Title: Entering a new regional market within the technical consultant business

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15 credits

Thesis

Study programme in
Master of Business Administration in
Marketing Management
ABSTRACT

Title: Entering a new regional market within the technical consultant business

Level: Final Thesis for Master of Business Administration in Marketing Management

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Date: 2010-05

Aim: The aim of this study is to describe and analyse the factors that are important when entering a regional market, with a new brand name, within the technical consultant business in Sweden.

Method: A qualitative research method has been applied to this study. Two interviews with key members of the chosen organisation have been performed. This is to bring a deeper understanding and together with my own experiences will be used as a base for the analysis of the present subject.

Result & Conclusions:
This study shows that the foundation of success when entering a new market with a new brand name is to focus on the long term building of relationships and personal networks. This has also shown to be a good strategy during an economical recession that recently has been over the last two years.

To gain a competitive advantage in a market one has to be present and interact with the market. When competition increases with market threats from countries far away one has to stand out, be different, from your competitors. Relationship marketing and networking could for this reason be a good strategy because being local and visible makes the entry barriers higher for new entrants that are geographically located somewhere else in the world.
The downside of relationship marketing is that it’s hard to use conventional advertisement because building a network of new relations with customers etcetera will take long time because a relation is build with personal interaction between two parties. One can say that when entering a market with a new brand the person that acts in a brand name is more important than the brand name itself because you have a relationship with persons not with brand names.

**Suggestions for future research:**
As years go by everything changes. Therefore the development of relationship marketing in the future could be an interesting case to study. When the economical situation now changes from recession to a positive trend this could be such a change to analyse in a study.

Another interesting research might be to evaluate the situation in other countries. Is relationship marketing equally important as it is in Sweden today or does its’ importance change in accordance to what country you analyze?

At last, one can analyze if it is a different situation when entering a new market with a new brand if you work with traditionally employed personnel than it is when working with self-employed organizations. If one is to enter a market with traditionally employees are there other strategies that are successful or is relationship marketing important as well?

**Contribution of the thesis:**
This study could be useful for entrepreneurs that seek new ways of gaining success in a market. It has pointed out the advantages of relationship marketing and networking and has shown it could be really successful in practice. I strongly believe on the importance of building relationships within all business areas. Being part of a world that more and more goes toward virtual interaction and increased competition within all areas, both local and worldwide, relationships could be a key to success.

**Key words:** Relationship marketing, networking, technical consultants, competitive advantage, mutual trust.
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1 Introduction
This chapter presents the purpose, research questions, problems, aim, limitations and finally the disposition of this study,

1.1 The technical consultancy market
The technical consultancy market in Sweden has during the past decades increased, employing more and more engineers. This has meant that the role of the consultants has changed. From the beginning the consultant role was to give the customer an enhanced and vital boost of experience and knowledge. At that time the consultant was regarded as an expert in his/her field. In recent years this situation has changed, making the consultancy market to a mass industry where the head counts are more important than the skill of the consultant, because consultants are today primarily used for extending or replacing the number of project members within a company. This is further enhanced by looking at the development of the number of employees in two of the largest staffing companies in Sweden, which is Manpower and Academic work. Manpower’s business idea is to hire employees as temporary replacements to the end customer. Academic Work’s business model is to only hire students and newly graduated students and offer these as a cheap inexperienced alternative. Manpower has increased their number of employees from 7592 in 2005 to 10794 in 2008 (AllaBolag, 2010). Academic work has increased their number of employees from 1107 in 2006 to 2115 in 2008 (AllaBolag, 2010).

According to Andersson (2009) at The Swedish Central Bureau of Statistics (SCB), entrepreneurs/self employed stood for 55 per cent of the total increase of employed personnel in Sweden during 2008.

The diagram below shows the percental change between the number of employees to the number of self employed (which includes self employed and stock owners in closely held companies). As Andersson (2009) writes that taking into consideration that ordinary employees composes almost 90 per cent of the total of working personnel in Sweden during 2008, makes the relative big increase of self employed interesting.
Figure 1 - Percental change of self employed (red line) and traditionally employed (blue line) 2004-2008.


With this in mind I believe the amount of self-employed network-based organizations will increase in the future. Hence, it’s interesting to analyze this subject deeper with my recent experiences.

1.2 Relationship marketing

One of the most powerful marketing tools used today is relationship marketing. In our information society where more and more data comes to us via computers and other visual Medias, the need for the personal meeting has grown stronger. Hence, it is vital to endorse the use of relationships when it comes to making business. In the end the whole society consist of a vast number of networks that are built on social interactions, more than characters on a computer screen. Grönroos (2004, p.99) means that a key goal of marketing is to develop deep, enduring relationships with all people or organizations that could directly or indirectly affect the success of the firm’s marketing activities. He further explains that relationship marketing has the aim of building mutually satisfying long-term relationships with key parties.
1.3 Why I chose to write about this subject
I’ve chosen to apply this study on the company that I work for. This company is named Berotec and is a network of self-employed consultants primarily within the field of product development. My role in this network has been to start up a new unit in the Gothenburg area i.e. the west part of Sweden. This means that I’m responsible for developing all parts applicable to this role i.e. marketing strategies, recruitment of new self-employed consultants and the selling of the consultants to the end customer.

For me right now being in a situation of recently entered a new regional market within the technical consultant business, I feel it’s of vital importance to take two steps back and analyse what I’ve done. Doing this could act as a base of knowledge when comparing the theory to practice. When finishing this study, it was about two and a half years ago when I started this mission. My intention with this study is to be as open-minded as possible and critically analyse the different try-outs that I’ve done during this time.

- Is there a generic key to reaching success?
- Could relationship marketing be used as a competitive advantage when entering this industry?
- What kind of barriers do companies face when entering this market?

1.4 Aim and limitations of the study
The aim of this study is to analyze the possibilities and pitfalls when entering a regional market with a new brand name, within the technical consultant business.

- Is there a generic key to reaching success?
- Could relationship marketing be used as a competitive advantage when entering this industry?
- What kind of barriers do companies face when entering this market?

One of the problems writing a study like this, where I myself have a part of influence, is to be objective. There is always a risk being too much involved in the description of my own experiences that I lose the ability to step back and objectively analyze the situation as a third person.
To avoid writing a whole novel I’ve made limitations regarding the scope of this study. First I’ve chosen only to analyze the regional consultant market within the Gothenburg area, even though I’ve made comparisons to other regions in Sweden. This means that this study only handles the technical consultant business within Sweden and primarily the technical consultant business within one specific regional area, which is Gothenburg. Secondly I’ve chosen to analyze the consultant market within product development, which is mechanical design, electronic design, software design and project management within those fields. Further on there will automatically only be focus on the technical fields where Berotec are active today i.e. telecommunication, space, aerospace, medical technology and marine technology.

1.5 Disposition

The layout of this study is as follows:

1. The Introduction chapter gives the reader a brief explanation why this study is done and what limitations and problems that are taken into consideration.
2. The Theoretical discussion chapter explains the theoretical models that are applied for this study.
3. The Data Collection chapter describes the methods for the collection of data i.e. interviews etc.
4. The Empirical Study chapter presents the interviews and how the respondents have answered.
5. The Analysis/Discussion chapter goes deeper into the answers and results of the Empirical Study chapter.
6. The Comments/Conclusions chapter presents the final conclusions and further discusses the results of this study.
2 Theoretical discussion

Here theories and terms are presented that will be discussed in the following chapters. The information in this study is mostly from different course literature within the field of marketing, journal articles and the Internet.

2.1 Holistic marketing

According to Kotler and Keller (2006, p.18) holistic marketing recognizes that everything matters with marketing – and that a broad, integrated perspective is often necessary. They acknowledge four components of holistic marketing, as shown in figure 2:

- Internal marketing
- Integrated marketing
- Social responsible marketing
- Relationship marketing

Figure 2 - Holistic Marketing Dimensions

Internal marketing
The goal of the internal marketing according to Kotler and Keller (2006, p.20) is ensuring that everyone in the organisation embraces appropriate marketing principles, especially senior management. Without internal education i.e. how to act towards customers, no excellent service can be offered to the end customer.

Integrated marketing
Kotler and Keller (2006, p.20) mean that the design and implementation of any one marketing activity is done with all other activities in mind. Integrated channel strategy involves insuring that direct (e.g. online sales) and indirect channels (e.g. retail sales) work together to maximize sales and brand equity.

Social responsible marketing
According to Kotler and Keller (2006, p.20) it’s about understanding broader concerns and the ethical, environmental, legal, and social context of marketing activities and programs. They (Kotler & Keller, 2006, p.20-21) also mean that the cause and effects of marketing clearly extend beyond the company and the consumer to society as a whole.

