Bundles and Communication

A Succesfull Concept

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It is important to understand that without the help I have received this research would have been impossible to conduct.

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ABSTRACT

This research has been done on a mission from Atlas Copco Secoroc AB, DTH department. The focus and purpose of the study is to acknowledge the important factors you need to take advantage of when it comes to offering bundles. There is also a theoretical purpose, which is to investigate if communication together with bundles can create loyalty and, how this three factors affect each other. This is a somewhat overlooked research area within the bundles theory and is therefore of keen interest for this case.

The research has been conducted through seven in-depth interviews with people related to Atlas Copco Secoroc and the sell-buy transactions. The interviewed people were customers, sales persons, service technician, distributions co-ordinator and price department personnel. There was also investigative quantitative research done, where nineteen customer centres were asked to reveal competitor’s customers net price on different products. The interviews could not have been conducted without a literature review done within the subjects of bundles, communication, loyalty and price strategies. These four topics together with how the order works and the contact between different instances worked as the base for the interviews. The literature review plus learned information on Secoroc was the basis of the knowledge needed to conduct the interviews.

The key factors found in the research that Secoroc needs to take advantage of are communication within the company, and with the customer and also the importance of relationship building. This is something a majority of the interviewed persons believe is missing, or hard to have time for, and something that theory puts a lot of pressure on. Better communication will lead to easier sales, better relationships and through that, increased loyalty. It will facilitate the sales of bundles and the communication will help in the creation of bundles. The findings include a suggestion where the mission is to involve Secoroc deeper with their customers. The findings suggested that a reason for the missing contact is because lack of resources. Therefore the solution is to employee service technicians in high-loaded areas. Through that a more regular and close contact will be established. Customers can concentrate on the drilling and Atlas Copco Secoroc will take care of the administrative work.

Further research has to be done within subject of how to divide the invoice when more then one product company is involved in the bundle. Connected to this is how the reward should be divided between involved sales persons. A redevelopment of the system is needed and therefore more knowledge and research over how that can be accomplished must be acquired.
# INDEX

1. Introduction ......................................................................................................................... 1

2. Problem Background ........................................................................................................ 4  
   2.1 Purpose .......................................................................................................................... 6

3. Theoretical Method ........................................................................................................... 7  
   3.1 Topic Choice and Preconceptions .............................................................................. 7  
   3.2 Research Design and Strategy ................................................................................... 7  
   3.2.1 Literature Review ................................................................................................... 9

4. Theory ................................................................................................................................. 11  
   4.1 Bundles ....................................................................................................................... 11  
   4.1.1 Types of Bundles .................................................................................................. 17  
   4.1.2 Development of Bundles ..................................................................................... 18  
   4.2 Price Strategies .......................................................................................................... 19  
   4.2.1 Customer Value-based Pricing ............................................................................ 22  
   4.2.2 Pricings Ethical Issues ......................................................................................... 23  
   4.2.3 Get Around Price Fixation .................................................................................. 24  
   3.2.4 Effective Sales Force Management ...................................................................... 26  
   4.3 Communication .......................................................................................................... 27  
   4.4 Communication & Loyalty ....................................................................................... 29  
   4.5 Relationship Quality Model ...................................................................................... 31

5. Practical Method ................................................................................................................ 34  
   5.1 Sample ....................................................................................................................... 34  
   5.2 Interviews ................................................................................................................... 36  
   5.3 Questionnaire ............................................................................................................ 37  
   5.4 Data Collection ......................................................................................................... 38  
   5.5 Data Analyse ............................................................................................................. 39  
   5.6 Validity and Reliability ............................................................................................. 40

6. Results & Analyses ............................................................................................................ 42  
   6.1 Interview ...................................................................................................................... 42  
   6.1.1 Contact in Different Constellations & Communication ....................................... 42  
   6.1.2 The Order ............................................................................................................. 44  
   6.1.3 Products & Bundles .............................................................................................. 46  
   6.1.4 Communication & Loyalty .................................................................................... 48  
   6.1.5 Price Strategies ...................................................................................................... 51

7. Conclusion .......................................................................................................................... 55  
   7.1 Key Findings ............................................................................................................... 55

8. Solution .............................................................................................................................. 58  
   8.1 Presentation of Solution ............................................................................................. 58  
   8.2 Solution Discussion ..................................................................................................... 59  
   8.3 Limitations .................................................................................................................. 62  
   8.4 Further Research ....................................................................................................... 63

9. References .......................................................................................................................... 64
Appendix Index

Appendix 1 – Interview Guide, Customer………………………………………………………….65
Appendix 2 – Interview Guide, Customer Centre……………………………………………….67
Appendix 3 – Interview Guide, Distribution Centre……………………………………………..70
Appendix 4 – Interview Guide, Navetti……………………………………………………………..73
Appendix 5 – Competitor Price Investigation……………………………………………………..75
1. INTRODUCTION

In this introductory chapter the text is going to lead you as a reader into the market, explain the product and industry, but also highlight the knowledge that is important to have throughout the study.

Imagine a village located in a desolated landscape without any access to water. The closest water well is a 20-kilometer walk in one direction. This situation is sadly a reality and something that many people in the world have to live with today. With the creation of down-the-hole drill technique is it today possible to drill water wells closer to the village if the ground allows it and contains water. DTH today can help in several areas and one of them is water well drilling no matter if it is in Sweden, Kenya or Peru. The down-the-hole technique can also be used in open-pit mines or for the drilling for geothermal which is an environmental good way to extract energy. With this explained I can see the importance of a working and developing industry for DTH drilling tools and why they are so successful on the market.

Bundles can broadly be defined as the combination of two or more products and/or services in a single package for a special arranged price (Janiszewski, C. & Cunha JR.M, 2004, p. 534). The individual products and/or services offered in a bundle may or may not be offered independently to their individual prices (Yadav, M.S., & Monroe, K.B, 1993, p. 350). There are several examples of situations in practice where bundles are used. For example, banks offer, lower-priced insurance, credit cards, and financial services when these products are purchased together. Resorts on the other hand offer lower-priced airfare, accommodations, and event tickets when you as a customer purchase them as a bundle. It often occurs in the fast food industry where the company develop ready meals to simplify the decision and give price discounts to the customers. Sellers are bundling products and/or services together in hope that the surplus of the attractive product will compensate for the less attractive products in the bundle. The idea of using bundles as a strategy for extracting customers surplus has lead to and increasing development of different methods that optimize the composition and pricing of bundles. (Janiszewski, C. & Cunha JR.M, 2004, p. 534)

The pricing strategy today used by Secoroc is based on transfer prices that every customer centre has. Today the transfer price is changed twice a year because of the fluctuating prices on raw material and is set by the product line managers and the chief of marketing. Additional to the transfer prices are products with similar characteristics within Secoroc’s assortment compounded into different rate groups; every rate group has their own rate factor. The rate factor consists of a three-number code with the ability to distinguish them from each other. With help from the transfer price and the rate factor the customer centres can set the sell price, and no matter where in the world they are located will it be approximately equal depending on the situation for the local currency. The reason for this is to minimize the risk that buyers from nearby countries can buy from other customer centres or other buyers and get the products cheaper. This could for example be a risk when selling to Switzerland who has a stronger currency than their neighbour countries. The calculation for the local price is easy; you start off with reference price in Swedish currency multiplied by the rate factor to get the selling price in Swedish currency. (G. Boström, personal communication, 2 February. 2012)
To sell it in the international market you then take the reference price in Swedish currency divided by the exchange rate that is set every year by Secoroc to make it equal over a year. (G. Boström, personal communication, 2 February. 2012)

The idea today is that the customers will go through the customer centres when ordering product, but there are special occasions when the order goes directly from buyer to the product company. An order from buyer directly to the product company is called an indent sale. Today the product companies doing the highest margin, and the customer centres are expected to generate 2-7 percentages of total sales as profit. This number varies between different regions but also depends on the economic situation. (G. Boström, personal communication, 2 February. 2012)

Drill meter contracts are very interesting for this study because there is a lot to learn and adapt from them when it comes to creating bundles. A drill meter contract is constructed, as the only expense for the customer is that they have to pay only for every meter, ton or kilogram that they drill and Atlas Copco stands for everything else. For example, this means that Secoroc for example are supplying the customer with tools, they sharpen the drill bits, and are responsible for that the gear is ready to use and is on location when needed. The work tasks that Secoroc are responsible for is different between contracts and mines but these are some examples of tasks that normally are involved in these type of contracts. Drill meter contracts are very value oriented and guarantee performance, service on the tool, supply and inventory management and lowering the cost. (I. Hadjiev, personal communication, 2 February. 2012)

To be able to establish this type of contract Atlas Copco Secoroc have some demands that need to be fulfilled by the customer. They require a minimum turnover of 500 000 euro/per year, a contract duration of a minimum of 1-3 years because of the complexity and the ability to get a good return and 1-3 full time employed persons at the workplace from Atlas Copco. Today there are two types of drill meter contracts. Standard supply contracts where the customer is paying by unit price or, value oriented where the customer is paying cost per measure (foot, ton, meter). The drill meter contract has several advantages but it also has disadvantages. Typically advantages are customer loyalty, reduced competition entrance possibility, continual improvement, monitoring of the performance, delivering value for the customer, and consistent product (scales) flow. On the other hand the disadvantages are economical risks, higher administration costs, required dedicated resources, large initial investment and larger volumes all adding to the pressures on the pricing. (I. Hadjiev, personal communication, 2 February. 2012)

In the 1930’s down hole drills (DHD later DTH) were introduced to the market to drill deeper holes. The main part of the development of this technique took place in Belgium and United States. Atlas Copco in their turn designed a down-hole drill in the mid-thirties that was successfully used in two Swedish limestone quarries until the 1950s. Atlas Copco re-entered the market in 1969 with the COP 4 and COP 6 down the hole hammers which later where followed by the COP 32, 42, 52 and 62 from 1978 onward. In the early 90’s, COP 44, 54 and 64 were introduced to the market and later came the introduction of a complete new model with the COP Gold series in the beginning of the 2000’s. The down-hole drill technology had a rapid change in the 1960’s and 70’s, the largest development could be found in the drill efficiency and that the life length of the products increased dramatically. (Atlas Copco, 2011, p.7)
Today DTH drilling is the dominant method when it comes to the hole range between 100-254 mm, especially when the hole depth is greater than 20 metres. The drilling technique works both for surface drilling and underground. A main feature of DTH drilling within this hole opening range is the excellent straightness within 1.5 percentage deviation. Other features with the DTH pipes are good hole opening cleaning, good quality on the holes, deep hole drilling capacity and efficient energy transmission. The DTH drilling works because the percussion mechanism (often called the hammer) is located behind the drill bit. The drill pipes then transmit the necessary feed force and rotation to the hammer and bit, and compressed air for the hammer and flushing of cuttings. The drill pipes are then added behind the hammer successively as you get deeper down in the ground. The piston strikes the impact surface of the bit directly, and at the same time the casing, giving the drill bit straight and stable guidance. With this system the energy remains constant and does not have to pass through any joints. (Atlas Copco, 2011)

Today the DTH drilling method is growing in popularity in all segments of the industry including blasthole, water well, foundation, oil & gas, cooling systems and drilling for heat exchange pumps. (Atlas Copco, 2011) The global metal and mining industry grew strongly during 2007 and 2008 but suffered a large decline in 2009 under the economic crises. However did the growth rate did recover under 2010 and the five-year forecast shows an increase of the value of 140.6 percentage, and the volume forecast is an increase of 19.3 percentage. (Datamonitor, 2011, p.2)

This knowledge about the development of DTH drilling and the knowledge of the mining industry shows that this is an industry with a lot to gain in. Because of the increasing market and the oligopoly that occurs in the market it is important to use the strengths Secoroc have to make the barriers harder for competitors to steel customers and/or win new customers.

Picture 1 – Insight into how a Cop 44 Gold Hammer looks like inside.
In this chapter the text is going to highlight for the reader the background of the problem that created the purpose and research question for this study.

Secoroc is a division within Atlas Copco AB that has mining technique as their primary activity. You can in a wide product assortment find the “down-the-hole” pipes (DTH). These products are divided into three main categories; Pipes, Hammers and Bits but it also contains a big variety of other components, such as adapters, backhead, saversub etc. It is important to understand that the DTH-department has a complex and wide product catalogue that without the right experience and knowledge can be hard to read and understand. This creates a situation where customers can buy different parts of the DTH drill string from different suppliers to keep their expenses down. Today the DTH department is not offering any bundles with one single product number, instead the customers and customer centres are forced to order every single product number of the DTH pipe separately to get a complete drill string. The closest you can get to bundles today is through the drill meter –and/or service contracts. By offering bundles that facilitates the customers’ needs it will lower their costs. That is one of the missions from Secoroc’s side. Secoroc always strives to lower the cost for the customers without decreasing the quality and/or service. To create bundles would help with this problem. It would facilitate the orders and thereby be easier for customers to get their products on time. It also makes it easier for Secoroc to deliver them on time. There is also substandard communication within Atlas Copco in Örebro where the production of the drill rigs is located. This means that on a rig manufactured by Atlas Copco there can be drill bits or complete drill strings from competitors. The lack of efficient and working communication creates a wasted chance to sell a wider variety of the assortments of parts and through that increase the profit. Most importantly make it easier for the buyer.

Because of this situation Atlas Copco Secoroc AB started to look into a project where the mission is to sell a complete drill string from the rotation device and down to the drill bits. To be able to sell a complete drill string you have to understand how to maximize the customer value and how this will work together with customer centres (CC) and distribution centres (DC) both in the production country and the customer country. In the creation of bundles to make it cheaper and more efficient it is important that these two centres are able to perform the required tasks. It is therefore important to have the knowledge of what they can do and what is too much or to complex to perform. This research is going to look at bundles as something that triggers the purchase intention and builds loyalty in both directions, from customer to Secoroc and vice versa. The study will also investigate the pricing strategies for a specific subject as bundles and how Secoroc in the best way can use them to gain customer value and by that purchase intention and loyalty. Finally the research want to look at how Secoroc can use communication to achieve the connection between bundles and loyalty, and how through communicating bundles they can gain, as earlier mentioned purchase intention. To sum up, everything in the end is about increasing the customer value. I together with Atlas Copco Secoroc believe it is through making it more efficient, money saving and easier for the customer through bundles. It will also create new ideas about how you can use the topic bundles to conserve your business more time –and be cost effective for both Secoroc as a production company and the customer as the buyer and user of the products.
Several studies in economy and marketing have looked at bundling but often in a B2C setting, which is in many ways very different in comparison to at B2B setting. Context within the industrial market are complex and processes regarding business-to-business requires a more thorough judgment. In a B2C environment the seller generally builds the bundle whereas the buyer in the B2B context creates it. The industrial markets are more complex because the purchase are often more significant then in a B2C context and requires a more careful assessment. (Schoenherr & Mabert, 2008, p.82). In a B2B context there are fewer major customers. From a sellers perspective it is very important to make sure that the products meets the buyers´ need. Fewer customers have more power on the industrial market and geographical concentrations also are of stronger importance in a B2B context in comparison to a B2C context. A major difference between a B2C setting and a B2B setting is that the B2B setting is demand driven and the producer`s market is all in the hands of the consumers market. (www.mig.se) B2B is a more complex context than B2C because both the buyer and the seller are experts within the area. From a sellers perspective this creates higher demands on the seller to be accurate and possess relevant knowledge and to build confidence-inspiring relations.

In the authors knowledge there is no pure research towards the B2B context within the bundles theory and the seller`s decision to assemble the bundle process has not been looked at in the past. This study is aimed to put B2B market from a seller`s perspective into a new concept and try to develop the bundles theories within a B2B sell, a special retail situation.

“'No research has been directed specifically at how sellers should present price information to buyers to promote bundled offers as well as the individual items that comprise the bundle’” (Yadav & Monroe, 1993, p.350). Only a few studies has been conducted from the buyers perspective both when it comes to bundling as when its up to other related issues (Schoenherr & Mabert, 2008, p.81).

In markets like Atlas Copco Secoroc AB it is important to gain knowledge about the factors that influence their buyers choice behaviour though their strategies for marketing depends upon this (Arora, R, 2008, p.481) and evaluations regarding variables of importance when it comes to decision making and purchase performance seems to be lacking in research today (Schoenherr & Mabert, 2008, p.81). Communication for example can have a large role when it comes to purchase intentions (Arora, R, 2008, p.475). Example of factors that can be of higher importance for B2B customers than B2C is; deliver security, maintenance and creation of relationships, expertise from the seller, guaranteed high quality products and focused target market. A factor that often is mentioned in bundles theory in the B2C context is the expectation of savings when purchasing bundles, something that is not expected in the same way in the B2B context. The most important factors in a B2C context is price whilst there are, as earlier mentioned, many other factors that are more important in a B2B context.
2.1 PURPOSE

The purpose of this research is to investigate how the DTH-department in Atlas Copco Secoroc AB can provide superior customer value with their bundle deals. Further, the purpose is to investigate how through these bundles the DTH-department can achieve a more stable sales base and also change work methods to become more efficient.

The purpose of the research is also to contribute theoretical development ideas within the bundles theory. The theory that can be found today is primarily adaptable to the daily trade area and not always applicable to this research context. Within this research the purpose is to develop the bundle theory outside the daily trade area. The purpose is also to create a cornerstone within the limited research area around communication as a loyalty-building tool within bundles and, enhance the understanding of how it works and in which areas that need further research.

From the purpose mentioned above the following research questions have been formulated;

- Create understanding for the important factors that Atlas Copco Secoroc AB need to take advantage of to become successful in the creation of bundles and customer value?

  Investigating questions that support the research question;

  - How can Atlas Copco Secoroc AB create bundles to facilitate their customers?
  - How can Atlas Copco Secoroc AB increase the customer value through bundles?
  - How can Atlas Copco Secoroc AB increase customer value through communication?
  - How can Atlas Copco Secoroc AB increase the customer value through the choice of price strategy?
3. THEORETICAL METHOD

This chapter is going to discuss the theoretical methods choices conducted in the study. This will include the choice of topic, preconceptions, research design and strategy and, the literature review. This chapter will help you as a reader understand the choices made in the research.

3.1 TOPIC CHOICE AND PRECONCEPTIONS

My choice of topic was discussed together with my contact persons for the project on Secoroc and this was the topic Leif Larsson and me felt I would provide best insight to. The choice to apply and write for Atlas Copco Secoroc AB came under the fall semester 2011 when I decided I wanted to write about a company with a majority of their business abroad. This choice was made because Secoroc is active in a business context that really interests me and I wanted to do it for a company involved in the present well growing mining industry.

Leif Larsson and me discussed a diversity of research problems interesting for Secoroc and the research but ended up with the idea to look towards the possibility of offering bundles and investigate the important factors that you need to have knowledge about in a case such as that. The choice of topic also fit the writers education very well after studying marketing on A, B and D-levels. It fits my interest of marketing that is more directed toward the industry business rather than the more obvious advertising agency industry. This gives me a good opportunity to broaden my knowledge and get a deeper understanding of how it works in real life.

There are few preconceptions from the author in this study because of the limited knowledge about the industry before the start. The preconceptions that can occur under the study from the author’s earlier experience and knowledge can be about the used theory and ideas for solution taken into the study. With courses in both A, C and D level in marketing it is therefore important to understand for the author that he can have a coloured view on some theories that he may think is better then others.

Therefore it is important to understand how preconceptions can affect the findings and how they are interpreted. The author understands that colleagues, participants and other contacts under the study time can affect him. This can create preconceptions for the result, interviews etcetera. The factors that can affect the results are acknowledged in this study. They have been developed from a neutral view and all factors whether they be a theory or a person have been treated as similar as possible.

3.2 RESEARCH DESIGN AND STRATEGY

A deductive research approach is when the investigation is to test hypothesized relationships derived from existing theories. From this hypothesize the researcher can later draw connections and make conclusions. (Shiu et al., 2009, p.278) Deduction takes the form that the scientist argue that if the theory is accurate X occur with some probability and can be predicted rather than it happening on chance. The predictions a scientist makes creates the hypothesis and can in most cases can be considered as an educated guess. The predictions lead to the study design and later show if the research produce results as predicted or fail. (Goodwin, C.J, 2005, p.86)
An inductive research approach on the other hand is more about an investigating approach where you yourself collect and analyse primary data (Shiu et al., 2009, p.278). Induction is more of a logical reasoning process where you go from a specific event (the result of the experiment) to the general (a theory) (Goodwin, C.J, 2005, p.86). This is a more investigating approach where you want to go deeper and get a better understanding of the problem/s (Shiu et al., 2009, p.278).

The central key of hermeneutic is the understanding of the interpretations made to a specific text. The understanding of a text is through a process where the individual components’ meaning is determined by the text’s holistic sense. Key words are communication and text; the interpretations prior knowledge will be of high value. The aim of the hermeneutic interpretation is to convey a common understanding of a text or interview. Hermeneutic is extra relevant when it comes to interview research. First looking at the dialog held between the interviewer and the person interviewed and second the process where the interview text gets interpreted. In an interview context it is the hermeneutic approach about listening to the several meanings that exists within the interviewer’s statement. Constantly be aware of the opportunities available to conduct new interpretations. (Kvale, S, 1997, p.42, 49, 126)

In this research can a mixture between inductive – and deductive research approaches be find to be able to present a valid result that answers the research question. With limited knowledge and to make the investigating interviews as good as possible the use of theory research has been necessary. In the beginning a deductive research approach is used to get the basic knowledge about the theories used in this study but also as underlying material for the interviews. This approach has also been used to get the right product acknowledge for DTH-equipment which is of high importance to be able to conduct the interviews. So to specify it the deductive part of research has been the search for knowledge and literature to base the interviews and study on. The deductive research approach has helped me get the needed knowledge about several topics to be able to go through with the research and present a valid result. When the basic knowledge was achieved could the research move on to an inductive research approach. Because of the complex research question an inductive research approach was most suitable to delve deeper through interviews and really find the underlying factors to the problem. Through this approach the research could go from observation and findings to theories. From here then create a functional solution or guidelines that answer the research question. Together with the exploratory study, the inductive approach gives the opportunity to seek new insights, to ask questions and see the facts from another angle. So to specify it, the deductive part of the research has been interviews and the researching investigation over the prices worldwide. The research did not have any hypothesis instead was the interest to access the real data, understanding and investigating what the underlying factors behind the problems were. The main reason for the choice of an exploratory nature is because it gives the research an opportunity to clarify the problem and see the real reasons behind it.

