

MARKET ANALYSIS

BUSINESS MARKETS AND CRM

Executive summary

Economy of any country around the world is usually driven by the consumption pattern of that country. Over the last few years Austria has seen some negative growth in its GDP, despite that it is expected that Austrian market has huge potential for various international companies to enter. APMC is considered one of the largest packaging company in Australia, that has products like shrink wrap, machine held wrap and hand held machine to offer.

The nature of the product and the target market only allow APMC to have collaborative relationship with its customers as it will help the company to not only retain its customers but at the same time will help in turning unprofitable customers in to profitable customers. It is also important for the company to consider what strategies should be used to target both large and small companies in Austria.

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1.1 The underlying factors that influence the demand

Austria's economy, driven by exports and buoyed by consumer spending, its economy features a large service sector, a sound industrial sector, and a small, but highly developed agricultural sector. According to Euromonitor information the Austrian GDP has decreased up to 3% in 2011, leaving consumer confidence index stood at (-11.2) (Euromonitor International, 2012). For APMC the demand of its products in the Austrian market can be considered as a derived demand mainly because of the reason that the demand for its products are coming from end product consumers. With the recent downturn in the consumption of consumer products like soft drinks, Austrian consumers are expected to control their spending and consumption patterns.

1.2 Buyer-seller relationships

Considering the nature of relationship between buyers and sellers in the product supply chain is mainly based on the members involved in it from more than one functional department, that consist of production department, distribution department, R&D department and so on. Where as on the other hand the relationship between buyer and seller in the supply chain will vary based on the industry and its size. Under the collaborative exchange relationship, it's

more based on building a good and a strong relationship with each other's as there are not many alternate available in the market. For manufacturers building a good relationship with its suppliers is as important as to gain customers. For APMC it is important to not only create but also at the same time maintain good positive relationship with both large and small soft drink manufacturers in Austria, by encouraging collaborative relationship.

1.3 Types of customers

For companies like Australian Packaging and Machinery Company (APMC), their Business-to-Business (B2B) marketing is huge and because of this very reason they have a wide range of customers that they can target in Austria. Business marketers serve the largest markets of all, depending on the nature of the industry. A single customer of APMC can account for enormous levels of purchasing activity from Austria. Though the company will only be marketing the soft drink industry in Austria, still the market is huge as there are various companies and brands that exist in Austria for e.g. companies like Pepsi or Coca Cola alone can be a huge client for AMPC. In the B2B market there are different types of customers that can be classified Manufacturers of soft drinks in Austria that are locally based on for example, Gasteiner, Almdudler, etc. Resellers are private companies who will buy APMC products and then sell it at a higher price.

1.4 Basic characteristics of the product and service

The company manufactures and sells the equipment and consumable plastic "film" that is mainly use to wrap products for storage and transportation on pallets. APMC products are usually marketed for various manufacturers and resellers of consumer products. APMC core products are

1. Shrink bags, which are placed over the palletized product and heated until the bag shrinks.
2. Stretch "film" that is wrapped around pallets of products.
3. Hand stretch films are usually targeted to small clients.

APMC also specialize in manufacturing and supplying film to secure entire pallet loads. After

sales services is offered based on the nature of requirement. APMC is the one of the Australia leading manufacturer of a shrink and a stretch film, where a small hand held wrapping machine may cost \$500 to up to several thousands of dollars, depending on the requirements of customers.

1.5 The nature of buyer-seller relationships for the product

Based on the products and services offered by APMC, the company has to develop a collaborative exchange relationship with both small and large companies in the Austrian soft drink market. Top 5 companies that hold a strong market share in the soft drink market in Austria are included in the table below.

% off-trade volume Company	2007	2008	2009	2010	2011
Coca-Cola Austria GmbH	24.0	23.7	23.6	23.7	24.0
Vöslauer Mineralwasser AG	15.9	16.0	16.1	16.6	16.9
Rauch Fruchtsäfte GmbH	8.7	8.6	8.4	8.1	7.9
Hofer GmbH & Co KG	8.3	8.4	8.3	8.1	7.8
Waldquelle GmbH	4.9	4.9	5.0	5.2	5.4
Spar Österreichische	4.0	4.0	4.0	3.9	3.7

Table 1: Source - Passport report Austrian Soft Drink Market

For APMC collaborative buyer seller relationship is highly recommended if the company is willing to achieve large number of customers.

Product Category	Pallet Size – 1200 * 1200	Pallet Weight – 1 Tonne	Cost per pallet	Cost to cover 5000 Tonnes of pallet
Shrink Wrap film	100 Bags	1 Bag is required	2	5000 + (Tonnes) = \$10000
Machine Stretch film	3000 Metres	15 Metre is required	0.5	5000 + (Tonnes) = \$2500
Hand Stretch Film	1500 Metres	15 Metre is required	1	5000 – (Tonnes) = \$5000

Table 2: Cost to cover Pallets of more or less than 5000 tonnes

Based on the above price calculated for each pallet, it is important for APMC to target the customers based on their annual sales figures and the demand of their products.

1.6 Factors that influence customer profitability

There are various factors that might be directly or indirectly linked with customer profitability, that APMC has to consider. Depending on the size of the customer APMC marketing department has to develop strategies that can be implemented in order to retain existing customers and transform unprofitable customers into profitable ones (Bagozzi, 1996).

1.6.1 Low cost to serve customers

Low cost customers can be categorized as the easy ones who don't want any personalized requests; such customers just want the same product to be delivered on a predictable cycle. Example of such customers can be considered big companies like Coca-Cola, Pepsi etc.

1.6.2 High cost to serve customers

High cost to serve customers are those who have specific requirements from time to time and they don't order the product in large quantity. Such customers are usually more costly as compare to low cost to serve customers. Examples of such customers can be Adolf darbo, Maresi etc.

Reference

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