Bachelor of International Marketing

How Sapa can gain a leading position in the Spanish aluminum extruder industry

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This paper is done as a part of the undergraduate program at BI Norwegian Business School. This does not entail that BI Norwegian Business School has cleared the methods applied, the results presented, or the conclusions drawn.
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1. Summary

- In our study we have researched the possibilities for the aluminum extrusion company, Sapa, to attain a leading position. The background for this choice is that Sapa is a relatively new company which entered the Spanish market in 2013 through an acquisition by Hydro and Orkla in a 50/50 joint-venture, this meant an entire restructuring of the plants in Spain and a new brand name in the business. During the last two years they've had a significant downfall in revenues compared to before the joint-venture, now that the restructuring phase is over they want to focus their resources on raising profit margins, achieving a larger share of the market and gaining a vital position in the industry. There were several criteria to take into account before starting; price sensitivity due to high competitiveness in the industry, a strong ongoing price war between the extruders and one that made our task very interesting and complex was that there is no transparency in the Spanish market.

- To achieve our task we started researching secondary sources, but came to the conclusion that there was a significant lack of available information about competitors, key figures and customers. Therefore we had to perform a series of qualitative interviews with industry experts, competitors and consumers within the relevant segments.

- Based on our research and qualitative interview, we propose a focused differentiation strategy for three identified micro segments based on a benefits sought segmentation approach. A focused differentiation strategy implies a three-pronged marketing mix, one for each micro segment, to educate our customers (who are in the B2B market), increase awareness to existing and future clients while enhance the firms image to increase brand loyalty.
2. Introduction
2.1. Company presentation

- Sapa is a 50/50 joint venture owned by Orkla ASA and Hydro ASA, its HQ is based in Oslo, Norway. The joint-venture was created in 2013.

- Sapa develops, manufactures, and markets value-added profiles, profile-based building systems, and tubing solutions for automotive and heating, ventilation, air conditioning & refrigeration (HVAC&R) applications in lightweight aluminum.

- Sapa has a presence in more than 40 countries around the world, primarily located in Europe, North America, South America, and Asia.

- Sapa’s largest customers are within the automotive, building, engineering, and transport industries.

- Their business concept is based on a close co-operation with their customers, while providing extruded aluminum solutions for practically any application.
2.2. Sapa’s 3 core areas

**EXTRUSION | 24 percent market share in Europe**

Sapa is the world’s leading producer of extruded aluminum profiles, with solutions virtually in all industries. Sapa’s profiles replace other materials and design methods. Aluminum can be a substitute for steel, copper, plastic, or wood.

**BUILDING SYSTEMS | 18 percent market share in Europe**

Sapa’s building systems facilitate efficient and high-quality construction work. This lowers building and operating costs. Energy efficient solutions that often lead to an environmentally favorable solution. The solutions are provided for homes, offices, and industrial buildings, as well as systems for windows, doors, facades, and glass roofs, ventilation, heating.

**PRECISION TUBING | 64 percent automotive market share**

Sapa’s aluminum tubing solutions are used in heat transfer applications for the automotive, HVAC&R (heating, ventilation, air-condition & refrigeration), and solar market segments. By substituting traditional materials with aluminum, customers can improve the performance of their products.
2.3. The history of Sapa: Part one

A 100 years of common knowledge …
2.3. The history of Sapa: Part two

... merged into a new company called SAPA

“More than 50 percent of our people joined Sapa through structural growth.”
2.4. Sapa’s mission, vision and values

Mission

Deliver profitable growth through good organic development complemented by strategic acquisitions of companies and alliances that further strengthen our market positions.

Vision

We are aluminium. Excelling in technology and innovation. Today and tomorrow. Sapa – Innovative aluminium solutions.

Values

Customer first  Trustworthy  One company  Entrepreneurship  Accountability
2.5. Sapa Group value chain
2.6. Introduction to Sapa extrusion Iberia

- The worldwide Sapa Group is represented in Iberia as **Sapa Extrusion Iberia** with 7 plants, where the **Avintes** plant is located in Portugal and the **St. Oliva** plant is only dedicated to anodizing and powder coating.

- There are a total of **524 employees** and together they produces around **55 000 tons** of aluminium each year. They consist in 24% of the market volume. Sapa Spain is all plants located in Spain, that means all of them excluding the **Avintes** plant.
2.7. Main Markets - Sapa Extrusion Spain

SAPA Extrusion - Spain

Building systems
- Lighting
- Heating
- Cooling
- Ventilation
- Solar equipment
- Electrical equipment

Customer example: Bosch Siemens, Phillips and Socelec

Transport
- Automotive
- Commercial transport
  - Truck, trailer, bus, marine
  - Public transportation
  - Train, subway

Customer example: Lecitrailer

Building and construction
- Building and construction
  - Residential
  - Offices
  - Industrial buildings

Customer example: Red Electrica

1400 customers © Engineers & non-engineers © > €20 mill. invoices © 20-100T purchase volume
2.7. Main markets

According to The B2B customer supplier-relationship, there are three types of customers; Collaborative customers, activist customers and passive customers. Our customer profile is located in between the collaborative and activist category.

**Collaborative customer (engineer)**
- These are able and willing to share the control of the relationship with their suppliers.
- Shared control involves exchange of information on the wants and desires of the customer along with the basic offerings by the supplier.
- Ideal type for 1-1 marketing.
- Provide expertise in the development and engineering of products.

**Activist (non-engineer)**
- Customer seeks a high level of control of the business customer experience.
- In many industrial markets, this is the most common relationship. Manufacturers act as customers set the specifications, delivery requirements and cost parameters, and their supplier meet these terms.
3. Introduction to the aluminum industry - main figures

- **Market volume forecast (2018)**: 240,000 tons, 3.4% increase from 2013
- **Market value forecast (2018)**: €359.8m, 11.3% increase from 2013

**Key figures for 2018**:
- Spain: 5.7%, 3,3% increase from 2013
- France: 0.7%, 0.7% increase from 2013
- Germany: 85.5%, 3.3% increase from 2013

- **Spain**
- **France**
- **Germany**
3.1. Revenues share per plant 2013

- Most recent figures per plant are from 2013 due to limited information available to us from the company.

- La Roca, Pinto and St. Oliva report numbers as one plant because they have a gathered financial statement. They are the plants with the highest share of revenues that year: €54M – this correlates with them having the strongest production capacity.

- Lowest share in revenues is the Miranda plant with €13M

- Total of 2013, all plants: €146.6M
3.2. Employees per plant 2013

- The plants with the highest share of employees are La Roca, Pinto and St. Oliva with 232 people.

- The plant with the lowest share of employees is La Selva with 57 people due to them being the smallest in production capacity, although they were more efficient than Miranda that year.
3.3. Employee & revenue trend - Sapa Spain

Key takeaways:

- Largest change in employees was between 2014 and 2015: 612 to 524
- Largest change in revenues was between 2011 and 2015: €219M to €159M
- Worst revenue year was 2014 with €126M
- The figures in red show revenue per employee, which is a ratio that looks at a company's sales in relation to the number of employees they have. It is calculated as: revenue divided by the number of employees.
- All key figures correlate with restructuring related to joint venture and brand modification.
4. Competitor overview
4.1. Main competitors

- Presented above is Sapa’s direct competitors, based on revenues, production capacity and marketing. Here they are topped only by Cortizo which has almost double the yearly production capacity (55000T vs 80000T).
### 4.2. Strategic groups

From the analysis of the 15 closest competitors regarding revenue over 50 Mill EUR, we have detected 3 groups:

<table>
<thead>
<tr>
<th>Group:</th>
<th>“Small”</th>
<th>“Medium”</th>
<th>“Large”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Numbers of companies</td>
<td>8</td>
<td>4 Medium Sized</td>
<td>3 Large companies</td>
</tr>
<tr>
<td>Size (Revenue EUR)</td>
<td>50 - 82 Mill</td>
<td>171 - 252 Mill</td>
<td>394 - 2267 Mill</td>
</tr>
<tr>
<td>Purchases</td>
<td>Most</td>
<td>Medium</td>
<td>Least</td>
</tr>
<tr>
<td>Return on Shareholders fund (Average)</td>
<td>Average are 8% Except Compañía Valenciana (-12%) and EXL Quintaglass (-26%)</td>
<td>Average 15% Except SAPA (-17%)</td>
<td>Average 17% Except Aluminum (36%)</td>
</tr>
<tr>
<td>Cost pr. Employee (EUR)</td>
<td>37 000</td>
<td>42 000</td>
<td>53 000</td>
</tr>
<tr>
<td>Debt (EUR)</td>
<td>10 Mill</td>
<td>23 Mill</td>
<td>1,5 Mill</td>
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<tr>
<td>Average Total Assets (Tangible and intangible)</td>
<td>43 mill</td>
<td>467 Mill</td>
<td>769 Mill</td>
</tr>
<tr>
<td>Average number of employee</td>
<td>154</td>
<td>393</td>
<td>668</td>
</tr>
<tr>
<td>Conclusion</td>
<td>Small low-cost profile companies, which target MSF</td>
<td>Specialized Premium Producers that focus on R&amp;D and added value</td>
<td>Mass producers who benefit from Economies of scale</td>
</tr>
</tbody>
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Figure 1 – Numbers from SABI - Financial Data 2013, Annex 1
How can SAPA gain a leading aluminum extruder position in the Spanish market?

Our problem definition is created to further understand how SAPA effectively can gain a leading position in a highly competitive market situation.
## 5.1. Focus areas

<table>
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<th>Business Consumer Behaviour</th>
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<td>Model</td>
<td>Kotler’s Buying Process</td>
</tr>
<tr>
<td></td>
<td>- B2B focused company</td>
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<tr>
<td></td>
<td>- Understand of the purchase behaviour and reveal key factors</td>
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<tr>
<td></td>
<td>- Map the customers needs, in order to deliver a better core and external product</td>
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<td>- Reveal weaknesses related to SAPA in the selling process</td>
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<table>
<thead>
<tr>
<th>Area</th>
<th>Competitive analysis</th>
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<tr>
<td>Model</td>
<td>Porter’s Five Forces model for competitive analysis</td>
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<tr>
<td></td>
<td>- Understand the environment in which Sapa competes</td>
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<tr>
<td></td>
<td>- Uncover tactical and strategic opportunities in the market</td>
</tr>
<tr>
<td></td>
<td>- Analyse market competitiveness to be able to recommend the best possible strategy</td>
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</table>
5.2. Limitations

During this project we have faced predicted and unpredicted limitations, which may have influenced the results in our research. The predicted limitations have been generalized, and our practice and method have affected our goal to achieve as high validity as possible.