The exploratory research can be done in three different ways. (Saunders et al., 2009, p.139-140)
- A Search of the literature;
- Interviewing “experts” in the subject;
- Conducting focus group interviews;
The research have used two out of three methods where searched the literature and interviews with “experts” in the area where conducted. The choice to not perform focus group interviews was because of the complex situation of finding a good location and the time required to put all the relevant groups together for several hours that it would take to perform these types of interviews. I believe that it is too much to ask for both time for interviews and focus group interviews and therefore it is the decision to conduct literature research and expert-interviews.

An inductive approach is many times connected to qualitative research (Bryman & Bell, 2007, p.14). Qualitative research can be defined as of exploratory design to gain a preliminary insight into the problems and opportunities, to understand the factor that affects (Shiu et al., 2009, p.173). These cooperate on high level with the thoughts of how to collect the information needed to find solutions/theories. I have in this research conducted semi-structured deep interviews with experts in several different areas within Atlas Copco Secoroc AB and their affiliates. I also have in cooperation with Navetti conducted a quantitative questionnaire where Navetti and me want from the customer centres to know the price from both low-price and high-price competitors.

The choice to use both quantitative –and qualitative research method is to get a more complete picture of the problem area. These choices makes it possible to both get deeper with experts in different areas and get a broad view of how the prices are distributed for Atlas Copco Secoroc competitors. A wider range of information gives me the possibility to understand more how the bundles should be composed and also priced compared to their biggest competitors in the market.

3.2.1 LITERATURE REVIEW

The quantitative –and qualitative research method together with literature review has been the basis for this studies data collection. The choice to use both secondary –and primary data is because these two strategies will work in conjunction with each other and help to strengthen what’s true and show what is not consistent with each other. Reliability will get higher through this and will help to give a complete picture of the topic. The drawback on other hand can be overwhelming information and with that too much to take in. This could create a situation where not valid and uninsightful information will be brought up in the paper. This is a factor that I have been aware of and prevented it happening by being hard and fair towards literature by establishing boundaries during this research.

The knowledge in the subject is built through earlier experience from school, through secondary data and through the employees at Atlas Copco Secoroc AB. Reading secondary data such as articles, books and earlier work about this subject have contributed to a better understanding of the subject and helped me to be able to collect the primary data.

The secondary data is primarily searched through Umeå University library’s database (e.g. main sources as Business source premier, and E-Journals, but also found literature in databases as Academic Search Elite, EconLit, and Communication & Mass Media Complete) but also received through google scholar. Google scholar has only worked as a tool to get hold of articles found in the Umeå University database but that were for the moment not available.
Google scholar as a database can be questioned and is acknowledged, therefore has it only been used to retrieve already found articles. I have mainly used articles from known papers and from writers known and accepted in their field of science. Examples of papers are Journal of Marketing and Harvard Business Review. In the phase of picking the right articles peer-reviewed has been a useful tool, peer-reviewed means how well they have been used and critically viewed from other writers. There has also been a choice of books where the choice is based on the writer and also if it is used as student literature.

A leader in the new research around price strategies connected to bundles is Andreas Hinterhuber. It is important to understand that a diversity of authors contributes to a better depth in the research. On other hand it is necessary that the information is contributing to the research and not just for the diversity of authors. The choice of Hinterhuber as the main source in the chapter about price strategies is for two reasons. (1) He is refereed back to in many research papers and (2) his research is most suitable for this case and research problem.

It is important to understand that in the choices of literature and most common in the article reviews is the lack of articles that combine the three areas that are decided to have in the theory. There are very few articles that treat bundles, loyalty & communication and pricing strategy together or for that sake just two out of these three main topics. If articles have been found are they placed in most cases in the general deal, which is not suitable for the context Atlas Copco Secoroc work in. Most research is done within general deals because the higher interest within that context. Some of the findings have been within the Secoroc context and some are exclusive for the daily general deal context. This has created a situation where I as a writer have read articles about different topics separately to later bring them together into something that can be used in the study and help in the reach for an answer to the research question. As earlier mentioned have I done it in this way because of the lack of research in the subject of how to build loyalty through bundles or how through effective communication to build bundles and pricing strategies that create bundles. There is a wide variety between the three main topics as theory and that can be an explanation for the lack of good and common research about them combined. The reason why these areas are picked in the literature review is because a connection can be found that can help to find a solution and that these areas need further research and investigation.

Commonly used words when searching for relevant articles and books have been; bundle, bundling, communication, loyalty, price strategies, customer-value based pricing and relationship quality. The majority of these words have also been searched in combination with B2B because that is Secoroc’s work field. Through out this strategy have I conducted a good base for the study and ability to provide solutions and guidelines with backup.
4. THEORY

The upcoming chapter will provide you as the reader with the theoretical frames of references used in this study within the subject’s bundles, pricing strategies, communication and loyalty. This will help in later stages to reconnect with the empirical study and also in the approach towards a solution/strategy or guidelines that will answer the research questions.

4.1 BUNDLES

The bundles theory today is mostly conducted towards the daily trade purchase and toward the individual customer. The area around bundles and the B2B section is a bit neglected and has not received the same focus from the researchers. Therefore, bundle theory used in this research may not be fully applicable to the specific context but is included to help understand what bundles are. The focus is also how the theory should be changed to fit the B2B context better and through that fulfill the theoretical purpose in the research.

Before the explanation of what bundles are and what earlier research has found has earlier research highlighted the importance of understanding that there exists two types of threads in the literature about bundles. One thread deals with bundles as a strategy adapted by the firms in a multi-firm environment and the other thread deals with bundling used as a profit maximizing technique for an isolate monopolist. (Eckalbar, J.C, 2010, p. 514) Neither of these threads are fully adaptable to the purpose of this study, therefore is a mixture of the most related parts in each being used.

Soman & Gourville (2001, p. 30) mentions that the usage of price bundling is widespread in the marketplace. Manufacturers and retailers are on daily basis offering multiple products and/or multiple units to bundle prices (Soman, D. & Gourville, J.T, 2001, p. 30). A bundle for purposes in this research are going to be defined as any combination of products and/or services (Schoenherr & Mabert, 2006, p. 192; Janiszewski, C. & Cunha JR.M, 2004, p. 534) and can be ranged from just a few items up to 20 or 30. A company has even been able to combine 600 office product items to a single bundle (Schoenherr & Mabert, 2006, p. 199). The bundles can contain products such as raw materials, product components or services such as transportation, repair or a combination of products and services. Bundling can occur for three different reasons. (1) One-time purchase, for example, production machinery. (2) Regularly purchased items such as raw material. (3) Both short and long-term contracts. (Schoenherr & Mabert, 2006, p. 192) Bundles are used both in customer –and industrial markets and individual products that have been picked into a bundle may or may not be offered separately by their individual prices. (Yadav, M.S. & Monroe, K.B, 1993, p. 350). Nalebuff (2004, p.161, 163, 183) mentions price discrimination, entry deterrence and creating cost savings as reasons why you should offer bundles of products and/or services. The perception you build up, as a company by offering package solutions at a discount is another beneficial strength. To bundle products and/or services together leaves a very little opportunity for a one-product firm to enter into the market. Here it is important to understand that in a larger sense almost everything is a bundle. For example a car is a bundle of seats, engine, steering wheel and so on. The reason for this is that companies often can integrate the products together better then the customers can on their own.
Agarwal & Chatterjee (2003, p. 358) mentions that the creation of bundles highlights new challenges for the product/brand manager. They now need to think beyond a single package or a single service and visualize the market and see where packages of products and/or services can take place. Schoenherr & Mabert (2006, p. 201) are indicating that firms that are bundling items together often require more working hours and more challenging activities than selling the bundled items individually. Other factors that need to be taken into consideration when crafting a bundle are industry trends, economic, legal and political developments, and current supply and demand.

To open up the customer’s mind-set and to convince the customer of the benefits of bundling can sometimes be a tough task. When companies make bundles they have to define everything in black and white, which is something most buyers are not used to. They often want everything in a shade of grey and do not want to determine everything upfront. They would rather wait and see how things develop and adjust in the future. Research shows that in general bundling requires more overall thought, analysis and information search. Nevertheless, the extra work that was needed to be able to create the bundles was often worth the time and effort as the total value received was higher than when the items where sold individually. Bundling leads to lower administrative costs and contributes to savings. (Schoenherr & Mabert, 2006, p. 201) Harris & Blair (2006, p. 508) points out that bundles can sometimes lower the freedom of choice because of the “requirement” to be less costly. Researcher have found that customers that were less sure of use were less likely to buy season tickets to a sports team because of the risk of wasting money on events they cannot attend. This is backed up by Heeler et al (2007, p. 497) who mentions that price bundling can lead to decrease in the actual demand for an offered service. For example the consumption of season tickets, you often buy a bundle of tickets even if you know that you cannot attend every home game that you have access to. Estelami (1999, p.108) mentions that empirical evidence has showed that customers can under certain occasions find it difficult to evaluate the value of the bundles. That can occur because the customer’s judgment will become bias because of different reasons. An example of a reason that can affect the customer’s judgment is that the main focus will be on the first bundle item presented to them. The other items will then appear to be remaining components that slightly modify the original thought about the first item. Other factors that can affect the judgment are that consumers have higher preference for multiple price decrease rather than single price decrease and therefore do not evaluate the bundle correctly and the customer judgment can become bias.

Although all these reasons show why you should, and why you should not have bundles it is important to treat them, as more than just mere marketing gimmicks. It is important to understand and be able to offer guidelines for the implementation of bundling strategies and by that understand how they should be used. (Yadav, M.S. & Monroe, K.B, 1993, p. 350)

A key conclusion from customers is that bundling typically benefits them through a discount in transaction costs, which means a saving for the customer. However, a bundle offer does not have to offer a discount for the customer, for example large packages can be priced more expensively then a smaller package (Heeler et al., 2007, p. 492) and “complementary bundles” do not involve savings (Heeler et al., 2007, p. 493). A complementary bundle is for example a computer processor bundled together with monitor and a printer. The help a complementary bundle offers the customer through fulfilling their needs and take away the work task of tailor designing the product combination on their own are worth much.
The reduced cognitive effort required in the purchasing process creates a possibility for the seller to take a premium on his bundles because of the added value for the buyer. (Heeler et al., 2007, p. 493) Estelami (1999, p.108-112) emphasizes that a sellers ability to demand a surcharge in a bundle may be especially true when it comes to complementary bundles. That is also demonstrated in his research that complementary bundles do not always pass on some form of savings. The research also showed that buyers might be ready to pay extra for a bundle than if they buy the products individually because they are relying on the judgment of the seller in the ability to provide them with a working system.

Complementary bundles have in contrast to other forms of bundling the feature of offering a combination of products, designed to be working as a system. It is also showed in research that customers have a higher purchase intention, and reservation prices for complementary bundles than for non-complementary bundles. Yan & Bandyopadhyay (2011, p. 355) points out that the demand for one complementary goods creates demand for the other, from this the firm can gain marketing power through bundling and give the vendors optimal price. The perfect complement has to be consumed together with its complement, the higher the degree of complementarity the higher is the chance that a customer buys both products simultaneously. Agarwal & Chatterjee (2003, p. 359) points out that a key to successful bundling is to simplify customers life through a successful combination of products and/or services in the bundle.

Because most bundles on the market are priced less than when the components are priced individually customers believe that bundles typically involve a discount (Heeler et al., 2007, p. 493). Yadav & Monroe (1993, p. 351) holds true that when there is savings offered for the individual items and additional savings for the bundles it is showed that the discount information presented for the buyers can be of substantial character. Yan & Bandyopadhyay (2011, p. 355, 359) found in their research that when the complementarity between the products in a bundle is high a larger discount should be offered. They also point out that complementary bundling can minimize the customer costs from 18 percentages to 57 percentages depending on the number of items in the bundle. Research has showed that customers expect a 10 to 15 percentage savings in a bundle offer compared to same products unbundled (Heeler et al., 2007, p. 494, 496; Schoenherr & Mabert, 2006, p. 190). Heeler et al (2007, p. 494) means that this shows how influenced customers become by how the majority of the bundles are formed and that they expect that a bundled offer should lead to cost savings.

Results in studies has showed that 62.2 percent expect package discount, 13.4 percent think that bundled offers reduces customers choice and 7.8 percent think that some bundle packages should be included in the base model (Heeler et al., 2007, p. 494). 22.2 percent believe that it helps to increase sales and that 20 percent think that service providers should provide some encouragement for bundle purchase (Heeler et al., 2007, p. 496). Estelami (1999, p.109) mentions that the larger the number of items in a bundle, the higher levels of savings the customer achieves. Buyers who want to purchase large bundles will then pay lower per-unit price (Estelami, H, 1999, p.109). This shows that the economic effects of price bundling drives the psychological effects and enhances the customers pre-purchase evaluations of an offer and increase the likelihood for a purchase of a bundle offer (Heeler et al., 2007, p. 493-494).
Research about bundles has showed that pricing works as signals. The implication of this is that sellers may under certain occasions use the price bundling format to indicate a bundle saving without offering one. (Heeler et al., 2007, p. 497) Soman & Gourville (2001, p. 30) says that price bundling can decrease the price sensitivity and by that increase the purchase likelihood. Customers are more likely to demand less compensation for something that is purchased as a part of a bundle. Johnson et al (1999, p. 130, 132) emphasize that the price perceptions were lower and the repurchase intention higher when the price information towards buyers were partitioned. The explanation is that the customers often use heuristic processing when they evaluate a partitioned price.

Heuristic processing can either lead the customer to only focus on the price and adjusts their perceptions to account for the surcharge, or it can lead to ignore the entire surcharge for the bundle. (Johnson, M.D et al., 1999, p. 130, 132) When talking about heuristics it generally means the use of shortcuts or rules of thumbs in making decision easier for people. Availability heuristics is one such way in which the customer uses earlier experiences and what he remembers to make the purchase decision easier. (Galotti, K.M, 1999. p.440)

Lin & Huang (2011, p. 114, 117) emphasize that the regulatory focus theory says that buyers may perceive a loss when they encounter a bundle product because they may only need one of the products. The price framing can because of that evoke the feeling of perceived gain or loss for the buyer. The customers can respond to bundle pricing in two different ways, either through a promotion-focused system or a prevention-focused system. In the first one the customers look to maximize the gain of his/her purchase; in the second one the only thing customer wants is to reduce the loss as much as possible. When the firms are users of bundle pricing they should be aware of whether the framing is suitable depending on the different need levels the customer has. If a firm has prevention-focused customers who may need only one product, the firm stands a risk to lose profit if they use bundle prices that are lower than either the special or regular price on the wanted item. Therefore it is important to understand their customers. An example of that is to not offer bundles where the bundle price is lower than either the special or regular price for one product in the bundle when the customer is of prevention-focused character.

Soman & Gourville (2001, p. 31-33) says that in one unbundle transactions the costs and benefits are unambiguously linked to each other. On the other hand for bundled transactions the link between costs and benefits are open for interpretation, and could because of that result in a much weaker sunk cost effect. The sunk cost effect can be explained as the “greater tendency to continue an endeavour once an investment in money, time, or effort has been made”. Together with sunk cost it is argued that customers create a mental account upon when entering a transaction and closes the account when the transaction is completed. Through the creation of a mental account customers keep a psychological link between costs and benefits on a specified transaction. If the product is consumed, as it should be the customer closes the mental account but if something goes wrong the customer will be forced to close the mental account without an offsetting benefit and will remember the cost of the transaction as a painful loss.

Schoenherr & Mabert (2006, p. 201) says that bundling products and/or services together increases the leverage and bargaining power for the buyer’s. It increases the overall attractiveness of the offered products in the bundle and reducing the purchase price in most cases. Research has showed that the value received with a bundle would be smaller if the items where sold individually.
Bundling products and/or services together can have a positive effect on the efficiency, because the fewer contracts and purchase orders that have to be handled can allow both parties to focus on more value-added tasks. The administration becomes more simplified and the complexity with a wide range of for example order numbers is decreased and it has showed that bundles create a more simplified purchasing environment by avoiding “cherry-picking”. Harris & Blair (2006, p. 510) found out in their research that the earlier in the shopping process the customer was exposed to the bundle the more likely it become that the bundle would be purchased. It would also lower the time consumed to make the purchase decision and by that make it more efficient for the buyer.

Janiszewski & Cunha (2004, p. 534-555) states that earlier models have assumed that in a bundle it is more important to put greater discount on the most attractive product in the bundle, that will reinforce the customer’s pre-purchase behaviour. Johnson et al (1999, p. 130) points out that other researchers have found that customers tend to connect more to the important item in the bundle and then adjust their evaluations of the complete bundle by taking in the less important items. Harris & Blair (2006, p. 507) mentions that a judgment issue that can occur when evaluating bundles is that the perceived value of an item is affected by another item in the bundle. Beside the affection from judgment issues the perceived value can be influenced by utilities or disutility’s created by the act of bundling. (Harris, J., & Blair, E.A, 2006, p. 507). That customers are more sensitive to the discount on the less important product in the bundles has been proven in earlier research. So, it is important to understand that customers subjectively value the individual items in a bundle before they sum up and evaluates the overall value of the bundle (Janiszewski, C. & Cunha JR.M, 2004, p. 538. 543).

Yadav & Monroe (1993, p. 351-352) mentions transaction value as an alternative view towards bundles and to understand how customers perceive the pricing. Transaction value is defined in the papers as the perceived savings (or “deal”) associated with buying the bundle. It is stated that a higher reference price used when judging the lower sales price will lead to an increased perception about the deal and especially the transaction value. The perception of savings can be formed as a result of the comparison between what it takes to buy all the items separately with regular prices versus the amount it takes to buy them separately on sales. Depending on the focus for the bundle the perception about the perceived transaction value can differ as a result of different ways of looking towards the bundle offer. First we can state that buyers may focus only on the additional savings that are offered to the customer directly on the bundle. Secondly the buyers may perceive savings on both the items and the additional savings and finally one can argue that the total transaction value is formed through comparison of the following information. First the amount that is needed to purchase the items separately to their regular prices and second the bundle price.

Of the three earlier discussed ways that buyers form their perceptions of savings, research has showed proof for the second way as most likely. That is that the buyers perceive savings on both the items and the additional savings. The bundles transaction value seems to have a large influence from the additional savings offered on the bundle and savings offered on the individual items is clearly of big importance. There is evidence that suggests that the lower the savings are on one item the more important is the perceived saving on the other one achieved for the customer. The pattern suggests that the buyers first see the savings offered directly on the bundle and later notice the savings achieved on the individual items. (Yadav, M.S. & Monroe, K.B, 1993, p. 355)
Rauyruen & Miller (2007, p. 25) mentions that the relationship quality model has a big impact on sales and loyalty, and therefore it is important to understand the impact it has on bundles. The relationship quality model is consistent of four factors that create relationship quality that in turn creates purchase intention and attitudinal loyalty. (Rauyruen, P. & Miller, K.E, 2007, p. 25) This model will be explained later in this paper to get a better understanding of it and also how important loyalty and communication are in the creation of bundles.

Yadav & Monroe (1993, p. 350) says that in the bundle research that has been done earlier can missing parts be found. There has been very little research and attention given to customer’s preferences for unbundled offers vs. bundled offers. Lin & Huang (2011, p. 117) mentions that in the present study a gap in the literature regarding how a customer’s goal can influence decision-making can be found. Further on Harris & Blair (2006, p. 506) point out that today relatively little research that examines the factors that drives customer preferences for bundles versus individual items can be achieved. Estelami (1999, p. 113) mentions that despite the increasing volume of research exploring bundles, there seems to be very limited research around the actual practice of bundling pricing. You can also see a gap in the bundles literature when it comes to the negative sides of it and what the drawbacks of bundling products are. This part of the research has been overlooked and that can be because of several reasons that I do not know or have not found evidence for.

Table 1: Top five mentioned benefits with bundling found in research done by Schoenherr & Mabert (2006, p.200)

Table 2: Top five mentioned challenges with bundling found in research done by Schoenherr & Mabert (2006, p.202)
4.1.1 TYPES OF BUNDLES

Estelami (1999, p.107) mentions that there is today two common approaches toward bundling. The first is pure bundling where the products can only be found in the bundle and are not offered individually. The second approach is mixed bundling where the items also can be purchased separately. Shankar et al (2009, p.96) argues that under these two approaches, four different hybrid offers emerge (bundles) can be defined that are shaped for different complexities and situations, so the company in the best possible way offers a superior bundle to the customer.

Flexible Bundle - This type of bundle is best suited for situations with complex products and services that are addressed for tricky customer problems. Characteristics for these situations are that the products and services are highly independent from each other (can be bought separately) but at the same time also highly complementary (combining the products and/or services can enhance the value).

