DEALER-CUSTOMER INTERACTION IN THE TOOL STEEL INDUSTRY
A CASE STUDY OF SSAB

David Blidberg & Henrik Hagberg

Examensarbete LiTH – EKI – EX – 04/070 – SE
Institute of Technology - Linköping University
Department of Management and Economics
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by
David Blidberg & Henrik Hagberg

Supervisor at Linköpings Tekniska Högskola: Jakob Rehme
Supervisor at SSAB Oxelösund: Christer Offerman

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This thesis is a description of the sales process for Toolox, the newest of four products produced by SSAB Oxelösund. Toolox is a tool steel, sold using eleven external dealers throughout Europe. Each dealer carries a wide range of steel grades for different uses. To increase sales volumes SSAB want to have the right support for their dealers. In this thesis the organizations and individuals who influence in the buying decision are identified as well as their buying behavior and the information that is needed in the sales situations. The requirements on the tool steel derive not only from the toolmaker itself but also from end users of a product further down the product chain. The study indicates that communication of benefits along the chain is difficult because the chain is not well integrated. The decision of what steel to buy is often made by the tool designer and these are influenced by a number of other individuals. It is also found that risk aversion and conservatism are barriers for product introductions.

Keyword
Steel industry, industrial selling, sales process, buying behavior, retail selling.
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August, 2004

______________________________   _______________________
David Blidberg                  Henrik Hagberg
Abstract

By introducing a new product, facing completely new customers, a company must organize marketing and sales efforts to suit new demands.

SSAB Oixelösund is the producer of four different steel types, their newest addition is Toolox. It is a tool steel, mainly used to produce tools for component-making in metal or plastics, components which are then used in other end products. The potential buyers are toolmakers, but the requirements on the tool steel also derive from users of products further down the product chain.

SSAB use eleven external dealers throughout Europe to reach their intended markets. For SSAB it is of great value that these have an existing customer base. Each dealer carries a wide range of steel grades for different uses. One of the dealers’ strengths lies in the synergy effects they get from offering other steel products than just Toolox. The dealers also provide their customers with important technical knowledge.

The study is based on a qualitative analysis of five of SSAB’s dealers. It focuses on describing the process of selling Toolox; the organizations and individuals that are involved, their relations to each other and what information that is exchanged in the sales process. The background to this is that SSAB want to deepen their knowledge in order to better support their dealers. Due to resemblances between the tool steel market and other raw material markets, this study can be of interest also in other fields.

During the study it has become clear that the tool product chain is diverse as the tool makers serve a wide range of markets. This implies that the requirements and interest in the purchasing decision from customers’ customers will vary. The decision is often made by the tool designer, but also influenced by other individuals and organizations. There are indications that communication is poor between organizations in the product chain, which makes it harder to communicate the benefits of new products.
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1 Introduction

In this chapter the problem area for this thesis will be introduced. At first the studied company is introduced to those readers that are not familiar with it.

1.1 The Studied Company

SSAB Oxelösund is part of SSAB Svenskt Stål AB. In this report the term SSAB is used for short when referring to SSAB Oxelösund. The plant in Oxelösund has four steel brand names: Hardox, Weldox, Armox and Toolox. The tool steel Toolox is the latest addition of the four. It has a completely different field of application compared to the other three. Toolox is mainly used in the tools needed to produce plastic or metal components used in other end products. The producers of these tools are called tool makers in this thesis.

1.2 The Problem Area

Work on this thesis started on an initiative from SSAB, who wanted to study the sales of their new product, Toolox. For this new product, SSAB are using external dealers rather having their own sales organization.

External dealers are used to better suit the new type of market as the new customers and their demands are very different from SSAB’s other customers.

By introducing dealers as a middle hand SSAB is cut off from important customer information and feedback since they do not meet their intended customers. This information is necessary when creating appropriate marketing activities and product development. There might be requirements and preferences on the tool steel and supporting activities that are not known by SSAB today. These can be requirements from tool makers, but also from further down the product chain.

There are no thoughts of changing the distribution structure in a foreseeable future. Instead SSAB want a more detailed view of the sales process and the individuals involved. With this knowledge they hope to find ways to support their dealers’ sales efforts to reach greater volumes.
1.3 Purpose of Thesis
The purpose of this thesis is to describe and identify the organizations and people involved in the process of selling tool steel, what information they exchange and their relations to each other.

1.4 Directions and Limitations set by SSAB
To clarify the goals of this research SSAB stated that they want the following questions to be answered:

1. Who is the buyer’s main decision maker in the buying situation?
2. What information does he require to make the decision?
3. How does the dealer provide this information?
4. What is required for the buyer to change to Toolox?

A few directions and limitations were placed on the research by SSAB to further clarify the area of research:

- The research should be done by interviewing a selection of SSAB’s dealers.
- These interviews should be complemented by observing sales meetings between a dealer and its customer.
- It is the proceedings between the dealer and its customer that are in focus. The relations between the dealers and SSAB will only be researched indirectly. The same goes for relations between the dealer and the customers’ customer.
2 FRAME OF REFERENCE

In this chapter the theoretical areas which will be the foundation for the research are discussed. First some characteristics of industrial selling are introduced. Then the interaction approach, a general model of the studied situation, is presented. The following chapters deal with: buying behavior, networks and business processes to focus on specific areas in the interaction approach that are of importance for the result of thesis. Finally, some aspects of using an external dealer as a marketing channel are covered.

2.1 Selling on Industrial Markets

Industrial selling refers to selling on industrial markets. There is extensive research which shows that the buying behavior on consumer markets differs a great deal from behavior on industrial markets.

Chisnall (1985) argues that increasing technical complexity has changed the way purchasing is done. Buyers in most industries face a more complex market today. In dealing with this complexity a buying company often requires specialist knowledge to make an informed decision. There are also greater dependencies between the selling and the buying companies. These have increased due to a number of important factors affecting the buying decision. Persson (1995) as well as Chisnall (1985) show that technical progress has made products and product purchase more and more complex. Persson further argues that there has been increased global competition which has led to cost reductions in purchasing by outsourcing the buying activities to the selling company and by reducing the size of the purchase function by giving specialists the authority to purchase. These two factors have increased dependencies between companies.

Similarly, Webster and Wind (1972) conclude that behavior of an organization is more complex than for individual consumers due to:

- Decisions are made more complex by the fact that more people are involved.
- Decisions take longer time due to larger organizations.
Factors like these have changed industrial selling from a traditional approach, where selling was considered to be mainly an act of persuasion carried out by the professional salesman. This “new” approach is suitable for situations where price is the main issue and it is often referred to as the transaction approach. The interactive approach focuses on the long-term relationships on several organizational levels between selling and buying companies, adaptation of products to customer needs and involves more individuals than just the salesman. The interactive approach has been influenced by theories of industrial buying behavior and theories on industrial relations and networks (see 2.3 and 2.5). Interaction requires co-operation between the buying and selling company including individuals from different functions in both companies. (Persson, 1995)

Kotler and Armstrong (2001) suggest that the buying behavior of an organization reacts to stimuli sent from a selling company. However, an organization does not only react to market stimuli such as the 4 P:s, price, product, promotion and place, but also to the working environment the company acts in. This environment can be broken into: economic, technological, political, cultural and competitive factors. Together with the market stimuli these are the input into the company, see Figure 2-1. Output is the decisions the buyer makes, i.e. the buyer’s response, characterized by the factors: supplier choice, order quantity, delivery terms, service terms and payment.

![Figure 2-1. The company’s buying behavior (Source: interpretation of Kotler and Armstrong, 2001, p217)](image-url)

The IMP-Group has a different approach to model the buying behavior of an organization. The interaction model describes the marketing and purchasing of industrial goods as an interaction process between two parties within an environment. It is based on the following assumptions (Ford, 1997):
1. That the buyer and sellers are active participants.
2. The buyer and seller have a long term relationship.
3. The long term relationships between companies decide roles in the interaction and this creates expectations of the other company.
4. These relations are most often studied between companies with frequent deals, but they also exist when the time span is longer and in one time deals such as big projects.

These factors lead to the interaction model shown in Figure 2-2 below.

From Figure 2-2 there are four different groups of variables that will be explained further in this frame of reference:

1. Variables which describes the environment and the atmosphere.
2. Variables which describe the buying company, as an organization and the individuals involved.
3. Variables which describe the interaction process between the two parties.
4. Variables which describe the relations arising from interaction between the two parties.

2.2 The Environment and the Atmosphere

An organization’s environment can be described according to the market structure, dynamism, internationalization, position in the manufacturing channel and the social system. Market structure refers to the concentration of buyers and sellers, geographic span etc on this market. The dynamism within a relationship and on the market has two opposing aspects; close relationships increases the possibility to make forecasts and plan ahead, but the opportunity cost of only having few suppliers can be very high.
The company is also affected by its position in the manufacturing channel. Prior companies in this channel are affected by their customers’ customer, whose demand makes any deal possible. There is also a social system, not only between two companies but also the government or society in general, which has effects such as trends in the opinion. (Ford 1997)

The atmosphere in which a deal is made affects the outcome of any deal. There is the aspects cooperation, closeness and expectations that make up a social dimension in the deal. Another factor affecting the atmosphere is the power or dependence, i.e. the size of each company. (Ford 1997)

2.3 The Behavior of the Buying Company

As mentioned previously, research shows that the buying behavior of organizations is more complex than the buying behavior of consumers. When selling to an organization Kotler and Armstrong (2001) argue that there are four questions that the selling company must ask themselves about the buying organization:

“...What buying decisions do business buyers do? Who participates in the buying process? What is the major influence on buyers? How do business buyers make their buying decision?” (Kotler and Armstrong, 2001, p218)

Below are some models of buying behavior that can be used to answer such questions.

2.3.1 The Buygrid Model

One of the first models that were developed with the purpose of explaining the buying behavior of organizations is the buygrid model by Robinson and Faris (1967). The framework of their model is simple; it consists of eight buyphases and three buyclasses. The buyphases cover the possible steps an organization undertakes when making a buying decision. They are:

- Anticipation or recognition of a problem (need).
- Determination of the characteristics and quantity of the needed item.
- Description of the characteristics and quantity of the needed item.
- Search for and qualification of potential sources.
- Acquisition and analysis of proposals.
- Evaluation of proposals and selection of suppliers.
- Selection of an order routine.
- Performance feedback and evaluation.
This is the normal order of the eight possible steps, sometimes two or more steps can be done at the same time or in another order, depending on the buying situation. At the same time, an organization does not necessarily have to follow all these steps. Sometimes only one step is needed for a deal to be closed. The authors do not propose a definition of exactly what is done in each step, neither do they define where one step ends and the other begins. This is probably not necessary either, since every company is different. There are obviously no guarantees that if an organization has begun in a buyphase it will continue and end up in a deal, the process can stop at any time during the sequence. (Robinson and Faris, 1967)

The three buyclasses were developed to explain why the number of buyphases necessary to close a deal varies. According to Robinson and Faris (1967) the three are:

- New task.
- Straight rebuy
- Modified rebuy

Each one of these classes has its own characteristics and they differ from each other in several ways. If a company faces a new task it usually goes through each buyphase, since these are needed for the company to retrieve the necessary information and reach a buying decision. During the straight rebuy the number of buyphases usually decreases, sometimes only one is necessary to close the deal. The last situation, modified rebuy, needs more buyphases than the straight rebuy but less than the new task. New information is needed to make an informed decision. (Robinson and Faris, 1967)

There is some criticism against the buygrid model. Webster and Wind (1972) conclude that the model “is virtually devoid of predictive ability, and offers little insight into the nature of the complex interplay between task and non-task variables”. Although this criticism might be correct, the buygrid model has many appealing features.

2.3.2 The Webster and Wind Model

Although very different, there are similarities between organizational and consumer behavior. In both cases the deal is done by physical persons. An important difference is that when selling to a company the deal is not always settled by one single person. There is often a large organization behind the buying decision, the buying center. This is the group of people in the buying company that makes the buying decision and their behavior is the buying behavior of the company. It is important to identify all these persons and determine on what grounds they base their decisions and then satisfy each one so a deal can be made. (Webster and Wind, 1972)
There are several people involved in a buying decision within an organization, each of them an individual. What affects them affects the buying decision. The Webster and Wind model has four factors that affect the buying decision: individual characteristics, group factors, organizational factors and environmental factors. (Webster and Wind, 1972) Lau, Goh and Paua (1999) show in their interpretation of the Webster and Wind model how the different factors form the final buying decision, Figure 2-3. The developed model is simply a visualization of the Webster and Wind model and takes into account the factors affecting the decision and the people involved, the buying center.

The authors conclude, “...as such the model conceptualizes buying behavior as comprising a group decision-making component and reinforces the importance of interpersonal factors.” (Lau et al, 1999, p574)

![Diagram](image-url)

Figure 2-3. The Webster and Wind model (Source: Lau et al, 1999, p575)
2.3.3 Aspects of Buying Behavior

Möller (1993) interprets Wind and Thomas (1980) and argues that for organizational buying behavior there are three important areas to study:

- The buying center.
- The organizational buying process.
- The factors affecting the organizational buying center and process.

These three will be described individually below.

**The Buying Center**

As stated above, Webster and Wind (1972) suggest that an organization’s buying decision is made by a group of people within an organization. These individuals have different roles in the decision but “…participate in the purchasing decision-making process [and] share some common goals and the risk arising from decisions.” (Webster and Wind, 1972, p6)

Möller (1993) concludes that there are four areas that need attention in a buying center:

1. Roles in the buying center
2. Buying group complexity
3. Buying group involvement
4. Buying group influence

Webster and Wind (1972) suggests five different roles in a buying center:

- Users – the people actually using the bought product. Their influence can be positive or negative, depending on how well the product works.
- Influencers – these members set criteria which constrain the choices or provide information on other products.
- Buyers – the people with formal authority to close a deal.
- Deciders – the people who actually decide on what to buy, does not have to be the buyer, who might be left executing the deal once decided by the decider.
- Gatekeepers – people controlling the information that flows into the group. Their influence is usually made at the stage of identifying the buying alternatives.

One person might have several roles as well as one role can be held by many. Understanding these roles helps understanding the influences made on the decision. The relations between different members are complex and might be difficult to sort out. (Webster and Wind, 1972)
Regarding the complexity of a buying center Johnston and Bonoma, interpreted by Chisnall (1985), have identified five dimensions by which the interactivity within the buying center can be evaluated:

- Lateral involvement
- Vertical involvement
- The total number of individuals involved
- The degree of communication between those involved
- How centralized the purchasing decision is

These are hard to measure, especially without deep research. According to Chisnall (1985), Johnston and Bonoma claim that the lateral involvement and degree of centralization are the two most important dimensions for a selling company to identify.

As stated before, there are often several individuals involved in organizational buying, i.e. in the buying center. These individuals may have different goals in the purchase. Sometimes these goals can conflict due to a clash of objectives within the buying organization. The purchase department may for example have a cost objective while the production department has quality interests. In this case it is important for the seller to know the conflicting demands, and if possible satisfy all to some degree or satisfy the requirements of the department with the most influence in the purchase decision. (Chisnall, 1985)

The influence in a buying center has two faces: the organizational influence and the interpersonal influence. The organizational influence is how the actual organization affects the behavior of different members in the buying center. (Webster and Wind, 1972)

Webster and Wind (1972, p63) explain that “...people do not operate only as individuals or even only as members of the social group of other organizational members. Their behavior and the results of their behavior are heavily influenced by the other organizational systems of technology, structure, and communication.”

The other area, interpersonal influence, is often used together with involvement, since the two are closely related, and it is also the most difficult area to examine (Möller, 1993). This behavior is often closely related to the different roles in the buying center, each member having influence on other members of the buying center (Webster and Wind, 1972).
The Organizational Buying Process

Wind and Thomas (1980) state that “…from the time at which a need arises for a product or service, to the purchase decision and its subsequent evaluation, a complex myriad of activities can take place”. For more details on buying process see chapter 2.4 about business processes in general and chapter 2.3.1 about possible steps in the buying process.

The Factors Affecting the Organizational Buying Center and Buying Process

There are a number of factors that affect the buying center and buying process. The Buygrid framework, presented in 2.3.2, describes some but not all factors that might influence a buying decision.

Seth (1973) showed that there are at least three other factors: time pressure, perceived risk and type of purchase. Each of these factors can alone make the other factors less important in the decision.

A common goal in organizational buying is the reduction of perceived risk. For the supplier this means that exchanging information to reassure the buyer and to improve credibility will reduce the perceived risk. This is especially important for essential parts and raw materials and in these cases well known and well reputed brands have higher success rate. (Chisnall, 1985)

The buying company’s organizational structure also influences its buying decisions. The company’s orientation, size and its degree of centralization are all factors that affect how the buying centre and company’s buying process works. (Chisnall, 1985) How the inter-organizational relations affect the buying process is further discussed in chapter 2.5.

2.3.4 The Organizational Buying Decision from a Sellers Perspective

Webster and Wind (1972) specify how the aspects of buyer behavior relate to the selling company. The marketing group in a selling organization should have information about the potential customer in four areas:

- The identity of the buying center.
- The nature of the buying decision process.
- The buying situation (new task, straight rebuy or modified rebuy).
- The nature of the factors affecting the decision.
This knowledge will provide the marketers with answers to the following questions:

- Which market segment should the firm pursue?
- What should be the strategy for price, product, promotion and distribution?
- How should the marketing function be managed?
- What should be the marketing research activities of the firm?

2.4 Processes of Interaction

The term process has been used quite commonly so far in this thesis often regarding the processes of selling or buying. This subchapter aims at further describing what a process is and how it applies to a buyer and seller situation. According to Davenport (1993) a process describes how things are done rather than what is done. It also has an output and input and can be measured by some meaningful parameters. Common parameters of processes are cost and time span and the outputs and inputs can be measured in terms of quality and customer satisfaction.

2.4.1 What is a Business Process?

Rentzhog (1996) states that there is a difference in how a process is defined based on in what situation the definition is used, e.g. from a social science or an engineering perspective. There are also several ways to categorize processes, one common category being business processes. The term business process is mainly used to accentuate the situation in which it exists: in a business or an organization. The term business process is used in this report because it is the term used in most of the reference literature.

2.4.2 How Do Business Process Ideas Apply to Sales?

Very little has been written about sales processes but there are some definitions and also some theories, regarding marketing and order handling, which are closely related and useful.

The processes, in which two organizations interlink, such as marketing, order management and customer service, are important to study because of the handoff situation where many improvements can be made. Studying such processes can, however, be difficult. One issue is that a supplier generally has many customers which make it hard to meet all needs with only one clearly defined process. (Davenport, 1993)

Marketing processes are also hard to quantify and measure. There is not always a given output of such a process and the results are often not immediately observable.
The marketing staff often considers their work to be unstructured and of a creative nature that is not suitable for formalization in a process. (Davenport, 1993)

Order management, the range of activities that start with preparation of a sales proposal and end with billing and delivery, is customer oriented and suitable for process orientation. Other activities in the order management process can include credit checking, manufacturing, logistics, and relationships with suppliers. (Davenport, 1993)

In another perspective order management or order handling can be seen as a part of the sales activities as described in the figure below. This process describes the case where an initial phase is gone through when meeting new customers or when renegotiating contracts (step 1-4) after which another phase is entered where the contract agreed upon is carried out (step 5), see Figure 2-4. The first phase could be said to involve building up new relationships or reconfirming old ones. The second phase is where the supplier-customer relationship is continually worked on and hopefully improved. (Rehme, 2001)

![Figure 2-4. Sales activities for standard products or components (Source: Rehme, 2001, p98)](image)

### 2.5 Relations between Companies

According to Hammarkvist et al (1982) an important issue for all companies is the relations they have to other companies. What kinds of relations exist upstream to the supplier? What relations does the company have downstream to the customers? How does the company interact with its competitors? All these relations create the environment the company acts in, a network. These networks of companies are also
connected to other networks of companies. A strong network is created over time and must be seen as a long term engagement. This creates stability and safety for companies involved. It also enhances information to flow between companies. It is necessary for a company to be in balance with other companies in the network, otherwise it might not be competitive.

