LUT University
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International Marketing Management

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SELLING A NEW INNOVATIVE PRODUCT IN A B2B MARKET

Master's Thesis 2019

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ABSTRACT

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The goal of this research is to deepen the understanding of selling a new innovative product in a business-to-business (B2B) market. Companies are increasingly developing new innovative products to be able to compete in today's global market. Selling a new innovative product can be quite challenging due to the complex nature of innovations. The focus of this research is on a segmentation process and value-based selling. Earlier researches about these topics have not been studied in the context of selling a new innovative product in a business environment, thus this study provides new aspects.

The empirical part of the study was conducted as qualitative research. Seven semi-structured personal interviews were conducted in seven different organizations. The research showed that companies are executing segmentation that is not always comprehensive. The findings indicate that a properly executed segmentation process can give a competitive advantage. Companies understand that customer value is a key thing when selling a new innovative product. Nevertheless, some companies are not putting enough effort into emphasizing it. Value-based selling is a method that is beneficial for the customer as well as the seller. It is a method that helps companies to produce positive aha moments to customers. These aha moments increase customers' willingness to buy a new innovative product.

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Tämän tutkimuksen tavoitteena on syventää ymmärrystä uuden innovatiivisen tuotteen myymisestä yritysmarkkinoilla. Yritykset kehittävät jatkuvasti uusia innovatiivisia tuotteita, jotta he pystyvät kilpailemaan tämänpäiväisessä globaalissa markkinassa. Uuden innovatiivisen tuotteen myyminen voi olla melko haastavaa innovaatioiden monimutkaisuuden vuoksi. Tämän tutkimuksen panopisteenä on segmentointiprosessi sekä arvopohjainen myynti. Aikaisempaa tutkimusta ei ole suoritettu näkökulmasta, jossa keskitytään uuden innovatiivisen tuotteen myymiseen yritysmarkkinoilla. Näin ollen tämä tutkimus tarjoaa uusia näkökulmia.

Tutkimuksen empiirinen osa toteutettiin laadullisena tutkimuksena. Seitsemän puolistrukturoitua henkilöhaastattelua pidettiin seitsemässä eri organisaatiossa. Tutkimus osoitti, että yritysten toteuttama segmentointi ei ole aina kattavaa. Tulokset osoittavat, että asianmukaisesti toteutettu segmentointiprosessi voi antaa kilpailuetua. Yritykset ymmärtävät, että asiakasarvo on avainasemassa, kun myydään uutta innovatiivista tuotetta. Siitä huolimatta osa yrityksistä ei panosta tarpeeksi sen painottamiseen. Arvopohjainen myynti on menetelmä, joka on hyödyllinen sekä asiakkaalle että myyjälle. Se on menetelmä, joka auttaa yrityksiä tuottamaan positiivisia ahaa-elämyksiä asiakkaille. Nämä ahaa-elämykset lisäävät asiakkaiden halukkuutta ostaa innovatiivisen tuotteen.

ACKNOWLEDGEMENT

During this half a year I said that writing a master's thesis feels the same as building a house. There are so many time-consuming tasks, like searching, reading, transcribing, and analyzing, what needs to be done but cannot be seen from the end product. After you have finished one part of your workload, you are further, but the end is still far away. Now, I can proudly say that my master's thesis is done. I believe that the satisfaction and relief are almost the same after finishing either project.

Firstly, I want to thank my employer and supervisor for providing this opportunity to create this master's thesis. Also, I appreciate my examiners and all the interviewees, who gave their time and knowledge into this thesis. I feel gratitude towards LUT University and Lappeenranta since they have created a pleasant environment to study and live during these past few years. Lastly, the biggest thanks go to my Juho, who has supported and believed in me during my studies and this master's thesis.

In Helsinki, July 22nd, 2019

Sonja Hyytiäinen

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1 INTRODUCTION

Nowadays, companies are creating new innovative products to solve problems and to meet up demanding customers with specific needs. How companies choose their customers in a business field, and in what ways they are selling these innovative products? This research seeks to find answers to these questions.

This thesis consists of five major chapters. In the first chapter, readers are introduced to the topic and research questions are stated. When the idea behind this study is clear, relevant theories to the case are introduced. Segmenting business markets and value-based selling has valid points that explain how new innovative products could be sold in a business-to-business (B2B) environment. After that, it is time to see how theory meets up with practice. The empirical part has been carried out by interviewing several persons from different companies who have first-hand information on the matter. All the interviewees work in businesses that are selling innovative products to other companies. The fourth chapter presents findings that were gained during personal interviews. In the last part of this thesis, all the information is gathered up to discussion and conclusions.

1.1 Background

Why companies create new innovative products? Firstly, innovations can solve issues that persons, companies, and our environment have. Secondly, it can increase efficiency. Thirdly, it can give financial competitive advantage and increase profits. As can be seen, various reasons encourage companies to develop new innovative products. In this research, it does not matter which of these factors is the major force that drives companies to do so. This research seeks to find out how these new innovative products are sold and to whom.

Companies are increasingly forced to create new innovations in order to be able to compete in today’s global market. This, together with other aspects stated above, drives enterprises to develop and sell innovations. Even a good innovative product is not enough if companies do not put effort or thought on their segmentation or selling processes. Nonetheless, these processes might not be in companies' minds when they start selling their goods. The process of creating a new innovation can be quite a long both costly period, which leads companies to pursue starting product selling as soon as possible. In this equation, some steps, like segmentation, may be ignored even if the theory advises otherwise. This thesis finds out how theory meets up with practice.

The idea behind this study is to find out how to choose customers in a business-to-business environment, and how value-based selling fits when a company is selling a new innovative product. Traditionally firms have sold goods with only their own interest in their mind. When we are talking about innovations, several parties benefit from it. Value-based selling focuses on the value that customers are getting and it seems logical to sell innovations by highlighting the aspects that the customer benefits from.

1.2 Research questions

Selling a new innovative product in a B2B market is not an easy task that goes the same way every time. There are variables in each case that affect the process. Innovations, as well as the markets where they are sold, are different and there are no explicit guidelines on how to sell it and to whom. This research seeks answers on how new innovative products are sold, and what steps should be done. The following research questions are formed to find out the answers. The main research question of the thesis is:

How to sell a new innovative product in a B2B market?

Two sub-research questions are formed to support the main research question. Answers to these sub-research questions help to respond to the main question. The first sub-research question concerns segmenting the business market. The first sub-research question goes:

SQ1. How to segment a B2B market?

The second sub-research question is all about selling. The goal is to find out how customer value creation has been taken into account when a company is selling a new innovative product, and how value-based selling fits into the picture. The second sub-research question is:

SQ2. What value-based selling offers when selling a new innovative product?

These questions are answered in the last chapter's discussion and conclusions.

1.3 Literature review

There are various studies regarding a product launch. Some studies cover the topic more widely and some focus more on B2B or B2C aspect. Kuester, Homburg, and Hess (2012) state that internal and external launches are essential when a company is launching a new product. When the new product is thoroughly new to the company itself, the importance of the internal launch is even more vital. Industrial product launch is typically offensive (Hultink, Hart, Robben & Griffin 2000) and its promotion receives commonly poor attention and low expenditures (Abratt & Altena-Lombard 1993; Schmidt 1995) Hutlink et al. (2000) point out how vital appropriate promotion investment is. Industrial new product promotional tactics should concentrate on direct forms of communication: salesforce, public relations, and direct marketing. In a business-to-business market, the decision-making process is commonly rational. The B2B market often has expensive, technical, and complex items, which delivers innovative features as well as solve unique tasks. (Hultink et al. 2000) According to Abratt and Altena-Lombard (1993), successful new chemical products have a high level of innovativeness and uniqueness.

Schneider and Hall (2011) have listed reasons why most product launches fail. The biggest reason is lack of preparation. Companies spent time and money on designing and manufacturing new products while postponing market launch activities until it is too late. Another problem is that companies launch products which are not fully ready. Customers are not getting what they have been promised what causes irritation. Sometimes companies launch products that are not fulfilling customer needs, even though market research has been done. Wrong questions or too objective view can distort market research's results. Lastly, Schneider and Hall (2011) point out that even a revolutionary product might not have a market. That is why companies should remember to ask themselves who will buy the product and at what price.

In segmentation research, the key is to identify customer groups/segments which contain customers with approximately homogeneous needs (Dibb & Simkin 1994; Day, Shocker & Srivastava 1979) Unfortunately, many industrial companies are not putting much effort into identifying and implementing segments (Hlavacek & Reddy 1986). Dibb and Simkin (1994) phrase:

"Ease of implementation usually relates to the costs of identifying alternative segments and developing relevant marketing programs, which by default will require a restructuring of resources and approaches."

Wind and Cardoza (1974) state that many industrial segmentation strategies are based on intuition instead of sound marketing planning. Industrial companies tend to view markets sectorized and product-based rather than segmented by customer needs (Dibb & Simkin 1994).

Sharma and Sagar (2018) have studied new product selling challenges in the B2B ICT sector. Challenges are faced in customer-based, product-based, environmental, organizational, and personal level. The study shows how important role salespeople play when a company is launching a new product. Companies should address the problems that salespeople face, thus it improves new product sales. It is not an easy task to sell a new innovative product. Salespeople might have uncertain feelings towards selling the new innovative product since customers are dubious about purchasing such a product due to the risk of what they associated with it. Sharma et al. also stated how companies are trying to engage customers with creating customer value in various ways. Engaged customers share positive thoughts about the company's product more likely than customers who are not engaged.

Companies are continually adopting a customer-oriented view (Leigh & Marshall 2001). In B2B sales, the focus is on personal relationships rather than online commerce (Sharma et al. 2018), and salespeople are playing the key role when these relationships are formed (Beverland 2001). The idea is to be a customer-oriented value creator (Jolson 1997; Wotruba 1996) who creates a long-term relationship (Perreault & McCarthy 2002), which is mutually profitable for both parties: company & customer (Anderson 1996; Jolson 1997).

Saxe and Weitz (1982) have created the term customer-oriented selling as a part of their research back in the eighties. A definition of the term goes:

"The degree to which salespeople practice the marketing concept by trying to help their customers make purchase decisions that will satisfy customer needs".

Saxe and Weitz also came up with a list defining customer-oriented sales' characteristics:

a. The desire to help customers make satisfactory purchase decisions.
b. Helping customers assess their needs.
c. Offering products that will satisfy those needs.
d. Describing products accurately.
e. Avoiding deceptive or manipulative influence tactics.
f. Avoiding the use of high pressure.

(Saxe & Weitz 1982)

Later studies have been consistent with Saxe and Weitz's findings of customer orientation, yet the manner of conceptualization has varied. Some studies determine customer-oriented selling as a selling behavior, a selling method, a salesperson characteristic, or a selling approach. (Schwepker 2003)

1.4 Theoretical framework

In a B2B market the sales process can be more complex than in the consumer market. Sold products can travel a more diverse route compared to consumer sales. Figure 1. shows a scenario where company A puts its sales efforts towards company B. The segmentation process and value-based selling are targeted at company B. However, the material flow does not go directly to company B. Instead company A sends the goods to company C, which happens to be company B's supplier. After company C has refined the goods, they send those to company B. Company B then sells the goods to end customers, in this case to consumers.

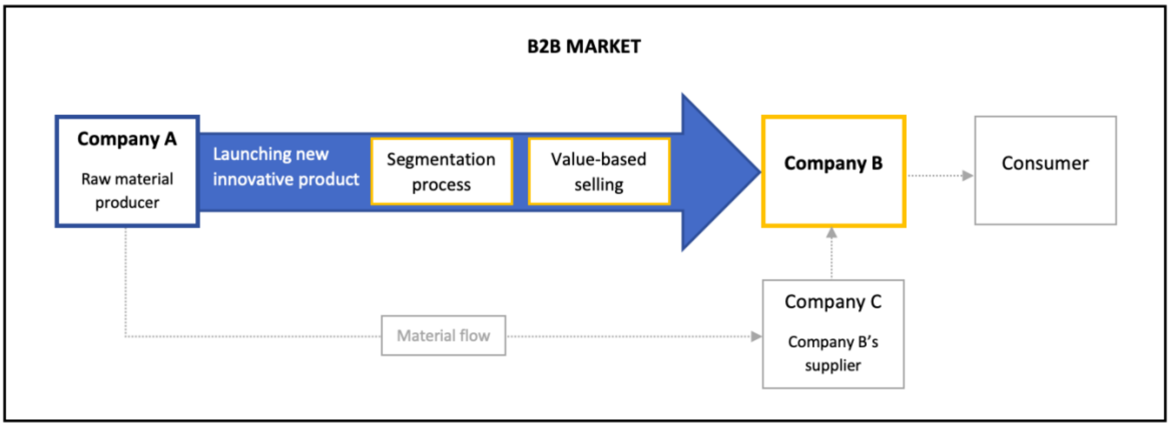

Figure 1. Conceptual framework

Launching a new innovative product is a big step to a company. Companies should execute the segmentation process, which includes segmentation and targeting, in order to be able to identify Company B. After that the focus moves to the selling method. In this case, value-based selling has been chosen to be at the heart of the research, and the key is to discover what it has to offer in this kind of situation. Overall the goal is to find out how to sell a new innovative product in a B2B market.

Figure 2. shows the theoretical framework of this research. It combines two theories: the segmentation process by Goller, Hogg, and Kalafatis (2002), and the value-based selling process by Töytäri, Alejandro, Parvinen, Ollila, and Rosendahl (2011). These processes have several steps, and those are linked to each other since the

first step of the value-based selling process is to identify suitable customers which are partly identified through the segmentation process.