A good example to explain the value both the company and the customer get out of this bundle is Oracle on Demand. They are mainly known for their packaged database software products but they are also offering consulting and management services to customize products so that customers can get the most value out of the product. The products and services that Oracle on Demand offers could survive on its own, but through putting them together as a hybrid boosted the demand 75 percent. This shows that the customers think it is more attractive with the items in the bundle together and for the company it is the benefit that Oracle on Demand will increase their profit. (Shankar et al., 2009, p.96)

Peace-of-mind bundle - Here the customer is looking to achieve a complete, best possible solution. Here the products and/or services are often low complementary and have a high independence but companies that can leverage them together in a strong mix can strongly differentiate itself from the competitors. For example elevator producers also offer the customers a service offer for the elevators. By combining high-quality products together with a premium service, the company differentiates itself from its competitors. Competitors are often strong in one of these areas but not both. The usage of peace-of-mind bundles can help you stand out in a commoditized market. (Shankar et al., 2009, p.96)

Multibenefit bundle - Here the products and/or services in a multi-benefit bundle are often of high complementary nature and almost inseparable. Because they are so hybrid it benefits the customers by offering them together. For example the cable-box connected to the TV, without the services is useless. Here the service is often really important for the bundle to be able to perform for both customer and company. A good example that highlights it is that in 2008 about 83 percent of TiVo’s revenue was derived from services. This shows how important the services can be like the modem is with stream, YouTube, download music, movie library and other attractive services. (Shankar et al., 2009, p.96)

One-stop bundle - This combination does not provide extra value in itself, instead does it attract customers through the reliability of the service and the convenience in the purchase. The companies increase their sales by making the products and/or services available at the point of sales. They rarely make the customer experience greater but they contribute to the convenience for the customers. A good example to understand the importance of this is the Regis Corporation, which is a hair care company.
They rarely perform a greatly improved experience for the customers but often increase the customer’s value through convenience and the recommendations from their stylist. The easy access because of the large number of stores also increases the achieved effort for the customers. (Shankar et al., 2009, p.96-97)

4.1.2 DEVELOPMENT OF BUNDLES

The development of bundles can often be a complex task where various combinations are potential. Agarwal & Chatterjee (2003, p. 360-361) points out several areas that should not be neglected in the creation of bundles. It is important to understand how the bundles are perceived from the customers. One thing that needs to be acknowledge is the fact that when the number of services increases in a bundle it gets more complicated for the customer to make a comparison between different bundles, which can lead to a lost sale. Estelami (1999, p.108) continues with saying that as the number of items in the bundle increases some of them can be perceived as optional or unnecessary for the average buyer. The risk when increasing the bundle size is to include items that will not be valued by the customer or not increase the bundle value. A strategy to counter this if you as a company really want to increase the bundle size is to become more aggressive when it comes to price strategy. Agarwal & Chatterjee (2003, p. 360-361) mentions that this also applies to the situation where the bundles are too similar to each other, for customers it is much easier to distinguish and value two dissimilar bundles. Similarity between bundles leads to comparison that takes more cognitive effort, when bundles do not share common features the comparison is on a more abstract level, which is much easier for the buyer. The similarity between two bundles can be defined by two factors, (1) how many components that are common between the different bundles and, (2) perceived similarity between the components across the bundle. Agarwal & Chatterjee (2003, p. 361) continue with saying that customers believe it is important that similar services are put together (e.g. lock system and alarm system). Participants in their study have expressed that it is easier if you can get everything on one bill, a natural good combination and if you can rely on one company it is much easier.

The developing phase of bundles are very tricky mainly because many different combinations can have potential but it is hard to see the one with the largest potential. When developing and evaluating different options should companies keep in mind these four rules that are going to be presented below. If the company follows these rules in their creation of bundles it is likely that right choices and better working bundles with high potential will be found rather than if you neglect these rules. (Shankar et al., 2009, p.97)

**Rule 1 – Look for points of differentiation in product and service markets.**

First you need to look at the different barriers to enter into your target market, some important questions to ask yourself and the company are; What is the degree of commoditization? Are the customer problems complex? and can the quality of the service be improved? (Shankar et al., 2009, p.97-99)

These questions help the company to get insight about the situation and how the bundles should be created. For example if your products are highly commoditized can you enhance the value by combining it with a high-quality service and vice versa. The second question gives ideas that could be used to create hybrid solutions for complex problems, this both creates hard times for competitors to imitate but also increases switching costs.
As for the last question it can sometimes be hard to have better performance than competitors, in situations such as these it is important too look over the possibility of improving the service and thereby offer a higher service quality. (Shankar et al., 2009, p.97)

**Rule 2 – Scope the services and scale the product.**

When creating hybrid solutions it is important that they are scalable to be able to increase the market share and profitability. This means that you have to look at if the product and/or services can be centralized and/or digitized. Is it possible to put the service on one location, reachable by the majority of the customers? Is it also possible to put your products on internet? This enhances the scalability of the bundle and also lowers the total unit cost of the offering. (Shankar et al., 2009, p.97-98)

**Rule 3 – Assess the revenue and profit potentials of various hybrids.**

It is important to analyse questions like; which half of the offering has the most profit potential? With the knowledge of the answer to the question can you combine the product or service with highest profit potential with the most commonly used product to create a winning bundle. A good example of that is the mp3 player iPod together with iTunes. It is also important to understand how often customers repurchase either the product or service. As a rule services are often more repurchased then products. You should also decide when creating the bundle if it is the product or service that should lead to the purchase. (Shankar et al., 2009, p.98)

**Rule 4 – Invest in the brand.**

When you have decided everything around the three previous rules it is important that you as a company invest in the bundle to enhance the credibility. This is especially important for bundles that have a high degree of independence. (Shankar et al., 2009, p.99)

### 4.2 PRICE STRATEGIES

The three Cs of pricing are costs, customers and competitors and have all an important part in the pricing decision. It would be misleading to assume that one of these factors can on there own determine the price. It is important to account for all this three factors when making a pricing decision. (Brennan et al., 2007, p.208) The decisions over pricing strategies are very differentiating depending on industry, country and customer and important to understand is the huge impact price has on profitability (Hinterhuber, A, 2008, p. 41). The most sensitive economic lever in a business is the pricing and has a direct affect of the revenue and margin (Hwang et al., 2009, p.232).

Hinterhuber (2003, p.765) emphasizes in his research that pricing is an important but often neglected tool in the industrial market. A 5 percent increase in price will lead to a 22 percent improvement in the operating profit. That is far more than other tools in marketing can achieve. Brennan et al (2007, p.207-208) points out that the choice of right pricing strategy has a big impact because of the large effect on profitability. Despite the evidence that price has a direct affect on profitability it is a neglected topic and few companies are today doing systematic research on price. Today with the deflationary pressure in the world markets it is important to do research on the pricing and understand how much it means for the company.
One factor today that contributes to the decline of price from year to year is new low-cost manufacturing in emerging economies, for example China. Hinterhuber (2003, p.772) continues with reasons why it is important to understand and choose the right pricing strategy. It is important to understand why customers buy products; the rational purchase decisions are not just only about the economic value versus price. Perceived fairness of the transaction is a factor that plays a role in the deciding process, the perceived fairness is judged by the price paid compared with the internal reference price the customer has. The reference prices are held internally by customers and are formed over time. It is important when discussing price to understand that the key word often is “perceived” which means that the perception varies a lot between different customers and in different purchase situations. Perceptions can of course be managed through effective marketing where you for example position an expensive product as greater value by positioning it with high reference as comparison.

Hinterhuber (2003, p.765) mentions in the other way that research has also showed that customers are frequently unaware of the price paid and one of the least important criteria for their purchase intention. Hinterhuber says that to his experience it seems that managers have fallen victims to two erroneous beliefs. A dominant assumption by managers is that what is gained by the company is lost by the customer. The belief is that pricing works as a zero-sum game. The second belief is that the managers do not believe in their ability to influence the pricing structure in the industry. It is showed in the research that these assumptions are completely incorrect and can be harmful to the company’s profitability. (Hinterhuber, A, 2003, p.765)

Under the literature review over bundles Hinterhuber (2003, p.766-767) also mentions that the most common advice in marketing literature is to set the price low to gain market share rapidly. Marketing executives have always felt reluctant to price a new product above the current price level in fear of creating a disadvantage in the hunt of market leadership. The assumption that high price and high market share do not go hand in hand is incorrect and a myth that is common today. In a variety of industries it is today quite common for a premium price brand to have a lead in market share. Most managers have the belief that premium price strategy is suited for small and niche markets but the fact is that a high market share with high prices can be achieved if the price truly reflects the customer value. Another common misconception is the concern for price knowledge and sensitivity from the customers. In research have they found that 50 percent could not correctly name the price on the item they just put in their shopping cart. In an experiment in 86 supermarkets researchers could see that a 10 percent increase in price led to a decrease in volume of 3 percent. These results suggest that customers show very little price sensitivity and those managers seem to overestimate the importance of price. (Hinterhuber, A, 2003, p. 766-767) Researchers are on other hand showing that price sensitivity is an important factor when it comes to the customers decision process. Bertini & Wathieu (2010) research shows how to get around the price fixation that often occurs from customers, Heeler et al (2007) mentions in their research that customers expect a price saving when it comes to bundles. Other authors and their research that have highlighted the demand for price savings in bundles and price sensitivity are Schoenherr & Mabert (2006), Estelami (1999), and Yadav & Monroe (1993). Importance must be put on understanding that there is a shattered view over price sensitivity by customers and that it can change depending on for example industry, purchase price, and the buyer situation, both economically, physiological, and physical.
Hinterhuber (2003, p. 768) mentions that it is important to understand that when you determine the pricing strategy you have to acknowledge that it will be the basis for the decisions over medium and long term. Global companies rarely adopt one single price strategy. Profitable pricing decisions often depend upon the local market.

It is important to acknowledge that one profitable pricing strategy in one country can be a catastrophe in another country. Through the authors experiences it is found that it is at least as important to create customer value, as it is to communicate the value of the products and services to the customers. These can be done through pricing or other marketing activities and show the importance to understand the value of your product, otherwise it is impossible to make a profitable pricing decision based on the product’s value to the buyers. To quantify the economic value correctly you need to perform six different steps that are going to be explained below. Forbis & Mehta (1981, p.32) defines economic value to the customer as “the relative value a given product offers to a specific customer in a particular application”.

Step one is to put oneself in the eyes and shoes of customers and ask what they see as the best alternative of products being analysed. Any product, process, and activity the customer can use, as an alternative should be viewed as a reference product. It is important to acknowledge that the products used for the comparison are dependent on the customers mind and not what the company states as alternatives. Step two is to segment the market. Differences in economic value arise from how the customer uses and values the product. There is no other way to get insight into how customers value products and/or services than through intense field research into customer’s habits and requirements. Step three is about identifying all the factors that differentiate your product from the competitors. Products and/or services can create value for customers in several different ways, through reliability, performance, ease of use, life cycle costs, service and so on. Once again it is important to understand that the customer is the judge over the differentiating factors, not the company. Step four is then continuing by determining the value of these differentiating factors. Conjoint analyse can at this point be a valid instrument to, in a systematic way find the monetary value of specific attributes. Focus groups are another valid tool and as found in the research are the most frequently used method. In step five are you summing up the reference value to get a total economic value. The total economic value is simply the differentiation value plus the sum of the price of the reference price. The result is not likely to be a monetary value, rather a “value pool” that is used in step six, when the “value pool” and the economic value profile of a market is defined can sales be estimated for different price points. (Hinterhuber 2003, p. 769-770)

I can with this knowledge see the extreme importance in being accurate in the work with the choice of pricing strategy. Hinterhuber (2008, p. 42) emphasize that there are today three main strategies that can vary a lot between different industries, countries and customers, but generally comes from following groups;

1. Cost-based pricing (“derives from data from cost accounting”)
2. Competition-based pricing (“uses anticipated or observed price levels of competitors as primary source for setting prices”)
3. Customer value-based pricing (“uses the value that a product or service delivers to a segment of customers as the main factor for setting prices”)
Of these the customer value-based pricing is the most recognized in the literature and also the one referenced as the superior compared to the others. (Hinterhuber, A, 2008, p. 41), the value based pricing strategy is going to get most emphasise in this study. Why customer value-based pricing is viewed as the more superior strategy is because the keys to sustained profitability are essential features of the strategy.

It includes the understanding of the sources of value for customer, designing products, services and creating solutions to meet customer’s needs. (Hinterhuber, A, 2008, p. 41) Academics have put very little attention towards pricing and therefore the empirical studies that are revealed today only standing for approximately 2 percent of all articles published in major marketing journals. (Hinterhuber, A, 2003, p. 765)

4.2.1 CUSTOMER VALUE-BASED PRICING

Even if the empirical research shows that the value-based approach is the best possible the drawback is the lack of experience and implementation in practice (Hinterhuber, A, 2008, p. 42). A reason for this is the complexity of the model, for example to implement the strategy you need to be able to answer questions like what is the value of our product or services? If we don’t know the value, how do we then know what to charge our customers? Skugge (2011, p. 393) mentions that this approach can be called the outside-in approach, which means that you let observations of historical purchases be the base when you decide prices from customers’ preferences and willingness to pay. Wardell III et al (2008, p. 328) emphasize a definition of value-based pricing as an approach where the price is based on an estimation of how the customer values the good or services that have been sold to them. Another approach to value-based pricing that can be found in research is the menu-based pricing. This approach is also called reservation system approach and is based on that the customer chooses the price that they are willing to pay. This choice is based on the perceived value they get from a product and/or service. Wardell III et al also mentions that the idea of value pricing is not new in itself but the idea to consider it together with process bundling is.

Skugge (2011, p. 393) points out that it is important to start with the customer, understand their preferences and how the company can fulfil them throughout their products and services. Hinterhuber (2008, p. 45-46) means that there are several methodologies to measure value and the best way is to use a mix of them. When you measure value you can use expert interviews, focus group assessment of value, conjoint analysis, assessment of value-in-use and importance ratings. Wardell III et al (2008, p. 339) found in their research that to perform segmentation of the demand and differentiated pricing can be very beneficial. This could be used both to smooth out the demand but also to increase the revenue.

Limitations in the customer value-based approach are for example the difficulty of finding the demand at a price that has never been offered. To set prices on new products with this price strategy is a tough task. The competitor’s prices on competing products are implicitly included in this approach. (Skugge, G, 2011, p.393) To explain the complexity of the limitations can you think about the problems a not fully functional measure technology would create in the price setting. Missing knowledge over the exact perceived customer value in a new product will create a lot of problems if you are adapting the value-based price strategy.
To set the price to low (hard to make it higher without protest from customers) or to high (no success in the launch and bad image when you have to back down with the price) can harm the firms/products image and therefore working measurements are extremely important when using value-based price strategy. This approach is much easier when you already have products out on the market. Most firms then have the knowledge over customers lowest and highest point of reference price. The higher the knowledge is over customers reference price the easier it is for firms to put a good value-based price on the product/service.

There is importance in understanding that there are several models developed within the customer value-based pricing. One of them is brought up in the research from Wardell III et al (2008, p. 327) is the CVBP model that consist of an effort to systematically correlate “value” along with other attributes, and trough that into a price. The focus is that depending on time of the day and the situation, the customers are using different values to achieve the service or product. The “stand-alone” value would then put a value of a good in a certain circumstance and through the CVBP model arrive at a set of improving prices. (Wardell III et al., 2008, p. 327) Another model that exists and that has been explained very little in this research is the economic value to the customer (EVC) model. It is important to understand that there exists several different models within this price strategy and that they are not neglected in this study. These models (except a part from the EVC model) are not included because they are not adaptable to the research problem. There are many interesting factors and usages of the models that may be useful for further research but in this research, the research will focus on what customer value-based pricing is and how you use it.

4.2.2 PRICINGS ETHICAL ISSUES

Brennan et al (2007, p.228-229) mentions that there are several ethical issues that arise in a B2B pricing context, for example anti-competitive pricing, price fixing, price discrimination and predatory pricing or dumping. These unethical pricing practices are often discovered in industries where competitive tendering is common. A risk your firm is taking when attempting unethical pricing is that it can lead to price war and through that the risk of financial losses that can lead to job losses and in worst-case scenario bankruptcy. (Brennan et al., 2007, p.228-229) All these different scenarios and rules around pricing ethically are important when deciding the price strategies for bundles. It is important that the introduction of the bundles on the market is of fair character and that the following rules below are followed. This ethical pricing issue is always important and something companies should review every year.

Brennan et al (2007, p.230) states five ethical levels that you can look at to understand your own ethical positioning.

"1. Pricing is ethical where the buyer voluntarily pays the agreed price.”
"2. Pricing is ethical where both parties have equal information.”
"3. Pricing is ethical where there is no exploitation of a buyer’s essential needs”
"4. Pricing is ethical where it is justified by costs.”
"5. Pricing is ethical where everyone has equal access to goods and services regardless of ability to pay.”
Secoroc today have one of the highest prices on the market and that is because they are taking out a premium for their equipment and services. This is a way to show quality and that they believe their products are the best existing ones on the market. Sometimes it can be hard for customers to understand why their prices are so high. By having a good and well-functioning strategy over how to get around price fixation and how to communicate the sales can increase.

In this subchapter am I going to describe what researcher have found about the topic and what they recommend companies with for example premium prices to do when customers may think the price is to high.

Bertini & Wathieu (2010, p. 86) says that the constant decreasing of prices to capture customers often costs the company gains, often also damages brand equity and lowers the profit margins. Customers’ are today fixated on the price and have lost interest in marketing communication, which is mainly because of the commoditized customer. Commoditized products exist when the customer cannot distinguish the tangible features and capabilities of different suppliers. Research has showed that commoditization is as much a psychological state as a physical one. The commoditized market is one where the buyer shows routinized behaviour, have minimal expectations and a strong preference for changes and effortless transactions no matter the product differentiation. The important part is not what you do for your product; the importance is instead in what you do for your company’s customers. Customers have in a commoditized market lost the habit of asking “which of these suits me best?” and it is therefore important to awaken the customers. The customers will miss important innovations and messages if you do not awaken them. The price is the best tool to awaken customers; this can be done in through altering the price in a surprising or challenging way. Researches have suggested four main price moves that can help to take away the focus on price hunting from the customer and through that minimize the risk of creating a commoditized market.

**Strategy 1 – Use Price Structure to Clarify Your Advantage**

The first strategy focus that you need to pay attention to is the value your product or service delivers to the customer. Ideally, the attention is put towards where your product differentiates itself from the competitors. For example Goodyear solved this problem by taking charge by how many miles their tires where expected to last instead of the complex engineering behind them. Through communicating to the customers that they will be charged according to the value delivered to them will send a powerful message that the seller stands behind the offer. This approach will minimize the chance of being involved in a head-to-head price competition and will force the customer to pay attention to the value offered. A drawback that could be found with this rule is that managers often mention the complexity and impossibility to change how the company sets prices due to the competition and that many competitors use the same strategies. The authors experience is that with sympathy to these concerns the benefits far outweigh the obstacles. (Bertini, M. & Wathieu, L, 2010, p. 86-88)
**Strategy 2 – Willfully Overprice to Stimulate Curiosity**

Strategy two emphasizes that the company should use a moderate overprice, a price higher than the customers normally intend to pay. In recent research it has been showed that customers automatically do not dismiss a higher price than expected, instead the curiosity is activated. Customers get motivated to investigate the reasons why the price is higher, is it extra features that you, as a customer have not considered? Or is it something else? The idea behind the model and proved in research is that customers have before there purchase decision is made a price range above expected price that will provoke them to ask themselves, do I need this extra feature or not? You will provoke this behaviour as long as your price is within the right price range and that will minimize the risk of the cheapest product fulfilling need seeking from customers. (Bertini, M. & Wathieu, L, 2010, p. 88)

**Strategy 3 – Partition Prices to Highlight Overlooked Benefits**

Strategy three is known as price partitioning, which means that you break up the price into its component charges. The provider can now get differentiating pricing options, either to charge an all-inclusive price or to itemize the bill. Research shows that it differs how you present the price even if it’s going to be the same. To present the cost in smaller mandatory charges invites the customer to make closer analysis and this will increase the chance for routine consumption behaviour. The danger with price partitioning is that customers often get annoyed, especially when they feel that the seller is not straightforward about the total cost. (Bertini, M. & Wathieu, L, 2010, p. 89-90)

**Strategy 4 – Equalize Price Points to Crystallize Personal Relevance**

In the last strategy the idea is to turn the price sensitivity to your advantage and ask the customer to choose among several options of design that appeal to their different taste. Research has suggested that the price should be the same for all different versions; through this can the customer discover on their own which option that best suits their needs. A problem with this strategy can be that if the company wants to contain a stable profit margin. In that case it means that they have to charge different prices. Another factor that has created problems with this strategy is that many customers can lose interest in understanding how different options serve them in best possible way and instead just search for the price minimization. (Bertini, M. & Wathieu, L, 2010, p. 90)

It is important to understand that the choice of pricing strategy is not the only thing that affects how successful you will be with the price you have on your products and/or services. The next part of this chapter will explain something that helps you be even more successful when you have picked the right pricing strategy. The importance of an effective sales force is big and can help you a lot to get your picked pricing strategy better adapted to different types of customers without being forced to have board meetings. How you can achieve a more effective sales force and how you should manage it will be explained below. In the researchs point of view and in this study an effective sales force management is at least as important as the right price strategy.
To become and have an effective sales force management it is important to establish clear guidelines for the salespeople to follow. Hinterhuber (2003, p. 776) points out that sales personnel possess the potential to strengthen or destroy a planned price change. It is therefore important to manage the sales force well. Here are five stages that are important for the company to think about.

**Level of authority for sales discounts**: Hinterhuber (2008, p. 48) states that it is important to determine how restricted the authority should be for sales personnel to set the prices to enhance the profitability. In some cases the sales personnel do have a better understanding of the customer’s willingness to pay and discover an opportunity to earn more. There can also be cases where the sales personnel have exceptional negotiating skills or, when there is complex products. (Hinterhuber, A, 2008, p. 48) Brennan et al (2007, p.221) mentions that in other research it is suggested that the salespeople should have high pricing authority when it is fairly easy or hard to achieve sales. The pricing authority should be limited in segments where the grade of making sales is intermediate.

Hinterhuber (2003, p.776) continues with saying that to have a fixed-price policy encourages the sales personal to sell on value instead of the price. To have a fixed-price policy does not mean that customers are paying a uniform price. Segmented pricing can occur there, differentiating customers and distribution channels. By doing it this way the sales manager can achieve the flexibility to adapt prices too different segments, and on the other hand the headquarters can have some control by defining the segmentation.

**Sales force remuneration system**: Often companies have rewarded their sales personnel on the basis of sales volume. In value-based pricing strategies the reward should be based on the profitability (Hinterhuber, A, 2008, p. 48). Hinterhuber (2003, p. 777) mentions in his earlier work that rewards should not be linked to turnover, instead the rewards should be linked to the margin they generate in the sales force.