Relationship Marketing
Relationship Marketing, one of the four Holistic Marketing Dimensions, is one of the most “popular” marketing tools used today. Even though the interaction over the Internet has increased there is still a need of the personal meeting between individuals when doing business.

Kotler and Keller (2006, p. 17) describe the meaning of relationship marketing when they argue that increasingly, a key goal of marketing is to develop deep, enduring relationships with all people or organizations that could directly or indirectly affect the success of the firm’s marketing activities. Kotler and Keller (2006, p. 17-18) further mean that relationship marketing has the aim of building mutually satisfying long-term relationships with key parties—customers, suppliers, distributors, and other marketing partners—in order to earn and retain their business. So the result is that relationship marketing builds strong economic, technical, and social ties among the parties (Kotler and Keller, 2006, p. 18).

One of the effects using relationship marketing is to gain a competitive advantage through a higher level of added value. Grönroos (2004, p.99) mean that the relationship marketing perspective is based on the notion that
on top of the value of products and/or services that are exchanged, the existence of a relationship between two parties creates additional value for the customer and also for the supplier or service provider.

Further on one may create the ultimate relationship i.e. the feeling of trust and security.

This is enhanced by Grönroos (2004, p.99) when he argues that an on-going relationship may, for example, offer the customer security, a feeling of control and a sense of trust, minimized purchasing risks, and in the final analysis reduced costs of being a customer.

One important part of relationship marketing is to interact with the customer. One way of building relationship is to deliver customized products or services to the customers, so that the customer feels that he or she gets the right attention from the start. To be able to do this in an effective way one must get deep insight of how the customer thinks, feels and prioritise. With other words you need to develop a relationship with the customer that goes beyond the ordinary business relations i.e. you need to be almost as a friend.

### 2.2 Networking

One way of building strong relationships is to use networking or networks as a method. A network in general consists of a number of nodes who are connected direct or indirect to another node, making every node connected to each other. This means that a node can be connected to another node directly (one degree) or two or several degrees away, as shown in figure 3.
In Jens Hemphälä (2008) research together with other scientists at KTH in Sweden he means that networks have a great importance when it comes to the health status of the employees. The scientists have measured the capacity of recovery of the human test subjects, that is if they feel exhausted at the end of the day or not. The network scientists could see that the capacity of recovery was bound to the nature and structure of the networks. - In networks where everyone exchanges experiences and has a climate of permissiveness there is a higher rate of the capacity of recovery, means Jens Hemphälä. The social networks also showed to be more important for both health and effectively than the traditional method of giving feedback at work.

According to Kotler and Keller (2006, p.17-18) the ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network. They explain that a marketing network consists of the company and its supporting stakeholders (customers, employees, suppliers, distributors, retailers, advertising agencies, university scientists, and others) with whom it has built mutually profitable business relationships. This means that increasingly, competition is not between companies but between marketing networks. The conclusion of Kotler and Keller (2006, p.17-18) is
that the principle is simple: Build an effective network of relationships with key stakeholders, and profits will follow.

The following quotations are from Wikipedia, the free encyclopedia (Wikipedia, Supply Chain Management, 2010) that describe different objectives regarding networking organisations. They highlight the importance of building relationships within networks.

“Organizations increasingly find that they must rely on effective supply chains, or networks, to successfully compete in the global market and networked economy.“ (Baziotopoulos, 2004, cited from Barnes, 2007)

“A network can be acknowledged as a new form of organization. However, with the complicated interactions among the players, the network structure fits neither "market" nor "hierarchy" categories.” (Powell, 1990)

Powell means that within a network, firms share information about their environment and engage in close communication, and make better quality decisions based on shared understanding (Powell, 1990).

Brito (2001, p. 150) means that whilst accepting the existence of formal types of collaborative arrangements, the network approach emphasises the importance of informal and emergent cooperation.

Brito also states that:
“Firms are not atomistic units acting on their own in a faceless environment. To develop their activity, they have to interact with each other. This tends to give rise to close and stable relationships through which firms adjust resources and activities. Managers' action can thus be described as a process of managing relationships in order to guarantee the control over resources, activities and even other actors so that his/her firm can achieve its objectives.” (Brito, 2001, p.162)

To highlight the importance of relationships within a network Brito argues that business is not only driven by economic reasons, but also by interests which often assume an economic, social and political nature. (Brito, 2001, p.162)

As I understand it, if looking at a network in a pragmatic way one may find networks over the whole society. There are a number of networks
surrounding every person where we all are a part of, both social networks and business networks.

2.2.1 New Service Development
According to Perks and Syson the network perspective incorporates a dynamic view of service development; Actors move in and out of the new service process; Internal and external events can alter the value of resources to be exchanged; relationships are recursive and dictated by cycles of activity. Resources in what Perks and Syson calls networked (NSD) New Service Development may require investment and maintenance activities to retain their value. They may outlive their usefulness or they may evolve to create new and innovative resource inputs. Perks and Syson by this mean that such concerns move us on from the transaction-based viewed of actor co-operation in service development and suggest that a network perspective can enable greater understanding of this key management process. (Perks and Syson, 2004, p.263)

According to Perks and Syson this is likely to involve efforts to reduce barriers to co-operation (such as competitiveness) and to develop practices to enhance communication (such as staff training and co-location). Furthermore, as innovations are copied quickly in service industries (Johne and Storey, 1998), Perks and Syson suggest that the development of a network approach to NSD can provide firms with a source of competitive advantage which is difficult to imitate. (Perks and Syson, 2004, p.264)

2.3 Competitive advantage
According to Porter (1980) there are three generic strategies for an organization to obtain a sustainable competitive advantage.

Cost Leadership
This strategy involves the organization aiming to be the lowest cost producer within their industry. The organization aims to drive cost down through all the elements of the production of the product from sourcing, to labor costs.

Differentiation
To be different, is what organizations strive for. Having a competitive advantage that allows the company and its products ranges to stand out is
crucial for their success. With a differentiation strategy the organization aims to focus its effort on particular segments and charge for the added differentiated value.

**Niche strategies**
Here the organization focuses its effort on one particular segment and becomes well known for providing products/services within the segment. They form a competitive advantage for this niche market and either succeed by being a low cost producer or differentiator within that particular segment.

In a quotation from Learnmarketing (2008) Porter means that the danger some organization face is that they try to do all three and become what is known as stuck in the middle. They have no clear business strategy, be all to all consumers, which adds to their running costs causing a fall in sales and market share. ‘Stuck in the middle’ companies are usually subject to a takeover or merger. (Porter, 1980)

**The crane metaphor**
Normann (2001) emphasize the importance of knowing the past to be able to understand the future and thereby get competitive advantages.

**Figure 4 - The Crane Metaphor**

![The Crane Metaphor Diagram]

*Source: Norman, 2001, p. 232*

Normann introduces the “crane” (See figure 4) as a metaphor on how important it is to use the past to get a grip of the future, but also to see the company’s environment from both a higher perspective and from a lower
perspective. The higher perspective describes what Normann calls a zoom-out strategy that focuses on how the world around the company works together. This “higher perspective of abstraction” discerns structures and patterns in the environment (market, customers, competitors etc.). The lower perspective describes what Normann calls a zoom-in strategy that focuses on concrete details in the company structure i.e. how the internal environment works within the company. Normann emphasizes that it’s up to each company and situation how much it is necessary to zoom in or zoom out to get a grip of the essentials. (Normann, 2001, p. 232)

2.4 The Five Forces Model
To dig deeper in the subject of entering a market Porter uses a simplified model of the five forces (see figure 5) that creates a market situation and the competition of that market.

![Figure 5 - The Five Forces That Shape Industry Competition](image)

Source: Porter, 2008

As seen in the model by Porter (Harvard Business School, 1979), there are five different forces that shape the competition of an industry.
Kotler and Keller (2006, p.342-343) describe Porter’s Five Forces as:

**The threat of new entrants**
A segment’s attractiveness varies with height of its entry and exit barriers. The most attractive segment is one in which entry barriers are high and exit barriers are low. Few new firms can enter the industry, and poor performing firms can easily exit. When both entry and exit barriers are high, profit potential is high, but firms face more risk because poorer performing firms stay in and fight it out. When both entry and exit barriers are low firms easily enter and leave the industry and the returns are stable and low. The worst case is when entry barriers are low and exit barriers are high: Here firms enter during good times but find it hard to leave during bad times. The result is chronic overcapacity and depressed earnings for all.

**The threat of substitute products or services**
A segment is unattractive when there are actual or potential substitutes for the product. Substitutes place a limit on prices and on profits. The company has to monitor price trends closely. If technology advances or competition increases in these substitute industries, prices and profits in the segment are likely to fall.

