

ANALYZING AND EXPLORING INTERNATIONALIZATION
OPPORTUNITIES IN THE KITCHEN FURNITURE
MARKET IN NORTHERN SWEDEN

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Opinnäytetyön päätavoitteena oli analysoida ja tutkia keittiökalusteyrityksen kasvumahdollisuuksia Pohjois-Ruotsissa. Tutkimus pyrki tunnistamaan niitä yrityksen resursseja ja valmiuksia jotka ovat arvokkaita ja harvinaisia ja joita kilpailijat eivät voi jäljitellä luoden kestävästä kilpailuetua yritykselle.

Tässä laadullisessa tutkimuksessa käytettiin selittävää yksittäisen tapaustutkimuksen menetelmää, joka soveltuu hyvin tutkimusmenetelmäksi, kun tutkimuskohteena on yritys, jolla on vain vähän aikaisempaa kokemusta kansainvälisestä kaupasta ja viennistä. Teoreettinen viitekehys perustui kansainvälistymisteorioihin, kansainväliseen markkina-analyysiin sekä asiaa koskeviin artikkeleihin, kirjoihin ja tutkimuksiin. Teoriat tutkivat lähimarkkinoita ensimmäisenä vientikohteena ja yrityksen resursseja ja kykyjä kestävien kilpailualueiden löytämiseksi.

Lisäksi tutkimusaineistoa kerättiin haastattelemalla keskeisiä toimijoita sekä analysoimalla kirjoittajan omia havaintoja. Kansainvälisessä markkina-analyysissä tutkittiin ulkoisten ja sisäisten tekijöiden vaikutuksia yrityksen kasvumahdollisuuksien kartoittamiseksi Pohjois-Ruotsissa. Tulosten arviointi tehtiin kilpailija-, asiakas- ja yritysanalyysien perusteella. Tulosten perusteella tehtiin ehdotus yrityksen vientisuunnitelmaksi Pohjois-Ruotsin keittiökalustemarkkinoille.

Tutkimustulokset osoittavat, että yrityksellä on aidot kasvunäkymät Pohjois-Ruotsissa. Tuotteiden standardointi ja tuotannon edut kotimaassa tukevat suoraviittoa Pohjois-Ruotsin kohdemarkkinoille. Services Ecosystem nousi mielenkiintoisena yrityksen jatkotutkimusaiheena tuotteiden ja palvelujen kestävästä kehityksen pyrkimyksissä.

Päälukuja 4, 7 eikä haastattelujen litterointeja julkaista.

Avainsanat: kansainvälistymisen prosessi, kansainvälinen markkina-analyysi, markkinoiden kasvu, markkinoille pääsy

School of Business and Culture
International Business Management

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The main objective of this thesis is to analyze and explore market growth opportunities for the kitchen furniture company in Northern Sweden. The research seeks to identify the resources and capabilities which are valuable, rare and imperfectly inimitable and create a source of a sustainable competitive advantage for the Company.

The research is based on a qualitative single case study. The theoretical framework was created by theories on resource-based view of a firm's internationalization and international market analyses as well as by relevant articles, books and studies. Furthermore, the empirical data was collected through semi-structured interviews as well as the author's own observations. The results of the analyses include evaluations of the external and internal environment of the Competitors, Customers and the Company. The suggestion for the market entry plan is formulated by exploring the most suitable opportunities generated.

The results of the study indicate that the Company has genuine growth prospects in Northern Sweden by creating a successful development plan based on the Company's management decisions. The Company's resources, capabilities and management's commitment to organization support the selected market entry mode by direct export from a single country to a single market.

According to the thesis findings, the approaches that best suit the Company's strengths and objectives relate to the standardization of the products, economies of scale to meet the target market requirements. Ecosystem services in seeking the sustainable use of products and services emerged as an interesting aspect for the Company's future research. Chapters 4 and 7 are not published in their full length in the Library version because the information in them is classified as confidential. The Appendix 1 is published in its full length, Appendices 2,3,4,5, and 6 are not published. The bibliography section is not published in its full length in the Library version. The detailed notes of the interviews are published only in the full version of the thesis.

Keywords: internationalization process, international market analysis, market growth, market entry

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1 INTRODUCTION

The motivation for the thesis work is provided initially. Additionally, the research objectives for the study including research questions and the case company are presented.

1.1 Motivation

The research area for the thesis is to analyze and explore internationalization prospects for the case company (hereinafter the Company) in the kitchen furniture market in Northern Sweden. The Company can be referred as to a small and middle-sized enterprise (hereinafter SME) established in 1939 which over the years has been growing from a small workshop to the size of the biggest private kitchen furniture company in Finland.

Kitchen furniture business in Finland is highly competitive and the domestic market is saturated impacting on the Company's weak financial performances in recent years. One way to seek growth is to explore internationalization prospects by expanding the market geographically in a new market abroad. The Company's domestic growth provides a background to the internationalization by geographic expansion (Laghzaoui 2011, 192). Therefore, to explore what the market has to offer, external opportunity of expanding market to Northern Sweden is analyzed. More specifically, business opportunities are realized as a growing business of iron ore in Kiruna and Gällivare municipalities has led to an increase in investments in building development there. Entering an international market offers new possibilities for the Company but has many risks. Thus, understanding the market before making a strategic decision of the market entry is important.

The thesis focuses on the two equally relevant streams of the research, ie. internationalization process and international market analysis. More specifically, internationalization process is discussed from SMEs' viewpoint.

The thesis utilizes a resource-based view theory of the firm's internationalization. It reflects to an organization as a bundle of resources, which create a source of a competitive advantage (Barney & Hesterly 2006, 93) for the Company. The underlying assumption upon the resource-based view theory is the perception that resources are heterogeneous and stable across organization (Ambrosini 2002, 132-135).