Unpredicted

Low transparency has resulted in a small sample size with slow and low response during our research. After sending e-mails to over 150 aluminum related firms and persons, we got convenient results and samples from eight objects who responded. The objects are from different parts of Spain and are not representable for the whole aluminum industry in Spain. Our quantitative research may have contained errors in some levels. We recommend further investigations with quantitative method, to achieve a representable number of objects. We could not achieve this due to lack of available and reliable data during our secondary research data collection. We have also assumed that the answers from the interview objects have been true, and our analysis is based on this primary data. Since the response was so low we got limited time for the interviews, so it was necessary to do them by Skype. The interviews became less personal and there is a risk for the answers to be less informative, than by personal meetings. The dedication of time and confidential information from SAPA has been strongly restraining.

Predicted

Many companies do not speak good English, or at all, so the availability to communicate with them has been a strong limitation. The Spanish industry language has been as complicated as expected, due to the advanced and high level of vocabulary. Due to limited time and resources we have not been able to visit as many companies as we wanted, due to the geographical distances and cost related to this.
6. Analysis
6.1. PESTEL Analysis

Political
- EU Regulations per 2015: Increased electricity price
- The European Union imposed temporary duties of up to 35.9% on foreign Steel producers in May 2015

Economical
- EU Crisis leads focus on economic constrictions rather than innovation and technology.
- Low GDP growth rate (0.4%)
- Aluminium market remains highly competitive, led by international companies, while local companies make surprising inroads.
- 80% of the Alumina producers are SMB companies, and represent 40-50% of the market

Social
- Changes on the environment becomes more visible, people are becoming more environmentally conscious.

Technology
- Aluminium is the metal experiencing the strongest demand increases
- Globally - Good transference of heat (conductivity rate, cost saving compared to copper)
- Growing market segment - LED lighting segment

Environmental
- Depletion of raw materials is increasing demand for materials with high recyclability
- The European aluminium industry is striving to reduce the environmental footprints
- The importance of weight reduction is increasing

Legal
- ISO Certifications
- Patents: Sistema R + Alfil + Expral
6.2. Porters 5 forces

Threats of New Entry  Low
- No new entrants  = L
- Reputation  = L
- Authorization/Patent= L

Supplier Power  Medium
- Low aluminium price  = L
- Generic product  = L
- Switching costs  = L
- 3-4 Suppliers  = H

Buyer Power  High
- 45 Provider’s  = H
- Loyal customers  = L
- Switching cost: (Cost of a die)  = L

Rivalry
- 45 competitors  = H
- Low growth  = H
- High exit costs  = H
- Very low transparency  = H
- Lack of governmt. control  = H
- Price war  = H

Threats of Substitution  Low
- Aluminium takes steel-market  = L
- Switching cost  = L
6.2. Porters 5 forces
7. Kotlers buying process

- A buying decision process is the process a customer goes through when buying a product. It can be seen as a particular form of a cost–benefit analysis. This model is typically used to epitomize when consumers face more convoluted purchasing decisions. If it is a periodic purchase the consumers would most likely skip one or more of the steps in The Five-Stage Model. These are the stages:

- Stated by Lambin (Market-driven management, 2000), the industrial buying process can be divided into several stages:

- Both buying processes are very similar, the biggest difference is that the industrial process is much more formal and they usually buy in greater quanta and higher value. Kotlers process is easier to understand and equally implementable to Sapa.
7.1. Kotlers buying process for Sapa

- Problem Recognition
  - Customization needs
  - Flexibility with profile range
- Information Search
- Evaluation of Alternatives
  - Continuous dialogue with the customer
- Purchase Decision
  - Customization
  - Know-how
  - Design suggestions
- Post-Purchase Behaviour
  - On-time delivery
  - After-sales service
  - Switching cost
Upon first time purchase, the customer does not “know” the product, and a thorough gathering of information is important. Routine purchases are often production components that are purchased frequently and are periodic. The entire purchase process, from assessment of needs through product specification for evaluation of solution, is in use, and more suppliers and new solutions are being considered.

The buying processes is greatly affected by external factors, which the company can do little to influence. External factors may be the industry, the size of competitors in this industry, degree of organization and people in the various businesses. How we deal with the different stages in the customer buying process is assumed to be important for customer satisfaction and loyalty, and this can be affected by Sapa. How well they handle the buying process is related to building relationships between supplier and customer, which is believed to affect customer satisfaction and loyalty (Biong & Nes, 2009).
7.2. Kotlers buying process - stages

- **The first stage**— problem recognition, is when the consumer discovers a need or a problem. Sapa’s clients need a specific profile solution, sometimes in a specific colour, delivered in a specific amount within a specific timeframe.

- **The second stage**— information search, where the consumer searches for more info based on need and if it is a first time purchase, most segments will choose provider based on reputation and word of mouth, many suppliers in the building & construction industry talk to each other and recommend the firms they’ve had the best experience with.

- **The third stage**— evaluation of alternative, there are several ways for the client to evaluate the alternatives, but the most common is to assess the alternatives based on some predetermined criteria. In this step, it is wise for Sapa to keep a continuous dialogue with the customer and convince they that your company is the best alternative for their needs.
7.2. Kotler’s buying process - stages

- The fourth stage – purchase decision, this is when the sale actually takes place. Sapa offers their know-how and close keeps a close co-operation with the customer to make sure the customers needs are met.

- The fifth and last stage is post-purchase behaviour. This takes place after the product/service is purchased and is based on the consumer’s’ own satisfaction. If the consumer is satisfied this increases customer loyalty and the probability of repurchase.

A profile die costs between €1500-6700, so most customers are very loyal and once purchased is made once, they tend stay with Sapa for a long time. Some bigger companies that are buying in large bulks get the die profile for free, Sapa strives to provide great service, high quality and on-time delivery to keep the customer coming back.
8. List of information needed

**Five Forces**

- How does companies differentiate?
- How are competitors challenging each others?
- How do they share information?
- Competitive advantage in a Black market?
- How can the competition exploit their product advantage?
- How to increase market growth?
- Possibilities for governmental control?
- How to avoid price war?

**Kotlers buying process**

- Do consumers buy our brand?
- How does the customers relate to price, quality, etc.
- Does the customers evaluate their suppliers?
- How is our product perceived by consumers?
- How is our brand perceived by consumers?
- Do consumers gather information about the product?
- Needs must be satisfied before purchasing?
- Kind of access does the consumer have to extrusion companies?
- Kind of follow-up does the consumer want post-purchase?
9. Primary research design and method

- Based on the information needed, found from the secondary research, we have chosen to use a qualitative research method. This is because the information we need is extensive, the industry we’re in is only B2B and a quantitative research method would not have worked. We were reliant on getting comprehensive information on the different subjects and we discovered that the qualitative method would be more useful for our research. On top of that, we believed that we didn't have an ample overview of the industry to overlook on the potentiality of acquiring unforeseen information, which qualitative methods can provide.

- We chose to conduct in-depth interviews due to the fact that we needed to talk to experts and people in the industry, these types of individuals often have a very tight schedule, and they would have no time to attend a focus group, this was therefor the best method.
9. Primary research design and method

- We chose experts in the aluminum industry, competitors and customers of Sapa as our interview objects.

- Experts, because they have an insight in the industry as a whole and they are neutral in regards of the competition, they know every aspect of the industry and have a lot of knowledge. They are in contact with Sapa’s competition and Sapa’s clients. Through the experts we hoped that we would get a better overview of the industry.

- Competitors, since there is almost no transparency in the industry, which makes it difficult for Sapa to position themselves to market intelligence. They have competitive information that would be useful for our list of information needed.

- Customers because they are the ones Sapa lives to serve. We needed to know what they appreciate, why they prefer one provider over the other and what could Sapa do to differentiate themselves.

- The primary method of approach with our interview objects was through e-mail and phone. We sent out over 200 e-mails, called them a day after sending out the e-mail and chose the ones that took the time to talk to use. All the interviews were conducted over Skype due to time and geographical limitations.
10. Summary of the interviews conducted
10.1. Expert interview 1

**Object industry:** Spanish Aluminium Association (non-profit)

**Object position:** General secretary

**Key takeaways**

- Highly competitive market, what differentiates the companies is the specialization and the sophisticated technology
  - Service and quality is key
- Distribution channels are divided by products: Industrial and building and construction
- Lack of trust in new technology: Old communication systems: Normal to still use fax (slow)
- Reputation is important to build and maintain relationships
- The crisis destroyed the industry because of the fall in demand
- Price and delivery time is a MSF
- Exit barriers are high – Hard to sell – need to sell to other countries
- Plastic advertises aggressively and sells itself as a substitute to aluminum

“There is a permanent presence of the key competing product, which is plastic (PVC), they continuously try to convince the clients that their product is better and they advertise profoundly”.
10.1. Expert interview 2

**Object industry:** Aluminum extrusion  
**Object position:** Jr. Key account manager at SAPA

**Key takeaways**

- SAPA’s customers have cyclical demand
- The SAPA brand name is important to the larger customers, smaller ones look for the cheapest price.
- SAPA’s clients are not willing to invest on market forecasts.
- Doing market forecasts could raise SAPA’s efficiency.
- Competitors are very price aggressive and have shorter response time than SAPA.
- Differentiation happens through added value, although not all customers appreciate this.
- SAPA has no R&D dep. and not as strong technical dep. as their competitors.
- SAPA has to improve on response time, although it could downgrade the level of quality and design.
- Potential small/medium business clients are afraid to approach them in fear of not being taken as seriously as larger ones or given the attention they deserve.
10.1. Expert interview 3

Object industry: Consulting
Object position: Process consultant

Key takeaways

- Extruders can differentiate themselves by delivering a higher added value to their customers, such as advising their clients throughout the process.
- There is an intense competitive environment, especially within the EU.
- Aluminium have a potential to take significant market shares from steel in the automobile industry. However, it is a commodity and will not be able to separate a supplier from each other.
- There is a problem with the transparency of information in the aluminium extrusion industry in Spain, due to a lack of governmental regulation.
- The GHG emission regulation in the US could be implemented in the EU region, effectively increasing the requirements for the aluminium supply chain.
10.2. Competitor interview 1

Object industry: Aluminium extrusion
Object position: Head of sales, Extrusiones de Toledo (EXTOL)

Key takeaways

- Longest contracts with clients are 6 months, and this is only 5% of their customer base.
- Extruders with higher production capacity, wider portfolio of products and faster delivery speed compete better.
- Prices: quoted by last month’s average through the London Metal Exchange.
- Profitability in the market is very low due to a tight price for raw material.
- Reputation is important for EXTOL to uphold.
- Efficiency and cost-cuts are done by new technology related to automation of processes in the plant.
- EXTOL admits to position themselves to competitors by asking their clients about information.
- EXTOL has 3500 captive clients and their own distribution channel on a national basis, but outsources it when exporting.
- Customers value; product quality, reputation of final product, the service pre, during and post-purchase and the price.