**Fixed and variable remuneration systems**: If management wants the sales force to focus on sales volume, a lower percentage of commission should be offered. Conversely if the management want the sales force to focus on the sales quality (to build relationships) the commission that is offered should be of a higher percentage. (Hinterhuber, A, 2008, p. 48)

**Sales force training and development**: To be able to identify and understand the wishes of customers it is important to train and develop the sales personnel. It is important that they become good listeners and that they are comfortable in selling solutions to customers. (Hinterhuber, A, 2008, p. 48) It is also important to inform the sales force before implementing any price changes; this can be achieved through training or regular meetings. Sales personal should be asked to be involved in the debate rather than the feeling that the executives at the headquarters are the only ones making decisions. Sales managers want to feel reliance. It is also important that the sales force is involved in the strategy process. They can process feedback on product features, they could also help headquarters to identify lead customers and by that sense market trends and help the company to be in a leading position to changing environment. (Hinterhuer, A, 2003, p. 776-777)
Sales force monitoring: To be able to implement value-based pricing it is important that the target price is maintained. This is to discourage price discrepancies, in addition sales personnel that maintain the list price should get rewarded and penalties should be handed out for excessive discounting. (Hinterhuber, A, 2008, p. 48)

4.3 COMMUNICATION

The connection between bundles and importance of communication is today neglected and very little research goes into the deep into how communication can affect the bundles. There is also missing research over how these two together can create loyalty, effect the work, and enhance the relationships between business units not only within the company but also towards the buyers. As mentioned before there does exist today several different price strategies. Customers are, or are not price sensitive and you need an effective sales force to be able to be productive.

Without communication this is impossible and therefore is it important to understand what it is, what errors people mainly make and what can be done to improve the situation? Morrow (1978, p. 334) says that there are several reasons why we should have communication; a few of them are for making arrangements, forming coalitions, and covertly monitoring each other’s activities. Communication is what makes organizations possible and if we can get a better understanding over how communications works we can improve our organization. The sales force and customer centres that have a daily contact with the customers through phone, mail or in person have to understand these phases to be able to work effective and successfully. Bassett (1974, p.25-26) mentions that it is a complex tool and is often harder to understand then people can imagine. Communication has today at least five major factors: verbalization, definitions, control, body or silent language and sharing experiences, these are going to be discussed in the paragraph below.

Bassett (1974, p.26-29) continues with saying that the mystique and power of the words used should not be underestimated. On other hand should we not be overwhelmed and allow ourselves to be taken in by fancy talk. If you have to verbalize an unusual message, have it restated by someone you often have good communication with, get feedback and by that make the message more spot on and easier to understand correctly. People know the meaning of certain words or phrases and in most cases do not question it. Because different persons experiences with words and phrases differ it is often good to include definitions when you have to use non-common words when you communicate. It is easier to communicate with people who share common interests and purposes, therefore it is important to understand and accept in a situation where someone else is involved that you need to change how you communicate. Never take anything for granted that a meaning is understood, and on the other hand, admit your confusion instead of acting, as if you understand. When the communication leads to sharing/cross-verifying/filling out experiences it is maybe the most artful and satisfying type of communication. If the experience is not shared, the communication cannot because of that, rise above mere verbalization. Therefore it is important to learn how to conceptualize unique experiences and through communication help others who may or may not be on the same level as you to come to an approximation of them.
In industries control communication is in some form always necessary but sometimes overused. Control communication should be used when you are sure it is important that the responses required are fully predictable, for example warning signs as “No Smoking” and “Special Clothing Required”. The important fact to understand here is that a predicted response to a message is based on the willingness from the people to follow proven leadership. No matter which organization it is the control-oriented communication cannot be neglected because it is vital for survival. Last but just as important as the four other factors, is the understanding of silent or body language that shows that communication is more than just words. Body motions, eye contact, and nonverbal sounds are other important forms of communication to understand. People often train others on what to say and what to not say based on how they react and it shows it through their body language. An example is the boss towards his employees. By automatically drawing back when anything repellent is done or said the employees can learn quickly what is accepted and not. Therefore it is important for example in this case that the manager/boss can master their own body language so the message is sent properly. The easiest way to take control over your own body language is to consciously be aware of those moments where it is important that your body language signal the same meanings as your words. (Bassett, G.A, 1974, p.27-28)

Another part that is important to understand and be good at if you want working communication is to develop the listening skills, something that can be improved in everybody. It is important to learn how to listen to everybody and not tune out when for example people of a lower ranking on the workplace ladder are talking. The popularity in sensitivity training, T-group, and encounter group techniques in management shows the importance and value of opening oneself up and having a full range of sensory inputs. There are some rules of thumb that help you to analyse if you are a good listener or not. You are listening poorly when you are busy framing your reply, you feel dull and bored, unable to attend to each word or you are willing to not listen to the communicator because you label him as unimportant and you feel that he cannot hurt you. On the other hand are you a good listener when you are able to repeat back exactly what is said, you see and understand the body language that goes with the verbal message and you are not afraid or embarrassed to ask for a minute to frame your answer because you were busy listening. (Bassett, G.A, 1974, p.28-31)

Gligor & Autry (2012, p. 25) states interorganizational communication as the sharing of meaningful and timely information between different interacting organizations. Morrow (1978, p. 334) mentions that interorganizational communication can be used as an unintended or latent by-product of individual communication among the representatives from different organizations that the person have regular contact with. (Morrow, P.C, 1978, p. 334) To understand interorganizational communication it is important to look into two types of relationships, personal –and business relationships. When these two relationships are combined is the interorganizational communication working and by doing that a company can have a better and more effective communication to suppliers, customer centres and customers. Sales force and customer centres need to understand interorganizational communication to be able to create good relationships with customers. An understanding and a creation of both personal –and business relationships can increase the sales both through effective of the work and also through loyalty.
Gligor & Autry (2012, p. 26) emphasize that there are six different characteristics that define the difference between personal and business relationship. First, personal relationships are often emotionally based while the business relationships are more instrumental and focused on the substance or the task. Second is that personal relationship exists on voluntary interactions from the persons while the business relationship tends to be involuntary. Third, in personal relationships the role played from individuals is often expected to be informal while there in a business relationship it should be in a more formal way. Fourth is that personal relationships are often motivated by communal orientation while often it is instead in a business relationship expected to be a reciprocal orientation. Fifth is the personal relationship is intended to lead to development in intimate social connections whereas the arms-length connections may never increase in a business relationship. Sixth and last is that personal relationships of a personal nature while the business relationships are designed to be impersonal.

Gligor & Autry (2012, p. 26-27) mentions that by combining personal and business relationships many studies have suggested that the interaction effects should be positive, but drawbacks have also been found. There it showed that it is important to have both personal and business relationship to in a good way build and enhances interorganizational relationship strength.

There is also substantial support that friends are more trustworthy, loyal and committed than business partners are, which can indirectly affect the business relationship in a positive way. On the other hand it can create conflicts between individual interests of friends and the firm-level interests of their employees. Other studies have shown drawbacks of combining these relationships with evidence that it can leave suppliers vulnerable. It has a negative consequence on firm-to-firm relationships.

With the knowledge of what communication is and how important it is to understand if you want to be able to develop within the subject, I can move on to how this research connects communication together with loyalty. How can communication in our relationships build loyalty? How can it be used to enhance the quality of our B2B deals? These are some of the question that will be explained in the upcoming theory section.

### 4.4 COMMUNICATION & LOYALTY

To make business in a B2B context is special and it is important to understand the nature and circumstances of the customers because of their uniqueness of characteristics. In many B2B service settings the customers are in need of customization when it comes to services, products and price structure. (Rauyruen, P. & Miller, K.E, 2007, p. 21) In many cases the buyers are looking at their sales contact as a business partner and an expert that gives them quality advice about the products and services. It is also often stated that the salesperson is the second best information source after Internet in the buying decision process. (Agnihotri et al., 2009, p. 474-475)

Rauyruen & Miller (2007, p. 21) says that it is important for sellers in a B2B environment to develop individual relationships with buyers, relationships that secure loyal customers and thereby also a higher lever of profitability. To build up this loyalty it is important to understand the concept of it, and how to build it up.
Tellefsen (2002, p.650) emphasize the idea that evidently showed that you as a company need to satisfy both organizational and personal needs. This means that you need to make organizational benefit bundles for example product, price and delivery for the firm that buys your product. On a personal level for the purchasing manager some personal benefit bundles for example, efficiency, power and certainty.

Agnihotri et al (2009, p. 482) points out the importance that managers make sure that their sales force has the knowledge of how to effectively communicate the information but also posses the right information. Managers should invest in providing the salespeople the right technical knowledge so they can be trained in effective communication skills. It is also important that during the training programs for salespeople that they learn how to communicate the product information in the best way to the customer. Not only know the information, but be able to explain it and use it in an effective way is also important.

Hinterhuber (2008, p. 46) suggests a way to improve the communication of value towards customers through taking help of three levels of sophistication. (1) Communicating product features, the drawback with this is that the customers often do not care about the specific product features. (2) Communicating customer benefits, here instead the advantage is that customers care about the benefits they can achieve. The disadvantage is that it is hard for companies to know which are the benefits that matter for different customers. (3) Communicating benefits in accordance with customer needs, here the message received is going to be remembered by the customer because it puts pressure on the customers needed benefits.

The creation of a loyal B2B customer base is about more than just maintaining a number of customers over time. It is also about nurturing the relationship with business customers to encourage future sales. There is evidence that in the B2B context are relationship elements important in the creating and maintaining of customer loyalty. (Rauyruen, P. & Miller, K.E, 2007, p. 22) Fitzgibbon & White (2004, p. 218) mention in their paper that today can you find two different forms that loyalty, behavioural and attitudinal. Behavioural loyalty is when the customer repeatedly purchases a service or product, but does not necessarily have a favourable attitude towards the brand providing the service or product. This can occur because of convenience, habit or that the barriers are too high for a change of brand. The other version is attitudinal loyalty that is going to be the focus in this study. Attitudinal loyalty can be explained as “the customer’s predisposition towards a brand as a function of psychological processes”. Commitments to the brand and attitudinal preferences are included in this.

There is shown that attitudinal loyalty results in lower price sensitivity from customers, it also often incorporates strong positive attitude that is similar to word of mouth advertising. Customers with attitudinal loyalty also have a greater tolerance for negative experiences. Customer that are loyal on a attitudinal level are also considered more profitable than the ones loyal on a behaviourally level and there seems to be a natural fit in using CRM to achieve attitudinal loyal customers. When having attitudinal loyalty the customers contributes to maintain a higher profit, this means by not having any continually promotions or price discounts for the customers to generate repurchase. This loyalty rather means that the company can have regular and loyal purchasing behaviour even if they have a premium on their products because of the strong positively brand attitude that have been created over time. (Fitzgibbon, C. & White, L, 2004, p. 215, 218)
Gil-Saura et al (2009, p. 597) identify customer loyalty as the “degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises”. Morgan & Hunt (1994, p. 23) define loyalty as a commitment to a specific brand occurring because a specific positive attitudes. It is important to understand that there exists several different definitions of what loyalty is but these are the two that is going to be used as they are complementary to each other.

Park et al (2010 p.1-3) presents in their research that it is more to acknowledge when looking at customer loyalty. An important aspect and measurement to understand is the brand attitude/attachment. The strength of the brand attitude predicts behaviours of interest to a firm, this includes brand consideration, the intention to buy, purchase behaviour and also the choice of brand. The aspect of brand attachment can be defined as the strength of the bond that connects the brand with the self; it involves thoughts and feelings about the brand. This connection is of critical aspect involving cognitive and emotional relationship between the brand and the self and can be defined as the brand-self connection. In addition to this aspect is brand prominence important to acknowledge and means that it is reflected by the perceived (1) ease and (2) frequency of brand-related thoughts and the feelings about the brand that are brought to mind.

It is demonstrated that emotional attachment and attitude valence have a distinctive effect on brand loyalty and the willingness to pay a price premium. The customers who are attached to a brand are not just recipients of the brand’s resources, they are also investing their own resources into the brand to maintain the relationship. Customer’s that are highly attached to a brand have more motivation to expand the resources in the process of self-expansion. Such resources can be (1) social resources, defending the brand to others; (2) financial resources, willingness to pay a higher price, or the willingness to devote a greater share of expenditures to the brand rather than to other brands; (3) time resources, the involvement in the brand communities and also brand promotion through for example social media. (Park, C.W et al., 2010 p.1-3)

Rauyruen & Miller (2007, p. 29) points out that to maintain customer loyalty it is important to enhance all four aspects of relationship quality; trust, commitment, satisfaction and service quality (Rauyruen, P. & Miller, K.E, 2007, p. 29). These four aspects are going to be handled in the relationship quality model later in this paper. I can by understanding customer loyalty and the attitudes toward a brand and the brand attachment get a better understanding over how the purchase intention and the attitudinal loyalty can be created. To understand upcoming model over relationship quality it is important to acknowledge these two expressions and understand what builds them up, and how I can break them down into pieces and understand every factor?

4.5 RELATIONSHIP QUALITY MODEL

Rauyruen & Miller (2007, p. 25) have created a relationship quality model that works as a quality predictor of B2B customer loyalty. There are four different factors that explain relationship quality and will be explained below. These four factors gives relationship quality that on the other hand as earlier mentioned, determines the purchase intention and loyalty. (Rauyruen, P. & Miller, K.E, 2007, p. 25)
The choice to originate from this model is because it explains the concept well without being too complex. There are several models that explain the topic relationship quality and how it can lead to purchase intentions and attitudinal loyalty. Few of them draw their connections and relationships similarly and you can always find a little bit of difference. Even if they have their differences between how the connections are formed they do contain the same four factors; service quality, trust, commitment and satisfaction. After evaluating the different versions of a model explaining relationship quality I did chose to originate from this one because of the simplicity which makes it easier to understand the connections. In the explanations of the four factors affecting relationship quality have I determined to take input from several different versions of the topic. The choice to do this is because they all use the same factors but in a little different way and it is important to understand that there is no right or wrong version of this model, but many different views and ideas about how it should look.

Figure 1: Overview of the relationship quality model

In this research am I going to focus on the four factors that create relationship quality to get more knowledge over how it creates purchase intentions and loyalty towards Atlas Copco Secoroc. I can by understanding the factors in this model in a better and easier way use the important factors behind bundling.

Rauyruen & Miller (2007, p. 23) emphasize that relationship quality comes from the theory about relationship marketing and has a goal to strengthen already strong relationships but also convert indifferent customers into loyal ones. These relationship qualities can be divided in two levels to better understand it, relationship quality with employees and relationship quality with the supplier itself. Relationship quality can be divided into several components that are both distinct but related. Built on past research Rauyruen, P. & Miller, K.E, (2007, p. 23) has defined it down to four different but related dimensions; perceived service quality, trust, commitment and satisfaction. (Rauyruen, P. & Miller, K.E, 2007, p. 23)

Rauyruen & Miller (2007, p. 24,28) emphasize that previous research has showed that there is a significant relationship between perceived service quality and customer loyalty. It has also showed that service quality has a strong role in the influence of customer loyalty. There exist different explanations of service quality, Kumar et al (2010, p. 22, 32) describes service quality as a determiner of customer satisfaction and attitudinal loyalty.
Therefore it is important to know the key dimensions of service quality and how big of an impact they have on customers attitudinal loyalty. Parasuraman et al (1985, p. 42) on the other hand defines service quality as a measure over how well the service level delivered matches the customer’s expectations. To measure service quality is harder than goods because there are fewer tangible cues to investigate. Instead you need to look towards other cues and a firm often thinks it is more difficult to understand how customers perceive quality.

Rauyruen & Miller (2007, p. 24) points out that several authors have regarded trust as a central object in the development of a successful relationship in a B2B market and to achieve customer loyalty. Morgan & Hunt (1994, p. 23) defines trust as the willingness from one partner to rely and have confidence in their exchange partner. Furthermore Rauyruen & Miller (2007, p. 24) explain that the need of feeling safe and getting assurance that their interactions are confidential is often important for customers to know when they do B2B interactions. Earlier research has showed a relationship between trust and customer loyalty and that the customer loyalty can be an affect of trust. Doney et al (2007, p. 1109) adds that social behaviours are also a dominating factor that affects the trust building.

Morgan & Hunt (1994, p. 25) states that communication is a very important part of trust and a major precursor. Doney et al (2007, p. 1099-1102) emphasize that both contact through business purpose and social purpose are important social interactions that are important in the building and maintaining of trust. To build trust includes nurturing an interpersonal relationship, sharing of information and demonstrating an understanding and concern for the buyers needs. Trust can be divided in two elements; credibility and benevolence. Credibility is that one’s partner stands by its words, fulfils promises and is sincere. Benevolence is a belief that one’s partner has an interest in the firm’s welfare and does take actions that would harm and/or have a negative impact on the firm. To show that you are benevolent towards customers can be a simple thing such as giving a quick response to requests being made.

Commitment can in simple terms be defined as the motivation to stay with a supplier and maintain a valued relationship (Rauyruen, P. & Miller, K.E, 2007. p. 24; Morgan, R.M. & Hunt, S.D. 1994, s.23). Gil-Saura et al (2009, p. 596) says that it is also the desire to maintain a stable relationship and have the willingness to make sacrifices in short-term that keeps the relationship alive. Rauyruen & Miller (2007, p. 24) points out that customer commitment is an important enforcer of customer loyalty and is considered an important ingredient in successful relationships. It is also proved that customers with high commitment to a product or service will buy more, this means that commitment leads to a dimension of loyalty.

Gil-Saura et al (2009, p. 596) defines satisfaction as the process of evaluation or measuring the purchase experience and the expectations are compared towards the actual result (Gil-Saura et al., 2009, p. 596). There is several theoretical and empirical evidence for a relationship between satisfaction and customer loyalty (Agnihotri et al., 2009, p. 481; Rauyruen, P. & Miller, K.E, 2007, p. 25), Rauyruen & Miller (2007, p. 25) points out that it is found that satisfied customers stay with the firm. It is also stated by authors that satisfaction is an important factor when explaining loyalty. Satisfaction is often considered as a factor that affects the likelihood for the customer to repurchase or reuse the product or service. Agnihotri et al (2009, p. 481) continue with explaining that if you can create customer satisfaction with the sales it will lead to satisfaction with the firm, which in turn will lead to satisfaction with the product or service.
5. PRACTICAL METHOD

This chapter is going to discuss the practical methods choices conducted in the study. This will include the samples, how the quantitative and qualitative research has been conducted and, the collection and analyse of material. This chapter will help you as a reader to understand how the material has been received in the study. How the interviews and the quantitative investigation were conducted.

5.1 SAMPLE

It is important to have the knowledge and understanding of the guidelines of how to determine the appropriate sampling design. Sampling plan can be described as a blueprint or framework needed to ensure that the data collected is representative and from the defined target population. A sampling plan is consistent of seven different steps; (1) Define the Target Population, (2) Select the Data Collection Method, (3) Identify the Sampling Frame(s) Needed, (4) Select the Appropriate Sampling Method, (5) Determine Necessary Sample Size and Overall Contact Rates, (6) Create an Operating Plan for Selecting Sampling Units, (7) Execute the Operational Plan. (Shiu et al., 2009, p.484-486) With the knowledge of how to execute a sampling plan, I have conducted these plans for the quantitative and qualitative research. In both cases have convenience sample been used because several reasons. Main reason is because of the context and the limited people to interview. From the seven steps, useful when conducting a sample plan could the target group be defined as people involved in the sell-buy process between customer and company. The target population got limited to the Swedish market. This shows that the sample to choose from got very limited and the people interviewed where picked on convenience. Other reasons connected to both the quantitative and qualitative research where the facility to interview only Swedish people, the ease to conduct the interviews in the Swedish language and also contact customer centres and people already in continuous contact with the headquarter in Fagersta.

In the quantitative questionnaire the choice of sample was to cover at least 80 percent of the sales worldwide. That means that the questionnaire was sent to 19 customer centres. This 19 customer centres covers just a few of the countries Secoroc sells to, but at the same time 80 percent of the worldwide sales. Important to understand, the countries picked are of substantial character and can affect the total sales volume on their own. These 19 customer centres originate from many different regions such as America, Europa, Africa, Asia and Australia. In big regions such as Africa and Asia I have tried to cover the differences within the regions. For example in Africa, Morocco, South Africa and Ghana are used and can thereby cover the north, the west and the southern parts of Africa. The same idea is used in Asia, America and Europe. With 80 percent of the sales covered it is possible to state that you also get prices for the majority of markets your competitors are active on. The chosen countries, to fulfil the coverage of 80 percent of total sales for DTH-equipment, will also cover the different markets that the company acts on. All markets that were asked in the questionnaire had a sales volume of over 1 million sek, which was picked as the minimum limit. What can be stated, as drawbacks with this sample design is that I only ask relatively large markets and the small countries are overlooked. On the other hand I have not picked the top 19 customer countries and by that defend and argue that I tried to mix diversity and markets with possibility to affect the total profit.
Seventeen out of nineteen customer centres did reply within one month and the only two missing had a tight schedule and were difficult to get in contact with. With approximately a 90 percent answer rate I feel confident that I have a good enough data to say that our results will be measurable and can answer for almost 80 percent of todays sales. If I look at the two missing countries there was not much that I could do to prevent the fact that I did not get an answer from them.

The two missing countries where UK and Morocco and there where no reasonable substitutes that stood for similar amounts of profit as those countries in the nearby region.

In the qualitative research the choice has been to cover four different expert areas; distribution, customer/purchaser, customer centres and price administration. The reason why I want to cover these four areas is because of their involvement in the creation of bundles. It is important to listen to what customers think and how they want it to work. At the same time it is important to see how customer centres and distribution can effectives their work and if the solutions are possible. There is going to be a little bit more focus on customer/purchaser and customer centres because of their importance. They have the most expertise over pros and cons that the customer feels about the products. To get in contact with the interview persons was very easy thanks to the support from Secoroc in Fagersta. I asked after different roles that I wanted to interview and in return received names that could be of interest. Then contacted the suggested persons, explained why I wanted to interview them and booked a meeting. This resulted in 7 interviews. Three persons were working in some way for the customer centre, two big Swedish clients, one person from Navetti and one person working mainly with DTH-equipment at the distribution centre.

