lateral diversification refers to when the company moves outside of its own and introduces new products to new customers. While this opens up many possibilities, this is also, understandably, by far the riskiest diversification method of the mentioned diversification opportunities (Ansoff 1957).

3.1.1.3 Contemporary updates of the product-market growth matrix
Although Ansoff’s work on the product-market growth matrix has withstood the tests of time exceptionally well since its conception in 1957, there have been many suggested theoretical updates to his matrix since then. One example is that of Pleshko and Heiens (2008) which was updated to include nine distinct growth options replacing the original four options in Ansoff’s model.

Pleshko and Heiens (2008) argue that while the theoretical foundation of Ansoff’s original product-market growth strategies still remains relevant today, an updated version of it makes it more fit to the new complexities of contemporary marketing strategies. Pleshko and Heiens (2008) writes that in reality many firms combine and pursue the product growth- and market-growth approaches in several innovative combinations which then results in nine distinct categories of product-market growth strategies.

The updated product-market growth matrix of Pleshko and Heiens (2008) is shown below:
Specifically, the strategies of the updated matrix are:

1. Current products plus current markets: *penetration and saturation*
2. Current products plus new markets: *market development*
3. Current products plus both current and new markets: *intensive market development*
4. New products plus current markets: *product development*
5. New products plus new markets: *related diversification*
6. New products plus both current and new markets: *product development with intensive market development*
7. Both current and new products plus current markets: *intensive product development*
8. Both current and new products plus new markets: *market development plus intensive product development*
9. Both current and new products plus both current and new markets: *intensive growth*

Other variants of updated versions of Ansoff’s matrix that are adapted to more specific situations also exist. One example, proposed by Johannesson (2011), includes a third axis to the matrix – “product use” – which then leads to eight other distinct dimensions instead of the above-mentioned nine or Ansoff’s original four strategies. However, the new variants of matrices all implement some version of Ansoff’s original dimensions of market and product plotted against each other.

### 3.1.2 Growth strategies for service firms

In the 1980s, marketing scholars discovered that there were significant discrepancies between marketing for products and marketing for services which, until then, had not
been well-understood. This motivated research in what came to form an own branch in marketing – services marketing (Zeithaml et al., 1985).

Carman and Langeard (1980) argued that there are significant differences for growth strategies when it comes to strategies for product companies and strategies for service companies. These differences mainly stem from two unique characteristics of services: “the intangibility of the offering” and “their simultaneous production and consumption”. This leads to different sets of strategies for service companies as opposed to product companies when it comes to minimizing the risk during growth for a company.

Carman and Langeard (1980) summarized their findings for growth strategies at minimum risk for service firms as shown in the table below. The strategies are ranked in order from the least risky strategy to the most risky strategy:

<table>
<thead>
<tr>
<th>Service companies</th>
<th>Product companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Penetration</td>
<td>• Penetration</td>
</tr>
<tr>
<td>• Geographic market expansion</td>
<td>• Geographic market expansion</td>
</tr>
<tr>
<td>• Innovative redesign of existing services</td>
<td>• Socio-demographic market expansion</td>
</tr>
<tr>
<td>• New core service OR Concentric diversification</td>
<td>• Innovative redesign of existing products</td>
</tr>
<tr>
<td>• Expand to out-of-country markets</td>
<td>• Product development</td>
</tr>
<tr>
<td>• Conglomerate diversification</td>
<td>• Expand to out-of-country markets</td>
</tr>
<tr>
<td></td>
<td>• Concentric diversification</td>
</tr>
<tr>
<td></td>
<td>• Conglomerate diversification</td>
</tr>
</tbody>
</table>

The main difference between strategies for the two types of companies is that the so-called *concentric diversification* is of less risk for service companies compared to product companies. Carman and Langeard (1980) defined concentric diversification as a situation in which there is some communality in the new venture even though it is not a common market or a common product. It could be a common raw material, by-product, process, technology, or marketing approach.

Carman and Langeard (1980) also established a model for growth for a service company with minimum risk, as visualized below.
As seen, the model also largely holds true with the theories of Ansoff (1957) in terms of risk levels. Using Ansoff’s terminology, the suggested approach for growth of service companies in Carman and Langeard’s model would be to first pursue market penetration, followed by market development, product or service development and finally diversification.

### 3.2 Relationship marketing

This section presents an introduction to relationship marketing and its differences to transactional marketing, followed by an overview of the key studied variables that affect the effectiveness of relationship marketing strategies and their desired outcomes.

#### 3.2.1 Intro to relationship marketing

Starting in the 1990s, the concepts of relationship marketing experienced a period of immense growth up until at least the 2000s (Srinivasan and Moorman 2005). The definition of relationship marketing according to Morgan and Hunt (1994) is:

“All marketing activities directed towards establishing, developing, and maintaining successful exchanges.”

In general, the consensus in the literature is that relationship marketing is an effective tool to generate stronger relationships that in turn enhance the performance outcomes
of the seller, including sales growth, share and profits (Crosby, Evans and Cowles, 1990; Morgan and Hunt, 1994). There is also wide agreement that relationship marketing is different from traditional (transactional) marketing (Hennig-Thurau and Hansen, 2000). Others have also voiced that relationship marketing was a new paradigm in marketing, rather than just a new model (Grönroos, 1996). Below is an excerpt of comparisons between relationship marketing and transactional marketing (Hennig-Thurau and Hansen, 2000):

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Relationship marketing</th>
<th>Transactional marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary object</td>
<td>Relationship</td>
<td>Single transaction</td>
</tr>
<tr>
<td>General approach</td>
<td>Interaction-related</td>
<td>Action-related</td>
</tr>
<tr>
<td>Long-term vs short-term</td>
<td>Generally takes a long-term perspective</td>
<td>Generally takes a short-term perspective</td>
</tr>
<tr>
<td>Fundamental strategy</td>
<td>Maintenance of existing relationships</td>
<td>Acquisition of new customers</td>
</tr>
<tr>
<td>Intensity of contact</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Degree of mutual dependence</td>
<td>Generally high</td>
<td>Generally low</td>
</tr>
<tr>
<td>Measurement of customer satisfaction</td>
<td>Managing the customer base (direct approach)</td>
<td>Monitoring market share (indirect approach)</td>
</tr>
<tr>
<td>Dominant quality dimension</td>
<td>Quality of interaction</td>
<td>Quality of output</td>
</tr>
<tr>
<td>Production of quality</td>
<td>The concern of all</td>
<td>Primary concern of production</td>
</tr>
<tr>
<td>Importance of employees for business success</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Production focus</td>
<td>Mass customization</td>
<td>Mass production</td>
</tr>
</tbody>
</table>

As seen, relationship marketing puts the customers in much more focus and has a longer time-perspective in mind, whereas transactional marketing has more emphasis on production and is more near-sighted.

Relationship marketing is especially important for service companies. Services have an intangible and individual character and are based on human interaction, which means that transactions between customer and company can only be standardized to a certain degree, which in turn means that sometimes the service can mismatch the customers’ expectations. Stable, long-term relationships with customers are powerful tools to reduce the negative consequences in those cases where the expectations mismatch. (Hennig-Thurau and Hansen, 2000)

3.2.2 Framework of relational mediators
There are almost as many different models on factors influencing relationship marketing, and their relations between the factors, as there are articles on it. For the
purposes of this study, however, the influential meta-analytic framework proposed by Palmatier et al. (2006) was used. The framework shows the relationships of all factors influencing the effectiveness of relationship and is shown below:

**Figure 5. Relational mediator meta-analytic framework (Palmatier et al., 2006)**

In their meta-analytical analysis, Palmatier et al. (2006) state that most of the factors concerning relationship marketing that are investigated in the literature are included in the model. The factors can be divided into four different categories to enable a closer analysis of the links between these. The categories are:

i. Relational mediators
ii. Antecedents to relational mediators
iii. Outcomes of relational mediators
iv. Relational moderators

The sub-categories and sub-factors of the above categories are listed in the tables below.

### 3.2.2.1 Relational mediators

Although the literature has shown that successful relationship marketing efforts increase customer loyalty and firm performance through stronger relational bonds (Sidershmuk et al., 2002; Wulf et al. 2001), there is no unified view in the literature on which factors it is that actually constitute these “stronger relational bonds” that mediate between the relationship marketing efforts and the outcomes. The most
studied factors are commitment and trust, but other factors such as relationship satisfaction and relationship quality have also been studied. These factors of so called “relational mediators” are described by Palmatier et al. (2006) as in the table below:

<table>
<thead>
<tr>
<th>Name of factor</th>
<th>Definition</th>
<th>Common aliases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>An enduring value to maintain a valued relationship</td>
<td>Affective, behavioral, obligation and normative commitment</td>
</tr>
<tr>
<td>Trust</td>
<td>Confidence in exchange partner’s reliability and integrity</td>
<td></td>
</tr>
<tr>
<td>Relationship satisfaction</td>
<td>Customer’s affective or emotional state toward a relationship, typically evaluated cumulatively over the history of the exchange</td>
<td>Satisfaction with the relationship, but not overall satisfaction</td>
</tr>
<tr>
<td>Relationship quality</td>
<td>Overall assessment of the strength of a relationship, conceptualized as a composite or multidimensional construct capturing the different but related facets of a relationship</td>
<td>Relationship closeness and strength</td>
</tr>
</tbody>
</table>

These factors are deemed to be the ones which link the efforts made by a seller company to its desired outcomes among its customers (Palmatier et al., 2006). These relational mediators can also be seen as strategies that a seller company can pursue. For example, by knowing that trust is one of the key mediators for customer relationships, the company could take actions which aim at improving the trust between the seller and the customer.