“Customers value the specialization bit, a wide portfolio of added value and high quality products, as well as a fast delivery process”.

10.2. Competitor interview 2

**Object industry:** Aluminum extrusion  
**Object position:** Key account manager

**Key takeaways**

- This company has a Technical-Industrial Cabinet, a Department of R+D+I, as well as an Analysis Laboratory and Quality Control.
- It's easy to switch between suppliers for clients due to high competitiveness in the market.
- Most of their clients don’t have long-term contracts.
- Competitors are very price aggressive.
- Distribution channel based on warehouses.
- Low profitability in the market, but added value services heightens their margins.
- No advertisement, they focus on CRM.
- High exit barriers in the industry due to difficulty of selling presses and plants.
- Differentiation happens through: special attention service to the client, quality, response time and a competitive price.
10.3. Customer interview 1

Object industry: Lighting
Object position: Purchasing manager (LAMP)

Key takeaways

- Most important for them: technical Support and Price
- Other aluminium producers periodically call to sell and offer matrixes if they choose them as provider
- Demand depend on their sales; they do not buy if they don’t need
- Brand name is not important

- It is important that an extruder provides/offers: technical support and take part in the new experience and learn during the process. Meetings during the design phase so if changes are needed there will be no unexpected costs.
- What they think could be improved are: more information, know-how, availability, response time and service
- Aluminium market after the crisis in Spain as a fairly spread market
- It is important for them to get to know each other’s and present themselves in the sales process, so they can trust them
10.3. Customer interview 2

Object industry: Aluminium industry
Object position: International purchaser (Alstom)

Key takeaways

- Long-term relationships with a pool of suppliers reduces dependency and allows flexibility to create win-win situations.
- Switching fluidity in this industry is linked to technology, primarily specific tools needed to create aluminium profiles, which can be costly.
- It’s essential for suppliers to integrate more parts throughout the value chain, in order to save time, reduce costs and receive the added value of their expertise and know-how.
- The consultative role of the supplier is relatively new to this industry and has to be considered a key success factor for supplier in a highly competitive environment.
- In the EU area there is not a localization constraint, which increases competition for extrusion companies.
- When considering the Total Cost of Ownership, Chinese and European suppliers are evenly balanced.
- Suppliers should propose cost-saving actions and challenge their customers throughout the production process.

“What you want is not suppliers, but experts that should be able to recommend, and not to take the requirements and give a price, but to challenge them”.

43
10.3. Customer interview 3

Object industry: Building and construction
Object position: General manager (Jifera)

Key takeaways

- Operate by themselves
- They want a company with a strong know-how
- It is easy to change provider of aluminium in this industry
- They need a guarantee that the products are aesthetically satisfying
- Important to purchase from a provider with a good reputation.
- Support, time and quality are the most important factors
- They require much time and attention
11. Global conclusion
11.1 Problem definition

**How can SAPA gain a leading aluminum extruder position in the Spanish market?**

*Our problem definition is created to further understand how SAPA effectively can gain a leading position in a highly competitive market situation*
11.2. Problem definition context

- Sapa is positioned in the most competitive extrusion market in the European Union.
- There are low entry costs, but high exit costs in the Spanish market.
- Sapa has an outdated form of internal communication compared to their Norwegian mother companies, which increases decision-making time, due to a lack of trust in the technology.
- Long-term relationship focused culture is essential to thrive in the Spanish extrusion market.
- There is a lack of transparency in the Spanish market, exemplified by the black market, and a limited use of forecasting.
- The added value is provided through a differentiated extended product. Shortly put, Sapa is focusing on improving their bundled product.
- The commodities market has gone from a price-focused to a co-creative selling process.
Sapa are positioned as number seven in terms of revenue* in the Spanish market and need to develop their relationship with relevant stakeholders. After a successful restructuring of the entire company, they can now focus their available resources to achieve a leading position by improving technology, communication and image.

*based on figures from 2013 in comparison to their competitors
12. Strategy
12.1. Frame of reference

- What business are we in?
  - Extrusion
  - Building systems
  - Precision tubing

- What businesses should we be in?
  - Extrusion
  - Building systems
  - Precision tubing

- What businesses should we not be in?
  Investments made in building and construction should be done strategically due to it being a market in slow growth since the recession. Although Sapa’s Extrusion Europe business area experienced a stable market in 2015, but with slightly lower shipped volumes than last year. The profitability is driven by an improved cost base, higher margins, and increased profitability in fabrication.

- Logical areas for brand growth

Within Precision Tubing, Sapa produces and sells specialized products that are used in heat transfer applications, principally for the automotive market, which serves about 75 percent of the entire market for precision aluminum tubes. Precision tubing is also partaking in the growing market for replacing copper with aluminum in the HVAC-R industry and applications for transporting liquids and gases.
12.2. Identify potential substitute products and other competitive threats

- **Potential Substitutes**
  - Steel
  - Plastic (PVC)

- **Competitive Threats**
  - No transparency in the industry makes “cheating” easier. By this we mean competitors that are employing workers with no work visa and paying them an unfair amount, thereby reducing their costs.
  - Higher productivity amongst competitors makes them able to sell their high-quality products at lower prices.
  - The plastic (PVC) industry market themselves more aggressively than aluminum and claim they have a higher strength-to-weight ratio.

### Aluminum can be a substitute

<table>
<thead>
<tr>
<th>Material</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>Stronger</td>
<td>Expensive, Corrosion</td>
</tr>
<tr>
<td>Plastic</td>
<td>Cheaper</td>
<td>Toxic</td>
</tr>
<tr>
<td>Copper</td>
<td>Electricity conduction</td>
<td>Very expensive, Heavy</td>
</tr>
<tr>
<td>Wood</td>
<td>Cheap</td>
<td>Short life cycle</td>
</tr>
</tbody>
</table>

Aluminum combines all the pros from each of them and extrusion is a cost-effective addition to other techniques, such as forging and injection molding.
“Deliver profitable growth through growth through good organic development complemented by strategic acquisitions of companies and alliances that further strengthen our market positions”
12.4. Risk-profitability binomial

The risk-profitability binomial is affected by a few factors that are crucial for the aluminum industry, which are shown under:

- There is an intense competitive environment in the Spanish market but Sapa is a big company with resources and capabilities (e.g. know-how).
- There are high entry costs (Machine presses, approx.: €25 million), but the macroeconomic environment in Spain is improving, which reduces risks.
- The company has several new plants under construction in other parts of the world which indicates their willingness to take risks.
- On the basis of these facts, the binomial is at a medium rate.

- Sapa is continually investing in R&D to obtain a competitive advantage. By discovering new ways to implement aluminum as a substitute product, they can gain profitability in new markets.
- There is an intense competitive environment in Spain but the company is working in an economically improving area. There are diverse set of customers in the various industries where aluminum can compete.
- On the basis of these facts, the binomial is at a medium rate.
12.5. Corporate objectives

- Sapa’s corporate objectives are divided into customer first, trustworthy, one company, entrepreneurship and accountability.

Customer first - *We see the world through our customers’ eyes. We anticipate their needs and move fast, locally and globally, to deliver excellence.* Sapa sees the importance in focusing on being a customer centric company, customers are what drives them and keeps them profitable. Sapa bases its business concept on very close collaboration with the customer and they meet them wherever they are.

Trustworthy - *We do what we say we will do. We act with integrity, communicate openly, and treat others with respect.* A company you can trust is a company you can work with. Sapa wants their customers to know that they are a credible partner to do business with.

One company - *We know that we work better when we work together. We share our knowledge and energy to ensure that we achieve our collective and individual aims.* Sapa aims to be one company with shared values and goals, they might be a global firm based, represented all over the world, but they work as one.

Entrepreneurship - *We drive the business as if it were our own. We are agile and focused on results when carrying out new initiatives.* Entrepreneurship is a bold thing to do, but Sapa strives to always stay ahead and be a flexible company.

Accountability - *We take responsibility for our actions. We make decisions and stand behind the results, good or bad.* No company is perfect and not all decisions made are the right ones and Sapa admits that they are accountable for any wrongdoing from their side.
13. Target Market
13.1. Frame of reference
13.2. Who

Potential customers in:

1. Building Systems
2. Transport
3. Building and Construction

13.3. What

The needs that needs to be fulfilled

1. Functional
2. Design
13.4. How

**Function**

- **Quality**
  - Formed into any functions and shapes, Waterproof, Corrosion resistant, Immune to the negative effects of UV-Rays, High strength-to-weight ratio, Non-toxic, Durable, 100% Recyclable
- **Predictability**
  - Delivery time
- **Advantage**
  - Time-Sensitive
  - Financial security after a time when 52% of the aluminum extruders went bankruptcy
- **Expertise**
  - Know-How and local expertise combined with global network benefits
  - Global network which provides R&D capabilities, which detect new areas of use and how the aluminum can be a substitute

**Design**

- **Flexibility**
  - Formability of the profiles
  - Guarantee Unlimited design potential
  - Customized profiles
- **Esthetics**
  - Coating
14. Macro segmentation
14.1. Summary of who, what and how

<table>
<thead>
<tr>
<th></th>
<th>Macro segment 1</th>
<th>Macro segment 2</th>
<th>Macro segment 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>What</td>
<td>Design</td>
<td>Functional</td>
<td>Functional</td>
</tr>
<tr>
<td>How</td>
<td>Aluminium</td>
<td>Aluminium</td>
<td>Aluminium</td>
</tr>
<tr>
<td>Who</td>
<td>Building systems</td>
<td>Transport</td>
<td>Building and Construction</td>
</tr>
</tbody>
</table>
14.2. Macro and industry segments

- The macro segment building systems is divided into three micro industries lighting, thermal management, land ventilation (HVAC&R).
- Macro number two, transportation is divided into; automotive, commercial transport like trailer parts, and rolling stock body structures and public transportation like subway cars and trains.
- Macro number three, building and construction is divided into residential, offices and industrial buildings.

