

Market Potential of Frankincense Gum for Rahan Trading L.L.C

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Degree programme International Business	
Report/thesis title Market Potential of Frankincense for Rahan Trading L.L.C.	Number of pages and appendix pages
<p>This thesis is commissioned by Rahan Trading, a company that is engaged in the production and trade of frankincense in North-Eastern Somalia. Rahan Trading L.L.C. is a limited company located in the North-Eastern city of Bosaso, Somali. The company was founded in 2010 and was officially register in the company’s registry in 2015. It is engaged in the trade and processing of Frankincense resin/gum. The founders of the company are also owners of frankincense trees who gathered with a common interest to develop and modernise the production and trade of frankincense.</p> <p>The objective of this research is to provide Rahan Trading L.L.C. comprehensive information on market potential of frankincense and market entry modes that are suitable for exporting to the international markets. The provided information will help the case company make the right strategic decision in entering international markets. The research follows key concepts of internationalization through exporting, entry modes and pricing strategies. The main focus is on market entry modes for a company aiming to export.</p> <p>The primary research is based on theories of internationalization, exporting, market entry modes and pricing strategies. Bases on these theories, the writer prepares questions that will be presented in the form of questionnaires and interviews to potential buyers and traders of frankincense. A qualitative approach is used data for data collection. Gathered information will be analysed and the outcome will be presented as case studies following the same theoretical framework established in the beginning of the thesis.</p>	
Keywords Frankincense, Internationalization, Market Entry Modes, Export, Pricing Strategy.	

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1 Introduction

In today's world, the globalization of markets aided by the technological advances has contributed to the integration and development of national economies. The world coming ever closer, manufactures, traders and governments of various countries are working closely for the benefits of the nations and economies to reduce trade barriers and ease business transaction procedures. The internet and the improvements of production, logistics and supply channels have promoted international business activities with much wider products and services for lower prices to the end user. (Cavusgil, Knight 2012, 66 -67)

Internationalization of companies usually starts from exporting, while others are born from the day of incorporation. Internationalization is defined as an evolutionary process, whereby gained experiences in foreign markets results in the companies leaning. This learning process assists the organization to adjust defensively in foreign markets and offensively in improving its self in foreign market environment. Although export can be seen as a stimulus to organizations, it is the management's vision, desire, and risk-taking behaviour on one hand and the owners' commitment to allocate resources on the other hand are the major drives in going for foreign markets. (Albaum, Gerald 2011, 126)

This research identifies international market potential of frankincense gum for Rahan Trading L.L.C., which is engaged in the frankincense trade business for the past 6 years. As a producer and trader of this product, the company wants to expand sales to the international market and beyond its current local trading markets in Somalia. The increasing demand for frankincense in the aromatherapy industry (essential oils), traditional medicine in Asia, and in the perfume industry has resulted high prices and supply disruption for the end users. Rahan Trading L.L.C. sees a window of opportunity to export and establish its self in international markets. It intends to establish fare trade with potential international markets that will result a win-win situation for both parties and revive the ancient Somali frankincense trade with the rest of the world dating back to the ancient Egyptians.

The research was conducted by me Osman Muse a BBA student of HAAGA_HELLIA UAS for a commission company Rahan Trading L.L.C... The company is located in the north eastern region of Somalia in the city of Bosaso. Rahan Trading L.L.C. is engaged in the production, processing and trading of Frankincense gum that is widely used in the aromatherapy, medical and perfumery industries. Owned by a family of frankincense tree owners that pride their heritage and have strong connections with similar growers in the region, the company is focused in breaking through international markets of frankincense.

There is an increasing demand of frankincense products due to market growth in aromatherapy and perfumery industries on one hand, and on the other hand a declining of other frankincense species grown in the eastern Africa due to tree diseases. Given these two factors, it is the perfect time for Rahan Trading L.L.C. to establish it's self in the international markets of frankincense trade. The company sees as a wise step forward to fill the growing market gap by ensuring reliable product supply with good quality to price ratio. Rahan Trading L.L.C. aims to achieve its long-term objectives/goals by teaming up with major players such as brokers, bulk traders, processors and end product producers.