The total number of seven persons from different areas is respectable and could not be much higher because of economically reasons and also the lack of time. A drawback that occurred over the response rate was that I only had time for interviews with two customers of Atlas Copco Secoroc AB. To solve this problem I did increase the number of interesting customer centres persons from 2 to 3. They are the main contact and by interviewing three different persons from different regions in Sweden could the research get a better understanding of what customers most often say without having to be at the customer’s location. Through this approach am I satisfied with the seven persons that got interviewed and believe they give the research valid and reliable ground to stand on for the solution and discussion.

Most important in the work for creating bundles is how customers respond to them. Therefore it is extremely important in this study to get good quality interviews with some of the customers the DTH-department have to today understand what they think is working now but also what needs to be better tomorrow. When the knowledge from the customers is acquired it is important to know if you can follow through with it and if it works in real life. The best way to know if it is doable is through interviews with distribution, customer centres and price administration. Customer centres are extremely important because of their close contact with the customers and from them you can in a wider view hear what customers have to say about the products. They can also respond with what they believe is missing in the business today and also answer whether they think the ideas from customers are good or bad. The distribution centre and Navetti for the price administration is a little bit less important but still attractive to include in the sample. The distribution centres can answer whether it is doable from a logistics view but also what they believe are the pros and cons today.
Navetti, as the price administrator is instead getting an understanding of what the price would be on these bundles and how you can put the price in an attractive way for the customers so they choose the bundles instead of ordering every part separately.

By using this four sample groups I can in the study easily reconnect with the theory and get the support needed for getting good validity and reliability in the proposed solution. These four sample groups will cover the communication, loyalty and bundles, and Navetti for the price strategies. With this sample I will get a better understanding and have the opportunity to reconnect with the theory from both angels, and also propose solutions or/and guidelines that are possible to go through with.

5.2 INTERVIEWS

The choice of In-Depth interviews has both advantages and disadvantages, which are important to have knowledge of to get good results. The benefits of In-Depth interviews are that you are very flexible and can change the format on the questions depending on how the person interviewed answers. It is also important to use probing questions to get highly detailed data and never end up with a simple yes or no. The interviewer gets a chance to get as much data about the topic as possible. The drawbacks of In-Depth interviews are too much detailed data, lack of generalizability, reliability and also the ability for the researcher to distinguish small differences. Another problem is to find an interviewer with experience to formulate and ask the right questions, to get as much as possible information. (Shiu et al. 2009, p.206-208

I have conducted the interviews myself from a convenience and economical aspect. Before the interviews have taken place a study in interview techniques has been done so that I will be professional and effective during the interviews. By doing this will I secure the quality of the answers and the material achieved in the interviews. It is important here to understand that no matter if I or someone else does the interview it can be interpreted in different ways and that is something that has to be acknowledged. What the interview objects says may not be what the interviewer here or interpret it as, and further on, what the interviewer here may not be exactly the same as he/she writes down. The interviews have been conducted in the Swedish language and therefore there can exist a chance that it is translated wrong and has another meaning. Of course as earlier mentioned is the intention to treat everybody as similar as possible, to not have any preconceptions and interpret the answer as the interview object means. This is impossible and something no one can succeed with, but with help of the knowledge of this factor and that I respect it, it will in my belief make me as an interviewer as neutral as possible. To be able to interpret the interviews as good as possible and get the right words down on paper, every interview was recorded with a smartphone. This have made it possible for me as the interviewer to listen through the interviews several times to make sure that I interpret right. Furthermore the interview objects has not been treated with anonymity, which they all approved. The reason for that decision where the interview objects special positions, and the possibility that people interested in reading the study still would understand who the interviewed person where. The fact that they are public can help to raise problems within Secoroc, and create a discussion. The feeling is that the interviews have not been affected negatively because the interview persons are public which can be a risk. The interview persons may think through their thoughts a second time before expressing them.
The interviews have been approximately 60 minutes during which the interview object and me have treated six main topics that have been selected in advance. These six main topics have in an interview template been thoroughly worked through with several sub-questions to every topic that will work as a help manual for the interviewer. The topics that were selected to treat in the interviews include contact with customer centres, product company and customers, orders, product and bundles, communication and loyalty, price strategies and, ideas of solutions. This manual has been worked through with my supervisor and test interviews have been held to check the quality of the topics and sub-questions. The idea for the interviews that has been followed is to have a free conversation where the interviewed person has an open mind and can talk about the pros and cons around the topic without being directed by me as an interviewer. The sub-question has been worked out as a guideline for me to see that I get the information needed to be able to make a conclusion. If one sub-question did not get answered I brought it up after the free discussion about the topic. By doing it this way the interviewed person can feel more free in his answers and what he wants to tell me. I also get the chance to really listen and ask probing questions about what he tells me. Through this a better in-depth in the interview where achieved and thereby also better results.

There are of course drawbacks with this technique that I was aware of about before the start. This could be for example that the interviewed person did not speak as much as wanted about the main topics. The sub-question worked here also as a saviour. If the person did not really know what to talk about could I use sub-questions to lead him in to the topics wanted to investigate. Thereby I could in highest grade lower the risk for short interviews, missing deep or other similar drawback.

5.3 QUESTIONNAIRE

As mentioned earlier it will also be a quantitative investigation that collects competitor prices from 19 different customer centres connected to Secoroc. This investigation is done in cooperation with Navetti who are implementing a new price point system for Atlas Copco Secoroc AB. This will also lay as a foundation in the interview with Navetti in discussion over how the bundles can be priced and what is important to understand in the pricing strategies. With the results achieved in this questionnaire I get a better and more stable ground to stand on in the interview and achieve a better outcome. The result achieved in the questionnaire will be analysed through looking at price differences on products between countries and regions. By understanding the differences and in percent the change between different regions Secoroc can easier adapt a solution. Price strategies are today an essential part of product companies and therefore it is important to understand what the products are sold for in different markets, but also competitor’s prices.

Saunders et al (2009, p.171, 226) points out that quantitative research method together with this investigation method can be defined as the research procedure when collecting a large amount of data through using question-and-answer formats. The researcher places heavy emphasis on using standard questions and predetermined answers.
The choice of In-Depth interviews as investigation methods also have advantages and disadvantages that are important to know. The benefits of this method are several but some of the most important are the possibility to have a large sample size, distinguish small differences, the ability to use advanced statistical analysis and the ease to administrate surveys/investigations. Drawbacks with this approach are also several but some of the most important to know about are, it is difficult to develop appropriate design, potential low response rates, respondent may not respond truthfully and limited control over timeliness. (Saunders et al., 2009, p.226-228)

The investigation conducted in collaboration with Navetti and Product Line Manager Leif Larsson is of semi-structured character. The population for the investigation is the customer centres that are the connection between Atlas Copco Secoroc and the customers in the majority of the sales. The choice of customer centres that will be asked is based on region and sales volume. As earlier mentioned I have picked out countries with sales over 1 million sek and from as many different regions as possible to cover all the business climates Atlas Copco Secoroc are active in. With this sample I will get a wide view over different regions and where the sales volume is significant for the total sales.

The purpose of the investigation is to get hold of both low price competitors as the Chinese market and high price competitors such as Sandviks reference prices and compare against Atlas Copco Secorocs reference prices. To obtain this result I have designed a semi-structured excel document where I have listed 10 drill bits, 12 hammers and 5 pipes. Because of the complex product ranges with a lot of products in the same size have I just written down requirements in the excel document. The requirements can be explained as different characteristics of the product, for example hammer size 3” can have many different characteristics. Therefore not every product is sold in every region, which means that I can only make basic descriptions of the product I want a reference price on. For example 3tum TD/QLX hammer and then the customer centre can choose a hammer that fits the description. This gives the possibility for the customer centres too choose products that fulfil the requirement, have an influencing on sales volume and also competitors prices. I decided to use this type of investigation because I wanted to make it easy and not time consuming for the customer centres. If they can choose the product themselves I can get active and important products for the region instead of asking about products that may not have been sold in years in the specific region. This way I get both more convenience for the customer centres and also get more accurate and useful information. Known drawbacks that were mentioned under the discussion over how to formulate this investigation were the possibility of uneven answers, both region wide and also how well different customer centres filled in the excel document.

5.4 DATA COLLECTION

The quantitative investigation that was sent out to 19 customers centres was first sent out on March 1 and the time limitation was one month. The collection of data was slow at first and there was a need of three reminders during the month of March to get customer centres to start filling in the excel document. In the beginning of April I could see seventeen out of nineteen investigations back and with almost a 90 percent answer rate. At that time I closed the time for the data collection. The data collection of investigations from the customer centres was done without any major problems and the majority of the contact with the customer centres where through e-mail or phone.
Overall there were very few concerns about how to fill in the excel document and the few questions that were asked were solved without any long discussions or explanations.

The interviews where held in several different locations but at all the times in some kind of meeting room. The reason for that was to lower the risk of getting any disturbance from co-workers, sound or other factors. Three of the interviews were conducted during a trip to Kiruna and Gällivare where I visited Aitik copper mine and the open pit mine in Svappavaara. Here I did get the opportunity to interview Clas Holm who is employed by Atlas Copco CMT Sweden and is stationed in Kiruna. I also got the opportunity to interview Lars-Göran Johansson chief over the operations in Svappavaara and Stig Fredriksson site manager for NCC at Aitik. Two of the interviews where held in Fagersta, one with Berit Strömberg who is logistics co-ordinator for DTH and the other one was with Karl Petersson working for Navetti. The last two interviews where held in Karlskoga and Stockholm, in Karlskoga the interview was held with Hans Larsson sales engineer employed by Atlas Copco and in Stockholm I did conduct an interview with Ander Hellgren sales manager for the Swedish customer centre. All these interviews were conducted during March and the beginning of April and went smooth without any large re-schedules or other problems occurring.

5.5 DATA ANALYSE

The interviews where themed into six main topics under the data analyse phase. These topics were discussed and analysed on their own to get a better and deeper understanding of the information achieved in the interviews. Under each theme the interview material has been thoroughly analysed to perceive an understanding of the answers achieved. Are the interviewed persons of the same perception or are they thinking completely differently about a factor or how something works within the theme? By dividing it over how people expressed their thoughts about a theme it was later easier to adapt a relevant theory that either supported or contradicted it.

The idea to theme the interview up and work through each theme alone was used because it would give a comprehensive and easy structure. It would allow the reader to divide the interview, understand each part for itself and through that easier follow through to the conclusion and suggested solution. When each part was worked through and connected to the relevant theory it was easier to bind everything together with the main conclusion within the themes. This gave a better understanding in the analyse about the important factors that were needed to be adapted in the solution and further discussed in the conclusion.

In the investigation were the mission was to find out competitors reference prices went good but created problems when it was time for analyses. The results became hard to measure and use in the context that it was intended to. The reason for the problems created were partly the research design and partly non-complete forms. The responsible person in the customer centre had in some cases forgotten to fill in the product number. Because the wide range of products and the lack of information it was not possible to know 100 percent which products they had a price on. The information for the customer centres was very clear and hard to misunderstand. An explanation can be there stresses of daily life caused them to rush through the investigation. To get around this problem a longer response time might be a possibility, which would implicate that the document should have been sent out earlier.
Another aspect that could be the reason behind the impossibility to use the result can be how the excel-document was constructed. In conversation with Leif Larsson the decision was made to have open product descriptions to make it easier for the people in the customer centres. Through this they could choose products that they had the highest sales on and therefore every document would be market based. The drawback with this strategy and that is what happened, was that the product range got too wide. Every product could only be seen in two or three countries out of 19 that made it very hard to compare and get a complete picture. In retrospect it would have been better if we had stated product numbers, asked them to fill in the products that they have sold under the last three years and increased the share of customer centres. Through that the belief is that it would have been possible to compare the price for a product over different regions even if not every country sold the specific product.

The belief is that these are the two key factors to the failure in using the quantitative research. It is in retrospect easier to see the faults with the investigation. Before the research was sent out there was a discussion held with both Leif Larsson and Karl Petersson to secure the quality of the research. In this case that was regrettably not enough, and I hope Secoroc can perform a better version in the future that will be able to analyse how to price the bundles.

5.6 VALIDITY AND RELIABILITY

These two measures are very important to acknowledge and understand to make the study trustworthy and minimize the risk of getting the answers wrong (Saunders et al., 2009, p.156). The measures of validity and reliability have for example been used in the selection of articles. It is important that they fulfil these measurements to provide a solid ground of the research and contribute to the work.

Reliability refers to how well the results are consistent for the study. Will the data collection techniques or the analysis procedure yields the same results on other occasions? Reliability outside a research aspect can be exemplified as the importance that medicine works more or less in the same way every time. That it cures the same sickness and yields the same results.

Another relevant question that can answer the reliability is how well other observers can reach similar results. Some threats to reliability can be that different moods on a participant can generate different answers. The participant’s answers can be bias or provide different answers depending on how the question is asked and/or the interviewer can interpret the answers in different ways. To put this to an earlier used example about medicine the impact and side effects can differ between people. It is important to understand why and how often a side effect occurs. The same applies to research by understanding how often something can go against the main research and why. (Saunders et al., 2009, p.156-157)

It is important to acknowledge when I talk reliability within this research that the study is only done with interview objects working in Sweden. The reliability within the boarders of Sweden is high and something that has been worked for under the entire research. Through interviewing people with different titles, hierarchy and work tasks the research has received a diversity of information. The reliability for the complete Secoroc work field is low and can be explained partly by time and resources but also the complexity to create research that would yield same result world wide every time.
I believe that the complete reliability can be achieved better through developing the research within different regions and change it depending on the circumstances that exist there. This would enhance the feeling of solid work and something that has been thought of in this research.

Validity refers to really measuring what you want to measure (Saunders et al., 2009, p.157). It can be divided in internal – and external validity. Internal validity measures to which degree the research design accurately identifies causal relationship. To continue with the example from the medicine industry an internal validity would be if it is the actual given medicine that cures the sickness or if there are other circumstances that affect it. Therefore may it be important to test the medicines on their own so the result is not affected by a combination. External validity is on the other hand to which degree this causal relationship is expected to be true for the target population. (Shiu et al., 2009, p.278-281) Here the situation will be how well a medicine can cure more than just the test persons. Patients with the same disease will react in the majority of the cases in the same way if the external validity is good. As in reliability there are several threats against the validity in the study. It can be history, has something drastically just happened that can affect the result? Other threats are that people drop out, other event happens under the observation time and/or a problem to distinguished what was the causal effect. (Saunders et al., 2009, p.157-158)

The validity suffers from the same impact as the reliability. The research is only done within the Swedish borders and it is therefore hard to say if the ambient regions would react or work in the same way. To secure that both the internal and external validity where as good as possible thorough work has been done with the interview template to secure that the questions measure what the research is about. To be able to secure that the solution of the research is able to incorporate areas present outside the Swedish boarder a discussion over the solution has been held with people from several different regions. Through that the validity can be increased, especially the external. The research has as the reliability low validity for the whole Atlas Copco work field because of the area where the research has been done.

On the other hand can it be stated that the reliability and the validity for the Swedish and to some extent the Nordic market is good and enough to be able to say that this research contributes.
6. RESULTS & ANALYSES

This chapter involves an introduction to the result found in the research. The result is going to be presented in a simple and structured way in each of the six subjects used under the interviews with a following discussion around the findings. There will also be a presentation and a discussion over the results found in the investigation made together with the customer centres.

6.1 INTERVIEW

In the study seven participants were interviewed, they where either customers or from different divisions within Atlas Copco. Six different topics that have been of interest for this research have been discussed. The choice of topics has been based on the research question to be answered. They have worked as tools for understanding factors that need to be taken advantage of. They have as well worked as help to answer the investigating questions regarding the main purpose. How can bundles facilitate for customers? How can customer value increase through bundles/communication and, choice of price? In this part of the research, the results achieved in the interviews are going to be presented by subject. This will enhance the understanding of agreements or disagreements between interviewed persons or theory. A discussion will later be held over the key findings, and a solution will be presented based on theory. This will create a simple structure that makes it easier to get maximum insight into the subject and follow the work from the beginning to the presented solution.

Presentation of the people interviewed:

Stig Fredriksson, Site Manager NCC, Aitik, Gällivare, Interviewed 13 March, 2012
Anders Hellgren, Sales Manager, Atlas Copco CMT, Stockholm, Interviewed, 17 April, 2012
Clas Holm, Technician RDT, Atlas Copco CMT, Kiruna, Interviewed, 14 March, 2012
Hans Larsson, Sales Engineer, Atlas Copco CMT, Karlskoga, Interviewed 29 March, 2012
Karl Petersson, Manager, Pricing Service, Navetti, Stockholm, Interviewed 2 April, 2012

6.1.1 CONTACT IN DIFFERENT CONSTELLATIONS & COMMUNICATION

This topic has focused on the interviewee's knowledge about the perceived contact from the person’s work place towards Customers, Customer centre and Production Company. The research looks into how the contact is constructed. Investigating the weak and the strong side and what the interviewed persons feel are areas that need to be improved.

Lack of visits and lack of resources were two repetitive subjects that arose during the interview.

C. Holm mentions that something that is needed in todays contact with the product company and customer centres are more visits to the mines in the northern parts of Sweden, especially from the product company in Fagersta. S. Fredriksson enhanced this impression by mentioning that the only main contact he has today with Atlas Copco is through the fax machine when the order goes in to the customer centre.
Another little less contact with Atlas Copco is through the service technician who visit them if a problem occurs or new things are going to be tested. More frequent visits from the responsible seller would be appreciated. He continues with mentioning that the visible interest from the product company in Fagersta is sporadically but he understands that lack of resources can be the problem today when the sales force has a complete brand portfolio to sell.

A. Hellgren who works as Sales Manager for the Swedish customer centre highlights the same problems;

“there is today a lack of resources to visit every customer on regular basis”
(A.Hellgren).

The Swedish market is complex because of the design of the country, southern areas means shorter trips and many customers and, northern areas instead mean long trips between important and big customers (A.Hellgren). The theory has shown that visits are important in the building of relationships and loyalty. Customers expect it and the sales person does not need errands to pay a visit; a friendly visit is at least as appreciated as a business visit.

“It is important to understand and use the information given by the customer but because of the lack of resources today the mission is impossible” (A.Hellgren).

The seller should visit customers four out of five days, the fifth day is disused so they can write travel claim and similar work tasks and this is a requirement from all sales managers because contact and relationships with customers is everything when it comes to sells (A.Hellgren). L-G. Johansson hold a different view that can occur as he puts it “because we are a relatively new customer”. The contact with Secoroc is good and in his opinion Secoroc shows a real interest in doing things better. Rauyruen & Miller (2007, p.22) points out that to create loyalty in a B2B setting there is more than just maintaining customers over time. You have to nurture the relationship to encourage future sales. In a B2B context the relationships elements are extra important in the creation and maintenance of loyalty. Gligor & Autry (2012, p.26-27) points out that earlier research has suggested that the interactions effect is more positive when there exists a combination of personal –and business relationship. It is a good way to build and enhance relationships and there is evidence that friends are more trustworthy, loyal and committed. Drawbacks exist and are important to acknowledge. It can be conflicts between individual and firm-level interests; it can also leave suppliers vulnerable. (Gligor & Autry, 2012, p.26-27) The theory above and the perceived feeling from the interview objects enhance and show the importance in building relationships. Customers often demand more than just a strict business relationship; they want to feel trust in their contact. This is something that in many places is not possible for Atlas Copco to do and something that needs to be looked into. How can Atlas Copco achieve this type of relationship?

It is important to acknowledge the drawbacks that can result from the combination of personal and business relationships. A.Hellgren mentioned that their service technicians already have good relationships with the people who drill and that this can create problems sometimes when it comes to telling the truth. As Gligor & Autry mentions it can become a conflict between different interests, the service technician may have to send a message that is best for the firm’s interest but harms the personal relationship. Situations such as these demand professional employees and, a possession of social skills.
It is important for companies to acknowledge that decisions that can harm a personal relationship increase the risk of hurting the loyalty and the overall communication. The decision made can cost more because of the damaged relationship. The sales person or other person in first hand contact with the customer will have to repair the damaged personal relationship.

The theoretical input gained in this subject is evidence for communication and relationship building as something that affects the loyalty. It enhances the positive feelings from the customer, increases the satisfaction and, make them feel as they are in focus. More visits will increase the communication and it will be easier to hear directly what the customer has to say. An enhanced system for dealing with information from the sales personal and service technician would become very beneficial. The person in first hand contact with the customer possesses the most information of the pros and cons the company delivers.

This sheds light on the thought that this is not just a problem in the northern parts of Sweden. The problem of time-consuming travels is current in several countries due to long distance, hard to reach places or other factors. Examples of regions are eastern parts of Russia or the western parts of China. To be a sales person in these regions is time-consuming and make you less flexible and the visits and communication with the customers has to suffer. It would be interesting to know if there is with today’s technology, any way to replace the customer visits with another means to be able to maintain the contact. It would be important that this way would have the same effect on the customer as though the sales person/technician were on site for the visit. It has to contribute in the same way as an onsite visit as far as communication and loyalty are concerned. Even if it is only slightly better than nothing, you cannot miss out on the chance to enhance the already incurred sunk costs.

6.1.2 THE ORDER

This topic has in the interviews mainly focused on how the order works today; depending on the circumstances they are working under. Questions has also been asked about how they perceive services that Atlas Copco provides them with that are connected with orders. An open question in the end about areas to improve to increase customer value has been asked

The orders can be done in several different ways depending on the relationship Secoroc and the customer have but also what they feel would be the most beneficial way. The responsible people from the customer centre are in charge of orders based on what the customers need. Another way is that the customers can by e-mail or fax send in a list of products they need to the customer centre or, send out a request of a special product to several brands so they get a chance to show what they have to offer. In the end everything works in the same way, A. Hellgren explains in short the order, everything starts with a sealed deal with the customer. The next step is to enter the order in a program called Bipex, in the system. The seller can see if there is a regular price or discounts. When the contract is done, the seller can put everything in the system and 90 percent of them should be there. The rest could be special products that were not thought of when constructing the contract. This system makes the orders as time effective and easy as possible.