The reasons for picking these micro industries are that according to Sapa’s annual report, growth rates decreased in 2015, especially in the building and construction segment, there is therefore a potential for improvement and more extruders will try to enter the higher-end industrial and automotive segments, which makes a clear focus strategy vital for success.
14.3. Solution life cycle

<table>
<thead>
<tr>
<th>Phase of the PLC</th>
<th>Macro- marketing environment</th>
<th>Priority strategic objectives</th>
<th>Marketing program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shakeout</td>
<td>- Growth at a declining pace - Target majority of the market - Weakest rivals start dropping out - Second generation technologies emerges</td>
<td>- Target specific segments - Maximize market share - Position brand clearly - Create and maintain brand loyalty</td>
<td>- Differentiation based on segmentation - Intensive distribution - High price and value pricing strategy - Brand positioning communication</td>
</tr>
</tbody>
</table>

Macro segment 1 - Building systems
- **LIFE CYCLE:** Shake-Out
  - Who: Lighting
  - What: Design
  - How: Aluminum

Macro segment 2 - Automotive
- **LIFE CYCLE:** Shake-Out
  - Who: Automotive
  - What: Functional
  - How: Aluminum

Macro segment 3 – Building & Construction
- **LIFE CYCLE:** Shake-Out
  - Who: B&C
  - What: Functional
  - How: Aluminum
## 14.4. Macro segment 1 – Building systems

### Phase: Shake-Out

<table>
<thead>
<tr>
<th>Factors</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market growth</td>
<td>Growth: Decelerating (but still above average general economy)</td>
</tr>
<tr>
<td></td>
<td>During and after the crisis, the market growth have been reduced</td>
</tr>
<tr>
<td>Technological changes</td>
<td>Slowly Increasing</td>
</tr>
<tr>
<td></td>
<td>There have been few technological changes due to: low or none investments in R&amp;D. Resources have been used to survive or invest in more equipment</td>
</tr>
<tr>
<td>Segments</td>
<td>Many: Target group are the majority of the market.</td>
</tr>
<tr>
<td></td>
<td>Today there is few segments in the lightning industry. During the turbulent market it is hard to get overview</td>
</tr>
<tr>
<td>Competition</td>
<td>The industrial sector are more concentrated. Weakest competitors are dropping out because of reduced market prices.</td>
</tr>
<tr>
<td></td>
<td>Short-contracts: Change suppliers rapidly after better offers due to cost, service, delivery time etc.</td>
</tr>
<tr>
<td>Profitability</td>
<td>Erratic/Small</td>
</tr>
<tr>
<td></td>
<td>Result of the high competition: low margin as possible to survive and gain customers</td>
</tr>
<tr>
<td>Factors</td>
<td>Explanation</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Market Growth</td>
<td>Growth: Decelerating (but still above average general economy)</td>
</tr>
<tr>
<td></td>
<td>As a result of the innovation in the automotive industry, the aluminum used in cars have been more attractive because of its features such as light weight = Saves fuel</td>
</tr>
<tr>
<td>Technological Changes*</td>
<td>Slowly Increasing</td>
</tr>
<tr>
<td></td>
<td>The technological changes have been few. Due to the trend of electrical cars, more and more parts of aluminum are possible because of new and stronger aluminum mix.</td>
</tr>
<tr>
<td>Segments*</td>
<td>Many: Target group are the majority of the market.</td>
</tr>
<tr>
<td></td>
<td>The automotive industry are changing fast, and so are the segments. The segments are growing in size and numbers. E.g.: low cost cars in emerging markets have opened up the possibility to blue ocean markets</td>
</tr>
<tr>
<td>Competition*</td>
<td>The industrial sector are more concentrated. Weakest competitors are dropping out because of reduced market prices.</td>
</tr>
<tr>
<td></td>
<td>Competition are high because there are many aluminum producers in Spain, which produce parts to the automotive industry. Also the market are increasing after the crisis.</td>
</tr>
<tr>
<td>Profitability</td>
<td>Erratic/Small</td>
</tr>
<tr>
<td></td>
<td>Because many of the companies, like SAPA, can deliver products of a certain quality, due to sophisticated R&amp;D. A result is high profit. We also find longer stable and secure contracts, which raises the security</td>
</tr>
</tbody>
</table>
### 14.6. Macro segment 3 – Building and construction

**Phase: Shake-Out**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Growth</strong></td>
<td>Decelerating (But still above average general economy)</td>
</tr>
<tr>
<td></td>
<td>B&amp;C segment are growing 0,7% regarding EU-report</td>
</tr>
<tr>
<td><strong>Technological Changes</strong></td>
<td>Slowly Increasing</td>
</tr>
<tr>
<td></td>
<td>There are few technological changes, because of use of resources to survive in the market, rather than innovation. But the industry see more and more the advantage in use of aluminum due to the climate: Pollution and rust resistant</td>
</tr>
<tr>
<td><strong>Segments</strong></td>
<td>Many: Target group are the majority of the market.</td>
</tr>
<tr>
<td></td>
<td>Segments have decreased and there are fewer B&amp;C companies due to the high risk in the market</td>
</tr>
<tr>
<td><strong>Competition</strong></td>
<td>The industrial sector are more concentrated Weakest competitors are dropping out because of reduced market prices.</td>
</tr>
<tr>
<td></td>
<td>Because of the smaller amount of customers, the competition have been very hard, if not hardest to B&amp;C. Most of the aluminums providers produce to this industry</td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td>Erratic/Small</td>
</tr>
<tr>
<td></td>
<td>For those who are still in the game they are perceived as predictable, which is important to the customers. And they are growing to the experience customers must have with the large suppliers</td>
</tr>
</tbody>
</table>
14.7. Shake-out phase

We discovered that all three macrosegments are to be placed in the Shake-out phase of the product life cycle due to the change in demand of the products, which are increasing in a slower rate. This is not only because of the crisis that affected the aluminum industry in 2009, but also the very high number of competitors in the market. A result of the crisis was little investments in R&D to develop new areas to use aluminum. In this field SAPA has had a big advantage of being a global company, and benefited from their international R&D outcome. Another result from the economic crises in Spain, was the low prices on aluminum, and many companies went bankrupt and are still losing to the larger companies which can conquer the smaller ones and offer lower prices due to having the advantage of being economies of scale.

The reason for being in the shake-out phase

The race and chase for profits are hard, the companies are fighting to survive price wars, and the larger firms are pushing out the smaller ones. The competition is more concentrated than ever and profits are unpredictable in all the three different macrosegments. The demand for aluminum products are growing but at a slow rate, because their customers are afraid of going bankrupt as well, so the target market is the majority of the groups, especially for Sapa who strives in being a Premium provider.

The shake-out phase has led to a price war for the customers, that need most of all; a low price. As Lambin recommends, in a shake-out phase, Sapa needs to redefine their priority objectives in two new directions:
1. Shift their strategy from developing primary demand to build up and maximize market share.
2. Market segmentation must guide the policy to differentiate the firm from «me-too products» and to move away from the core market. The majority rule has become the majority fallacy. To achieve these directions in their new priority objectives, Sapa must segment the market to identify priority target segments. This can detect new segments and help them maximize market share in the target segments. During this process it is important to build and position the brand clearly in consumers’ mind and from there create and maintain brand loyalty among new and existing customers. This is important to all the three macro segments.

The marketing program will be
1. Product differentiation guided by market segmentation. 2. Expansion of distribution to obtain maximum market exposure. 3. Pricing based on the distinctive characteristics of the brands. 4. Advertising to communicate the claimed position to the market.
### 14.8. Key success factors and distinctive competences

- **Macrosegment 1 – Building systems**

<table>
<thead>
<tr>
<th>KSF</th>
<th>Level</th>
<th>Distinctive competence</th>
<th>Is it a distinctive competence for our company?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>High</td>
<td>R&amp;D departments and control centers</td>
<td>Yes</td>
</tr>
<tr>
<td>Price</td>
<td>Low</td>
<td>Superior efficiency - economies of scale. Superior quality – higher price at lower costs</td>
<td>No, Could be improved</td>
</tr>
<tr>
<td>Communication process</td>
<td>Medium</td>
<td>User-centric networks, High skilled workforce, Follow up system, market intelligence (best industrial practices)</td>
<td>Yes, could be improved</td>
</tr>
<tr>
<td>Liability allocation (risk allocation)</td>
<td>Low</td>
<td>Financial healthy: Low debt</td>
<td>No, Could improve</td>
</tr>
</tbody>
</table>
## 14.9. Key success factors and distinctive competences
- Macrosegment 2 – Transport

<table>
<thead>
<tr>
<th>KSF</th>
<th>Level</th>
<th>Distinctive competence</th>
<th>Is it a distinctive competence for our company?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole supply chain provider</td>
<td>Medium</td>
<td>Internal supply chain management</td>
<td>Yes, could be improved</td>
</tr>
<tr>
<td>Communication process</td>
<td>Medium</td>
<td>User-centric networks.</td>
<td>Yes, could be improved</td>
</tr>
<tr>
<td>Flexibility</td>
<td>High</td>
<td>Economies of scale, Flexible production capacity</td>
<td>Yes</td>
</tr>
</tbody>
</table>
## 14.10. Key success factors and distinctive competences
- Macrosegment 3 – Building and transport

<table>
<thead>
<tr>
<th>KSF</th>
<th>Level</th>
<th>Distinctive competence</th>
<th>Is it a distinctive competence for our company?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication process</td>
<td>Medium</td>
<td>User-centric networks, technical educational background,</td>
<td>Yes</td>
</tr>
<tr>
<td>Consistent Quality</td>
<td>High</td>
<td>Quality control center, Marketing activities</td>
<td>Yes, could be improved</td>
</tr>
<tr>
<td>Liability allocation (risk allocation)</td>
<td>High</td>
<td>Low debt, Financial + assets Investments</td>
<td>Yes</td>
</tr>
</tbody>
</table>
15. Strategic SWOT analysis

<table>
<thead>
<tr>
<th>FACT</th>
<th>OPPORTUNITY</th>
<th>THREAT</th>
<th>STRENGTH</th>
<th>WEAKNESS</th>
<th>TO DO</th>
</tr>
</thead>
<tbody>
<tr>
<td>The recession in Spain</td>
<td>Increase in demand for cheaper products</td>
<td>Decrease in demand of added value</td>
<td>Know how of the industry  - Produces customized products  - Competitive price structure</td>
<td>High product price</td>
<td>Offer lower price if customers buy in higher volume  Include added value to attract price seeking customers</td>
</tr>
</tbody>
</table>
### 15. Strategic SWOT analysis

<table>
<thead>
<tr>
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<th>STRENGTH</th>
<th>WEAKNESS</th>
<th>TO DO</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Many small competitors</td>
<td>- Opportunity to offer a wider and more broad product portfolio</td>
<td>- New entrants</td>
<td>- Sapa has a strong challenger position.</td>
<td>- For smaller consumers, the brand name might seem intimidating</td>
<td>- Focus on target segments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Very strong brand name.</td>
<td></td>
<td>- Increase exit barriers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- They can offer a wide variety of customized products and added value</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: The table represents a strategic SWOT analysis for Sapa.*
## 15. Strategic SWOT analysis