1.1 Research Objective

The objective of this research is to provide Rahan Trading L.L.C. comprehensive information on market potential of frankincense and market entry modes that are suitable for exporting to the international markets. The provided information will help the case company make the right strategic decision in entering international markets. The research follows key concepts of internationalization through exporting, entry modes and pricing strategies. The main focus is on market entry modes for a company aiming to export. The research would be a mixture of both questionnaire and desktop researches and follows the key concepts. After gathering and analysing the results, recommendations for an entry mode choice would be given to Rahan Trading L.L.C... The results of this research may not apply to every firm but

should be read as a guide that could assist firms to develop their own entry mode(s) bases on their specific needs and objectives.

Research Problem and Question

The research problem is:

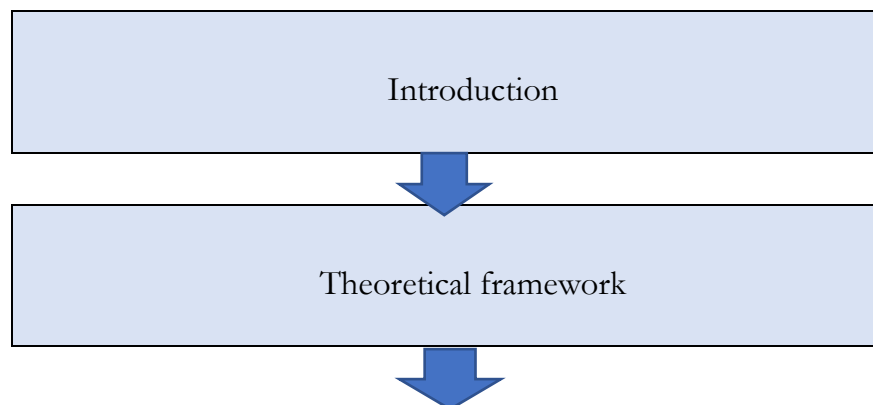
- What is the frankincense market potential for Rahan Trading L.L.C...?

The research questions are:

- What are the motives of internationalization?
- What are the suitable foreign market entry modes?
- What factors are affecting entry modes?
- What is the demand of frankincense products?

1.2 Thesis structure

The thesis is structured consists of six sections which starts with introduction, theoretical framework, empirical studies; methodology; presentation of findings and analysis; conclusions and recommendations.