**Rivalry among existing competitors**
A segment is unattractive if it already contains numerous, strong, or aggressive competitors. It is even more unattractive if it is stable or if exit barriers are high, or if competitors have high stakes in staying in the segment. These conditions will lead to frequent price wars, advertising battles, and new product introductions, and will make it expensive to compete.

**Bargaining power of buyers**
A segment is unattractive if buyers possess strong or growing bargaining power. Buyers’ bargaining power grows when they become more concentrated or organized, when the product represents a significant fraction of the buyers’ costs, when the product is undifferentiated, when the buyers’ switching costs are low, when buyers are price sensitive because of low profits, or when buyers can integrate upstream. To protect themselves, sellers might select buyers who have the least power to negotiate or switch suppliers. A better defense consists of developing superior offers that strong buyers cannot refuse.
**Bargaining power of suppliers**
A segment is unattractive if the company’s suppliers are able to raise prices or reduce quantity supplied. Suppliers tend to be powerful when they are concentrated or organized, when there are few substitutes, when the supplied product is an important input, when the costs of switching suppliers are high, and when the suppliers can integrate downstream. The best defenses are to build win-win relations with suppliers or use multiple supply sources. (Kotler and Keller, 2006, p.342-343)

**2.5 Summary**
To build a framework to this study I have first extracted the Relationship marketing from the Holistic marketing dimensions. Together with the network theory and the Five forces model theory by Porter this will make a theoretical base for this study. I believe these three theories work well together and used correctly will be a good support to the research questions. Using these three theories I then analyze if these can create a competitive advantage using the three generic strategies by Porter, as shown in figure 6.

**Figure 6 – Showing the theoretical framework of this study.**

*Source: Own construction.*
3 Data collection
This chapter presents the choice of research method and how I will use the collected data (interviews and books etc) later in the study

3.1 Interviews
Merchant & Van der Stede means that the greatest advantage of qualitative research methods is in the ability to analyze naturalistic environments. Such studies are able to examine more complex research questions, without sacrificing the richness or complexity of the natural environments. (Merchant & Van der Stede, 2006)

Kerlinger and Lee (2000, p. 588) define the qualitative research method as, ‘‘…social and behavioral research based on unobtrusive field observations that can be analyzed without using numbers or statistics.’’ This means that one is able to dig deeper into a chosen subject, like using emotions and social values as a factor. Comparing this to other method studies, qualitative research is often used to investigate more complex ‘‘how’’ and ‘‘why’’ research questions.

Hence, smaller but focused samples are more often needed, rather than large samples (Wikipedia, 2010).

One of the downsides of the qualitative research method according to Hageman is that conducting qualitative research is extraordinarily time intensive. Some research may take years solely to gather data. (Hageman, 2008)

With this in mind, I’ve chosen to interview two of the key players within Berotec, First the founder, main owner and chairman of the board of Berotec Mr. Håkan Mildh Svensson and secondly Mr. Lennart Nilsson who were the first starting a new regional office outside Stockholm. Both of these have vast experience of the technical consultant business and have both entered a market with a new brand name, so I believe these two would give this study a good foundation for analysis and comparison to what I have done in the Gothenburg area.

My idea with the interviews was to get a deeper understanding, usefulness and try to extract the importance of relationships and relationships
marketing within the Berotec network-model. To do this I’ve put focus on different types of emotional questions of how the persons interviewed have reacted and done what they’ve done and also to try to dig deeper into their consciousness if they have used relationship marketing as a method to success.

With the background of the two persons that I’ve interviewed and the success they have reached in their local technical consultant markets, the answers from these two individuals should be a good base of analyzing the subject of the impact of relationship marketing deeper. With this in mind this further emphasizes the use of the qualitative research method.

3.2 Questionnaire

A questionnaire (see Appendix A and B) was used when interviewing both Mr. Håkan Mildh Svensson and Mr. Lennart Nilsson. First I had talks to each of them to get the approval and to get them introduced on the subject of this study. Thereafter the interview questions were sent to each of the participants via email. The participants had to fill in each question and then send it back. Doing this I felt it would get a better validity and reliability because this should minimize any misspelling or misunderstanding which could easily happen if one tries to perform an interview in real-time where one has to listen, write and analyze the questions simultaneously. Another advantage doing this was that I could analyze each question afterwards on my own to check if there were any misunderstandings. However, if there were some misunderstandings regarding a question I personally talked to them over the phone and we had a discussion where I got a better answer which I wrote down directly to the study during the conversation.

To get this study objective I use these interviews as support and comparison to my own experiences. This will enhance the reliability of the study because it will be trustworthy to have support from someone else’s experience when comparing these to my own.

I will present the interviews, my experiences and other secondary data i.e. journal articles under the empirical study chapter. Most of the journal articles originate from the Emerald database on the library of the University of Gävle. As secondary data, I’ve also used books, mostly within the field of marketing. These books have been used as base for the theory collection and also as support for the general discussion. I will look for similarities but also
highlight differences of the interviews and compare these with my own experiences and the theories from the collected secondary data.
4 Empirical Study
This chapter presents the business in general with the major areas of activity, the answers and my reflections of the interviews and what I’ve seen in the reality. The reader will also get an understanding of the marketing strategies that I’ve used.

4.1 Berotec
As Berotec is the consultancy organization that I work for and is used as foundation of this study, hence it is vital to describe what Berotec is and how Berotec works. To get a better overview I start to describe in which fields Berotec acts.

4.1.1 Core business
Berotec’s core business is to offer the market highly skilled consultants in the field of product development within one or more of the following areas.
- Mechanical design
- Software design
- Hardware design
- Management (Project management, lean management etc.)

Because everyone at Berotec is self-employed, everyone will per definition be driven and motivated to satisfy the end customer i.e. do a job that is beyond customer expectation. The typical Berotec consultant is at senior level with an average experience of more than 14 years. Today Berotec only acts in Sweden, and has local offices in Stockholm, Gothenburg, Linköping, Malmö and Karlstad.

4.1.2 Business concept and vision
The following quotations are taken from the Berotec web site (2010), which describes the business concept and the vision of Berotec.

“Berotec is a network enterprise that links highly qualified technical consultants with other businesses in the market. All of our consultants are motivated, self-employed consultants who perform confidently by virtue of their experience; our organization also facilitates their growth by supporting their abilities as far-seeing, creative thinkers.”
"Berotec is a supplier that actually helps the customers to succeed in their projects, not to fill personnel gaps in their organization. The Berotec professional team consists of only the most experienced systems- and product development consultants, all of whom are skilled Masters of Engineering with the competence of specialists, and the spirit of enterprise."

“At Berotec, we are convinced that humans perform better when we live harmonious lives. We realize that family life and spare time have to be in tune with ones working life, in order to produce outstanding and profitable results. Here, all of our consultants run their own businesses; accordingly, they enjoy the freedom and independence of self-employed business people. Because our consultants are not only invested in our company but supported by it as well, they have access to all of the advantages that come with being part of a large organization. In this unique and effective combination, our consultants find the harmony of a secure, working life and a fulfilling, meaningful existence.”

“Our concept of luminosity dictates that the only person one can truly rely on is him- or herself. If a person doesn’t feel good, then they won’t "sparkle" and "shine" in their lives, and won’t be in a position to positively affect others around them. With these values at the very core of our business model, Berotec helps everyone around them to sparkle a bit more in life.”

(Berotec web site, 2010)

In my opinion the main factors that makes Berotec unique is the mixture of high competence and experience together with the strong social bonds that creates a powerful network. One of the most important factors is to enjoy life and the working situation i.e. if you can get a boost of energy from your network-colleagues by meeting these and feeling good, then you are able to give the same energy to your surrounding when, for instance, being at work.

4.2 Marketing

When it comes to marketing one can say that when introducing a new brand name into a market every action is a kind of marketing. Every meeting with potential customers, potential consultant recruitments, people at seminars etcetera and even friends will in some way be crucial to the long term success of the new brand. With this in mind the most important marketing strategy is how I myself act when meeting all these different persons. If I radiate a positive and humble feeling to my recipients, then I most certainly put a little seed into their minds that Berotec seems to be a interesting partner that they presumably will have a prospering business relationship
with. There is an important quotation to remember when doing this. “If you don't believe in yourself, no one else will believe in you either.” (authorSTREAM, 2002-2009). This highlights the importance of relationships as a major marketing strategy.

4.2.1 Liquid assets

Being a small player in the market, the limitation of liquid assets will affect a lot of different budgets. One of the first to be down prioritized is often the marketing budget. It’s hard to see the exact result a marketing campaign will deliver, especially the broader it gets. It’s easy to lose money if one’s marketing strategy is misdirected or isn’t unique enough to “stand out” from the general marketing noise.