**3.2.2.2 Antecedents to relational mediators**

Palmatier et al. (2006) categorizes the antecedents to the relational mediators into three sub-categories: customer-focused antecedents, seller-focused antecedents and dyadic (relating to both) antecedents. The factors within these sub-categories are shown below:

<table>
<thead>
<tr>
<th>Name of factor</th>
<th>Definition</th>
<th>Common aliases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer-focused antecedents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Relationship benefits</strong></td>
<td>Benefits received, including time saving, convenience, companionship, and improved decision making</td>
<td>Functional and social benefits and rewards</td>
</tr>
<tr>
<td><strong>Dependence on seller</strong></td>
<td>Customer’s evaluation of the value of seller-provided resources for which few alternatives are available from other sellers</td>
<td>Relative and asymmetric dependence, switching cost, and imbalance of power</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Seller-focused antecedents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Relationship investment</strong></td>
<td>Seller’s investment of time, effort, spending, and resources focused on building a stronger relationship</td>
<td>Support, gifts, resources, investments, and loyalty programs</td>
</tr>
<tr>
<td><strong>Seller expertise</strong></td>
<td>Knowledge, experience and overall competency of seller</td>
<td>Competence, skill, knowledge, and ability</td>
</tr>
<tr>
<td><strong>Dyadic antecedents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Amount, frequency, and quality of information shared between exchange partners</td>
<td>Bilateral or collaborative communication, information exchange and sharing</td>
</tr>
<tr>
<td><strong>Similarity</strong></td>
<td>Commonality in appearance, lifestyle and status between individual boundary spanners or similar cultures, values and goals between buying and selling organizations</td>
<td>Salesperson or cultural similarity, shared values and compatibility</td>
</tr>
<tr>
<td><strong>Relationship duration</strong></td>
<td>Length of time that the relationship between the exchange partners has existed</td>
<td>Relationship age or length, continuity and duration with firm or salesperson</td>
</tr>
<tr>
<td><strong>Interaction frequency</strong></td>
<td>Number of interactions or number of interactions per unit of time between exchange partners</td>
<td>Frequency of business contact and interaction intensity</td>
</tr>
<tr>
<td><strong>Conflict</strong></td>
<td>Overall level of disagreement between exchange partners</td>
<td>Manifest and perceived conflict or level of conflict, but not functional conflict</td>
</tr>
</tbody>
</table>

These antecedents, not unlike the relational mediators, are essentially equivalent to the various types of relationship marketing strategies that a seller can undertake. By improving these antecedents, the seller thereby also improves the relational mediators, which thereby also improves the customer relations, which in turn leads to improved outcomes (described below).

The antecedents, however, do not all have the same impact on increasing the relational mediators. In order of most important to least important, Palmatier et al. (2006) ranked the factors according to below:
### Importance for relational mediators

<table>
<thead>
<tr>
<th>Name of antecedent factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seller expertise</td>
</tr>
<tr>
<td>Communication</td>
</tr>
<tr>
<td>Relationship investments</td>
</tr>
<tr>
<td>Similarity</td>
</tr>
<tr>
<td>Relationship benefits</td>
</tr>
<tr>
<td>Dependence on seller</td>
</tr>
<tr>
<td>Interaction frequency</td>
</tr>
<tr>
<td>Relationship duration</td>
</tr>
<tr>
<td>Conflict*</td>
</tr>
</tbody>
</table>

*Conflict has a negative impact on relational mediators

The most important factors for the relational mediators were seller expertise, communication and relationship investments. Not surprisingly, conflict between seller and customer has a strongly negative impact on relational mediators (Palmatier et al., 2006).

### 3.2.2.3 Outcomes of relational mediators

Similarly to the above, there are three main categories of outcomes of relational mediators (Palmatier et al., 2006): customer-focused outcomes, seller-focused outcomes and dyadic outcomes. The arguably most important outcome of RM efforts is the seller objective performance, which includes increased sales, share of wallet and profits.

The factors for outcomes of relational mediators are shown below:

<table>
<thead>
<tr>
<th>Name of factor</th>
<th>Definition</th>
<th>Common aliases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer-focused outcomes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expectation of continuity</strong></td>
<td>Customer’s intention to maintain the relationship in the future, which captures the likelihood of continued purchases from the seller</td>
<td>Purchase intentions, likelihood to leave (reverse) and relationship continuity</td>
</tr>
<tr>
<td><strong>Word of mouth</strong></td>
<td>Likelihood of a customer positively referring the seller to another potential customer</td>
<td>Referrals and customer referrals</td>
</tr>
<tr>
<td><strong>Customer loyalty</strong></td>
<td>Composite or multidimensional construct combining different groupings of intentions, attitudes and seller performance indicators</td>
<td>Behavioral loyalty and loyalty</td>
</tr>
<tr>
<td><strong>Seller-focused outcomes</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Seller objective performance**

Actual seller performance enhancements including sales, share of wallet, profit performance and other measurable changes to the seller’s business

Sales, share, sales effectiveness, profit and sales performance

---

**Dyadic outcomes**

**Cooperation**

Coordinated and complementary actions between exchange partners to achieve mutual goals

Coordination and joint actions

---

Again, similar to the antecedents, the outcomes are affected to various degrees by the relational mediators. The outcomes are ranked from the most affected to the least affected by the relational mediators below (Palmatier et al., 2006):

<table>
<thead>
<tr>
<th>Effect on outcome from relational mediators</th>
<th>Outcomes, ranked from most affected to least affected by relational mediators</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cooperation</td>
</tr>
<tr>
<td></td>
<td>Word of mouth</td>
</tr>
<tr>
<td></td>
<td>Expectation of continuity</td>
</tr>
<tr>
<td></td>
<td>Customer loyalty</td>
</tr>
<tr>
<td></td>
<td>Seller objective performance</td>
</tr>
</tbody>
</table>

It should be noted that the reason seller objective performance is ranked the lowest amongst the outcomes is due to that it also depends on other non-relational factors (e.g. the economy), whereas the other outcomes, such as loyalty and cooperation, are more exclusively and more closely related to the relational mediators. It should also be noted that even though it ranks the lowest, the correlation between seller objective performance and improved relations is still highly significant (Palmatier et al., 2006).
3.3 Reducing Switching Barriers

The phenomenon of why satisfied customers are not necessarily loyal (Rowley and Dawes, 2000) and why dissatisfied customers do not always change (Hirschman, 1970; Day, 1984) have been relatively well-studied in the literature. However, most of the previous research has focused on primarily business-to-consumer settings (e.g. Homburg and Rudolph, 2001) or primarily researched business-to-business in goods contexts (Patterson et. al., 1997), with little regards to service industries.

The most influential studies on switching barriers in a business-to-business services contexts have been conducted by Yanamandram and White (2006) and, to some extent, Lam et al. (2004). Yanamandram and White (2006) focused on studying why some industrial customers chose to stay with their service providers despite being dissatisfied with their services and found five main categories, described below:

i. Impact of alternative providers
ii. Switching costs
iii. Inertia
iv. Investment in relationships
v. Service recovery

These factors are valuable to understand especially for firms that focus on long-term marketing relationships rather than transactions (Yanamandram and White, 2006) rather than single transactions. In addition, it is also especially important for firms that have many prospective switchers to understand why these may switch and what can be done to prevent them from switching. Lastly and similarly, it is also important to those firms who are willing to attempt to attract a lot of prospective switchers, as an understanding of these factors may help the firm to develop strategies to overcome the prospective customer’s switching barriers (Colgate and Lang, 2001).

3.3.1.1 Impact of alternative providers

Anderson and Narus (1984) characterised the impact of alternative providers into four dimensions:

i. number of alternatives available
ii. degree of differences among alternative service providers
iii. degree of difficulty in understanding the various alternatives
iv. degree of difficulty in comparing the alternatives.

A low impact of alternative providers contributed to the likeliness of a dissatisfied staying with its current service provider. Furthermore, Patterson and Smith (2003) also stated that if customers are either unaware of attractive alternatives or do not perceive the alternatives as any more attractive than the current relationship, then they are likely to stay in that relationship, even if it is less than satisfactory.

3.3.1.2 Switching costs

Switching costs have been described as the customer’s perception of the magnitude of the additional costs required to terminate the current relationship and secure an
alternative (Porter, 1980; Jackson, 1985; Ping, 1993). Gremler and Brown (1996) also argued that the costs of switching providers tend to be higher for services than for goods, and especially for services that are difficult to evaluate.

When the switching costs or the risks associate with it are perceived as too high by the customer, they also tend to not switch service providers (Javalgi and Moberg, 1997).

3.3.1.3 Inertia
Inertia related to switching barriers have been defined as when the customer is lazy, inactive or passive. Some definitions include when “there is an experienced absence of goal-directed behaviours” (Zeelenberg and Pieters, 2004), “a lack of conscious design to change” (Huang and Yu, 1999) or “being conditioned by habit” (Bozzo, 2002). It has also been defined as when customer are not switching “because it is too much bother in terms of time and effort” (Colgate and Lang, 2001). Repeat purchase as a result of inertia is unstable, reflects little or no brand commitment and merely represents acceptance (Assael, 1998).

When the inertia of the customer is high, the customer is also more likely to not switch service provider (Solomon et. al., 2002).

3.3.1.4 Investment in relationships
Interpersonal relationships refer to the strength of personal bonds that develop between customers and their service employees (Berry and Parasuraman, 1991). Typically, interpersonal relationships are even more important in services given that there is a high degree of personal interaction and that services are more intangible, amongst other reasons (Czepiel, 1990). Gwinner et. al. (1998) argue that even if a customer perceives the core service attributes as being less than optimal, they may remain in a relationship if they are receiving important relational benefits.

As is also clear from the studies by Palmatier et al. (2006), investments in relationships have significant effects on several outcomes such as cooperation, word of mouth, expectation of continuity and customer loyalty. Thus, higher investments in relationships also lead to higher switching barriers.

3.3.1.5 Service recovery
Gronroos (1990) defined service recovery processes as “those activities in which a company engages to address a customer complaint regarding a perceived service failure”. Keaveney (1995) found that service failures and failed recoveries are a leading cause of customer switching behaviour in service organisations.