The international market analysis focusing on 3 C analyses of competitors, customers and company are used in this research. These analyses provide methods to collect and analyze information of the internal and external marketing environments the firm faces. Additionally, these analyses provide valuable information for management for business decision making. Porter's five forces framework utilized provides an analysis of attractiveness of the industry structure. The relevant analyses give valuable information about the risks in forecasting international performance before any investment is made (Brouthers & Nakos 2005, 376 citing Knight 2000, 30). Managing intercultural encounters has an important aspect in the research. Understanding cultural differences and similarities between Swedish and Finnish business cultures become a competitive tool as the Company's strategy is developed accordingly. Culture can be understood as a form of control (Ritson 2013, 59) and its importance should not be undermined in business life.

International market expansion and entry mode begin with the Company's recognition of the need to expand internationally (Hollensen 2007, 291). On one hand, according to Hollensen (2007, 291) internal factors of a firm size, managerial international experience, marketing, costs of manufacturing and physical characteristics of the product affect the market entry mode choice. On the other hand, the external factors of sociocultural distance between home and host countries, competition, market size and growth influence the entry mode decision. The expected contribution to profit is the main target of the entry mode choice.

Designing international marketing mix of product, pricing, distribution and communication are reflected upon the Company's market entry decision.

Similar standard products of kitchen furniture in home and host markets make compatible markets, but product characteristics need to conform to the target market and its prevailing environmental conditions to legal, economic and climate conditions (Czinkota & Ronkainen 2007, 330).

The personal motivator for this thesis originates from the author's own sourcing experience in the Company. A big motivator for the research was weak signals noticed in various discussions in the Company about exploring the markets in Sweden's industrial growth area in the north. Lack of experience, inadequate Swedish language skills and knowledge of the market prevented these actions. Therefore, identifying the market opportunities for growth in Northern Sweden is in the core of the thesis. Additionally, the Company has a great interest in the data collected and analyses created during this research process, since they give practical value to the management team and are the basis for the suggestion for the market entry plan.

1.2 Case Company Background

The Company is a small & middle sized kitchen furniture enterprise (hereinafter SME) in Ostrobothnia, Northern Finland. SME is defined by the number of employees less than 500, while the Company's personnel in 2013 are 159. The Company, like 99 per cent of all firms in European Union, represents the backbone of the European economy. SMEs form an essential source of growth and ensure approximately 70% of the new job creation. (Laghzaoui 2011, 181.)

The Company was a small carpenter workshop founded in 1939 which over the years has been growing to the size of the biggest private kitchen furniture company in Finland. The Company was filed into the trade register in 1961. The Company's present business models are based on the lean management system and franchising principle. To add value in production the Company adapted lean management system from the beginning of 2013 focusing in creating value with less work. The efficiency is based on optimizing flow and decreasing waste. (Topi-Keittiot 2014.)

The Company's business concept includes design, quotation, measurement, manufacturing, delivery and the assembly of kitchen furniture equipment. The assembly service creates Company's competitive advantage distinguishing the Company competitively from the rivals. In addition, the Company has 30 sales points around Finland on a franchising-principle close to the customers. (Topi-Keittiot 2014.)

The Company's clientele management process are divided in three sections of Business to Business activities (hereinafter B2B), Consumer customer, and Detached house manufacturing clienteles. B2B in this research means the Company's sales to constructions enterprises of manufacturing apartment and row houses to end customers. Annual contracts are the basis for these business activities. In contrast, Consumer customers place orders at Sales Points around Finland. The Detached house clientele provides design service, modifications and manufacturing for the turnkey customers. (Topi-Keittiot 2015.)

Detailed information of the Company is described in the Company analysis part of the research. In compliance with the Company's instructions the analyses are classified as confidential information. Therefore, the Company analysis is not made public.

1.3 Research objectives and research questions

The main objective of this study is to explore the growth opportunities for the Company in Northern Swedish kitchen furniture market. A large amount of data will be gathered, analyzed and results presented in the way that the research questions will be answered. The following research questions are addressed in the research:

1. What market opportunities for growth can be identified in Northern Swedish kitchen furniture market?

The first research question analyzes the kitchen furniture market for its demography, competitors, trends in business line, economic situation and their

growth prospects. To answer the question, external competitor customer and environmental analyses in Northern Sweden are conducted. Additionally, the external factors of opportunities and threats the Company faces are analyzed by the first part of SWOT.

2. What are the Company's core competences? How can they be exploited in the search for growth in Northern Sweden?

The research questions above entail the analyses of the Company. Core competences are identified by analyzing internal factors of strengths and weaknesses by the second part of SWOT analysis. The self-analysis helps to understand the business in depth based on business characteristics. The Company's international behavior and product portfolio are introduced and key ratios are calculated to clarify the economic status. Findings of the interviews and observations are reflected upon the resource-based view theory's viewpoint.

3. How should the Company develop its resources and capabilities to attain the growth opportunities identified in the target market?

The third research question helps to identify what kind of resources and capabilities the Company needs in order to gain growth in the target market. The research question emphasizes how the Company's resources are utilized and developed if the growth prospects are identified in Northern Sweden. In addition, the question focuses on suggesting what kind of the market entry plan is needed for the Company, providing the growth prospects are identified in Northern Sweden.