<table>
<thead>
<tr>
<th>FACT</th>
<th>OPPORTUNITY</th>
<th>THREAT</th>
<th>STRENGTH</th>
<th>WEAKNESS</th>
<th>TO DO</th>
</tr>
</thead>
<tbody>
<tr>
<td>- No transparency in the industry</td>
<td>- Make the industry more transparent</td>
<td>- Difficulty to position to competitors</td>
<td>- Sapa is a well-known brand in the Spanish market and has the power to affect associations and other industry players</td>
<td>- Jeopardize competitiveness</td>
<td>- Create a knowledge sharing platform</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Public exposure affects Brand reputation</td>
<td>- Create industry rules in co-operation with associations in order to force industry players to be more transparent</td>
</tr>
</tbody>
</table>
### 15. Strategic SWOT analysis

<table>
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<tr>
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<th>STRENGTH</th>
<th>WEAKNESS</th>
<th>TO DO</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Customers have short-term contracts with their providers</td>
<td>- Acquire customers from the competitors</td>
<td>- Competitors can steal customers</td>
<td>- Possibility to offer long-term contracts in order to keep customers longer</td>
<td>- High risk for Sapa to lock customers through set prices - Price escalation - Unforeseen rise in cost of materials</td>
<td>- Improve relationships with existing customers - Create long-term contracts based on either volume or period</td>
</tr>
</tbody>
</table>

*Note: This SWOT analysis is hypothetical for demonstration purposes.*
### 15. Strategic SWOT analysis

<table>
<thead>
<tr>
<th>FACT</th>
<th>OPPORTUNITY</th>
<th>THREAT</th>
<th>STRENGTH</th>
<th>WEAKNESS</th>
<th>TO DO</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Communication between customer and provider is slow and old</td>
<td>- Establish partnership with customers</td>
<td>- New entrants can take customers</td>
<td>- Sapa has the funds and time to spend on a better communication method</td>
<td>- Internal systems are not up to date</td>
<td>- Optimize communication channels with customers</td>
</tr>
<tr>
<td></td>
<td>- Modernize communication channels.</td>
<td></td>
<td></td>
<td></td>
<td>- Improve communications systems internally</td>
</tr>
</tbody>
</table>
## 15. Strategic SWOT analysis

<table>
<thead>
<tr>
<th>FACT</th>
<th>OPPORTUNITY</th>
<th>THREAT</th>
<th>STRENGTH</th>
<th>WEAKNESS</th>
<th>TO DO</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Customers demand of quick delivery time</td>
<td>- Capture new customers unsatisfied with current delivery logistics</td>
<td>- Loose customers due to slow delivery or misunderstandings in deliveries</td>
<td>- Capacity to improve delivery time</td>
<td>- Sapa is currently less effective than its competitors per employee</td>
<td>- Outsource logistics or establish logistics department in-house</td>
</tr>
</tbody>
</table>
15. Strategic SWOT analysis

<table>
<thead>
<tr>
<th>FACT</th>
<th>OPPORTUNITY</th>
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<tbody>
<tr>
<td>Customers want more involvement from idea to delivering phase</td>
<td>- Improve relationship</td>
<td>- Competitors can provide better service and more involvement</td>
<td>- Sapa has engineers and consultants with the know-how to help the customers with any questions through the delivery phase</td>
<td>- Sapa has higher costs and limited time</td>
<td>- Create an intranet for customer / knowledge sharing platform - Improve co-operation and communication</td>
</tr>
</tbody>
</table>
15. Strategic SWOT analysis

<table>
<thead>
<tr>
<th>FACT</th>
<th>OPPORTUNITY</th>
<th>THREAT</th>
<th>STRENGTH</th>
<th>WEAKNESS</th>
<th>TO DO</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Competitors employees are more productive</td>
<td>- Become more efficient and productive - Increase customer satisfaction</td>
<td>- Loose customers due to low customer satisfaction</td>
<td>- Sapa has the possibility to improve their employee satisfaction and efficiency through Sapa school</td>
<td>- Not all presses have been at full capacity due to reduced intake in orders correlated with the restructuring of the company</td>
<td>- Cut costs and / or dismiss employees - Improve employee effectiveness and satisfaction</td>
</tr>
</tbody>
</table>
### 15. Strategic SWOT analysis

<table>
<thead>
<tr>
<th>FACT</th>
<th>OPPORTUNITY</th>
<th>THREAT</th>
<th>STRENGTH</th>
<th>WEAKNESS</th>
<th>TO DO</th>
</tr>
</thead>
</table>
| - There are low entry costs but high exit costs in the Spanish market | - Increase market share  
- Avoid price wars | - New competitors | - Sapa has the resources to acquire competitors | - Resource demanding  
- No authority from HQ | - Acquisition of strategically valuable competitors |
### 15. Strategic SWOT analysis

<table>
<thead>
<tr>
<th>FACT</th>
<th>OPPORTUNITY</th>
<th>THREAT</th>
<th>STRENGTH</th>
<th>WEAKNESS</th>
<th>TO DO</th>
</tr>
</thead>
</table>
| - Customers want to be contacted / visited more often | - Build strong relationships  
- Repeat purchase | - Lose customers to aggressive competitors | - Sapa has the resources and knowledge to keep key customers satisfied | - Competitors might be more aggressive and have more time than Sapa  
- Sapa has slow methods of communication and has not dedicated enough time to all key customers | - Visit key customers more often  
- Execute customer satisfaction surveys regularly |

- **Sapa**
16. Conclusion Porters 5 forces

**Threat of new entrants (Low)**
Few to no entrants, reputation matters, while authorization and patents creates high entry barriers

**Threat of substitutes (Low)**
Aluminum is entering other commodities market, such as steel and not the other way around. The switching cost is high considering the price of dies and other start-up costs.

**Bargaining power of buyers (High)**
There are several providers of aluminum aluminum profiles, effectively increasing the bargaining power of buyers. However, the customers tend to be loyal to their suppliers, due to long-term relationships, and the cost of a die along with other start-up costs lowers their bargaining power.

**Bargaining power of suppliers (Medium)**
A historically low aluminum price combined with a relatively generic product lowers the bargaining power of supplier. There are few suppliers which increases their bargaining power.

**Industry Rivalry (High)**
There are several competitors in a market with low growth rate, little to no transparency, lack of governmental control heading towards a price war, while having high exit costs.

**Competitiveness of the Industry: HIGH**
17. Choice of competitive strategy - Company
17. Choice of competitive strategy - Company

- Differentiation

Since Sapa are targeting a leading position and they can not compete on low price compared to their competitors, Sapa should focus on a differentiated strategy to give distinctive qualities to their products and their know-how service, such as highly sophisticated R&D and innovation.

These should be significant to the buyer by creating services and products, which are perceived as more unique than their competitors products and services. Sapa has today the resources and capabilities to meet the critical success factors and need to use their potential to differentiate themselves from their competitors. We consider these critical success factors to be flexible, whole chain provider, efficient communication and security in deliverance and financial, all are aspects to deliver consistent quality.

Sapa should differentiate through a new brand image, technology and customer service. Since the name «Sapa» only have existed three years in Spain, we consider important and highly beneficial to provide the customers with a «new» strong brand name. This will create a brand loyalty with their customers and decrease the price sensitivity among the customers. This should also make it possible for Sapa to increase margins and avoid the the price war, which they are facing today.

As Lambin recommends, they should heighten the entry barriers by making it hard for competitors to overcome the uniqueness of the company. Sapa has the unique position to combine the "new" (flexibility) with the "old" (experience). The differentiation strategy demands large investments in operational marketing, to communicate their distinctive qualities, compared to the competition.
18. Choice of growth strategy – Ansoff Matrix

- **Market Penetration**
  - Existing Markets
  - High Scope for Leverage
- **Product Development**
  - New Products
  - High Scope for Leverage
- **Market Development**
  - Existing Products
  - Low Scope for Leverage
- **Diversification**
  - New Markets
  - Low Scope for Leverage
18. Choice of growth strategy – Ansoff matrix

- **Market penetration**
  We chose the market penetration strategy because Sapa needs to fully exploit the opportunities offered by its products within their reference market. Due to the very high competitiveness in the aluminum industry, Sapa needs to try to maintain and increase sales in existing markets by efficient implementation of these 4 penetration strategies:

1. **Market share increase strategy**, by attracting buyers from competing brands by significant spending on marketing activities to improve service offering (communication improvement), significant reinforcement through distribution and service network (knowledge sharing platform) and invest majorly in promotional efforts (5p’s PR)
2. **Market acquisition** (defensive/maintain the level of market penetration)
   - Acquire competitors to obtain market share

The next two are defensive strategies which we advise to consider, in reply to the high competitiveness.

3. **Market rationalization** (Modify market by cost and/or marketing effectiveness by concentration on most profitable segments and use of most effective distributor (logistics-channels).
4. **Market organization**, Sapa as a powerful company could help prevent the black markets in Spain by influencing the government to make the industry use legally accepted practices. Together with aluminum association in Spain they could push forward to establish industry rules guidelines under government supervision. They should also consider creating a joint-marketing research organization to improve information systems.
19. Competitive attitude

- To detect and recommend the best competitive attitude for Sapa, we have considered the competitors position and behavior. Through the M. Porters 5 forces analysis of the competitiveness of the industry we found the industry as highly competitive and therefore Sapa needs to differentiate themselves to grow. Through the competitor financial analysis we found Sapa to be in the Medium-sized group, and detected their closest competitors and their competitive advantages, which we summarized to be economies of scale. We have set the strategy based on a realistic assessment of the forces at work, and to determine the means to achieve defined objectives.

Lambin defines the market leader to have a dominant position and is acknowledged by their competitors. We consider Sapa to have the potential to achieve this. Sapa are a global ethic company and acts as a role model for others in the industry. They should continuously consider imitating attacks from competitors.
19. Competitive attitude

- **Offensive Strategy**
  - The object is to reap the benefits of experience effect to maximize and improve profitability. The strategy is based on the assumption that market share and profitability are related. Another beneficial result in this dominant position is that it attracts the attention of public authorities who are in charge of maintaining balanced competitive market condition. But they could be more vulnerable to i.e.. Labor organizations. There is a limit related to how high costs Sapa can have, before being pushed out of this market.