Studies in consumer markets indicate that well-executed service recoveries can reverse dissatisfaction, prevent customer defections, deflect the spread of damaging word of mouth, and improve bottom-line performance (Fornell and Wernerfelt, 1987; Kelley et. al., 1993). Moreover, a good recovery can turn even frustrated customers
into loyal ones and may create more goodwill than if things had gone smoothly in the first place (Feinberg et al., 1990; Hart, et. al., 1990).

3.3.1.6 Other factors
Yanamandram and White (2006) also found eleven other factors that contributed to why some dissatisfied customers still chose to stay with their service providers. These are listed below:

i. The service provider offered sales leads – e.g. the service provider offer sales leads which generate more sales for the customer
ii. Lower prices – e.g. customer could not afford competitors’ prices
iii. Legal issues – e.g. due to a long history between the provider and customer, a change of provider could cause legal and confidentiality issues
iv. Delivers good quality core product – e.g. core product is still good, despite customer being dissatisfied with other aspects of the relationship
v. Favouritism – e.g. service providers are chosen because a person in power at the customer organization favours the provider
vi. Patriotism – e.g. customer chooses provider because they are from the same country
vii. Reciprocal purchase arrangement – e.g. when both firms buy services from each other
viii. Impact on other business units – e.g. service provided covered several business units, and a change of provider wouldn’t be possible without harming the other business unit
ix. Disruptions to service that impact customer’s customers – e.g. if a change would cause other processes to the customer’s customers to be disrupted
x. Recognition by service provider – e.g. the service provider offered incentive and loyalty programs to personnel in the customer organization
xi. The need to keep the existing service provider as a back-up option – e.g. the customer keeps the same service provider merely as a back-up in order to negotiate better deals from competitors

Although it is unlikely that the reason why a dissatisfied customer stays with their service provider is due to all of the reasons above, any combination of the above can, to various degrees, cause a dissatisfied customer to stay.

Even though it may be tempting, Patterson (2004) discourages companies to use high negative switching barriers as a mean to increase customer retention. Some reasons include that high switching barriers may impede ability to acquire customers and also that, in many cases, the switching barriers may easily be reduced by external forces (e.g. if a competitor educates the customer on how to switch service providers easily). However, some of the identified positive switching barriers, such as investment in relationships, service recovery or delivering good quality core service are encouraged to be pursued.

For companies that want to attract prospective customers, some factors, such as favouritism or patriotism may be difficult to overcome. However, other barriers may be overcome if specific strategies are targeted at those, and the service provider should aim at minimizing the work required by the customer to overcome those
barriers while at the same time aim to highlight the company’s own dependability and trustworthiness (Yanamandram and White, 2006).
4 Methodology

This chapter presents the methodological approach and the research process chosen for this thesis. The case study methodology was chosen as the main research method and a description of it constitutes a large portion of this chapter. A discussion on validity and reliability follows in the last section of the chapter.

4.1 Research methodological approach

Paradigms are considered to be philosophical frameworks that guides researchers in making choices on how the scientific research should be conducted (Collis & Hussey, 2009). In this study, the researcher chose to adopt an interpretivist paradigm, since the objective of this study was to investigate perceptions and actions of individuals within a contextual setting. The interpretivist was deemed as suitable for this study since it proposes that reality is subjective and dependent on context (Lincoln et al., 2011). A positivist paradigm, on the other hand, would not be appropriate since it suggests that reality is objective and unchanging (Lincoln et al., 2011).

The different approaches that research can take depend on the objective of the study. A deductive research approach uses a conceptual and structural framework and tests it with empirical observations in order to work their way down to a particular conclusion. Mostly, this can be regarded as a method to move from a general level of information down to more specific information. Inductive research, on the other hand, works in the opposite way. An inductive research approach start from observations of the empirical reality which then are developed into theories, thus moving from the more specific to the general (Collis & Hussey, 2009). Due to the scope and nature of this thesis, an inductive research approach was deemed as the most appropriate in order to start from observations and eventually land in more generalizable concepts.

Exploratory research is conducted into research problems or issues when there are very few or no earlier studies which can be referred to for information about the issue or problem (Collis & Hussey, 2009). As the research problems of this thesis consider issues which indeed have been studied to a lesser extent, the exploratory research methodology was chosen.

A typical technique used in exploratory research is performing a case study, which was also the chosen methodology for this thesis. The case study methodology is used to explore a single phenomenon (the case) in a natural setting using a variety of methods to obtain in-depth knowledge (Collis & Hussey, 2009).

4.2 Research process

The research process of this thesis follows that of a typical case study and follows the five stage case-based research process by Stuart et al. (2002). The five stages are described below:
4.2.1.1 Defining research questions

In the first phase – “defining research question” – a general understanding of the background and challenges of the case were obtained primarily through conducting interviews with the case company and brainstorming with the thesis supervisor. The insights from the initial interviews and the brainstorming sessions were then combined with knowledge gained from brief scans on the potential literature topics that could be relevant to the case and to the company.

As the case company in this thesis faced many challenges, many of which could be formed into their own separate case studies, a considerate amount of time was spent in this phase in order to narrow down the number of possible research questions to the ones that were deemed to be the most plausible to study and the most crucial for the company to gain insights of. After the suitable research questions had been defined, the research then moved into the second stage of the research process.

4.2.1.2 Instrument development

The second phase of the research process involved developing the proper instruments that would be used for collecting the data. The main methods of gathering data used in this thesis consisted of gathering qualitative data. Examples of qualitative data are usually printed material such as text, figures and diagrams, as well as in-depth interviews and direct observation (Collis & Hussey, 2009). The gathering of in-depth data allowed the researcher to gain a deeper and more nuanced understanding of the case and the case company.

As the number of interviewed employees in this study was relatively high, the initial interviews were conducted in a mostly exploratory fashion, with the objective to let the researcher quickly narrow down the number of potential topics to a more limited set which then could be further explored in the latter interviews. During this initial stage, the interview questions were continually developed with the help of both relevant literature, the thesis supervisor and the main contacts at the case company. At a point, however, the researcher deemed the topics to have been narrowed down sufficiently for the remaining interviews to hold the same (or a very similar) structure.

4.2.1.3 Data gathering

The data used in this thesis were primarily gathered from conducting qualitative, semi-structured interviews over the phone. Semi-structured interviews are a good way to use if the researcher needs to understand a context or if there is a need to understand the step by step logic (Collis & Hussey, 2009), which was deemed to be the case for this thesis.
The semi-structured interviews were held with both internal employees and external customers. The internal employees were chosen from a range of different positions and different regional locations in Sweden in order to gain an as holistic picture of the company as possible. Although the initial employees to be interviewed were suggested by the thesis supervisor at the company, the subsequent interviewed employees were ones that were recommended by the first sets of interviewed employees. This is deemed to have reduced the potential bias that could have been gained from having all interviewees selected by one person.

The external interviewees, however, were all selected by one contact at the company (the head of the sales & marketing department). There is a high chance that this could have caused a high bias in which customers were interviewed and that the insights gained from these customers did not provide an accurate representation of the company’s customer as a whole. In all likelihood, these were external customers that generally had a positive opinion of the case company. However, given the circumstances, the researcher deemed it unreasonable and unrealistic to inquire for interviews to external customers who were known to have a more negative view of the company. The bias, nonetheless, should be somewhat reduced by comparing the interview findings with the findings from the customer satisfaction index survey that the company previously had done which involved a much higher number of customers responding.

In addition to the above, an extensive literature review was continually performed as a complementary data gathering method. The literature also proved as the basis of the thesis to a large extent and was used in order to better support the analysis of the findings.

4.2.1.4 Analyse data
The forth phase of the research process – analyzing data – presented perhaps one of the most difficult challenges of the research. As the data collected was quantitative in nature and also highly varied for each interview, it also needed to be condensed, grouped or summarized in order to give meaning. Throughout the research process, a systematic method of coding and creating themes based on the data was adopted, while also attempting to discard old data. In order to further increase the validity and reliability of the data, the triangulation method was also used to a high degree.

4.2.1.5 Dissemination
The fifth and final step of the research process essentially consists of summarizing and writing the final report of the study. The structure and contents of the report were continually discussed with the thesis supervisor both at the company and at the university. After iterating a number of times, the finalized report was produced.

4.3 Validity & reliability
Interpretive studies tend to produce findings with high validity since the focus is to gain rich and detailed explanations about a specific phenomenon and those involved (Collis & Hussey, 2009). A large part of the qualitative data has been based on the
perceptions of the interviewees. Due to the nature of semi-structured interviews being highly open and flexible, interviews of this type could lead to an increase in validity since they hold a greater chance of allowing the interviewees to elaborate on their perceptions and reflections.

Moreover, through triangulating the data with multiple sources, the validity of the findings should increase. As stated earlier, however, there is a high chance of bias in the external interviews, as the external interviewees were all selected by the same internal contact.

Studies with a qualitative approach tend to have low reliability since interpretations and observations are highly dependent on how the researcher explain and understand the reality (Collis & Hussey, 2009). In order to increase the reliability of the interviews, they could have been recorded. However, for the general purposes of this thesis, it was deemed that it may have been unnecessary and potentially caused the interview subjects to be more restrained in their comments. The used frameworks for the semi-structured interviews are, however, included in the Appendix in order to increase the reliability.
5 Findings

This chapter presents the results from interviews held with both internal employees and external customers. In addition to the data from the interviews, data from an internal SWOT analysis session and from an externally conducted customer satisfaction index survey were also included.

5.1 Findings from internal interviews

In this section, the findings from the interviews with employees of the studied company will be presented. In total, 23 interviews were conducted with internal employees.

The purpose of the interviews were to gather data on the internal views on how the business operated today, what potential areas of improvement there were and also to gain insights into the market dynamics for each of the areas that the interviewed employee operated in. The interviews were held with a variety of employees at different positions throughout the organization in order to gain an as accurate picture as possible of the organization and also the external market landscape.