You can always develop the factors to become better in offering superior customer value, but there are some that have been more frequently mentioned in the interviews than others. S. Fredriksson complained about the lack of call-backs when the delivery time turned out to be longer than expected.
“A longer delivery time than expected without getting the information can create tough situations and in a worst-case scenario leave us standing without any gear” (S. Fredriksson).

B. Strömberg mentions that this could be because of the non-working updates of E-Sales. The distribution centre will not be able to see if the product is in inventory or not if the product company does not regularly update E-Sales. She also mentions that you cannot even trust the date when a product out of storage should be back in inventory.

“It has to be the correct information directly, that would help in every instance to plan their work and facilitate the orders” (A. Hellgren).

Secoroc has today a system that visualizes if a product is a stock product or not. SAK 1 means that the product should be in the inventory while SAK 4 means non-inventory product. B. Strömberg mentions that some customer centres today do not know the difference between them or have a tendency to mix them up. Customers can then get irritated if the product is not on stock because of misinterpretation or lack of understanding from the customer centre when placing an order. Another complaint on the same topic comes from H.O. Larsson who mentions that SAK 1 and SAK 4 can sometimes contradict each other and has not been adequately evaluated. The feeling is that sometimes the product company is starring themselves blind on the sales volume instead of looking at products mostly sold together. There is a lack of harmony over placing the products.

“As a sales person it is sometimes hard to explain to the customer why one product is in stock and the other product is on order” (H.O. Larsson).

Gligor & Autry (2012, p.25) mention a concept called interorganizational communication, which is about sharing meaningful and timely information between interacting organizations. Morrow (1978, p.334) mentions that this could be used as an extra tool beside the individual communication that exists between the different involved organisations (Morrow, P.C, 1978, p.334). A development of interorganizational communication between different divisions in Atlas Copco would help to get a functioning E-sales, faster responses and more genuine communication. In building relationships, communication is extremely important, but it is also important to build both personal – and business relationships. To set up a system over interorganizational communication is hard and takes time but the benefits of it are huge. As Fredriksson says the callbacks and information back to customer today is non-existing. A situation such as this creates confusion for the customer. It is important for him to know that an order is delayed or why the product was damaged. Not informing a customer of an order delay could lead to stop in the production and the relationship can be extremely hard to repair. Hinterhuber (2008, p.48) emphasize that it is extremely important to educate the sales force so they always possess the latest and most relevant knowledge and information. They have to be good listeners and be comfortable no matter the circumstances of the sale situation. (Hinterhuber, A, 2008, p.48)

It is important that people from higher levels invite the sales force when discussing the strategy process. They are highly active in that decision and that would help in their understanding and education. This can be re-connected to the statement that the people working on the floor have the highest knowledge of the customer’s feelings. It is important to take advantage of that knowledge.
A.Hellgren emphasizes and thinks Atlas Copco is missing that today. It is difficult to decide who should be invited to these discussions and almost impossible to invite everybody and therefore a selection process is needed. Wrong selections resulting in hurt feelings of the employees working closest to the customer can create discord. It is important to have a strategy of who should be invited. Perhaps you should first have a department meeting and choose a representative to sit on the board. Are there other ways that are better, and how will they serve in a situation where communication is the most important factor?

6.1.3 PRODUCTS & BUNDLES

Investigation about the feeling for bundles and how they would like to have them put together have been up for discussion under this topic too. Also brought up during the discussion was if there are any bundles offered today and how they are perceived and constructed.

There was a lack of discussion around the product itself because mostly the interviewed persons were satisfied with it. Instead, the discussion did end up about factors around the product that made them not 100 percent satisfied. The discussion in this part will therefore focus on factors that dissatisfied the customer and the bundles instead of the product.

The usage and demand of bundles has shown to be attractive and something that can be a big income source if Secoroc can develop within the subject. C. Holm mentions that there is a big interest for bundles; customers start to see the whole picture with services, products, grinding drill bits and, break out bench.

“the grinding of drill bits and the usage of break out bench is really beneficial if we can offer that service on place instead of driving equipment several kilometres” (C.Holm)

H.O Larsson mentions that bundles products that are stored and utilized only when customers are using them are popular here in Sweden and works well because the customer need not worry about being without goods.

“bundles have been very well used the last year because of the possibility to always deliver which has been a problem over several years” (A.Hellgren).

A. Hellgren mentioned that it is important that the customer centres do not increase the administration costs because this gives an increase in bundles and if that is the case, they have to be ready for it as it takes time to work in that extra cost. As we can see the demand and usage of bundles in Secoroc is already high and through what is said about them we can see that it correlates with the theory.

The drawback with these offerings is that when smaller customers buy them you get, for example a good sales number in January, but the numbers in February and March can be catastrophically bad because of whom you sell too,. (H.O. Larsson)

B. Strömberg continues with drawbacks by mentioning that it can be a problem with offering a bundle with just one product number. There have been earlier trials with this and problems arise in the duty tax when shipping products out of Sweden. There is a need to be able to see the whole package by the product numbers, which is not possible at this time with just one number. To sell bundles but not combine product numbers would make it both easier in the distribution centre and with the duty taxes.
H.O. Larsson mentions that bundles could start a price war because Atlas Copco suffers from an internal competitor situation. There exist today three retailers of Atlas Copco products that buy their products from the customer centres. Too many price decreasing offers to the customers could create an unsustainable situation that could harm everybody involved.

Schoenherr & Mabert (2006, p.201) mention that bundling services and/or products together can affect the work; fewer contracts and purchase orders makes the work easier for both sides. Customers do not have to cherry-pick any more from a large product catalogue and the administrative workload will decrease. (Schoenherr & Mabert, 2006, p.201) The theory is consistent with comments from both C. Holm and H.O Larsson mentioning that it is easier if everything can be done on site instead of driving products unnecessary kilometres. L-G Johansson agrees by saying that it will be easier now when they have a contract for grinding the drill bits. The solution before they had a service technician on site was to drive the drill bits forward and back to Kiruna. The solution was a waste of resources and an unnecessary cost for the mine in Svapavaara. This example shows exactly what Schoenherr & Mabert mention in their theory; bundles can increase the efficiency and decrease the workload. It can make it easier for customers and the company itself.

Today Secoroc is offering bundles at several different occasions and one of them is at fairs where they put packages together with a discount of an average of 10-15 percent. The discount Secoroc puts on their fair offers are fairly the same as Heeler et al (2007, p.494-496) and Schoenherr & Mabert (2006, p.190) found in their research. The customers are expecting approximately a 10-15 percent decrease in the price when items are put together in a bundle. According to the theory described by Shanker et al (2009, p.96) is Secoroc today using a type of Flexible Bundle. A good example is the drill meter contract where tailor-made the products and services specific to the situation, which is consistent with the description of flexible bundles. Flexible bundles are created in complex situations and addressed to tricky customer problems, a common scene in the drilling industry is different circumstances to drill in. Shanker et al (2009, p.96) also describes that the products and services used in these bundles are highly independent but also highly complementary which explains the Secoroc product range very well.

These factors are important to acknowledge in the development of the solution and in the understanding over how the different factors involved will work. The people that have been interviewed possess the best information and are in daily contact with customers. Therefore it is important to develop this information further and let everybody understand where the problems can arise. Shanker et al (2009, p.96) description of flexible bundles is of high importance and changes the view of bundles in this certain case. Because of the complexity within Atlas Copco Secorocs product assortment, it can be hard to create bundles that all look the same. They may have to be developed order by order, or put together for a certain customer, or a maximum of a couple of customers with similar circumstances. This drawback created with flexible bundles could result in a missing decrease of administrative costs.

On the other hand, it is positive that they use flexible bundles, make them on orders and try to solve their customer’s problems, no matter how hard they are. Later in this chapter more on the discount offered for bundles will be discussed.
A problem that has occurred when it comes to how to create bundles is that there may be an impossibility to bundle everything together under one product number. As earlier mentioned from Strömberg, customs are demanding that they from the product numbers can see what is in the package. This is impossible with just one number and therefore the bundles can be hard to sell outside the Swedish market. It is important to look deeper into the possibility of sending shipments with just one product number. Is there a system for customs to send the bundle with just one product number? If this is not a possibility Secoroc has to look into how to achieve good, package deals without packaging them together and instead use separate product numbers. This will in some cases increase the administrative cost and not decrease it as suggested in the literature. If this solution is the best possible there has to be a calculation of how to achieve this. As A.Hellgren mentioned, if the administrative costs has to increase, there has to be a strategy of how to get this money back.

6.1.4 COMMUNICATION & LOYALTY

Under this topic questions were asked about how Atlas Copco and the customer show loyalty towards each other? Is there some special behaviour and what can be done to increase the loyalty in both ways? There were also discussions about how they perceive the communication, what is important in it? What can be done better to in the end increase the customer value? A description is also made about the Relationship Quality Model to get the interviewed peoples opinion about it and what they feel are important factors.

C. Holm starts with mentioning that it is hard today in the northern parts of Sweden to have any real relationships with the customers. Their work task today is more about maintaining what they have and hunt equipment. He continues with mentioning that as long as he keeps the ship floating he gets loyalty back from the customer. L-G Johansson on other hand who also works in the northern parts of Sweden believe they have good cooperation and show loyalty towards Secoroc through just talking to them and not to any competitors. Johansson says that as long as they maintain the good conversation level they have today, they have no interest in looking towards price, instead quality is the important part. S. Fredriksson who also works in the northern parts thinks that the communication with Secoroc today is very straightforward and good. He believes that they are showing loyalty towards the company by just using their drill strings. They only buy from competitors when there are emergencies and that is because they have a beneficial deal with Secoroc where the service part is included. The only bad thing Fredriksson has to say is that it takes a long time before you find out if the product broke down because of the usage or if there was something wrong in the production. It would mean a lot for us to get a faster feedback on that so we know if we are doing something wrong with the products.

“Atlas Copco customers are very loyal in the majority of the cases, no matter how big the problems Atlas Copco may create through non-possibility of delivery, almost every customer returns for the next order” (B.Strömberg).  

The assurance to the customer to get the delivery on time is something Atlas Copco needs to continue to work on and this could affect the loyalty in an even more positive way (B.Strömberg).

“There exists a lot of loyalty from customers towards the company. It is only a few customers that change suppliers all the time, but at the same time is it important to nurture the relationship to keep it alive” (H.O. Larsson).
H.O. Larsson says that their way to show loyalty back is to produce quality products and it is important that if something is wrong with the product that Atlas Copco and especially the product company (Secoroc) in Fagersta are honest, direct and clear in the communication over what went wrong. A simple thing as this can increase the loyalty and was mentioned by S. Fredriksson.

“It is important that the sells persons are honest towards the customer and through that the customers will show loyalty by not changing suppliers” (A. Hellgren).

Almost everybody interviewed believed that the communication is very open and direct and works in many cases but there are still some factors/situations that need more than others to be improved. B. Strömberg complains that the distribution centre is very isolated and very little information reaches them. This makes it harder for them when customers complain about delayed orders or that it goes too slowly and not knowing the reason for it. She also complains about customers and customer’s centres when it comes to understanding lead times and that they can differ between different products.

“Better information and knowledge over how that work would simplify a lot of the communication and make it easier both for the customer and the distribution centre” (B. Strömberg).

H.O. Larsson mentions that it is important to be better and faster in the service and to handle reclamations. The customer pays for the service and therefore expects the service technician to arrive instantaneously. A. Hellgren continues on the same subject and points out the importance to take care of the idea that comes up, from customers, customer centres and Product Company.

“It is important to become faster in response time now when Secoroc finally can deliver on order instead of chasing products for orders” (A. Hellgren).

C. Holm is on the same track when he mentions that a product defect is not the problem for a customer, the problem is how fast Secoroc can solve the problem created. A final thing that is needed to improve the communication and through that increase the loyalty is mentioned both from H.O. Larsson and from A. Hellgren; there is today no good functioning CRM system that can help the sales people. The system they have today is way to ungraceful and is not working properly at all. That is something Secoroc needs to invest in to create a better situation for the sales people.

C. Holm mentions that all factors in the Relationship Quality Model contribute to each other and A. Hellgren fills in that price influences the quality and vice-versa. So with regard to all factors in this model; S. Fredriksson continues with saying that the wholeness is what attracts customer and loyalty. The functionality of the contract is therefore important. B. Strömberg and H.O. Larsson points out trust as something important and that it is impossible to create loyalty without it. At the same time both are very clear about pointing out that trust is created through the other factors and the same the other way around.

An understanding of the importance in creating a high sunk cost effect, through nurturing the relationship, can keep the link between cost and benefits tight (Soman & Gourville, 2001, p.31-33).
The better Secoroc can create this sunk cost the less they have to worry about the negative mental account that customers create when the investment does not meet their expectations. It is important for companies to deliver so the mental account is closed as fast as possible and through that minimize the negative memory. The sunk cost is important in the building of loyalty because that is what customers are going to remember from their mental account when visiting the same store or company again. It is important to minimize the risk of negative mental accounts that are closed. Therefore, it is important to have working follow up of sales contact and to have deep and understanding communication with the customer. If something negative occurs, you have the possibility to solve it as fast as possible and through that create a positive sunk cost and memory account.

Tellefsen (2002, p.650) emphasize that it is important to both satisfy organizational and personal needs. Rauyruen & Miller (2007, p.21) mentions that it is important for sellers to develop individual relationships with the buyers. This kind of relationship can help to secure loyalty and by that increase the profitability. (Rauyruen & Miller, 2007, p.21) This shows the importance for Secoroc to respond to the loyalty shown by customers. This takes us back to a subject talked through in every interview, the lack of resources making itself visible and as something that needs to be reconsidered. It is hard to develop, maintain and create new relationships with every customer and still have time for other work tasks. This also connects back to an earlier discussion about personal – and business relationships. There are both positive and negative sides about developing these types of relationships but they are important if you want to build loyalty through relationships and communication. For Atlas Copco the question of resources, is something that must be addressed thoroughly. Today it is impossible to create new, maintain and repair relationships as the lack of time creates problem.

Bassett (1974, p.26-29) points out that you can never take for granted that the receiver understood the message as you wanted it to be perceived. It is also important to admit when you are confused or do not understand the message. A satisfying communication leads to sharing/cross-verifying and/or filling out experiences. Agnihotri et al (2009, p.482) points out the importance of training programs for the sales force so they learn how to communicate and give the information in best way to the customers (Agnihotri et al., 2009, p.482). Atlas Copco needs to have a clear function for how the feedback should work, something that seems to be missing now. It is important to understand the harm communication that don’t work can have on loyalty and relationships and how deeply the harm can be when the communication does not work for both parties. Even if the communication sometimes can feel excessive, it is extremely important that everybody understand each other. The situation today contains inadequate communication and, leaves upset non-understanding customers.

Rauyruen & Miller (2007, p.24) points out the same statement as Strömberg and Larsson in the interviews. Trust works as a central object when developing relationships in a B2B market where the mission is to create loyalty. It is important to acknowledge the importance of communication in the building of trust. Morgan & Hunt (1994, p.25) and Doney et al (2007, p.1099-1102) both point out that communication is a cornerstone in the creation of trust. It is important to have contact through both business – and social purposes.
It is hard to put forward a factor in the relationship quality model that is more important than the other in the creation of relational quality. As it seems both in theory and in the answers from the interview objects they are all effecting each other and they do not want to take away any of them. Some factors can be more important in certain occasions but in an overall relationship building stage they are all important in creating attitudinal loyalty and purchase intention. If you want to develop the relationship quality, it is hard to focus on four different factors and still make a genuinely work. Therefore, no matter the situation or company it is the suggestion to make a deep and understanding analyse of the factors and see which of them that has the largest affect. It is hard to differentiate in Secoroc’s case but with regard to the interviews, the research has pointed out the two factors that should have more focus when striving toward better service quality.

Quality is something Secoroc is known for and it is therefore important to maintain that position. With quality comes the price and it is therefore not of the same importance, it follows as the quality evolves. The danger is if a competitor comes with better quality. They need to have a hard focus on the development of quality and always push for it, through that they can keep their premium pricing and promote their products as the best on the market. The other factor to increase service quality is trust. Secoroc lack focus on the trust and need to develop this factor. This goes back to a discussion held earlier about how communication and relationships can develop or create loyalty. This factor is extra important because it involves the factors that are loyalty creating and will facilitate the bundles sale. Trust is hard to build and therefore it comes back to the resource question, the need for more investments in service technicians that can build trust. The importance when hiring the new people is to look at their social skills, without it you are taking a risk that can harm the trust and create an opposite effect, a wasted investment.

Today there is lack of research that treats subjects and combinations of factors that the interviewed persons mention. Deeper understanding over how communication together with bundles can build loyalty is important. Another factor is the relationship quality model that and it’s connection to communication and how this model can be used to enhance the perception about bundles. Almost all interviewed agreed with these combinations and mentioned that nothing can affect loyalty on its own; they all affect each other. Most research done today in this subject addresses the factors separately Very few have looked over how they can be combined and affect each other, both positive and negative. The hope is that this research can awaken thoughts about how important it is to look into communication and personal relationships when talking about effective bundle creation and loyalty building.

6.1.5 PRICE STRATEGIES

The questions discussed under this topic have been about what customers think about the price and perceived pricing strategy. There has also been a discussion together with Navetti about different price strategies and the dangers with them.

The opinion about which price strategy Secoroc is using today differs greatly. C. Holm, L-G. Johansson and, A. Hellgren believe that Secoroc apply to a customer value-based price strategy. S. Fredriksson and, H.O. Larsson on other hand feel that Secoroc are on the road toward a cost-based pricing strategy. They believe that the strategy is a customer value-based price strategy but sometimes, strive after profit is little too big and the price is in maximum upper edge, which can be dangerous.
“The price is of little significance for most customers because Secoroc can offer a service that few competitors can match and thereby get a better complete product” (C.Holm).

C. Holm mentions that he has the right to affect the prices in special cases, but when we talk bigger for example on drill meter contracts the CEO is even involved in the price negotiation.

“As long as Secoroc can explain and show us why their price is higher than competitors, we are ready to pay for it” (L-G. Johansson).

H.O. Larsson points out that customers can complain about the price in the beginning but as soon as we can prove the quality of the product and/or service the negative words are gone, which shows that customers demand quality. A. Hellgren talks about how much influence the sales people have on the price with customers and mentions that the directives are very simple. For DTH equipment the max decreases in the price is around 20-25 percent. If the sales person goes over a 10 percent price decrease he should have a discussion with the sales manager. This system gives them freedom but we are not leaving them completely alone in the decision over different prices to different customers.

“It is important to have an understanding for the existing pitfalls when making the price strategy choice” (K.Petersson).

It can be very harmful to change the structure of discounts, if you do not have a working plan. The risk is that you do more harm than good. Special attention is required here as Atlas Copco is very strictly about discounts and that is something to be avoided at every cost. If you open that box it can be hard to close again. You can put yourselves in an untenable situation. Heeler et al (2007, p. 493-494) emphasize this by saying that customers expect a price discount when it comes to bundles. They affects by the way the majority of the bundles are formed and they expect that a bundle offer should lead to a price discount. Hinterhuber (2008, p. 41) also points out that it is important to understand that the choice of strategy and how customers react are dependent on several factors such as industry, country, and of course the customer itself. It is therefore important to avoid global strategies and instead adapt it from the environment and thus maximize profits.

“In the development of price strategies for bundles you have to decide if you should bundle the bill together or not” (K.Petersson).

Good purchasers can see through your bill, they can easily detect that the bundled bill is more expensive than all the items by their list price. This can be the case if you try to bundle in some expenses for an extra service that Atlas Copco provides. On the other hand Johnson et al (1999, p. 130-132) are emphasizing that the purchase intention increases and the price perception lowers when the price information in a bundle was partitioned. Explanation for this stands to find in the heuristic processing that customers tend to use when prices are partitioned. Either two explanations of why the purchase intention gets higher and the price perception lower are that they only focus on the price and adjust their perceptions or that they just ignore the whole surcharge that occurs for the bundle. (Johnson, M.D, et al., 1999, p. 130-132) This is something that needs acknowledgment when discussing how the solution to the research problem should be priced. It is important to understand that a partitioned bill when it comes to bundles has its advantages, but also disadvantages. For smaller customers, where do you put in the extra cost for example of a service technician?
On the other hand, there are several dangers with having a non-partitioned bill. First you go against what theory has found to be the best way and secondly as mentioned by Peterssson the risk is high that the purchaser can see through your bill if you try to take an extra charge for a service. Hinterhuber (2008, p.42) can explain a reason why the opinion over perceived price strategy differs. The complexity of the customer value-based price strategy makes it hard to understand it completely. An example of a question that needs to be asked for implementation is: Does the price cut for the bundles stand for the value perceived by the end user? (Hinterhuber, A, 2008, p.42) “Perceived” is an interesting word to understand when we talk about price and it is important to understand. Hinterhuber (2003, p.772) mentions that perceived fairness is an important factor in the customer decision process. The perceived fairness compared to the internal reference price of the customer are compared according to how well they match with each other. When there is a discussion about price is it important to understand the word “perceived” and that it change between customers. This means that the perception of the perceived fairness can vary a lot between customers and is dependent on the purchase situation. Adapting different price strategies depending on region and perception is important and something that will be possible if you develop tighter and stronger contacts with the customer. You will through that, understand the customer better, have a better feeling over his perceptions and through that be able to give him a price that the buyer perceives as fair. Even if the sales person in question cannot give the price the customer perceive as fair, the knowledge about the customer will facilitate how to talk to the customer. The sales person will understand how to convince the customer that by buying Secoroc’s products for a little bit more than competitors, he will save money through quality and service.

Brennan et al (2007, p.207-208) points out in their research that even if price has a huge impact on the profitability it is a neglected tool that few companies systematically look over. Even if the customers are not price sensitive as C. Holm and L-G. Johansson mention, it is still important to look over the price strategies and not neglect it as a powerful tool. Even if customers are not price sensitive, a demand to become successful is always follow up on price strategies and look them over. Slight changes can mean a lot for the profitability and customer reactions. Managers should not feel fear about a change in the price strategies. If you can differentiate yourselves from the mainstream and competitors can you gain customers just through that.