1.4 Structure of the thesis

In chapter 2 the research methodology, data collection and analyzing methods to conduct this research are presented. Chapter 3 introduces the approach to internationalization from SME's viewpoint and the theoretical framework for the thesis. In chapter 4 the international market analysis including the Swedish

market analysis is provided. 3 C analyses concentrate on identifying the competitive environment from competitor, customer and company viewpoints. Chapter 5 provides information of the factors impacting on the choice of the market entry mode. Designing the international marketing program in chapter 6 focuses on product, pricing, distribution and communication decisions reflected upon the Company's point of view. Chapter 7 concentrates on the findings of the research generating the suggestion for the market entry plan. Finally, chapter 8 concludes the thesis.

Chapter 4 includes an international market analysis for the kitchen furniture segment in Northern Sweden and is regarded confidential knowledge and hence, not public. Correspondingly, 3 C includes the competitor, customer and company analyses and regarded as confidential knowledge. Appendix 1 of interview form is published in the public version of the research. Chapter 7 includes the market entry plan. The topics in chapters 4 and 7 are respectively written out in Appendices 2, 3, 4, 5 and 6. The appendices are separated from the thesis and correspondingly, due to the issue of confidentiality, are not published through the Lapland University of Applied Sciences Library database. Moreover, the Bibliography section is not published in its full length in the Library version due to the confidentiality. The detailed notes of the conducted interviews are published only in the full version of the thesis.

2 RESEARCH METHODOLOGY

In this thesis a qualitative research approach is chosen and justification for this method is provided. Additionally, data collection and analyses methods are presented.

2.1 Qualitative research

The research focuses on empirical data of multiple sources to gather evidence for the practical nature of the research. According to Eriksson and Kovalainen (2008, 115-116), a business related case study explains complex business issues in an understandable form by collecting various empirical data on the subject. However, the generalization of the findings is not in the focus of this research but seeking the qualitative information on the case itself and seeking answers to research questions. The single case is linked with an intensive case study which aims to learn how a specific and unique case works. According to Eriksson & Kovalainen (2008, 120), this means the case is explored in its economic, social, cultural, technological, historical and physical settings. Collectively, a qualitative research, according to Aaker, Kumar and Day (2007, 189), results in new insights and perspectives with more depth and richness of the context. Based on the above discussion, a qualitative research method is most suitable method for the research.

In addition to collecting empirical data, the theory framework for the research is important. Empirical investigations that engage the readers to learn and take action are a challenge in intensive case study (Eriksson & Kovalainen 2008, 121). In addition, Tuomi and Sarajärvi (2006, 19) state that the theoretical information of the empirical data is one of the corner stones in the qualitative research increasing the value of the research. The research process is described as a continuous dialogue between the theory and the data (Eriksson & Kovalainen 2008, 121).

2.2 Case study research

This research has a practical approach to a real-life situation in the Company. A case study research presents multiple empirical data sources for the research questions and aims at giving evidence about the market potential in Northern Sweden. To add validity of the data collected, the triangulation rationale is used. The triangulation rationale using multiple sources strengthens the case study. In principle, evidence is derived from at least six sources: documentation, archival records, interviews, direct observations and participant observation. The triangulation in this research means collecting data from document reviews, one questionnaire by e-mail, participant observation in the meetings, participating in export seminars and interviews. The use of them looks into wider a range of historical, attitudinal and behavioral factors in this research. (Yin 2003, 82-99.)

Tellis 1997 (cited in Eriksson & Kovalainen 2008, 117), argues that the overall purpose of a case study is to emphasize holistic view of the prevailing conditions. As developing a proposal for market entry plan for the Company is on focus, the research is referred to relevant analyses about the company itself, customers, competitors and general conditions about the market environment. A case study seeks answers for questions of “how” or “why”. In the research those questions play a significant role of exploring and describing information for growth prospects in Northern Sweden, thus justifying the case study method. (Yin 2002, 1.) Ghauri and Gronhaug (2005, 119) emphasize that the main interest is in the case itself instead of pre-given theoretical propositions.

More specifically, in this thesis a single case study is utilized. The Company’s management team was interviewed in an open way to gain insight to the attitudes and opinions of the Company’s status and future plans. Ghauri & Gronhaug (2005, 120), citing Yin (1994) emphasize that a single case study is appropriate when a research is unique indicating that the phenomena can be observed and provide useful insight. Furthermore, a single case study research is suitable method for this research as it is applicable in the pilot study for the

Company serving as a first step to a further, more comprehensive study. Therefore, as the main focus on this research is seeking growth prospects in Northern Sweden for one, pre-defined case company, a single case study research design is justified.

2.3 Data collection

Primary source for the data in this research are interviews which are considered an efficient and practical way to collect information (Eriksson & Kovalainen 2008, 80). Semi-structured, face-to-face interviews with the Company's management team members are conducted. Meetings with sales managers are scheduled in advance to give them time to focus on the relevant, silent knowledge of the subject. Any pre-defined questionnaire for the interviews is not created, but the discussions are guided by semi-structured questions. When creating a semi-structured interview topic, issues or themes are in the focus, but the possibility to vary the order of questions or words exists. According to Eriksson & Kovalainen (2008, 82), the major advantage is that the collected materials are more or less systematic and comprehensive, while the tone of the interview is quite conversational and informal. Interviews were carried out in Finnish, recorded, transcribed and translated in English. To add validity in the research, the translations were formed in memos, sent by e-mails and approved by the interviewees.

In addition, empirical data forming multiple sources to strengthen the case study is done in several ways. Phone interview with the distributor is carried out. Competitor analysis is carried out by a questionnaire conducted by the Company's production manager's business trip in Sweden. First a semi-structured questionnaire of topics for discussion was sent by e-mail to the production manager. Second, major competitor interviews in Sweden to gather information of the strengths and weaknesses in the operations are conducted during the production manager's visit. A written report of the meeting was sent afterwards by e-mail to the author and discussions of the content were held. The target customers' reports – two construction companies in Northern Sweden - is received and analyzed.