The interviewed employees are listed below:

<table>
<thead>
<tr>
<th>Interviewee ID</th>
<th>Title and functional group</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM.1</td>
<td>Regional manager, Cables region #1</td>
</tr>
<tr>
<td>RM.2</td>
<td>Regional manager, Cables region #2</td>
</tr>
<tr>
<td>RM.3</td>
<td>Regional manager, Cables region #3</td>
</tr>
<tr>
<td>RM.4</td>
<td>Regional manager, Cables region #4</td>
</tr>
<tr>
<td>RM.5</td>
<td>Regional manager, Cables region #5</td>
</tr>
<tr>
<td>RM.6</td>
<td>Regional manager, Stations region #1</td>
</tr>
<tr>
<td>RM.7</td>
<td>Regional manager, Stations region #2</td>
</tr>
<tr>
<td>RM.8</td>
<td>Regional manager, Stations region #3</td>
</tr>
<tr>
<td>GL.1</td>
<td>Group leader, Cables region #1</td>
</tr>
<tr>
<td>GL.2</td>
<td>Group leader, Cables region #2</td>
</tr>
<tr>
<td>GL.3</td>
<td>Group leader, Stations #1</td>
</tr>
<tr>
<td>GL.4</td>
<td>Project manager, Stations #2</td>
</tr>
<tr>
<td>SM.1</td>
<td>Head of Sales &amp; marketing</td>
</tr>
<tr>
<td>SM.2</td>
<td>Tendering engineer #1, Sales &amp; marketing</td>
</tr>
<tr>
<td>SM.3</td>
<td>Tendering engineer #2, Sales &amp; marketing</td>
</tr>
<tr>
<td>SM.4</td>
<td>Tendering engineer #3, Sales &amp; marketing</td>
</tr>
<tr>
<td>SM.5</td>
<td>Business developer, Sales &amp; marketing</td>
</tr>
<tr>
<td>SM.6</td>
<td>Contract manager, Sales &amp; marketing</td>
</tr>
<tr>
<td>ST.1</td>
<td>Executive trainee, Strategy</td>
</tr>
<tr>
<td>ST.2</td>
<td>Business developer, Strategy</td>
</tr>
<tr>
<td>ST.3</td>
<td>Employee, Strategy</td>
</tr>
<tr>
<td>LE.1</td>
<td>Corporate lawyer, Legal</td>
</tr>
<tr>
<td>FI.1</td>
<td>Controller, Finance</td>
</tr>
</tbody>
</table>

The organization of the company was structured so that the whole of Sweden was divided into different regions of which each had one responsible Regional Manager. The regions were divided after the two main categories of services that was provided: cables and stations. In total, the whole Swedish market was divided into five regions for the cables customers and three regions for the stations customers (i.e. the five
cables regions covered the whole of Sweden for cables customers of Sweden and the
three stations regions covered the whole of Sweden for the stations customers). All of
the regional managers were interviewed in order to gain an as accurate picture of the
company as possible and to not miss out on any large discrepancy that any one of the
regions could account for.

Within each regional group, there were also sub-groups which each had a Group
Leader who was responsible. Four Group Leaders were interviewed for this study.
Two of these were from a Cables group and two were from a Stations group. These
had been suggested as suitable interview objects by either a Regional Manager or the
Head of Sales & Marketing, most of the times because they were among the more
knowledgeable or experienced ones within their groups.

In addition to the above, six members of the newly formed Sales & Marketing group
(S&M) were also interviewed. The S&M group was cross-regional and its members
were geographically located in other regional groups. In addition to the above, three
employees who were part of the Strategy group and two members of cross-functional
groups (Legal and Finance) were also interviewed.

In this report the Interviewee IDs will be used when referring to specific interviews
for ease of reading. In the analyses of the interview data, certain common themes and
patterns emerged from the interviews. The interview data will be presented by each
category in the following sections.

5.1.1 Major market segments
From the interviews, it was found that the categories of customers that the company
served could in general be summarized into:

<table>
<thead>
<tr>
<th>Large-scale grid owners</th>
<th>Small-scale grid owners</th>
<th>Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Most important are the three large grid owners in Sweden</td>
<td>• Primarily consists of municipalities or independent organizations</td>
<td>• Industrial facilities, e.g. paper and pulp factories</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• New industries, e.g. wind power, server halls</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Others, e.g. office buildings</td>
</tr>
</tbody>
</table>

However, the specific customers that each regional group served varied greatly
between the groups. The differences were especially pronounced when it came to
differences between the Cables groups and the Stations groups.

For example, in some of the Cables groups, the customers were identified to primarily
consist of large-scale grid owners, as shown by the quotes below.

“About 85% of our services are ordered by [parent grid owner] and the rest are mostly from smaller municipalities. We barely have any industrial customers, those guys are handled by the Stations people.” – RM.1
“In my business group, 96% of requests come from [parent grid owner] and 4% come from other external customers. The smaller energy producers around here have their own in-house service personnel, so they don’t have the need to outsource anything to us.” – RM.3

“Up to 95% of our projects are done for [large-scale grid owner].” – RM.4

The above quotes, which all come from Regional Managers of Cables groups, stand in stark contrast to the view of the Regional Managers of Stations groups, where a higher percentage of customers were industrial customers.

“Maybe about half of our business is done for [parent grid company], the other half we do for other grid owners or industries. But we want to increase our share of customers who are not from [parent grid company]. Our goal is that we should have some kind of relation to every possible customer in our region.” – RM.6

“In terms of volume of transactions, a slight majority of it still goes to [parent grid company]. But in terms of numbers, the majority of our customers are from the industry. We are also growing our share of industrial customers, as that is much easier than to sell more to the [parent grid company].” – RM.7

In summary, all of the Cables groups had customers that were almost all exclusively from a single company, which in most of the cases was the parent grid owner. For the Stations groups, however, the customers were more varied. In the three Stations groups, roughly half of the service volumes were done for the parent grid owner and the other half were done for industrial customers or other local small-scale grid owners.

Uncharted market segments and growth of industrial customers

In several interviews, many of the interviewees believed there were vast amounts of potential customers that had not been contacted. Although this varied greatly between the groups, two common themes was that many interviewees thought there were more industrial companies to reach out to and that the Stations groups had many uncharted territories.

“We have a lot of industries in this region that no one has tried to contact. There is plenty of jobs and opportunities out there, it’s just that we haven’t tried to get them. This is especially true for Stations, they have also been better than us at Cables to reach out to customers.” – GL.1

In addition, several interviewers mentioned that there were large “white areas” in the south of Sweden which hadn’t been as explored by the studied company as the areas in the north of Sweden. The company has traditionally had a stronger presence up north and has been weaker with sales and marketing in the south.

“Traditionally, we have had a stronger presence in northern Sweden. We know that there are large ‘white’ areas in south. We should make it a priority to explore these further.” – RM.4
5.1.2 Service portfolio and characteristics

In addition to the distinction between Cables and Stations, the services that the company provides can be divide into two further categories: maintenance and projects.

The maintenance tasks are often smaller and less complex than the project tasks. Examples of maintenance tasks for the technicians could be to drive out to the customer’s premises and mark cables, cut down trees that are too close to cables, turn off the power for end-consumers who do not pay their bills, and so on (RM.4).

Project tasks on the other hand usually require more competence or skill to perform. Examples of project tasks could be to change cables between electricity poles, install new power transformers, isolate cables for grid owners, and so on (RM.4)

Furthermore, even though a majority of the time or labour is used to perform maintenance tasks, the majority of the revenues actually come from the project tasks in many regions (RM.2). Project tasks, which are more complex, require less time to perform but the charged costs for these are higher. In some cases, the maintenance tasks were performed because that was better than having the technicians just being idle (RM.3).

Furthermore, there are significant differences for tasks that are performed at different voltage levels. As the voltage levels increase, usually the complexity and difficulty of the task at hand increases as well. As stated earlier, the local power grid runs on voltage levels of 20 kV or below, whereas the regional grids run at voltage levels between 20 and 130 kV. Thus, the tasks or services that are performed for the local grids are usually simpler and less complex than those performed on the regional grids.

In general, when describing the terms of complexity of the projects, the visualization below is helpful.

![Figure 7. Visualization of the company’s service portfolio and expected degree of complexity](image)

5.1.3 The company’s strengths and weaknesses
A few comments resurfaced frequently when the interviewers were asked about the strengths and weaknesses of the company.

**High quality and excellent competencies**

One of the most common comments on the company’s strengths was that it strived for and indeed managed to provide a very high quality of services to its customers.

“[Large grid owner] gave us much praise on how dedicated our resources were. The discussion is always first and foremost regarding the solution, and price comes second-hand. Our technicians have also received high praise for being very knowledgeable and good at what they do.” – RM.4

“Our strengths are that we are large player and we have great competencies within the company. Our workers are very concerned with doing a good job and feel responsible for the customers – they are like firemen who go out to rescue their customers.” - RM.1

“We have completely insane competencies within our company. When I worked at [large energy services competitor], we had to hire specific consultants with competencies. Here we don’t.” – GL.2

**Ability to cover full range of services and high-complexity services**

The interviewers also mentioned several times that the company is one of only a few energy service companies in the Swedish market who are able to cover the full range of services that a customer might need (SM.5) The company is able to provide for all services ranging from the simplest ones, e.g. marking cables, to highly complex ones, such as “working at high-voltage” and handling of large-scale disruptions (e.g. when a large storm has occurred).

“We also received a lot of praise from [large grid owner] on being excellent when large disruptions occur since we have a huge number of personnel available for those instances.” – RM.7

Especially the relatively newly introduced “working at high-voltage” services – essentially repairing or performing services without having to cut the power during the procedure – seemed to be a great point of pride among many interviewers.