4.2.2 Recruitment

One of the most important marketing activities within the consultant business overall is the art of how to recruit new competent consultants to your business. This is essential for the future business. It’s all about meeting a potential “customer” that also seeks for a prospering, hopefully long lasting future business relationship that can help him or her to gain more success than they are able to do in the present. In the end it’s all about finding trust in each other.

Initially it’s important to get a picture of who you want to recruit i.e. make a profile of what kind of skills that is necessary. The consultant profile may have the specific profile:

- At least five years of work experience.
- Very agile to his/hers mind.
- Have the right attitude i.e. doing this because they really love working as a consultant.
- Have right knowledge from the right fields that me as a sales person has good knowledge of how to apply this to the potential customers.
- Be a person that I myself want to have a business relationship with i.e. a person that I want to spend time with and that I find interesting.

When trying to recruit new consultants through marketing campaigns there are automatically a number of potential customers that will be affected. I’ve met new customers that when I ask them if they know anything about Berotec they answer “I saw your ad in the newspaper a year ago and I myself was very interested in visiting your seminar”. This also works the
other way i.e. consultants may be attracted when we’re doing marketing towards companies.

During my time as sales person at Berotec I’ve tried different marketing strategies when it comes to finding new consultants and/or new customers.

4.2.2.1 Flier strategy

One of several marketing strategies is the well-known flier advertisement. It’s quite easy to use and formulate, it’s cheap but it also takes time because you will have to personally be there to hand it over to the recipient.

I’ve used this strategy once when trying to have a different approach to attract new potential consultants to a seminar meeting. The strategy was all about printing a number of fliers of when, where and why our seminar took place and then hand these fliers over to potential recruitments at a lunch restaurant, I knew has several consultants as recurring customers. The same strategy was also applied at Berotec offices in Stockholm and in Malmö.

The outcome of this strategy (as shown in figure 7) was:

- In Gothenburg I handed out 400 to 500 fliers to customers in the local lunch restaurant. Only one of these made direct contact afterwards, and this was a person who I personally knew before.
- In Malmö they handed out 200 to 300 fliers to customers in the local lunch restaurant. None of these made direct contact afterwards.
- In Stockholm they handed out 400 to 500 fliers to passengers in the subway system. They got eleven answers afterwards.

![Figure 7 - The result of Berotec’s flier campaign](image)

Source: Own construction.
Known result
- After my “advertising campaign” in Gothenburg there were people buzzing around at Ericsson afterwards according to one of my consultants.

4.2.2.2 Newspaper strategy
One often used media for marketing is the newspaper channel. This channel is easier to quickly reach a large number of recipients than the flier channel.

I’ve used this strategy a couple of times when trying to find new potential consultants. The advertisement in the newspaper has always, like the flier model, contained information of when, where and why our seminar took place. The advertisement was placed in the job seek insert of the local newspaper Göteborgs Posten and there was only one advertisement used per occasion. The result of these has been an audience of 18 consultants the first seminar and 12 the second time. The time between those seminars was about a year.

4.2.2.3 The Internet
Internet is one of the most powerful marketing channels, even though it probably is one of the hardest channels to get attention of the audience. This might be because when a person is on the Internet he or she probably knows what they are seeking or which web site they are planning to visit. One of the first reactions of the audience when marketers started to use banners and pop-ups on web sites was pure irritation. Too many had probably seen the Internet as an advertisement free zone. The solution was to introduce pop-up blocker software in the web browser. Today there is, in my opinion, a change of mind in the general opinion of this kind of advertisement. As several times before, people have probably got used to these types of advertisement and no longer bother. The number of pop-ups has decreased and there are a lot more banners.

Berotec continuously use their own web site as an advertisement channel, mostly for information to them who are curious about Berotec and search the Internet for that information. Further on Berotec has used the Internet a couple of times when trying to recruit new consultants, for instance we had a general advertisement for all cities on the web site of Ny teknik (“New
technology”) and also in their magazine. This was costly and resulted, for Gothenburg, in maybe 20 responses.

4.2.2.4 Corporate sign
This could be seen as a more day to day advertisement that mostly intends to give the audience a reflection of where the company is situated and also that the company is proud of showing this.

4.2.2.5 Personal networks of present consultants
One of the most effective ways of reaching potential consultants and customers is to use the personal networks of the consultants that are already in the Berotec network. By this, one will reach people that are recommended by people that you already trust and by this the recruitment process will be much shorter and probably more accurate. The downside of this is that you will only reach out to a small group of people that you very fast will work through.

This strategy will be successful when there are a mass of consultants in your network and when the consultants in your present network themselves see the benefits of recruiting their friends and contacts. However as the network grows bigger every person that enters knows a bunch of new people. This is pointed out by Mildh Svensson (Appendix B, question 19) who states that more than 80 % of all new recruitments within Berotec come via the network of the existing consultants.

4.3 Consultants
There will always be an inner competition of the same job opportunities. Even though there is a similar competition when being a regular employed consultant, this question is more put to its edge when it comes to the situation within Berotec. This is the result when people take their own risk and therefore will get more fragile, because losing a job opportunity to a colleague will mean that you do not get any income if there isn’t another possible job opportunity available. This means that within Berotec there is a mentality of “survival of the fittest” (Darwin, 1869) that gains the customer’s trust or as written on Berotec’s web site “Our concept of luminosity dictates that the only person one can truly rely on is him- or herself.” (Berotec, 2010). We know that to survive within Berotec you need to be “at your toes” and continuously be updated with the latest knowledge and systems.
4.4 Finding new customers

Finding new customers is one of the most important tasks. How does one reach out to new customers and how will one be successful in making them a new business partner.

One simple but time-intensive strategy is to look through the yellow pages in your telephone book under the right type of business and try to make a list of the companies’ one think is of interest. Today one doesn’t have to use the physical telephone book because it’s often easier to use the Internet. The Internet has besides up-to-date versions of the yellow pages and better search engines and programs to find customers. There are also programs that can be bought that are even more pin-pointed of finding certain companies and also are able to make a business review of the company selected, so that one always get a “serious” company to confront.

This is a time demanding and difficult strategy. Each possible new customer must be evaluated so that they fit into the category of companies that one want to have as customers.

Most of the customers one will meet are mostly located in industrial areas where other companies have offices. A good thing to do, when visiting a customer, is to look for new customers i.e. company names at information signs that often are placed in the beginning of a business street. Write down the names and check if these are interesting companies by searching the Internet when you get back at your office.

This is also a quite time demanding strategy and will similar to the yellow pages demand one to evaluate each company.

When working with experienced consultants they’ve worked as consultants for a number of different companies before. This is often a good opportunity because if the consultant has a “good reputation to their name” at the customer it can be a “door opener”, and this strategy will not be as time demanding as using the Yellow pages for instance.

4.5 Network

In Berotec all in the network act as true networkers i.e. one has to help others to be able to get help for oneself. If doing so, everyone will get an increased security because if everyone helps each other get new leads of possible assignments everyone will by this have more possibilities to choose
from. By this one can truly say that one plus one equals three, as shown in the figure below!

**Figure 8 – One plus one equals three**

![Figure 8 – One plus one equals three](image)

*Source: Own construction*

After 18 months every consultant in the network are offered a deal as partner of the network company in order to bring value to them who are long term faithful to the network.

According to both Nilsson and Mildh Svensson the “mouth to mouth” method where the consultants speak positive about Berotec and that using seminars for reaching new networks for recruitment are important.

I also believe that the strongest way of reaching new consultants and customers are using the existing networks within Berotec. It is also important to constantly add new networks to the existing one and seminars could be a successful way of doing this.

### 4.6 Success Factors

#### 4.6.1 Relationship marketing - the common key factor

Relationship marketing is one of the latest buzzwords within marketing, and this term describes what it’s all about.

To build strong, long lasting relationships with both customers and consultants is important if one is to gain success. This is further emphasised by Mildh Svensson (Appendix B, question 22) who believes that success is reached through good relationship building and long term focus together with personal meetings at a high frequency by all sales personnel at Berotec.
Both interviewees had a couple of indications that there are strong relationships within Berotec and that this also is a factor of gaining success. Nilsson pointed out that some people feel more for each other’s and these tend to cooperate at a higher rate. He also discussed that Berotec is a company that gains success through building of networks and in this case relationships are a major parameter. Mildh Svensson also believed that relations are important within Berotec and pointed out that this is indicated through that more than 80% of all consultants have been recruited by already existing “Berotecs”. He also mentioned that the main skill Berotec search for when looking for more colleagues is the skill of building relationships.

I agree on all the issues mentioned above except the questions of recruitment. From the day I started the Berotec office in Gothenburg the consultants that has been recruited by existing “Berotecs” has so far been at a rate of approximately 50%. There is however a major parameter regarding this issue. The fewer you are within a network the fewer people exist in the total internal network and by this it will not be that many options when recruiting. I do feel that it’s getting easier and more successful using the internal network, as the network expands, to reach new well fitting consultants, so the percentage rate will probably increase during the future years.