Conversely, members of the management are often critical to the success of the research and give insight to the matter (Yin 2003, 90). Members are encouraged to propose and express their own views and in-depth discussion on the subject. The researcher acts in the role of a participant observer in the meetings, which, according to Ghauri & Gronhaug (2005, 120-121), provides information in a way that allows learning and analytical interpretation. Collecting first-hand information in a natural setting, understanding the observed behavior and attitudes are the main advantages. The risk of participant observer becoming subjective on the matter instead of keeping the role of an objective researcher must be kept in mind. Correspondingly, the data collected for the theoretical part of this thesis include the literature reviews of internationalization process and international market analysis.

2.4 Data analyzing methods

An important strategy to complete a case study relies on theoretical concepts in guiding the design and data collection (Yin 2003, 3). More specific, the main purpose of data analysis is to create coherence and clarity in the collected data. The first step to organize the data is to create a case record. All empirical data collected in this research are coded in a chronological, edited form to create a manageable case record. This is particularly important when unedited data from several sources are available. Second, the preplanned systematic coding to interpret the empirical data is created. Labels, names and definitions of the organized files were compiled in data records (Eriksson & Kovalainen 2008, 128). Data in this study is analyzed by the inductive analysis method. It aims to systematically generate theory grounded on empirical findings of the research (Tuomi & Sarajärvi 2006, 95, 9).

The Company's strategy, vision and business model are analyzed and reflected upon SWOT indicating strengths, weaknesses, but also opportunities and threats in the target market. Core competences are defined based on the findings. In addition, PESTEL analysis is conducted by author's study through the Internet and interviewing Development Manager in Gällivare to define

political, economic, social, technological, environmental and legal factors in Northern Swedish business environment. Additionally, analyses with the help of national development organization are carried out to provide more evidence for market- and competitor analyses in Northern Sweden.

To study strategy, vision and business models theory frame from appropriate literature is needed. Data collection for the theoretical part is carried out through reviewing literature on resource-based view theory of the firm's resources and capabilities creating a source of competitive advantage. Likewise, the findings of the interviews are reflected upon resource-based view theory. Moreover, the Porter's five forces framework is used as basis for defining positioning of customers and markets where the Company may best defend itself against bargaining power of suppliers, buyers, threat of new entrants and substitute products or rivalry among existing companies (Porter 1980, 4).

Analyzing the collected data is looked from the aspect of sensitizing, i.e. to give "a general sense of reference" into the analysis. When using sensitizing concept a look into a theoretical concept from prior research available is utilized in this research to help to analyze the organizing features of empirical data and meanings in them (Eriksson & Kovalainen 2008, 129).

3 INTERNATIONALIZATION PROCESS

The approach to internationalization from SME's viewpoint is discussed in the chapter. Additionally, the resource-based view theory of a firm's internationalization is presented.

3.1 Approach to SME's internationalization

Physically close markets appeal to SMEs in taking the first steps to internationalization. The stages model used by psychological distance principle is explained in the chapter.

“The stages model relies upon the development of knowledge, and is optimized by a slow incremental commitment to psychologically close markets” (Valhne 1977, cited in Laghazaou 2011, 184). The proximity of the Northern Swedish market has a strong impact on diminishing the psychological distance. As the international experience grows, the psychological distance between the Company and the target market diminishes.

Additionally, in this particular study the fact that Swedish is a second official language in Finland contributes positively to mutual communication and creates a competitive advantage for the Company. Moreover, the Finnish and Swedish societies have broad features in common, such as good transportation and retailing systems, effective media and considerable degree of technological and financial development. To conclude, to be successful in the international marketplace the Company's business actors need to develop an understanding of the Swedish market, how it differs or has similarities with that of Finnish and how it affects the desires and behaviors of potential customers. Based on the discussion, evidence from stages model used by psychological distance principle is utilized in the research.

3.2 Resource-based view theory of a firm's internationalization

The Company's domestic growth activates its resources and capabilities at internal and external levels. The resources that provide unique advantages to a firm create a core competence and a source of a firm's competitive advantage (Carpenter & Bauer & Erdogan 2012, 234). A competitive advantage is, according to Figueroa, Osuna and Reynoso (2014, 81) the Company's ability to equip its high-quality products that its competitors are unable to imitate. The Company leans on its core business as a source of a competitive advantage, i.e. creating value by good brand image, manufacturing and marketing high-quality kitchen furniture equipment based on franchising and lean manufacturing business models. However, the competitive advantage needs to be sustainable in the long term to improve a firm's economic performance. In that sense, the competitive advantage needs to be valuable, rare, and difficult to imitate and to replace (Barney 1991, cited in Figueroa & Osuna & Reynoso 2014, 82).

The resource based-view theory of a firm's internationalization suggests that a sustainable competitive advantage relies on resources and capabilities the Company owns. Moreover, the resource based-view of the firm reflects to an organization as a bundle of resources (Rumelt 1984; Amit & Shoemaker 1993, cited in Ambrosini 2002, 135) and rests on the understanding that the competitive advantage depends on internal resources rather than on the market and industry structure (Ambrosini 2002, 135). This research seeks to explore the resources and capabilities which create a source of a sustainable competitive advantage for the Company in its search for growth in Northern Sweden.