“Many of ours customers praise us for our ‘work at high-voltage’ services” – RM.6

“Especially many of our industrial customers highly value our ‘working at high-voltage’ services. A short downtime of their power supply could mean many millions of SEK lost for them. ‘Working at high-voltage’ services are really important for them.” – RM.5

**Security**

Another trait that interviewers mentioned was especially appreciated by the company’s customers was that the company had a strong focus on security and work environmental aspects.
“[Large grid owner] are very focused on safe working environments and security in general. In all their evaluations of service providers, the security aspect is rated very, very highly. This goes well along with our focus on security as well, which makes our two companies a good match for each other.” – RM.4

“Just the fact that we have very strict rules for all our personnel to always use helmets is a large plus in the eyes of [large grid owner]. Many of our competitors are not as strict with their security policies.” – RM.2

**Price**
The mentioning of price also surfaced in many interviews. The majority believed the company most likely had the highest prices among their competitors in the market. However, many also thought that this was justified as the quality of service that the company provided was supposed to be much better than that of their competitors. (RM.2, SM.1, SM.3)

**Documentation**
When asked about which weaknesses or areas of improvement the company had, several of the interviewees stated that a complaint that they had heard from their customers was that of poor documentation or follow-up (RM.1, GL.3).

“Our guys are great at doing their tasks, but when it comes to documenting and follow-up they get lazy.” – RM.1

**Existing relationships to parent grid company**
In several instances, many of the interviewees also believed that due to that the company had always worked for the parent grid company, some project managers also tended to become lazy or more complacent when working with the parent grid company. In some cases, there has been some frustrations between the parent grid company and the studied company (RM.1, SM.1, ST.1).

“It has happened that some project managers think they don’t always need to deliver their projects in time when it comes to [parent grid company]. The [parent grid company] project managers have sometimes in those cases not bothered to complain because ‘even if they complain the project manager wouldn’t change it anyway’.” – RM.3

**5.1.4 Major market trends**
When asked what trends the interviewees had noticed on the market, there were a few main themes that occurred in several interviews. Namely, the customers on the market started to value security when performing services higher, interest in high-voltage increased and renewable industries was likely to become a new source of customers. (SM.2, SM.4)
Security more valued
Several interviewees stated that security in the workplace had been a consistent and growing trend among all the large customers. (RM.3, SM.1, GL.1)

Increased interest in high-voltage services
Several interviewers mentioned that high-voltage services was increasingly becoming an interesting and requested service by the customers. (GL.3, ST.2)

“Many of our customers are becoming increasingly interested in high-voltage services. Even if it’s more expensive on a per hour basis, the customer still profit from that more. I think this is one of our key weapons against our competitors.” – GL.3

Renewable industries growing
Several interviewees believed that there would be more customers coming from the industries. Some believed particularly strongly in that many new customers would be wind power companies. (GL.2, SM.2, RM.1)

“Looking into the future I believe the market for wind power will be very important for us. We need to map who they are and get in touch with them earlier.” – RM.1

5.1.5 Internal organization
From the interview responses, it seemed that the internal organizations as well as how business-minded the groups were varied greatly between the different regional groups (RM.2, GL.2)

“Some of our project managers and technicians are very business-minded. Others do not care at all about the business aspects.” – RM.2

“The same deal can be handled very differently depending on in which region you are. Some groups have KAMs, others haven’t. Sometimes you have many points of contact for the customer, sometimes you only have one.” – GL.2

The company historically mostly operated separately in two different large service areas (north and south of Sweden). These were integrated into one common organization, and some interviewers still believe that the varying levels within the company is a consequence of the merge of the previous large service areas (RM.5)

5.1.6 Current sales and marketing activities
From the interviews, it was found that there was a large discrepancy in how the different regional groups approached new customers and marketing in general. In addition, it was also found that the different groups had different levels of market knowledge of their respective areas. A few regional groups had conducted wide-
spanning market research, whereas others more focused on current affairs and did not bother much with attempting to grow their businesses to new customers.

“We don’t have time to look for new customers. We are busy enough already with our current ones.” – GL.1

“Some of our project managers are exceptional at networking with potential customers, but others are not so good. We must promote more behaviors of the first kind.” – RM.5

“A year ago we contacted a telemarketing firm to help us reach out to potential customers. We searched through [Bolagsverket] to categorize and sort the customers, then interviewed them. I don’t think any other regional group has done this.” – RM.6

Sales tactics
Almost all of the interviewers responded that one of the most important ways to both gain and retain customers is to build on the personal relationships between the seller and the buyer (e.g. SM.6, GL.1, GL.2,).

“It is difficult to suddenly become a service provider for everything to a customer. It is much easier to start with offering our complex services, such as working with high-voltage or cable diagnostics, and build trust that way. Some customers can be afraid of the big giant [brand of the studied company] otherwise.” – GL.1

“We need to be more proactive with selling our services. We need to be where the customers are. We should go to more conferences, offer educational programs to customers, and so on.” – SM.6

5.1.7 Internal view on customers
Even though there was a varied level of knowledge or understanding of the local markets, there was a general agreement among most interviewees that forming relationships with the customers was of utmost importance (GL.4, SM.1).

“The customers are lazy and are slow with coming up with proposals themselves. Most of them are also quite stressed out. Many times if we come up with a ready-to-be-signed proposal, the customers will just say ‘OK, looks fine’ and agree. It’s important that we are proactive.” – GL.4

5.1.8 Customers’ perception of the company’s services
Throughout the interviews, many interviewees mentioned that customers do not always know that the studied company performs energy services as they often confuse it with the parent grid company since they share the same brand. Many believe that the studied company is just a part of the parent grid company and that they only provide services to the parent grid company.
Several times at industry events and fairs, potential customers have been surprised when the studied company has explained that they also provide services to customers outside of the parent grid company (RM.4, RM.1)

5.1.9 Tendering aspects
Even though most of the largest contracts in the energy services industry are subject under the LUF-regulations (public tenders necessary for contracts above a certain threshold), the interviewers claimed that personal relations and contact with the customers could still significantly influence their purchasing behaviors.

“The public tenders can cause many problems for us, but there are still ways to discuss with the customer … Besides, sometimes if the customer asks you if the price was correct, you know that it is a hint that the price is too low. Other times, if they ask you to ‘go home and check again’ then you know your price was too high. Usually we are within a pretty good range though.” – RM.4

5.2 Findings from internal SWOT analysis
The findings from the 23 internal interviews were also compared to an internal SWOT analysis that had been held with all the Regional Managers. The conclusions and discussions from the SWOT largely confirmed and corroborated the findings from the internal interviews.

The general conclusions derived from the SWOT analysis are summarized in the table below.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Large size, large geographical reach</td>
<td>• Not always acting as one company</td>
</tr>
<tr>
<td>• Experience and expertise</td>
<td>• Too dependent on a small number of customers</td>
</tr>
<tr>
<td>• Focus on security</td>
<td>• Slow-moving</td>
</tr>
<tr>
<td>• Brand recognition</td>
<td>• Sometimes lacking resources</td>
</tr>
<tr>
<td>• Geographical reach</td>
<td>• …</td>
</tr>
<tr>
<td>• Broad range of services</td>
<td></td>
</tr>
<tr>
<td>• Committed personnel</td>
<td></td>
</tr>
<tr>
<td>• Good understanding of public tender processes</td>
<td></td>
</tr>
<tr>
<td>• …</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Expansion opportunities</td>
<td>• Increased competition, mainly in the lower complexity segments</td>
</tr>
<tr>
<td>• Large and expansive market</td>
<td>• General lack of personnel and resources in the industry</td>
</tr>
<tr>
<td>• New marketing division</td>
<td></td>
</tr>
<tr>
<td>• Customers focused on security</td>
<td></td>
</tr>
<tr>
<td>• …</td>
<td></td>
</tr>
</tbody>
</table>
5.3 Findings from external interviews

In this section, the findings from the interviews with customers are presented. In total, 8 interviews were conducted with customers, of which 2 were from the parent grid company, 2 were from one of the two other large grid companies and the remaining 4 were from industry customers. The interviewees held different positions at the interviewed companies, but their positions typically had to deal with either the company’s strategy or procurement processes and evaluations.

The interviewed employees are listed below:

<table>
<thead>
<tr>
<th>Interviewee ID</th>
<th>Description of company</th>
</tr>
</thead>
<tbody>
<tr>
<td>LG.1</td>
<td>Large grid owner (parent grid company)</td>
</tr>
<tr>
<td>LG.2</td>
<td>Large grid owner (parent grid company)</td>
</tr>
<tr>
<td>LG.3</td>
<td>Large grid owner</td>
</tr>
<tr>
<td>LG.4</td>
<td>Large grid owner</td>
</tr>
<tr>
<td>WP.1</td>
<td>Wind power company</td>
</tr>
<tr>
<td>EM.1</td>
<td>Electronics manufacturer</td>
</tr>
<tr>
<td>RE.1</td>
<td>Corporate real estate</td>
</tr>
<tr>
<td>FS.1</td>
<td>Facilities service provider</td>
</tr>
</tbody>
</table>

The purpose of the interviews were to gather an as accurate view as possible on how the customers viewed the studied company and any other observations they had of relevance on the Swedish energy services market.

5.3.1 External view on the company’s strengths

A majority of the customers believed that services of the studied company in general upheld a very high degree quality. The view on strengths were consistent with the previous findings from internal interviews and the SWOT analysis.

“In general, the service companies are quite similar. But the common view within the industry is that [the studied company] are the strongest and have the broadest range of services.” – EM.1

“They are great at large-scale disruptions. Noone else comes even close there. ... They are also so big that they easily can move people between geographical areas, which is a huge plus for us.” – LG.3

“They write good proposals and are very clear with what they can and cannot do. Responsible, interested and honest. They are good at maintaining a personal touch to it.” – FS.1

None of the customers brought up any new strengths which had not been mentioned in the internal interviews.