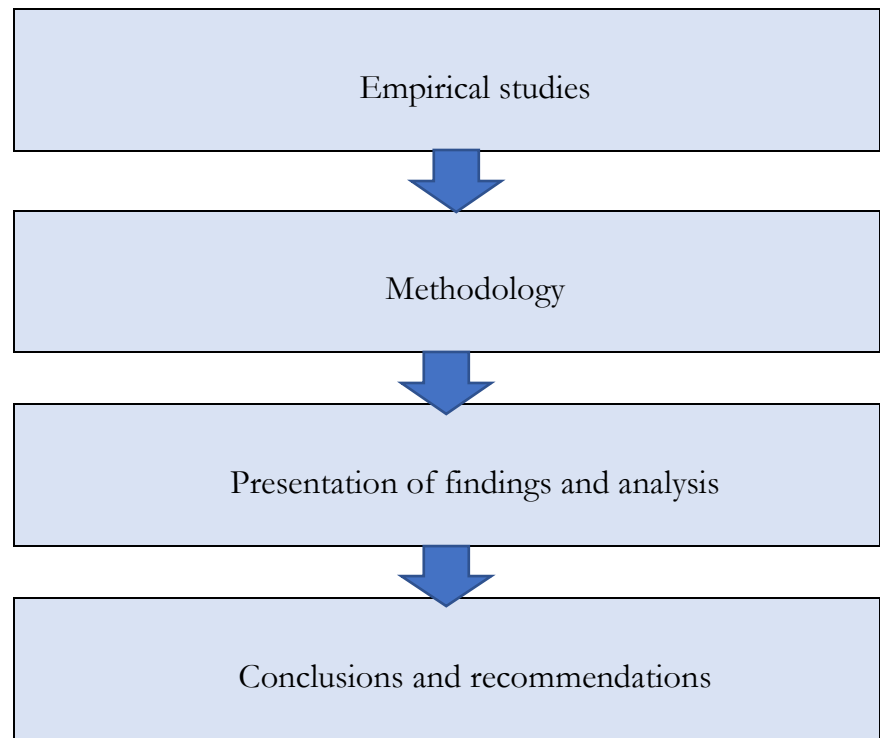


Figure 1: Structure of the thesis

2 SOMALIA

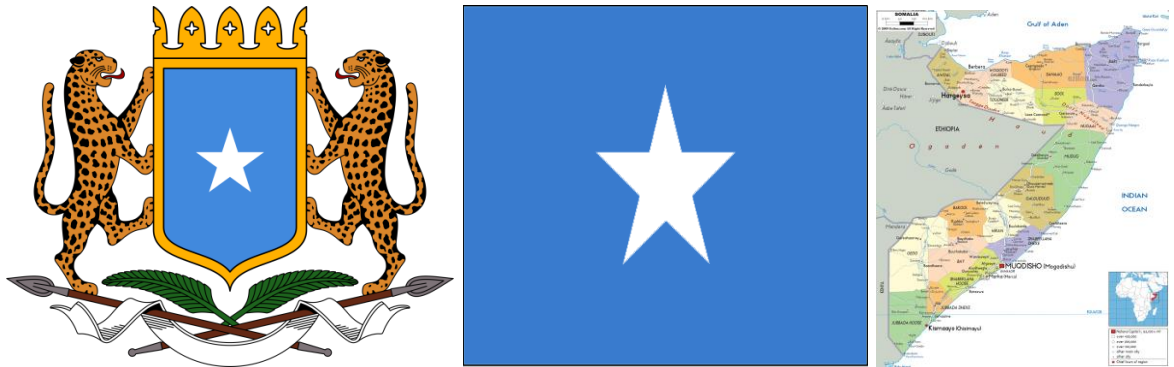


Figure 2: National emblem, Flag & Map

The history of Somalia dates back to several millennia in the Palaeolithic period. It is one of the early places where humans inhabited continuously (J. Currey 1990, 105). The Laas Geel cave paintings are believed to be around 5000 years ago. Caves between the towns of Las Khorey and El Ayo show paintings of animals and engraved writings that were estimated to be 2500 years (Micheal 1994, 640). The country was famous for the aroma and spices trade. In the classical era, the ruins of Wargadde wall and paramedical structures in the north show the evidence of flourished civilizations (Roshen 2011, 131). Somalis traded ivory, gold, live exotic animals, frankincense, myrrh and livestock with ancient Egyptians and Mycenaean Greeks. Ports such as, Mosylon-Bandar Gori and Hafun where the centre hub for Somali trade (Sayed, Hawass 2003, 432-433).

The Adal Kingdom followed in the 9th century ruling northern Somalia, Djibouti, Eritrea and Ethiopia with its capital in the Zeila (Houtsma 1987, 125-126). The Adal Kingdom waged war against the Abyssinian Empire alongside their Portuguese allies in early 1500s using modern and sophisticated weaponry such as cannons (Jeremy 1996, 1492–1792). The establishment of of Ajuran Sultanate, and other sultanates in the cities of Barawa, Mogadishu, Hobyo and Merca succeeded in mid 1500s with firm trading with China, Portugal, India, Arabia and Egypt (John Donnelly 1970). Vasco da Gama's

voyage to the world, described Mogadishu in 15 centuries as a large city with building of several storeys and with beautiful mosques (Ravenstein 2010, 1497 – 1499).