Typically, resources are not alone a source of a competitive advantage, but capabilities which are a firm's capacity to deploy resources, and need identifying (Carpenter et al. 2012, 230). To define the Company's resources and capabilities the categorization by Barney 1991 (cited in Ambrosini 2002, 136; Barney & Hesterly 2006, 76) is used by classifying resources in four categories. Physical resources include the Company's fixed assets of buildings,

building ground, machines and assembly lines, organizational resources consist of e.g. a culture of the Company and employees' way of working. Knowledge, history and experience create human resources and are a root of a competitive advantage, while financial resources include the Company's debts and equity. Capabilities form specific functional areas such as manufacturing, R&D and marketing departments in the Company. In sum, capabilities appear gradually through complex interactions within tangible and intangible resources. In that perspective, the Company combines its tangible and intangible resources to form organizational capabilities. (Carpenter et al. 2012, 233, 231; Figueroa & Osuna & Reynoso 2014, 82.)

Resources, which are quantified, such as the Company's fixed assets of buildings and machinery, are tangible, while intangible resources typically include assets that are rooted in the Company's history and accumulated over time. Intangible resources of employees' commitment to work, trust, experience and knowledge of kitchen furniture are embedded in unique patterns of routines and processes, thus those resources are relatively difficult for competitors to imitate and make a source of a sustainable competitive advantage for the Company. (Carpenter et al. 2012, 231.)

Understanding the strategic value of tangibles and intangibles and to clarify what type of resources and capabilities lead to a competitive advantage the value network model is created. A value network is, according to Allee (2003, 192), any web of relationships that generates both tangible and intangible deliverables through complex dynamic exchanges between two or more individuals, groups or organizations. The more connections between participants, the more information received and the more powerful the Company's influence in the network is (Allee 2003, 79). Material suppliers, competitors, customers, production, distributors, sales points and art-designers make the connecting participants in the Company's value network model. Connections are explained in detail in the Company analysis of the research. The underlying purpose of a value network is to show the roles of tangible and intangible deliverables and help the Company to identify business drivers and opportunities (Allee 2003, 194). In specific, 3-sector framework of intangible

values defines in detail the Company's economy and business environments, illustrated in the Company analysis of the research.

The competitive advantage needs to be valuable, rare, inimitable and well organized by a firm to be sustainable and improve economic performance (Carpenter et al. 2012, 234). Those factors are on the focus and reflected upon the Company's point of view in this chapter. The Company leans on manufacturing high-quality kitchen furniture which creates a competitive advantage that is valuable but not rare. The business concept includes designing to assembling the kitchen furniture equipment with after sales services for the market. Assembly and after sales services are easy to imitate by competitors, but the Company's model to instantly replace a damaged product and provide service without long lasting insurance issues or delaying the schedule creates a competitive advantage which is valuable and rare. Moreover, the Company's location relatively close to the north of Sweden is important, since most of the competitors are located in Southern Sweden. Thus, proximity to the target market is a source of a sustainable competitive advantage which is valuable, rare and imperfectly imitable.

Resource-based view theory recognizes the importance of the history as a determinant of a firm's long-term performance and a competitive advantage (Barney 1991, 108). The Company's 76-year history matters as it has developed a unique organizational culture, policy, routines, brand, reputation and traditions which are difficult to imitate because their existence is due to the Company's unique history (Ambrosini 2002, 139). The Company's performance is not dependent on the industry structure only, but also on the path a firm followed through history to arrive where it is. This path dependency of resources is firm-specific, history-dependent organizational cultural resources which are imperfectly imitable. (Barney 1991, cited in Ambrosini 2002, 138.)

Furthermore, the Company's long history has created tacit knowledge characterized by purpose, practicality, and context. The tacit knowledge is heterogeneous and personal across the Company, inimitable and rare because

it is firm- and job-specific and a central part in the development of the sustainable competitive advantage. (Ambrosini 2002, 140.)

4 INTERNATIONAL MARKET ANALYSIS

The management's goal is to understand the existing business environment and the prospects involved in the business development. External and internal analyses discuss these issues from the Company's perspective. Examining the external analysis, according to Aaker (1995, 21), identifies threats, opportunities and strategic choices of the business. The research examines the market and environmental analyses in Northern Sweden to find out the relevant external components, i.e. awareness of the environmental changes, the context in which industries and markets function (Ritson 2013, 33).

4.1 Swedish market analysis

The aim of this chapter is to analyze Swedish market and furthermore to answer the first research question, i.e. what market opportunities for growth can be found in Northern Swedish kitchen furniture market? The chapter provides information of Swedish market overview, elements of PESTEL analysis, demographic profile and the Porter's Five forces analysis. The detailed notes of interviews, documents reviews and participant observation are utilized as means of triangulation. To conclude, the practical value of the analysis is explained in detail in Appendix 2. In compliance with the Company's instructions the analyses are classified as confidential information.

3 C analyses of competitors, customers and company together with Porter's five forces analysis present methods to collect and analyze the external marketing environments the Company faces. The international market analysis focusing on these analyses is important in forecasting the attractiveness of the international markets. The overall perception in the international market analysis is to reveal risks in forecasting international performance before any investment is made. (Brouthers & Nakos 2005, 376, citing Knight 2000, 30.)

4.2 3 C: Competitor, customer, and company analyses

Competitor analysis involves identifying and analyzing companies competing with the similar or alternative products of the Company. Understanding the major competitor's products and the competitive advantage they bring to market in regard of cost and uniqueness and the way the customers respond and behave to their activities (Kahal 1994, 181) is important. Moreover, the analysis focuses on business model and competitive advantages compared to those of the Company's (Streenburgh & Avery 2010, 5). Additionally, the competitor analysis as part of external analysis provides insight of major competitor's size, growth and profitability (Aaker 1995, 7).