4.6.2 **SPIN**

A good foundation creating relationships is to use the SPIN (Situation-, Problem-, Implication-, Need questions) sales model, which emphasises that your intention is always to help the counterpart by being a good listener and get the counterpart to start thinking about new solutions that will include your company in a way or another. At Berotec all sales people are trained in the SPIN sales model.

This applies also to the relationship between the consultants and the seller and the consultants and the rest of the network. I see a strategy of using SPIN as a method of creating deeper relations with all in my personal network.

4.6.3 **The will to help**

How does Berotec succeed in reaching success? According to Nilsson and Mildh Svensson they experienced that the freedom and will to do it on one
own and not to fulfill manager’s dreams of fortune has been a kind of role model. Mildh Svensson’s dream is to be the best alternative for both clients and consultants and that it’s more important to have a happy organization to meet every day than a strive for size, profit and exit plans. They also believe that a major success factor over the years has been open and transparent methods, the competence of the consultants, the freedom of being self employed and the strive for quality before any other goal.

It’s also interesting to see that both Nilsson and Mildh Svensson experienced a strong support from their families when starting this journey into self employment.

I’m convinced that if you’re going to succeed in doing anything it will be much easier if you have support from your family. As both Nilsson and Mildh Svensson indicates I also believe that it’s vital to reach a feeling of fellowship to get more socialized and that this is a strong indication of a well working network because when everyone feels for each other it’s easier to increase the will to help. If we can radiate this feeling when visiting customers or new consultants than we surely stand out as an organization that is fun to work with and fun being with and who doesn’t want to be part of that environment?

4.6.4 Competitive advantage

Getting a competitive advantage is vital if one wants to reach success in any field of business or marketing. Nilsson and Mild Svensson agreed that good relationship building and long term focus together with personal meetings with customers at a high frequency by all sales personnel is a vital parameter in gaining success. Nilsson also mentioned that the freedom within the Berotec model where everyone decides over their own situation is an important factor as well.

I agree on all the points from above and think that this has been a strong competitive advantage for me when building a new regional office. If you’re able of meeting more customers than your competitors this will be successful in the long run.
4.6.5 **Barriers**

There are barriers that one will face when entering a new market. In the beginning Nilsson believed that the Berotec-model should be hard to sell i.e. it’s hard to convince people of the advantages of the Berotec-model and being self employed. He also had doubts if it was possible to grow to a size that locally makes Berotec to an important actor and at the same time retain the high competence and integrity.

When Mildh Svensson started Berotec he had disbeliefs if the consultants had the guts to participate in his plan. Later he felt it was hard to go from one salesperson in charge to several where it was not obvious that everybody else’s goals and values were the same as his.

According to Mildh Svensson he believes that there is a downside when quick and easy money becomes the focus i.e. when there is an assignment and there are no available Berotec consultants. Sometimes it’s tempting to take the easy way out and just pick “anyone” up and put into that assignment. Mildh Svensson means that this often has bad outcome for customer satisfaction and by this the relationship with the customer will be negatively affected.

Mildh Svensson also believes that classic advertisement doesn’t work for Berotec.

I also agree on these points. It’s hard convincing people that self-employment is a good idea and this is much tougher during a good economy. During a recession when most people experience that having a regular employment isn’t that safe that they first believed, it’s much easier to convince the counterpart that self-employment, where your own competence is the major factor gaining safety, is a “safe” alternative. I believe this barrier changes with the economical situation in the society. Also the question of just pick “anyone” up for an assignment is interesting issue because it’s hard to say no when there is easy money to earn, especially if you just started your business and have no income. According to my experiences, this is however one of the most important aspects when reaching success because in the consultant business it’s hard repairing a customer’s trust if they’ve experienced a bad consultant delivery.
4.7 Summary

My empirical study shows that there are connections between the theory described and how it works in reality within Berotec. There are strong indications of how powerful the personal networks are when it comes to recruiting new consultants. Mildh Svensson means that more than 80% of all consultants have been recruited by recommendation of the presents “Berotec”. Mildh Svensson also means that classical advertisement doesn’t work for Berotec, we have now seen the result of different advertising campaigns.

The result of the flier strategy has been quite modest; only 12 answers out of over 1200 fliers. Even if there is a certain amount of personal interaction when handing the flier over to the recipient it demands the receiver to make an active decision to make contact him/her self. This probably demands too much pull from the receiver to be successful when comparing the number of delivered fliers to the amount of answers.

The result of the newspaper strategy has been OK in Gothenburg with 18 answers the first time and 12 the second time. I believe this is because people have trust in a well-known newspaper and maybe take the advertisement more seriously. The downside is that it’s expensive and hard to estimate how many that read the advertisement itself; it could be 50 or it could be 500,000.

The Internet recruitment campaign is common to the newspaper strategy. If you use a well-known source (like in this specific case, Ny Teknik) you will probably reach out to a great number of recipients. Berotec’s campaign resulted in approximately 20 answers. However, like the newspaper strategy this is expensive and hard to know how many that actually read this advertisement.

Using a corporate sign is very hard to measure the result of viewers or the impact to the market. The initial cost is often high but it will be constant visible for the audience in the surroundings for years and decades and might build an underlying brand awareness to many people.

Overall there are strong indications that Berotec reach success when they use their own networks and relationships to reach new consultants and also in some content customers. Using the SPIN-model will also fit this behavior well because it emphasizes the importance of personal meetings and that the salesperson must have the will to help the customer and for me that’s a sign
of starting a relationship.
5 Analysis/Discussion

Here I make a critical analysis regarding the data from the strategies above and also connect this data to the framework used i.e. the Five Forces model etc.

5.1 Marketing

5.1.1 Flier strategy

The most positive with the flier strategy is that it is cheap if one only calculates the investment made when printing the cards. On the other hand it takes time and planning to find a descent place where the fliers can be handed over to an audience that has the right target demography. If one adds this into the calculation regarding the total cost of the investment, there might be a different result when comparing to the printing cost only.

In general one can say

- Too much pull – makes the receiver to act by himself/herself. Could be easier if there is a price to win if one applies for this seminar.
- The receiver may find it annoying, being disturbed with a flier put in his/hers hand.
- This might stay in the receivers mind a lot longer because it was a personal transaction that the receiver got a “gift” from the advertiser. One could say that one will get a little closer to starting building a relationship because of the personal interaction when you hand over this flier from hand to hand.

5.1.2 Newspaper strategy

Comparing this to the flier strategy, which on the other hand only has been tested once, the newspaper advertisement has been successful. The drawback of this strategy is that it’s quite expensive (approximately 50-100 times of the flier printing cost). Kotler mean that some of the advantages of newspaper advertisement are flexibility, local market coverage and high believability (Kotler, Armstrong, Saunders & Wong, 2001, p.672).

The high believability might explain why the newspaper advertisement gave that high number of respondents.
Kotler also points out that some of the limitations of newspaper advertisement are short life, poor reproduction quality and small pass along audience (Kotler, Armstrong, Saunders & Wong, 2001, p.672).

The poor reproduction quality of newspaper advertisement could explain why the second advertisement resulted in 33 % less respondents.

Today when the Internet is reaching the audience and gaining bigger and bigger potential when it comes to marketing, one have to think twice when using this newspaper strategy. According to Andersson, Tommy (2009), analyst of the newspaper Sydsvenskan, it is a question of age when it comes to who we are trying to reach as target audience (TU, 2009) Tommy K Andersson has found that there are more people in the younger generation that don’t subscribe to a newspaper as their way of finding articles or jobs. They use the Internet as their main media channel and sometimes free papers when they are travelling. This Internet generation might today be too young for the Berotec target audience, but if this generation keeps on using the Internet as their primary information source, the strategy of Berotec over time needs to change using the Internet in a daily manner, as I see it.

5.1.3 The Internet

The Internet is in general a strong marketing channel even though it is hard to stand out in the overall competition. Traditionally there has been an intense use of the Internet by younger people, even though the elderly are starting to learn and are today using the Internet on a daily basis. Overall one can see the Internet as a good marketing channel if one wants to reach both elderly and younger citizens, because the Internet today has been segregated with certain web sites or forums for each age category. This means that you can reach certain groups of citizens i.e. demography, if one has good knowledge of the Internet. Kotler mean that some of the advantages of Internet advertisement are the high selectivity, low cost and immediacy. On the other hand Kotler also point out that it has relatively low impact and that the audience controls the exposure (Kotler, Armstrong, Saunders & Wong, 2001, p.672).