Somali territories were divided into three and occupied by the British, French and Italians. The presently known Somalia got independence in 1960 and Djibouti got 1977. There are Somali territories still under the rule of Ethiopia and Kenya. The revolutionary arms took power 21st October 1969 led by senior army and police officers. Somali Republic was renamed to Somali Democratic Republic adapting socialism. The government of major general Siad Barre fought against poverty and illiteracy by implementing rural and urban campaigns. Modern infrastructure including roads, ports, airports, educational institutions, sporting complexes, factories etc. were built in the 70s. Somali arm forces, naval and air forces were also modernised with the help of the USSR. During the 70s, Somali was active member in the Organization of African Union where it trained those fighting for independence in Angola and Mozambique. South Africa's ANC had trained in Somalia and had office in Mogadishu (Oliver 1985, 476-478).

Geographically, Somalia has the longest sea cost in Africa 3025 km. The total area including land and water is 637657 sq. km. The territorial sea is 200 nautical miles. The country has 18 regions which subdivide into districts. The country is strategically positioned in the horn of Africa in a major trade route connecting Asia and Europe. Somalia has Indian Ocean to the east and Gulf of Aden Sea in the north. It also has 2 continuous rivers in the south and hot weather suitable for year-round agriculture. Somalia climate is stable due to its close proximity to the equator. There are slight temperature variations in winter and summer particularly in the northern mountainous regions (Wold fact book 2016).

Somalia has a population of 10,817,354 (July 2016 est.). Ethnically, the Somalis are 85% of the total population. Others including Bantu, Arabs and non-Somali are 15%. There spoken and official language is Somali. English and Arabic is widely spoken among younger generations bellow 40 years, whereas Italian is mainly spoken by the older generations due to colonialism and education language in the 60s and 70s in southern Somalia. Sunni Muslim is the religion held by the majority. 60% of the Somali population is under 25 years of age. The people are agonised by luck of good

governance, civil war and poverty. There is high fertility rate in Somalia with 6 children per women. The quick growing population lacks education and job opportunities (Wold fact book 2016).