Evidence of the segmentation by identifying the customer groups, their motivations and unmet needs (Aaker 1995, 61) is gained by carrying out the customer analysis in the target market. To meet the customer needs requires the Company to obtain information on motivation and desires collecting evidence for marketing intelligence valuable for the research (Aaker, Kumar & Day 2006, 3). The customers, ie. who they are, how they behave and what they desire from the future are in the core of the customer analysis (Aaker et al. 2006, 11).

The external PESTEL analysis is another way to increase information in the target market on economic growth, trends in business, expectation in the kitchen furniture field and currency fluctuations since Sweden is not linked with Euro. The analysis takes into consideration political, economic, social, technological, environmental and legal elements.

According to Streenburgh & Avery (2010, 4), the company analysis begins with the understanding of the firm's business model. The self-analysis helps to understand the business in depth based on strengths, objectives and business characteristics. The Company analysis originates from monitoring financial performance, costs, organizational structure and management styles. (Aaker 1995, 130.)

The competitor-, customer- and company analyses are explained and discussed in detail in Appendices 3, 4 and 5. The practical values of the analyses are provided in the suggestion for the market entry plan. In compliance with the Company's instructions the analyses are classified as confidential information. Therefore, the 3 C analyses are not made public in this research.

4.3 Approach to market attractiveness

To build the theoretical frame for the analysis, Porter's strategic thinking is utilized in this research. Porter's five forces model describes the attributes of an attractive industry and suggests that opportunities are increased and threats decreased in these kinds of industries (Barney 1991, 100). Porter's theory will be used as it is bases for emphasizing the segmentation of customers and positions. A threat of new competitors in the industry, threat of substitutes, bargaining powers of buyers and sellers and finally rivalry of existing players in the kitchen industry field make an analysis to identify the five fundamental competitive forces (Kaplan & Norton 2009, 70).

The aim of the Porter's five forces analysis is to identify the Company's strengths in pursuing for opportunities and avoid threats while creating strategy for the market entry in the target market Kaplan and Norton (2009, 70). In this research Porter's five forces analysis focuses on the competitors in the kitchen furniture industry as a whole in order to find out how competitive the kitchen furniture industry is. The analysis identifies the basic components for competition while e.g. focus on price, features or distribution channel identifies what the successful competition requires (Steenburgh & Avery 2010, 6).

Figure 1 presents forces governing the competition in an industry (adapted from Porter, 1985, 6).

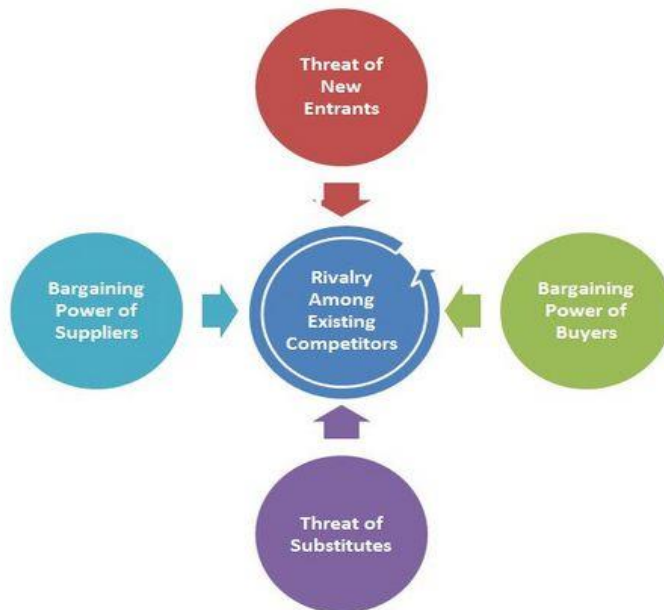


Figure 1. Forces governing the competition in an industry (adapted from Porter 1985, 6)

Entrepreneurial insights based on the concept of Porter's 5 Forces indicates that the major buyers for the Company's products in Northern Sweden industry area are the construction companies, which are selected as the Company's market segment in Sweden. The construction company segment reflects to the Company's B2B clientele segment avoiding the intensity of the rivalry against IKEA, since construction companies are not in the core of IKEA's market segment. The detailed information of the customers is identified and discussed in the customer analysis which is confidential information in compliance with the Company's instructions. Therefore, information of the customers is not made public in this research.

5 FOREIGN MARKET ENTRY

Factors impacting on the choice of the market entry mode are discussed in the next chapters. The Company's internal and external elements are explained in terms of influencing the market entry mode. Conclusively, the choice of the market entry mode focuses on the expected contribution to profit.

5.1 Approach to foreign market entry

Every international market expansion and entry mode process begins with the recognition of the need to expand internationally as addressed in previous chapters. Once the target market has been selected, the question of how to enter that market and what the criteria for the market entry are needs to be addressed. (Hollensen 2007, 291.)

Kitchen furniture business in Finland is highly competitive and the domestic market is saturated. In any business in any market, product quality, delivery readiness or production capacity is not enough for making a difference (Amit & Zott 2012, 2-5), and therefore, the Company should seek for the business opportunities in the new market areas. Czinkota and Ronkainen (2007, 282) state that firms which export grow faster, and are more productive than firms operating at the domestic market. Thus exporting is a key for the companies' prosperity, allegedly also for the Company.

5.2 Factors impacting the choice and selection of the market entry mode

According to Hollensen (2007, 297), the choice of entry mode is based on the expected contribution to profit. More importantly, internal and external factors are explained in the research influencing the entry mode decision for the Company. Furthermore, as this research aims at creating a suggestion for a market entry plan for the Company, the market entry modes are identified and discussed.