  - To achieve their goal to be a leader in the market it is natural for us to conclude with the Market Leader strategy, which is the best strategy for SAPA. We define Sapa's capabilities such as economies of scale (global company/joint venture-backed), innovative production processes through R&D (E.g. Friction Stir Welding) and their flexibility by benefits from being a multinational company, to conquer in the aluminum industry in Spain. After analyzing the strategy we have found out that Sapa are too slow by using a pull strategy. Compared to their competitors, Sapa has very small sales force. Sapa has the potential for growth and development therefore we will recommend Sapa to change their attitude to a more offensive strategy.

**Expected result from this strategy**

- Increase profitability
- Increased market share
20. Segmentation strategy

20.1. Criteria for efficient segmentation

The aim objective of the micro-segmentation is to analyze the diversity of the customers requirements in a detailed manner within each of the macro segments. We have discovered that differences lie in organizational demographics, operating variables, personal characteristics to the customers and purchase approaches. Our goal with the micro segmentation was to uncover customer groups searching for the same benefits and needs of the products Sapa can offer. Since Sapa is an industrial B2B company, it is natural to share the needs of the various sectors. When fulfilled criteria's:

**Differential response:** The segments must be different in terms of their sensitivity to one or several marketing variables under the control of the firm.

We have specified the benefits sought in the table on the next slide, followed by the microsegments most important benefit sought and an explanation of the segments and the factors to decide the main benefits sought:

**“Breezes” micro segment:** For this micro segment its about the features of the products, that differ from the substitutes, such as corrosion resistance.

**“Automobiles” micro segment:** these customers have a strong need for innovation in order to find new areas to use aluminum, to replace parts of the cars with high “weight-to-strength ratio”.

**“Houses” micro segment:** after the crises in 2009 the need for a good reputation and trust has become the have be most important benefit. We specify these needs later in the segmentation strategy.

**Adequate size:** Identified segments must represent a market potential large enough to justify developing a specific marketing strategy.

Sapa extrusion Spain targets companies with operating revenue from €20M and have a total of 1600 customers. From the primary and secondary research we found that the closest competitor has 3000 customers. Based on the benefits we can conclude that the macro segments potential are capable to meet the requirement of €20M in operating revenue.
Measures: We must be able to measure the variables we use in our segmentation. Finding information about size, purchasing power and major behavior characteristics has been difficult due to abstract variables and the low transparency in the industry. Based on our primary research we have been able to measure the most important variables for each microsegment. We cannot conclude that these assumptions are representable for all the participants of the microsegments. Variables used for the all the customers of Sapa are the company size, in terms of turnover over €20M. Further on, these have been divided into the different industry sectors, these factors have not been easy to measure and hard to find information about.

- **Variables measured for “Breezes”**
  - Variable: *Purchase*: Measured through the number of customized products, due to their industry which is project based, and require further possibilities for customization.
  - Variable: *Technical requirements*: Measured by the degree of their need in technical features with the products such as corrosion resistance, durability, waterproof etc. compared to the substitutes. Their technical requirements have also been measured by their need for their demand in innovation solutions.

- **Variables measured for “Automobiles”**
  - Variable: *User status* is measured through consistent quality in the number of errors in the deliverances regarding how satisfied the customers were and their willingness to repurchase.
  - Variable: *Level of technology* is measured in their demand for high quality and the aesthetics of the products. We have also measured the level of technology by the resources allocated to R&D departments.

- **Variables measured for “Houses”**
  - Variable: *Buyer and seller relationship* is measured by their reputation in the industry by the number of years in the market.
  - Variable: *Risk perception* has been measured in their loyalty and repurchase rate.
Accessibility: Refers to the degree to which a market segment can be reached through a unique marketing program. We have selected the criteria to be controlled coverage. Because Sapa must efficiently reach their target customers and waste little time covering firms who are not potential buyers. This gives them the control of who they are targeting and can efficiently select their customers. This is consistent with the differentiated strategy. We consider accessibility for the 3 micro segments as very good, after seeing how customers react to similar initiatives from the competitors. After having detected the different needs in the different segments, Sapa’s customers can be controlled with a more aggressive attitude strategy and by implementing a specialized marketing mix for each of them they should be able to increase the number of customers.

Actionability: In the marketing mix we will recommend a set actions to take for each of the selected micro segments.

Based on the reasoning for all the segmentation criteria's for the three microsegments and will present the positioning strategy and actions to take in the marketing mix.

• On the next slide we have listed up all the benefits sought in the different macrosegments to detect the differences in the microsegments. We have used the standard segmentation factors framework for B2B markets from Lombard:

Organizational demographics: We specify the industry sectors, geographical location, Spain.
Operating Variables: Level of technology, user status and customer capabilities.
Personal Characteristics: Motivation, buyer and seller relationship and risk perception.
Purchasing approaches: Decision center organization, purchasing policies and purchase criteria.
## 20.2. Choice of segmentation criteria – Benefits Sought

<table>
<thead>
<tr>
<th>Macro segment</th>
<th>Building systems</th>
<th>Transport</th>
<th>Building and construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro segment</td>
<td>Lighting</td>
<td>Thermal Management</td>
<td>Ventilation</td>
</tr>
<tr>
<td>Benefits Sought</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shapeability</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Waterproof</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Corrosion Resistant</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>UV-resistant</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Strength/weight ratio</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Non-Toxic</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Durability</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Recyclability</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Response time</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Expertise/know-how</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Flexibility</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Aesthetics</td>
<td>5</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Innovation</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Consistent quality</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Price</td>
<td>5</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Reputation</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Delivery-Reliability</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Contract Length</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Storage</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Co-creation</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Service</td>
<td>3</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Risk allocation</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Score</strong></td>
<td><strong>56</strong></td>
<td><strong>62</strong></td>
<td><strong>68</strong></td>
</tr>
</tbody>
</table>

Values: 1 (Not important) to 5 (Important)
21. Segmentation – Macro and micro

We chose to continue with these micro segments which have the greatest potential in each macro segment.

Macrosegment 1 – Building systems
- Lighting
- Thermal Management
- Ventilation

Macro segment 2 - Transport
- Automotive
- Industrial Transport
- Public Transport

Macro segment 3 – Building and construction
- Residential
- Offices
- Industrial Buildings
21. Segmentation – Macro and micro

- Building systems
  - Ventilation industry
    - Renamed: Breezes
      - Customization
      - Corrosion resistant
      - Consistent quality
  - Residential buildings industry
    - Renamed: Houses
      - Customization
      - Aesthetics
      - Reputation
      - Storage

- Transport
  - Automotive industry
    - Renamed: Automobiles
      - Innovation
      - Aesthetics
      - High quality
      - Know-how

- B & C

Macro segments
Industries
Micro segments
Main Benefit sought
21.1. Factors to decide micro segments

- From the macro segmentation we found a total of 9 industries and out of those 9, we have chosen one industry in each one of the macro segments and thereby found the micro segments.

- We did this by implementing the results from the primary research and then creating a grid where we placed all the benefits sought that were relevant for the industries. Then we rated all 23 benefits sought to every industry with a score between 1 and 5, where 1 is “not important” and 5 is “important”. Finally we summed all the scores and found the 3 micro segments which we named:
  - “Breezes” (ventilation industry) Macro segment 1 - Building systems
  - “Automobiles” (automotive industry) Macro segment 2 - Transport
  - “Houses” (residential buildings industry) Macro segment 3 – Building & Construction

- Benefits sought explanation: a very effective segmentation method for companies that offer products that have unique features, and this allows them to identify which products/service they should offer and which benefits they should promote. It’s also an effective tool for the larger companies who want to break down the market to multiple market segments, in order to reduce the threat from their competitive rivalry.
21.2. Factors to decide main benefit sought

• Within the 3 micro segments, there were a few benefits sought that scored the highest within all of them. Out of these few benefits sought, we found 1 main benefit sought that we believe is the one that is most relevant for that specific micro segment.

• **Breezes** – main benefit sought: Technical feature - Corrosion resistant: during our secondary research we discovered that in the ventilation industry there is an ongoing copper to aluminum substitution process, due to the fact that aluminum does not corrode. Aside from that, HVAC&R (heating, ventilation, air condition & refrigeration) is the second largest market for Precision Tubing and it grew by around 50 percent in 2014 and 24 percent in 2015. According to the Sapa annual report, the HVAC&R market still represents considerable potential in substituting copper with aluminum and this is something Sapa excels at.

• **Automobiles** – main benefit sought: Innovation: innovation is first of all part of Sapa’s vision; *We are aluminum. Excelling in technology and innovation. Today and tomorrow. Sapa – Innovative aluminum solutions.*

It’s mentioned twice and it’s a tremendously important part of their added value/augmented product. Sapa has a strong focus on being at the forefront of innovation through its unmatched resources within R&D. A great is example is the partnership with Tesla, with the Model X which is an electric car that required a strong and lightweight material that could be easily incorporated into the cars design. Innovative solutions were the result of this co-operation, and it allowed the Model X to exceed the highest safety requirements and maintain its position as a leader in high-performance long-range electric vehicles.
21.2. Factors to decide main benefit sought

- **Houses** – main benefit sought: Reputation: from our primary research we discovered that in the residential buildings industry, the main benefit sought for the consumers is a company with an exceptional reputation. In business to business sales the most important marketing tool is word of mouth, and in the building and construction segment, the customers are known to communicate often with each other and share information like wildfire. The companies that deliver an on-time core product of great quality and service, are the ones that excel in this industry. Reputation must therefore be upheld and strengthen at all cost by Sapa.
22. Choice of segmentation strategy

After defining the mentioned criteria's for our segmentation, we have identified one strategy for each of the micro segments, which we consider to have the greatest potential, we would recommend Sapa to focus on. Based on the benefits sought shown in the grid earlier we have found the most important benefits sought to each micro segment.

We believe it is very important for Sapa to take into consideration the micro segments that have been chosen. This is mostly because of the solution life cycles they are in the growth phase. We have therefore chosen to use a differentiated focus segmentation strategy.