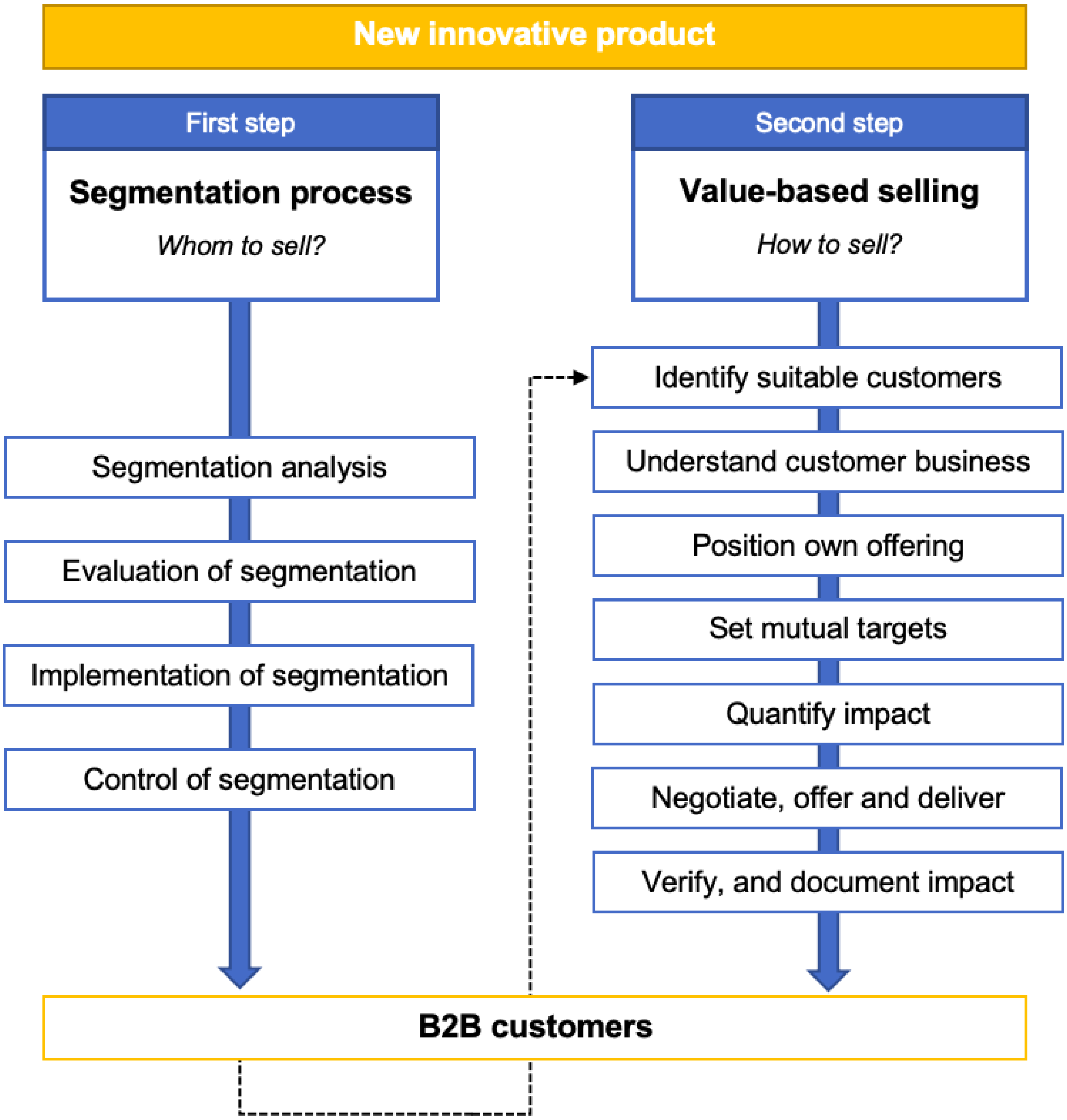

Figure 2. Theoretical framework
(Adapted from Goller et al. 2002; Töytäri et al. 2011)

Figure 2. should be read from the top left corner to the bottom left corner. After that, a black dashed line leads to the top right corner and then the focus goes to the bottom right corner. The segmentation process determines who are these B2B customers, and value-based selling actions are towards these same B2B

customers. More detailed introductions to these processes are introduced later on a theory chapter.

1.5 Definitions and key concepts

Innovation

Innovation is a new or significantly improved product, process, technology, or method that creates value. Innovations strength companies' competitive abilities and increase their performance. (Kanagal 2015; Castaño, Méndez, & Galindo 2016; Wang, Wang, Chang & Kang 2019)

Market segmentation process

Market segmentation is a specific technique for identifying groups of potential customers who have different needs, wants, and preferences. Whereas market segmentation strategy is a wide concept what refers to a strategic process with several steps listed by Hunt and Arnett (2004):

1. Identifying bases for segmentation
2. Using the bases to identify potential market segments
3. Developing combinations (portfolios) of segments that are strategic alternatives
4. Ascertaining the resources necessary for each strategic alternative
5. Assessing existing resources
6. Selecting an alternative that targets a particular market segment or segments
7. Securing the resources necessary for the target(s)
8. Adopting positioning plans for the market offerings for the segments
9. Developing marketing mixes appropriate for each segment

(Hunt & Arnett 2004)

The segmentation strategy can provide a competitive advantage and superior financial performance results, if companies identify segments of demand, target specific segments, and develop distinct marketing mixes for every different target market segment. (Dibb, Simkin, Pride, and Ferrell 1994; Hunt 2002)

Value-based selling

Value-based selling emphasizes value orientation at an operational level. Salespersons need to adopt a point of view where the idea is to seek value for the customer. Salespeople seek the value together with a customer by demonstrating the seller’s contribution to the customer's business profitability in clear financial terms. (Terho, Haas, Eggert, & Ulaga 2012)

1.6 Limitations

The research needs to be limited to keep its focus. This study focuses on the business environment, and the consumer market has been left out. The segmentation process and analyzes are deeply covered however, differentiation and positioning are not. Differentiation and positioning have been only shortly explained since those are not under interest in this research.

Value-based selling has been chosen because it seems to be the best fit for this case beforehand. Selling a new innovative product is a bigger challenge than selling an ordinary product. Companies need to explain their product more deeply in order to make customers understand what they are offering. Customer value is the core of value-based selling, which makes it a relevant procedure for this study. This study sticks with the term value-based selling, even though there are various terms explaining the same selling method. Other selling types are not covered in this research.

1.7 Research methodology

The empirical part of this study was conducted as qualitative research. Personal interviews were held face-to-face and via Skype during May and June 2019. The semi-structured interview method was chosen since it makes possible to get more profound answers. Interviewees are working in different fields in various organizations. All participants work in a company whose clients are mostly or only other enterprises. Also, all these companies are selling new innovative products or solutions.

1.8 Structure of the study

This study consists of five major chapters as seen in Figure 3. This figure demonstrates how the study proceeds. The first chapter introduces readers to the topic.

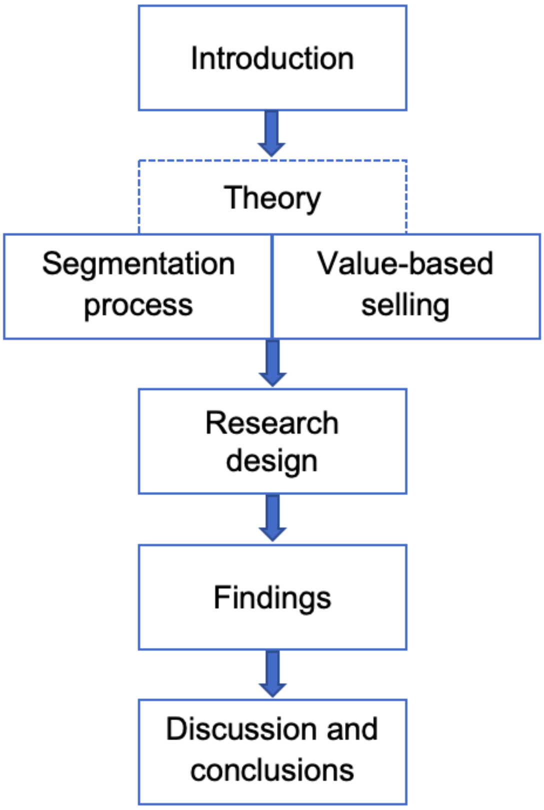

Figure 3. Structure of the study

The theory is written in a second chapter, which consists of both the segmentation process and value-based selling. All the relevant knowledge found from academic literature, scientific articles, and books are stated there. After that, the research design is introduced. The fourth chapter shows all the findings that were obtained from interviews. The last chapter conducts this research with discussion and conclusions.

2 SELLING VALUE TO TARGET CUSTOMERS IN A B2B MARKET

This chapter introduces literature related to two major theories: the segmentation process and value-based selling. The first sub chapters tell about market segmentation, business market segmentation, and international market segmentation. After that, the focus is on value-based selling, the role of salespeople, and innovation. The purpose of this chapter is to familiarize the topics.

2.1 Market segmentation

The center of market segmentation is an assumption that customers have similar references and buying behavior (Abell 1980; Green 1977; Wind 1978). The strategy behind it consist of the division of a huge market into segments of customers with distinct needs, characteristics, or behavior. This process helps companies to understand how customers differ and create specific procedures towards the selected target segment. Tailored policies improve customer satisfaction, which leads to an increase in revenue. (Liu, Liao, Huang & Liao 2019) A market segment can be defined as:

"A group of present or potential customers with some common characteristic which is relevant in explaining (and predicting) their response to a supplier's marketing stimuli." (Hutt & Speh 2010, 124-125).

Kotler and Armstrong (2018, 212) have listed four main steps on how to design a customer value-driven marketing strategy. As seen in Figure 4., the steps are segmentation, targeting, differentiation, and positioning. The first two steps, segmentation and targeting, are introduced in the next chapters.

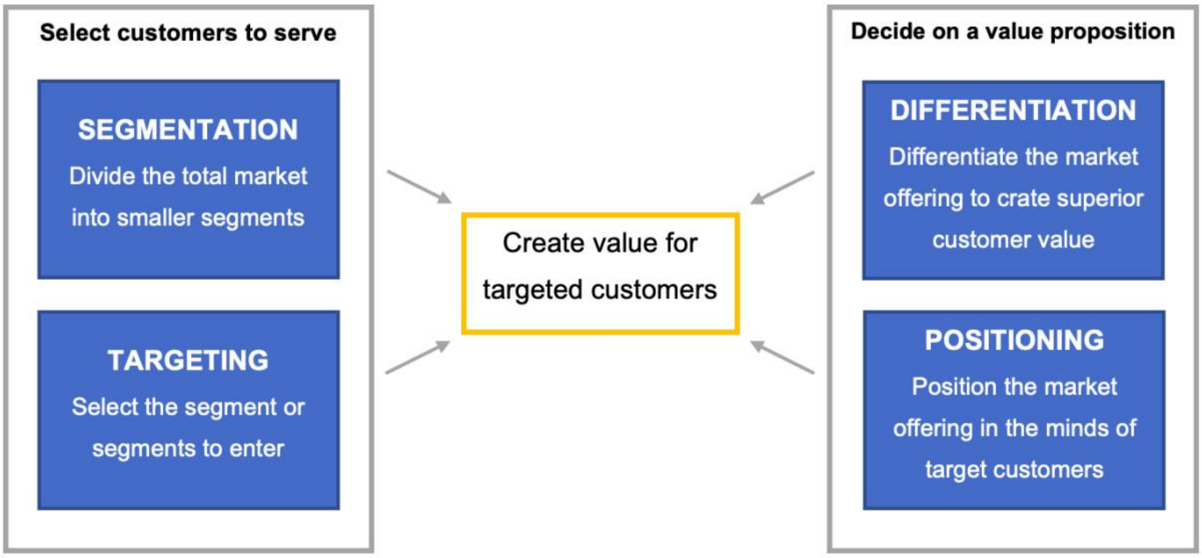

Figure 4. Designing a customer-driven marketing strategy
(Kotler & Armstrong 2018, 212)

As Figure 4. shows, companies need to select customers to serve. The choosing can be made by utilizing segmentation and targeting. After that, companies should decide a value proposition, both differentiation and positioning help with that. The end goal is to create value for targeted customers.

2.2 Business market segmentation

In 1956 Wendell Smith recognized the nature of segments, and he put forward the segmentation concept (Wedel & Kamakura 2000, 3; McKechnie 2006). Since that the concept has emerged and nowadays it is an essential concept in business and consumer fields (Goller, Hogg & Kalafatis 2002). It is commonly agreed that segmentation is a fundamental component when a company is creating their marketing strategy (Palmer & Miller 2004; Dibb, Stern & Wensley 2002; Rao & Wang 1995). There has been a study that listed 153 marketing issues. Leading marketing professionals evaluated these issues, and their conclusion was that segmentation is the most critical concept of all. (Stines 2003) Market segmentation allows companies to concentrate their resources more effectively, and it provides a possibility for a greater chance of success (Goyat 2011).

Business markets can be segmented in various ways, and there are not any specific rules on how to do it (Goyat 2011; Weinstein 2011). Researchers have created different process models that describe how to execute segmentation. Simkin (2008) has created *six stages* model, which consists following six steps:

1. Convening the team
2. Describe current customer groups
3. Analyze the customer characteristics and buying behavior in each group
4. Further proliferate the number of distinctive customer groups
5. Re-aggregate the customer groups to form market segments
6. Select the segments to target and develop marketing programs for engagement

On the other hand, Weinstein (2011) have explained *four-stage* process what illustrates steps from the segmentation design phase to the execution stage:

1. Corporate commitment
2. Research / refinement
3. Strategic implementation
4. Evaluation / enhancement

Lastly, Goller, Hogg, and Kalafatis (2002) have stated that the segmentation process can be described by four phases:

1. Segmentation analysis
2. Segmentation evaluation
3. Implementation of segmentation
4. Control of segmentation

As can be seen, all these different models consist of the same elements, and they are quite similar. Analyzing, implementing, and evaluation seem to be major steps in the segmentation process. Goller et al. (2002) have explained this business segmentation process more deeply, see Figure 5.

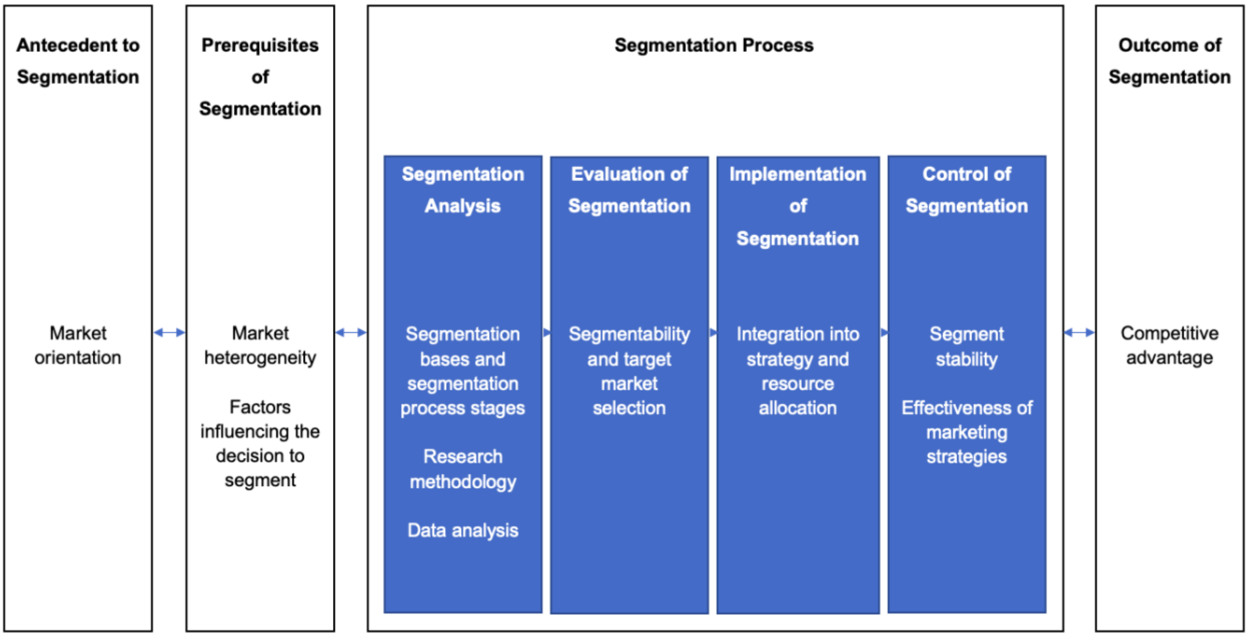

Figure 5. An integrating framework of business segmentation (Goller et al. 2002)

The integrating framework of business segmentation, Figure 5. shows how four different components are linked and what they consist. Before the segmentation process, there are factors that affect to it: market orientation, which means anticipating customer needs and wants and meeting them by offering innovative products and solutions (Slater & Naver 1995), market heterogeneity, and other aspects affecting to decision making. Afterward, a competitive advantage should be achieved as an outcome of segmentation. The main part, the segmentation process, is introduced next.