The firm size is an indicator of the firm's resource availability from internal factor viewpoint. The more resources available, the more international involvement the firm creates over time (Hollensen 2007, 298). According to Ghauri and Cateora (2010, 275) and Peter and Donnelly (2007, 201), the foreign market development by exporting is a beneficial approach employed particularly by the companies taking the first international steps. Minimized financial loss is achieved and establishment costs in the host country are avoided. This is a considerable option for the Company, since it has no resources to achieve a high degree of control over its international operations. (Hollensen 2007, 298.)

Another firm specific factor influencing the mode of choice is the managers' international operations experience. Uncertainty in international operations is reduced through actual operations in the foreign market (Hollensen 2007, 299). The firm's experience curve increases in the international market (Peter & Donnelly, 2007, 201) by direct export carrying out the exporting operations itself. Accomplishing the international market analysis, designing transportation and contacting the foreign-based agents are the learning objectives (Hollensen 2007, 318).

The physical characteristics of the product are important factors when deciding where the production is located (Hollensen 2007, 299). Products of high value are used for direct exporting, particularly if there is the economies of scale prevailing and the managers want to retain control over production in the home country, as in the Company's case exists. Avoiding cost inefficiencies and duplication of effort, joint regional consolidations of export activities with other exporters (Czinkota & Ronkainen 2007, 190) is beneficial. In accordance with Hollensen's perception (2007, 80) the Company's steps for successful international business are increasingly facilitated through partnerships with distributors, trading companies as well as traditional buyers and sellers.

Moreover, external factors of sociocultural distance between home and host countries, competition, market size and growth are identified. Finland and Sweden are socioculturally similar countries with similar industry basis and industrial practices. Market characteristics are one of the factors to appeal the

foreign company and a particular mode of entry. Additionally, market growth and the country size factor the market entry. The larger the country, the higher the growth rate indicates that the management commits the resources to the market development. In contrast, the smaller the market, the market entry is best supplied by exporting. (Hollensen 2007, 300.)

Furthermore, Hollensen (2007, 301) suggests that when the intensity of the competition is high in the host market, the more the firm favors direct export entry modes with low resource commitments. In sum, Hollensen (2007, 75) argues that taking a holistic view of SMEs cross-border business activities is more appropriate than focusing on discrete entry mode types. International business activities are the integral part of developing a competitive business with limited resources by adopting flexible business practices. In that respect the Company's internationalization process is a firm-specific behavior starting with the direct export mode with a focus on the development of processes.

6 DESIGNING THE INTERNATIONAL MARKETING PROGRAM

After deciding the most suitable market entry mode for the Company, design for the international marketing program needs identifying. Product, pricing, distribution and communication decisions are on focus and reflected upon the Company's point of view.

6.1 Product decisions

A firm has various alternatives in approaching an international market. First approach is by standardization which means selling the product as it is and second by modifying, i.e adapting products according to different market requirements (Czinkota & Ronkainen 2007, 328). In addition, the form in which the product is to be marketed abroad is on the focus. The product and its characteristics, the market that has been targeted and company characteristics of resources (Czinkota & Ronkainen 2007, 330) are analyzed. Furthermore, majority of products need modification for the international marketplace in packaging, measurement units, labels, usage instructions logos and brand names (Czinkota & Ronkainen 2007, 328).

6.2 Pricing, distribution and promotion policies

"Price is the only element of the marketing mix that is revenue generating, all others are costs" (Czinkota & Ronkainen 2007, 354). Pricing policy is derived from the firm's overall objectives including profit, market share, survival and percentage on return of investment. The Company reflects to marketing objectives by making efforts to gain growth, profit and market share in the Northern Sweden. According to Ghauri and Cateora (2010, 438), pricing is an active instrument of accomplishing marketing objectives or an element in a business decision. Moreover, the market entry mode affects the pricing policy. For example, an exporter entering a new market allows the agent a higher profit margin to encourage maximum sales volume, geographic distribution and loyalty. This is common in the early stage of export effort to gain market entry

(Czinkota & Ronkainen 2007, 357) and needs to be reflected upon the Company's pricing policy decision.

Additionally, the SME exporting for the first time is likely to set a price which ensures that the sales revenue generated covers at least the costs incurred (Hollensen 2007, 475). Recognizing the cost structures of the products is very significant, but other determinants when setting the price should be regarded, too. According to the international pricing model (Hollensen 2007, 475-476), internal factors of a firm and product, external factors of environment and market affect the price and are discussed in this chapter. In addition accelerating inflation creates important external factor which affect pricing decisions in the international market. The stages setting of export prices are illustrated in figure 2.

| External | Internal |
|--|--------------------------------|
| Market related factors: | Marketing mix |
| nature of demand/target audience characteristics | product modifications |
| government regulations | distribution system |
| Industry related factors: | promotion needs |
| competition intensity | Company characteristics: |
| nature of competition | extent of internationalization |
| | Management attitudes: |
| | importance of exports |

Figure 2 Stages in Setting of Export Prices (adapted from Czinkota & Ronkainen 2007, 356)

Internal factors include the Company's philosophy, objectives, costs of manufacturing, research and development and marketing. In contrast, external factors relate to target market of customer, regulatory, competition and financial characteristics. Moreover, the intended target market is the basic premise for pricing. (Czinkota & Ronkainen 2007, 357.) The importance of price in customer's decision making, the ability to pay, price/quality ratio are factors analyzed in demographic profile of the target market in this research.

It is important to examine what contributes to the total product offer in creating an attractive product offer for international market (Hollensen 2007, 422). The extent to which the firm adapts or modifies the product or service affects the cost and thereby has influence on pricing. According to Czinkota & Ronkainen (2007, 359), the exporter needs to take into account export related costs of personnel, shipping, insurance and promotional costs in addition to the normal costs at the domestic side. All costs, including logistics costs which depend on a distribution channel length lead to the price escalation. The longer the distribution channel the higher the final price in the foreign market. However, the distribution channel from Ostrobothnia to Northern Sweden equals with the length to Southern Finland thus creating a reliable basis for pricing policy decisions.