**Differentiated focus**

- This strategy involves developing different market mixes to each target segment, in the sense of following a specialized strategy.
- The consumers in each micro segments are heterogeneous because they appreciate one specific benefit over the other, they share the need for added value, but different types as explained in the previous slide.
- This means that each of the micro segments need their own marketing mix, as they react differently to the same stimuli.
- This will be examined further when deciding the marketing mixes.
22.1. Microsegments in Building Systems

Benefits sought:
- Customization
- Consistent quality

Main benefit sought:
- Corrosion resistant

Distinctive competences:
- R&D departments and control centers
- Superior efficiency - economies of scale. Superior quality – higher price at lower costs
- User-centric networks, High skilled workforce, Follow up system, market intelligence (best industrial practices)
- Financial healthy: Low debt

Cost focus
Differentiation focus
Cost leadership
Differentiation
22.2. Microsegments in Transport

Benefits sought:
- Aesthetics
- Consistent quality
- Expertise / Know-how

Main benefit sought:
- Innovation

Distinctive competences:
- Internal supply chain management
- User-centric networks.
- Economies of scale, Flexible production capacity

Scope

Cost
- Cost leadership
- Cost focus

Differentiation
- Differentiation focus
- Differentiation

Main benefit sought:
- Innovation
22.3. Microsegments in Building and Construction

**KSF:**
- Customization
- Aesthetics
- Storage

**Main benefit sought:**
- Reputation

**Distinctive competences:**
- User-centric networks, technical educational background,
- Quality control center, Marketing activities
- Low debt, Financial + assets Investments

**Scope**
- Broad
- Narrow

**Cost focus**
- Cost leadership
- Differentiation focus

**Differentiation**
- Cost focus
- Differentiation

**Main benefit sought:**
- Reputation
23. Positioning strategy

23.1. Positioning map – Price to Innovation

- The positioning map helps to identify who our competitors are and how they position themselves strategically.
- The competitors on the positioning map are the ones that are directly linked to Sapa in terms of similarities in what they offer. The order they are placed on the map is based on our primary and secondary research in context with how Sapa’s customers perceived them.
- In order to position Sapa, we have chosen the variables price and perceived innovation.
- Our recommendation is to increase Sapa’s perceived innovation and stay constant on price.
- By choosing a “challenge the leader” strategy, Sapa can rise above its competitor Cortizo, and be perceived as a more innovative company and at the same time offer a competitively lower price.

*This emphasizes the way we wish to be perceived by our consumers*
23.2. Positioning strategy for Sapa

- Lambin defines positioning as “the decision of the company to choose the benefit(s) that the brand has to put forward to gain a distinctive place in the market”.
- In order to position Sapa, we have chosen the variables price and perceived innovation.
- Based on our research, the map shows how the different consumers perceive Sapa’s main competitors, the target public are Sapa’s three micro segments, “breezes”, “automobiles” and “houses”.
- Our recommendation is to increase Sapa’s perceived innovation and stay constant on price, still offering a premium price but justified by the level of satisfaction it offers to the consumers, a premium level compared to the competitors.
- Sapa has the required resources to occupy and defend the premium position, being a global company with strong parent corporations, its resources are nearly boundless, therefor there is no need to recommend a plan B in case of failure. The Sapa group has innovation in its vision and invests a great deal for the brand to be perceived as such and this can be implemented globally.

Perceived price and perceived innovation

- By offering products that include the main benefits sought; corrosion resistance, innovation and reputation, we cover the needs of our three micro segments. We believe these variables are essential for Sapa in order to strengthen their current competitive position in these markets. Sapa will be perceived as a brand that delivers products with a premium level of innovation to the consumers with a competitive price.
- When the consumer segments think of innovation they immediately link Sapa as the brand that delivers outstanding innovation.
24. Marketing Mix

- The B2B market implies a typically Pareto customer distribution, also called the 80:20 rule, which means that it is critical to communicate the value-added services, as identified in the research and strategic part.
- One important feature of the B2B market is the importance placed on relationship building. This leads to a relatively high expenditure on people, while typically lowering the budget of promotional efforts.
- The quality of the market intelligence is critical to compete in B2B markets. It is therefore advisable to undertake detailed market research while combining it with continuous internal customer data, to get a clear picture of the market.
- It is critical to have a coherent brand that stakeholders can relate to instead of several sub-brands, which might be more effective in B2C markets, e.g. FMCG markets.

We have chosen a focused differentiation strategy as our segmentation strategy. This implies that we develop three marketing programs, one for each micro segment. However, there are some activities that can be used by tailoring it to the respective segment, e.g. attending relevant fairs and trade shows.

- Breezes
- Automobiles
- Houses
24. Marketing Mix

We have to consider the segments position in the solution life cycle and tailor the marketing efforts accordingly. All three segments are placed within the Growth Phase in the cycle. This implies an image building communication program to secure long-term brand/corporate loyalty.

In order to develop a marketing plan that is in accordance with our strategic analysis, it is necessary to consider points from the growth strategy section categorized under market penetration:

- Market share increase strategy - Focus on attracting buyers from competing brands by improving service offering
  - Linking the brand to innovation, as shown in the positioning map with promotional efforts
  - Significant reinforcement through distribution and service network - knowledge sharing platform

- Market organization - Influence using legally accepted practices
  - Establishment of industry rules (guidelines / blade market) under government supervision
  - Creating joint-marketing and/or research organization to improve information system
In summary, we propose a three-pronged focus in our marketing mix:

- **Educational**
  - We are aware that B2B customers in general tend to have a good or even better understanding of the product/solution than the company they purchase from. The purpose of this focus is to educate our customers, current and future, about Sapa, its products and services.

- **Awareness**
  - A single corporate brand, communicated in a clear and concrete manner is essential, now that Sapa have completed their restructuring phase in Spain.

- **Image enhancing**
  - Our strategic analysis showed that the link between the brand and their main expertise, innovation, needs to be communicated clearly, in order to be consistent with the company vision.
24.1. Marketing mix – People: Common for the three microsegments

• **People**
  
  • The market is today growing economically therefore we recommend to increase number of sales people to capture a higher market share and grow into a leading position.
  
  • The required level of competence and education in this industry is high, Sapa should make it attractive for talents to work at Sapa through job advertisements and recruitment programs where Sapa points out their attractiveness as one of the best work places in Spain.
  
  • Sapa academy: Meet one week, four times a year for personnel training to update and report on products, each others in sales and experiences and customer problem solving activities (what is working and what is not) and establish good teams through socializing activities.
  
  • Feedback from these events should be systematically reported into an internal database for Sapa. They should also make a database, where the information is available for customers. This will hopefully increase the level of communication on a digital platform which allows Sapa to be more efficient for less money. This will result in a better and faster service experience, where it is easier to detect new needs from the customers. Sapa will be able to take a leading position and the first company to respond to new needs and trends in the market, because they are constantly surveilling their needs.
    
    • One sharing platform internally for the global Sapa sales force and one sharing platform for customers and suppliers, both are online forums for sharing of ideas and best practices.
  
  • This information will again be put in the CRM-system of Sapa, where they can specialize their service to each customers needs.
  
  • Sapa wants to brand themselves in Spain and one of the better and almost free solutions are case studies at colleges and universities. This will attract future employees at different levels and sectors, who will at the end, benefit Sapa in different ways through word of mouth. We suggest that they should be present at different types of schools, such as business and law, technical, architecture and IT. Case studies will also provide free market research, which gives Sapa a competitive advantage.
24.2. Marketing mix – Place: Common for the three microsegments

**Place**

- Psychical environment:
  - Sapa Academy, job fairs, invite students to guided tours at the plants, and all relevant types of colleges and universities in Spain.
- Traditional media
  - Magazines/trade publications
- Digital media
  - Advertisement on job sites (internet), RSS feed and e-mails, information-source database for customers, and one internal for Sapa, with more confidential information, CRM-system to track each customers needs, social media in Spanish; (where they also can track the feedback and needs from customers) Facebook, Instagram, Pinterest, skype-channel to all relevant contact persons at Sapa such as KAM’s.
24.3. Marketing mix – Breezes

• **Price**
  - The price elasticity in this segment is affected positively by consistently meeting the needs of customization, quality and implementing relevant product properties, as stated in the micro segmentation.
  - LME, The London Metal Exchange, is highly volatile and defines a significant part of the raw material cost related to production of the solutions. This in turn affects the profitability and the price flexibility we can offer to the customers.

• **Product**
  - Focus on customization possibilities with product properties and quality.
  - Sapa should focus on developing their added-value on top of the basic extrusion product, in order to attract the profitable and collaborative type of customer (high involvement, willingness to share control) with the desire for a long-term engagement.
24.3. Marketing mix – Breezes

**Promotion**

- Psychical environment
  - The company should attend trade shows such as Global Automotive Lightweight Materials Conference and The ALUMINIUM conference to understand coming trends, invite customers to their own events so that they can present their problems and needs. Sapa should also attend relevant regional industry fairs such as VETECO (Madrid) to create word-of-mouth and reinforce the brands proximity to the industry.

- Traditional media
  - It is essential to be present in relevant trade publication to increase the customers level of brand awareness. They should also continue to produce their own publication, Shapes, to educate their customers on the various application on aluminum applications and solution.

- Digital media
  - Their internal communications channels, such as company intranet and home page, should include relevant project references with successful customer co-operations, since referrals are essential to promote their capability of delivering innovative solution to this segment. It is valuable for Sapa to be present on the web and on social media as it creates brand recall with existing, potential and future (e.g. students that will enter a relevant field of work) while creating word-of-mouth. The benefit of this platform is to submerge the user in Sapa’s content and increase the loyalty of customers. Advertisement on job sites such as www.infojobs.net.
24.4. Marketing mix – Automobiles

• **Price**
  - The price elasticity in this segment is affected positively by consistently meeting the needs of aesthetics, innovative solutions without deviating from the expected quality level, as stated in the micro segmentation.
  - LME, The London Metal Exchange, is highly volatile and defines a significant part of the raw material cost related to production of the solutions. This in turn affects the profitability and the price flexibility Sapa can offer to their customers.

• **Product**
  - Focus on aesthetics, innovative solutions with consistent quality and an emphasis on the collaborative participation throughout the product development.
  - Sapa should focus on developing their added-value on top of the basic extrusion product, in order to attract the profitable and collaborative type of customer (high involvement, willingness to share control) with the desire for a long-term engagement.
24.4. Marketing mix – Automobiles

• **Promotion**
  - Psychical environment
    - The company attend should trade shows such as Global Automotive Lightweight Materials Conference and ALUMINIUM to understand coming trends, invite customers to their own events so that they can present their problems and needs.
    - Sapa should also attend relevant regional fares such as Motortec Automechanika (Madrid) and Salón Internacional del automóvil y vehículo comercial (Barcelona) to create word-of-mouth and reinforce the brands link to the industry.
  - Traditional media
    - It is essential to be present in relevant trade publication to increase the customers level of brand awareness. They should also continue to produce their own publication, Shapes, to educate their customers on the various application on aluminum applications and solution.
  - Digital media
    - Their internal communication channels, such as company intranet and home page, should include relevant project references with successful customer co-operations, since referrals are essential to promote their capability of delivering innovative solution to this segment.
    - It is valuable for Sapa to be present on the web and on social media as it develops brand awareness to existing, potential and future (e.g. students that will enter a relevant field of work) while creating word-of-mouth. The benefit of a platform is to submerge the user in Sapa’s content and increase the loyalty of customers.
24.5. Marketing mix – Houses

• **Price**
  • The price elasticity in this segment is affected by meeting the needs of customization related to e.g. aesthetics, while delivering on the brands promise and implementing relevant product properties, as stated in the micro segmentation.
  • LME, The London Metal Exchange, is highly volatile and defines a significant part of the raw material costs related to production of the solutions. This in turn affects the profitability and the price flexibility we can offer to the customers.