On the other hand, if the price strategies are working, do not make changes just because you feel that you have to. It is important to understand when the price strategy is working as well as it can for the moment; the price strategy is not always the fault. The lesson from this research is that companies have to start work with this issues if the wish to work with continuous improvement.

The feeling that every customer is not price sensitive is reinforced by Hinterhubers (2003, p.765) research which shows that customers are often unaware of the price paid and that it is one of the least important criteria in a purchase situation (Hinterhuber, A, 2003, p.765). This may not be the case when the prices are increasing but it is important to understand that this can be an underlying factor that affects the customer when they go from price sensitive over to quality carrying. On the other hand, this can be a routinized behaviour that occurs when commoditized customers exist. Bertini & Wathieu (2010, p.86) mentions that the constant price decrease often costs the company gains, damages the brand equity and lowers the profit margin. The focus today from customers is on price and not on the marketing communication.
This can create routinized behaviour where the customer cannot differentiate products and not be able to understand which product would work best for him (Bertini & Wathieu, 2010, p.86). There is today no feeling that the DTH market is commoditized but competitor’s start to hunt Secoroc in quality. It is therefore important to understand that this is a situation that can occur in the future. Secoroc has to draw up a structure and a plan over how to handle situations in which it can be hard to explain why they are taking out their premium. It relates back to an earlier discussion on the fact that quality is extremely important for a company like Secoroc and they need to be in the forefront of new thinking and development. Commoditized customers are a real danger for the company and something that has to be taken seriously before it is too late.

Yadav & Monroe (1993, p.355) mention something in their theory that is interesting to take into consideration referring to the opinion about Secoroc’s price strategy. Buyers are most likely to perceive savings first on the items and then on the additional saving. The bundle transaction value seems to have great influence on the additional savings and this is something that has to be discussed when you determine price strategy for bundles. Another thing they came up with in their research of importance to acknowledge is that patterns that suggest that buyers first notice the savings offered directly on the bundle and later on each product. (Yadav, M.S. & Monroe, K.B, 1993, p. 355) The findings suggest several things of interest related to the answers achieved in the interviews. Is the demand after drill meter contracts and service contracts high because customers see a little cost at the beginning and may not see that they mainly pay the same? This is connected to what H.O. Larsson says about complaints on the price until they see the quality, which awakens ideas about additional savings. In a situation like this, the additional savings may not be in straight money; instead, the perceived additional savings may be in quality. They realize that paying a little more for the product will save more in the future. The answers achieved in the interviews through all topics suggest that this additional saving can be obtainable through communication, trust and loyalty as extra factors besides quality. The research around additional savings lacks investigations about how to obtain achievement besides savings in the future. It would be interesting to look deeper into additional savings and see if customers state it in the same way as researchers states it. Perhaps you should phrase this type of perceived saving as something else. Is it a new factor not yet investigated?

Hinterhuber (2003, p.776) mentions that the sales force is extremely important and has the potential to strengthen or destroy the used price strategy. Hinterhuber (2008, p.48) points out that it is important to state how restricted the authority is for the customer centres and sales personal. It is important to take advantage of sales forces increased knowledge of the market or exceptional negotiation skills. Brennan et al (2007, p.221) continues with mentioning that research has suggested that when the sales are fairly easy or hard the sales force should have high price authority. On the other hand, when the grade to make the sale is intermediate the authority of over price should be restricted.
This chapter presents the final conclusions and provide an answer to the research questions and the helping investigation questions. Important factors to acknowledge and issues in need of more thoroughly investigation will be highlighted. It will also be a walkthrough of the new theory topic and future research that may be of value within the subject.

7.1 KEY FINDINGS

The mission of the research has been to improve the understanding of the important factors involved in the creation of bundles. It is important to be able to take advantage of these factors and have them acknowledged and discussed and through that improve the customer value. In this part of the research a presentation of the most common and important factors to take in consideration will be done. By doing this, it is hoped that it will be easier for Secoroc to understand them and, through the knowledge increase the ability to work with them. No matter which factor was up for discussion it always came back to one word, communication. Communication builds and develops relationships and through that loyalty. It did not matter if the person interviewed was a customer; a service technician, or a sales manager, communication was the word. Therefore, communication is the most important factor that a company can take advantage of when it comes to bundles creation and increasing the customer value. No other factor was spoken about in the same amount as the importance that the communication worked well between product company and customer, product company and customer centre and, customer centre and customer. The underlying factors behind a successful communication is discussed below as a way of getting a better understanding of the importance of a factor, as for example communication.

Phrased in the interviews were the lack of visits and interest from Secoroc, both from customer centre and from the product company. This involves the factor “taking care of the customer”. The reason for failing to take advantage of these two factors is due to lack of resources. This is a wasted opportunity; these two factors affect more than just visits and take care of information. It involves communication, building relationships, and increased loyalty and are important for customer value. To take advantage of these factors would help a lot, increase the simplicity in bundles sales, and create a higher customer value. To build both personal and business relationships is highly focused when you want to create working interorganizational communication. In other words, the interorganizational communications are helping the building of relationships, both internal and external.

The research found a developing area if the companies are interested in becoming better in responding to customers. Today’s information about longer than expected lead-time, or why a product broke down can often disappear. When information does not get back to the customer, they will start to question the service as well as themselves, wondering if they have done something wrong. Better interorganizational communication would lead to knowledge development for both the customer and the sales force. The response time will become faster and a straight communication will make it easier to deliver on time.

The interviews showed that the demand of savings, when it comes to bundles, were not as high as earlier research suggested. The belief is that this occurs because Secoroc works in a very special market, where priorities lie in quality and secure delivery.
One example of that is the popularity of on-site storages in Sweden, as earlier explained Secoroc owns the products in storage until they are used. On other hand, this is something Secoroc wants to get rid of because it is a waste of profit.

To sum up the key findings communication and building relationships are the most important. No matter, which factor that gets treated in the end all is up to the effects it has on the communication and relationships building. The findings in the relationship quality model where that they all affect each other and all four factors that created relationship quality are important. Quality and trust were a little bit more critical but quality goes hand in hand in most cases with price and trust affected by satisfaction and commitment. The missing CRM-System is another general problem not discussed that occur no matter if bundles get adapted or not. To have a working CRM-System is of extreme importance to facilitate the work for the sales force. It helps them to maintain better communication and relations with the customer. The perceived feeling is that the system used today is hard to work with and much hope stands to a new system under construction. It is important to get this into work equation as soon as possible because it enhances the possibility to improve the work.

The final findings were under the topic of price strategy and the importance in understanding the word “perceived”. The different perceptions about price strategy used by Secoroc shows the power in this word. The strategy may not be clear enough, or perhaps the customers are too different in their perceptions. Theory pointed out forcefully that the sales force should be able to affect the price and other factors to become successful. This was something that found within Secoroc; they had clear rules over when to decide by themselves and when to be discussed at a meeting. Surprisingly, good strategy over how to manage the sales force is something to continue developing for Secoroc. Finally this research highlights that additional savings is about much more than just saving money. It can be everything from quality of the product to trusting the company or having a functioning communication.

7.2 KNOWLEDGE CONTRIBUTION

This research has been conducted from a yet unexplored area of bundles as a loyalty-building tool through communication and relationships. This study is somewhat unique when it comes to research within the bundles theory. As far as the researcher knowledge and insight in the field through this study stretches, there are no earlier research that has taken a sellers perspective. This study has through it’s implementation and with a companies’ /sellers perspective contributed with a new way to look at bundles in a B2B context. It’s has also contributed to increased understanding of which factors that is of high importance from a sellers ‘perspective. No earlier research in bundles theory in the B2B context have had a company as a background and looked at bundles both through a company perspective and customer perspective in order to help the seller recognize important factors to improve their own B2B context. Through the interview gained in this research a good connection between bundles, loyalty, communication and successful relationships have proven to be of importance in the context of bundles. Earlier studies have not looked at this type of connections and their integration in the context of bundles from a seller’s perspective. The focus has instead been separately on each area. This research has filled a research gap identified by showing that it is of importance to investigate more factors in B2B context, such as communication, loyalty and relationships. This study shows that this no longer can be overlooked if you want to understand and further explore the B2B context from a seller’s perspective.
The bundle theory is neglected in a B2B section and especially from a seller’s perspective. The lack of earlier research in the B2B context from a sellers perspective have led to a focus in this research to see if the bundles theory for daily trade purchase can be adaptable in a B2B context and if changes are needed in the initial theory. As far as the researcher know this has not been conducted in earlier research in the bundle theory. The research has shown that parts of the existing bundles theory is applicable to other context while other parts need to be reworked and further developed and this research have trough this findings created a better understanding over how an enhanced theory should be formulated. As earlier mentioned, in the authors knowledge there is no pure research towards the B2B context within the bundles theory. This study differs from previous ones because it is a start of a new field and can function as a cornerstone that can serve as a ground to step on for further research in the field of B2B from a seller’s perspective. This study has addressed the problem how the seller (Atlas Copco) should act and what they need to have in mind. Most research today, both in the B2B and B2C context has a focus towards the buyer and how they perceive situations and what they demand from a bundle. The research has also contributed with insight from the sellers perspective, insight that not have been found in the literature research.

The connection between bundles and communication is also a neglected area in earlier research and this study differs from earlier conducted by its focus on how communication and bundles can affect each other. This study has shown that communication if of big importance and something that can help companies in there strive to sell bundles. This research differs from others conducted in the areas of this research field in that it builds a first cornerstone when it comes to how sellers can use communication in the offering of bundles. The research conducted in this study has gained much help in providing for a beginning to reduce the research gap earlier identified as it has been a lot of opportunities to test and verify the found key findings within a B2B context where both company and clients been equivalent parts.

By using the previous theoretical knowledge in the daily trade purchase together with bundles, communication and loyalty, and combine these with Atlas Copco Secoroc and their clients wishes and thoughts the study have yielded a more integrated picture of how bundles theory looks like in a B2B context from a seller’s perspective and this differs from earlier studies. It has also given an opportunity to see what’s still to explore. This study differs form already conducted because it has increased the knowledge about bundles within a former largely unexplored area, B2B from a sellers perspective and have contributed with information previously not known because of the limited areas of study conducted from a sellers perspective in a B2B context.
In this final chapter, the suggested solution is going to be presented, the ideas of how to become better in offering bundles and how Secoroc can take advantage of the important factors. There will be a discussion regarding the earlier presented theory in order to see what is supported and what is contradicting.

8.1 PRESENTATION OF SOLUTION

The purpose of this research is to acknowledge the factors that are important to take advantage of when it comes to create and offering bundles. This solution is a further development on how Secoroc is working today. Through this they will have the chance to take advantage of the most important factors acknowledge in the research. The main topic through this paper has been how communication and bundles can create loyalty. Therefore, the solution is created to enhance the possibility to create good communication and build relationship. The solution has a lot of focus on the active sales force that is closest to the customer and how work can be facilitated. Through that comes the belief that Secoroc can create more loyalty by offering bundles and developing communication.

The solution starts with the question around resources. The lack of resources to maintain and develop customer visits and customer relationships were mentioned frequently in the interviews. By hiring a service technician to every sales person with a large customer base or great distances of travel between the customers the workload will decrease. The service technician’s job is to unload the workload of off the salesperson and help with daily customer contact. He will as the service person travel 4 out of 5 working days to meet customers, do test drilling with new products and, evaluate existing equipment. Through that every customer can get a tailor made package that works for them in the circumstances they are drilling in. To facilitate the customer the service technician and sales person will now be responsible to always fill the stocks for the customer and do the orders. By applying this solution, the customer can focus on drilling knowing that Secoroc takes over the boring and time-consuming administrative work.

To phrase this as a bundle may be wrong but together the customer is getting products, a service technician and all the help they need for a bundled price. With help from this system every customer little or large can feel appreciated from Secoroc’s side and have weekly direct contact with someone responsible for the products and services they are offering. This will provide better communication between Secoroc and the customer, while facilitating the staff higher up in the Atlas Copco to take an active role in what customers are saying about products and services. Close contact, relationships will be created, and with help of the service technician both personal -and business relationships will be achieved. The person who is in contact with the customer will have a better understanding about products and through that be able to create bundles with both drill rigs and drill strings. This gives a possibility to have Secoroc pipes, hammers and bits on a majority of the rigs and have continuing follow up contact after the initial sales. The solution can also improve internal recruitment. After the service technicians have the experience necessary he/she can move forward and become sellers, and sellers, in turn, can climb higher up the hierarchy.
The newly promoted sales technician will bring several benefits as he already has a good relationship with a majority of their customers and can provide experienced drillers who want to become a service technician. The solution will be a way of ensuring quality in there own leads.

When it comes to how to price this new solution I can find two approaches that are suitable. The first approach is about standardising what you want to sell, when you are putting it together you are getting an individual product. You determine rules for the pricing of the products, depending on how the bits, hammers or pipes are combined. The more products that are combined, the lower the expected price will be for the customer. The second approach does not have any standardisations. Instead every product is categorized into different groups, and every group has their own rules of how the price is determined. It is important to have rules that work against too big amount of discounts. They can create more harm than utility. Another thing that can happen is that when you are putting products together they create a new value, a value achieved by itself. It is important to take charge of this extra value created. As earlier discussed in theory a bill can be bundled or unbundled and both strategies have their pros and cons. A challenge that Karl Petersson mentions is that if you bundle everything together smaller customers can buy each product on it’s own if they realize that it is cheaper. (Karl Petersson, personal communication, 2 April, 2012)

8.2 SOLUTION DISCUSSION

In the solution, shaping earlier research has been taken into account. The earlier research and the interview have together achieved a better in depth knowledge. This in depth knowledge leads to better understanding and therefore creates a better solution.

Schoenherr & Mabert (2006, p.201) mentions in their theory that companies that sell bundle often get a higher labour-insensitivity and more challenging activities. Nevertheless, even if the workload is increasing the extra work is worth it in the end. In the majority of the cases the value received by customers is higher than when the items where sold individually. (Schoenherr & Mabert, 2006, p.201) This highlights the fact that Secoroc should not fear what may be more complicated for them, or the extra cost that may be incurred for the service technician. A bundle is contributing such a great added value that it is worth all the extra effort and investment in the end.

Lin & Huang (2011, p.114, 117) mentions a danger with bundles that this presented solution goes around. In regulatory focus theory the buyers can perceive a loss when they only need one or a few of the products offered in a bundle. The price can therefore evoke the feeling of a perceived loss. Estelami (1999, p.108) points out that too many items can create a situation where the customer does not value all items and therefore the bundle will not increase the customer value (Estelami, H, 1999. p.108). Through letting the person in contact with the customer develop his own type of “bundles” Secoroc can minimize the risk of getting in a situation as explained above. By always being in discussions with the customer, he will only get what he wants or needs in the bundles therefore always feel that he needs all the items in a bundle.

Several theories and much research talks about the importance of an effective sales force. In this case, it would be the extra service technician together with the sales person responsible for the region.
Rauyruen & Miller (2007, p.21) says that in several B2B settings the customers are in need of customization when it comes to service, products and price structure. Agnihotri et al (2009, p.474-475) continues with saying that customers are looking toward their sales contacts as a business partner, an expert that gives them advice. (Agnihotri et al., 2009, p.474-475) The presented solution is fulfilling this need founded in research. Through the extra service technician, Secoroc will have more time for each customer, to investigate his or her situation better and through that maximize the offer. The constant contact and displayed interest will build relationships, in which the customer will trust the sales person, more. He will listen to his advices and feel that he gets more than just regular service. Hinterhuber (2003, p.777) mentions that the sales personnel should be rewarded for their efforts, rewards based on the profitability and not the sales volume. He also points out that if you want to keep a value-based price strategy it is important that you maintain the target price. (Hinterhuber, A, 2003, p.777) Here I can see the importance in creating changes when adapting the new solution. Today’s system tries to avoid discounts and is shifting away from the framed price but not on regular basis. The reward system today is not completely about profitability and should therefore be changed. A better reward system would help to motivate the sales personnel to sell products from different product companies and the eagerness to sell both drill, rigs and drill strings.

The solution creates attitudinal loyalty. Attitudinal loyalty is stated by Fitzgibbon & White (2004, p.218) as “the customer’s predisposition towards a brand as a function of psychological processes”. Park et al (2010, p.1-3) talks about brand attachment, the force that connects the brand with itself. The research shows that emotional attachment and attitude valence have a beneficial effect on brand loyalty and the willingness from customers to pay a premium price. (Park C.W, et al., 2010, p.1-3) There is high importance in creating both attitudinal loyalty and brand attachment to increase the sunk cost and draw the customer closer to the company. The solution presented works toward creating these attachments between company and customer. Through communication, relationship building and becoming a company to trust, they will achieve the trust and loyalty needed. If Secoroc can obtain these emotional states toward the company they are gaining a lot for free. It gives them word of mouth, advertising, people who defend the brand, recommends it to friends and feels good about the brand. Gil-Saura et al (2009, p.596) says that commitments are about making sacrifices in short-term and strive after maintaining a stable relationship. In the interviews conducted, the feeling is that this is something a large part of Atlas Copco’s customers wants today and therefore it’s important to take advantage of it.

Heeler et al (2007, p.492-493) mentions that a key conclusion for customers when it comes to bundles is to be offered a discount in the transaction cost. They are mentioning a type of bundle that in most cases does not involve savings, complementary bundles. The goal for a complementary bundle is to fulfil the needs the customer has and take away the work they have to tailor the solution on their own. These types of bundles creates the possibility for the seller to take a premium on the bundle because of the added value for the customer. Estelami (1999, p.108-112) supports this with saying that buyers might be ready to pay extra because they rely on the judgment of the seller (Estelami, H, 1999, p.108-112) What Estelami points out shows extra importance in building relationships with the customer, more trust means that they will rely more on Atlas Copco’s judgment.
The description over complementary bundles is on point with the suggested solution and shows that Secoroc does not have to add the discounts just because they offer bundles. In the solution, the service technician or the sales people are the ones who tailor the solution for the customer and and may charge an additional fee for this. This theory helps to ensure the feeling that it is proper for Secoroc to charge a gee for the extra services they offer through this type of bundles.

On other hand Yan & Bandyopadhyay (2011, p.355, 359) points out that when there is high complementary character between the products in the bundle the savings should be higher. Complementary bundling can minimize the cost up to 57 percent and therefore offering discounts to the customers is beneficial. Several authors such as Bertini & Wathieu (2010), Heeler et al (2007) and, Schoenherr & Mabert (2006) points out the price sensitive customers and the important in taking care of them. In the case of Secoroc it’s important to look over the price sensitivity in different regions. The perceived feeling is that the Swedish and Nordic market are more for quality than price. Other markets, such as the Arabic one are more for price and do not care so much about the quality. This shows that even if this research presents a solution the need of adaption for each specific market is of importance and that includes how things get priced. Hinterhuber (2003, p.768) mentions that few companies today are adapting one price strategy for their completely working field. It is important to adapt it based on the circumstances that exist in the current market.

The solution can also be a kind of peace-of-mind bundle. Shanker et al (2009, p.96) describes this as when customers are looking for a best possible solution to their problems. Products are of low complementary but together in a strong mix they are leveraging a strong differentiating power from the competitors. In this case, the service is what differentiates Secoroc from their main competitors.

Yadav & Monroe (1993, p.351-352) points out that the perception of savings can be formed as a comparison between the costs to buy all items separately vs. in a bundle (Yadav & Monroe, 1993, p.351-352). If Secoroc’s customers are valuing, the savings through these principals there is a possibility to take out an extra cost for the service technician. It is not possible to buy his service alone, which means that if you want this expert help you are forced to buy the bundle. The belief is that through offering it this way there will be more customers that feel that it’s worth the extra money to purchase the bundles. It is on other hand important to acknowledge what Agarwal & Chatterjee (2003, p.360-361) points out. When the number of services included in a bundle increases, it can get too complicated for a customer to compare bundles and this will lead to a lost sale.

Hinterhuber (2003, p.766-777) states that the assumption that high price and high market share does not go hand in hand is a myth. It is common today in small and niche markets that companies are taking out a premium for their products. K. Petersson emphasizes the importance to include all factors that helps to enhance the customer value because of the combination of products and/or services. In discussion with K. Petersson the choice was narrowed down to two ways to charge for this extra service technician. One way is by selling the products for a little less than the target price, then adds the cost for the service technician and price it a little above the cost of just buying the products. Here it’s important to explain to the customer what they are paying for so they do not feel tricked. That could harm the relationship and destroy the loyalty. The belief is that smaller customers will feel more appreciated if they get the same treatment as larger customers.
The other way is to charge for the products and the service technician at the target prices and explain to the customer why. Many customers would understand the extra cost if Secoroc can explain how much extra they gain from this service technician and if the explanation is good enough the customer will be ready to pay. Through that Secoroc will get the investment back in a shorter time as opposed to suggestion number one.

Finally, the problems surrounding the invoice and reward system will be taken into account. This is something that requires a solution before a completely adaption of the solution can be made. When selling bundles with both drill rigs and drill strings it is of high importance that the profit goes to the right product company and therefore the split invoice. Today this is not a possibility and in the majority of the cases, Secoroc in Fagersta just gets internal profit for the sales to the customer centre and not for the sale to the customer. There are also problems with the reward system because of where the profit ends and that is something that has to have an solution so the sales person, no matter which division he works in, feels motivated to create bundles combining products from several product companies. The best possible solution would be if three-product companies combines into one bundle that sells drill rigs, drill strings and compressors, which are the main parts a driller needs.

8.3 LIMITATIONS

The main limitation of importance to acknowledge is that the solution presented only is based on the conditions inside the Swedish boarders. The shorter conversations and presentations with people working outside Sweden is not a guaranty that the findings will be the same all over the world. In order to adapt the research outside the Nordic countries more research must be done. The belief is that every region in the world needs their own research because of the big differences that occur.