One of the strengths of the Internet is that one easily creates interactions between two parties e.g. seller – consumer. Rowley (2004, p. 24) argues that the potential for building relationships is inherent in every transaction and dialog. No longer does the marketer need to speculate about customer needs; they actually know customer-purchasing profiles.
My observations show that there are a number of key rules that make it easier using the Internet as a marketing channel.

- Use a well-known web site that you know has the right goal audience of what you intend to reach.
- If you want to recruit personnel then use a web site that is famous for this in the certain category of your needs i.e. don’t use web sites for economists if you want to recruit engineers.
- Sometimes it can be an advantage to use a web site that also has a newspaper or magazine, so that more people are reached.

5.1.4 Corporate sign

It’s almost impossible to estimate the impact a sign has to its environment, but it affects the recipients in the near surrounding of where the sign is located. These people will most certain recognize the company name but will probably not know where they have seen it. Kotler (Kotler, Armstrong, Saunders & Wong, 2001, p.672) points out that advantage of outdoor media are the high repeat exposure even though you will have no audience selectivity. This means that it’s important to have a sign and a brand that is clear and really “gets into the head” of its readers.

5.1.5 Personal networks of present consultants

When using the personal network of the present consultants there are strengths and weaknesses.

The strength using networks within a self-employed environment are in my opinion a more dynamic view within the organisation of how and why we act and cooperate as we do. No one is here because they are forced to it. When all work together and act as humble networkers they all know the power that this brings and this include the great potential when all consultants’ networks are put together and forming a summarized network of all contacts. This will create a situation where one plus one equals three. This is further emphasised by Mildh Svensson (Appendix B, question 19).

A weakness is that a network is hold together with loose threads. The solution is the cooperation business agreement that all consultants are to sign if they want to be part of Berotec. But there is an effective way and that is to build mutual personal bonds i.e. relationships and by this make them faithful to the model and the network. Nilsson (Appendix A, question 20)
points out the power of networking and relationships by saying that Berotec is a network-based company which gains success through building of networks and in this case relationships are a major parameter. Nilsson (Appendix A, question 19) also states that some people feel more for each other’s and these tend to cooperate at a higher rate. I mean that if all persons in the network see each other as more than a business partner i.e. a friend they trust, this will increase the bonding making it stronger than a regular employment.

5.2 Five Forces applied to the Berotec model
Here I connect the theory from above, about the Five Forces Model by Porter, to my own experiences from reality. To do this I will, as the crane metaphor by Normann (2001, p. 232), use both a zoom-in and zoom-out strategy together with my knowledge from the past.

The threat of new entrants
The overall technical consultant market has low entry barriers and often low exit barriers. There are no high stakes, especially if being a self-employed consultant. In that case you have yourself as employee and your office is often in your own home making the costs of office space non-existing. This is further enhanced by Gilley and Eggland (1989) who mean that the only real requirement for being a consultant is six dollars for business cards. According to the theory of the five forces model by Porter (Kotler and Keller, 2006, p.342-343), when both entry and exit barriers are low it is a difficult industry where firms easily enter and leave the industry, and the returns are stable and low.

The threat of substitute products or services
One of the most common threats of being consultants provider in a market is the long term will of organic growth of the customer. The fact that the customer knows that hiring a consultant will be more expensive than contracting a regular employee makes the company evaluate the possibility of employing a new member to the staff rather than hiring a consultant. This is however not applicable if they temporary want someone with a unique skill that the company itself doesn’t have or if the board of directors has put new employment on hold.
**Rivalry among existing competitors**

There is extreme competition in the technical consultancy market of Gothenburg today. In my own opinion the economic recession that entered in late 2008 has created a chaos and panic in the industry. Big firms are “bleeding money” because having most of their consultant unassigned and by this is gaining a massive cost overflow. The majority of those firms have had their business only towards the automotive industry, where especially in the Gothenburg area has been one of the biggest buyers of consultants. This has led to an intensified price-war with firms offering two consultants for the price of one, especially if they are trying to enter new branches in the technical consultant business.

In general, there will always be a number of competitors in a market. Hence, it will always be important to have knowledge of the competitors in the market that one is to enter. It’s easy to divide the competitors of the Swedish and Gothenburg consultant market into two segments: the first consisting of a few big actors, like Semcon/Caran, HiQ and ÅF and the others that are considerably smaller than the big ones but, in my opinion, often try to differentiate or niche themselves towards a certain attractive knowledge to gain a competitive advantage. It may be necessary for small actors to niche themselves. In my opinion, being a big company makes it hard to use a niche strategy, because being big with a lot of employees it will almost always make the company to go broad into a market, offering customers different alternatives. This is further expressed by SemconCaran (SemconCaran, 2010) who state that they are active in product development and technical information and is organised into three business areas: Automotive R&D, Design & Development and Informatics.

Another interesting aspect is that especially the big companies, in the last years, try to develop a new type of niche strategy where they can use their “massive body” to gain a competitive advantage. One of the most typical today is the in-sourcing of whole projects where they take the full responsibility for all product development, or as SemconCaran (SemconCaran, 2010) state:

“Our joint expertise and experience vouch for that we can provide complex, all-encompassing solutions, where we take responsibility of the entire project, from pre-sales, benchmarking and idea to finished product in production and aftermarket information.”

The vision by SemconCaran (SemconCaran, 2010) is also clear that they:
”Continue the realignment from hourly-based consultancy invoicing to an increased number of projects and complete assignments and solution packages”

**Bargaining power of buyers**
In recent years I’ve experienced that framework agreements have been a growing trend within the consultant industry in Sweden and by this also in the Gothenburg area. The interesting thing about these is that they offer a business situation of stable and low prices for both parties. A framework agreement has a high entry barrier and also a high exit barrier which according to the theory of the five forces model by Porter (Kotler & Keller, 2006, p.342-343) means that profit potential is high, but firms face risk because poorer performing firms stay in and fight it out. This is interesting because here the reality, with stable and low prices which creates lower profits for the seller, shows the opposite.

My recent experience shows that purchasing department’s power increases over a recession. Gothenburg has a few big companies, like Ericsson, Volvo, which frequently hire technical consultants. As an indication of the great power that the buyer has, especially during a recession, Volvo has cut off almost all of their consultants and they still try to put pressure on prices through their framework agreements.

**Bargaining power of suppliers**
Because the nature of consultant companies is being a supplier to the market there are not that many suppliers that affect the consultant companies. However there are some that could play an important role in the consultant companies’ everyday life:

- Rented office space. Often, a company must sign a contract over many years that could easily during bad times have a negative impact on the business’ profit. My own experiences when talking to different companies say that it’s almost impossible to terminate a lease contract during its liable time, because during bad times the landlord will even more fight for keeping every contract alive.
- Marketing services. Most consultant firms, especially the small ones, don’t employ a big staff of marketers. This service when used must be hired at expensive consultant basis.
- Lawyers or legal advisors will in some cases be needed on a temporary basis. This is often when creating new business agreements or standard contracts with suppliers or when the consultant company is being sued by another part.
Other factors that have a minor impact are:
- Travelling expenses.
- Insurances
- Every day services such as telecommunication, CRM-systems, web page development etc.

5.3 The Berotec model as a competitive advantage

One of the major strengths of Berotec is the business model where all individuals in the network take responsibility for one’s own actions. Mildh Svensson (Appendix B, question 16) says that it’s all about strong and clear methods, no hidden agendas and quality before any other goals. A consultant from Berotec knows that it’s essential to satisfy the customer with a good piece of work, because if the consultant loses the assignment he or she will get no income from that moment, leaving the family without food on the table. As I see it this creates a climate where the consultant automatically knows the importance of customer satisfaction and delivery, because they see the connection between their performance and the customer satisfaction. Consultants that don’t have the right level of skill or can’t handle the pressure will automatically be discarded, leaving only the best suitable and focused consultants within Berotec.

Roberts (2003, p. 35) means that innovation during recession pays off. He states that R&D spending in recession, both in absolute terms and relative to competition, pays off handsomely. R&D spending is such a particularly “good cost” during recession because successful, new product introductions during recession are crucial to strong recovery in profitability and growth. My observations show the similar, that when the market enters a recession the senior consultants with high competence will always be the ones that the customer wants. The customer knows that they need highly skilled personnel if they are to accelerate out of a market recession.

The Berotec model itself is clinical: everyone should do what they are best suited of doing. This means that the consultants will do what they do best i.e. deliver the best possible piece of work to the customer and the sales people will do their best of creating new job opportunities, and thereby safety, to the consultants.

As a consequence of the Berotec model everyone knows that if one hasn’t got a mission one will have no income and the consultant will not generate any cost for Berotec, making the sales people able to always choose the
consultant that suits the customer best per each assignment regardless of how long he or she has been “off duty”. When the customer understands this it will create a competitive advantage.