2.2.1 Segmentation analysis

Segmentation analysis is the first step of the segmentation process (Figure 5.), and it consists of all the activities that are involved in dividing a heterogeneous market into homogeneous sub-markets. This step can be split into three elements:

1. Segmentation bases and segmentation process stages
    - Macro variables
    - Micro variables
2. Research methodologies
3. Data analysis

(Goller et al. 2002)

Segmentation bases and segmentation process states are an essential part of normative segmentation frameworks. In the 1980s, Plank (1985) explained three approaches to how segmentation bases can be selected:

1) Unordered or single-stage models: A segmentation dimension has been selected without expressed reasons behind it.
2) Two-step models: Macro/micro segmentation: Macrosegments are based on geographics, organizational size, sector, and usage. Microsegments are based on behavioral factors, like psychographics, adopter characteristics, benefits, and purchasing approaches.
3) Multi-stage models: Propose more than three process stages.

The use of a multi-step approach (using multiple business segmentation bases) should provide the best view of potential market segments and target markets (Plank 1985). Still, there has been only limited work on the multi-step segmentation tool. However, there is one exception and it is Bonoma and Shapiro's (1983) nested model. The nested approach was invented in the 1980s, but it is still valid today (Weinstein 2011). The nested model is a useful and comprehensive way for segmenting business markets. It consists of five nests (bases), see Figure 6., and it describes related segmentation variables:

1) Demographics – *industry, company size, and customer location*
2) Operating variables – *technology, user status, and customer capabilities*
3) Purchasing approaches – *purchasing function organization, power structures, buyer-seller relationships, and purchase policies/criteria*

4) Situational factors – *urgency of order fulfillment, product application, and size of order*
5) Buyers' personal characteristics – *buyer-seller similarity, attitudes toward risk, and buyer motivation/perceptions*

   (Bonoma & Shapiro 1983)

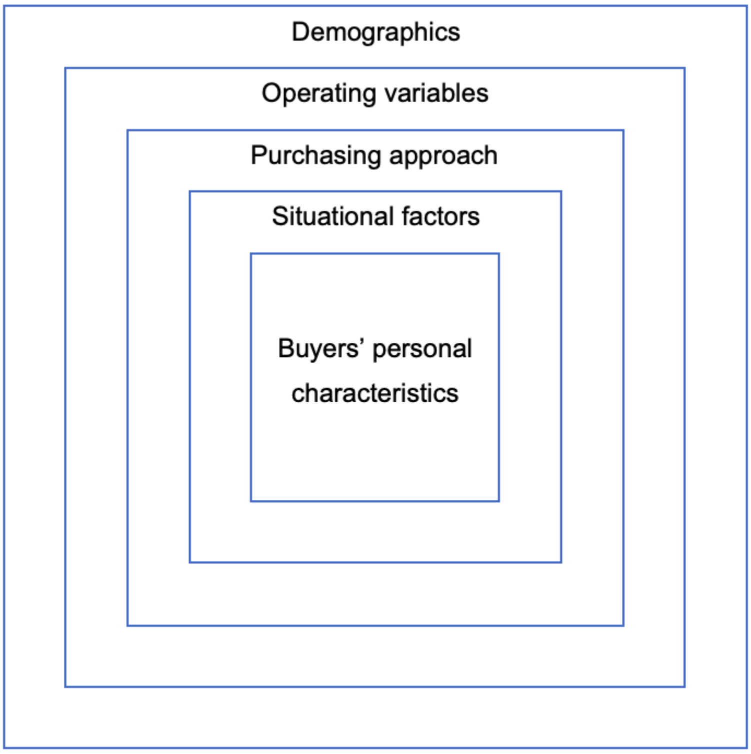

Figure 6. Nested segmentation approach
(Bonoma & Shapiro 1983)

Outer nests (1 to 3) are easier to handle than inner nests (4 and 5) since there are more data available. That is why marketers should start work systematically with the first three nests and after that move to the last ones. Sometimes inner nests might be more useful. (Weinstein 2011) Palmer and Miller (2004) say that effective segmentation in a B2B market can be done by utilizing the nested approach. Despite the long age of the nested segmentation approach model, it solves segmentation challenges really well in industrial markets (Cates 2002; Palmer & Miller 2004). There are not any new multi-step models that would have overbeaten the place of nested approach (Weinstein 2011). In the twenty-first century, it is much more difficult to segment a market than in the seventies when this nested model was formed. Nowadays, it is more important to segment the market since everyone is doing that by using demographics. Today the competitive edge can be found from the fourth and fifth nests: situational factors and buyer's competitive edge. These two inner nests are in a key role in the twenty-first century and should be in a center of attention. The three first nests should be left more in the background. (Cates 2002)

The second element of segmentation analysis, research methodology, explains that suitable research methodologies and data requirements vary in different bases (Plank 1985). Macro and micro segmentation bases demand different methods. Expert perceptions and secondary data sources are valid in macro segmentation bases, unlike micro segmentation bases that require primary data. (Goller et al. 2002) Powers and Sterling (2008, 171) state that an ideal B2B segmentation method combines low cost and ease of access to the demographic approach (macro) with the knowledge of distinct customer needs (micro).

The third and last element of segmentation analysis, data analysis, explains the use of statistical tools and analysis. Micro segmentation requires at least some statistical analysis without exception, whereas macro segmentation does not demand these actions. Some analytical techniques were recommended: cluster analysis, factor analysis, discriminant analysis, and structural equation modeling. (Goller et al. 2002)

According to some studies, there can be nominated two streams of existing market segmentation methods: priori approaches and post-hoc approaches (Green 1977; Wedel & Kamakura 2012; Wind 1978). In priori approaches companies determine the number and type of segments in advance, by using prior knowledge or speculated factors that are associated with customers, services or goods, for example, purchase amounts, demographic characteristics, and geographic areas (Han, Ye, Fu & Chen 2014). In post-hoc approaches segmentation decisions are based on companies analyzes on market data. Post-hoc approaches includes large range of segmentation techniques: clustering (Balakrishnan, Kumar & Han 2011; Dowling & Midgley 1988; Tsafarakis, Grigoroudis & Matsatsinis 2008), category management (Han et al. 2014), classification and regression trees (CART) (Fan & Zhang 2009), self-organizing map (SOM) (Kiang, Hu & Fisher 2006), and multi-objective evolutionary algorithms (MOEA) (Liu, Ram, Lusch & Brusco).

2.2.2 Evaluation of segmentation

Evaluation of segmentation is the second step of the segmentation process (Figure 5.). This step consists of two types of evaluation criteria: segmentability and target market selection.

Segmentability means that segmentation should be effective and also bring some benefit to the company (Kotler & Armstrong 2018). In order to be able to fulfill these requirements, segmentation must be:

- Measurable (Size and purchasing power can be identified)
- Accessible (The segment can be reached and served)
- Substantial (The segment is large or profitable enough to serve)
- Differentiable (Segments are distinguishable, so distinct segments react differently to different offerings)
- Actionable (A company should have enough workforce to fulfill segmentation).

(Kotler & Armstrong 2018, 221; Brady, Goodman, Hansen, Keller & Kotler 2009, 357)

Kotler's list of segmentation criteria is extensively accepted in the literature (Goller et al. 2002; Cross, Belich & Rudelius 1990, Kotler 1997).

Target market selection includes evaluating and choosing the target segments. Companies need to evaluate what segments they can serve best. Evaluating can be done based on three factors: segment size and growth, segment structural attractiveness, and company objectives and resources. Segment size and growth vary, and different companies have different preferences. Larger companies have more recourses and capabilities to serve larger segments than smaller companies. (Kotler & Armstrong 2018, 221-222; Wilson 1986) Porter's Five Forces Framework helps to identify the attractiveness of a segment. As seen in Figure 7., the forces that affect industry competition are threat of new entrants, threat of substitute products or services, bargaining power of suppliers, and bargaining power of buyers. (Porter 2008)

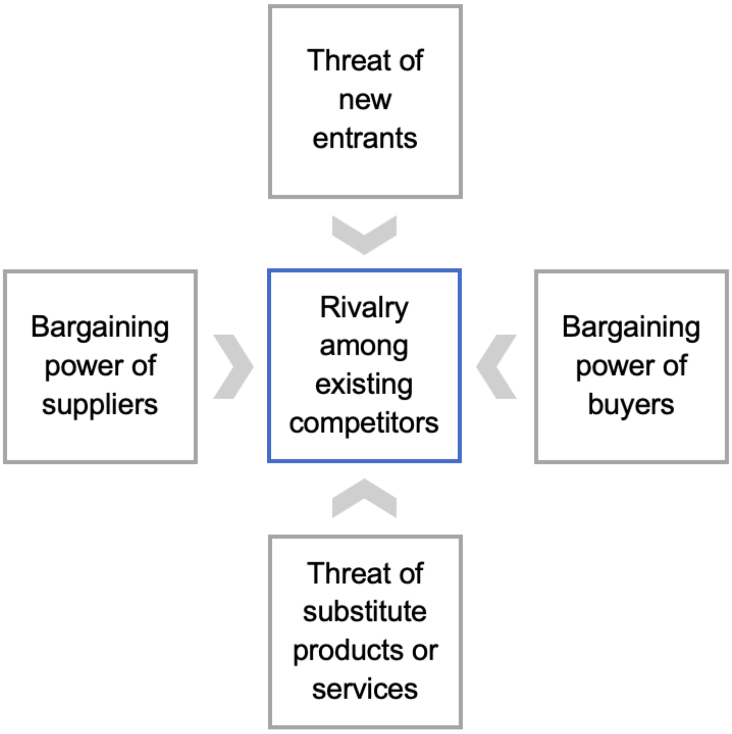

Figure 7. Porter's Five Forces
(Porter 2008)

A segment is attractive if there are no strong and aggressive competitors, and if it is easy to enter the market. Substitutes can affect to the prices, and profits, thus a segment is more compelling if the threat of substitutes is small. Powerful buyers and suppliers can affect to the prices, and that affects to the profits. (Kotler & Armstrong 2018, 222)

Selecting the target markets is an important decision since it affects and sometimes directly determines a company's marketing mix. The marketing mix keeps inside four strategies related to the product, price, place (distribution), and promotion. (Goyat 2011)

2.2.3 Implementation of segmentation

The implementation of segmentation is the third step of the segmentation process (Figure 5.). It is known for a long time that segmentation should be linked directly to resource allocation and strategy formulation (Mahajan & Jain 1978; Beik & Buzby 1973; De Kluyver & Whitlark 1986). Piercy and Morgan (1995) have identified three layers of implementation of segmentation: strategic segmentation, managerial segmentation, and operational segmentation. This concept has its own faults since decision making is not happening so strictly forward (Goyat 2011).

2.2.4 Control of segmentation

Control of segmentation is the fourth and last step of the segmentation process (Figure 5.). Segments should be monitored in order to be able to follow segment stability. Segment stability reflects the level of homogeneousness of a segment. Different factors, such as a change in preferences and segment size, modify the stability of a segment. (Calantone & Sawyer 1978; Hu & Rau, 1995) Companies should also monitor market effectiveness in various segments. Customer conversion analysis and segment profitability analysis are good ways to control and evaluate market effectiveness (Bonoma & Shapiro 1984).

2.3 Segmenting an international B2B market

Innovative and effective segmentation has become a strategic essential for technology and business marketers. Many people knowledge the importance of segmentation as a valuable strategic tool in business marketing, still some are not sure about its usefulness. (Weinstein 2011) There has been a survey that conducted 200 top executives. The survey stated that within 2 years, 59 percent of large companies carried out a major segmentation project, still only 14 percent of the executives thought it brought real value. (Yankelovich & Meer 2006)

The business market has three different sectors to serve: commercial enterprises, institutions, and government. All these sectors include various segments with different needs and habits. (Hutt & Speh 2010, 124-125) Business markets can be segmented by using these characters (Kotler & Armstrong 2018, 220-221):

- Demographically (what includes industry and company size)
- Geographically
- By benefits sought
- Usage rate
- User status
- Loyalty status

Sometimes business marketers also use other variables, for example, operating or personal characteristics, situational factors, and purchasing approaches. (Kotler & Armstrong 2018, 220-221)

International market segmentation is a significant topic when a company is selling goods across national borders. The challenge that companies are facing is the incoherence in customer needs and wants across the globe, and how to effectively deal with this situation. (Kotler & Armstrong 2018, 220-221) Companies need to segment and target the market in order to find customers with similar needs (Dibb & Simkin 1994; Day, Shocker & Srivastava 1979).

2.4 Value-based selling

Value and customer value creation are major sources of competitive advantage according to various researchers (Butz & Goodstein 1996; Woodruff 1997; Hogan 2001; Huber, Herrmann & Morgan 2001; Ulaga & Chacour 2001; Anderson & Narus 2004). Many companies in the blue ocean or mature market find it increasingly hard to convey customers about the uniqueness and superb value of their products.

Buyers are often pressed on time, resources, and results. Hence, in order to able to convince buyers, seller companies need to support their sales efforts, with concrete proof of the value they can deliver to the customers, both post-purchase and pre-purchase. (Töytäri, Alejandro, Parvinen, Ollila & Rosendahl 2011) Researchers have a common understanding that creating superior customer value affects positively to customer satisfaction, loyalty, and retention (Khalifa 2004) along with long-term company survival and success (Woodruff 1997; Slater 1997; Eggert, Ulaga & Schultz 2006).

Kaario, Pennanen, Storbacka, and Mäkinen (2003, 9) have stated:

"The selling of value is about selling – not products, services or solutions but – business impacts that result in increased profits for the customer".