2.5.1 Bonds between Companies
Hammarkvist et al (1982) argues that the success or failure of a company is determined by how well it can handle and use relations to other companies. The relation between two companies can be seen as a bond. The same authors identified five types of bonds:

Technical Bonds
Two companies that adjust their operations to each other in any way create technical bonds. A supplier that modifies its product to the buyers needs is a kind of technical bond.

Time Bonds
These bonds refer to situations such as when companies synchronize deliveries, i.e. prior units adjust their deliveries to the unit a head in the production.

Knowledge Bonds
Companies that interact with each other over time gather knowledge of each other. It might be knowledge of strengths or weaknesses or how problems are solved etc. This bond can lead to close cooperation between two companies.

Social Bonds
Contact between two companies is based on humans interacting. That means that the relation between two companies is partly based on social bonds. Strong social bonds can be seen as a good investment, exactly as a technical adjustment.

Economic and Legal Bonds
These bonds are seen in many forms: ownership, long term contracts, financial deals etc. They are very important to the company’s daily work and future and work as insurance to other bonds.

2.5.2 Other Aspects of the Network
Different networks have different structures. Some are tightly bound and roles are set between the companies. This sort of network is called strictly structured. There are also loosely structured networks, where roles of different companies vary over time.
These are the extremes and of course there are networks where some bonds are strict and some loose. (Hammarkvist et al, 1982)

The company must see to the network when it makes any type of decision. When changes are made in technical areas, in the organization or of financial matters the bonds to other companies must be taken into consideration, otherwise the changes might not lead to anything better. (Hammarkvist et al, 1982)

2.5.3 Working in the Network
In the business to business network a company is not only connected to the customer, it is also, indirectly, connected to the customers’ customer. Demands and requirements from these indirect bonds affect the primary customer and the way they act. For instance: if deliveries to the primary customer are late then he might not meet the demand from the secondary customer. This will hurt the relationships between all the involved companies, perhaps to the extent that no more deals will be made. To understand the relations the customer has to his customers is of utmost importance, or a company will act without relevant information. (Gummesson, 1999)

2.6 Using Dealers as a Marketing Channel
Coughlan et al (2001) argues that a *marketing channel* is a set of interdependent organizations that are involved in the process of making a product available for use or consumption. It is not only one company doing its best to sell its products but many collaborating to get the product to the market, each one depending on the others for success.

A *retail dealer* is a company whose business comes mainly from retailing. *Retailing* is all those activities involved in selling to the final customer. (Kotler and Armstrong, 2001) When choosing a *retail dealer* as part of the market channel it is a fast access to the market, if chosen carefully the *retail dealer* already has good market knowledge and an existing customer base. (Kleen et al, 2003)

It is very important to remember that producers and dealers pursue close relations for the same reason: reaching a competitive advantage which leads to profit. All actions taken by either part is to fulfill this purpose. (Coughlan et al, 2001)

The success of a market channel depends on each member’s own success. The involved parties should work smoothly with each other, although this is not always the case. This is what creates a *channel conflict*, which is an important issue for all *market channels*. (Kotler and Armstrong, 2001)
There are four issues in the co-operation between a producer and a distributor mentioned by Kleen et al (2003). First, if the dealer performs very well the producing company might decide to take over the distribution and if the dealer performs poorly he faces the risk of being exchanged. This is what is called the distributors dilemma. Second, a producer wants to know the price that the buyer pays the dealer for the product as it can be very useful information. The dealer is interested in keeping this price to himself, because it gives him the possibility to make a larger profit. Third, there is an issue regarding marketing. Since the dealer does the selling he is also the one mainly responsible for marketing. This, however, is something he might not be as interested in as the producing company. The producing company is interested in high sales figures and thereby successful marketing, while the dealer might only be interested in keeping the profit from sales at high level and thereby low marketing costs. Finally, the producer wants increased sales volumes of his product while the dealer wants high overall profit and spread his risks on many products.

Coughlan et al (2001) also claim that having a strong relationship to the dealer might prevent other companies from entering the market, creating an entrance barrier. Price cuts and product features might be easy to duplicate but a strong distribution network is much harder to build. This barrier can be strengthened if the dealers do not want to carry any other products in stock.

A dealer may want to keep strong bonds to the producer for many reasons. When cooperating in, for example marketing, the dealer’s motive is not the cooperation itself. The reason is more likely that the dealer might be able to serve its customers better and in the end hopefully create higher volumes and higher profit. Cooperation might also differentiate the dealer on the market, having unique products to offer its customers. (Coughlan et al, 2001)
3 PROBLEM DISCUSSION

In this chapter the purpose of this thesis is further discussed and an analysis model is developed. The elements in this model are then each discussed and their expected contributions to the purpose are presented.

The analysis model presented in Figure 3-1 is a representation of the research area for this thesis. It aims at further explaining the research area. The model contains the elements that will be studied and is based on the theoretical studies as well as the background information.

The model is based on the sequential order of buyers and sellers with the surrounding arrow indicating the direction of the product flow. Starting with SSAB, the next step in the product chain is the dealers, followed by their customers. The final step is called customer’s customer – in the model it represents any customer further down the product chain. The whole product chain is surrounded by the environment in which the companies act.

All companies in the model interact e.g. by exchange of products, information and payments. Arrows between the companies in the figure indicate interactions. All possible aspects of interactions and relations are not included between the companies, e.g. from SSAB only the supporting activities are of interest and from the customer’s customer only their influence on the buying decision. The omission of other aspects is a result of limitations brought on by the purpose.

This chapter continues with a further description of the objects in the model.
3.1 The Organizations Involved
The organizations involved in the model are SSAB, the dealer, the customer and the customer’s customer.

3.1.1 The Dealer
The dealer is the main source of information in this thesis. The dealers’ process of selling tool steel and the individuals involved will be analyzed. This includes identifying activities that are performed during the sales process.

3.1.2 The Customer
Even though the dealer will be the main source of information, their customers are equally, if not more, important for the research. The customer’s buying behavior and buying center are two areas of interest that will be studied. This will be done by identifying who is involved in the decisions, with reference to 2.3.3, and how strong their influence is and also what preferences the customers have for the steel and the steel dealers, which relates to the factors mentioned in 2.3.2,
3.1.3 The Customer’s Customer
Since preferences or factors on the product most likely originate from the customers’ customers, these preferences will be studied as well as how they become apparent in the interaction between the dealer and the dealer’s customer. The customer’s customer may take part as a decision maker or in some other way influences the buying decision, in which case it would be interesting to identify which individuals from these companies that take part in the process, their input and their requirements.

3.2 The Interaction between the Organizations Involved
As mentioned earlier it is the process of selling respectively buying tool steel that is investigated. The contact between the two parties can be seen as the two sides of the interaction process, which is mentioned in 2.1. The activities that are involved in the processes and how they vary between different situations will be investigated. It is also an objective to see which information the customer receives from the dealer and what information that is desired.

The interaction between SSAB and the dealers will be investigated in terms of the supporting activities that SSAB can perform for the dealer.

The interaction between the customers and their customers are included in the model to identify what influence organizations in the extension of the product chain have on the buying decision.

3.3 The Relations between the Organizations Involved
Relationships between buying and selling companies on organizational and individual levels often develop over time as a result of interaction. Such relations create bonds, shown in the frame of reference chapter 2.5.1, that influence the way they interact and how likely they are to change their behavior over time.

3.4 The Environment
An organization’s environment and how that environment changes over time will influence the organization’s behavior, as mentioned by Ford (1997). To understand the behavior of the companies it is important to find the aspects of their environment that are important to their actions, now and in the future.
3.5 Research Topics

To summarize, the following objectives have been identified and will be investigated:

- Study the dealers and their customers individually to identify which people are involved in the selling and buying of tool steel.
- Study the customer’s buying behavior, e.g. to identify such things as under which circumstances he will change product and what factors that are important in the tool steel decision.
- Study the interaction between the two parties.
- Study the customers’ customers input in the buying process and product preferences.
- Study the relationships, bonds and dependencies between the companies in the purchasing chain.
- Determine what information the dealer needs to communicate to the buyer in order to sell tool steel.
4 METHODS OF RESEARCH

The method, which is described in this chapter, defines how the studied environment is perceived as well as how to obtain data from this environment. It also states how to work with this data after it has been collected.

Describing the method is a way to account for elements of error that are inevitable in research but also as a way to eliminate some of these errors beforehand. The method can be regarded as a theoretical background to the practical procedure of collecting and analyzing data.

4.1 Research Approach

Different scientific research approaches are available when conducting research. The chosen approach affects the practical procedure and the possible outcome. The suitable choices for this study are described and explained below as well as the motives and implications of these choices.

4.1.1 Research Purpose

Although the purpose of most research projects is to produce new knowledge, there is a difference in what type of knowledge that is sought. There are three main categories of purposes: exploratory, descriptive and explanatory. (Lekvall and Wahlbin, 2001)

According to Lekvall and Wahlbin (2001), an exploratory purpose aims to explore entirely new areas and a descriptive purpose aims to explain what is seen in a more familiar area. An explanatory or descriptive report is often done when there is limited previous knowledge about the studied area. This is the case of this research, which is on the borderline between the two. The research maps reality but there is no intention to explain “why” things are the way they are, which is what an explanatory report does; it goes one step further and explains causes for the taken actions, but explaining also requires more prior knowledge of the research area. In this report the purpose focuses on describing rather than explaining because the research area is relatively new to SSAB.
4.1.2 Scientific Approach

A classic approach to science is the *positivistic* approach. Research with such an approach describes and explains reality from an objective point of view, which often implies quantitative methods and a demand for reliable scientific facts (Eriksson and Widersheim-Paul, 1999). According to Jacobsen (2002), the opposite of a positivistic approach is a *hermeneutic* approach which claims that in social science an objective reality is meaningless. The assumption is that there is a subjective reality for each observer, which makes general laws like the laws of natural science impossible in organizational studies.

Jacobsen (2002) claims that the best approach often is one that does not make a big difference between *positivism* and *hermeneutism*. With this approach, which will be used in this thesis, all knowledge is subjective but can be perceived similarly by several observers and therefore be seen as some sort of truth. In other words, we can not state a law such as “if A exists so does B” but state that “existence of A gives high likelihood of B”. The studied social system can be said to follow some laws, but not absolute and general laws, but more about regularity and probability. This thesis will be based on interviews with several people, who each give their subjective view of reality. After performing the interviews it is, according Jacobsen (2002), possible to filter out some truths or regularities about the studied system.

One problem with the chosen approach is that it adds another question; how often does a phenomenon have to occur in order to be a probable? This thesis does not aim at statistically analyzing the data. Instead it will rely on the respondents to make correct assumptions about their environment. It is from what they consider to be truths and regularities that the conclusions are based. This adds more possibilities of misinterpretation as the respondents first draw conclusions based on their observations which are then interpreted to the conclusions presented. This issue is further discussed in chapter 4.7.1.

4.1.3 Inductive or Deductive Approach

Two different ways of conducting the research is through deduction or induction. In an inductive approach the researcher does not have a prior opinion on the issue, in a deductive he does. This causes the deductive approach to place effort on confirming or rejecting a prior opinion. In descriptive or explanatory research an inductive approach is necessary, as the approach is open for taking in new ideas. Rather than testing a hypothesis the research creates new ones. (Jacobsen, 2002)
To get a valid picture of the studied organizations and to avoid any prior assumptions, this study has the *inductive approach*. This is ensured by avoiding using interview questions that will lead the interviewee to certain answers and also by avoiding the use of SSAB’s assumptions about the situation.

### 4.1.4 Type of Data – Qualitative or Quantitative

A report can have either a *qualitative* or a *quantitative* approach to its data. This report has a *qualitative* approach to data, i.e. the collected data is in words rather than in numbers. Having qualitative rather than quantitative data limits the analysis from being based on mathematical or statistical methods. Qualitative methods are useful when studying behavior and interaction of people and qualitative research such as interviews and observations give a more nuanced picture of context and individuals. (Lekvall and Wahlbin, 2001)

### 4.1.5 Research Strategy

There are a number of research strategies that can be used: case studies, surveys, experiments etc. (Lekvall and Wahlbin, 2001).

A selection of SSAB’s dealers, which can be seen as different cases, will be interviewed for this research. This method is a *case study*, where one or very few objects are studied in many variables. This strategy gives a greater possibility to observe in the time dimension (Wiedersheim-Paul and Eriksson, 1987). Case studies also allow a study of details and doing multi faceted descriptions of the single cases (Lekvall and Wahlbin, 2001). Having several dealers’ opinions gives the possibility of recognizing similarities and differences in their opinions.

### 4.2 Research Procedure

Based on the previous discussion the practical procedure used when working with this thesis can be concretized. This procedure has been influenced by a sequential work model developed by Lekvall and Wahlbin (2001). The work has been divided into five main areas, see Figure 4-1, each discussed below.
4.3 Structuring of the Problem

According to Lekvall and Wahlbin (2001), any research should start by analyzing the problem area, followed by determination of the research purpose and its objectives. They mention that this phase differs significantly from case to case. In this research the objectives and the purpose were developed in parallel with the literature study, which is common in academic work according to the authors. An important issue in this phase is to decide the research’s direction, content and limitations.

The area to be researched and its background were first introduced by SSAB. A clear understanding of this background was essential for both the approach and the purpose. To reduce the risk of error, the interpretation of the background and the purpose were validated by SSAB. Through these discussions a purpose of the thesis that both parts were satisfied with was developed.

4.4 Theoretical Studies and Method Development

According to Lekvall and Wahlbin (2001), the frame of reference is the set of knowledge that is used to cover the problem area. It basically sets what content the research will have. As mentioned this framework was developed in parallel with the background studies. Literature covering similar situations to the one presented by SSAB was studied. The different theoretical areas needed to cover important aspects of the problem were presented in chapter 2.

Based on the purpose, the frame of reference and the problem background an analysis model was developed, see chapter 3. The variables identified in this model are those needed to explore the research area. Since the purpose was defined rather narrowly it was decided that few limitations were needed. Those stated in this report are mainly derived from time and budget limitations on the data collection process.
According to Lekvall and Wahlbin (2001) it is important that any research follows a suitable method. Choices regarding the method determine how the research should be carried out and how data is processed.

4.5 Data Collection

The data used in research can be divided into primary and secondary data. Primary data is collected for the actual research. Secondary data is such data that already exists, often collected for other purposes than the research at hand. (Lekvall and Wahlbin, 2001)

Lekvall and Wahlbin (2001) mention two different methods to collect primary data; observation methods and question methods. They also mention that secondary data is collected by seeking it out, which rarely causes any problems. Secondary data has not been used much in this research and therefore it will not be covered here, instead the discussion below focuses on how to collect primary data and from which units to collect it.

4.5.1 Choice of Units to Study

Jacobsen (2002) mentions that it is never possible to study all interesting aspects of a problem. It is only possible to study a selection of the interesting persons, variables, and events. This selection has to be made because of time and budget limitations. The chosen units limit the conclusions that can be made. For interviews the chosen units are persons, for observations the units are situations.

From chapter 1.3 it was given that the research should be based on:

- Interviews with SSAB’s dealers.
- Observations of these dealers in meetings with customers.

Today SSAB has eleven dealers selling Toolox. The dealers participating in this study have mainly been chosen by SSAB. Time was the main limitation and it was decided that five dealers should be interviewed:

- La Cour & Faber A/S, Denmark
- Precisionstål AB, Sweden
- Värnamo Stålprodukter AB, Sweden
- Carrs ToolSteel Ltd., UK
- George H Cook & Co Ltd., UK

Out of SSAB’s eleven dealers three are located in Germany, one in Switzerland and one in the Czech Republic. These were omitted from the research because of language
difficulties and distance. One of the three dealers in Sweden was not interested in participating in the thesis at all. Since all dealers have similar features the chosen five are a representative selection. Their willingness to participate indicates a positive view to research and to learning more about their own business.

There are some negative aspects of only using SSAB’s dealers as source of information:
- They will have a biased view of their own role in the sales process.
- They will have a biased view of SSAB’s products and the market since they are SSAB’s customers.
- They have good knowledge about their own customers, as they often are in direct contact. It is, however, not certain that the dealers are in direct contact with their customer’s customer and that they have knowledge about these.

To gain better knowledge about the customers and to reduce the salesmen’s biased view it was decided that the buyers of tool steel should be used as a source as well. It was decided that this complementary information should be collected early in the data collection, to give a better knowledge about the problem area before the remaining interviews. This is why the observations were done with La Cour & Faber A/S.

The first interview was held with Värnamo Stålprodukter AB at their office. This interview was followed by a visit to La Cour & Faber A/S, where two customer meetings were also attended. Due to the distance, two telephone interviews were first held with the UK dealers. It was then possible to arrange a face to face meeting with Carrs Tool Steel Ltd. after the first telephone interview. This was not possible with George H Cook & Co. Ltd., instead another telephone interview was held with them. The last face to face interview was held with Precisionstål AB.

4.5.2 Performing Interviews
Jacobsen (2002) states that interviews are most suitable for cases where:
- Few units are analyzed
- There is interest of what the individual thinks and knows
- There is interest of how the individual interprets certain situations

This coincides with the ambitions of this research and interviews are the most important method for data collection. Issues regarding how an interview should be performed are treated in Appendix A. Jacobsen (2002) further states that there are several choices that must be made before starting the data collection. Some of these are discussed below.
Open or Structured Interview
As argued in chapter 4.1.3 it is important to be open for new ideas from each interview. This is why open interviews were used as means of data collection.

Jacobsen (2002) argues that some structure is necessary in an interview, because total openness will produce too much and too scattered data to be suitable for processing. To structure each interview, questionnaires were developed as guides; not to be followed strictly but as a template for the interview. Värnamo Stålprodukter AB was the first interview, performed using the guide in Appendix B. The guide was also used during the second interview with La Cour & Faber A/S. Before the two telephone interviews the guide was updated to cover new aspects and to remove those that were found redundant, see Appendix C. For the interview-guide with Precisionstål AB see Appendix D. The guides used for complementary interviews held with the dealers in the UK, see Appendix E and F respectively.

Several Interviews with the Same People
The two dealers in the UK were both interviewed twice, the others have been contacted on occasion to check on details. Performing several interviews is recommended to enhance the quality of the received information. By performing several interviews the interviewee gets time to consider the matter carefully and hopefully the answers are more accurate the next time. (Jacobsen, 2002)

Face to Face or Phone Interview
According to Jacobsen (2002), face to face interviews are preferable for discussing sensitive issues and receiving true answers. They are also more suitable for open questions. Since face to face interviews give the best result it has been the main method for data collection. For all dealers except one there has been face to face contact.

Two telephone interviews had to be done at an early stage of research, before being able to schedule a meeting. One positive thing with telephone is that they reduce the risk of the interviewers affecting the interviewee (see chapter 4.7) (Jacobsen, 2002).

How Long the Interview Should Be
All interviews were approximately one and a half hour long. Jacobsen (2002) recommends that interviews should not be longer to prevent tiring the participants and still get the relevant information.
4.5.3 Performing Observations

Jacobsen (2002) argues that before making observations it should be decided on what place and time the observed situation should be. This choice should be based on the purpose of research. The sales process is in focus in this research and therefore sales meetings between the dealers and the customer should be observed. Customers that are unfamiliar with Toolox and possibly unfamiliar with the dealer are best suited to study since the sales process in such situations should go through the most steps (see chapter 2.3.1).

To reach further understanding of the interaction between the dealer and the customer La Cour & Faber A/S allowed observation of two of their customer meetings. A schedule was developed by which the observations could be registered, see Appendix G. The meetings were attended, taking note of what was seen without participating in the conversation. Lekvall and Wahlbin (2001) argue that observations have the advantage that they are not limited to what some other person knows, remembers or wants to answer. This is a good compliment to interviews where the interviewees’ views limit the possible conclusions.