If looking at Porters generic strategies one can say that Berotec uses a niche marketing strategy to gain competitive advantage with only self-employed consultants under a mutual brand name where the best from both worlds meet i.e. being self-employed and also having the advantages of a well known brand name and big organisation.

5.4 Key factors of building relationships
As I see it, there are a number of key factors that make a good relationship builder.
- Good listener
- Humble
- The ability to understand and know-how of the situation and environment that the customer is part of.
- Clear regarding business and how you will act
- The pure will to really want to help the counterpart.

All this will if used in a good way or manner result in a relationship to grow stronger. No one will build long lasting relationships if they discover a hidden agenda by the counterpart or if they don’t feel the genuine will to help out. If you meet a person (in private or in business) who only talks about themselves, never listen to what you have to say or you get a feeling that the person only is here to rip you off, this will of course prevent the growth of a relationship.

With this in mind one can form a sort of road to relationship success that will at the end lead to mutual trust between the parties that have started this relationship. The figure below is a way to concretise this.
In general the strength of relationship marketing is to gain mutual trust between two parties, as seen in the figure above. The relationship needs to be fed all the time otherwise it will easily disintegrate. By this I mean that it’s vital for the salesperson to be the driving force and regularly book new meetings and take time to meet everyone in person. Building a new relationship with a new customer could take up to several years. According to my experience the sales cycle at Berotec, from starting the first meeting to a successful consultant delivery, is at least one and a half year of interaction and relationship building. This highlights the downside of relationship marketing. It takes effort and time! Being a salesperson focusing on building mutual business relationships, you must give each customer, new, old or potential, a big share of your person, energy and time. Or as Mildh Svensson (Appendix B, question 22) means, good relationship building and long term focus together with personal meetings at a high frequency by all sales personnel is the main key to success when reaching new customers at Berotec. Building relations is to be visible and by this I mean physical. It is vital to meet the customer in person if a strong relationship will spire. A quick phone call can work from time to time but when you as a person take your personal time to meet the customer he or she will notice that you are a person that cares.
As I see it, using the relationship strategy will get you closer to the customer but on the other hand it will slow you down, because you will not have the time to increase the number of customers as if you chose another strategy. This means that as a company you have to employ more salespersons per the number of customers making it less effective and costly that is if you only look per the number of customers.

### 5.5 Relationship marketing as a competitive advantage

The Berotec model gives the recipients a unique experience that will increase the possibility to build future relationships. The way we work means that we only rely on building and increasing relationships, both internal within our network (consultant to consultant, consultant to sales person and sales person to sales person) and external (sales person to customer and consultant to customer). Nilsson (Appendix A, question 22) describes the strength of the Berotec model as our competence and drive of the market and sales people. This means that we are visiting customers at a higher rate. The Berotec model gives the sales people more time to focus on building of relationship and personal meetings because when everyone is self-employed, no time is spent on personal performance and salary reviews, who both take a lot of time and energy from the sales persons working within a traditional consultant business.

By this one can say that relationship marketing is one of Berotec’s strategies. With the, so far unique, Berotec-model of self-employed network of consultants, Berotec has gained a competitive advantage of differentiation. This has made the model to stand out and be visible in the market. There is also a niche strategy where product development within a certain cities in Sweden is selected.

The figure below describes the importance of working simultaneously within all fields of marketing because every part affects the others in different ways. Marketing towards consultants will create recognition by customers and vice versa.
5.5.1 The Triangle of Success

Regarding the Berotec model, the formula for a good piece of business is for the sales people to get the consultant happy with what he/she is to do in the specific assignment and get the customer interested and believing in the consultant. If one succeed in doing this i.e. get the customer and the consultant happy and believing in this piece of business together, then this specific deal will be successful. One can generalise this business and concretise it into three dimensions of mutual trust and business relations, where all must be equally prioritised to gain business success, as shown in figure 11.

Figure 11 – The triangle of success

Source: Own construction
My study shows that one strategy for success when entering a new market with a new brand name is to focus on the long term building of relationships and personal networks. Even if it takes time to reach mutual trust between two parties in a business relation, this study has shown that this strategy also works during an economical recession that recently has been over the last two years.
6 Comments/conclusions

This chapter presents the overall conclusions and my reflection of this study and by this also includes the answers to the research questions.

This study could, if misunderstood, be seen as a manual when it comes to starting new companies within the consultancy business. As time goes by the landscape that we are part of changes and for that reason I would not recommend applying the same methods or strategies without first of all analysing the unique situation of where you are right now.

6.1 Questions/Answers to research questions

Is there a generic key to reaching success?
This study shows that the foundation of success is to focus on the long term building of relationships and personal networks. I believe this is so obvious to most people that they may forget to continuously increase their knowledge and attention over time to this issue. How simple this might sound it’s clearly an art itself to succeed in using this. The sales people that have not reached success within Berotec have been those who from the beginning had a focus on quick deals that primary should generate money to themselves and by this lost focus on the importance of the deep analysis of customer needs and by that the importance of helping the customer. You can be a real nice guy that everyone wants to have as a friend, but if you don’t succeed in delivering the right competence or value to the customer the customer will not want to have a long lasting business relationship with you anyway.

Could relationship marketing be used as a competitive advantage when entering this industry?
Today when all seems to be happening in a virtual world with nick names and less personal interaction, the art of relationship marketing could be the key to success. To be more personal and get back to what being a human is all about, is so obvious that too many people seem to have forgotten it. To gain a competitive advantage one has to be present to the market and interact with it. I believe this will be even more important when competition increases and everyone knows that there are market threats from countries far away that easily could make contact with new customers using the Internet as a foundation of their business. The competition within markets increases for us in the western countries and to increase or retain one’s
market share one has to stand out, be different, from your competitors. Relationship marketing could for this reason be a good strategy because being local and visible might make the entry barriers higher for new entrants that are geographically located somewhere else in the world.

The downside of relationship marketing is that it’s hard to use conventional advertisement or as said by Mildh Svensson (Appendix B, question 19) Classic advertising do not work for Berotec. You as a person have to be the advertisement, because it’s you the customer must learn to know for a relationship to grow strong. This means that building a network of new relations with customers etcetera will take long time. Stamina, both personal and economical, is of great importance to reach success because you will certainly fail if you try to take the easy and quick way out.

Another downside of relationship marketing is that the person that acts in a brand name is more important than the brand name itself because you have a relationship with persons not with brand names. I believe that the receiver of a brand name needs to have several good experiences with different people from one brand name before the brand gets bigger than the persons themselves. This might result in that no one cares about the brand making traditional advertisement even harder and by this more difficult to build a strategy on brand name.

**What kind of barriers do companies face when entering this market?**

Today when being in the middle of a massive economic recession, one of the first issues one will meet when entering this market is the competition with overcapacity in the market with consultants that stay and fight it out, especially those whose competence is from the today dead automotive industry. This is stated by Kotler and Keller (2006, p.342-343) who when describing Porter’s Five Forces model mean that the worst case is when entry barriers are low and exit barriers are high: Here firms enter during good times but find it hard to leave during bad times. The result is chronic overcapacity and depressed earnings for all. This is the situation of the consultancy industry around Gothenburg today in the early spring of 2010.

The barriers in this situation for a new entrant is that it’s hard to book meetings with customer because the least they want is to waste time on a consultant salesperson when their focus is how to cut costs and by this often personnel. In the end it’s about saving their jobs. During a recession the purchase department of the big companies creates new framework agreements or put pressure on the existing suppliers of the agreement to
lower their prices. The big company’s purchasing department also tries to lower the number of suppliers to the framework agreement, letting only those in who is a big consultancy provider with low prices. During a recession most personnel stay put i.e. they’re not prone to change jobs making it very hard to attract new consultants.

6.2 Recommendations and future research

During the time this study has been written there has been one of the most massive economical recessions in modern time. The market situation during this time is indeed very special. As I see it, this economical recession will change to a flourishing economy in the future years. This leads to an interesting opportunity for future research regarding this issue, because when the situation changes the market will follow making this study a good comparison to that new study.

As years go by everything changes. I do believe that relationship marketing however stay strong or even will grow stronger. As long it’s humans that create business opportunities, relations are in my opinion vital for success. This could also be an interesting case to study i.e. the development of relationship marketing in the future.

Another good idea might be to evaluate the situation in other countries. Is the relationship marketing equally important as it is in Sweden today or does its’ importance change in accordance to what country you analyse?

At last, one can analyse if it is a different situation if you work with traditionally employed personnel than it is when working with self-employed organisations?

This study could be useful for entrepreneurs that seek new ways of gaining success in a market or want to enter the consultant market within Sweden. There are no golden ways of reaching success and every situation needs to be deeply analysed before knowing how to act. However, I believe in the importance of building strong relationships within a business and its surroundings is vital for success in a world that more and more goes toward virtual interaction with increased competition within all areas, both local and worldwide.