In other words, the idea behind value-based selling is to understand and improve the customer's business in a proactive manner. Terho et al. (2012) argue that value-based selling is a very important sales approach in business markets, especially when a company is selling complex and service-intensive solution offerings. Kaario et al. (2003) have also stated that product and solution selling can be viewed in contrast to value-based selling in terms of how a company is selling its goods to a customer.

There are two dimensions what characterized customer attractiveness for value based-selling (Kaario et al .2003):

1. The customer's willingness to partner
2. The value of relationship

Töytäri et al. (2011) expressed that if these measures are high, value-based selling is recommended. If they are low, it is better to use traditional product sales. In other situations, companies may choose between product and solution sales. It is possible to use all these sales strategies in the same organization, but the sales strategy used for a specific customer needs to be evaluated based on customer's characteristics.

To be able to get the best out of value-based selling, companies need to have a deep understanding of the customer and what they value. They also need to help the customer to react to environmental changes and explain how companies' offerings can help them to do so and create more value. Reducing tied-up capital and cost cutting programs are commonly used in industry to increase profitability. This requires selling value-added more than before. If value creation cannot be shown the customer might decide not to buy at all. (Töytäri et al. 2011)

Töytäri et al. (2011) have created a process framework for a value-based sales process (Figure 8.). Their study highlighted several key activities of a value-based sales approach and based on that they created this framework.

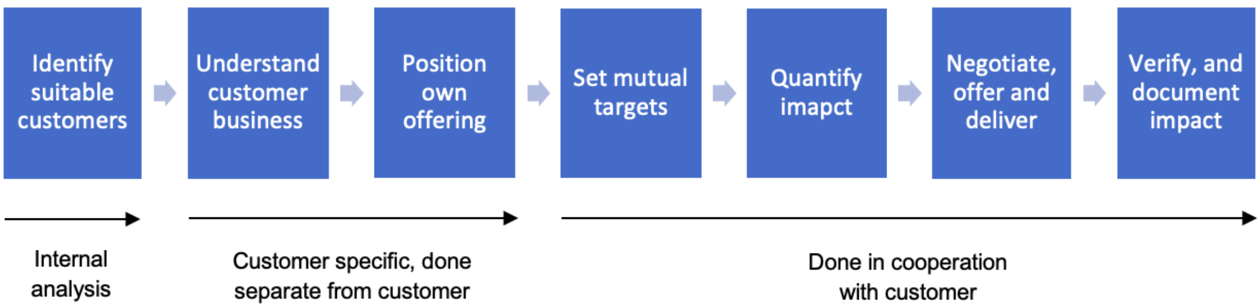

Figure 8. Value-based selling process
(Töytäri et al. 2011)

The first step in the process is to do some internal analysis of identifying suitable customers. After that, comes two steps what are customer specific and companies do them separately from customers. These steps are understanding customer business and position own offering. The last four steps are done in cooperation with customers. The steps go from setting mutual targets, to quantifying impact, to negotiating, offering and delivering, to verifying and documenting impact.

The value-based selling process enables the company to (Töytäri et al. 2011):

- Understand customer value (uncover the value elements, both customer segment specific and individual)
- Quantify customer value (Offer believable calculations as a proof of the value potential supplier’s offering holds for the customer)
- Communicate customer value (Value-based sales tactics, practices in the sales process to profit from customer value, and considering the human factor in communicating value creation)

Töytäri et al. (2011) see:

“Value-based sales is characterized by a customer-centric explorative process, characterized by value quantification and customer validation in each step, aiming at creating value for both parties (cf. Boyt and Harvey, 1997)”.

Lastly, Töytäri et al. (2011) listed eight key elements and activities what leads companies to successful value-based sales effort:

1. Identifying suitable customers
2. Understanding the customer’s business and the positioning of the firm’s own offering to deliver business impact
3. Involving the customer in the value assessment process and setting mutual targets
4. Quantifying business impact in cooperation with the customer
5. Tying price to realized value
6. Verifying and documenting realized value post-purchase
7. The importance of reference cases
8. The expertise-based skill-set required from “value-based sales forces”

In many cases, business demand is derived demand, which means that demand for consumer goods mainly derives it (Kotler & Armstrong 2018, 189). So, it all depends on how much consumers purchase on some products. For example, the sales of

Novelle mineral water effects to the need for plastic bottles, and the need for materials to produce plastic bottles. This aspect leads some companies working in the B2B market to promote their products directly to the final consumers in order to be able to grow the business demand (Kotler & Armstrong 2018, 189).

2.4.1 Salespeople

Previous studies and practice underline the role salespeople play in communicating value propositions to customers (Anderson, Kumar & Narus 2007; Terho et al. 2012; Eggert et al. 2006). In a business-to-business market, salespeople are often the primary source who are communicating with customers (Sharma, Tzokas, Saren & Kyziridis 1999). In B2B sales, the focus is on personal relationships with the customer (Sharma et al. 2018). As expressed above, salespeople are playing a key role when these relationships with customers are formed (Beverland 2001). Salespeople should be customer-oriented value creators (Jolson 1997; Wotruba 1996) who create long-term relationships (Perreault & McCarthy 2002), which are profitable for the company and the customer (Anderson 1996; Jolson 1997).

Hohenschwert (2012) has identified four salesperson’s roles in creating customer value in the B2B industrial market (Table 1.): advisor, broker, secretary, and friend. Each role has its own characteristics; resources, activities, and actors that are involved in the salesperson’s intention to create value for the customer. The most important resources are knowledge, network (or relationships), time, labor, and dedication.

Table 1. Salesperson's roles in creating customer value in an industrial B2B market (Hohenschwert 2012)

	Advisor	Broker	Secretary	Friend
Actors in contact with salesperson	• Customer contacts • Designer / developer • Third parties	• Customer contacts • Company internal contacts	• Customer contacts	• Customer contacts • Company internal contacts
Resources used by salesperson	o Explicit knowledge o Tacit knowledge / experience o Knowledge network o Customer relationship	o Customer network o Company internal network o Third party network	o Labor o Time o Dedication	o Time o Dedication
Activities conducted by salesperson	• Identify the problem • Engage in problem solving dialogue • Educate customer • Share customer knowledge internally • Integrate ideas / solutions internally	• Align different contacts within the customer • Manage projects within the customer company • Provide customer with all resources needed (solutions) • Sell internally	• Administrative support (reports) • Do the customer favors • Do the customer's work	• Be always available for the customer • Encourage face-to-face contact • Advice in challenging situations • Maintain good company internal relationships
Customer value created by salesperson	Knowledge Advise	Saved effort and time in internal coordination and access to resources	Saved time and efforts	Accessibility Reliability Feeling of being valued

Hohenschwert (2012) concludes her study with two statements. Firstly, industrial selling is interactive. Secondly, value creation happens in the individual level interaction. To conclude, salespeople’s internal interactions are just as essential as the customer interactions in order to create value to the customer.

“The value added by salespeople today is increasingly derived from intangibles such as the quality of the advice offered and the level of trust that underlines the relationship between the customer and the salesperson.” (Manning & Reece 2007, 7)

2.4.2 Innovation

An innovative solution is much more difficult to sell than a traditional solution. Customers are not aware of the need or problem, what a new innovation could solve. The level of innovation’s innovativeness varies, and so does the difficulty to commercialize it. Customers think that high uncertainty and risk of failure are linked to new innovations. Also, they worry what is the replacement cost, the time needed to learn new things, and lack of references. (Roune & Joki-Korpela 2008, 73-74)

In most cases, the company finds its first customer from a familiar industrial environment. The found customer is as excited about the innovation as the company. Together the innovation can be modified and formulated into a functional solution. With the functional solution, the company can seek more customers from companies who are open to trying new technologies and new ideas. Finding these customers can be a heavy, time consuming, and slow process. (Roune & Joki-Korpela 2008, 76-77)

Rogers (1983) studied the diffusion of innovations and he came up with a model of adopter categorization on the basis of innovativeness (Figure 9.).

“Innovativeness, the degree to which an individual or other unit of adoption is relatively earlier in adopting new ideas than other members of a social system.” (Rogers 1983, 245)

Categories of adopters model demonstrates how individuals adopt new innovations in different phages of a product life cycle (Rogers 1983, 245; Roune & Joki-Korpela 2008, 78). As seen in Figure 9. there are five different adopter types:

1. **Innovators**
   Innovators are the first 2.5% who adopt the innovation. They can be called also *Venturesome* or *Technology Enthusiasts*. These people appreciate new technology and they have almost obsession with new things. They want to eagerly try these innovations and make them work. Innovators see innovations' competitive advantage over the current field of products established in the marketplace.

2. **Early Adopters**
   Early adopters are the next 13.5% to adopt the new innovation. They can be called as *Respectable* or *Visionaries*. This adopter type has the biggest degree of opinion leadership in most social systems. Many potential adopters check early adopters' opinions before using a new innovation. Early adopters know how to match emerging technology to a strategic opportunity. Their temperament helps them to translate that insight into a high-visibility high-risk project, and by using their charisma rest of the organization buys that project.

3. **Early majority**
   Early majority is the third party with 34% who adopt the innovation. They can be called *Deliberate* or *Pragmatists*. This group is quite important since they are in between the very early and the relatively late to adopt and they are the link in the diffusion process. Early majority may consider some time before adopting the new innovation.

4. **Late majority**
   Late majority is the first group of late adopters with 34% who adopt the innovation. They can also be called *Skeptical* or *Conservatives*. This adopter

type adopts new ideas after the average person of a social system. Late majority are price sensitive, skeptical, and demanding.

5. **Laggards**

   Laggards are the last 16% who adopt the idea. They can be called *Traditional* or *Skeptics*. They like to follow the old ways of doing things.

   (Rogers 1983, 245; Roune & Joki-Korpela 2008, 78; Moore 1991, 22-27)

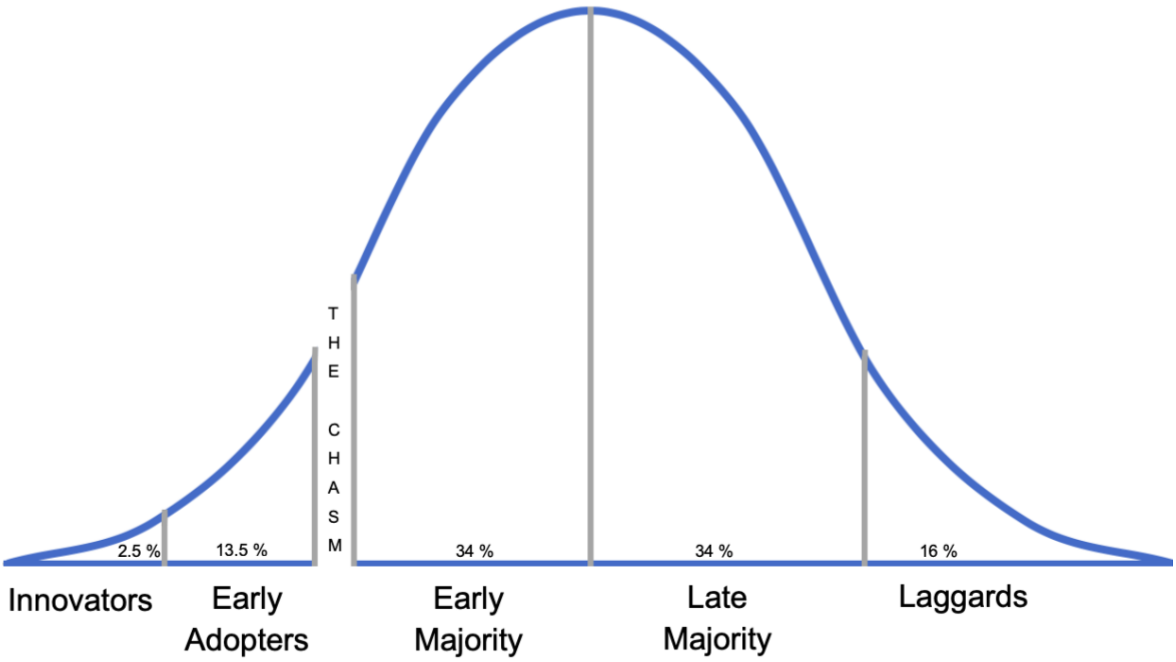

Figure 9. Adopter categorization based on innovativeness
(Rogers 1983, 247; Roune & Joki-Korpela 2008, 78; Moore 1991, 13)

A new product is often targeted to innovators and early adopters, who influence to later adopters (Kotler & Armstrong 2018, 179). This is smart since Roger found out during his studies that innovators, early adopters, and the early majority adopt a new innovation prior to the average time of adoption, while the late majority and laggards adopt after the average time of adoption. These earlier adopters usually are younger and better educated, they have greater upward social mobility, they tend to cope with uncertainty and change more easily, and they have greater exposure to interpersonal communications and mass media than later adopters. (Rogers 1983, 245-250; Mohr, Sengupta & Slater 2010, 239)

There is a change that selling an innovation slows down right after the beginning, and a company falls into the deadly *chasm*. Chasm is a gap between the early market (innovators and early adopters) and a mainstream market (early majority, late majority, and laggards). The case is that the early market is saturated, but the mainstream market is not yet ready to buy. The marketing what was effective with early adopter is not effective to the early majority. The goal is to pass chasm as soon as possible, do changes to marketing strategy and start selling to early majority. Identifying a beachhead and developing a whole product solution are good strategies to reach the mainstream market. (Mohr, Sengupta & Slater 2010, 242-243)

"The company failed because its managers were unable to recognize that there is something fundamentally different between a sale to an early adopter and a sale to the early majority, even when the company name on the check reads the same." (Moore 1991, 18)

3 RESEARCH DESIGN AND METHODS

This chapter focuses on the empirical part of the research. The empirical research was implemented as a qualitative study, and the data was collected through semi-structured personal interviews with several people from different organizations (Appendix 2.). In this chapter, the research context, data collection methods, and data analysis methods are introduced. Lastly, the reliability and validity of the study are evaluated.

3.1 Research context

This research was conducted for a large Finnish forest industry company. The goal was to find out how new innovative products are sold in B2B markets. Also, there was interest to see how theory and practice meet each other, in other words, do things actually happen as they suggest in theory. Two sub research questions were made, one regarding segmentation and another related to value-based selling. Answers to main and sub research questions were sought through both previous research and theory, and through interviews carried out.

Segmentation was chosen as a topic since it helps companies to limit the market and choose customers. Value-based selling was selected because it emphasizes the value the customer receives from the product. A new innovative product offers something new, and hypothetically it brings more value to its user. Developing a new product takes a lot on time and equity, which means that when a new innovative product is ready for selling, companies are pursuing good profits. When the customer understands what value they are getting by using this new innovative product, they might accept a higher price. Also, innovations can be quite complex. Thus, it is good for the customer to understand the value they get from the product. With these aspects in mind, the value-based selling method was selected for further examination.