The same authors also claim the following two limitations:

- It is only possible to study behavior, not knowledge, opinions etc.
- It is only possible to study ongoing situations, not what has previously happened.

4.6 Data Process and Analysis

According to Jacobsen (2002) the next step after performing the data collection is to reduce the complexity of the data by first writing a description of each interview and observation. The description should be done as objectively as possible. It is then possible to combine and compare several cases and draw valid conclusions by systemizing and categorizing these descriptions. The categories are the tools needed to see if certain sets of data are similar to or different from each other.

To be able to work with the data collected through different interviews a case description for each dealer was created. To make the cases comprehensive and compatible with each other suitable data-categories were created. According to Jacobsen (2002) the following three demands can be placed on the categories:

1. They should be based on the available data, from interviews and observations.
2. They should have meaning to those who are not taking part in the research.
3. They should be relevant to other theory and research on the subject.
Jacobsen (2002) claims that this is an iterative process where different categorizations can be tried and then adjusted until the categorization is comprehensible and useful. In each of the cases in this thesis data from the interviews and observations made with each dealer company was sorted into the categories. The categories decided upon are based on the three demands listed above and are found in Table 4-1. The categories are closely related to the analysis model presented in Figure 3-1 and the objectives in 3.

<table>
<thead>
<tr>
<th>Category</th>
<th>Sub Category</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>People and Organizations Involved in Buying</td>
<td>Companies that Buy Tool Steel</td>
<td>Characteristics of the companies that buy tool steel and the product chain that follows.</td>
</tr>
<tr>
<td></td>
<td>Buying Decision on the Organizational Level</td>
<td>The organizations that are involved in the buying decision.</td>
</tr>
<tr>
<td></td>
<td>Buying Decision on the Individual Level</td>
<td>The individuals and groups of individuals that are involved in the buying decision.</td>
</tr>
<tr>
<td>Factors Influencing a Buying Decision</td>
<td>Identified Factors</td>
<td>Factors that are essential or non-essential in the buying decision</td>
</tr>
<tr>
<td>Interaction between Tool Steel Dealers and Buyers</td>
<td>Sales Organization and Sales Process</td>
<td>How the dealer works with selling tool steel.</td>
</tr>
<tr>
<td></td>
<td>Available Sales Information</td>
<td>Information that is used and needed for selling.</td>
</tr>
<tr>
<td></td>
<td>Network Structure</td>
<td>Characteristics of the bonds and relations that exist within the network of dealers and buyers.</td>
</tr>
</tbody>
</table>

4.7 Criticism of the Method

Any empirical study should satisfy two criteria; it must be valid and it must be reliable. Validity has two components; internal validity, meaning that what is measured is what is actually meant to be measured and external validity, meaning that results taken from a limited study can be transferred to another similar context. It is important that all data has high reliability otherwise conclusions can not be trustworthy. Validity and reliability is achieved by careful choices of research method. (Jacobsen, 2002)
4.7.1 Internal Validity

Internal validity measures if the description of a phenomenon is correct. According to Jacobsen (2002) the following are some important actions to test the internal validity of any research:

1. Verify data and conclusions with others.
2. Critically analyze the results i.e.;
   a. Have the right sources been used?
   b. Have they given true information?

Validation with Others

According to Jacobsen (2002), this is a good way to validate some facts but it has one clear drawback, it can not validate information that the interviewee is not aware of. After the interviews the compiled data was sent back to the interviewee for validation. Another source of validation is Christer Offerman at SSAB, who compared the conclusions with his own observations throughout the research.

Have the Right Sources Been Used

Since this research regards the dealers, buyers and users of tool steel all these would be interesting objects of research. Due to unavoidable limitations the studies were concentrated around interviews with five out of eleven dealers and observations of one of them in customer meetings. This choice omits contact with some of the interesting objects: SSAB’s other dealers, dealers of other tool steels and the end users of the tool steel. Still, the dealers have a broad view of the market and the chosen approach is expected to give the best perspective for an exploratory study, which can later be refined when there is a clearer picture of the product chain.

Have the Sources Given True Information

Jacobsen (2002) argues that the sources’ capability to give correct information must be assessed. The interviewees that have given the most information are the dealers. These are salesmen with knowledge in the tool steel market and with knowledge on how to sell tool steel. They generally know their products and their customers well. The sought information lies within their field of knowledge since it is information they need to know something about to be able to sell. One aspect where the information given may be more unclear is that about their customers’ customers because these two parties rarely seem to be in direct contact.

According to Jacobsen (2002) it is also important to assess if the sources are willing to give correct information. The main motives for not wanting to give correct information in this case would be if the information was sensitive information to give to the
competitors who would also read the report or if it was considered sensitive information that SSAB could use for taking over the distribution themselves. Other reasons for secrecy are possible but not evident. Since the dealers already collaborate in exchanging ideas in annual meetings it can be assumed that they are familiar with each other. They do not compete in the same geographic region and are never asked to name such critical information as who their customers are. With this in mind, censure of information has not been a critical factor in this research.

Jacobsen (2002) claims that data given spontaneously rather than as a direct response to a specific question is more reliable. The interviews have been unstructured and much of the information collected was from spontaneous comments, indicating that there is truth in what was said.

It is possible that one or more of the sources are more reliable than the other. Reasons for this could be that they have different knowledge; different motives for participating; or that they participate in different phases of the research meaning that a different approach has been used. There are no indications of the first two, but the interview method evolved as understanding of the situation grew, which means that results can vary over time and indications of this should be indicated in the analysis.

4.7.2 External Validity
External validity refers to if the conclusions are generally applicable to other fields. Since this research is a qualitative research based on a few in depth interviews the possibility to generalize is limited and depends very much on the choice of units to research. (Jacobsen, 2002) There are probably similarities to the issues experienced in the tool steel industry in other fields, such as other raw material markets, and therefore this study can be applicable in such areas.

4.7.3 Reliability
The actual method by which information has been collected affects the results of any research and this is especially the case with qualitative research. Two aspects of this are observer effect and context effect, which regard how the presence of an interviewer or observer and the context in which the interview or observation is done affect the outcome. Carelessness in performance of research will also make the information less reliable. (Jacobsen, 2002)

Closeness or Distance
With focus on being objective, positivists often advocate that a distance is held to the studied reality. Critics claim that this distance is unachievable and could also be an
obstacle to developing deeper knowledge. (Jacobsen, 2002) In this case closeness is inevitable both because of the close nature of in-depth interviews and also because relationships will be developed with the interviewees in order to gain their confidence. The important aspect is to keep this in mind and analyze how it might have affected the results.

**Observer Effect**

When performing the interviews and observations the presence of observers most likely affected the given results. The interviewee may be reluctant to give information if his/her impression of the interviewer is negative. This impression is based on things like, appearance, clothing, language, body language, etc. During the interviews signs of clash between interviewer and interviewees have not been noticed, indicating that this effect has been minimal.

Regarding the observations of customer meetings there is a possibility for the same types of influence by observer presence. In this case it was noticed that during customer meetings the customers paid some attention to the observers. How this may have affected their behavior is, however, difficult to say.

**Context Effect**

The context in which interviews and observations are done will also affect the outcome. Jacobsen (2002) mentions the difference between an artificial and a natural context. The author argues that an artificial environment produces artificial answers. Research in a natural context is normally considered to give more reliable results than in an artificial environment. There can however be more disturbing elements in such an uncontrolled environment.

The interviewees were interviewed in their offices but also in cars while driving to a customer meeting and while having a lunch together. The most suitable locations have been the offices where few disturbances were present and taking notes was easy, but since conversations have continued in other locations the information given in these places has also been used. Since this was their natural environment they were confident and responded in ways that seemed truthful. There were however some elements of distraction such as phones ringing. This affected the concentration on the subject, but in most cases there was plenty of time so these distractions only gave temporary disturbances.
Carelessness
In order to eliminate errors in the interviews there have at all times been two interviewers, alternating in taking notes and asking questions. Every interview has been followed by a discussion of the observations and what was important. This has reduced the amount of error due to carelessness and loosing important information.

One issue is that some of the interviews were performed ad hoc, in cars or mixed into normal conversations during lunch. In these situations material to take notes was not always available and some information was written down hours later. This has mainly meant that information has been missed, but could also mean that some information was misinterpreted.

Using a tape recorder can make the interviewees feel intimidated and not speak as openly. (Jacobsen, 2002) Because of this no tape recorders have been used. A problem with this is that taking notes takes attention away from the actual interview. Since there were always two interviewers present, one person took notes while the other asked the questions, which reduced this problem.
In this chapter SSAB Oxelösund and its products will be described, in particular the tool steel Toolox and issues of its distribution.

5.1 SSAB Oxelösund

As mentioned earlier SSAB Oxelösund is part of SSAB Svenskt Stål AB. As mentioned in chapter 1.1 Toolox is a hardened tool steel and the newest of the four.

5.2 Toolox

SSAB started the development of Toolox in 2000. Toolox was originally derived from Hardox, on SSAB’s own initiative, after they had tried Hardox as a tool steel. It did not have the right features, but SSAB saw that with some modifications they could produce a completely new product. Toolox is produced in the same plant and with the same equipment as the other three steels. What differs is the mix of alloys and some parameters in the production process which is also the difference between the other steels that are produced in Oxelösund.

Tool steel such as Toolox is sold to toolmakers, hence the name, but it can also be sold to machine component manufacturers according to SSAB. For toolmakers Toolox has four main fields of application according to SSAB:

- Die-casting molds – molds for casting metals
- Plastic molds – e.g. making plastic mobile phone covers
- Press tools – used when shaping metal sheets into e.g. car parts
- Machine and construction components – e.g. tooth racks

Products produced with Toolox do not require any additional hardening, an important issue for production time reduction, since its prehardened. This is not in itself unique as there are other such products on the market. SSAB produces two qualities of tool steel: Toolox 44 and Toolox 33. What makes Toolox 44 a unique product on the market is a much higher hardness compared to other steels but it is still possible to work with. According to SSAB, Toolox 33 competes with other tool steels on the market with advantages in machinability.
5.2.1 The Tool Steel Market
The tool steel market in Europe consists of several producers (approximately ten). Of these SSAB claim that, Thyssen and Böhler/Uddeholm, are the market leaders. Together, these two have approximately 50% of the market.

SSAB has patented Toolox, not primarily to protect it but to show the unique qualities of the product. According to SSAB all producers of tool steel work hard with their brand names, especially the steels that have been developed lately. The two market leaders have had most success with their marketing. This due to the fact that they both have their own distribution and can promote themselves to the tool- and component makers directly, something companies that distribute through dealers has difficulties to do.

5.2.2 Distribution of Toolox
Since Toolox is a new product, SSAB Oxelösund has given its distribution considerable thought. Tool steel, like Toolox, is used by customers who in many ways differ from the customers of Hardox and Weldox. Due to this, SSAB is eager to find out how the distribution works on a more detailed level and how to support the distribution to increase sales. The market leaders, Thyssen and Böhler/Uddeholm, take care of their own distribution. For the other producers it is common to use dealers as a middle hand.

Currently Toolox is sold through eleven dealers in Europe, shown in Figure 5-1.

![Figure 5-1. Position of current dealers (Source: SSAB)](image_url)
Setting up Their Own Distribution

Tool steel is sold in small plates to tool makers and other users. This is different compared to the other steels made at Oxelösund, which are sold in larger, standard sized sheets. An extra step in production would be required to cut the larger steel plates made in the steel mill into specific sizes for each customer and order. The cutting is an important and expensive process that does not lie within the core competence of SSAB.

It is not only the size of the sold plates that differs but also the order quantities. A tool steel customer would typically buy less than 100 kg of steel at a time whereas the orders of Weldox and Hardox normally count in tons. This requires another type of sales organization for Toolox in order handle a greater number of customers and orders.

Selling Toolox would require a much larger sales organization and investments in cutting machinery. SSAB decided not to do these investments. Instead SSAB decided to use dealers to reach the market. Each dealer buys either 6 x 2 or 3 x 1 meter steel plates directly from SSAB, which they cut into sizes preferred by the customer.

Toolox in the Product Chain

Demand for tool steel starts several steps ahead of SSAB in the product chain. In the case of molds and press tools the demand derives from the need for a certain details to be molded or pressed. SSAB argues that these details can be end products in themselves but also parts of an end product, such as plastic covers for mobile phones or details in a car. In the case of machine components it could look quite different, but also involving several steps in the product chain before the final product reaches the end user. A conceptual model of the product chain is shown in Figure 5-2. The steps after the tool or component is finished differ from case to case which is indicated with a shaded square.
According to SSAB, it is important to know that the requirements on the tool steel derive from the toolmaker and also from the users inside the shaded square, who could have different preferences. Most likely the users of the tool or component have different requirements from case to case. They can require such characteristics as short time-to-market to high durability and temperature resistant products. The toolmakers on the other hand prefer good machinability and shape stability, so the product will be easy to produce.

In this thesis an OEM, original equipment manufacturer, is a company that purchases components from manufacturers to produce more complex products sold under their own brand.

5.2.3 Using Dealers as a Means of Market Representation
Kleen, Moberg and Palm (2003) show that there are several forms in which a company can be present on a market, including using external representation or setting up their own sales force. As mentioned above SSAB currently use a representative to reach the tool steel market. This type of market representation is usually referred to as a retail
dealer, a separate company that buys the steel sheets from SSAB and then sells them on their own. The term distributor is often used synonymously to retail dealer. To clarify, when the word dealer has been used earlier in the report, and from now on, it refers to a retail dealer.

According to SSAB, supported by Kleen et al (2003), the dealers’ strength lies in the synergy effects they get from offering other steel products than just Toolox, which they generally do. This includes having a joint administrative function for all the products sold and also by having higher utilization rates in the resources and staff used for cutting the steel plates. It could also, from a buyer’s perspective, be of value to buy from a dealer with a wide range of products. SSAB claims that Toolox replaces three to four other kinds of steel and the dealer will be able to decrease the number of steel types in stock, and probably the total amount as well, resulting in a lower total cost for stock.

The tool maker is assumed to be a specialist in the craftsmanship of working with steel and does not necessarily have good materials knowledge. According to SSAB the dealers can provide their customers with this important technical knowledge. With the small quantities that are bought by toolmakers this sort of service is thought to be more important than price, since the price of steel is a very small part of the total cost for producing the tool. This could mean that the dealer is more of a technical consultant than just a salesman.
6 Case Descriptions

This chapter presents the information given by the five dealer companies that were interviewed. The cases are ordered in chronological order by the dates of the first interview with the company.

Before presenting each of the cases one of the chosen categories in the case descriptions, factors influencing a buying decision, must be elaborated further. This category describes those factors that are mentioned as essential or non-essential to tool steel buyers when making a buying decision. Since not all factors were mentioned by all interviewees the sub-categories vary from case to case. From all the cases the following factors were mentioned by one or more dealers:

1. Dealer Function
2. Price of Tools and Tool Steel
3. Delivery – Time and Dimension Aspects
4. Time Saving Factors
5. Technical Consulting
6. Pilot Cases
7. Risk Factors
8. Quality
9. Global Presence
10. Traditional and Regional Factors
11. Brand Names

6.1 Värnamo Stålprodukter AB

Värnamo Stålprodukter AB (Värnamo) is a part of the Eurosteel group, a division of the Hexagon group, which also includes Nybro Stålprodukter. Värnamo sell tool steel and steel for construction components, each part accounting for approximately half of the company’s turnover. Tool steel is sold mainly to tool makers and is used mainly for cold working tools.
6.1.1 People and Organizations Involved in Buying

**Companies that Buy Tool Steel**

The tool steel market in Sweden is very stable according to Värnamo. The growth and establishment of new tool steel buyers is low which means that entirely new customers are rare.

The tool making market that Värnamo serves consists of several small companies and a few larger. According to Värnamo, the tool makers they serve can be categorized as those that both manufacture and design tools and those that only manufacture. The larger companies often do both design and manufacture, while the smaller companies might not have the capability to do tool design. The smaller companies’ function can sometimes be to manufacture what the larger companies can not fit into their production schedules. There are also designers who work with only designing tools as consultants.

Värnamo’s smaller customers, family run businesses with few employees, often use only one steel supplier and do not work actively with purchasing. They do not have the time and/or knowledge to look into prices and new steel types. The smaller companies will usually have only one supplier but may have contact with other dealers through occasional visits. The number of suppliers a tool steel buyer uses depends on what situation he is in. It is mainly the larger customer companies who will check on prices with several competing suppliers. Värnamo also mention that there are many companies who check prices with several suppliers and then choose the cheapest without considering different steel grades with better characteristics.

**Buying Decision on the Organizational Level**

Värnamo mention that their customers’ customers, i.e. component suppliers and OEMs, are an important influence on the steel buying decision if they are involved in the tool design. They believe that SSAB should try to influence the customers’ customers to create a demand for Toolox, since they are of equal size to most companies who order tools from tool makers.

According to Värnamo, preferences for certain steel grades are hard to change among the tool makers, who are very traditional in this sense. Värnamo think it would be better to influence the companies ordering the tool. They might have more interest in trying new steels with benefits that can improve their production costs by reducing lead times. They can also be less sensitive to changes in steel price and the risk involved with trying new steel grades (see 6.1.2).
Buying Decision on the Individual Level

Värnamo argue that the designer of the tool, whether an employee of the tool maker, the component supplier, the OEM or a consultant, often has the possibility to choose which steel grade to work with. The tool designer is the most important person to convince of the benefits when selling tool steel. If he does not believe in the benefits of the steel he will not use it in his constructions. If the designer changes to a new steel grade he will be the one taking the risk for any error that might occur. This is the reason why many designers choose steel grades that are familiar to them. They do not want to take more risk than necessary (see 6.1.2 for more about the risk factor).

Influencing the marketing or purchasing department of the buying company, rather than the designer, is sometimes pointless as these functions do not have much influence on the choice of steel. Värnamo argue that if a purchaser or salesman tries to persuade the designer that he should try a new steel grade the designer will probably be skeptical and think it is some cost reduction effort that will reduce quality of the tools he designs.

Värnamo explain that direct contact with the decision makers at larger clients is much more sporadic, since contact is mainly held with personnel that handle routine orders of steel and that do not have influence in the decisions.

When asked about the workers who actually work with tool production Värnamo mention that these do not have much to say in the choice of steel. But if a change in steel is made, it is important that they are prepared for this through some kind of education, so that the change runs smoothly. If not, they might be reluctant to work with the steel grade in the future. This will certainly not make any further sales easier.

6.1.2 Factors Influencing a Buying Decision

Dealer Function

Värnamo mention that the reason that companies such as theirs are needed is that they can stock, cut and sometimes do treatments on the tool steels and also that they carry a variety of tool steel in stock. The most important function they fill, according to themselves, is that they work as retail dealers.

Price

Värnamo do not think that price is the most important issue for their customers, but mention that competition from low price countries such as China is an increasing threat to manufacturers of tools in Sweden. They think this will lead to the closure of
some Swedish tool makers. They also believe that, to be competitive, tool makers in Sweden must become better at producing high quality tools. This requires some new blood in the business and some courage to try new methods and materials. The experience from Värnamo’s customers is that those that try to improve by doing such changes are more successful.

Värnamo also mention that the tool ordering companies could be less sensitive to the price of tool steel than the tool makers are, since the steel price is a small part of the total tool price they pay for a tool.

**Delivery**

At Värnamo, standard steel types are stocked in bars, cut in certain dimensions known by their customers. A designer knowing these dimensions can take advantage of this when constructing the tool. Standardized bars reduce the amount of work that is needed before the right dimensions are cut, meaning that the order can be delivered sooner. With such bars it is sufficient with one cut before the piece can be delivered to the customer.