In specific, when the Company is an exporter from a single country to a single market, the typical approach to the physical movement of the products according to Ghauri and Cateora (2010, 326), is the selection of a dependable mode of transportation which ensures arrival of the products within a reasonable time and cost. Due to additional shipping, insurance and distribution charges the exported product costs increases approximately from 21 per cent to 39 per cent in case the distribution link is included in the total price (Hollensen 2007, 477). Moreover, the Swedish government has announced an additional budget for infrastructure development for state roads, railways and public transport systems (Construction in Sweden–Key Trends and Opportunities to 2017 2013, 6), which has an impact on the choice of the Company's transporting model.

The price is a means of communication with the customer creating a basis for estimating the attractiveness of the product. Similarly, the pricing is connected with the finance and marketing areas by effective financial arrangements. Finance agreements by attractive credit terms appeal to the international customers even though the prices are higher than those of the rivals'. (Czinkota & Ronkainen 2007, 354.) This creates sales for the firm and is reflected in the Company's strategic decisions.

If similar products exist, such as kitchen furniture in the Finnish and Swedish markets, the market pricing strategy is adopted where the final customer price is based on a competitive price. However, according to Hollensen (2007, 480), firms attempt to use pricing as a differentiation tool but due to the competition the prevailing market prices needs to be accepted. In sum, pricing decision is considered a critical one and the major determinant of successful international marketing design managed under top-level management's responsibility (Czinkota and Ronkainen 2007, 359).

7 SUGGESTION FOR THE MARKET ENTRY PLAN

The main empirical findings are discussed in this chapter. It provides the answer to the third research question and as a conclusion, the suggestion for the market entry plan is created.

In compliance with the Company's instructions, the suggestion for the market entry plan is regarded as confidential information. Deriving from this requirement, the Chapter 7 is written in Appendix 6 which is not published through the Library databases of Lapland University of Applied Sciences.

8 CONCLUSIONS

The conclusions on the exploration and analysis of the internationalization opportunity in the kitchen furniture market in Northern Sweden are provided in this chapter. Furthermore, the area for further study is suggested.

A single case study was used for the international market analysis in this research as it was found to reflect a real-life situation in the Company. A single case study was found to be a suitable method for this research as it is applicable in the pilot study serving as a first step to a further, more comprehensive study. International market analysis of internal and external factors impacting on the Company's recognition of need to expand internationally was important to conduct.

Deriving from the analyses, the competition in the kitchen furniture market in Northern Sweden is severe. However, the growing business of iron ore in Kiruna and Gällivare areas provide genuine growth potential for the Company in terms of increasing residential construction work.

The core competences provide unique advantages for a firm and are a source of a competitive advantage. The Company's core competences of producing high-quality kitchen furniture equipment, experienced employees, long-established business relations and management's commitment to organization support the market entry strategy. To improve the Company's economic situation the competitive advantage needs to be sustainable. In that respect the competitive advantage is valuable, rare, difficult to imitate and replace. E.g. the proximity of the Northern Swedish market creates a source of a competitive advantage for the Company which is valuable, rare and imperfectly imitable. In addition, the proximity has a strong impact on diminishing the psychological distance. Moreover, the Company's 76-year history has created a tacit knowledge which is history-dependent, heterogeneous and personal across the Company creating a central part of the development of the sustainable competitive advantage.

The Company's steps towards successful international business are taken by selecting direct export as a market entry mode. Designing the distribution chain, challenging the outsourced logistics service in a new way, and contacting foreign agents are the development objectives for the Company in exporting from a single country to a single market. The product portfolio is compatible with European standards of widths and dimensions of the equipment and the products meet the customers' requirements if little or no modifications are needed.

Further development depends on how dynamic the target market is. In case the residential construction work in Northern Sweden continues to grow along with the mining industry, the Company's prospects for increasing the market share by expanding the business model to franchising principle need exploitation. An interesting aspect to the Company's future research of Service Ecosystem emerged in seeking the sustainable use of products and services when analyzing the Company's value networking model and core competences.

Moreover, a vast amount of data has been collected and analyses created to give practical value to the Company's management team. The overall goal of this thesis was to provide information on the kitchen furniture market in Northern Sweden and the growth opportunities for the Company. The development to growth is gained by creating a successful development plan based on the Company's management decisions. Therefore it is desirable that the results of the research are beneficial for the Company's management team in planning the future strategies for growth.

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APPENDICES

Appendix 2. Swedish market analysis

Appendix 3. Competitor analysis

Appendix 4. Customer analysis

Appendix 5. Company analysis

Appendix 6. Suggestion for market entry plan

Appendix 7. Transcript of interviews, detailed notes of the management team members

Appendix 8. Main distributor interview

Appendix 9. Marketing letter

Appendix 10. Detailed notes of the seminar of Northern Sweden and Haparanda & Torneå labour- and contract opportunities

APPENDIX 1 INTERVIEW FORM

[the semi-structured questions of the interviews]

QUESTIONS, COMMENTS FOR DISCUSSIONS:

1. How do you feel about the topic of the thesis – seeking growth prospects in Northern Sweden? Is it relevant at the moment?
2. What is your vision for the Company?
3. What do you think are the strengths of the Company to gain growth in Northern Sweden? What bottlenecks are involved?
4. What does exporting mean to you from your area of responsibility?
e.g. viewpoints of capacity, standards, co-operation with other Finnish exporters? How does Wise-ERP support possible export activities? What are the marketing activities for the target customers?