Qualitative research aims to clarify the meaning and purpose of the matter under investigation (Fossey, Harvey, McDermott & Davidson 2002). According to Braun and Clarke (2006), qualitative research is conducted using a series of questions. The qualitative research method was chosen for this research since a customer choosing process, and selling methods, are phenomenon that are reasonable to explain verbally.

3.2 Data collection methods

An interview is a suitable data collection method for gathering facts and information about attitudes, experiences, behaviors, and processes (Rowley 2012). A personal interview provides in-depth information on the topic being studied, which provides more material for research. The researcher is able to guide the course of the interview and ask additional questions during the occasion. With additional questions, the interviewer can find out things that would have otherwise been left untold.

At first, several potential interviewees were connected via email. The response rate was remarkably high and almost all the requested interviews were held. The titles of the interviewees are listed next. The list has been formed in a way that it is not possible to connect the title, the name, the interviewee’s answers or the date of the interview together. The titles are:

- Sales Manager
- Manager, Sales Development
- Senior Sales Manager
- Senior Manager, Sustainability and Market Development
- Director, Films EMEIA
- Regional Sales Director
- New Product Development Director

The common thread that connected all the interviewees were the corporate market and new innovations. All seven interviewees are working more or less in different fields in various organizations. They all work in an enterprise whose clients are mostly or only other companies. Also, all these companies are selling new innovative products or solutions.

The data was collected through semi-structured personal interviews that were held in Finnish. One interview was held face-to-face, and the other six interviews were held via Skype. All interviews were recorded and transcribed, as agreed with the interviewees. Table 2. shows when these interviews were held and how long they approximately lasted. It can be seen that one interview took around 40 to 50 minutes, which was around 7 to 13 Word pages transcribed.

Table 2. Executed interviews

Interviews	Date	Contact method	Length of the interview (minute)
Interview 1	21.5.2019	Face-to-face	40
Interview 2	21.5.2019	Skype	50
Interview 3	22.5.2019	Skype	40
Interview 4	22.5.2019	Skype	50
Interview 5	29.5.2019	Skype	50
Interview 6	12.6.2019	Skype	50
Interview 7	17.6.2019	Skype	40

A set of questions were formed before the interviews started. There are totally 24 questions; two warm-up questions, eight questions about segmentation, 13 questions about value-based selling and a bonus question. The questions can be seen in Appendix 1. All the interviews followed the same path, and all the listed questions were asked from each interviewee. Some additional questions were also stated. The question form was not sent to the interviewees in advance, so they answered to the questions spontaneously at the time of the interview. This was done in order to get the most realistic answers possible. Hence, the interviewees had no opportunity to look through matters in advance, which could have distorted the real nature of the matters.

3.3 Data analysis methods

According to Saunders, Lewis, and Thornhill (2007, 474, 479), analyzing qualitative data requires categorization, unitizing the data, identifying relationships, and both developing and testing theories, so that conclusions can be reached. This process mixed with a deductive approach was chosen as a data analysis method in this research. Catanzaro (1988) has stated that deductive content analysis is suitable in cases where a researcher hopes to retest existing data in a new context. The researcher has to develop a categorization matrix and code the data according to the categories. When the matrix has been developed, it is time to review all the data for content and code for correspondence with or exemplification of the identified categories (Polit & Beck 2004).

All seven interviews were recorded and transcribed afterward. The transcriptions were printed to make it easier to process the data. After that, the data were categorized into two larger categories and five smaller parts. The first category, segmentation, consists of two smaller parts: market and customer. The second category is value-based selling, and it consists of three parts: seller, innovative product, and value. Lastly, there is a bonus category regarding the conceptual framework. Interviewees' answers were analyzed and utilized in the right categories. These answers are expressed in the next chapter. When all the empirical data was analyzed and wrote down, it was time to see how previous theories and researches match with the gathered data. These findings are expressed in the last chapter.

3.4 Reliability and validity

The aim is always to evaluate the reliability and validity of the research. In a good study, the research results are reproducible, and the chosen research method measures the desired phenomenon. (Hirsjärvi, Remes & Sajavaara 2013, 231-232) The researcher must describe the research process sufficiently clearly to allow the reader to assess the reliability of qualitative research (Yonge & Stewin 1988).

The research method of this study, qualitative research, was chosen to keep the reliability and validity of the study on the mind. The semi-structured personal interviews were conducted in a similar way each time. The interview situation progressed according to the pre-made question set (Appendix 1), and the sessions were recorded and transcribed later on. The interview questions were new to all the interviewees which guaranteed trustable answers. However, these answers might be more concise since interviewees did not have much time to prepare their responses. The research process has been described in a way that it can be reproducible. The good quality of the material was sought using relevant sources (Appendix 2.), and seven interviews were arranged. The interviewees are working in a similar environment, and they all have deep experience of B2B markets and innovations. The interviews with these people led to extensive, diverse, and reliable research data. Findings and conclusions based on comprehensive and reliable material increase the accuracy and relevance of these results.

When assessing the generalization of the research, it is good to take into account Yin's (2017) view that the form of research questions can help for seeking generalizations. "How" and "why" questions should be used by researchers in case studies. Some research questions were stated as Yin suggested. However, interviewees are all Finnish, they work in a multinational company or a company that does international trades. This affects to the generalization of the research. Even though all interviewees are working in an international business environment, the statements come from quite a homogeneous group of people. That is why these research results cannot be fully generalized on a larger scale.

4 FINDINGS

In this chapter, the interview findings are introduced. Interviewees are listed from A to G, and they are called as interviewee A = IA. All answers are combined and addressed at the same time. These findings are introduced in the same order as they were asked from the interviewees (Appendix 1).

In the beginning, all the interviewees introduced themselves. They told their name, company, position, and work experience. Interviewees are working in various well-known Finnish companies. They are experienced in their area; some have years and others a couple of decades of work experience. All the attendants are working in a company whose clients are only or mainly other companies. Also, they all see that they are selling new innovative products. Still, they were aware that innovation and innovative product can be determined in different ways, and it can mean different things to different people. Nevertheless, it can be seen that they all are selling innovative products in their own fields.

4.1 Segmentation

This part focuses on the answers regarding segmentation. A total of eight questions were stated concerning market and customer choosing. This chapter is divided into two sub-chapters based on executed categorization. The first one is about the market and the second one about the customer.

4.1.1 Market

The companies have chosen a market where they are selling their goods in different ways. The market was quite clear for interviewee A (IA) since their product is so market-specific. The situation was different for interviewee B (IB). The market was explored and found out together with the customer. Interviewee C (IC) said that their market was easy to choose since their customers are the next player in the value chain. Interviewee D (ID) told that they are operating worldwide. With new innovative goods, the first customers are tried to find in Europe. The market has been chosen during the product development phase narrated by interviewee E (IE). At the moment the market is very wide. IE told that they are bringing more innovative products to the market and at the same time expanding into new markets. The balance has to be found, and a decision has to be made where to go in which order. Interviewee F (IF) said that they have seen new markets been born and they have made decisions to go into those markets in the early phase. These markets are international, and some of them are older and some newer. Interviewee G (IG) expressed that they have chosen the most important markets in which they can serve from a logistical point of view. These markets must be profitable. Also, the market size and market attractiveness are taking into consideration.

The second question relates to factors used to segment/limit the market. These factors are listed in Table 3. IA said that in their case, the limitation comes from the legislation. According to IB, their product qualities limited the market. IC said that they sell basically to all the players on the market. It is essential to have fast deliveries; thus, customers tend to locate near shipping terminals. In that sense, it can be said that there are some geographical limitations based on location. ID told that they have limited their customers based on a factory size, and small companies are left out. IE expressed that they have to limit the market by the size of a customer's company. They cannot answer to the smallest customers. Also, they are limiting the market based on a geographic location. When the production facility locates on a certain continent, it is not profitable or worthwhile to ship these innovative products into other continents since it increases the product's price and carbon footprint. IF said that they have not limited the market as such, but there are some limitations based on the volume customers are ordering since there are not small orders coming through. IG stated that market size and profitability are factors that have been used to limit the market. The market has to be chosen in a way that a company can function there competitively and long-term.

Table 3. Factors used to limit the market

Interviewee	Answer
A	Legislation
B	Product qualities
C	Location
D	Factory size
E	Company size, location
F	Order size
G	Market size, profitability

The hardest thing about segmenting the market gave different answers. According to IA, they try to get the highest price, thus they have to execute an analysis on which client needs their product the most. IB thinks that the hardest thing is to determine the real value of a specific market. Also, when you have a new innovative product, might be that you do not know the real potential of the good. IC said that the mental side is hard since every customer seems important to a salesperson, but still, they have to do some categorization. This categorization leads to a situation where some customers get better service than others. IC stated:

"If all customers are in category 1, then there is no segmentation."

ID told that dividing liability, both handling, giving, and agreeing on guarantees with the customer are challenging tasks. According to IE, companies should understand all the product-specific requirements. IF told that technology and product category choices are probably the hardest things when the market is segmented. Companies need to decide where they want to be. IG expressed that segmentation is harder to do when there is not an existing business. In these kinds of cases, the segmentation is based on market research and the best views.

The most important thing to remember when segmenting the market is to remember your resources according to IA. You have to proportion your actions to your existing resources. If you only have one seller, you cannot start your business with a huge area or a huge number of customers. You need to pick the ones you think are the most suitable. IB says that there are two major things to remember: market potential and market delimitation. If you delimit the market too large or too small, your decisions might go wrong since market size affects to the decisions. If the market has been segmented too wide, there is a risk that the company loses some focus on their doing. In this case, it is also harder to find the most suitable customers, so-called low hanging fruits. On the other hand, if you limit the market too narrowly and focus too much on that narrow segment, you might miss some intriguing opportunities.

IC thinks that the most important thing to remember when segmenting the market is to look into the future. Segmentation should be done based on expectations of how much value a customer brings to a company in the future, instead of what has happened in the past. According to ID, it is important to know customer behavior in a specific market. IE expressed that it is important to understand the market and how mechanisms work there. IF told that companies should identify which market is big enough, and on top of that figure out is it a growing, declining, or stationary market. If the market is declining that is not a pleasant situation. Also, IF said that companies' strengths must be on a level that it can compete on a chosen market. IG told that the market segmentation has to be objective and transparent to the whole organization. Companies need clear scorecards, which give them data about profitability that they can use to support their decision-making and the segmentation process.

4.1.2 Customer

The fifth question is about how companies have chosen their customers. IA said that their customers have to buy a product like what they are offering. IB states that oh boy if you could choose your customers, that would be an ideal situation. They have limited resources, so marketing activities and resources are targeted at customers they see profitable. IC said that they have never needed to choose their customers since all the players on the market are their customers or potential customers. According to ID, their customers have a clear need for their products. IE told that they are in a rare situation where they can actually choose their customers. They want to know where a customer wants to use their product, what size the customer is, what is the sales potential, and how a collaboration with the customer can be formed. IF narrated how they target and focus their recourses on big customers who have great market shares in their segment. Also, it is desirable that these customers are seeking growth because it benefits both parties. If you are a supplier to a company that is growing, you get organic growth as well as kind of automatically. The purpose is to create long-lasting relationships with customers. IG expressed that customer choice is based on market research and a company's strategy. Also, mapping opportunities for collaboration, customer contacts, and target customers are ways to choose customers. IG said that they have contacted big brand owners since they are desirable customers for specific reasons. Also, they have contacted so-called converters and figured out possibilities for collaboration.

The sixth question seeks answers to a question of what analyses have been made before contacting the first customers. IA expressed that they have estimated the potential demand and done analyzes about big potential customers in the business area. IB told that they had conversations with consultants and potential customers, and these customers told what features are required for certain types of products. It is important for a company to understand the context and the language used in that specific product field. IC was not completely sure what steps they have made. ID told that they have chosen a few targets to whom they are offering their goods while keeping in mind realization and profitability. IE said that they do not do much contacting since they get so many requests from customers already. They will go through these inbounds and choose the customers based on the aspects IE stated in a previous question. IE told that if they are contacting customers by themselves, they choose companies who they know can use their product beforehand. IF said that their biggest customers have been around so long that it is hard to remember what steps have been made then. But at the moment the process consists of recognizing customers, seeking information from databases about their growth rates and the size of the companies. IG narrated that:

"Before contacting customers, companies need to know what they are selling, think through solutions, concepts, and pricing, create support as well as marketing materials. Also, they need to create a plan whom to call."

The seventh question is about contacting customers and has it been undefined/random or defined. IA told how they are participating in conferences and seminars in order to be able to increase awareness and create contacts known as leads. They also use a funnel model that includes people from different fields related to sales. In a market development phase, long and short term conditions are created for increasing product demand. After this, the marketing team can put their effort into these aspects what the market development suggests. The last part of this funnel model is sales. It can be seen that this process requires long-term work. This model might be structured, but the actions happening in the process might be random. Also, IB thinks that the customer contact process is both random and defined. When a company wants to open a new market, all the work has to be done purposefully. They want feedback from customers and key opinion leaders, who know all the regulations and the demand in that specific field. IB points out that the situation differs if you are selling a new innovative product or a product that has been on a market for a while. The process is more determined with a new product. IC said that it is more undefined. Salespeople have control over it, and it can be said that it is a little bit random. ID told that in most cases, it is acting by a gut feeling. IE expressed that when they decide to contact customers by themselves, it is extremely defined. They choose in detail those companies they are contacting. IF said that they have targeted the customers and contacted them consciously systematically. IG told that it is defined but there are a lot of random aspects as well. A phone is ringing constantly, and you need to figure out which contacts bring added value. IG concluded:

"Customer contacting should be defined, planned, and strategy-based."

The last question about segmentation is, what to remember when choosing the target market. The idea is to gather advice for a new beginner. IA said that your communication must be consistent. Just follow your own path and story, and do not denigrate your competitors, instead highlight those benefits that your own product brings. IB said that when you target a market, you might easily be blinkered, and you just focus on your own things. That has some positive and negative impacts. This focusing might blur your vision, and you cannot see all the possibilities around you. On the other hand, you need to have some focus otherwise everything spreads. IB points out that it is good to evaluate when to execute the segmentation. In the early beginning, it is not vice to carve the segmentation in a stone. Situations change when you have a new product, and you learn more every day. Also, it depends on the market. If the market is old and established, there are known players and supply, it is easier to execute the segmentation. IC stated that companies need to choose a business field where they have some kind of advantage. Companies must have a distinctive factor that helps them to beat the competitors in the selected markets. ID said that you must know the market and its customers. Also, willingness to cooperation is important. If there is a proven track record about customer’s cooperation skills that is even better. IE expressed that companies should familiarize the market they are going into and find out all the market-specific requirements. Also, a product is good to test in order to find out does it fit the purpose where a customer wants to use it. IF narrated how a market should be big enough and a company has to be in a condition that it can compete in the market and get some kind of position on it. Companies need to focus and invest in their own thing, instead of trying to do all the things by themselves and being in all the places at once. With new businesses and markets, companies need patience and time. Nothing happens overnight. IG expressed that companies must choose customers and markets where they can surely function profitably. Companies should not waste their recourses by selling in all over a world if they do not know how to do it. The company’s resources, language skills, logistical solutions, and profitability expectations should take into consideration. It is better to start small and continue expanding when things get familiar. Lastly, a new innovative product should be protected since there is always a risk of copying.