Today, Toolox is kept in stock in Nybro and not in Värnamo. The Toolox that is delivered has to be cut at Nybro Stålprodukter AB and sent from there. It is not kept in standard sized bars due to the low sales volume. According to Värnamo, this is a disadvantage when the buyer chooses between Toolox and a standard steel grade. Toolox takes longer to deliver than other products and fast deliveries are an important factor. The cutting process is time-consuming and takes away one of the sales arguments: that Toolox can save time in production.

**Technical Consulting**

According to Värnamo their customers do not use Värnamo’s full technical competence. Värnamo claim that the designers in the customer organizations often lack deeper knowledge in metallurgy and are only familiar with the steel grades which have been used before. Despite this, the designers do not seek the technical consulting that is available. Värnamo wish that their clients had more knowledge and had more demands on consulting. This is one reason why technical changes have difficulties in reaching the market. The tool makers are often more interested in changing their machine park and treatment methods than trying new steel types.

**Pilot Cases**

Most customers are, according to Värnamo’s experience, curious about new steel products, but few dare be the first to try something new. That is why pilot cases are
very important as they can ensure the customer that the new steel grade has been used by others.

**Risk Factors**

Värnamo mention that changing to new steels implies a big risk, since every tool that is produced must work. Tool makers are often in a tough economic situation as they give long term credit to their customers. This increases the risk in changing steel. The tool makers do not have the margins needed to make errors. Since there are economic risks involved when producing tools, Värnamo claim that a tool maker changes steel grades only if the old one has failed. The supplier of steel will also rarely be replaced unless he fails.

For a smaller tool maker, with few employees, the financial risk is even greater. Since the market is currently slow and most companies have liquidity problems, courage is required by the tool maker and much effort from the salesman to initiate a change of steel. Värnamo argue that this reluctance to change is not as strong for larger customers, where one single tool does not have the same importance for the company. Värnamo could be less risk-sensitive since they often have better financial possibilities to handle the risk of a delayed tool. In such a company the individual designers probably do not feel the risks involved in changing steel in the same way. If the change leads to improvement it might increase the chances of getting promoted.

**Quality**

Because of the risks involved, quality and functionality of the steel and services is extremely important. The most important factor to stay competitive, according to Värnamo, is to keep high quality steel and not fail the customers’ expectations.

**Traditional and Regional Factors**

According to Värnamo it is common that most tool makers in a region use the same grades and in this sense it is a tradition bound market. Preference for a certain steel type – in a region, in a company or from an individual – is a tradition that is hard to break. The most common qualities in Värnamo’s region (Småland and Västra Götaland) are the standard grades SS2260, SS2310, SS2312 and the brand name steels ASP and Vanadis. Toolox’s main competitor is Impax which is a brand name steel from Uddeholm that has been around a long time.

**Brand Names**

Since SSAB is not yet known in the tool making business Värnamo argue that much work is needed to build a strong brand name that can compete on the market. Some of
the competitors’ steels have been on the market for over 30 years. Every error that occurs with Toolox will work against this market establishment process.

6.1.3 Interaction between Tool Steel Dealers and Buyers

Sales Organization and Sales Process

Värnamo have centralized their sales efforts to their office, where existing customers usually order via fax, e-mail or mail. Very few deals involve face to face contact.

When selling tool steel, Värnamo attempt to have a dialogue with the designer and other individuals who have input on the buying decision. Today Värnamo are relatively distant from their buyers, but would prefer an increased partnership with customers. In order to know what the tool maker is doing and what the ordered steel will be used for. This would, according to Värnamo, be beneficial for the customer as Värnamo could help to choose suitable steel that makes the tools better, cheaper or faster, depending on what the situation requires.

Värnamo often use entertainment such as sports events to keep up social bonds with customers. Such meetings give good feedback on their performance and especially on how the relation is working on a personal level.

Värnamo’s efforts to acquire new customers mainly consist of visiting potential buyers now and then, e.g. by touring some tool makers in a certain region. Visits to potential customers rarely lead to an immediate change of supplier although customers are often interested in such meetings for new input. Värnamo believe that sales meetings help to slowly introduce their company to the potential customers who in the future might be interested in changing.

When a customer has tried a new steel grade and it has worked satisfactorily they will probably keep using it when facing a similar situation again. Värnamo mention that this implies that contact with existing customers is scarce and that the possibility to sell new products to a satisfied customer is limited. They also mention that introducing a new product to an old client can ruin the existing relations if it causes problems.

When something happens that triggers a tool maker to look for new suppliers it is possible that they will look into Värnamo more deeply if that tool maker has been introduced to Värnamo previously, through some visit or other contact. It is in such situations that Värnamo think they have the best opportunity to sell a new steel grade, but they also mention that situations like that are not common.

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Available Sales Information
Pilot cases are important to Värnamo when introducing new products. The dealer and SSAB get access to results that they can use in their marketing. In most cases the pilot projects are done with a customer that the dealer has good contact with and the customer is compensated if errors occur. Such compensation is not always sufficient; the customer might simply not have time to do the extra work that is needed. In a market where lead times are short, such experiments might not be an alternative if they force an extra week into production.

Network Structure
Värnamo sell tool steel mainly to existing customers, where relations between the companies are strong. They do not write binding contracts with their customers. The relations are inter-organizational but mostly between individuals within the companies and they are very important. According to Värnamo, it is hard for a new company on the market to overcome the bonds that such relations have created by simply offering a slightly more beneficial product.

According to Värnamo, the tool steel business is regional and traditional. Close relations are common, especially with smaller tool makers. After having known each other for a while, routines are established and the organizations adapt to the habits of each other. The social bond is very important. Värnamo mention that loss of a salesman can remove the social bond to some customers. In such situations the customers may look around for new dealers. Another indication of strong relations is the fact that change of dealers is rarely made if the old one has not misbehaved.

6.2 La Cour & Faber A/S
La Cour & Faber A/S (La Cour) is one of four big dealers of tool steel in Denmark. The market has a tonnage around 2,000 tons of steel per year, La Cour is one of the leading tool steel suppliers in Denmark.

6.2.1 People and Organizations Involved in Buying

Companies that Buy Tool Steel
La Cour’s description of the tool steel buyers is that they often are small companies producing tools for component suppliers or OEMs, or component suppliers and OEMs that take care of their own tool production.
Buying Decision on the Organizational Level

La Cour mention that there are few companies on the Danish market that work actively with their tool steel purchasing. Instead they rely on visits from the dealers and La Cour also believe that many decisions are based on offers from these visits.

Sometimes, but very rarely, the customers’ customer is also involved in the decision, depending on how integrated the two companies are. The best result is, according to La Cour, often reached if all parties involved are present. It is then easier to find all requirements of the tool and a more optimal solution is often reached. If only the tool maker is involved they will tend to choose a familiar steel grade, so they do not jeopardize the project and increase the risk of producing a bad tool.

Buying Decision on the Individual Level

According to La Cour it is often the engineers and/or designers who participate in the buying as they have the highest knowledge in the company. It also common that there is a group of people rather than one individual that is present in the sales meetings. Most such meetings are held with some combination of engineers and/or designers. How big the group is and how it is composed differs from company to company. According to La Cour it is often easy to see who the most influential person in the buying decision is.

6.2.2 Factors Influencing a Buying Decision

Price

In Denmark the Chinese tool industry, with its lower prices, has certainly been a problem as many tool buyers choose to manufacture their products there. La Cour argue that European manufacturers have many advantages and can win orders if they emphasize their quality and delivery-time advantages. They must however lower their prices or the orders will be lost.

Delivery

One disadvantage that La Cour see with Toolox is that it is not sold in any round dimensions. They can compensate this in some cases by cutting customer specific shapes of the steel plates, but it is a time-consuming process.

That dimensions are an important factor was apparent during the customer meetings as both the potential customers were concerned about getting deliveries in certain dimensions. One important issue on both sales meetings was to show that the steel is
kept in a warehouse in Denmark, not in Sweden. This ensured the customer that deliveries will be fast. Time is an issue for all companies according to La Cour.

**Time Saving Factors**

From one of the customer meetings it became apparent that not all tool makers find hardening problematic or time consuming. But they did agree that the modification work needed to be done after hardening can be a cause of delay.

**Technical Consulting**

According to La Cour much of the sales work is done by being an advisor or consultant to the customer on technical issues regarding the steel. Many customers call La Cour with this type of issues because they do not have the specialist knowledge that is required. On these occasions it is often possible to advice on new steel that would better suit the solution or sometimes just another work method. La Cour stress that for a change to take place the new product must often be much better than the old one.

**Traditional and Regional Factors**

The customers also have habits of working with certain steel grades; these habits have developed over a long time and are difficult to change. There are traditions among the customers that keep them from changing steel.

**6.2.3 Interaction between Tool Steel Dealers and Buyers**

**Sales Organization and Sales Process**

La Cour try to visit their existing customers at least twice a year. They also visit new and old potential customers. Over time, this has given good relations to many of them. Each Friday, customers are contacted to schedule the next week’s meetings. Many of the customers that are approached by a dealer are interested in news on the market and it is easy to get time for a sales meeting, but to get from there to an actual sale is hard according to La Cour. They claim that it is almost always possible to get 30 minutes of their time for a meeting, but rarely more.

The customers who already know what steel they want, often buy their steel by phoning into the La Cour main office and place their orders. Phone is a more common method than e-mail or fax. According to La Cour, this is because the person to person contact is appreciated.

La Cour work with marketing new products by constantly making visits. Throughout the meetings La Cour give technical advice. According to La Cour this is the only way to sell steel. Using the information material given by the steel manufacturer they show
the features of the specific steel. The customers are often interested in new products and it is not only the steel quality that is important; the economic aspects are always there. La Cour mention that no company can survive if they only concentrate on the technical aspects; shortened lead time and cost reductions are just as important.

From the observations a customer meeting follows the following pattern:

1. The date for the meeting is scheduled by phone. After this first contact the salesman often knows what the customer does and what types of steel grades the customer might be interested in.
2. When the salesman arrives to the client they get to the point of discussing steel rather quickly.
3. The discussion covers the customers’ production techniques, what demands there might be and what steel is used today.
4. From this, La Cour make a suggestion of steel grades and perhaps improvements in production.
5. The customer initially asks questions about dimensions and features, later price is also brought into the conversation.
6. A small free sample of the steel is promised, so that they can test the new material. By this time the customer also wants to know about machining data so he knows how to work with the steel.

**Network Structure**

Meetings between a dealer and a new customer are held to slowly build on the relation between the two. It is necessary to get the customer interested in the different steel grades. According to La Cour, they have good relations with many of their customers. Each customer is visited at least two times a year, to strengthen the relations for the future.

Some customers are reluctant to change dealer because they do not want to have more than one supplier. Some also see a problem with having steel from two different dealers in stock and the extra work that is required.

The two customers that were observed both bought their steel from Uddeholm and did not have any other supplier. One customer saw the problem of buying steel from several suppliers, because keeping more relations requires more work.

La Cour do not use contracts to oblige their customers to make purchases only from La Cour. They want the customers to have the freedom to choose and think that this is appreciated. They say that this approach is somewhat different to Uddeholm who often
give their customers a package-price on all the steel products they need, accompanied with a commitment to not buy from any other dealer. According to La Cour these packages are not always beneficial for the customer, who could get better deals by checking prices with different dealers.

6.2.4 Observation with Customer 1

During this customer meeting two people from the customer, both working as production managers, were present. All through the meeting Toolox 33 was compared with Impax, which was the tool steel they were currently using. The first feature that caught their attention was the fact that with Toolox 33 they had the opportunity to lower their machine time with approximately 25%. The conversation was primarily based on the different fact sheets about the two steels. La Cour brought Toolox data and they compared it to the written material the customer had received from Böhler. Each of the charts for Toolox was compared to one from Böhler depending on what feature that was discussed.

Customer 1 had a deal with a hardening company and got their hardening done overnight. Therefore the sale argument about using a pre-hardened steel to save time was not a strong point in this case. They did however agree that the adjustments that had to be done after the hardening can be time consuming.

The customer was interested in getting a sample of the steel so that they could try machining it on their own. They were concerned that even though they supposedly can machine 25% faster than they did before, this would not be apparent until after trying it for a long time. They did not think that it would be possible to see the difference in how the tools are worn simply by inspection since the tools that they use for cutting are very small. Before testing, they wanted accurate machining data for their types of machines and cutting tools so they could try the metal at top speed immediately.

Deliveries and dimensions was the next topic, and it seemed like La Cour and Uddeholm would perform equally on these two issues. Customer 1 then requested a proper pricelist.

Customer 1 were skeptical overall, but had questions and were never uninterested. All through the meeting it seemed as if they were testing La Cour’s reliability by seeing if the salesman could answer their challenging questions.
6.2.5 Observations with Customer 2
During the second customer meeting three people working with different parts of production and design were present. The first topic was a short presentation of La Cour and their business. La Cour then continued to present SSAB by mentioning their more well-known products and then finally Toolox.

That Toolox 33 has the same capabilities as Impax but 25% faster machining caught their attention after which they quickly asked for the price. The steel features that were discussed were polishability and if the steel was free of tension. To show this, both a reference to the homepage and the sales material on paper were used by La Cour.

Toolox 44 was the next topic. The fact that it would take more time for machining but does not require hardening was something they found interesting.

That Toolox is kept in stock in Denmark was important to Customer 2. This promised short delivery times. They were also interested in the fact that La Cour offers the steel in customer specific dimensions.

A lengthy discussion regarding other parts of their production and experiences with other steel grades, not at all connected to Toolox followed. La Cour mentioned other products that they carry, since Customer 2 currently buy everything from Uddeholm, to show that La Cour can offer the same range of products.

Before the meeting was over a small piece of Toolox 33 and Toolox 44 was requested for evaluation. Testing it in their production is important. Finally the customer wanted a list of the prices they can expect to pay for their specific dimensions.

All through the meeting the brochures and charts were discussed and used as help in the discussion and to prove points. It also seemed that they were evaluating La Cour’s trustworthiness by asking questions and judging the salesman’s knowledge.

6.3 Carrs Tool Steels Ltd.
Carrs Tool Steel Ltd. (Carrs) is the biggest independent steel dealer in the UK. The other actors on Carrs’ market are all the big manufacturers of tool steel, as well as six to ten private dealers. Serving the whole of UK and with sales representatives in Northern Ireland and Scotland, they mainly sell and work with tool steel but also have aluminum business. They have formed partnerships with steel manufactures from the US, Japan, Sweden and Germany as well as France for the aluminum. With these they
have the goal of being a leading supplier of tool steel with increased technology in steel rather than being a lowest price dealer.

Böhler, Uddeholm and Thyssen have approximately 60% of the UK tool steel market. During the interview with Carrs it is mentioned that all these companies are finding niches where they dominate the market.

6.3.1 People and Organizations Involved in Buying

Companies that Buy Tool Steel

Carrs are currently working actively with a database of approximately 1,200 potential customers. These customers have a wide range of size, trading from a few hundred GBP up to quarter of a million GBP annually. The customers are primarily tool makers, who sell tools to component suppliers, some are also component suppliers with an in-house tool room. Most of the sold steel will end up and be used in the automotive industry.

During the interview Carrs mentioned the following as four typical actors in the tool steel product chain:

- **All-in-one companies** that have tool making, production of components and assembly in-house. These customers are rare nowadays, when outsourcing is the general trend.
- **Component suppliers** who produce components for an end user that assembles them to an end product. These customers either do only component production or sometimes have a tool room for maintenance and possibly even manufacturing of tools.
- **Tool makers** who work mainly with manufacture of tools. Some eventually purchase machinery for pressing or casting so they can also do some component production. Most tool makers in the UK are small companies (less than ten people per tool room).
- **Tool designers** who work freelance with design of tools and have no production.

Buying Decision on the Organizational Level

Carrs mention that it is difficult to sell a new steel grade by communicating only with the tool makers, because they do not want to risk failure in delivery to their buyer. Sometimes, Carrs can get in contact with the customers’ customers directly. They can then make suggestions on improvements that will be beneficial for the buyer. This is however not usual. If the tool maker is not well integrated with its customers, they may
even choose to produce a tool with a short life time and low quality, hoping to make a profit when the tool must be replaced.

The companies that have component production and their own tool room are generally easier to sell to because they will be interested in the cost benefits in both the production of tools and in the use of the tool. If tools are produced and used by separate companies then the communication of these benefits between them does not function as smoothly as between departments within a company.

**Buying Decision on the Individual Level**

Larger tool makers often have a purchasing manager. Carrs mention that when they approach the purchasing managers they stress the non-technical benefits. If the manager is not convinced, Carrs will never be let in to talk to the technical departments about the product. But, if he can see the benefits of the new steel grade he might help in selling the product internally.

From experience, Carrs argue that whatever tool steel is recommended by the designer is the one that will be used, so the individual who decides what material should be used in the design is important to influence.

Small tool makers are described mainly as owner-run businesses. In this case the owner is often the person responsible for purchasing but often also working with other tasks, such as production management and sales.

**6.3.2 Factors Influencing a Buying Decision**

**Price**

There are too many tool steel suppliers on the UK market according to Carrs. This has placed too much focus on price. At the same time the situation in world economy has led to higher prices of steel and the dealers can do nothing but to pass these prices on to the buyers. Carrs have recently changed their pricing strategy to where all customers get a set price from the beginning, and depending on how much they buy they are offered a discount. This discount can also derive from loyalty. According to Carrs the cost of steel often counts for only 5 % to 15 % of the total tool cost for plastics and molds. An increase in steel price will therefore be acceptable if the benefits are good enough. For forging tools the steel cost is a much bigger part of the total cost (about 40 %) so these producers are more reluctant to change to a more expensive tool steel.
Delivery
Carrs mention that, apart from flawless quality and price, a customer will also demand other services, such as short time to delivery and steel delivered in customized dimensions. Sometimes these factors are more important than price. Carrs have delivery times averaging about 24 hours for one-cut products and three to five days for two-cut products. A one-cut is a product that only needs one cut in the saw for Carrs to be able to deliver it to the customer.

For component suppliers the time from when a component design is ready until the actual tool is produced ranges from 10 weeks to 18 months. Still, Carrs have experienced that the time from when the order of the tool is placed to a tool maker to when it should be finished is always short. This is why time to delivery must be short from the steel dealer.

Carrs think that it is possible for Toolox to replace the standard steel grades 2311 and 2312 that they keep in stock. The problem is that Toolox is not sold in sufficiently thick dimensions to replace them now.

Technical Consulting
Carrs mentioned that they are often asked about things such as how a steel grade should be cut or drilled and which cutting tools and parameters that are optimal. They argued that with Toolox their experience is limited and that to successfully perform this consulting their sellers need to be further educated.

Pilot Cases
Carrs believe that successful pilot cases are necessary when introducing a new product to the market, because they can be used as reference for further selling. The pilot cases are important to convince the customer that changing steel grade will not put production at risk. These cases are important for the salesmen as well since they create confidence within the sales team. The sales team must be confident that the product is good to be motivated to sell it.

Risk Factors
Customers who are in some sort of financial distress can, according to Carrs, be more willing to change tool steel, since they need to find competitive advantages to survive. A problem is that no individual inside the customer organization wants to suggest a new product, because if it is a failure, it damages his/her position.
Quality
According to Carrs, the customers’ demand on quality must be met and there can be no exceptions, if quality does not meet the customers’ expectations the customer will not return.

When a product is new, production failure is more crucial than for an established product. Carrs also mention that in the steel business the product is considered new for a long period (could be as long as five years). Failures during this phase will damage the reputation seriously. Although the tool makers are secretive about their work methods, they will talk and spread the word about a bad product among each other.

The most important issue when trying to increase the volume of Toolox, according to Carrs, is that during the first couple of years the product must be problem free. Production failures for Toolox clients can be disastrous. Quality and reliability of the product is therefore a very important factor. He mentions that teething-problems are inevitable but serious problems, especially since word of bad experience with products gets around fast among the tool makers.