5.3.2 External view on the company’s weaknesses

In regards to weaknesses, most of them did not directly relate to the performance of the studied company’s core services. The complaints revolved mostly around post-service processes, such as billing, documentation, etc.
“No big weaknesses, but maybe they can be quicker with follow-ups and feedbacks to the customer. We want to learn from them.” – LG.4

“They don’t always listen to us. Sometimes they do more and sometimes they do less than what is stated in the statement of work. It can be a bit frustrating.” – LG.1

“They need to work as one company instead of ten separate ones. They should benchmark internally, since they do have the competencies there.” – LG.2

The most critical of the interviewed customers were the two interviewees from the parent grid company. This was not a surprising finding considered the common history of the parent grid company and the studied company.

5.3.3 Customer’s preferences

There was a clear desire to put a larger emphasis on security and work environments in the customer’s decisions of choosing a service provider. A clear majority of the customers mentioned that security was a highly important factor (e.g. LG.1, LG.3, WP.1). Several of the industrial customers also mentioned the importance of “work at high voltage” (FS.1, WP.1, RE.1)

Two customers also stressed the importance of having a long-term perspective and to grow together with their service provider.

“We always work with a long-term perspective with our service providers. It is very important for us that we keep developing each other. We strongly want to create a positive spiral together with [the studied company].” – LG.3

5.3.4 Sales efforts by the company

Many of the customers highlighted the personal relationships with the company as being very appreciated.

“They have very stable contact persons. At other [competitors] I don’t know who to call. When it comes to [studied company] I know exactly who can help me fix my problems.” – WP.1

Other interviewers believed that the studied company would benefit greatly from also investing more into their sales efforts, such as frequenting industry fairs, setting up educational days for customers, and so on.

“[The studied company] are good, but they need to sell themselves more. They should go to industry fairs, reach out to customers and do everything they can to be visible where their customers are. I have spoken with several colleagues who didn’t know that [the studied company] offer the services they need.” – WP.1
“The split among us customers of the ones who have in-house personnel to deal with energy services and those who outsource is around 50/50. It may be difficult to fire in-house personnel, but [the studied company] should definitely reach out to everybody else.” – EM.1

5.3.5 Other general market trends
An important claim which two (LG.2, LG.4) had made on the energy services market was that, in the future, the business coming from Stations is highly likely to increase.

“Today we have a ton of transformers that need to be changed all around Sweden. Within the coming years, many of these will need to be changed since their lifetime is expected to reach their limits soon.” – LG.2

5.4 Findings from external CSI survey
In addition to interviews, findings from a customer satisfaction index (CSI) survey which the company had previously ordered were also analysed. The CSI survey was conducted by an external telemarketing company who called over 200 customers out of which around 120 were willing to respond and elaborate on answers.

The actual survey consisted of four main questions to be answered:
1. In what ways can [the company] improve its business, so that your willingness to recommend them to others would increase?
2. Could you please elaborate on your improvement suggestions?
3. What to you appreciate about [the company’s] service and product solutions?
4. Would you please describe what you appreciate about your contact/communication with [the company]?

Based on the responses, a quick sentiment analysis was performed in order to summarize the results.

<table>
<thead>
<tr>
<th>Analyzed aspect</th>
<th>Positive responses</th>
<th>Negative responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience, expertise, quality, professionalism</td>
<td>37</td>
<td>5</td>
</tr>
<tr>
<td>Personal contact, ease to get in touch with, easy to talk with</td>
<td>33</td>
<td>6</td>
</tr>
<tr>
<td>Effectiveness, errand handling, communication speeds, agility</td>
<td>27</td>
<td>12</td>
</tr>
<tr>
<td>Understanding, mutual goals</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Geographical proximity, geographical knowledge</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>Trustworthiness, loyalty</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Solution-focused, creative, proactive</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Perceptiveness, openness</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Price levels</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>
The findings from the CSI survey are fairly consistent with the findings from both the internal as well as external interviews. What is notable is that the aspect “effectiveness, errand handling, communication speeds, agility” is seen as more negative than others and that there also were no positive responses to the factors “price levels” and “administration, documentation”.

| Administration, documentation | 0 | 5 |
6 Analysis & Discussion

In this chapter, the empirical findings are discussed together with the previously mentioned related literature. The aim is to build a base for discussing and answering the research questions in the chapter following this one.

6.1 Potential market expansions

6.1.1 Types of services

From the interviews, it was found out that the studied company’s current services were primarily divided into two categories:

- Cables, e.g. dealing with maintenance and installment of cables and wires
- Stations, e.g. dealing with various concerns for power stations or transformers

The organization was also divided based on these service categories, resulting in 5 regional groups for Cables and 3 regional groups for Stations. Within each category, however, the service projects could further be divided into low-complexity projects (primarily maintenance projects) and high-complexity projects (primarily “project” projects).

Several interviewers believed that there should be more emphasis on expanding to the Stations category since there would be more work generated in that area in the coming years (RM.6) and since it’s an area with plenty of potential new customers. Among other things, there would be large waves of transformers that would need to be changed within recent years, which are Stations category projects (Source). Also, the potential to further grow on the Cables side is fairly limited as there is only a finite number of grid owners (who constitute the main customers on the Cables side) in Sweden. This is also where the studied company historically has had the most presence and been the most active, and it is safe to presume that these customers have been the most approached historically.

The reason behind there being more regional groups dedicated to Cables than Stations is also deemed to be simply due to historical reasons rather than any functional reasons. Many interviewers, in fact, believed that there would – or at least should – be more groups dedicated for Stations than for Cables in the future.

Furthermore, the types of projects in the Stations category are typically of higher complexity than the ones in Cables. This view was confirmed among most of the internal interviewees as well as external customers. The ability to deliver well on high-complexity projects – such as work at high-voltage, cable diagnostics, etc. – are some of the most appreciated traits of the studied company that customers perceive and it is also something that is not easily copied by its competitors. From this point of view, this further adds to the argument that the Stations category seems to be a reasonable area to focus growth efforts in.

In addition, as many of the high-complexity services are relatively new, many customers also do not necessarily know of these. Adding to the above, it seems reasonable for the company to attempt to further promote their high-complexity
services rather than only the low-complexity ones. This should be done for both the Cables and Stations groups.

6.1.2 Market segments

From the interviews, it was found out that even though the business of the studied company was primarily divided into Cables and Stations groups, there existed another way to segment the business which could be used to derive further insight. For many reasons, it also makes sense to analyze the company’s business through the lens of which market segments they serve.

The primary market segments that the company serves, based on the empirical data, were found to be:

- Large-scale grid owners, e.g. the three main grid owners in Sweden
- Small-scale grid owners, e.g. small municipalities or independent organizations
- Industries, e.g. industrial facilities, office buildings, etc.

The large-scale grid owners was the market segment of which the studied company had the most experience. In all 8 regional groups, there were no group that was not aware of which the large-scale grid owners were in their respective region. Even though the large-scale grid owners are likely to be the most ideal customer for the studied company, they are deemed to be a market segment where it is hard to grow further on, as the company already has a very high market share in this segment. In addition, the biddings for the projects from the large-scale grid owners are highly competitive.

The view on small-scale grid owners varied greatly between regional groups, however. In some regions, the Regional Managers seemed primarily focused on just maintaining the businesses with the large-scale grid owners and omitted to put any effort into approaching small-scale grid owners. This was especially enunciated in the southern regions of Sweden, where the company traditionally has not had a strong presence. In other regions, the Regional Managers (and likely also the personnel further down in the organization) were remarkably proactive in approaching or maintaining contact with small-scale grid owners. As there still were great areas of “uncharted territories” within the regions, there seems to be a fair amount of potential for the responsible Regional Managers to reach out to these small-scale grid owners in those areas. Also, some interviewees mentioned that some of their small-scale grid owner customers had introduced them to other potential industrial customers, which further increases the benefits for the studied company to maintain good relationships with the small-scale grid owners.

The market segment where the awareness of potential customers was the lowest was the industries segment. In most areas, the Regional Managers did not have a very comprehensive view of which large industrial actors were present in their regions. In some cases, the personnel believed there were large industrial actors who “were just waiting to be approached” and in other cases the personnel simply did not know. In addition, several interviewers confirmed the view that a lot more could be done in order to pursue more industries as customers. Additionally, the renewable energies
sector was of particular interest in the future and could be a large market segment for the company, which was confirmed by both several of the internal interviewers as well as in the interview with an external wind power customer.

Although a few adjacent categories of customers were mentioned, such as telecom actors or heavy infrastructure providers, none of the interviewers particularly believed they could efficiently compete within these market segments. The primary reason for this was that the services the company offers do not cater especially well to these adjacent industrial customers and there were plenty of other competitors in those segments who were specialized in providing those services.

6.1.3 Summary and comparison with literature

Derived from the empirical data, it seems the primary areas in which the company can grow are within Stations – specifically within industries – and to some extent small-scale grid owners. The difficulty for growth in each of the segments are visualized in the matrix below:

<table>
<thead>
<tr>
<th>Market segments</th>
<th>Types of services</th>
<th>Cables</th>
<th>Stations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large-scale grid owners</td>
<td>Difficult</td>
<td>Difficult</td>
<td></td>
</tr>
<tr>
<td>Small-scale grid owners</td>
<td>Possible in some areas</td>
<td>Possible</td>
<td></td>
</tr>
<tr>
<td>Industries</td>
<td>n/a</td>
<td>Highly possible</td>
<td></td>
</tr>
</tbody>
</table>

Figure 8. Expected difficulty to grow in different market-service segments

In all the above categories, the empirical data suggested that the service type to promote should be the high-complexity services. The suggested strategy, based on the empirical data, would be to further increase market penetration in the current markets with both the current services and new services (high-complexity services).