4.2 Value-based selling

This part focuses on questions regarding sales efforts. Totally 13 questions were asked concerning selling and customer value. This chapter is divided into three sub-chapters based on executed categorization: seller, innovative product, and value.

4.2.1 Seller

The first question about selling theories gave almost the same answers from each interviewee. No one knew or remember any specific selling theories or methods that they could have said out loud in the interview situation, except IB who mentioned solution selling. The second question was pretty futile since no one could not say that any specific selling method guides their actions.

Interviewees described what makes a great seller:

- Negotiation skills. They can create the best deals, and they know their product. Also, they are pleasant to work with. (IA)
- Able to listen to what a customer has to say and modify own actions towards customer needs. They understand the problems that customers are facing. Also, a seller should be creative and fast solving customer's problems. (IB)
- Sees the big picture. Understand how different players from a value chain sees the situation and customizes their own message to fit in it. (IC)
- Able to create a confidential relationship with a customer. A seller must serve and answer to customers' questions and needs. (ID)
- Knows the product really well. Understands customers' needs. Have good social skills. Able to excite customers. (IE)
- Listens to, reasons, and express the product's good points. A seller should be proactive, independent, and functions well with other people. Social skills, as well as communication skills, are important, not forgetting financial knowledge. (IF)
- Able to build long-lasting trust with a customer. (IG)

4.2.2 Innovative product

The fourth question is about the aspects that interviewees highlight when they are selling their innovative product. IA highlights their product's sustainability story. Sellers tell different angles of that story besides product quality information. IB stated how their sales efforts focus on solution-based and problem-solving mentality. Also, it is good to accept the fact that sometimes you cannot solve the problems that customers might have. IC sees that nowadays, companies are focusing too much on product features. When companies are selling quite standard products, competitors' offerings are usually pretty same. Especially in these cases, the effort should be put in the value of what the product can bring to a customer or the value chain. ID stated that risks and product functionality are under discussion when the product is new and innovative, and there are not any previous references. IE said that they highlight the aspect that their product is sustainable, and it does not harm the nature or surroundings. IF told that they are focusing on customer's need and environmental factors. IG stated that everything should start with the added value in a value chain and the added value to the customer. Companies need to express how the concept works and how the customer gets more value from it. After these comes sustainability aspects. It is important that the customer understands what the product is and how they can benefit from it.

The most important steps when selling an innovation are:

- Positive examples. Especially when you are creating a new market. It is vital to show examples of how the product works. Brand owners, as well as other companies, need to experience aha moments. When they notice what others have done with the product, they might realize that they could do the same. Thus, you need to hit into that aha moment. (IA)
- Credible actor. Businesses need to convey such an image that they are credible actors on the market. You need to be a trustworthy, stable operator, and capable to solve customers' problems. (IB)

- Able to explain the value. It is important to be able to explain why a product is valuable to certain players in a value chain. Sometimes a direct customer is not the one who gets the most value. (IC)
- Desired value agreed with a customer. A company agrees openly and honestly with a customer what is the goal and what to do if something goes wrong. (ID)
- Know your product well. You must be able to explain all the most important details about it. If customers are not excited about your product yet, you must find ways to wake up that intrinsic interest. (IE)
- Know how a customer benefits from your product. Secondly, with a new innovative product, it is critical to hitting a market at the right time. If the product comes to the market too early, there might not be demand. In this situation, the company and employees must be patient, and not to close up the whole business too soon. The goal is not to be the first one on the market, but the one who comes there at the right time. (IF)
- Project management. Selling a new innovative product is a long process with numerous steps: create contacts, agree how to move forward together, produce test batches, test the product, produce technical support, determine steps clearly, negotiate contracts, close the deal, launch the product, create certificates, and sell the product. (IG)

The sixth question were, is it easier to sell an innovative product to a big company or a small one. Almost all the interviewees stated the pros and cons to both sides. These statements are listed in Table 4.

Table 4. Pros and cons of selling an innovative product to a big or a small company

Big company	Small company
+ Well defined and functioning processes	- Not so clear processes
- Not so open to big radical openings	+ Seeking novelty creators
- Big company's procedures and stiffness	+ Not so strict procedures nor stiffness
+ Risk-taking capacity is at a good level	- Risk-taking capacity is too small
- Slow interest	+ Fast interest
- Harder to execute big changes	+ Easier to execute big changes
+/- Company's culture	+/- Company's culture

IA said that it could be whichever. A big company might do small movements instead of turning the whole palette around. Both parties want to benefit from the positive publicity that environmentally-friendly targets and products bring to them. Looking from this point of view, big companies are more persistent than small companies. Often it is easier to sell to a big company since their processes are well functioning while a small company might struggle to figure out how some processes work, for example, shipping and a sales process.

IB brings up the early adopters. According to IB, all the markets have their early adopters who are interested to try and willing to use the product even though there is not much information regarding the product usage. However, big companies are rarely open to doing big radical openings. Small companies have a tendency to seek novelty creators that help them to differentiate themselves from the rest of the market. IC thinks that it varies. Large companies often have these distinctive big company procedures and stiffness. Which means that new innovative products are more likely easier to sell to smaller companies. ID told that a new innovative product requires a big company as a client since small companies do not have enough risk-taking capacity. Even if the people in a small company have that capacity, investors do not have at the latest. IE said that they have noticed that in the very early beginning, the first customers are easier to get from smaller companies. Smaller companies are better awake about trends and issues, they know what consumers think, and for some entrepreneurs, sustainability is a matter of the heart. But shortly, bigger companies' interest arises as well, for example, won awards can speed up their interest. IF was also wondering which the answer would be. It is easier to sell to a small company since big companies have more decision maker levels, more complex organizations, processes take time, and often one person cannot make the decision. On the other hand, big companies might put more effort into following trends, and that way they might be more interested in a new innovative product. However, changing the current way of doing things is a bigger step for a big company than a small one. Usually, a small company has smaller processes happening in one location, which means that it is easier to modify the current way of doing. To conclude, IF finds that a medium-size company would be the perfect fit since it consists of aspects from both parties. IG said that it totally depends on the company's culture. So, it is as easy to sell to a small or a big company. It only depends on how innovative, receptive, and willing to change a company is.

The seventh question asked were, is it easier to sell an innovative product to a market leader or a follower. IA did not know, but accordingly, it would be nice to work with the market leader. IB said that a market leader has a product that has made them the market leader. Usually, followers need to respond to competition. Thus, they might be more active to find alternatives and new products, which they use to compete against the market leader and the market in general. There are only one market leader and more followers. Hence it is easier to sell to a follower stated IB. According to IC, it depends on the case. Nevertheless, IC said:

"It would be tempting to say to a follower because it has probably some kind of hunger to reach that leader, but on the other hand there is probably a reason why the leader is the leader."

That is why IC chose the leader since they have apparently a capability to function better than others, and they are probably more competent to see and receive new things. Also, ID thinks that it is easier to sell to the market leader since they have more forward-looking strategies than followers. The market leader does not have to use their energy into trying to catch someone, instead, they have time to look forward. IE expressed that it is easier to sell to a company that brings these new innovations into the market. It does not matter what the company's size is or their position as a leader or a follower. It depends on a company's strategy, which determines how willing they are to buy these innovative products. IF thinks that even though market leaders are usually big companies with the negative aspects stated in a previous question, they still are trailblazers. Usually, followers are not the first ones doing these new moves. IG feels that it depends. Sometimes a market leader is so happy with their current situation that they are not looking for a change, and sometimes they feel that they should buy the new innovative product in order to be the market leader in the future as well. There are also cases where it is easier to sell to a follower who wants to take the market leader position.

4.2.3 Value

All the interviewees had quite similar thoughts to the eighth question. The idea is to find out are companies telling more about product qualities or value and benefits what customers get by using their product during a sales pitch. According to interviewees, both aspects are stated. IA said that customer value is more in a center. IB told how they are listening to their customers and figuring out their problems. After that, they introduce their product and tell how their product could solve customers' problems. IC told that they are telling too much about product qualities than what value and benefits customers get. When you have a lot of sellers who sell various products, it is much to require them to deeply discuss the value creation in each case. Nonetheless, value is the way to go. Also, ID said that they are focusing too much on product qualities. ID knows that the right answer would be the value and benefits that customers get by using the product, and customers' interest should be woken up with the value aspect. IE said that they highlight the value and benefits. When these values are discussed, it is time to move to a more technical part. IF expressed that they are combining both aspects, qualities and benefits, together. Like two sides of a coin. But IF knows that customer benefit should be the one that guides the action. IG told that the value and benefits come first. After that, it is time to move into product qualities; technical differences between products and certifications. It is important to check that the product functions well in the desired position.

There is a difference in a customer's reaction when a seller tells about product qualities versus what value the product offers to the customer. IA said that customers are surprisingly interested in the product story, and they are reacting more to the story than product qualities. It depends on the market how much weight customers put on product qualities. According to IB, chatting about customer's needs changes the dynamic in a sales event. The customer feels that the seller is helping and solving customer's problems, which affect positively to customer's openness to different alternatives and suggestions. No customer likes to be pushed. IC stated that when the value is well communicated to the customer, and they understand it, that creates an aha moment. It is good to realize that there are various points where the value message might break off. The value has to be explained to a seller, and the seller needs to explain that to a customer. The seller or the customer might not get the value message. ID told that there have been huge differences in customers' reactions. Visibility evaluation should be done well. Also, if a customer has done something the same way for the past 30 years, the only way to evoke their interest towards a new innovative product is by telling what value the customer gets. IE told that they are strongly underlining the value and benefits. IE does not know how customers' reactions would differ if they would use a different strategy when introducing the product. When a customer figures out IE's company's value proposition, they are usually really positively surprised. IF expressed that there is no necessarily a difference in customers' reactions. According to IG, there is a difference of course, and value-based selling is the key thing. Value-based selling produces aha moments when customers understand what value the product brings.

The tenth question was, does it affect to the sales if a customer knows what value they get by using the product. The common answer was, of course. IA said that it affects a big time. If there are brand owners who like to utilize the product in their marketing, then it is playing a key role. IB thinks that when both parties know what benefits they get from the transaction, it is more like collaborating than just a regular sales transaction. When a customer knows what value they get and what is the value proposition, they buy the product. IC said it is a positive thing that is hard to replace. ID told that it affects. When a customer does some process changes, there is profitability on the mind. The customer wants to know how this new innovative product affects to their profitability. IE expressed that absolutely it affects, and it is hard to see that any customer would buy their product if the customer does not know what value they get. IF said that customers need to get something in order to be willing to buy that product. And if the image of the customer value is bigger, a company can ask a higher price. IG stated that everything starts with the value:

“No one buys nothing if it does not bring any added value.”

The eleventh question was more like a follow-up question to the tenth question. Interviewees explained why it is important that a customer knows what value they get by using a company’s product. According to interviewees, it enables companies to ask better sales prices and bigger margins without customers walking away. It helps suppliers to understand customer’s needs and valuation. Also, value affects to the customer’s buying decisions. Lastly, customers can use that added value to differentiate themselves from their competitors.

The twelfth question was: What is the most important thing when you are selling value to customers? The idea is to gather recommendations and key points on what to remember when selling value to customers.

- You have to be able to repeat the product story in various forums and believe that awareness is gradually increasing. (IA)
- You need to be consistent in your messages. (IA)
- You need to understand that every customer is different. (IB)

- You need to identify customer's problems and recognize opportunities where value could be created. (IB)
- You can communicate what is the value of your offering. (IC)
- You need to create a confidential and open relationship with a customer. (ID)
- You have to prove your statements and value propositions with facts. (IE)
- Share information and know-how. Do not preach or accuse customers. (IE)
- The selling concept has to be built up from the customer's point of view. The form has to be easily understandable, and the message has to be focused and formed into main points. (IF)
- You need to be able to express and concretize the story. Companies need to make it into numbers, prove the value, concept it, and sell it by using facts. (IG)

Lastly, interviewees needed to determine is it different to sell an innovative product than a regular product, for example, a chair. IA said that there is a difference in the price range. Price margins are narrow in established markets. When you have a new innovative product, you can more easily set the price in a level you desire, in other words, ask a higher price. IB stated that a complex innovative product can be harder to sell since customers need more time to digest the idea and understand how the product works. IC told that the same basic elements are present in both cases, only a weight of different aspects changes. According to ID, it is very different. Selling a new innovative product is more like developing a project than regular sales. Responsibilities and benefits are agreed upon together with a customer. IE expressed that it is absolutely different. When you sell a chair, everyone knows what you are selling. When you are selling a new innovative product, you have to do much more background work, and your selling method is more like consulting than regular selling. An innovative product can be either harder or easier to sell than a regular one, according to IF. If the innovation is clear and no one else has a similar product, it is easier to sell it. But if the innovation is complex, it is a challenge of how you can sell it in a way that customers understand it. In many cases, companies need to educate their customers about the innovative product. According to IG, it is different. Selling a new innovative product is interesting and much more challenging than selling a regular product. With a new innovative product, you start with a scratch, you need to clear the way, and get the customers on board.

4.3 Conceptual framework

The bonus question combines aspects of segmentation, customer choosing, and selling. The bonus question consists of the conceptual framework (Figure 1. in Chapter 1.4), and it was shown to interviewees using screen sharing. While showing the picture, the bonus question was asked. The question goes: If this scenario is relevant to you, are you typically selling to Company B or Company C displayed in a framework?

According to IA, they are mostly selling to Company B, and the demand comes from Company B. Sometimes there are traders which create the situation shown in a framework (Company A to Company C to Company B). IB said that they are using various routes and scenarios when selling their goods. IC told that a big part of their sales efforts goes directly to Company B. According to ID, they sell in most cases to Company B, and their sales efforts are directed to company B even though the route varies sometimes. IE expressed that they are contacting and selling to both Company B and Company C. Both ways are working just fine since their product is a hot potato at the moment. IF told a different story than others. They see that problematic if Company A contacts directly Company B and create expectations what Company C cannot fulfill. This causes a conflict between Company A and Company C. IF suggests that Company A should always contact Company C and together, they can contact Company B. IG expressed that both ways work. They can sell to both brand owners (Company B) and converters (Company C). The B2B business field can be quite complex since there are many players and ways to sell.