Global Presence
Carrs mention that companies like Uddeholm aim at being global. They can work with global customers and guarantee that wherever the customer decides to produce their tool they can find the tool steel they are used to. This is an important factor for large companies that have production all over the world and therefore prefer to use one dealer of tool steel to supply all factories. For Carrs this can sometimes be arranged if their offered steels are sold to the production plants of their global customers by other dealers in other countries. The problem with this is that Carrs only get the profit from the sales volume that is sold in the UK.

Brand Names
According to Carrs, the buyers will often purchase based on the generic term of the steel (such as P20 or 2311). These terms can often be different in different regions as there are nationwide standard systems (like the German DIN).

6.3.3 Interaction between Tool Steel Dealers and Buyers
Sales Organization and Sales Process
Carrs changed their selling method two years ago. Originally they would try to sell to all possible customers, sending literature, making visits and by phone contacts (there are more than 1,400 tool makers in their UK market). The old method focused on
having many sales representatives spread out in the country who all tried to keep up relations with customers in their region. This was an expensive method although Carrs claim that it did have benefits in keeping up social relations.

The method now used is based on having fewer representatives working the field. This change has mainly been a cost cutting effort, but it is also considered to have better efficiency. The new sales staff is more centralized to the company headquarters and customer visits are now done on a needs basis rather than to just keep up social relations. The sales staff consists of four employees working with sales in-house, two employees working full time out of the office with new customers or promoting new products, one employee working 50% on sales 50% in the office and one employee working only with aluminum sales. With the new method, Carrs meet approximately 30 customers per week face to face. According to Carrs, this is more cost efficient and the company is very pleased with the change. They mention that it has the negative aspect of allowing less social relationships with the customers.

Today’s sales efforts are also aimed at the component makers and end producers, who do not produce tools themselves. The motivation is that they can reduce their price per component if the tool gets better features by using better steel. The company ordering a tool sometimes arranges a meeting with a tool maker and a component maker to discuss matters of some current production project. According to Carrs, it would be beneficial for all parties if the dealer could also participate in such meetings to raise the issue of what steel is used. This has however only happened on a few occasions. Instead Carrs have to go to each of the involved parties and have an individual meeting. This is a much longer process, often due to the fact that several meetings must be held with each involved party.

Customers who have previously purchased from Carrs usually phone in and place their order to the in-house sales team at the company headquarters. These orders are processed fairly automatically. The sales team is trained to answer some queries that the customer might have or to pass the customer on to those with more experience if they have more serious troubles. They request advice about which steel to use and/or how to process this steel. These types of questions are often dealt with by the field salesmen, who have experience from coming in contact with the daily use of the tool steel. Knowledge about hardening, cutting and surface treatment is supplied. The consulting work leads to better understanding of steel from the tool makers’ point of view and this is where Carrs want to move their customers. It is a way of getting them more dependent of the dealer. This means more loyalty towards the supplier, a way to get integration between the two organizations.
Carrs usually present the following information to potential customers of a new product:

- How the product compares to the product currently used by the customer
- Machinability
- Dimensions kept in stock
- How will it affect the tool’s life-span (basically a cost-benefit analysis)
- Price

When introducing a new product to a customer it is common that they want a piece of steel to do tests. Carrs’ procedure in these cases is:

1. Ask the customers to test the new product.
2. Ask them for feedback on how they would machine the steel they normally use.
3. Ask them for feedback on how they used the new product.
4. Help them in choosing new parameters.

**Available Sales Information**

To get the information that is needed for selling, Carrs believe that there has to be more research about usage of new steels. There are many customers that are willing to change to the pre-hardened steel, but the lack of information prevents this from happening in a smooth way. Carrs also mention that for new products more backup is required from the steel mill.

Carrs argue that the amount of information needed to sell standard products is very small. For new products, that have specific characteristics and that have a brand name, the required information is more extensive. They believe that when selling steel like Toolox, comparative data to other products is the best information to have. These comparisons should also include machining parameters. Metallurgical knowledge is in most cases low among the tool steel buyers, which makes the data sheets with this information in tables and numbers less useful. The information that Carrs want to use in their sales is mainly graphs comparing Toolox to other products. In addition to information, pilot cases are important. It is important that all these data and pilot cases are compared to the common products on the UK market.

In general, Carrs believe that more data is needed, especially information that is not necessarily aimed at trained engineers. Carrs claim that the information about “feeds and speeds” (machining parameters) must be more comprehensive and specific. It is important that the parameters indicate what machines, drills or cutters that are used, as
each of these have great impact on the result. Carrs also argue that their salesmen must be educated in this area to be sure of what to recommend their customers.

According to Carrs, technology improvements can be difficult to get out in the market because of the lack of information that is available to the dealers and customers. They also believe that too many products are placed on the market without sufficient work from the producing steel mill. The products must be finished and fully tested before reaching the market. Carrs want SSAB to be open about all problems that occur with Toolox, also with other dealers. This is a matter of confidence they think.

Network Structure

Carrs approximates that about 50% of their customers go to the supplier with the lowest price and that 30% stay loyal with respect to service and history. The remaining 20% would change supplier only if another dealer provides something Carrs does not. If there is some product Carrs is not able to provide most customers would change dealer.

Andrew Eastwood also mentions the rivalry between Cooks and Carrs he argues that both companies sell Toolox to the same market. Although it has not happened yet, he thinks that soon some company buying Toolox will start doing price checks with both providers leading to lowered prices. He thinks that this in turn will lead to lower margins and possibly also a need for lowered margins by SSAB. Between the two dealers there is also an issue of fairness. The Toolox website mentions both dealers, but only Carrs website mentions the Toolox website.

6.4 George H Cook & Co Ltd

During 2003 George H Cook & Co Ltd (Cooks) was bought by one of its suppliers, the Italian company Cogne, a producer of tool steels and stainless steels. Today Cooks work with both tool steel and stainless steel; with approximately 70% of business in tool steel and 30% in stainless steel. The company used to be specialized in cold work steel but is now equally involved in hot work and plastic molding steel. Cooks claim that having the full range (cold work, hot work and plastic molding) as well as being nation wide is necessary for a company of their size.
6.4.1 People and Organizations Involved in Buying

**Companies that Buy Tool Steel**

According to Cooks, a typical product chain looks like either of these two situations:

- Cooks ➔ Tool Makers ➔ Component Suppliers ➔ OEM
- George H Cook & Co Ltd ➔ Component Supplier with Tool Room ➔ OEM

**Buying Decision on the Organizational level**

Cooks believe that the companies in the purchasing chain who would be most interested in new tool steels, with improved characteristics, are the component suppliers and the OEMs. These would gain the greatest benefit due to the more durable tools or the shorter time to delivery. The OEMs are, however, rarely involved in the tool steel decisions, although this differs from case to case. The same goes for component suppliers, unless they have their own tool room. How involved they are in the decision depends both on the company culture and knowledge according to George H Cook & Co Ltd. The specific knowledge of tool steels will often be greater for the larger OEM companies and these are also more likely to influence in the choice of steel. Cooks believe that it is important to influence the component makers and OEMs into doing an active choice of tool steel. A reason why these may choose not to participate in the choice of steel is that they do not have to take responsibility for any errors caused by introducing the new steel grade.

According to George H Cook & Co Ltd some component suppliers and OEMs will buy tools of whatever steel the tool maker recommends, some others will try to deepen their knowledge in the choice of steel and will then make an active choice themselves.

Since the OEMs and component suppliers are rarely involved in the tool steel decision, the tool makers are the ones who will choose the steel grade to be used and from their point of view the benefits of changing are smaller and the risks higher, according to Cooks.

**Buying Decision on the Individual Level**

Cooks’ experience is that the tool makers generally are small companies. Their owner is often involved in many aspects of the business, for instance in production and design. He will in most cases be the one making decisions about which steel grade to use, if this choice has not already been made by the component supplier or OEM. These small companies rarely have a separate buying function. For larger companies it is likely that the decision is made by the designers and production engineers rather than by people in a commercial (buying) function.
6.4.2 Factors Influencing a Buying Decision

**Price**
The tool making capacity in the UK has shrunk as an effect of lower prices elsewhere. The price difference in tooling compared to China is big.

**Delivery**
Cooks believe that fast and reliable deliveries are more important than price as a competitive factor in today’s market, at least if technical aspects are not considered. When technical aspects are taken into consideration price can sometimes be even less important.

**Time Saving Factors**
The tool maker’s cost of production is essential for his business. Besides the steel price, the tool maker can also reduce his costs by using less machine time. According to Cooks, the tool makers are generally not interested in the time saving aspects new materials will have for the OEM or the component supplier, but interested in the cost reduction of not doing hardening and using less time in his own production. Better machineability is a benefit that might convince the customers to change steel, since it could result in shortened machine time.

The OEMs and component suppliers have a different perspective on the tool steels than the tool maker. The benefits that new grades can give to the OEMs or the component suppliers are factors like longer lifetime of the tool and shorter cycle times; factors that could lower their production costs. The lifetime requirements of the tool would then be significant in the choice of steel.

**Risk Factors**
For the tool makers a change of tool steel could be a risk, according to Cooks, since they take the responsibility for introducing something new that might cause errors. The tool makers and the whole tool steel business is “extremely conservative” in this way. The tool makers are generally smaller companies in the chain and are also often in a troublesome situation with cash flow.

**Quality**
Cooks argue that the most important factor when convincing a customer to change steel, whether it is a tool maker or an OEM, is that it “will not fail”, since errors are costly for all involved. To buy a new steel product the buyer must be convinced that the benefits received by trying a new steel grade are big enough to risk the change.
Brand Names
According to Cooks, there was previously a trend towards having brand names rather than products with generic names. The trend is now reversed and brand names for tool steels are losing popularity in the UK. Cooks believe that this trend is not only happening in the UK, but probably in other European companies and USA as well. They still believe that a brand name can be useful, but only when the product offers something new that is not similar to existing standards. If a steel product is similar to standard steels and still goes under a brand name it can cause suspicion, Cooks also mention that since most tool steels comply with standards they can not compete with technical aspects. Only for products such as Toolox, which are significantly different, will the technical aspects be a factor.

6.4.3 Interaction between Tool Steel Dealers and Buyers

Sales Organization and Sales Process
Over the last few years Cooks have completely changed their sales organization and how they sell steel their products. Previously salesmen were spread out over the country, doing face to face meetings with customers. The salesmen worked independently with meeting new and existing customers. This method was expensive as it meant keeping salesmen on the road. The new customer accounts created in this way were often rather small. Today Cooks have reduced the amount of face to face meetings and believe it is a general trend in the business. The sales force has been centralized and meetings with customers are held on a “needs basis”. The new method involves more business and contact management over the phone. More research is done to focus on potential customers that can buy large volumes. Use of website, mail-outs and catalogue are important complements to the salesmen. The new method is much more cost efficient, according to the company. They also think that since there is less face to face contact, social events (e.g. sports events) with the customers might be of greater importance to keep up the social relations.

The new method might force Cooks to have more participation at different exhibitions. Participation in a bi-annual plastic exhibition turned out successful. There is an annual tool exhibition that has not been used for some time. According to Cooks, exhibitions are a good way to introduce new products to the steel buyers.

When Cooks present a product, the customer is often interested in testing the machinability, especially for Toolox 44, since it differs from any steel grade the customer might have tried before. This testing can be done by giving or selling them a
sample of the steel. It is rare that the companies skip this step and go directly to production, using the new steel.

**Available Sales Information**

For standard steels, the demand on Cooks to provide product information is low, but for new grades the customer will demand more information. The information that is normally available from the steel producers is a general product description. It can be complemented by heat treatment directions, which are common, and also by machining data and mechanical properties, which are less common.

According to Cooks, the mechanical properties are valuable especially for companies using the steel to make some component other than a tool. For companies using the steel to produce tools, the machining data is often appreciated as well. The sales team at Cooks is satisfied with the general product information that has been provided by SSAB, but would welcome more and improved machining data.

**Network structure**

Cooks believe that it is possible to have relationships between dealers and buyers in the tool steel business. With the old method of selling, these relations were of a more social nature than they currently are. The relations Cooks have with their customers today are less social and more professional, which Cooks think is good.

Cooks’ experience is that a customer is more likely to change steel grade from a supplier that they know rather than from suppliers that they have not done business with. They will rarely change suppliers or steel for a small change in price. Only some areas of the market, where tool steel is more of a commodity, are price sensitive. Otherwise the customers are very likely to stick with the grades they use if they work.

Cooks and Carrs have agreed that they will not sell Toolox to other dealers; they want to be the only suppliers of this steel in the UK.

**6.5 Precisionstål AB**

Precisionstål AB (Precisionstå) is a supplier of several types of steel products. They carry standard steel grades and special steels in both stainless steel and tool steel. Precisionstål acts mainly in the Eastern Svealand region. In this region there is larger demand on steel for machine components and less demand for hot working and plastic molding tool steels.
6.5.1 People and Organizations Involved in Buying

Companies that Buy Tool Steel

Precisionståls mention that they have noticed a decreased demand for tool making. Based on this, they believe that steel grades used for tool making, such as Toolox, should be marketed towards new areas of application. They suggest that Toolox should be marketed towards construction materials for highly strained machine components and believes this area of application is suitable for the Toolox products and mentions that this could be a better market than the tool steel market since it has potential to grow rather than shrink.

Buying Decision on the Organizational Level

According to Precisionståls, the degree to which the customers work actively with buying steel depends on their technical knowledge. They mention that their customers’ knowledge in choice of materials, treatment methods and machining varies significantly. The customers often have good knowledge about machining and less about choice of materials, although this differs depending on what line of business the customer is in and also to some extent depending on the size of the organization. Larger clients, such as Scania and Sandvik, are mentioned as having greater knowledge compared to smaller clients. In some cases the customers’ experience in materials or machining can be transferred back to the dealer.

Precisionståls describe how their customers often work in projects and use consultants to provide knowledge that they do not have. Precisionståls often approach the customers when they are starting a new project. External consultants are then often involved in the choice of materials and production methods. Consultants are becoming more common since many companies are cutting down their design departments.

Buying Decision on the Individual Level

Precisionståls try to get connections both deep and wide within the customer organization, i.e. with several individuals on many levels in the organization. This enables strong relations and builds a dependency from the customers’ point of view. However, when contacting a client it is important to go through the purchasing department since going through other channels can ruin the relations with purchasing.
6.5.2 Factors Influencing a Buying Decision

The most important factors influencing a purchase of tool steel are according to Precisionstål (not in order):

- Machining properties
- Price
- Available dimensions
- Delivery

Which is most important varies from case to case.

Dealer Function

Precisionstål argue that an important part of their business is the treatment and machining of the material that they offer with their own machine park and through outsourcing, e.g. sawing, grinding and surface treatments. Their warehouse is seen as a hub in the chain of treatments that the material will go through. They also think that buyers want the dealer to offer a wide variety of steel grades within different areas of use. The product variety makes it possible to reach clients who are nonspecific in their business and could potentially buy different types of materials. It is also important to keep some products in stock to satisfy those specialized customers who have specific needs.

Price

Precisionstål argue that Swedish industry now has a new role internationally since low cost countries such as China are entering new markets. The last few years have also been special due to the downward trend in the economy. These two circumstances have led to a restructuring on many levels in the industry. Work has moved from production to white collar work. This has certainly affected the demand for products such as tool steel in Sweden.

The significantly lower prices of production in Eastern Europe and China have changed the market. In one case, mentioned by Precisionstål, a tool that would cost 180,000 SEK in Sweden now cost 22,000 SEK to produce in China and then an extra 20,000 SEK for adjustments in Sweden.

Precisionstål argue that the price of tool steel is a more important factor when using it for construction materials than for tools because it is a more significant part of the components total price.
Brand Names

Uddeholm’s choice of using brand names for all their products might be counterproductive in some cases according to Precisionståll.

6.5.3 Interaction between Tool Steel Dealers and Buyers

Sales Organization and Sales Process

Precisionståll differentiate their customers according to their potential purchasing volume and their potential to influence in others’ choice of steel. This differentiation determines how interesting the client is and how much effort Precisionståll will put into it.

New customers are scarce in the market that Precisionståll service with the result that they do not work so much with acquiring new customers. When they do encounter new customers it is often based on suggestions from other clients.

Precisionståll describe the procedure when encountering a new customer as follows:

1. If it is a new customer, research is done on their line of business and possible demands for steel.
2. An assessment is made: Is this an interesting customer? Do they have special demands? What can Precisionståll offer them?
3. If it seems to be an interesting customer account Precisionståll try to set up a meeting.
4. The first meeting is mainly an analysis of the potential client’s needs.
5. After determining the client’s needs it is necessary to give the situation some thought and if possible, compose a product offering that can be beneficial for both parts.
6. If it still seems like this could be an interesting account a new meeting is set up with the client, this time preferably meeting several representatives from the client organization (production managers, designers etc).
7. The next step can be to introduce new products to the client by letting them test a sample of the product. Precisionståll prefer to be present at such product tests. They argue that it is important to be involved in determining parameters for machining.
8. In the end a final offering is made including: material choice, choice of treatments and suggested production parameters.

Precisionståll mention that when working on an unsuccessful project, where the ordering firm has used another dealer, it can be a good opportunity to make an
educational visit. Such a visit can include meeting several people involved in choosing materials and introducing to them the range of products offered and what benefits they can have. In such cases written material like brochures and catalogues are often used since Precisionstål feel it is important to leave something tangible before leaving. This type of visit can be directed at a manufacturer who is frequently buying tools and with possibility to influence the choice of steel.

Available Sales Information
The product information available for Toolox is good according to Precisionstål. The pamphlets with metallurgical and machining information are good and very important. The pilot cases are also useful but not as important. They seem to be content with what is available, but argue that more information on machining and metallurgical data is always useful.

The product information given by different steel producers focuses on different aspects which means that the steels are hard to compare at first glance

Network Structure
Relations and trust are important when selling steel according to Precisionstål. It is mentioned that erroneous recommendations can ruin the credibility of the dealer. They prefer to see their customers as partners, contributing with know-how and services that are important for the customer and thereby building up dependency. One example is the quality control of materials and traceability in all steps that are managed by Precisionstål to make it possible for customers to omit these steps in their own processes.

The steel market is conservative according to Precisionstål. Many manufacturers are reluctant to change steel simply because they think the change is a big risk. They also believe that such an attitude can be disastrous if competing companies dare make the change.
7 Analysis

This chapter focuses on analyzing the similarities and differences between the five different companies presented in the previous chapter.

7.1 Companies that Use Tool Steel

To understand the tool steel market it is important to have a clear picture of the companies that are involved in the product chain and how these companies come in contact with Toolox. As mentioned in 2.2 it is important that the dealer is aware of its position in the product chain, since the position certainly affects the situation the company is in. Figure 5-2 is a model of this product chain, which in the analysis model was simplified to contain only SSAB, dealers, customers and customer’s customers, as shown in Figure 3-1. What follows is a clarification of this chain. First of all there are several types of companies that have been identified. As the dealers have mentioned there are:

- Tool makers – who produce tools such as molds
- Component suppliers – who use the tools to produce components
- OEMs – who use the components in their assembly
- All-in-one companies – who perform several tasks
- Tool designers – who do the tool design
- Machine component manufacturers – who use the tool steel for machine component manufacturing

With the different types of companies listed above there are several possible product flows. According to all five dealers, there is not one typical tool steel buyer or one typical product flow. There several different scenarios from which four main products flows can be identified.

In the first scenario, shown in Figure 7-1, the steel is sold to a tool maker who produces a tool. The component supplier uses the tool to manufacture components which are then used by the OEM.
The second product flow is shown in Figure 7-2. In this case the component supplier has its own tool room. Possibly it is a tool maker who has taken the step from producing tools to producing components.

The third product flow, which is not as common as the previous two, is shown in Figure 7-3. The tool steel is sold to an all-in-one company. These companies produce the tool, make components and then manufacture the end product in their own production.