Translated to the terms used in the literature, the above strategy would coincide with the strategy called intense product (service) development by Pleshko (2008) or innovative redesign of existing services by Carman and Langeard (1980). Using Ansoff’s (1957) terminology, the strategy above would be a combination of market penetration and product (service) development.

As the studied company is more wary of risk rather than the pursuit of increased profitability, it follows that the company also should pursue a strategy which generates growth at minimum risk. In general, the literature suggests that the least risky growth strategy is market penetration, followed by market development, service development and finally diversification (Ansoff, 1957; Carman and Langeard, 1980).
If the company would want to minimize risk even further, it could aim to provide only its existing low-complexity services to large-scale grid owners. However, this market is already heavily dominated by the studied company, and the probability of the company further increasing their market share vastly on this market segment is exceedingly low. In reality, as many of its current customers from large-scale grid owners will be up for bidding in a few years for the first time, the chance is higher that the company will lose rather than gain market share in this market segment. Hence, a strategy of pursing pure market penetration as defined by Ansoff (1957) and Carman and Langeard (1980) in their core market segment of large-scale grid owners is not deemed as a viable strategy.

The next growth strategy in terms of riskiness levels is “geographic market expansion” (Carman and Langeard, 1980). However, this is not possible within Sweden as the company already covers all geographic regions in Sweden (out-of-country expansion is defined as a separate strategy by Carman and Langeard). Thus, geographic market expansion is also ruled out. Carman and Langeard (1980) suggests a strategy of either “innovative redesign of existing services” or a “concentric diversification” as the next step. However, a concentric diversification likely needs new functions in the organization that do not currently exist (Carman and Langeard, 1980). Given that it is unclear how well-functioning the current state of the organization is already, creating new functions for a concentric diversification does not seem like an ideal strategy to pursue.

The most risky strategy, but also the most potentially rewarding one, is diversification or “conglomerate diversification” (Ansoff, 1957; Carman and Langeard, 1980). Diversification stands out compared to the other three strategies as it generally requires new company skills or capabilities and usually leads to organizational changes. As the company already had a large variance of maturity across its groups, acquiring new skills or capabilities was deemed to be too far of a stretch in its current strategy to adopt. Also, no reasonable opportunity was discovered for either horizontal, vertical or lateral diversification (Ansoff, 1957) based on the empirical data, and thus the diversification strategy was also ruled out.

### 6.2 Ways to acquire and retain customers

#### 6.2.1 Importance of personal relationships

Based on the empirical data, it was evident that many of the internal employees put a strong focus on building personal relationships with their customers (both current and prospective ones) as a means to attract and retain their customers. Even though the exact level of commitment to building personal relationships varied between regional groups and within the organization, almost all interviewees expressed the view that personal relationships was of utmost importance in order for the company to grow its business. Although the exact reasons for this were not explicitly stated, this finding is not surprising given that the company is a service company which necessitates a high degree of interaction and personal communication with the customers. This is also
corroborated heavily by the literature on both services marketing and relationship marketing (Zeithaml et al., 1985; Hennig-Thurau and Hansen, 2000).

The view that personal relationships were among the most important factors was also expressed by the customers, as several of them stated that one of the reasons they had chosen the studied company as a service provider was because they felt that they could establish close personal relationships with the seller. Many customers described the studied company’s technicians and employees as trustworthy and competent. The phrase “when we have a problem, we know exactly who to contact at [the studied company]” was also repeated many times in the interviews, which indicates that the studied company in many cases managed to successfully establish close personal relationships with their customers at least as a way to retain their customers.

Some customers mentioned that they had a strong desire to establish a “positive spiral” with their chosen service provider, as they saw that their relationship with the seller was not simply a transactional one, but also one in which they both developed and learned from each other. Even though not all customers explicitly expressed this, it would not be unreasonable to presume that this view likely held true for most of the customers that had energy facilities which were critical to keep up and running.

Another point that many customers claimed was of great importance was to have a single point of contact at their service provider. In certain cases with other service providers, the customers mentioned that they did not have a single point of contact, which had lowered their satisfaction with that service provider significantly. At the studied company, however, some regional groups have made it a priority to establish a personal contact to each customer, which evidently has significantly improved the relationship quality and trust with their customer.

When compared with the literature on relationship marketing, it is clear that the company is already pursuing variants of relationship marketing strategies. For example, the company has already adopted a long-term perspective on their customers, some of its fundamental strategies include maintenance of existing relationships and their general approach are also heavily interaction-related. These are all markers of relationship marketing strategies as opposed to the (traditional) transaction marketing (Hennig-Thurau and Hansen, 2000).

Notably, several of the outcomes of relational mediators described in the literature by Palmatier et al. (2006) also surfaced in the empirical data, which again indicates that the company already is pursuing some variant of a relationship marketing strategy. For example, it was mentioned in the interviews that one of the desired effects of keeping close relationships with grid owners is so that these in turn can refer industrial customers to the company. As described by Palmatier et al. (2006), this is also one of the main outcomes of relational mediators (word of mouth).

6.2.2 Internal benchmarking of best practices

However, despite the above, the interviews also showed that there were no sets of marketing activities or processes that had been defined for the different regional groups to follow. Instead, there was a high variance in what activities each employee did in each region. For the regional groups, some had performed full market scans to such an extent that they had hired telemarketing services in order to interview each
customer in their area, whereas in other regional groups the employees were barely aware of which potential customers were present in their regions.

It can be argued that, ideally, there should be no large discrepancies between the different regions in the amounts of effort that they put in to building personal relationships with their customers (i.e. efforts in relationship marketing strategies). Thus, a viable way for the company to improve their rates of acquiring and retaining customers could be to perform internal benchmarks in order to raise the overall awareness and level of relationship marketing strategies internally. These efforts should focus on improving the antecedents to relational mediators (communication, relationship investments, interaction frequency, etc.) as well as improving the relational mediators (commitment, trust, relationship satisfaction and relationship quality) described by Palmatier et al. (2006).

6.2.3 Communicating quality

From the interviews with the customers, it appeared that, in general, most customers were highly satisfied with the studied company’s services. The main praises for the studied company included its broad range of competencies, its large size and its ability to handle large-scale disruptions, amongst other things. There were essentially no complaints from the customers in regards to the quality of the core services that the company provided (as in no customers complained that the studied company was not able to perform maintenance or repairs of the energy facilities well enough). All customers praised the studied company’s high expertise within their areas and did not question the benefits they obtained through using the company as a service provider.

The complaints or suggestions for improvement that did arise revolved primarily around processes that occurred after the service had been done, e.g. billing, follow-up, documentation, etc. In addition, the most critical among the interviewed customers were the two from the parent grid company. As the parent grid company and the studied company have a long history of being forced to work exclusively with each other, it is difficult to differentiate how much of the complaints are due to a “grass is always greener” effect and how much of the complaints are substantiated complaints on the actual services. It is evident, however, that previous conflicts between the parent grid company and the studied company may have soured the personal relationships between some of the personnel of the two companies.

The above is highly interesting when viewed in light of the literature on relationship marketing. As presented earlier, the five most impactful antecedents to relational mediators are (in order) seller expertise, communication, relationship investments, similarity and relationship benefits (Palmatier et al., 2006). As the studied company, based on the findings from the interviews, already scores high on both seller expertise and relationship benefits, the primary remaining antecedents that the studied company should work on are communication, relationship investments and similarity.

Similarity – defined by Palmatier et al. (2006) as “commonality in appearance, lifestyle and status between individual boundary spanners…” – is assumed to be high between the company and the majority of its customers. This leaves communication and relationship investments as the two primary antecedents that have the largest impact on improved customer relations for the company, which also is in line with the
findings from the empirical data that the studied company’s areas of improvement include communicating e.g. their billing and documentation processes better. Viable strategies for the company to undertake in order to grow should thus, based on the literature of Palmatier et al. (2006), be strategies that focus on:

i. improving communication (defined as “amount, frequency, and quality of information shared between exchange partners”)

ii. increasing relationship investment (defined as “seller’s investment of time, effort, spending, and resources focused on building a stronger relationship”)

As mentioned in the interviews, excellent examples of efforts that could be taken to approach the above could be to e.g. frequent more industry fairs, implement better CRM efforts to regularly check up on customers, perform education days for both known and unknown customers, and so on.

6.2.4 Aligned market trends
In both the internal and external interviews, several interviewees touched upon the subject of current trends within the industry. The main trends identified included a large shift towards increased prioritization of security practices of the service personnel and an increased interest in “work with high-voltage” services.

Both of these trends are deemed to fit well with the profile of the studied company as it already employs a high focus on security and is among the market leaders with regards to work with high-voltage. In reality, it is likely that these trends will help to increase the seller expertise and trust to the studied company (as defined by Palmatier et al., 2006). If the major market trends had not matched well with the competencies of the company, there may have been concerns that affected which marketing strategies the company should undertake. However, in this case, the market trends are likely to play largely in favour of the studied company.

6.2.5 Increase customer acquisition by reducing switching barriers
Since the services that the studied company provides are essential to have for all grid owners and all industries that are relevant for the studied company, this essentially means that the only way to acquire new customers is to poach customers from other service providers (with the only exception being if the customer is completely new in the market and does not yet have an energy services provider).

It was also mentioned in an interview that about a half of the grid owners in Sweden are expected to have someone in-house who is able to provide energy services, whereas the other half outsource their energy services to external providers (such as e.g. the studied company). In the former case, the switching barriers are likely higher for the potential customer to hire an external firm to perform the energy services, as in many cases this would mean the in-house personnel would have to be fired. In the latter case, the barriers would be lower as it would simply mean they switch external service providers and there would be no changes to the internal work staffs.
From the internal interviews, it was mentioned several times that the best way to gain new customers was to make it as easy as possible for them to understand the propositions of the studied company and to make it easy for them to switch service providers. The reason for this was, to a large extent, that “the customers are usually old and lazy in this industry” (source from interviews). Other times, it was mentioned that some customers are difficult to convince to change, since they had already worked with a certain service provider (competitor to the studied company) for many years.