The power communication and bundles have on loyalty may not look the same in different cultures. The impact of communication can differ depending on how the culture uses the language or the silent body language. These differences are highly prioritised when working in diverse work fields as Atlas Copco does and therefore it is important to acknowledge that when adapting solutions.

The numbers of interviewed people is a minimum number and just make it possible to apply in Sweden. A broader and more divers sample would increase the reliability and validity. If there was a wider spectra of people interviewed, different work tasks, different instances and different countries it would be easier to compare. This would give the possibility to see differences and similarities between regions. The solution of a problem in one region could then be adapted in another similar region. Thereby findings of already existing solutions within the company’s walls extend.
8.4 FURTHER RESEARCH

If I reconnect to the discussion and analyse I can see several areas that need further research to get an even better understanding of the factors that are meaningful. It could be of importance to further investigate if it is possible to replace customer visits and communication.

The technology the world possesses today, must give possibilities to find a way to replace face to face contact but still have the same positive affect for relationships and loyalty. A deeper understanding within this topic and experiments would help the situation in countries where the customers are far from each other or require time-consuming travels to reach them. Further on there is a complete gap in the bundles theory over how communication and bundles separately and together can build loyalty. This is a combination that has had a focus in this research and the interviews have shown that there exists a correlated relationship between these three factors. To be able to develop the main factors and the solution there is a need for more research spread over more regions.

An earlier discussed subject around what additional savings are and if they can go outside money savings needs more research. Is it possible to attain additional savings through quality, communication, trust or loyalty? If it is possible, is it just in certain cases or is this something that could develop the bundle theory? Regarding the answers achieved in the interviews many new questions around additional savings awoke and are in need of further investigation. The belief is that there is much to gain through a better and complete understanding of how you as a company can use the additional savings. Another area that needs more investigation is a topic that has not been discussed in the research but found when discussing the solution. Is it possible to create a split invoice in order to divide the profit between different product companies? If it is possible to split the invoice, how share reward based on sales? This topic has to have a solution in order to be able to adapt the bundles solution within a company structured as Atlas Copco.

A final topic that needs more research is how to get sellers to participate in strategic meetings to get them more involved, and how to select the participants. It is almost impossible to involve everyone and how to choose is completely overlooked in the literature. It requires more research, although there are probably several answers on this in human resource literature.
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INTERNET


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Appendix 1 – Interview Guide, Customer

Tack på förhand!

Fråga 1 – BakgrundsInformation
- Namn, ålder, tid i företaget
- Vad innebär han/hons tjänst
- Tidigare erfarenhet av DTH-utrustning

Fråga 2 – Företagets kontakt med Atlas Copco
- Hur skulle du definiera er relation till Atlas Copco?
- Hur tycker du kontakten sköts mellan er och Atlas Copco, finns det bestämda uppföljningar?
- Vad tycker du (om du tycker något) saknas i dagens relation med Atlas Copco?
- Vad kan förbättras för att höja erat kundvärde från Atlas Copcos sida?

Fråga 3 – Order
- Hur köper ni in Atlas Copco produkter idag? Hur går ordnarna till?
- Vad anser ni om den distribution/lagerhållning/andra faktorer som Atlas Copco står för fungerar?
- Hur mycket anser ni att säljbolagen hjälper er vid beställning av ordnarna? Vad kan de (om det finns något) förbättra?
- Hur skulle ni vilja att ordnarna gick till? Vad skulle underlätta för er?

Fråga 4 – Produkter och Bundles

A bundle can be defined as any combination of products and/or services and can be ranged from just a few items up to 20 or 30, a company have even been able to combine 600 office product items to a single bundle. The bundles can contain products such as raw materials, product components or services such as transportation, repair or a combination. Bundling can occur for three different reasons, (1) one-time purchase, for example, production machinery, (2) regularly purchased items such as raw material and (3) for both short- and long-term contracts.

- Hur ser ni i dagsläget på Atlas Copcos produkter? Använder ni borrstål från något annat företag?
- Vad anser ni om att bli erbjudna produktarna i bundles istället? Är det något som skulle hjälpa/vara uppskattat från er sida?
- Vad anser ni borde vara med i dessa bundles? Hur skulle ni vilja få dem utformade?
- Känner ni idag att ni får erbjudanden om bundles? Eller är det enbart ni själva som sätter ihop ordnarna?

Fråga 5 – Kommunikation och lojalitet

*In this study am I going to identify customer loyalty as the “degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises”*

- Vad är viktigt för er i kommunikationen med Atlas Copco?
- Hur tycker ni om kommunikationen sköts med Atlas Copco/Säljbolagen?
- Hur skulle ni som kund definiera lojalitet, och hur ser ni på det gentemot Atlas Copco?
- Vad skulle för er kunna öka lojaliteten? Kvalité, Pris, Service, Logistik eller annat alternativ?
- Enligt “relationship quality model” så anses det att lojalitet och köpkräfta bestäms av fyra faktorer, hur känner ni som kund för dessa faktorer; Service Kvalité, Förbindelse (Commitment), Förtröende samt Tillfredsställelse.

Fråga 6 – Prissättning

1. *Cost-based pricing (“derives from data from cost accounting”)*
2. *Competition-based pricing (“uses anticipated or observed price levels of competitors as primary source for setting prices”)*
3. *Customer value-based pricing (“uses the value that a product or service delivers to a segment of customers as the main factor for setting prices”)*

- Vad anser ni om Atlas Copcos priser idag? Jämför gärna mot det kundvärde ni anser er få ut av produkterna?
- Hur priskänsliga är ni som kund? År kvalitet eller priset det viktigaste?
- Om ni blev erbjudna paketerbjudanden, vad är ni beredda att betala?
- Hur anser ni att ni blir prissatta? Genom Cost-Based Pricing, Competitor Based Pricing eller Customer Based Pricing?

Fråga 7 – Bolla mina idéer

- Alt 1 - Att bli erbjudna maximerat paket varje 6/12/18 eller 24 månader? Starta med grundpaket för den typ av berg och varför ni borrar för att sen tillsammans med tekniker och utbildad personal få fram den bästa möjliga ur en produktionssyns paket?
- Alt 2 - Rullgardinsmenyer som sorterar bort det som inte går att kombinera. Ni börjar välja från hammare osv. Tills ni fått ihop ett helt borr kit, efter det mot ert godkännande får ni en utveckla till bästa möjliga kit som levereras på Alt 1 sätt.
Alt 3 – Egna förslag på vad som skulle kunna göras bättre, då menar vi främst i leverans av paketerbjudanden. Är det något som intresserar och skulle underlätta för er? Har ni några förslag på hur ni skulle vilja få det levererat till er?

Appendix 2 – Interview Guide, Customer Centres


Tack på förhand!

Fråga 1 – Bakgrundsinformation
- Namn, ålder, tid i företaget
- Vad innebär han/hons tjänst
- Tidigare erfarenhet av DTH-utrustning

Fråga 2 – Företagets kontakt med Atlas Copco
- Hur skulle du definiera er relation till kunderna samt Atlas Copco Produktions enhet?
- Hur tycker du kontakt/kommunikation sköts mellan er och kunderna samt Atlas Copco produktions enhet?

Vad tycker du (om du tycker något) saknas i dagens relation med kunderna samt Atlas Copco produktions enhet? Vad kan förbättras i båda leden för att som du ser det öka kundvärdet för Atlas Copcos kunder?

Fråga 3 – Order
- Hur säljer ni Atlas Copco produkter idag? Hur går ordnarna till?
- Hur anser ni att distribution, lagerhållning samt andra tjänster Atlas Copco står för idag fungerar?
- Finns det något i dagens lägen som skulle underlätta ordnarna för er som säljbolag? Målet är ökat kundvärde för slutkund.

Fråga 4 – Produkter och Paketerbjudande

A bundle can be defined as any combination of products and/or services and can be ranged from just a few items up to 20 or 30, a company have even ben able to combine 600 office product items to a single bundle. The bundles can contain products such as raw materials, product components or services such as transportation, repair or a combination. Bundling can occur for three different reasons, (1) one-time purchase, for example, production machinery, (2) regularly purchased items such as raw material and (3) for both short- and long-term contracts.

- Hur uppfattar ni att kunderna ser på Atlas Copcos produkter? Använder de, eller hotar med att byta borrståll när Atlas inte kan leverera som vanligt?
- Vad anser ni om paketerbjudanden? Skulle det hjälpa om Altas istället erbjöd produkter som paketerbjudanden?
- Vad anser ni borde vara med i dessa paketerbjudanden? Hur tror ni kunder skulle vilja få dessa utformade?
- Erbjuder ni idag paketerbjudanden till kunderna? I så fall hur brukar de se ut samt vad får ni för respons från kunderna på dem?

Fråga 5 – Kommunikation och lojalitet

In this study am I going to identify customer loyalty as the “degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises”

- Vad är viktigt för er i kommunikationen med Kunderna samt Atlas Copcos produktions enhet?
- Hur tycker ni att kommunikationen sköts med Kunderna/Atlas Copcos produktions enhet?
- Hur skulle ni som säljbolag/anställd definiera lojalitet? Anser ni att det är något Atlas Copco har idag hos majoriteten av dess kunder?
- Vad tror ni skulle kunna öka lojaliteten mot Atlas Copco? Kvalité, Pris, Service, Logistik eller annat alternativ?
- Enligt ”relationship quality model” så anses det att lojalitet och köpkraft bestäms av fyra faktorer, Hur anser ni att Atlas Copco kan leverera det till kund och vad får ni för bemötande på dessa fyra faktorer? Service Kvalité, Förbindelse (Commitment), Förtroende samt Tillfredsställelse.

Fråga 6 – Prissättning

1. Cost-based pricing (“derives from data from cost accounting”)
2. Competition-based pricing (“uses anticipated or observed price levels of competitors as primary source for setting prices”)
3. Customer value-based pricing (“uses the value that a product or service delivers to a segment of customers as the main factor for setting prices”)

- Vad anser ni om det pris Atlas Copco tar ut för sina produkter i dagsläget? Anser ni att det motsvarar det kundvärde som levereras?
- Hur är er uppfattning kring priskänsligheten hos kunder? Är kvalitet eller priset det viktigaste?
- Om ni erbjuder paketerbjudanden till kunder, vad tror ni de är beredda att betala?
- Hur anser ni att Atlas Copcos produkter blir prissatta? Genom Cost-Based Pricing, Competitor Based Pricing eller Customer Based Pricing?
- Hur mycket behörighet har ni på säljbolag att ändra pris beroende på kund? Känner ni att det fungerar som det är i dagsläget eller är det något ni skulle vilja ändra på kring er behörighet att ändra priset?

Fråga 7 – Bolla mina idéer

- Alt 1 - Att bli erbjudna maximerat paket varje 6/12/18 eller 24 månader?
Starta med grundpaket för den typ av berg och varför ni borrar för att sen tillsammans med tekniker och utbildad personal få fram den bästa möjliga ur en produktionssyns paket?

- Alt 2 - Rullgardinsmenyer som sorterar bort det som inte går att kombinera. Ni börjar välja från hammare osv. Tills ni fått ihop ett helt borr kit, efter det mot ert godkännande får ni en utveckla till bästa möjliga kit som levereras på Alt 1 sätt.

- Alt 3 – Egna förslag på vad som skulle kunna göras bättre, då menar vi främst i leverans av paketerbjudanden. Är det något som intresserar och skulle underlätta för er? Har ni några förslag på hur ni skulle vilja få det levererat till er?
Appendix 3 – Interview Guide, Distribution Centre

Tack på förhand!

Fråga 1 – Bakgrundsinformation
- Namn, ålder, tid i företaget
- Vad innebär han/hons tjänst
- Tidigare erfarenhet av DTH-utrustning

Fråga 2 – Företagets kontakt med Atlas Copco/Kunder
- Hur skulle du definiera er relation till kunderna samt Atlas Copco Produktions enhet?
- Hur tycker du kontakt/kommunikation sköts mellan er och kunderna samt Atlas Copco produktions enhet?
- Vad tycker du (om du tycker något) saknas i dagens relation med kunderna samt Atlas Copco produktions enhet? Vad kan förbättras i båda leden för att som du ser det öka kundvärden för Atlas COPcos kunder?

Fråga 3 – Order
- Hur ser era arbetsuppgifter ut i dagsläget? Hur mycket av ordern är ni inblandade i?
- Hur anser ni att distribution, lagerhållning samt andra tjänster Atlas Copco står för idag fungerar gentemot kunderna?
- Finns det något i dagsläget som skulle kunna underlätta för er som DC? I och med det generera en bättre kundvärde för slutkund.

Fråga 4 – Produkter och Paketerbjudanden

A bundle can be defined as any combination of products and/or services and can be ranged from just a few items up to 20 or 30, a company have even ben able to combine 600 office product items to a single bundle. The bundles can contain products such as raw materials, product components or services such as transportation, repair or a combination. Bundling can occur for three different reasons, (1) one-time purchase, for example, production
machinery, (2) regularly purchased items such as raw material and (3) for both short- and long-term contracts.

- Hur uppfattar ni att kunderna ser på Atlas Copcos produkter?
- Vad anser ni om paketerbjudanden? Skulle det hjälpa om Atlas istället erbjuder produkter som paketerbjudanden?
- Vad anser ni om att ni borde vara med i dessa paketerbjudanden? Hur tror ni kunder skulle vilja få dessa utformade?
- Skulle paketerbjudanden vara möjligt rent logistiskt, vilka för- och nackdelar finns det ur DCs vy?
- Hur skulle detta kunna genomföras, skulle det gå att ha ett produktnummer för paketet och då i och med det numret få reda på vad som ska plockas ihop? Eller bör det fortfarande vara listat var för sig?

Fråga 5 – Kommunikation och lojalitet

In this study am I going to identify customer loyalty as the “degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises”

- Vad är viktigt för er i kommunikationen med Kunderna samt Atlas Copcos produktions enhet?
- Hur skulle ni som DC definiera lojalitet? Anser ni att det är något Atlas Copco har idag hos majoriteten av dess kunder? (Tänker direkt kontakt med kunder, när ni inte kan leverera pga olika skäl, hot om att byta?)
- Vad tror ni skulle kunna öka lojaliteten mot Atlas Copco? Kvalité, Pris, Service, Logistik eller annat alternativ?
- Enligt ”relationship quality model” så anses det att lojalitet och köpkraft bestäms av fyra faktorer, Hur anser ni att Atlas Copco kan leverera det till kund och vad får ni för bemötande på dessa fyra faktorer? Service Kvalité, Förbindelse (Commitment), Förtroende samt Tillfredsställelse.

Fråga 6 – Prissättning

1. Cost-based pricing (“derives from data from cost accounting”)
2. Competition-based pricing (“uses anticipated or observed price levels of competitors as primary source for setting prices”)
3. Customer value-based pricing (“uses the value that a product or service delivers to a segment of customers as the main factor for setting prices”)

- Vad anser ni om det pris Atlas Copco tar ut för sina produkter i dagsläget? Anser ni att det motsvarar det kundvärde som levereras?
- Hur är er uppfattning kring priskänsligheten hos kunder? Är kvalitet eller priset det viktigaste?
- Om ni erbjuder paketerbjudanden till kunder, vad tror ni de är beredda att betala?
- Hur anser ni att Atlas Copcos produkter blir prissatta? Genom Cost-Based Pricing, Competitor Based Pricing eller Customer Based Pricing?
- Hur mycket rättighet har ni att påverka pris? Tänker då för exempel som kompensation för förseningar eller liknande som kan förekomma.

Fråga 7 – Bolla mina idéer

- Alt 1 - Att bli erbjudna maximerat paket varje 6/12/18 eller 24 månader?
  Starta med grundpaket för den typ av berg och varför ni borrar för att sen tillsammans med tekniker och utbildad personal få fram den bästa möjliga ur en produktionssyns paket?

- Alt 2 - Rullgardinsmenyer som sorterar bort det som inte går att kombinera. Ni börjar välja från hammare osv. Tills ni fått ihop ett helt borr kit, efter det mot ert godkännande får ni en utveckla till bästa möjliga kit som levereras på Alt 1 sätt.

- Alt 3 – Egna förslag på vad som skulle kunna göras bättre, då menar vi främst i leverans av paketerbjudanden. Är det något som intresserar och skulle underlätta för er? Har ni några förslag på hur ni skulle vilja få det levererat till er?
Appendix 4 - Interview Guide, Navetti

När du som jobbar på Navetti besvarar dessa frågor utgå då gärna inte från vad ni tror jag eller de på huvudkontoret vill höra. Utgå då helst ifrån den ide ni har vid startandet av prisprojekt och hur ni upplever att det går till i verkligheten. Det är viktigt att få inte så konkreta och raka svar som möjligt för att kunna med bra möjlighet kunna analysera resultaten.
Tack på förhand!

Fråga 1 – Bakgrundsinformation
- Berätta om:
- Namn, ålder, tid i företaget
- Vad innebär han/hons tjänst
- Tidigare erfarenhet av DTH-utrustning

Fråga 2 – Företagets kontakt med Atlas Copco/Kunder
- Hur tycker ni kommunikationen prismässigt bör skötas mot kunder, vilka olika angreppssätt finns det? (Tänker då hur ni anser man kommunicerar det premium till exempel atlas har på sina produkter)

Fråga 3 – Produkter och paketerbjudanden

A bundle can be defined as any combination of products and/or services and can be ranged from just a few items up to 20 or 30, a company have even ben able to combine 600 office product items to a single bundle. The bundles can contain products such as raw materials, product components or services such as transportation, repair or a combination. Bundling can occur for three different reasons, (1) one-time purchase, for example, production machinery, (2) regularly purchased items such as raw material and (3) for both short- and long-term contracts.

- Vilka angreppssätt finns det till att prissätta paketerbjudanden?
- Vad är viktigt att tänka på vid sammansättning och prissättning av paketerbjudanden?
- Vilka farozoner finns det vid prissättning av paketerbjudanden?

Fråga 4 – Prissättning
1. **Cost-based pricing** (“derives from data from cost accounting”)
2. **Competition-based pricing** (“uses anticipated or observed price levels of competitors as primary source for setting prices”)
3. **Customer value-based pricing** (“uses the value that a product or service delivers to a segment of customers as the main factor for setting prices”)

- Vad anser ni om det pris Atlas Copco tar ut för sina produkter i dagsläget? Anser ni att det motsvarar det kundvärde som levereras?
- Hur är er uppfattning kring prisämnighet hos kunder? Är kvalitet eller priset det viktigaste?
- Hur anser ni att Atlas Copcos produkter blir prissatta? Genom Cost-Based Pricing, Competitor Based Pricing eller Customer Based Pricing?
- Övrig info som är viktig att veta kring prissättning och då speciellt när det kommer till paketerbjudanden.

Fråga 5 – Bolla mina idéer

- **Alt 1** - Att bli erbjudna maximerat paket varje 6/12/18 eller 24 månader?
  Starta med grundpaket för den typ av berg och varför ni borrar för att sen tillsammans med tekniker och utbildad personal få fram den bästa möjliga ur en produktionssyns paket?

- **Alt 2** - Rullgardinsmenyer som sorterar bort det som inte går att kombinera. Ni börjar välja från hammare osv. Tills ni fått ihop ett helt borrar kit, efter det mot ert godkännande får ni en utveckla till bästa möjliga kit som levereras på Alt 1 sätt.

- **Alt 3** – Egna förslag på vad som skulle kunna göras bättre, då menar vi främst i leverans av paketerbjudanden. År det något som intresserar och skulle underlätta för er? Har ni några förslag på hur ni skulle vilja få det levererat till er?
Appendix 5 – Competitor Price Investigation

Instructions
1. Find the products listed in the sheet "Competitor Price Collection"
2. For as many of them as possible, fill in competitive prices and/or brand comparison prices
3. Write only one price per cell
4. If needed feel free to add other item numbers as well

Fill in only relevant data, that means actual prices on products that you have active sales on today, if sales are missing on the product, leave the box empty and go to the next product type. Important that you fill in the product number for the item you choose that fulfills the requirements listed in the Competitor Price Collection tab in this excel-file.

If you are uncertain over how to fill in the file or have any other questions that is not answered in the help section don’t hesitate to contact me either on e-mail or by phone.

Description of the different price types to collect

- Pirate Product
  - Refers to the cases when a pirate is offering Atlas Copco designed products
  - Pirates often arrive when products are picking up sales, making it lucrative to copy

- Brand Comparison
  - To collect the prices of comparable competitor prices
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<th>Item Number</th>
<th>Description</th>
<th>Type</th>
<th>Low Price Competitor</th>
<th>Brand Comparison Price</th>
<th>Price Currency</th>
<th>Competitor Name</th>
<th>Competitor Product Description</th>
<th>Price Type2</th>
<th>Price Currency2</th>
<th>Competitor Name2</th>
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**Object**

- **Low Price Competitor**: A company offering similar products with a lower performance to a cheap price.
- **Brand Comparison**: The price of similar product from a competitor. E.g. A comparable hammer from Sandvik, Boart, Robit.
- **Pirate Price**: Price from pirate alternative.
- **Brand Comparison Price**: Price of similar product from another brand.
- **Price Type**: What type of price is collected? (Local List Price, Customer Net Price, Dealer Net Price)
- **Price Currency**: Currency of the price collected.
- **Competitor Name**: Name of the competitor.
- **Competitor Product Description**: Describe the product you choose.
- **Retail Price excl. VAT**: The retail price payed by the end consumer.
- **Dealer Net excl. VAT**: The dealer price, meaning the price the dealer pay when sourcing the item from alternative supplier.

**Questions**

- **Can I have more than one price in one cell?**
  - **Answers**: No. For us to be able to handle the data, please add another row instead if needed.
- **Do I need to fill in all rows?**
  - **Answers**: No, but the more rows that are completed, the better prices can be created.
- **Do I need to find the two price types (pirate and brand comparison) for a row?**
  - **Answers**: No, sometimes it is not even feasible.
- **What if I would like to add another item?**
  - **Answers**: Please do so. Add it in the bottom of the list.
- **What if I have more than one pirate price available for a item?**
  - **Answers**: Please add another row, using the same item no. Never include several prices in one cell.