In the product flows described above it is possible that the companies involved do not have the knowledge required or interest to design the tool. An external *designer* is then contracted by one of the companies and the product flow is shown in Figure 7-4. It is based on Figure 7-1 but could be based on any of the three previous scenarios. The company that hires the designer differs from case to case. Depending on how close the three companies work, the designer can be in contact with all three or sometimes only with one.

The fourth product flow differs significantly from the flows presented earlier. In Figure 7-5 a *machine component manufacturer* delivers products to an OEM. A machine component manufacturer uses the tool steel differently from a component supplier. The steel is not used to produce tools but instead used as a component itself.
In this flow there can also be an external designer that designs the machine or is involved in the project in some other way.

![Diagram of the component manufacturing product chain.](image)

Figure 7-5. The component manufacturing product chain.

There is a great difference in the technical competence of the organizations that buy tool steel. The smaller companies seem to have less competence than larger companies in general. The dealers also argue that few small tool makers work actively with their steel purchases, not because they are uninterested but because they do not have the time to spend.

### 7.2 The Decision Makers

Identifying different product flows is essential when identifying where the tool steel buying decision is made. With this knowledge the sales efforts can be more directed and hopefully more effective. In the analysis model, Figure 3-1, the decision makers are the individuals within the customer and customer’s customer organizations. Before identifying the individuals, a discussion of which organizations that have influence in the choice of tool steel is at hand.

#### 7.2.1 Which Organizations Decide?

How active the tool maker is in steel purchasing is a matter of how much influence the tool maker has over the steel choice. In many cases they do not design the tools themselves, but produce according to the design they receive. It is rare that they suggest the tool buyer to use a specific grade – if they are not themselves responsible for the design – even if they know the benefits this change can have.

Companies that do not produce or design tools themselves, such as the OEMs, are rarely involved in the actual tool steel decision, although it is not uncommon that they have demands on such things as durability of the tool. They leave the actual decision to the tool maker or designer, because they do not have the required knowledge but also because they can then reduce their own responsibility. This is unfortunate for the tool steel dealer wanting to introduce new steel grades, because some of the benefits to be gained affect mainly companies using the tool. If the communication and integration between the companies in the product flow is good, changes are easier to
impose. If the integration is low, then the benefits are harder to communicate to the right decision maker. All the interviewed dealers have indicated that this integration is low in most cases.

Värnamo mention that OEMs and component suppliers with their own tool room are more willing to change steel grade, since they can see the benefits of the steel in all steps of production and get cost reductions in both their production of tools and components. Cooks argue that it is important to influence the OEMs and component suppliers into an active tool steel decision. How active they are in the decision depends on how much knowledge they have in-house. Precisionståål argue that larger OEMs tend to have higher metallurgic- and production knowledge, while the smaller OEMs use their tool producer to make these decisions.

An interesting fact is that for the potential customers that were visited with La Cour – both component suppliers with their own tool room – the OEMs did not have a big impact on the chosen material, mainly because of the market segment they are working in. Customer 2, for example, sells cookie jars and their customers are mainly cookie manufacturers, who have very little insight in the proceedings of their suppliers and the choice of tool steel. This is probably also true in many other businesses that use tool steel.

7.2.2 Which Individuals Decide?
The individuals within a company make up what is called the buying center, 2.3.2. These people make the actual buying decision for the organization and their behavior is the buying behavior of the organization. The individual’s roles in the buying center are discussed separately in 7.2.3.

All dealers argue that the designer of the tool will have a great influence on the steel grade that is used, whether an employee of companies in the purchasing chain or a consultant. If this person does not believe that there are benefits of changing steel there is hardly any chance that a change will occur.

In smaller companies the manager is often involved in several tasks of the company. It is not unusual that he is responsible for purchasing as well as production and design. With all these tasks, the manager usually does not have great metallurgic knowledge, and can often use advice.

In larger companies, with a purchasing department, this is usually the first department that the dealer comes in contact with. To sell the tool steel to a production manager or
designer within the company the purchasing manager must first see the advantages with the products. It then he will permit contact with the designer or production manager, who might be the actual decision maker. In most cases it is not the grade’s technical aspects that will convince the purchaser but the economic benefits it has. If the purchaser can see the advantages, the dealer will have a higher chance of reaching the actual decision maker. The purchaser’s influence is limited but, as argued, it must be regarded as a gate into the company.

Värnamo argue that it is sometimes difficult to influence large companies. The distance between the purchasing department and the production manager is long and contact is held with the purchaser who does not have much influence on the tool steel decision.

Värnamo has also experienced problems with selling to the purchasing department. They argue that if the steel change is initiated from the purchasing department the sale project has a great risk of failure. They have noticed that if a designer hears from the purchaser that the steel has great economical benefits, he will be more skeptical of the actual quality. This is a clash of objectives between the individuals within a company, as mentioned in 2.3.3. This clash arises from the different goals individuals have in the buying center.

The people working with the tool steel, producing the actual tool, typically have little influence on the steel grade decision. Their influence will only be shown after the purchase, when production is evaluated. If they are negative to the steel and have not experienced the promised benefits they might refuse to work with the steel again. The solution seems to be to provide some means of education in using the new steel grade.

According to Precisionståål many of their customers use consultants to design the tool. This does not seem as usual with the other companies, or at least they have not given this picture. One reason for this might be that the customer base is different for the other dealers, who sell mainly to tool makers, while Precisionståål often sells steel that is used for machine components.

7.2.3 Roles in the Buying Center
From 2.3.3 we have identified the different roles in the buying center that are suggested by Webster and Wind (1972):

- A typical gatekeeper is the purchaser that the dealer must sell to at first to be let into the company.
• The *buyer* of tool steel depends on the size of the company. In a larger company it would be the purchaser or the purchasing department. In smaller companies it is the manager who typically has many roles in the company.

• The *decider* of which steel grade to use in the tool is the designer, internal or external depending on the situation.

• There are many *influencers* on the tool steel. The buyer of the actual tool set the requirements on the tool. The OEM and the component supplier both have this role.

• Finally the *users* are those working with the steel producing the tool. If they are not immediately positive the company might not choose the steel again.

### 7.2.4 Consequences of the Product Chain’s Characteristics

The characteristics of the product chain have been discussed and are summarized in Figure 7-6.

![Figure 7-6. Analysis model complemented with decision makers.](image)

The decision maker in the choice of tool steel is normally the designer but there may be a gatekeeper to persuade when approaching the potential customer organization. These two will have different perspectives; one focusing on technical benefits and one on cost saving benefits. This does not cause conflict since the technical benefit of better machineability leads to cost reduction. It still means that the dealers must provide convincing arguments for different individuals on the buying side. Different approaches may also be necessary for the different companies that buy tool steel. The customers and customers’ customers differ in how much knowledge they have about
tool steel and also about how interested they are in tool steel innovations, which affects how receptive they will be to new product introductions. As a consequence, the dealers need a range of sales arguments that suit different needs.

Since there may be low integration and poor communication between the tool makers, the component suppliers and the OEMs, the dealers can benefit from redirecting their marketing efforts to reach the customers’ customers as well. This is essential if the benefits for the OEM are larger than the benefits for the tool maker or if the OEM is assumed to have less aversion for a change. Another issue of where to direct marketing efforts is if the external designers should be specifically approached. The marketing activities must be directed to the real decision maker which may well be the external designer rather than the tool maker.

7.3 Factors Affecting the Buying Decision

The analysis model in chapter 3 includes the preferences of the customers and the customers’ customers. The preferences will affect the buying decisions made by these companies when buying tool steel. Such preferences are mentioned in the theoretical framework, especially in the Webster and Wind model (see 2.3.2) where they are called factors, or factors affecting the buying decision. According to Kotler and Armstrong’s model (Figure 2-1) these factors are part of the market stimuli, composed of the 4 P:s, and the company’s working environment. This is further elaborated in Figure 2-3, with addition of interpersonal and individual factors as well as the buying behavior, which have been described in chapter 2.3.

It is mentioned in 7.2.4 that there is a great diversity in the product chain, which causes diversity in the preferences or factors that are important in the buying decision. The dealers have mentioned and stressed different factors that are important for the customer and the customers’ customer. Table 7-1 shows the most important issues for each factor and which dealer that has mentioned it. Each factor is then discussed separately in 7.3.1 to 7.3.11. As mentioned early in chapter 6 all dealers have not mentioned every factor.

The factors that have been mentioned are mainly of the environmental or organizational kind and not of the individual or interpersonal kind. Factors that could have been listed that are of an interpersonal or individual nature are instead mentioned in chapter 7.2, about decision makers. From those discussions we see that the roles of individuals and the interaction between them are factors that definitely affect the buying decision in the tool steel industry.
Table 7-1. Factors affecting the buying decision mentioned by the dealers.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Värnamo Stålprodukter AB</th>
<th>La Cour &amp; Faber A/S</th>
<th>Carrs Tool Steels Ltd</th>
<th>George H Cook &amp; Co Ltd</th>
<th>Precisionstål AB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dealer Function</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dealer function is essential</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competition from China is significant</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tool buyers are not very sensitive to the steel price</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steel cost is essential for machine component manufacturers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Delivery – Time and Dimension Aspects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Toolox takes longer to deliver because it is not stocked in standard bars</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toolox needs to be available in other dimensions</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fast deliveries are very important</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Time Saving Factors</strong></td>
<td></td>
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</tr>
<tr>
<td>Tool makers are mainly interested in the factors that benefit their own business</td>
<td></td>
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<tr>
<td>Communication of benefits from tool maker to component maker does not run smoothly</td>
<td></td>
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<tr>
<td>Saving time in machining is an important benefit for the tool makers</td>
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<tr>
<td><strong>Technical Consulting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>The dealer wants to do more technical consulting</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Customers do seek the technical consulting that is available</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers do not seek the technical consulting that is available</td>
<td></td>
<td>X</td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Pilot Cases</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Are important for product introductions</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Risk Factors</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Changing to new steels implies a big risk</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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<tr>
<td>A tool maker changes steel grades only if the old one has failed</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Quality</strong></td>
<td></td>
<td></td>
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<tr>
<td>Quality of the steel and the services are important because of the existing risks</td>
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<td></td>
</tr>
<tr>
<td>Bad experiences will spread by word</td>
<td>X</td>
<td></td>
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<tr>
<td><strong>Global Presence</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Important when approaching multinational firms</td>
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<td></td>
</tr>
<tr>
<td><strong>Traditional and Regional Factors</strong></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovations have difficulties in the market because of traditionalism among tool makers</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The component suppliers and OEMs are less bound by habits</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brand Names</strong></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand names can be counterproductive</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Generic steel has a strong position</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A strong brand name is essential</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
7.3.1 Dealer Function
Two of the interviewed dealers mention that their main function in the market is to supply a variety of different steels and to provide cutting and surface treatments. It seems that the function of storing and cutting steel is the most essential function that the dealer has. To what degree the customers value the fact that other services can be provided may vary since the dealers we visited had different approaches to this. Some dealers, like Precisionstål, want to be more integrated with their customer and provide everything from quality control and traceability to surface treatments.

7.3.2 Price
The effects of lower prices in China and Eastern Europe have been mentioned by all dealers. In these countries tools can be produced at significantly lower prices due to the lower wages. One of the effects is that the tool steel market in Europe has shrunk, which has led to an increased competition among the tool steel suppliers, such as the interviewed dealers. This indicates that the price of tools is an important issue. Värnamo think that European tool producers will have to provide state-of-the-art quality, delivery and service to compete with the lower prices elsewhere. La Cour seem to agree with this but also mention that a price reduction is necessary. Precisionstål argue that the Swedish market has been forced to restructure, to be competitive on the international market.

The discussion above regards the prices of tools. The significance of the steel price to the total price of the tool or component differs from the different areas of use. Carrs mention that for plastic molds, where the steel price is a small part of the total cost, the steel price is not that significant. For forging tools, Carrs argue that the price is more important, since the steel stands for about 40 %-60 % of the total cost. Precisionstål mention that when steel is used for construction components the price is very important. However, more expensive tool steels can be accepted if the tool can reduce the total cost of production in some way and if this reduction is communicated clearly.

7.3.3 Delivery – Time and Dimension Aspects
The delivery time is mentioned by all dealers as an important factor. Both dealers in England argue that meeting the required delivery time is a more important factor than the price. The delivery times seem to be in the range of one to three days for all the dealers.

Closely related to delivery time are the required dimensions of the purchased steel as cutting the steel will often delay the delivery. Both customers that were visited asked about available dimensions of Toolox.
Some steels are kept in bars of standard sizes that can be delivered after only one cut in the saw. Värnamo stock such standard bars and are able to offer both much shorter deliveries times for them than their other products and in most cases lower price since only one cut has to be made. Värnamo believe that keeping a new steel as available as these standard products is very important if the ambition is to take some of the market share for standard steel products.

SSAB argue (see chapter 5) that the dealers will be able to decrease the number of steels that must be kept in stock by replacing them with Toolox. Some of the dealers mention that this can not yet be done since Toolox is not available in round or thick dimensions.

7.3.4 Time Saving Factors
Different steel grades often differ in how easy they are to work with and what kind of treatment they require after having been cut into the desired shape. These differences will affect the total cost of production and a good choice of steel can reduce costly time in production. Machineability and the possibility of not hardening were both mentioned as important factors by some of the dealers. This time saving argument seems to be the most interesting for the dealers when selling Toolox. Cooks mention that the time saved in production for the tool maker may be the only significant benefit, since many tool makers do not pay attention to benefits that will affect their customers; the component suppliers and OEMs.

7.3.5 Technical Consulting
Since the choice of steel can affect the cost of production for both tool makers and the companies that will use the tool, a good choice of steel can be valuable for the buying companies. To make the best decisions requires knowledge of the subject. Värnamo claim that their capacity to make recommendations is not fully used by their customers, who rather stick with the steel grades they are familiar with. La Cour mention that selling tool steel basically means doing consulting work and also that old clients will call up to get recommendations on their production as well. Carrs feel that they could do more consulting work if their salesmen had the proper education. Cooks and Precisionståål do not mention specifically that the customers request any consulting but their descriptions of the sales process certainly include elements of recommending suitable steel grades and/or production methods for the user.

In conclusion, the ability to recommend suitable steel grades is beneficial when selling tool steel, although it is not clear to what extent this consulting is sought after by the
customers. There is however more evidence that once a steel grade has been recommended the dealer is expected to have knowledge about suitable machining parameters.

7.3.6 Pilot Cases
Pilot cases, i.e. test runs in real production, have been mentioned by some dealers as an important factor when selling a new steel grade. These tests are useful because they show that the product has been used before and with success. Carrs argue that the pilot cases give confidence to their salesmen.

7.3.7 Risk Factors
Throughout the interviews, it has become obvious that several risks are involved when changing to a new tool steel. The risk that has been stressed the most is that of producing a tool, or component, which is non-usable. In such cases it is often possible to make adjustments, but the process adds time to production and prolongs the delivery time, which will affect the cost of producing the tool. The cost for every produced tool is so high that it contributes greatly to the results of the business.

Changing to a new steel grade or new production methods often results in teething problems, which slow down production. For companies in the situation described above these teething problems can have very serious consequences. It is a risk for the company to change steel grades, which means that any designer that wants to try something new is putting the company at risk. According to Carrs this is an individual factor as well since failure can lead to lowered chances of promotion or even unemployment.

7.3.8 Quality
In close relation to the risks involved when changing steel is the quality of the delivered steel. It has been mentioned by Värnamo, Carrs and Cooks that since there already is a high risk involved when trying a new steel grade there is no room for error caused by the steel that is used. The dealers argue that if a tool maker does try a new steel grade and experiences quality problems with it; he will not try that steel again. Carrs mention that rumors of bad performance will get around to the other tool makers, making them aware of the problem. To sum it up, the tool makers are in an unstable position, and therefore need all supplied steel to be of good quality.

An interesting comment to this is that many companies have started ordering their tools in China rather than Europe. Dealers who mention this, also mention that the lack of experience as well as poor communications often lead to poor quality and need for adjustments when producing in China. It is common that these adjustments are made
in Europe, and the price is still kept lower than by doing the whole production here. This procedure will also lengthen the delivery time. Still, companies are accepting this change.

The conclusion is that tool makers are the ones who do not want to risk changing steel because of their often troublesome financial situation. The component suppliers and OEMs on the other hand are willing to take more risks as they seem to be taking a risk when ordering tools from China. This also implies that for them, price can have influence on the buying decision, sometimes being even more significant than speedy delivery and failure free quality.

7.3.9 Global Presence
In the interviews with Carrs, it was mentioned that for some customers it can be valuable if the tool steel provider is represented globally. This factor is important for large global companies who want to do production on different locations worldwide using the same steel grade.

7.3.10 Traditional and Regional Factors
A factor that is often mentioned is the habits of those individuals and organizations that are involved in the tool steel decision. Cooks summarized the market as “extremely conservative”. The dealers all mention that in a geographic region certain types of steel will be common due to the fact that they have been used there for a long time. These are often standard steel grades that are referred to by their generic name. Such habits can be hard to break and can be a barrier when introducing new steel grades.

7.3.11 Brand Names
Most tool steel is produced to comply with some national or international standard system. When purchasing a standard type steel grade it should fulfill the same quality measures no matter who produced it. There are also tool steels that are not marketed under a generic name. Instead they have a brand name given by the producing company. According to Cooks there is a trend towards using fewer brand names, they mention that buyers will often ask which standard such steels comply with. Both Cooks and Precisionståål believe that brand naming can be counterproductive if it is not made apparent that the steel grade is substantially different from existing generic named steels.

7.3.12 Comment to the Factors Affecting the Buying Decision
One particular factor, mentioned by Chisnall (1985), is the perceived risk. Chisnall’s reflection on how risk is often connected with essential parts and raw materials seems
to be true in the tool steel industry, at least for the small tool makers that make up a large part of the market.

Many of the factors mentioned in this chapter have connection to this perceived risk. The main points are included in Figure 7-7. If the perceived risk is high, well known brands often have more success and well known tool steel brands such as Uddeholm seem to have very loyal customers. Chisnall also claims that exchanging information to reassure the buyer and to improve credibility is important for the seller. Pilot cases are mentioned as important by most dealers and their main function is to reassure the buyer that others have successfully tried it. An equally important aspect of exchanging reassuring information is to be able to answer all those questions that may arise during customer contact. This has to do with the technical consulting that may or may not be requested by the buyers. Whether or not the customers request help in choosing suitable steel types, they will only be confident in changing steel grade if the dealer can answer such questions as how to adjust production parameters to gain optimal results. High and consistent quality has also been mentioned by the interviewed dealers as a way to prove credibility.

![Figure 7-7. Analysis model complemented with factors affecting the buying decision.](image)

### 7.4 Sales Organization

The analysis model in chapter 3 mentions the individuals working for the dealer and the activities they perform as well as the processes of interaction between dealers and customers. To begin describing these matters this chapter starts by introducing how sales are organized and continues by describing the processes of interaction in the analysis model. The chapter then covers what information that is needed in the sales process.

All dealers have a similar organization of their selling function. They have concentrated their sales center to the office; receiving orders by phone, fax or e-mail.
Carrs mention that their in-house sales team can answer some queries that the customer might have and this is probably the case for all dealers.

There is also face to face contact. The dealers have salesmen on the road, visiting existing and potential customers. The dealers differ somewhat in how they organize and use this on-the-road work force; from Värnamo, who work only periodically with visiting potential customers, to La Cour, who have one salesman continually making such visits to all customers. Cooks and Carrs are somewhere in between these two methods. The two companies have restructured their sales organizations and today there is not time to meet all customers. They still have salesmen working on the road with customer visits, visiting potential and existing customers continuously, but only those that can potentially become lucrative accounts. Precisionståål also make selected customer visits, preferably during the customer’s product development process.

A different approach to selling was mentioned by Precisionståål, who sometimes have educational seminars with their clients. Such seminars have been used when a potential customer might have benefited from using a certain steel grade, but have decided to go with some other option. At the seminars Precisionståål suggest new steel grades and working techniques. Present at such meetings are the people having influence on the steel decision, often designers and production engineers.