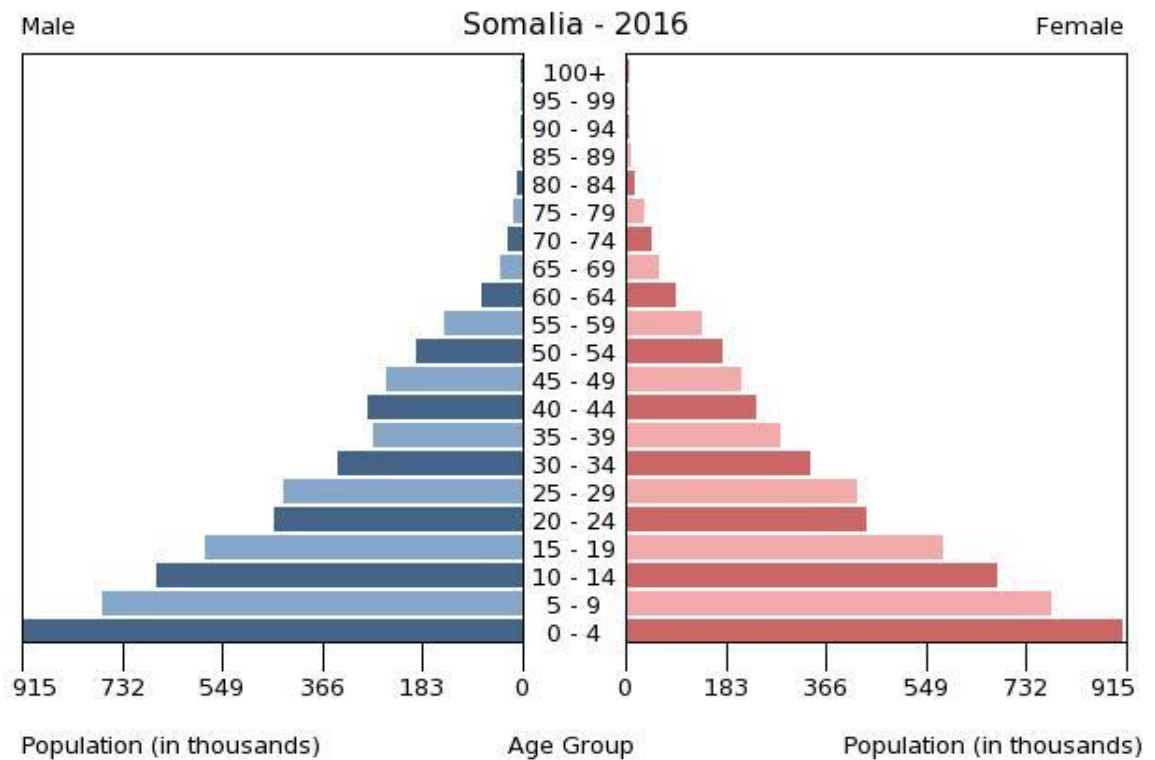


Figure 3: Population age

Somalia's government is federal parliamentary republic with mixed legal system of Islamic, civil and customary laws. Somali is stabilizing slowly and has made correct steps towards better future. The legislative branch consists of the upper and the lower houses of parliament. The judicial branch works in major cities, but areas of the country exercise complex conflict resolution including customary, sharia and secular laws. The executive branch consists of the president acting chief of state, and the prime minister, being appointed by the president and approved by the parliament as head of government. The electoral term of the country is 4 years with no more than 2 terms (Wold fact book 2016).

Somali economy relies on the private sector which is slowly progressing. Agriculture is the backbone of the country's economy accounting for 40% of the GDP and 50% of export income. There is encouraging growth in the agriculture telecommunication and construction sectors of 3.7% in 2014. Somali telecommunication companies offer on of the lowest international rates in Africa and wireless internet covering the whole

country. The country has untapped large natural resources of gas, gold, uranium and petroleum. Somali's sea territories are rich in fish stocks. Currently the country exports \$819 million USD of livestock, Frankincense, banana, hides and fish to UAE, Yemen, and Oman (World fact book 2016).

2.1 FRANKINCENSE

The value of frankincense commodity dates back to ancient times of Egyptians, the Persians, the Assyrians, the Kushites, and the Macedonians. The resin its self is believed to comprise the oldest global supply chain. An Arabian tribe called Nabataeans, dominated the trade nearly two thousand years ago and continued the trade for more than five hundred years. The northern coast of Somalia resulted from the importance of ancient frankincense trade which was used for making perfume, embalming, and fumigating, sacred religious uses and in traditional medicines including Chinese and Ayurveda. (Hull 2008, 275).

In today's world, there is new significance and potential in Western medicine. Chemical components in frankincense's boswellic acid were found to possess properties that show promising results both in human and animal trials of anti-carcinogenic and anti-inflammatory. (Efferth et al, 2011). Other research conducted at the University of Oklahoma concluded: "frankincense oil appears to distinguish cancerous from normal bladder cells and suppress cancer cell viability. Microarray and bioinformatics analysis proposed multiple pathways that can be activated by Frankincense oil to induce bladder cancer cell death. Frankincense oil might represent an alternative intravesical agent for bladder cancer treatment." (Frank et al 2009)

The trade of the resins for its various reasons has a noticeable place in the Somali economy and culture. It is the second largest foreign exchange after livestock after the downfall of the Somali government in 1991. It is assessed that up to 10,000 families were dependent and engaged on the production chain of the resins. (Farah 1994, 3). The two types of *Boswellia* species that grow in northern Somalia are *Boswellia sacra* (sny *B. carterii*) with the Somali name moxor (mohor), and locally known as beeyo.

The second is *Boswellia frereana* with the Somali name, *yagcar*, and is locally known as *meydi*. *B. frereana* is a prevalent species known only to grow in the Somali Frankincense regions. Other non-inferior quality frankincense species are found in Yemen, Ethiopia, Eritrea, Sudan and India. (Frank 1994, 6).