5 DISCUSSION AND CONCLUSIONS

In this last chapter, the whole research is covered, theory and findings are reviewed, and the research questions are answered. There are two sub-research questions, which answers help to form an answer to the main research question. Practical contributions are expressed based on research findings. Lastly, ideas for future research are stated.

The objective of this thesis is to find out how companies can sell their new innovative products in a business-to-business market. Segmentation and value-based selling are aspects that are studied to find out answers to the main research question. Gathered theory and practice are under examination: do they go the same way or are there some major differences.

5.1 Theoretical contributions

Companies are launching new innovative products to a business-to-business market constantly. If sales fail, the new innovative product might not survive on the market. Fails in segmentation and sales methods are not wanted since it might lead to a situation where a company needs to exit the market. It takes a lot of time and resources to develop these innovations, thus companies are eager to sell these products in order to get revenues to cover the developing costs, and to get profit. Fails in product launches are not rare (Schneider & Hall, 2011) and new innovative products are quite hard to sell since customers think that there is a risk to buy those (Roune & Joki-Korpela 2008; 73-74). These aspects reason for the importance of knowing how to sell a new innovative product in a B2B market.

The findings from literature and interviewees are discussed under each research question. The research questions are answered in a logical order. After a discussion about the first and second sub-research questions, the focus goes to the main research question.

5.1.1 Sub-research question 1

This chapter finds answers to the first sub-research question:

SQ1. How to segment a B2B market?

Previous studies show that analyzing, implementing, and evaluation are major steps in the segmentation process (Goller et al. 2002; Simkin 2008; Weinstein 2011). Goller et al. (2002) have created an integrating framework of business segmentation, Figure 5. in Chapter 2.2, that express four steps of the segmentation process.

The first step of the segmentation process, segmentation analysis, consists of all the activities that are involved in dividing a heterogeneous market into homogeneous sub-markets. This dividing can be done by using the *nested model* created by Bonoma and Shapiro (1983). The nested model has five nests (bases), which are layered. The first one is demographics and after that comes operating variables, purchasing approaches, situational factors, and buyers' personal characteristics.

Empirical findings show that companies have used few factors to segment their market (Table 3. in Chapter 4.1.1): market size, company size, customer location, factory size, legislation, order size, product qualities. These factors can be added to the nested approach, see Figure 10.

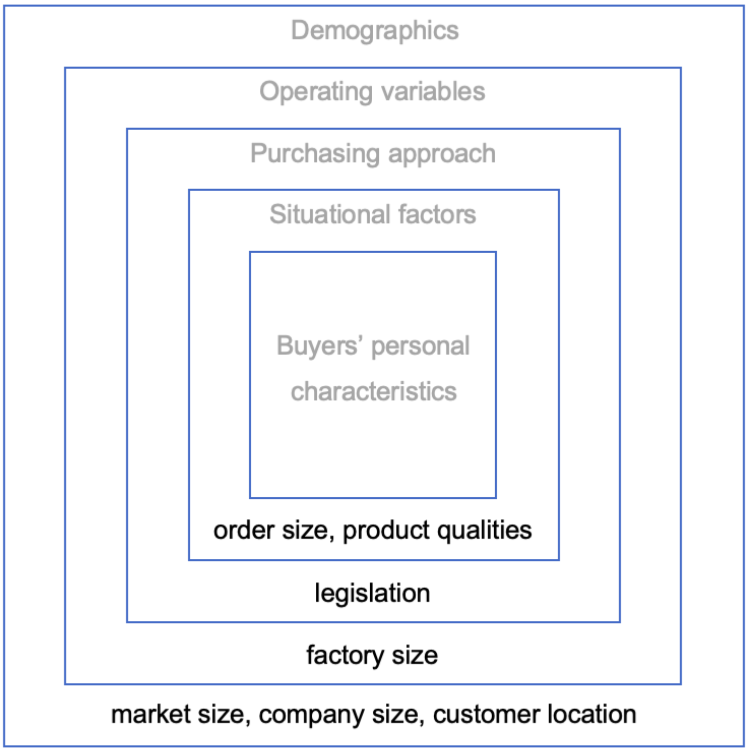

Figure 10. Nested approach fulfilled with empirical findings
(Adapted from Bonoma & Shapiro 1983)

As can be seen from Figure 10. the factors used to segment the market are located in all the nests except the fifth one, buyer's personal characteristics. It can be seen and read from Chapter 4.1.1 that the focus is clearly on the first nest, demographics. Hence, it can be said that companies are commonly using the basic factors to segment their market, and there is still room to use these more advantage ones. According to Cates (2002) nowadays, the competitive edge can be found from the fourth and fifth nests since all are using the first nest, demographics. It can be said that the use of upper nests can bring competitive advantage since others are not using them as much.

Powers and Sterling (2008, 171) have stated that an ideal B2B segmentation method combines low cost and ease of access to the demographic approach with the knowledge of distinct customer needs. Based on these findings looks like companies are focusing more on the demographic approach.

The empirical part of the study shows that even though companies have used some factors to segment the market, companies have not made well defined specific segmentation analysis plans on how to do it. It seems like segmentation is an aspect that is executed diffusely. Hlavacek and Reddy (1986) have said already in the eighties that many industrial companies are not putting much effort into identifying and implementing segments. This statement from the past century seems to have a point also in today's market environment. Schneider and Hall (2011) have listed reasons why most product launches fail. The biggest reason is lack of preparation.

Wind and Cardoza (1974) have stated that many industrial segmentation strategies are based on intuition instead of sound marketing planning. Dibb and Simkin (1994) have expressed that industrial companies tend to view markets sectorized and product-based rather than segmented by customer needs. These statements are not so accurate as can be seen next.

The second step of the segmentation process shown in Figure 5. is the evaluation of segmentation. According to Kotler and Armstrong (2018), it consists of two types of evaluation criteria: segmentability and target market selection. Segmentability means that segmentation should be effective and also bring some benefit to the company. The effectiveness and usefulness of the segmentation can be evaluated based on these segmentation criteria: *measurable* (size and purchasing power can be identified), *accessible* (the segment can be reached and served), *substantial* (the segment is large or profitable enough to serve), *differentiable* (segments are distinguishable, so distinct segments react differently to different offerings), and *actionable* (a company should have enough workforce to fulfill segmentation). (Kotler & Armstrong 2018, 221; Brady, Goodman, Hansen, Keller & Kotler 2009, 357)

The second evaluation criteria, target market selection, includes evaluating and choosing the target segments. Companies should evaluate which segments they can serve best. This part of the evaluating can be done based on three aspects: segment size and growth, segment structural attractiveness, and company objectives and resources. (Kotler & Armstrong 2018, 221-222; Wilson 1986) Also, Porter's Five Forces Framework can help to identify the attractiveness of a segment. (Porter 2008)

Based on empirical findings it seems like companies are more thinking about this evaluation of segmentation aspect than the aspect regarding segmentation analysis. Some of these aspects are easier to execute than others. The aspects that companies feel hard are; where do we get the highest price, what is the value of a specific market, and what technology choices should be made. The most important aspects according to companies are; where we can go with our resources, what is the market potential now and in the future, is the market growing or not, and what is the right size of a market. *Differentiable* is the only segmentation criteria that did not show up in empirical findings. Otherwise, companies were evaluating the segmentability and target market selection as stated in theory, which means that the theory and practice meet again mostly.

The third and fourth steps of the segmentation process are the implementation of segmentation and control of segmentation. According to previous researches (Mahajan & Jain 1978; Beik & Buzby 1973; De Kluyver & Whitlark 1986), segmentation should be linked directly to resource allocation and strategy formulation. Companies should monitor their segments in order to be able to follow segment stability. Segment stability reflects the level of homogeneousness of a segment, and different factors, such as a change in preferences and segment size, modify the stability of a segment. (Calantone & Sawyer 1978; Hu & Rau, 1995) Market effectiveness in various segments is a topic to be monitored also. Customer conversion analysis and segment profitability analysis are desirable ways to control and evaluate market effectiveness (Bonoma & Shapiro 1984). Companies know that their resources determine the boundaries where they can function. The fact that a market and a segment change over time was also stated in empirical findings, which means that companies know that the segmentation done today may not be relevant after a few years. That is why it is not vice to carve the segmentation in a stone.

5.1.2 Sub-research question 2

This chapter finds answers to the second sub-research question:

SQ2. What value-based selling offers when selling a new innovative product?

Findings showed that specific selling theories and methods are unfamiliar to companies. This means that selling is more conducted based on a gut feeling rather than specific guidelines told in theory. However, this does not mean that there is not knowhow about sales activities. Based on executed interviewees it can be seen that companies know what should be done when selling a new innovative product. Almost all interviewees stated that customer value is a vital factor that needs to be highlighted during sales processes. The key behind the value-based selling theory is to emphasize customer value (Kaario, Pennanen, Storbacka & Mäkinen 2003, 9). In a sense, it can be seen that companies know what to do even though the theory regarding the aspect might not be familiar. Nonetheless, it can be read between the lines that customer value has not been in the center of sales activities in all companies even though almost all companies addressed how it is a crucial factor.

Value and customer value creation are significant sources of competitive advantage according to various researchers (Butz & Goodstein 1996; Woodruff 1997; Hogan 2001; Huber et al. 2001; Ulaga & Chacour 2001; Anderson & Narus 2004). Researchers have a common understanding that creating superior customer value affects positively to customer satisfaction, loyalty, and retention (Khalifa 2004) along with long-term company survival and success (Woodruff 1997; Slater 1997; Eggert, Ulaga & Schultz 2006). Terho et al. (2012) see that value-based selling is a very important sales approach in business markets, especially when a company is selling complex and service-intensive solution offerings. An innovative solution is much more difficult to sell than a traditional solution. Customers think that high uncertainty and risk of failure are linked to new innovations. Also, they worry what is the replacement cost, the time needed to learn new things, and lack of references. (Roune & Joki-Korpela 2008, 73-74) These aspects verify that value-based selling could be a perfect fit when selling a new innovative product. Companies have put a lot of time and effort into inventing and developing new innovative products that increase their desire to get profits, competitive advantage, and success. In order to get these, companies need to make customers understand what value they get by using the new innovative product. Value-based selling is a method that has the potential to deliver all these aspects. The idea is to be a customer-oriented value creator (Jolson 1997; Wotruba 1996) who creates a long-term relationship (Perreault & McCarthy 2002), which is mutually profitable for both parties: company & customer (Anderson 1996; Jolson 1997).

Töytäri et al. (2011) have formed a process framework for a value-based sales process seen in Figure 8. in Chapter 2.4. Their study highlighted several key activities of a value-based sales approach and based on that they created the framework.

The value-based selling process has seven steps, which are conducted either inside a company or in cooperation with the customer. The first step is identifying suitable customers, and the analysis is made internally. This step is partly done in the segmentation process executed before this step. Empirical findings of this thesis show that companies are identifying customers based on segmentation and other aspects. Companies are targeting customers they see profitable. Also, they identify customers who have a clear need for their products, customers who are able and willing to collaborate, and big companies and brand owners that have great market shares in their segment.

The second and third steps of the value-based selling process are customer specific and done separately from the customer. The steps are understanding customer business and position own offering. Based on the research findings companies have done different analyses before contacting customers. Companies have done calculations about potential customer needs. Some companies have had conversations with consultants and potential customers to find out what features are required for certain types of products. Companies know that it is important to understand the context and the language used in that specific product field. Some companies are investigating potential customer companies beforehand to find out can these customers use their product. One interviewee narrated:

“Before contacting customers, companies need to know what they are selling, think through solutions, concepts, and pricing, create support as well as marketing materials.”

Even though the research brought up good examples of what companies do before contact customers, some answers gave the image that there are also companies that are not executing as wide procedures as others. Nevertheless, based on these first three steps of the value-based selling process can be said that companies can unintentionally follow the process to this point.

The last four steps of the value-based selling process are done in cooperation with the customer. These steps go from setting mutual targets, to quantifying impact, to negotiating, offering and delivering, to verifying and documenting impact. These aspects came out in a few interviews. Risks and product functionality are under discussion especially when a product is new and innovative, and there are not any previous references. The company agrees with the customer about the desired value. This discussion is done openly and honestly. The company and the customer decide in cooperation what is the goal and what to do if something goes wrong.

Töytäri et al. (2011) have listed eight key elements and activities that lead companies to successful value-based sales efforts. Almost all eight elements were stated during interviews. It can be seen that most of these aspects are fulfilled when you look at the big picture, but on a deeper level, one company might not execute all of these activities. The first step is to identify suitable customers. Identifying suitable customers was clearly stated multiple times by various interviewees. The second step is to understand the customer’s business and position the company’s offering to deliver business impact. Interviewees told how companies are putting effort into understanding the problems and needs of what customers have. Also, a product is tested to find out does it fit the purpose where a customer wants to use it. Companies think that it is important that the customer understands what the product is and how they can benefit from it. This means that companies need to express and educate customers about product qualities and how the product can bring value and solve customer's issues. The third step about involving the customer in the value assessment process and setting mutual targets was also said. As stated above, companies agree with customers about the desired value. The fourth step is to quantify the business impact in cooperation with the customer. Quantifying business impact was stated in the interviews but the aspect of doing it in cooperation with the customer did not. The fifth step is about tying price to realized value. This aspect came up in various sections. Interviews said that if the image of the customer value is bigger, a company can ask a higher price. It is important that a customer knows what value they get by using a company's product since it enables companies to ask better sales prices and bigger margins without customers walking away. The sixth step about verifying and documenting realized value post-purchase did not occur in empirical findings. The seventh step is the importance of reference cases. Companies know that especially with new innovative products, references are important. Previous case examples help companies to sell these new innovative products since customers see that the product works. The last step of activities that leads companies to successful value-based sales efforts is the expertise-based skill-set required from "value-based sales forces". Interviewees were asked about what makes a great seller, and the importance of customer value. Their answers were verbose and explained next.

In business-to-business sales, the focus is on personal relationships rather than online commerce (Sharma et al. 2018), and salespeople are playing the key role when these relationships are formed (Beverland 2001). Previous studies and practice underline the role salespeople play in communicating value propositions to customers (Anderson et al. 2007; Terho et al. 2012; Eggert et al. 2006). The empirical findings show that according to companies, a good seller can build long-lasting trust and confidential relationship with a customer. They listen to what a customer has to say and modify their own actions and messages towards customer needs. A good seller knows own product, understands customer needs, and has negotiation skills. Also, they should be able to excite customers. It can be said that companies truly understand the key role of salespeople. Still, one interviewee stated that when a company has a lot of sellers who sell various products, it is much to require them to deeply discuss the value creation with each customer, even though the value is a core thing.