Cooks argue that their new sales organization must be complemented by using mail-outs, internet and catalogues. They also believe there is potential in using exhibitions. Carrs are of the same opinion. These exhibitions are a good way to introduce new products to the tool makers and also to reach the component suppliers and OEMs.

7.4.1 In-House Sales
The majority of all sales are done by the in-house sales staff. When a customer is satisfied with some steel grade and knows what products the dealer has to offer it is likely that the customer will continue using the existing relation. If so, the most common sales situation is when a customer contacts the dealer’s sales center and places an order. The customer uses telephone, e-mail or fax to place their order to the dealer. What means of communication that is used differs between the dealers; La Cour’s customers prefer telephone while Värnamo’s customers prefer a written order via fax. In the reference literature, see 2.3.1, this is what is called a straight rebuy, or possibly a modified task if there are smaller problems to be solved by the dealer.

The in-house sales staff is trained to answer easier questions but they do not have all the technical knowledge and knowledge of the customers’ needs that are required to
persuade of a change to new products. Such product introductions are in most cases handled by the field salesmen.

7.4.2 Selling on the Field
As mentioned earlier all dealers have one or more field salesmen who visit existing or potential customers.

Before a customer is approached, it is common that the dealers do some prior customer research. Since the dealers want to find profitable customers, the customer’s buying potential is evaluated. Precisionstål, Carrs and Cooks have especially emphasized this as a part of their new sales method. Only if the possible earnings are sufficient will they continue to work on a potential customer. Another part of the research is to assess the customers’ demands and requirements, to find out what products and services the customer might be interested in. Before selling, all dealers perform some sort of assessment of customer needs.

With all customers, old and new, it is more common that the sales meeting is initiated by the dealers than by the customer. Several dealers have mentioned that potential clients will often be interested in hearing about new steel grades, once contacted.

Visits to Existing Customers
Existing customers are visited to promote new products, to consult the customer in production projects or simply to keep up the existing relation. La Cour want to visit most of their existing customers once or twice a year, to keep up social relations and, if possible, provide technical consultation that may lead to more purchases or purchase of new products. Cooks and Carrs have too many customers to be able to do this with all their clients. With their new, reduced, sales forces they focus on the most beneficial customers. They make personal visits to the most interesting customers and keep up the relations with others mainly by telephone. With this approach less focus is placed on the social relations. The visits are mainly aimed at consultation and promotion of new products.

Technical Consulting
Slightly different from the case in which a customer is presented with a new product on the dealers’ initiative is the case in which a customer is aware of some problem or need and contacts a dealer for advice. To what extent customers actually call for advice seems to vary since Värnamo mention that it is not done often and La Cour mention that they often get phone calls with such queries. The requested advice could be simple things that can be handled by the in-house sellers. But it could also be of a
more advanced nature, which requires specialist knowledge which is more often provided by the field salesmen. From the interviews it seems like Precisionstål have reached the furthest and that they are more involved in their customers’ design and product development.

**Canvassing**

Acquiring new customers, *canvassing*, is mainly done by visits. To what degree the companies work with potential customers varies. In most cases the dealers find the potential customer themselves, as it is very rare that the customer makes contact. Precisionstål and Värnamo claim that few new companies start up in the region they sell in. The new customers that are encountered are often introduced through existing relations with other customers.

The two customer observations were done during meetings with new potential customers. La Cour and Värnamo argue that these visits build up a relation with potential customers so that the customer will have the dealer in mind if they decide to change dealer in the future.

**Sales Meeting**

Whether canvassing or working with existing customers, the field salesmen have sales meetings with the customer. The specific activities involved in a customer visit may vary significantly, due to the variation between the customers and their knowledge of the products.

If the companies are not previously familiar with each other the meetings are an introduction to the dealer and the company as a whole – what products they sell, what services they offer etc. – in other words a *company presentation*. The two observed meetings centered on a discussion of the customers’ production process, their requirements on tool steel and what steel they use today, i.e. an *assessment of customer needs*. When selling new steel grades to a customer, the dealers argue that, the *product presentation* is based on the available printed information supplied by SSAB. This way the buyer can relate and “see” what features the steel has. One of the visited companies used similar information from their current supplier to compare. *Treatment and machining suggestions* are a common and important part of the sales talk, as the customers need to know how the new steel should be used for best performance. *Price and delivery discussion* is inevitable in any deal. All dealers agree that hardly any deals will be made unless the visited customer can “try” a *test sample* of the new steel. The potential buyer wants to test the suggested steel grade by doing some operations on it in their own production facilities.
Precisionstålförbundet mention that in their sales process they prefer to adjourn the meeting after assessing the customer needs. This way they can take their time to come up with a suitable proposal, before returning to the customer at a second meeting, with an offer that is beneficial for both parts.

**Sales Efforts Aimed at Customers’ Customers**

Today Carrs focus not only on the tool maker, but on the component supplier or OEM as well, even if these companies are not formally the buyer. This follows from the reasoning that selling should be directed to someone with influence in the decision and this has been mentioned by the other dealers as well.

**7.4.3 Available Sales Information**

Supportive actions of SSAB as mentioned in the analysis model have mainly been analyzed in an information perspective. We have looked at what information the dealers need to provide to their customers. Most of that information concerns properties of the steel that can be provided by SSAB.

The dealers argue that the information needed to sell standard steel to a customer is basic and not much data is required. When selling a new steel, with unique characteristics and sold under a brand name, the required information is more extensive. The information that has been mentioned is: general product descriptions, heat treatment directions, machining data, metallurgical data and information about pilot cases. According to the dealers, the information that is available for Toolox is adequate, although they have given some feedback on what could be changed.

Most dealers have mentioned that more data on machining could be used. Such data is valuable, so that potential customers feel that they will be able to use the new steel grade immediately, without too much experimenting. During the customer meetings in Denmark, the customers mentioned that they need machining data so that they can take advantage of the better machinability of Toolox immediately. Carrs argue that there is a need to provide data for more machines and also that on all machining data it must be indicated what machines have been used. The problem is that machining data varies significantly between different machines and cutting tools and therefore there is no easy way to write a universal manual.

The machining data and metallurgical data are both useful, but there seems to be a problem with having data that is comprehensible to people who do not have education in metallurgy or similar fields. Carrs have noticed that the available data sheets are not exactly aimed to their customers, but written by engineers for engineers. They claim
that comparative data, where Toolox is compared to locally familiar steel grades, is most effective, and also mention that graphs are easier to understand than numbers.

Pilot cases are useful when introducing new products. These show that others have used the product and what results can be achieved. Pilot cases may be most important when introducing a completely new product, but the introduction phase could be long since Carrs argue that a steel grade is considered new for at least five years. Carrs also mentioned that they need pilot cases that are relevant to the buyers on their regional market, meaning that they should use the same machines and cutting tools that are used locally. Värnamo mentioned the problem that economic compensation is sometimes not enough to convince the customer to take part of pilot testing.

7.4.4 Sales Process Description
The identified sales process can be described with Figure 7-8, similar to Figure 2-4, which is a generalization of the previous discussions.

The meetings with existing and potential customers can vary significantly, since the dealers have different approaches and also because the needs of the customers differ. A general description of a sales meeting is described in Figure 7-9, which is based on the dealers’ descriptions of meetings with potential customers. We can assume that the meetings held with existing customers have strong resemblances, so Figure 7-9 is a rough description of all customer meetings.
In Figure 7-10 the analysis model is complemented with the most important points from the analysis of the sales organization. As mentioned in chapter 7.3.12, providing advice to customers who are considering a change of tool steel reduces the perceived risk. From the discussions of sales organization we see that the most common types of contact, when such advice might be needed, are the meetings between field salesmen and customer representatives. There are also frequent contacts made by phone, fax or e-mail, but these often regard straight rebuys so the need to provide reassuring information will be lower.

The information provided at customer meetings is both oral and written. The discussions above about available sales information regards both oral and written, but mainly the written information. A few of the dealers suggest a need for better information on how to machine Toolox. That information is needed so the customer can change steel grade with minimal trouble. A detailed machining guide is necessary, but must be complemented by salesmen who are skilled at providing additional, customer specific, advice.
7.5 Network Structure

Tradition is a strong part of the tool steel market. Once a company gets accustomed to a steel grade, much persuasion is required for them to change. It seems like most customers only use one or very few dealers, the bonds and relationships formed to these are strong and persuading them to change dealer also requires hard effort. As long as the dealer performs well he is not likely to be replaced. Gummesson (1999) argues that a company is not only connected to its customer, but indirectly to the whole product chain. Late deliveries or poor quality delivered from the steel mill to the dealers can, in turn, hurt the dealer’s relationship with the tool makers. And the same failure might hurt the relationship between the tool makers and its customer.

A customer will not change to a completely new dealer according to La Cour, but to one they have met before. This indicates that gradually building up relations to potential customers is an important part of selling. Värnamo mention that change of tool steels will only be done if the benefits are significant. The tool makers are also reluctant to change because of the risk that the change imposes, as discussed in 7.3.7. The network of dealers and tool steel buyers can therefore be seen as strictly structured.

7.5.1 Social Bonds

The dealers have a somewhat different view on the relations between themselves and their customers. All argue that the relations between a dealer and their customers are based on trust between the two parties. A customer will not buy steel if he does not trust the dealer. Most dealers also argue that some prior social connection is necessary for a potential customer to choose them in the future.

With Cooks’ new way of organizing their sales, building up social bonds is not a high priority. With their old way of selling, i.e. many salesmen on the road, the relations were more social than they are today. Cooks argue that no one will buy a completely new steel grade from a previously unacquainted dealer, but they do not believe that a buyer will be so loyal to their dealer only because of the social bond.

Värnamo argue that the social bond is important. They see that the customers’ trust is based on each individual salesman, not on Värnamo themselves. Värnamo sell tool steel mainly to existing customers, where relations between the companies are strong. The relations are between individuals and not always inter-organizational. The loss of a salesman can therefore cause the loss of several customers, since their trust is based on the individual not the company he works for.
La Cour also stress the importance of having social connections with customers. From the customer meetings with La Cour, where both customers were previously unapproached, it is noticeable that the conversation never touched personal matters or any matters outside of the professional. The social bond which is more personal and friendly seems to be something that is built up over longer time periods. Before then it is likely that the relationship is mainly professional.

Social relations can be both good and bad. A negative aspect is that the salesmen give small accounts too much attention and benefits since there is friendship involved. A positive aspect is that the bond reduces the risk that the customer will try another dealer.

7.5.2 Technical Bonds
Technical bonds are those where one organization relies on the other to provide some technology that is difficult to replace. Since most customers in the tool steel industry buy standard steel grades that are readily available from most dealers, there should not be very strong technical bonds. Tool makers using generic steel might change to another supplier if it turns out to be cheaper or better in some other way. If they do not want to do this change it seems more likely that it is because of the social bonds or traditionalism and conservatism rather than pure technical bonds.

Still, there are a few brand name steels available, some that are not comparable to the standard steels and some that are. It seems that many companies that are used to such brands will be reluctant to change steel grade. La Cour and Värnamo mentioned that this is often the case with Uddeholm’s customers. Hence, dealers who provide a steel grade that they have exclusive rights for, will have a technical bond with the buyers of that steel.

The technology provided by the dealer is not only the steel grades. A few dealers, especially Värnamo and Precisionstål, provide services such as surface treatments, quality control and traceability. Such services will most likely also form a technical bond making the customer more reluctant to change dealer.

7.5.3 Knowledge Bonds
The knowledge bonds between companies are strong if the dealers provide important know-how for the customer. It seems that most dealers have the ambition to do this, but some have mentioned that the customers do not always want this consulting even though it is available. According to Värnamo the knowledge bonds are especially strong with the smaller companies they come in contact with.
7.5.4 Time Bonds
Time bonds refer to bonds created by activities that are synchronized between two organizations. If the processes of the dealer and customer are very synchronized it becomes an obstacle when the customer wants to change supplier. There is, however, little evidence that there are such bonds in the tool steel industry. A few suppliers mention that fast delivery is an important factor. But, there are no indications that there are any suppliers, having so much faster deliveries, that it would be a problem for the customer to change supplier.

7.5.5 Economical and Legal Bonds
None of the dealers use contracts to form long term relationships. Most of them use pricing to give discounts that are based on volume and loyalty which is a weaker form of economic bond. La Cour argue that they do not use contracts because their customers want to have the freedom to choose. Neither Precisionstål nor La Cour find Uddeholm’s way of binding the customers with contracts very good for the customer.

7.5.6 Comments to the Network Structure
The Toolox dealers have mainly been using the social, technical and knowledge bindings. Apart from that, there is also the possibility of tightening relations with the customer by pricing schemes, i.e. economic bonds. The social bonds have been debated by the dealers as on one hand creating a close relation and on the other hand costing too much. The efforts to tighten bonds should therefore be analyzed by a cost-benefit comparison.

The dealers are at different levels regarding knowledge and technical bonds; some working constantly with their customers in projects while some work more like a call center delivering steel. There are two, opposing, aspects with these two approaches. First, if the dealer does not get paid separately for the extra consulting work, how is this work paid? The steel price can not be raised too much because of price sensitivity in the market. The dealer working more like a call center has low costs and the profit for each deal should be high. The other aspect is the closeness to the customer – a dealer working closely with its customers has an easier task when introducing new steel grades than one distant from its customers.

7.6 Reflections from the Analysis
A final reflection on the analysis model is presented in Figure 7-11 below, where the most important aspects from the previous sub-chapters are presented.
There are many variations of companies that make tools, but tool makers in general are small, owner run, businesses and they are often similar to each other. Still, the product chain varies significantly from case to case, mainly because tools are used in many different areas; from cookie bakery to the automotive industry. This variation imposes that preferences vary a great deal, with each company having different goals with their tool purchasing. The level of knowledge, as well as the level of interest in the decision of tool steel, varies from case to case. The diversity affects how generalist we can be in the description of the product chain. More importantly, it affects how the marketing efforts from steel producers and dealers must be suited to fit a diverse range of buyers.

The dealers argue that, in general, it is the designer of the tool that is the final decision maker of what steel to use, regardless of which organization in the product chain they work for. But the designer is not without influence from others in this decision. Desired features on the tool, costs for material and time in machinery are a few of the requirements from different organizations and individuals along the product chain that must be taken into consideration. It has also become apparent that the companies along the product chain have a low level of cooperation regarding decisions about tool steel. This is the result of each company looking at their own interests when working with their product. This lack of integration implies that the dealers, and possibly SSAB, can benefit from working with product introductions to several instances in the chain.
separately. News of a new tool steel will not always pass on along the product chain by simply introducing it to the tool makers.

In a business with tough competition, few companies can afford a production failure. There is also an issue of time; production failure leads to unacceptable slowdowns. This seems to be the biggest barrier in introducing new products to tool makers. They are reluctant to try new steel grades since a failure caused by teething problems could be devastating for business. This risk aversion might be surpassed by convincing component suppliers and OEMs to demand the new steel grade, which would ease the tool maker from making the decision to change. But it might only have the effect of moving the risk from one company to the next as the tool ordering company would then be responsible. With trends of having more outsourcing this seems to be the type of decision that such companies would want their supplier, the tool maker, to make.

We have seen that there is a connection between the perceived risk and the ability to provide reassuring information, see 7.3.12. The dealers have indicated that there is a need for machining information and pilot cases that fits well into that picture. This information can be provided in print, but in the sales meetings which are a common method of introducing new products the salesman is in more focus than the material. The observed customer meetings showed that the customer representatives tested the salesman’s knowledge on how to use the new products. As a consequence the customer will then know that the selling company can consult in any difficulties that may arise. For the dealer this stresses the need to have experienced salesmen with knowledge in the specific problems that can occur with the new tool steel for the customers in their region. Providing know-how creates knowledge bonds with the individuals, bonds that can be strengthened by being even more integrated with the customer, but it also gives the salesmen a heavier workload which raises the cost for selling.

The consulting work of the salesmen is important, but before the customer considers trying the new product he needs to be convinced that it is better than the ones already used and the other products that are available. Being able to promote the correct benefits, suitable for the customer organization’s needs, will increase the possibility to sell steel. The diversity of professions and organizations involved in the decisions means that the information produced by SSAB and the dealers must be flexible.
8 CONCLUSIONS

To conclude this study we present the most important ideas and thoughts from the analysis as well as suggestions for suitable strategic moves for the Toolox business area. Then suggestions for further investigation are presented.

For any producing company sales and marketing are key activities for long term survival. However, the company can use marketing channels to perform some of these activities. Outsourcing order handling and logistics to the dealer gives scale benefits in these areas. But leaving the full responsibility of sales to the dealer can be fatal to the producing company for a few reasons. First, the dealer might not have the same interest in promoting a specific product, as mentioned by Kleen et al (2003). Second, it is a risk to place market knowledge in the hands of the dealer, who might stop selling the product for one reason or another. Such issues can be partly resolved by participation in sales- and marketing activities form the producing company.

In Figure 8-1 those issues that we have identified, and believe are important for SSAB and their dealers, are presented. According to the reasoning above these issues must be dealt with by SSAB and their dealers in collaboration.

![Figure 8-1. Important issues for SSAB and their dealers.](image-url)
8.1 Supportive Information Should Suit Many Demands

In the analysis it became apparent that due to the diversity in the product chain there is a need for the dealers to be able to provide good information material for both the customer and the customers’ customer. This information should be:

- A variety of sales materials suitable for the tech-oriented engineer, the result-oriented purchasing manager, and everyone in-between. It is important that the information is adapted for the different types of companies and individuals that we have identified.
- Comparative information that points out the benefits of the sold steel compared to locally common steel grades. This can aid in overcoming the conservatism that is common among tool makers.
- Machining information that is comprehensive for machining personnel. This information should refer to machines and methods that are commonly used. There could also be recommendations on suitable tools for cutting and drilling. As mentioned earlier, this information should be provided by the salesman to reassure the buyer that changing steel will not be an obstacle. It should also be available in print to be able to leave something tangible that the customer can look at after sales meetings.

8.2 Risk Aversion is a Barrier for Market Establishment

In tough competition on prices and quality, research and development is very important for tool makers and the other companies in the product chain. This is a way to stay competitive. It seems like some companies do not realize the possibilities to boost productivity by a different choice of tool steel. And even if they do, the organizations are risk aversive. If competition among tool makers and component makers is as tough as told by the dealers, the risk aversion is counteractive for these companies. The first companies to try a new steel grade, with such benefits as Toolox has, should gain a first mover advantage.

It is clear that for the tool maker, a production failure due to quality problems with the steel can have great impact on future sales. It is therefore important for the steel producer and the dealers to have a high and reliable quality. We have heard about such problems as tensions caused by using certain cutting techniques, that hardness of the delivered steel varies between each batch and that delivery to the dealer can be slow. These quality issues are especially important since SSAB and Toolox are new on the market and a reputation of reliability must be established. Continual work with risk reduction and quality issues is essential.
Improving quality will reduce the *actual risks* involved in buying, but as mentioned in 7.3.12 there is also a *perceived risk*. Reducing this risk involves such matters as:

- Creating a well reputed brand name.
- Reassuring the potential buyer by communicating supportive advice and sharing experiences from pilot cases.
- Economic support to the first-time users.
- Giving advice on product drawings using the new tool steel.

The supportive advice can be based on the information material mentioned in the previous sub-chapter, but the information must also be backed by salesmen who are familiar with using and machining the new product. How the economic support is arranged should be negotiated by the producer and the dealer.

### 8.3 The Tool Steel Product Chain is Diverse

As argued in 7.6 there is a great diversity in the product chain. Some sort of segmentation may be a suitable tool to handle this diversity. Variables that can be used to segment the market are:

- *The customer’s knowledge of tool steel as well as the customer’s interest in this choice.* These variables affect what kind of sales information and sales procedure that is suitable.
- *The customer’s potential purchasing volume*, which is already used to identify which customers that are worth extra effort.
- *The customer’s position in the product chain: tool maker, component supplier, OEM, etc.* It has been mentioned that the integration is low between these and that marketing efforts aimed at other companies than the actual tool maker can be beneficial.
- *The customer’s geographical dispersion.* It has been mentioned that global companies are difficult to handle by a single dealer which normally only caters to a national market.