• **Product**
  • Focus on customization, aesthetics, reputation and storage
  • Sapa should focus on developing their added-value on top of the basic extrusion product, in order to attract the profitable and collaborative type of customer (high involvement, willingness to share control) with the desire for a long-term engagement.
24.5. Marketing mix – Houses

- **Promotion**
  - Psychical environment:
    - The company attend should trade shows such as Global Automotive Lightweight Materials Conference and ALUMINIUM to understand coming trends, invite customers to their own events so that they can present their problems and needs.
    - Sapa should also attend relevant regional fairs such as Construmat (Barcelona), Conference Européenne des villes durables (Bilbao) and Construtec (Madrid) to create word-of-mouth and reinforce the brands link to the industry.
  - Traditional Media
    - It is essential to be present in relevant trade publication to increase the customers level of brand awareness.
    - They should also continue to produce their own publication, Shapes, to educate their customers on the various application on aluminum applications and solution.
  - Digital media:
    - Their internal communications channels, such as company intranet and homepage, should include relevant project references with successful customer co-operations, since referrals are essential to promote their capability of delivering innovative solution to this segment.
    - It is valuable for Sapa to be present on the web and on social media as it develops brand awareness to existing, potential and future (e.g. students that will enter a relevant field of work). The benefit of a platform is to submerge the user in Sapa’s content.
### 25. Budget

<table>
<thead>
<tr>
<th>Activities</th>
<th>Estimated costs</th>
<th>Share</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promotion</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade shows, conference, events</td>
<td>€ 2 879 568</td>
<td>18 %</td>
<td>Trade shows&lt;br&gt;Job fares, guided tours, trade shows</td>
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<tr>
<td>Market research</td>
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<td>Own conferences, industry fares</td>
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<tr>
<td>Digital advertising/marketing</td>
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<td>College/university stands case studies</td>
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<tr>
<td>Content marketing</td>
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<td>8 %</td>
<td></td>
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<tr>
<td>Website Development &amp; Hosting</td>
<td>€ 1 279 808</td>
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<td>Sharing platforms, Sapa Academy</td>
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<td>IT support/development (CRM, intranet)</td>
<td>€ 479 928</td>
<td>3 %</td>
<td>Shortlist acquisition possibilities</td>
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<tr>
<td>Magazines and trade publications</td>
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<td>3 %</td>
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<td><strong>People</strong></td>
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<tr>
<td>Sales Recruitment</td>
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<td>20 %</td>
<td>Website Development&lt;br&gt;Home page and intranet improvement</td>
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<tr>
<td>Print</td>
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</tr>
</tbody>
</table>

*Percentage of sales* 10 %
- Revenue (2015) € 159 976 000
- Marketing Budget € 15 997 600

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*https://vtdesign.com/inbound-marketing/content-marketing-strategy/percent-of-revenue-spent-on-marketing-sales/
26. Evaluation

This is a list of all do's and don'ts we have found during the writing of this bachelor thesis.

26.1 Do’s:

- Do the work in separate steps. The process felt shorter and easier to follow because it was split up into smaller parts.
- Do the work together as a group. The quality of the results have been much higher when we worked together.
- Always book meeting rooms through the ESADE intranet a day before the scheduled group meeting.
- Set up agendas before every group meeting and try to follow it so that the time is spent as effectively as possible and you get an overview over what is done and what must be done.

During the semester, there will be many planned tutorials with the professor, it is essential come prepared to every meeting, prepare questions and remember to take notes of everything that is said at each meeting, so you can get an overview of what you have to fix.

Read as many other thesis's that might be relevant to your research in order to gain more knowledge within your specific field.

- We talked to some of Sapa’s employees to hear their opinion of how Sapa works internally. This is absolutely something everyone should, to understand the relationship between Sapa and their employees better.
26.2. Don’ts

• If you are doing in-depth interviews, start sending out emails and calling potential interview objects as soon as possible. We experienced that all the objects we wished to interview, responded our emails or called us back after a very long time and this resulted in fewer interviews than we had hoped for.

• If we had more time we would have tried to conduct quantitative research to make our results quantifiable. Even though we have confidence in our results this would have enforced them further.

• Don’t expect to get all relevant information handed to you, meetings, time schedule, syllabus and all other info on the bachelor thesis course was available to us in the ESADE intranet before the semester started.
27. Reference list

Internet

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- https://europeancclimate.org/transport-durable/
- https://www.cosmetics-europe.eu/news-a-events/statements.html
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- http://www.constellium.com/
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- http://www.perceptualmaps.com/make-a-perceptual-map/free-download/
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- [www.Sabi.com](http://www.Sabi.com)
- [http://www.slideshare.net/rahulranjan56027/aluminium-industry-35694352](http://www.slideshare.net/rahulranjan56027/aluminium-industry-35694352)
- [https://www.b2binternational.com/publications/b2b-marketing/](https://www.b2binternational.com/publications/b2b-marketing/)
- [https://hbr.org/2013/01/rethinking-the-4-ps/ar/1](https://hbr.org/2013/01/rethinking-the-4-ps/ar/1)
- [https://vtldesign.com/inbound-marketing/content-marketing-strategy/percent-of-revenue-spent-on-marketing-sales/](https://vtldesign.com/inbound-marketing/content-marketing-strategy/percent-of-revenue-spent-on-marketing-sales/)
- [http://www.slideshare.net/alwynlau/bus169-kotler-chapter-06](http://www.slideshare.net/alwynlau/bus169-kotler-chapter-06)

**Litterature**

28. Table of annex

1. Financial Data from 15 closest competitors
2. Interview Guide – Expert
3. Interview Guide – Competitor
4. Interview Guide - Customer
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Operating revenue / turnover</th>
<th>Net income</th>
<th>Net sales</th>
<th>Purchases</th>
<th>Working capital</th>
<th>Return on Shareholders Funds</th>
<th>Return on Capital Employed</th>
<th>Profit Margin (%)</th>
<th>Profit per Employee (Th.)</th>
<th>Aver. Cost of Empl. / Year (Th.)</th>
<th>Long-term debt</th>
<th>Total assets</th>
<th>Tangible fixed assets</th>
<th>Intangible fixed assets</th>
<th>Number of employees</th>
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<td>7. COMPANIA VALENCIANA DE ALUMINIO BAUX SL</td>
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<td>5 469</td>
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<td>56</td>
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<td>39 717</td>
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<td>13. ALUMINIO LA ESTRELLA SL</td>
<td>52 460 EUR</td>
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<td>17</td>
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<td>36</td>
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<td>15. EXL QUINTAGLASS SL</td>
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<td>-26,12%</td>
<td>-25,5%</td>
<td>-6,77%</td>
<td>-23</td>
<td>22</td>
<td>130</td>
<td>26 562</td>
<td>4 259</td>
<td>26</td>
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</tr>
</tbody>
</table>
Annex 2 - Interview guide - Expert

- What do you think of the players in the industry?
- What makes one better than the other?
- Your thoughts on added value?
- How is the distribution in the market?
- How do you consider the Profitability in the market?
- How do the suppliers contact their existing/potential customers?
- For example SAPA, as an industry leader, how could they squeeze out new entrants in the market?
- How important is trust/reputation in the alumina business?
- What’s more important, price or added value?

- Do clients switch providers often, and why do they do it?
  Is because of price, quality of service, etc.?
- Is it normal to use ads?
- What if the KAMs go out looking for potential clients, especially where aluminum can be a substitute?
- Is the technology difficult to copy?
- How are the licensing requirements today? Easier/harder?
- Do most clients buy in small or large volumes?
- Is the threat of substitutes high?
- Is there fight for market share?
- Are there high barriers to exit?
- How would you consider the transparency in the market?
  How can the different players differentiate themselves?
Annex 3 - Competitor

- Is it today easy to switch manufacturer?
- Is it important to have a stable long-term contract for your clients?
- What do you think of the other players in the industry (competitors)?
- What makes one better than the other?
- How are the prices of the product?
- How is the distribution in your company, do you have your own trucks or is this done externally?
- How do you consider the Size of market?
- How do you consider the Profitability in the market?
- And do customers appreciate the added value?
- Reputation of company for you customers?
- Reputation of product?
- How important is the technology in the aluminum industry?
- Is the customers’ sceptic to buy from new companies?
- What is more important; added value or price?
- Is it normal to use advertisement?
- Are there players that tend to break prices these days?
- How was this before the crisis?
- Are there many restrictions/regulated industries in somehow?
- When we talk about power of provider, in your case Alcoa, do they change your prices often or are they fixed?
- Do your customers buy in large volumes?
- Do you have many or few clients?
- Do you do price discounts?
- Do you know if your competitors give discounts?
- Is service important for your clients, and is there some sort of service that is better or worse with another player?
- Are there high exit barriers in the industry; is it easy to get out?
- What is more important for your clients, to be able to differentiate yourselves?
- Can you mention any of these added values?
- Is this contact done by your KAM’s?
- Are there players playing unfair?
- Are there many companies that have gone bankrupt, if so, why?
- How do you consider the transparency in the business?
- Is it easy to positioning yourself to your competitors?
- Do you go looking for clients or do they look for you?
Annex 4 - Customer

- What is important for you when you buy aluminum products?
- How are your demands for the aesthetic of the products?
- Is it today easy to switch manufacturer?
- How do the providers motivate to buy from them? What can you tell us about the differences?
- How do you experience the contact with the KAM?
- Do you have internal experts to ensure quality products?
- How can you be willing to pay more? E.g. more services such as; 24/7 services, faster delivery, improved customer service, faster production.
- Have you used the same provider for many years?
- Is brand name important to your customers?

- Is it important to have a stable long-term contract for you, or short-term contracts where you can switch providers more frequent?
- What is important that an extruder provides/offers you?
- What are you missing (wishes) in the process? Like for example more information, more know-how, availability, response time or service.
- How is the aluminum market considered after the crisis in Spain?
- How important is technology in the aluminum industry?
- Is it normal to use advertisement, do you decide on provider based on their ads?

Follow-up Q: And if another company comes in, what would make you switch provider?