Finding customers who are ready to buy new innovative products can be a heavy, time consuming, and slow process. In most cases, the company finds its first customer from a familiar industrial environment, and the customer is as excited about the innovation as the company. (Roune & Joki-Korpela 2008, 76-77) *Categories of adopters* is a model that demonstrates how individuals adopt new innovations in different phases of a product life cycle (Rogers 1983, 245; Roune & Joki-Korpela 2008, 78). Figure 9. in Chapter 2.4.2 shows that there are five different adopter types. The first two types are innovators and early adopters, which present 2.5% and 13.5% of the market. A new innovative product is often targeted to innovators and early adopters, who influence to later adopters (Kotler & Armstrong 2018, 179). This is smart since Roger found out in his studies that innovators, early adopters, and the early majority adopt a new innovation prior to the average time of adoption. These earlier adopters usually are younger and better educated, they have greater upward social mobility, they tend to cope with uncertainty and change more easily, and they have greater exposure to interpersonal communications and mass media than later adopters. (Rogers 1983, 245-250; Mohr, Sengupta & Slater 2010, 239) During the research, an interviewee mentioned early adopters. The interviewee told that all markets have their early adopters who are interested to try and willing to use the product even though there is not much information regarding the product usage. This aspect was mentioned when the talk was about is it easier to sell to a big or a small company.

Previous research about the segmentation process, value-based selling, or innovation does not comment on how customer company’s size or position in the market affects to the sales efforts. The pros and cons of selling to a small company or a large one are not addressed. Also, there are no statements about selling to a market leader or follower. In this research, these aspects were taken into consideration. There is not a clear answer is it easier to sell a new innovative product to a small or a big company or a market leader or a follower. Instead, there are pros and cons which affect differently in different situations. Based on interviewee results Table 4. in Chapter 4.2.2 was formed. The figure shows what aspects advocate selling a new innovative product to a small company or a big company. Small companies' organizational structure is simpler, which why their decision making is faster, and it is easier for them to execute big changes because they have fewer processes, and those are not located worldwide. Big companies have well-functioning processes, and they know what to do in order to move forward. They can take risks on their own, and investors are willing to support financially these new investments.

Selling to a market leader versus a market follower brought up distinct opinions as well. The market leader is probably more competent than others since they have got the market leader position. The market leader has time to look forward and create forward-looking strategies. They are often trailblazers, who bring new product on a market. On the other hand, there are more market followers, and they might have a hunger to beat the market leader. Nevertheless, it is good to remember that a company's strategy might affect more to the openness to buy a new innovative product than the aspect of are they a market leader or follower.

Aspects regarding customer value were asked from interviewees to be able to see how much companies are thinking about customer value and how much they are putting effort into it. Companies were asked are they telling more about product qualities or value and benefits what customers get by using the product. The common answer was that both aspects are stated but the customer value should be the one coming first. Customer value comes first and is more highlighted in some companies. Some companies admitted that they are focusing too much on the product aspects even though they know that the focus should be on the customer value. Companies shared the opinion that customers react more positively to messages regarding value than product qualities. All companies strongly agreed that it affects the sales if a customer knows what value they get by using the product. One interviewee stated that everything starts with the value:

"No one buys nothing if it does not bring any added value."

An aha moment was a feature that popped up in multiple interviews. Based on the empirical findings gathered, brand owners, as well as other customers, need to experience aha moments. When the value is well communicated to the customer, and they understand it, that creates an positive aha moment. In other words, when a customer realizes how a new innovative product works and sees what benefits can be gained, they experience an aha moment. Companies need to hit into these aha moments. According to one interviewee, value-based selling produces aha moments when customers understand what value the product brings.

5.1.3 Research question

This chapter answers to the main research question:

How to sell a new innovative product in a B2B market?

The theoretical framework of this study, Figure 2. in Chapter 1.4, shows a good plan on how to sell a new innovative product in a B2B market. Firstly, companies need to execute the segmentation process and after that, move to the value-based selling process. These processes go smoothly in a row. Empirical findings showed how segmentation as well as focusing on customer value are important aspects when selling a new innovative product. It can be said that a company that puts time and effort into executing these processes well, gets an advantage over other competitors who are not segmenting the market or focusing on customer value.

The theory does not take a stance on selling to a big or a small company, neither the market leader nor followers. Empirical findings showed that many companies limit their customers based on company size, meaning that they left small companies out, even though they also expressed multiple cons of selling to a large company. Companies should remember that the customers’ size and position can affect to sales activities and their willingness to buy the product. Before companies decide to focus only on a certain size of companies, they should evaluate the pros and cons of selling to a small and big company as well as a market leader and follower. If there are potential customers in both parties, they can modify the target market based on that.

The important thing is to find innovators and early adopters from the group of customers since they are most willing to try and buy new innovative products. Finding these early adopters is not an easy task. The more you know about customer companies, the easier it is to evaluate their openness to buy a new innovative product. The segmentation process and value-based selling process consist of steps that help companies to get closer to potential customers. Firstly, companies need to segment the market. When these segments are formed based on different criteria, it is time to evaluate them and choose the target market. Lastly, companies need to execute the implementation of segmentation and control of segmentation. Executing the segmentation process is important since it helps companies to find their position in a market, find potential target customers, and helps focus recourses. Well done segmentation brings competitive advantage since many competitors are not putting enough effort into that.

Value-based selling is a suitable method for selling a new innovative product since the goal of the method is to understand the customer need and offer products which give value to customers. New innovative products are not easy to sell since they can be complex and hard to understand. Companies need to listen to customers' problems and give them aha moments. By explaining and teaching how a new innovative product can increase customer's profitability and how it affects positively to other functions, for example, public image and sustainability aspects, customers are more willing to buy these products. Value-based selling is more like collaborating with a customer, instead of pushing the company's own product messages. Following the steps of the value-based selling process helps companies to implement the value-based method into their own activities. It can be seen that almost all companies understand the importance of customer value and how it should be in the center of sales activities. Nevertheless, some companies are not putting enough effort into value aspects. By utilizing the value-based selling process, a company can get a competitive advantage.

The importance of salespersons is huge when a company is selling value since they are the ones who are communicating with the customers. Salespeople should be supported and educated so that they can serve customers in the best possible way. Empirical findings, as well as previous researches, highlighted this key role that salespeople play.

A B2B market has multiple players on different levels, and a new innovative product can be sold to different companies in a supply chain. Conceptual framework, Figure 1. in Chapter 1.4, demonstrated a situation where a company is producing a new innovative product, but it can be sold to two different companies: Company B or Company C (Company B’s supplier). Based on empirical findings, companies are selling these new innovative products to brand owners (Company B) as well as converters (Company C). In most cases, sales activities are targeted to Company B, which might affect some conflicts in a supply chain since Company C might not be as willing to use the new innovative product as Company B.

5.2 Practical contributions

This research combines previous theories and empirical findings of selling a new innovative product in a B2B market. Companies who are seeking answers to the question of how to sell a new innovative product in a B2B market get guidelines on how to do it by utilizing the segmentation process and value-based selling process besides recommendations shared in empirical findings.

This study provides useful information about the segmentation process. As empirical findings showed, companies are doing segmentation, but it is not comprehensive. Companies should use time and resources to execute the segmentation process. Well begun is half done phrase fits this situation since well-defined and targeted customers are more willing to buy a company’s products. It is easier to modify the company’s product to answer customer needs when a customer group has similar preferences. Satisfied customers increase the company’s profits because they are more willing to buy, they form a longer relationship with the company, and they do not run away as easily if prices increase.

Based on empirical findings, companies should look into the future. Segmentation should be done based on expectations of how much value a customer brings to a company in the future, instead of what has happened in the past. Companies should identify which market is big enough, and on top of that figure out is the market growing, declining, or stationary. The market segmentation should be objective and transparent to the whole organization. Companies need clear scorecards, which give them data about profitability that they can use to support their decision-making and the segmentation process. In the beginning, segmentation should not be carved in stone since situations and preferences change, and companies learn new aspects of their new innovative product every day. A chosen market should be big enough, and a company has to be in a condition that it can compete in the market and get some kind of position on it. Companies need to choose customers and markets where they can surely function profitably. With new businesses and markets, companies need patience and time. Nothing happens overnight.

The new information found was how the size of a company affects to the selling. Small companies, as well as big companies, have pros and cons, which either make it easier or harder to sell a new innovative product to them. Companies should evaluate this aspect before they limit out, for example, small companies that can execute big changes more easily than big companies. However, it is easier to sell to a company that brings these new innovations into the market. This aspect is not related to the size of a company or its position as a leader or a follower in a market. It depends on a company's strategy, which determines how willing they are to buy these innovative products. Companies should find out the market's innovators and early adopters, who are most willing to buy new innovative products.

Value-based selling is a method that is beneficial for the customer as well as the seller. This selling method helps companies to sell innovative products, which are often quite challenging to sell. When the focus is on customer value, the product is explained to the customer in a way that highlights of what value the new innovative product brings to the customer. This way, the customer gets a positive aha moment and more likely buys the product. Based on empirical findings, companies should identify customer's problems and recognize opportunities where value could be created. Companies should communicate what is the value of their offering and prove that with facts. A confidential and open relationship with a customer is important when a company is selling a new innovative product. The selling concept has to be built up from the customer's point of view. The form of the selling concept has to be easily understandable, and the message has to be focused and formed into main points. Companies should express and concretize the story by numbers that prove the value.

5.3 Limitations and future research

The focus of this research was on a business environment, and the consumer market was left out. This study was conducted as qualitative research, and the data was gathered through seven semi-structured personal interviews. The findings and recommendations can be generalized into a Finnish B2B environment but not at a universal level. All the statements were gathered from Finnish persons working in Finland, and even though all the companies are executing international business, it is not enough to make this generalized at a bigger level. Nonetheless, this study brings up valid aspects that are helpful to companies working in a business environment around the globe.

Value-based selling was the only selling method that was studied in this research. Thus, value-based selling is only a recommendation for executing sales of a new innovative product, and it cannot be named as the best way to sell a new innovative product. The decision to focus only on value-based selling was chosen in advance, and the reason behind it was to have a better image of the selling method. Value-based selling seemed to be the best fit for this case beforehand. Customers buy new innovative products if they understand what benefits they get from it. Customer value is the core of value-based selling, which makes it a relevant procedure for this study.

In the future, this research could be extended with a customer point of view. It would be interesting to study what customers feel about value-based selling and what aspects they value when they are buying new innovative products. This study could be executed as qualitative research. Also, it could be possible to study more about customers who are willing to buy these new innovative products, and that way form a list of features that these customer companies have. One possible future research could also be how it affects the sales of a new innovative product if companies start following these steps proposed in this research. That study would take quite a long time, since the steps of segmentation and value-based selling take time to execute, and companies need to wait for a while to see the impact of the actions.

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APPENDICES

Appendix 1. Interview questions

Background information

Name:

Company:

Title:

Experience in current/similar work:

Warm-up

- Is your company selling an innovative product or solution? What kind of?
- Are your customers mainly other companies?

Segmentation

1. How have you chosen the market where you are selling the goods?
2. Have you used any factors when you have limited/segmented the market? For example, company size, location, relationship, risk.
3. What is the hardest thing when segmenting the market?
4. What is the most important thing when you are cropping/segmenting the market?
5. How have you chosen your customers?
6. Have you done any analyzes before contacting the first customers? What kind of?
7. Has the potential customer contact process been defined or undefined/random?
8. What to remember when choosing the target market?

Value-based selling

1. Do you know any selling theories/methods? What kind of?
2. Are you following any selling method or is any selling method guiding your actions during a sales process?
3. In your opinion, what makes a great seller?

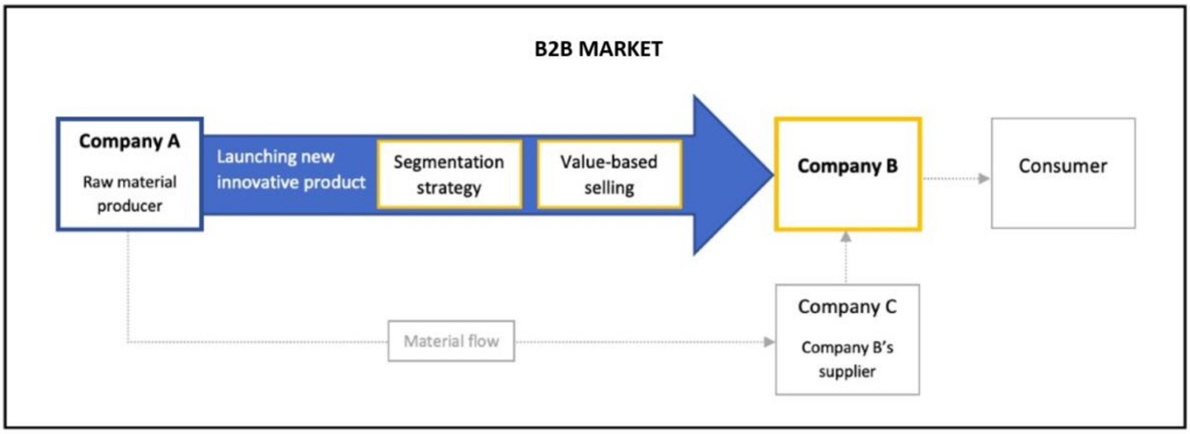
4. What aspects do you highlight when you are selling your innovative product?
5. What are the most important steps when selling an innovation?
6. Is it easier to sell an innovative product to a big company or a small one? Why?
7. Is it easier to sell an innovative product to a market leader or a follower? Why?
8. During sales, are you telling customers more about product qualities than what value and benefits customers get by using the product?
9. Have you seen any difference in customers' reactions when you have told about product qualities versus what value product offers to the customer?
10. Does it affect the sale, if a customer knows what value they get by using your product?
11. Why is it important that customer knows what value they get by using your product?
12. What is the most important thing when you are selling value to customers?
13. Do you think it is different to sell an innovative product/solution than a regular product/solution (for example, a chair)?

Bonus question

If this scenario is relevant to you:

Are you typically selling to Company B or Company C?

(You are Company A, Company B can be Fazer, Company C is Fazer's supplier)



Appendix 2. Interviewees

Thank you to all the interviewees who put their time and effort into this thesis.

Emmi Viinamäki, *Sulapac Oy*
Jouni Kinni, *Valmet Oyj*
Kimmo Kohvakka, *Kotkamills Oy*
Maiju Helin, *UPM-Kymmene Oyj*
Timo Tiilikainen, *Huhtamäki Oyj*
Tony Kiuru, *UPM-Kymmene Oyj*
Tuomo Wall, *UPM-Kymmene Oyj*