One important question must be answered: Should the segmentation be implemented by SSAB or by the dealers? The segmentation may result in certain segments that would be suitable to handle by SSAB and the dealers in cooperation. Therefore a segmentation done by SSAB is probably a good choice. It may even be beneficial if some key accounts are handled by SSAB in collaboration with several dealers in different countries, in order to reach multinational clients.
An obvious problem is that the dealers have existing customer databases which they most likely will be reluctant to share. We see that the *distributor’s dilemma* and the other issues mentioned by Kleen et al (2003) are highly present. There are benefits to gain from joint marketing activities, but there will always be a question about who shall be responsible for financing and managing such efforts. For SSAB, and other companies in their position, it is important that responsibilities for these efforts are clearly defined and are probably handled best if not left entirely in the hands of the dealer.

A more suitable strategy is for the dealers to segment their customers and then cooperate with SSAB on how to handle key accounts, a strategy which is already used to some extent. It is also possible that an effort is done to identify key tool buyers, such as automotive companies that buy tools from several makers. These customers can be in focus for joint marketing activities from SSAB and the dealers.

**8.4 Create Demand for Toolox Using a Pull-Effect**

Since communication and co-operation is low within the product chain product introductions have difficulties to reach all companies in the product chain when selling only to the tool maker. This method is a *push-strategy* where dealers are trying to push news out in the product chain. By shifting focus in advertising and sales work, dealers could put more focus on the customers’ customer – promoting the suitable benefits of a certain steel grade to the customers’ customer to make these buyers demand the steel in the tools they buy. This is a *pull-strategy*, where demand originates from the organizations ordering from the customer.

As shown in 7.2, the customer’s customer is often an OEM. The interest that the OEM shows for tool production and tool steel decision varies and depends on what business this OEM is in. Although an OEM might not be interested in the actual steel decision, the economic benefits of new tool technology might be enough for him to make this choice. It is possible that an OEM has several tool making suppliers that the Toolox dealers do not serve today. The pull-strategy might therefore create new customer accounts from the OEM supplier network.

**8.5 Continued Studies**

There are three areas that might need attention in further studies. As mentioned earlier a *cost benefit analysis* of the consulting work the dealers perform could give a better overview of the cost and revenues that are present in steel selling. Another interesting issue might be to look into the possibility of a *dealers/designer consolidation* and see if there are any advantages with this organization form, as it will put the choice of tool
steel in the hands of the dealer. Finally a more detailed investigation of how raw material producers and their dealers can combine their efforts in the extensive work of promoting to the customers’ customer.
INTERVIEWS AND REFERENCES

List of Interviews


References


APPENDICES

Appendix A - Issues when Performing an Interview

There are important issues the interviewer should have taken into consideration before, during and after the interview. First of all, an interview consists of two sides, an interviewer and an interviewee. All interviews have a purpose and it is very important that both know this purpose. If both parts know the purpose the information that is exchanged during the interview is usually much better. Especially if the interview regards sensitive information, then the interviewee knows why the questions are asked and might be more positive to share this information. (Ekholm and Fransson, 1992)

When an interview is performed it is important for the interviewer to understand that the interviewee is “worth” more since it is this person holding the information. Because of this the interviewer should adapt to the situation and consider that things like clothing, language etc. may need to be changed. It should be taken into consideration that the outcome can be affected by such things. (Ekholm and Fransson, 1992)

A good way to start an interview is to settle what information is sought, this connects to the purpose of the thesis discussed above. This is also a good time to present what the interviewee gets in return from the interview. Demands can vary from time or effort to honesty. In return the interviewee could get the obtained result etc. (Ekholm and Fransson, 1992)

From the Mind to the Actual Answer
The question asked is not necessarily the question that is answered. This is because each person, the interviewee as well as the interviewer, interprets both what he sees and what he hears. Factors that might affect the interpretation are: actions taken by the other “side”, tone of voice, things are said, facial expressions as well as the actual answer. (Ekholm and Fransson, 1992)

Every answer in the interview comes from one individual persons mind. This should be regarded when structuring the interview. To start with questions that the interviewee can answer easily without thinking and then continue to questions that
require more thought. To dress each answer in words can sometimes be difficult, sometimes a small picture or sketch can show what the interviewee want to explain better than an oral answer. (Ekholm and Fransson, 1992)

The question asked can easily cause the interviewee to put up some sort of defense. If the questions regard areas that the interviewee does not feel “secure in” or if the interviewee feels that his competence is questioned, a defensive attitude could be shown. (Ekholm and Fransson, 1992)

Data Obtained during an Interview
When put in front of a tape recorder many feel that they are being interrogated, not interviewed, which will be reflected in the given answers. A tape recorder is the best way to later analyze what was said however this is not everything that happened during the interview. Facial expressions and moods are other “answers” that should be regarded when analyzing the data. For this purpose frequently taking short notes of both the answer and other things is much better. If the notes are then worked on after the interview, it is an excellent way to record the whole interview. It is also a fast method, if many interviews are required. Listening to tapes and writing this down is very time consuming. If the interviewee is not affected by the tape recorder an combination of these two methods is even better. (Ekholm and Fransson, 1992)

The Interview
After the interview has been constructed it is important to critically examine it. Showing it to others who are familiar with the problem area can often be of great help. The sequence in which the questions are asked is of great importance. A common technique is to first ask a wide question and then use follow up questions to pin down the problem. Sometimes it is preferable to ask the questions in the opposite order, depending on what data is needed. (Ekholm and Fransson, 1992)

A great problem when interviewing is that the interviewer can lead the interviewee into certain answers. The answer will then reflect the interviewers’ opinion and perhaps not show what the interviewee really thinks. Sometimes leading questions are necessary and useful, as long as the interviewer is aware of the problem. (Ekholm and Fransson, 1992)

Planning or structuring an interview too much beforehand might cause the interviewee to get the feeling of interrogation. (Ekholm and Fransson, 1992)
Rookie Mistakes
An insecure interviewer easily forgets to listen to and to take note of the actual answer, because attention is focused on the upcoming question. This is a problem for two reasons: firstly, the information given is not collected; secondly the interviewee might get the feeling that the interviewer is not interested in the answer and will thereby stop giving useful information. Also, if the rookie interviewer does not understand the answer it is easy to just continue with the next question, instead of asking more about the subject and get an understanding. (Ekholm and Fransson, 1992)

Things to keep in mind when interviewing (Ekholm and Fransson, 1992):
- Do not hesitate to ask for more information about the answer.
- Do not hesitate to admit that you do not understand the answer.
- Humor can be a good way to get along during the interview.

Appendix B - Dealer Questionnaire for Värnamo Stålprodukter AB and La Cour & Faber A/S

Bakgrund
- Hur beskriver du din tjänst?
- Vad har du för bakgrund?
- Beskriv ett företag!
  - affärside
  - inriktning
  - kunder
  - organisation
  - organisation av säljteam

Hur ser verktygsstålmärknaden ut?
- Vilka verktygstållverkare är viktigast i er region? Vilken är er region?
- Vilka verktygsstålanvändare förekommer i er kundkrets? Hur många? Stora/små?
- Vad är de främsta konkurrensmedlen inom verktygsstålmärknaden?
- Vad fyller dealern för funktion för sina kunder?
- Hur marknadsför ni nyheter i branschen?

Framtid
- Vilka strukturförändringar är att vänta på verktygsstålmärknaden?
- Vilken tillväxt räknar ni med på marknaden?
- Hur påverkar teknikförändringar verktygsstålbusinessen?
- Hur kommer verktygstillverkning och bearbetning att förändras?

Relationer
- Hur många kunder har en dealer? Hur många leverantörer har en kund?
- Till vilken grad är det möjligt att bygga nära kundrelationer? Kan man tala om kundlojalitet?
- Vilka sorts kontrakt fins det mellan dealer och verktygsmakare?
- Hur nära sammanknutna är dealers och verktygstållverkare? Vad kryter er samman?
- Hur utvecklas relationen mellan dealer och verktygsmakare med tiden?
- Vad har dealers för relationer sinsemellan?
Berätta om hur ni säljer verktygsstål

Det borde finnas skillnader i de fall då ni kommer i kontakt med kunder. Som vi ser det är det skillnad på om kunden är ny eller befintlig och om det är läge att sälja en ny sorts stål eller om det blir återköp av tidigare beprövad vara.

- Stämmer denna bild?
- Kan du berätta om hur ni jobbar med försäljning och hur det skiljer sig i de olika fallen?

Ny kund och ny produkt

Vilka är iblandade under följande steg?
1. Hur skaffar ni nya kunder? Går det att vinna över kunder från konkurrenter?
2. Hur sker första kontakten med kunden? Vad diskuteras då?
3. Hur ser en typisk behovsidentifiering ut? Hur fängar ni kundens behov?
4. Hur ser ett kunderbjudande ut?
   - Vad innehåller det? (Leverans, service, rådgivning)
   - Vilka tjänster erbjuder ni?
   - Vem skapar nya erbjudanden?
5. Hur förhandlas pris och leverans?
6. Genom vilka aktiviteter upprätthålls kontakten med kunderna?

Gammal kund

- Hur skiljer sig förfarandet då kunderna har köpt av er tidigare?
- Hur går en typisk försäljning till mot en gammal kund?
- Vilken typ av rådgivning söker en gammal kund?
- Blir kunden läst i gamla vanor?
- Särskiljer ni på era kunder och i så fall hur?

Till vilken grad utövar ni teknisk rådgivning?

- När behöver kunden hjälp?
- Hur överför ni kunskap
- Vart hittar ni den kunskap ni har?

Hur jobbar era kunder med inköp av verktygsstål?

Vad innebär stålet för kunden?

- Hur mycket vikt lägger kunden vid ett stålinköp?
- Hur mycket påverkar det deras verksamhet?

Vad har kunden för inköpsrutiner?

- Hur många leverantörer vill de ha? Varför vill de ha flera?

Vad händer andra gången de köper och därefter?

- Hur förändras beteendet till det andra köpet?
- Blir det därefter rutinköp? Vem tar då kontakten?

Vilka är med och beslutar om köpet?

- Vilka personer är inblandade?
- Vad har de för roller?
- Hur påverkar de beslutet?
- Vilka personer har inflytande i verktygsstålslänsval?
- Vilka personer bakom idén har inflytande i köpet?
- Hur har de organiserat sin inköpsenhet?
- Vilken typ av kunskap om alla dessa personer behöver ni för att sälja?
Vilka faktorer påverkar kundens beslut?
- I vilken grad kan ni påverka kundens beslut?
- Hur påverkar de hos kunden inblandade individerna köpbeteendet?
- Hur påverkar verktygsmakarens kunder köpbeteendet? Känner ni att kundens kunder har mycket inflytande i köpprocessen?
  - Vilken teknisk kompetens har kunderna och kundernas kunder?
  - Söker de er tekniska kompetens?
  - Vilka konflikter mellan olika produktegenskaper finns och hur prioriterar kunden?
  - Är kunderna ofta intresserade av tidsbesparinger, som kort cykeltid, ledtid, time to market? År det bra säljargument?
  - Hur begränsar kundens maskinpark och personalkompetens valmöjligheter?
  - Varför väljer kunder att köpa av er? (Geografi, utbud, har hört att ni är bra, priser)

När är det intressant för en gammal kund att byta stältyp?
- Vilka faktorer gör det svårt att byta stål?

Appendix C - Dealer Questionnaire for Telephone Interviews

Background
- What is your job?
- What is your background?
- Could you briefly describe your company!
  - specialization
  - customers
  - organization

The Tool Steel Market
- What are the most important tool steel providers in your region?
- What types of tool steel users are your customers? How many? Large/small?
- What are the main competitive factors in selling tool steel?
- What function does the dealer have in the market?

Future
- What do you expect from the tool steel market in a near future?
  - Technology
  - Growth
  - Competition
- How do technology changes, such as new steel types, affect the market?
- How do you compete with low price countries that are entering the market?

Relations
- How would you describe the relations between a tool steel dealer and their customers?
- What are the relations like between different dealers?

How Do You Sell Tool Steel?
- How do you work with getting new customers?
- Do you meet new customers every week?
- How many customers do you have?
- What happens during a sales meeting?

Are the following steps included?
1. Acquisition of new customer.
2. Setting up an appointment.
3. Identification of customer needs.
4. Presentation of your offer.
   - What does it include? (consulting, service, delivery)
   - What services do you provide?
5. Price and delivery negotiation.
6. Delivery
7. Re-buy
8. Activities to keep up contact.
Old Clients
• How do sales differ when it comes to old customers?
• What kind of consulting does an old customer request?
• Are old clients loyal?
• Do different segments of your customers act differently or get different treatment?

To what Degree Do You Perform Technical Consulting?
• Which individuals contact you to get advice?
• How do you deliver this advice?

How Do Your Customers Work with Purchasing?
• How do they work with purchasing?
  o Many suppliers?
• How important is the tool steel considered by the customers?
• To what degree do customers actively work with finding new tool steels?
• Under what circumstances will they consider changing tool steel?
• Under what circumstances will they consider changing dealer?
• What factors makes it hard to change tool steel?

Who is Involved in the Decision Making?
• Which individuals at the customer organization can influence the buying decision?
• How much does this differ between different types of customer organizations?
• What knowledge of these individuals do you need to be able to sell?
• How significant is the involvement of the customer’s customer?
• Do you feel that they have influence in the decision?
  o How does that differ from case to case?

What Factors Affect their Decision?
• How do the customers think tool steels can affect their processes?
• What factors do they stress the most?
• How deep is the knowledge of tool steel/metallurgy among the customers and the customer’s customer?
• How does their knowledge of metallurgy influence the decision?
• To what degree can you influence the decision?

Appendix D - Dealer Questionnaire for Precisionstål AB

Background
• What is your job?
• What is your background?
• Could you briefly describe your company!
  specialization
  o customers
  o organization

The Tool Steel Market
• What are the most important tool steel providers in your region?
• What types of tool steel users are your customers? How many? Large/small?
• What are the main competitive factors in selling tool steel? How does it differ between different types of steel?
• What function does the dealer have in the market?

Future
• What do you expect from the tool steel market in a near future?
  o Technology
  o Growth
  o Competition
• How do technology changes, such as new steel types, affect the market?
• How do you compete with low price countries that are entering the market?
How Do You Sell Tool Steel?

- How do you work with getting new customers?
- Do you meet new customers every week?
- How do you work with old customers?
- How many customers do you have?

What happens during a sales meeting?

Are the following steps included?
1. Acquisition of new customer.
2. Setting up an appointment.
3. Identification of customer needs.
4. Presentation of your offer.
5. What does it include? (consulting, service, delivery)
6. What services do you provide?
7. Price and delivery negotiation.
8. Delivery
9. Re-buy
10. Activities to keep up contact.

Old Clients

- How do sales differ when it comes to old customers?
- What kind of consulting does an old customer request?
- Are old clients loyal?
- Do different segments of your customers act differently or get different treatment?

Relations

- How would you describe the relations between a tool steel dealer and their customers?
- What are the relations like between different dealers?

To what Degree Do You Perform Technical Consulting?

- Which individuals contact you to get advice?
- How do you deliver this advice?

How Do Your Customers Work with Purchasing?

- How do they work with purchasing?
- Many suppliers?
- How important is the tool steel considered by the customers?
- To what degree do customers actively work with finding new tool steels?
  - Under what circumstances will they consider changing tool steel?
  - Under what circumstances will they consider changing dealer?
  - What factors makes it hard to change tool steel?

Who is Involved in the Decision Making?

- Which individuals at the customer organization can influence the buying decision?
- How much does this differ between different types of customer organizations?
- What knowledge of these individuals do you need to be able to sell?
- How significant is the involvement of the customer’s customer?
- Do you feel that they have influence in the decision?
- How does that differ from case to case?

What Factors Affect their Decision?

- How do the customers think tool steels can affect their processes?
- What factors do they stress the most?
- How deep is the knowledge of tool steel/metallurgy among the customers and the customer’s customer?
- How does their knowledge of metallurgy influence the decision?
- To what degree can you influence the decision?
Appendix E - Complementary Questionnaire for George H Cook & Co. Ltd.

The interview was based on the original questions. With the following additions:
- Which individuals are involved in the buying decision?
- How do customers work with purchasing?
- What do you think is better with the new sales approach?
- Describe the new sales approach!
- How close relationships can you keep with your customers?
- How likely are your customers to change suppliers?
- What product information do you need to sell tool steel?

Appendix F - Complementary Questionnaire for Carrs Tool Steel Ltd.

The interview was based on the original questions. With the following additions:
- Describe the purchasing chain in detail.
- How do you work with phone contacts?
- What information do you need to sell?
- What issues are important for increasing the volumes sold?
- What help do you need to solve these issues?

Appendix G - Customer Observations Guide

Bakgrund
- Hur beskriver du din tjänst?
- Vad har du för bakgrund?
- Beskriv ett företag!
  o kunder
  o organisation
  o affärsidé

Hur ser verktygsstållmarknaden ut?
- Hur skulle du beskriva verktygsstållmarknaden? Vilka aktörer?
- Hur skulle du beskriva verktygsmarknaden? Vilka aktörer?
- Vad fyller dealern för funktion?

Framtid
- Vilken tillväxt räknar ni med på verktygsmarknaden?
- Vilka strukturförändringar är att vänta?
- Hur påverkar teknikförändringar verktygsbranschen?
- Hur kommer verktygstillverkning och bearbetning att förändras?
- Vad är konkurrensmedlen? Hur påverkas de av stålköp?

Relationer
- Hur mycket/till vilken grad är det möjligt/vill ni bygga nära leverantörsrelationer?
- Hur utvecklas relationerna med tiden?
- Vad knyter er samman?

Berätta om hur ni köper verktygsstål

Som vi ser det så skiljer fallen då ni kommer i kontakt med en leverantör sig åt. Dels beroende på om leverantören är helt ny eller om det är en befintlig relation, dels beroende på om ni behöver köpa produkter med nya egenskaper eller redan kända produkter.
- Stämmer denna bild?
- Kan du berätta om hur ni jobbar med inköp i dessa olika fall?
- Hur många leverantörer har ni?
Vad har ni för inköpsrutiner för verktygsstål?

Vilka av följande steg förekommer och vilka är inblandade?
1. Hur söker ni efter leverantörer? Hur utvärderas de?
2. Hur sker första kontakten med en leverantör?
3. Hur uppkommer era behov av verktygsstål?
4. Hur omsätter ni de behoven i en konkret leverantörsförfrågan?
5. I vilken grad unyttjar ni leverantörens kunskap för att precisera era behov?
6. Tar ni in offerter?
7. Hur utvärderar ni de offerter/erbjudanden ni får?
8. Vilka egenskaper förutom produktegenskaper är viktiga?

Vilka faktorer påverkar era stålinköp?

- Vilka egenskaper är viktigast för er? (tidsbesparingar, materialegenskaper, kringtjänster, service, rådgivning)
- Vilka konflikter mellan olika produktegenskaper finns och hur prioriterar ni?
- Hur mycket vikt lägger ni vid ett stålinköp? Hur mycket påverkar det er verksamhet? Vilka konsekvenser kan uppstå om ni köper fel stål?
- När är det intressant för er att byta stältyp? Vilka faktorer gör det svårt att byta stål?

Hur påverkar era kunder ert köpbeteende?

- Har de inflytande i era köp?
- I vilken grad kan ni påverka er kunders krav/beslut?

Hur förändras era inköpsrutiner med tiden?

- Blir det därefter rutinköp?
- Hur utvecklas relationen med tiden?
- Hur mottar ni nyheter i verktygsstälbranschen?