Comparing with the literature, it is clear that the empirical findings concur with some of the factors for switching barriers that were laid out by Yanamandram and White (2006). Perhaps the most prevalent switching barrier, at least in the interviews, was that of inertia, which is exemplified by the interview quotes concerning the general laziness and passivity of the customers.

Another highly evident barrier is that of investment of relationships. This is a highly positive barrier to reinforce for the studied company in regards to their customers (which has been discussed to great extent in earlier sections). However, this is likely also a major barrier to overcome regarding acquisition of new customers, and especially for the customers that are smaller in scale, as these tend to be relationship-driven to an even larger extent. The investment of relationships barrier for the prospective customers also has strong resemblances with the favouritism barrier (Yanamandram and White, 2006).

Even though the barriers of impact of alternative providers, switching costs and service recovery were not explicitly mentioned in the interviews, these barriers are likely still greatly relevant and important for the studied company to consider. In the case of impact of alternative providers, for instance, the studied company could attempt to educate the prospective customers in order to raise the impact that the customer would receive if they switched service provider to the company, as suggested by the literature (Yanamandram and White, 2006). Similarly, the studied company is encouraged to reduce the switching costs as much as possible for the customer – including any monetary and psychological costs – in order to make it easier for the customer to switch.
7 Conclusion

This chapter presents a summary of the purpose of the research as well as the findings and analyses of the report. The two stated research questions are also answered based on the findings and analyses.

7.1 Purpose of research

The purpose of this report has been to examine which actions a business-to-business service company active in a mature industry can take in order to continue to grow their sales. A case study was conducted in order to examine the market conditions as well as the internal practices of a company active in the Swedish energy services industry. The main method to gather data has been to conduct interviews with both internal and external stakeholders to the company.

Furthermore, in order to fulfil the research purpose of the report, two research questions were formulated and answered in more detail. These are presented in the following sections.

7.2 Research question #1

The first research question was formulated as follows:

Which market and service segments should the studied company, which operates in a business-to-business service context, target in order to grow their sales?

Based on the empirical findings as well as an examination of existing literature, it was concluded that the market-service strategy the company should undertake is a combination of market penetration and product (service) penetration as these strategies would yield the highest chance of increased sales.

In terms of the actual markets and services the company should pursue, it was concluded that the company should pursue increased sales in the Stations market – and specifically in the Industries sub-segment – as well as focus on selling more of the company’s high-complexity services.

7.3 Research question #2

The second research question was formulated as follows:

What marketing practices should the studied company focus on in order to acquire and retain new customers?

Based on the empirical findings as well as an examination of existing literature, it was concluded that the most relevant marketing practice the company should pursue is that of relationship marketing, since the service industry in which the company acted is highly dependent on personal relationships which are necessary for long-term
growth. Relationship marketing should be used both as a means of acquiring new customers as well as retaining existing customers.

In order to build on the personal relationships, the company should aim to improve the antecedents to relational mediators (communication, relationship investments, interaction frequency, etc.) as well as improving the relational mediators (commitment, trust, relationship satisfaction and relationship quality) described by Palmatier et al. (2006). In addition, the company should perform internal benchmarking and adopt the best practices of these strategies in all of the regions.

As the company already has a superbly high seller expertise, which also is perceived by the customers, the two most important antecedents to focus on are therefore:

i. communication (defined as “amount, frequency, and quality of information shared between exchange partners”)

ii. relationship investment (defined as “seller’s investment of time, effort, spending, and resources focused on building a stronger relationship”)

Furthermore, as the company is active in a highly mature industry, it should aim to reduce the switching barriers of its prospective customers in order to increase its acquisition of new customers. The most prevalent barriers in the industry appear to be inertia and investment of relationships, where the former one is the easiest to handle. Other barriers that the company can strategize around – i.e. both attempt to reduce competitor’s barriers and increase its own barriers – are impact of alternative providers, switching costs and service recovery.

All in all, the key to increase sales in the studied business-to-business service industry was concluded to be the ability to efficiently and effectively build long-lasting personal relationships between the seller and the customer.
8 **Limitations and suggestions for future research**

This chapter presents a brief discussion on the limitations of the study and suggests a few possible areas which are relevant for future research.

One of the major constraints within this study is that it has largely been based on qualitative interviews. A majority of the interviews (23) were also internally held whereas a smaller number were held with external interviewees (8). The conclusions, especially the ones related to the first research question, were to a large extent derived based on data and viewpoints from the internal interviewees which may or may not be accurate. Ideally, more quantitative data would also be used in tandem with the qualitative data to provide a more holistic perspective.

Furthermore, all of the external interviewees were selected by a single internal contact. It is highly likely that these customers may have been biased in a positive way towards the studied company, as it is unlikely that the internal contact would ask any customers that already had a negative image of the company to assist with the purposes of this research. The use of the CSI survey, however, softens this bias somewhat as it was sent out to all customers of the company, regardless of their attitude towards the company.

Another limitation has been that whereas the study focused on researching sales efforts and ways to grow, little concern has been shown to other factors such as costs or profitability. While some of the efforts may be valid from an increased sales point of view, they may not be as attractive when other associated costs are factored in.

This study has provided more insights and data to the literature concerning growth in business-to-business services contexts. More research can be done to further validate or reject the findings in this study and to see whether they hold true for other geographical markets or other business-to-business service industries. Another interesting topic for further research could also be to study what diversification options similar companies have and if there were any other seemingly unrelated industries that the competencies of the company are well-suited for.
9 References


10 Appendix

10.1 Interview questions to internal employees

Allmänt
- Beskriv din roll lite?
  - Hur jobbar du mer exakt? Vad gör du från dag till dag?
  - Vilken kontakt har du med kunderna?

Kunder
- Vilka olika typer av kunder handskas du med?
  - Hur skulle du gruppera dem?
    - Hur skiljer sig kunder åt inom en grupp?
    - Vilka egenskaper är viktigast i denna gruppering?
- Vad uppskattar kunderna mest hos Services?
  - Vilka “egenskaper” på VF Services värderar kunderna mest?
    - Hur skiljer det sig?
  - Segmentering efter köpbeteende
    - Vilka är det som gör besluten hos kunderna?
- Hur ser marknaden ut för nya kunder?
  - Vad gör ni för att nå ut till dem?
    - Marknadskanaler?
    - Hur fördelas arbetet med befintliga kunder jämfört med att hitta nya kunder?
- Vilka är dina “favoritkunder” eller favoritaffärer?
  - Vilka är mest lönsamma? Vilka tycker du VS bör fokusera på?
- Hur jobbar ni för att påverka kund innan förfrågan kommer ut?
  - Under / efter?

Marknadstrender
- Vilka förändringar ser du på marknaden?
  - Trender, nya affärs möjligheter, risker?
- Vilka kundsegment verkar växa?
- Hur bedöms kunder avseende långsiktighet/framtida affärs möjligheter?

Produkter/tjänster
- Någon tjänst/produkt som verkar säljas mer? Vilka övergripande produkter/tjänster säljer ni egentligen?
  - Hur skiljer sig olika produkter/tjänster mellan kunderna?
- Hur marknadsförs nya produkter/tjänster/lösningar?
- Vilka säljer du mest av i ditt område?
- Stationsunderhåll, ledningsunderhåll, nät support

Konkurrenter
- Vilka konkurrenter finns det?
  - På vilka marknader/segment är de konkurrenter?
- Hur är de ett hot mot Services?
- Vad har de vunnit för affärer?
  - Vad gjorde de bättre än Services?
- Vilka områden är mycket konkurrensutsatta?
- Vilka egenskaper har Services där man är bättre/sämre än sina konkurrenter?
  - Hur tar man reda på sådant? Marknadsundersökningar? Konsultrapporter?
  - Folk som bytt arbetsplats?
  - Kunder som berättar om det?

**Organisation**

- Vilka överlappningar finns mellan ledningsunderhåll och stationer?
- Hur lika är arbetsuppgifterna?
  - Krävs likadan kompetens?
  - Skiljer detta sig mellan underhåll och projekt (nybyggen/renoveringar)?
  - Skulle du se fördelar ifall man ökade samarbetet? Kan du ge exempel?
- Hur hanteras resursbrist/resurskonflikter internt?
10.2 Interview questions to external interview persons

Introduktion
● Vad gör ni? Vad är er kärnverksamhet?

Efterfrågan
● Vad värderar ni mest hos era service-leverantörer?
  ○ Hur skulle eran “drömleverantör” se ut?
    ■ Vilka egenskaper?
    ■ Vilka tjänster eller produkter?
    ■ Vilken leverantör är närmast er “drömleverantör” i dagsläget?
● Vad skulle kunna få er att byta leverantör?
  ○ Pris?
  ○ Andra kvalitéer?

Services-inriktat
● Vad anser du vara Services styrkor?
  ○ Hur står sig dessa mot andra aktörers styrkor?
● Vad anser du vara Services svagheter?
  ○ Vad saknar ni hos Services?
● Hur ser ni på Services jämfört med konkurrenterna?
  ○ På vilka punkter är konkurrenterna bättre/sämre än Services?
● Verkar Services agera likt sina konkurrenter?
  ○ Verkar man följa marknadstrenderna?

  ● I kundundersökningar får Services sämre betyg av Eldistribution än av andra kunder - vad tror du detta kan bero på?
  ● Hur tror du att ägarstrukturen (samma koncern) påverkar relationen mellan Eldistribution och Services?
    ○ Skulle det kunna leda till att man är “hårdare” eller agerar annorlunda mot varandra (jämfört med konkurrenter)?

LUF-förhandlingar
● Hur väljs bedömningsgrunder ut vid olika upphandlingar?
  ○ Hur ser ni på “mjuka faktorer”?
    ■ Vad brukar förhållandet ligga mellan pris/mjuka?
  ○ Hur påverkar relationer förhandlingarna?