There are two harvest seasons. The first season starts February by tapping the trees bark in the form of scraping smaller portions of the trees with specialised knife. Milky looking like liquid rises to the surfaces, which later solidifies as resin. After two weeks, the harvester scrapes the resin and taps for second time. Up to 7 times of a 5 month interval can be tapped each season continue to produce more valuable and aromatic resin/gum without harming the trees. The second season starts July and follows the same procedure as season one. The trade of resins has not progressed and stood still in time to the disadvantage of Somali harvesters, while the world it supplies has modernized. Hard working harvesters of the raw resin are left at the bottom of the industry chain. These people see very little profit margins compared to the powerful middlemen and end product producers

Despite the tight profit margins left for harvesters, it is difficult for them to modernise. Harvesters lack proper storage facilities. Frankincense grows in harsh mountainous regions of northern Somalia. In the drying periods, harvesters store their resin in caves that are hard to reach. Harvesters carry 30 -40 kg of frankincense filled sacks and descend to 150 meters to the caves where they spread the resins on plastic sheets for drying for 2 weeks. After properly drying, they then carry back to the surface where transports are accessible. Sorting and grading is carried out by hand which consumes time. Mechanised sorting and grading machinery would be appropriate in major cities where there is access to electric grid.



Pictures 1: Frankincense tree, harvesting, gum and cave storage

2.2 Case company: Rahan Trading L.L.C.

Rahan Trading L.L.C. is a limited company located in the north-eastern city of Bosaso, Somali. The company was founded in 2010 and was officially register in the company's registry in 2015. It is engaged in the trade and processing of Frankincense resin/gum. The founders of the company are also owners of frankincense trees who gathered with a common interest to develop and modernise the production and trade of frankincense. Together with owners, harvesters and traders, the company aims to provide unified platform in educating, promoting fare trade regionally and internationally, promoting awareness of frankincense products and improving the skills and living conditions of those engaged in the industry within Somalia.

The company was built on a mission of sharing highest and purest raw material with rest of the world particularly those in the perfumery and aroma trade. Through awareness promotions, the company believes to raise awareness and create better understanding that differentiates between types of resins/gums wrongfully branded as Somali frankincense and the genuine resin/gum found in Somalia. A blend or entirely different resins/gums offered by traders in neighbouring countries and in UAE have resulted complains and brand damage. The frankincense production in countries in eastern Africa is declining due to overharvesting and diseases that are killing the tree population. Somalia is not yet affected with these problems but it is still a possible threat. Rahan Trading L.L.C. aims to educate Somali frankincense stakeholders in the country to sustainably harvest the rein/gum so that future generations could benefit.

The vision of the company is not only being a supplier of genuine and unique products of Somalia but also establishing and maintaining close friendly relations and forming partnerships with major market players including essential oil distillers, brokers, bulk resin/gum traders and end users in delivering pure undiluted products. In achieving its mission, the company hires talented and dedicated minds that are committed converting long-term set goals into reality. On the other hand, Rahan Trading LLC is

constantly on the lookout for reliable partners in reaching foreign markets by offering a win-win solution on both sides and to the wider stakeholders of the industry.

Rahan Trading LLC works hard harnessing the Somali frankincense potential. Being at the gateway connecting Asia to Europe, the country’s geographical location is ideal in reaching European, North American and Asian markets. As demands for frankincense containing products increases, the companies understand the importance of delivering tailor made products that suit and fulfils the needs each individual customer and partner. The company aims to modernise the production by improving storage infrastructure, organizing cooperatives working together towards ethically sound products, mechanizing the sorting and grading processes, and improving the livelihood of those that depend frankincense harvesting and its trade. Hull, Bradley (2008).