The main goal for this study is to evaluate and analyse the situation when entering a new market within the technical consultant industry, with focus
on doing this with a self-employed organisation. First this self-employed model is unique within Sweden and secondly it has been an interesting time doing this study during one of the most massive economical recessions in modern time. Being part of this during that time I believe that this type of self-employed organisation together with the power of relationship marketing has been very successful. During 2009 my local organisation in Gothenburg increased its turn-over by more than 35 %.

It’s always hard to know if one has added something to the existing theoretical knowledge about marketing. In this case with my recent experiences I’ve shown that the mixture of relationship marketing and networking truly works well together both in theory and in practice.

I hope that my study can inspire others to dig deeper into this subject and by this keep on developing this market strategy.
References

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21 Mildh Svensson, Håkan. Interview - Appendix B

22 Nilsson, Lennart. Interview - Appendix A


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General review


Appendix A - Interview with Mr. Lennart Nilsson

1. When did you start your local Berotec office?
   2004-04-01
2. What role in employment did you have before joining Berotec?
   General Manager for a division within a regional located technical consultant company.
3. How long is your total experience from the technical consultant industry?
   20 years.
4. How long is your experience from the technical consultant industry, when it comes to management positions?
   20 years.
5. What was the main incident that got you the idea of starting a local office within Berotec?
   Freedom and a drive and wish of doing it myself. Why generating money for someone else when it is you who do all the work?
6. How many consultants have you today in your local network in Linköping?
   23.
7. What was the hardest choice made when you decided to join Berotec?
   If I should enter the same type of business again. Is it maybe a good time to change to another type of business?
8. How was your situation before joining Berotec, regarding work?
   My contract was terminated with 12 months of paid salary.
9. Were you happy with this situation? Why or why not?
   No, I was forced to solve my working situation, but I was insecure on what I should really do.
10. Were there any bitterness or fight back mentality that made your situation easier or maybe more difficult when joining Berotec?
    No, absolutely not.
11. What were your main goals with Berotec?
    To build a local department up to a fairly size, so that I could earn good money at a descent work rate. At the same time I wanted to be part of Berotec’s strive to grow regionally.
12. How did your family react when you presented this idea?
    They were only positive. Self employment is something you should have done a long time ago.
13. Were you at one time or another uncertain if you should succeed or if the model itself would work in your present surroundings.
I believed at the beginning (before I started at full time) that the model should be hard to sell. However, at an early stage I understood that this was not the case.

14. Now looking back, what has been the most challenging task or event when starting your regional office?
To be able to grow to a size that makes us an important actor in the regional market and at the same time retains our high competence and integrity.

15. What has been the most rewarding for you as a person about joining Berotec?
The freedom within our model. I decide myself over my own situation.

16. What would you say is the most crucial success factor about Berotec?
The competence of our consultants, the freedom of being self-employed and the business likeness of our sales people.

17. What would you make different if you started it today?
More local advertisements to increase our visibility to the market.
More open activities and seminars.

18. What would you do the same if you started it today?
Mostly the same.

19. Do you think there are any strong indications of relationships within Berotec? If yes, please describe how these relationships express.
Yes, and this is built on feelings. Some people feel more for each others and these tend to cooperate at a higher rate. There are today a “we” within Stockholm and “the others” that are outside!!!

20. Do you believe that you have to be a good relationship builder to be part of Berotec? Why or why not?
Yes, I believe so. But this is not unique for Berotec. We are a network-based company who gain success through building of networks and in this case relationships are a major parameter.

21. When it comes to marketing, what do you believe has been successful when recruiting consultants?
The “mouth to mouth” method i.e. our consultants speak positive about our model. Seminars for new recruitment. The Berotec model and interesting assignments.

22. When it comes to marketing, what do you believe has been successful when attracting new customers?
Our competence and drive of the market and sales people. This means that we are visiting customers at a higher rate.
23. When it comes to marketing, what do you believe has not been successful for instance when recruiting consultants?
   It’s hard to convince people of the advantages of our model and being self-employed. At the same time we haven’t had all the internal processes in place i.e. insurances etc to offer our self-employed partners.

24. When it comes to marketing, what do you believe has not been successful when attracting new customers?
   That we have a higher fee than most of our competitors and that this fee is hard to lower due to our model. It will be too little left to the consultant.
Appendix B - Interview with Mr. Håkan Mildh Svensson

1. When did you start Berotec?
   I started Berotec in year of 2000

2. What role in employment did you have before joining Berotec?
   I was site manager, in Stockholm for another consultant company called Knight Industri teknik AB.

3. How long is your total experience from the technical consultant industry?
   I started in 1985 and have been in this industry since then – 24 years.

4. How long is your experience from the technical consultant industry, when it comes to management positions?
   Since 1995 I have had management positions – 14 years.

5. What was the main incident that got you the idea of starting Berotec?
   When Knight was sold to WMdata in 2000, I understood that the demands should be even higher and at the same time I was “overrun” by a colleague and I missed my job! – That was the starting point to really do it my way – not the wrong way to fulfil other owner’s dreams.

6. How many consultants are there today in the local network in Stockholm?
   Approximately 90.

7. What was the hardest choice made when you decided to start Berotec?
   I must say I didn’t reflect on any hard choices. The only matter was to make the first colleagues to follow me – and at the same time convince the clients that this new way of doing it was even better than the usual and traditional way.

8. How was your situation before starting Berotec regarding work?
   I was occupied at Knight. I had 6 months of “of work” with full payment. But when I realized that this was coming – I made an agreement to get loose from Knight earlier (3 months).

9. Were you happy with this situation? Why or why not?
   I was really happy – Nobody wants to stay in office when you’re pulled out ….

10. Were there any bitterness or fight back mentality that made your situation easier or maybe more difficult when starting Berotec?
Of course I was angry and disappointed in the beginning – And I’m sure that that energy/mentality to “show them bastards” made it easier. That feeling was even stronger within the consultant team.

11. What were your main goals with Berotec?
   To be the best alternative for both clients and consultants (for ever). Size, profit, power and exit plans are not in my mind, as long as I can fulfill my dreams and have a happy organization to meet every day. If we can make other companies do the same and re-order traditional thinking of how business in the future should work it will be nice.

12. How did your family react when you presented this idea?
   With joy.

13. Were you at one time or another uncertain if you should succeed or if the model itself would work in your present surroundings.
   I did never feel any uncertain about my own skills or possibilities – My worries was regarding if the consultants had the guts to participate.

14. Now looking back, what has been the most challenging task or event when starting Berotec?
   The challenge is to go from one person in charge – to distribute this to several other people. Not obvious that everybody else’s goals and values are the same as mine.

15. What has been the most rewarding for you as a person about starting Berotec?
   To see all happy and proud faces of consultants that took the step into the future with me.

16. What would you say is the most crucial success factor about Berotec?
   Strong and clear methods, no hidden agendas and quality before any other goals.

17. What would you make different if you started it today?
   The thoughts about the strength about sharing the stocks to so many people feels not as necessary now as when we started. And it has a big workload every year without the result as we hoped for.

18. What would you do the same if you started it today?
   Distribute the idea to strong leaders throughout Sweden (and abroad next time) and let them build their own organization.

19. Do you think there are any strong indications of relationships within Berotec? If yes, please describe how these relationships express.
   I see strong relations between all sales personnel – and more than 80% of all consultants has been recruited by already existing
Berotec – That convince me that strong relations exists. Several of my former clients from earlier time, now are colleagues of mine – even that means relations to me.

20. Do you believe that you have to be a good relationship builder to be part of Berotec? Why or why not?
YES, without that capacity you will have problems to connect with colleges and clients. These booths categories are the platform for survival as self-employed consultant – and for us that are the main skill we search for when looking for more colleagues.

21. When it comes to marketing, what do you believe has been successful when recruiting consultants?
Proud colleagues that promote Berotec to their friends, and the time it takes to come to full understanding (6-9 months) before the consultant takes the magic step to be a Berotec-consultant! You can’t stress this and by this I believe it minimizes the number of wrong decisions.

22. When it comes to marketing, what do you believe has been successful when attracting new customers?
The good relationship building and long term focus together with personal meetings at a high frequency by all sales personnel.

23. When it comes to marketing, what do you believe has not been successful for instance when recruiting consultants?
When we already have an assignment without any consultant ready for it. At this time we from time to time, just pick up “anyone” from outside without checking all details, values and stuff. These recruits often have bad outcome (they make less good work or they only stay for one gig).

24. When it comes to marketing, what do you believe has not been successful when attracting new customers?
Classic advertising do not work for us.