2.3 Company SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Low cost bases • Strong relationship with growers • Excellent customer relations • Flexible production • Product quality • Reliable product supply • Good reputation • Qualified and skilled manpower 	<ul style="list-style-type: none"> • No brand equity • Limited marketing budget • No international sales • Lack of knowledge about international markets and import requirements • Low current profit margins • Low innovation and R&D • Limited to domestic market

<ul style="list-style-type: none"> • Robust domestic performance 	<p>–</p>
Opportunities	Threats
<ul style="list-style-type: none"> • Brand development – Mechanized sorting mechanization • Packaging & logistics improvements • Establishing international distribution channels • Liberalisation of geographic markets • Organic branding • Strong niches that follow current trends • Awareness campaigns • Growing product demands • Promote fair trade 	<ul style="list-style-type: none"> • Changing government policies • Tax increases • Export restrictions • Strong competition in sourcing country • World economic slowdown • Adverse trade laws in target countries • Local competitors partnering with major international market players –

Figure 4: Company SWOT analysis

General Information

Year established: started trading 2010 and was registered in 2015

Legal form: Head office

Corporate capital: 1 million USD

Type of company: Limited liability company

Export

Area: Currently only UAE but intends to export EU and US

Customer: Essential processor

Employees

Company: 27 people

Turnover

2017: 1.67 million

Main activities

Production, processing and trade of frankincense gum. The company can supply frankincense all year round. It currently supplies 200 tons of various grade frankincense gum annually.

3 SME Internationalization to foreign markets

3.1 Internationalization

Internationalization is the designing of a product and services in a way that is easily adaptable to different cultures and languages. For businesses, it has growing tendency to operate across national boundaries and leads to take steps that increases organisation's client base in the international markets. Due to cross-border commerce, internationalization pushes the world economy into globalization that interconnects economies of different countries. (Buckley, Ghauri , 1999, 27)

Exporting internationally is viewed by most organizations the first step and the key to internationalization. Companies may implement different market entry modes and strategies, but developing export process is the most crucial to most who are aiming for internationalization. It is important to understand the factors influencing the process and the speed they move. Conducted studies in the past 30 years on the development of export process describe as an evolutionary process, which gained know-how results in the accumulation of organizational learning. These types of learning consist of processes adjusting the company defensively to foreign markets and others that are offensive in improving the company's fit in the market environment. (Albaum, Duerr 2011, 126)

Recent researches show relative effect on company's growth in international activities, tendency to change the process and diversity it delivers service and goods and commitment to the customer. These researches also show how company's product range grows in relations to the overall growth of international involvement through production increases, new product lines, introducing entirely new products and introducing non-material components including know-how, services etc. (Albaum, Gerald 2011, 127)

Born Global organizations are an example to those aiming internationalization. Such organizations adopt global view and start international activities from or close to the time of their incorporation. Having the innovative and knowledge-based capabilities, these organizations adapt to market dynamics and become competitors in no more than 3 years. The use of modern technologies overcomes the barriers hindering their growth and early exporting by lowering cost and establishing effective global communication. (J.Wild, L.Wild 2016, 33)

3.2 Motives for internationalization

As companies chose suitable foreign market entry mode, management is required to define the fundamental need to go overseas. The main proactive motive for companies to internationalize is to serve the economic objectives in the short and long term by utilizing and developing its resources. Another proactive motive is having unique product or service. The first reactive motive for internationalization is competition pressures in the market(s) that is reducing sales volumes and profit. The second reactive motive is overproducing products that the local market alone cannot consume. For the company to utilize its capacity and maximize its profit potentials, it aims for international markets. (Czinkota 2009, 217-218)

Rudimentary objectives for internationalization could be divided in profit and non-profit oriented. The profit-oriented goals can be getting better return on invested capital, increasing profit margins, creating growth of wealth and finally assuring stability. The non-profit goals can be reaching target sales, maintaining and increasing market share, job security for management, sustaining the workforce, supplying product and services that truly serve the customer and market needs. (Albaum, Gerald 2011, 117)

Characteristics such as push and pull factor from within and the outside environment of the company are the initial triggers to expand in international markets. Needs to venture other foreign markets start when push factors posing hostile trends to the domestic market such as declining product sales and demand, rising home competition

and pull factors that are favourable and attractive to the company's expansion are present. Accidental internationalisation can occur from the start when product or service offered is in high demand internationally. (Cavusgil, Knighr, Riesenberger 2011, 405)

Management should carefully consider and evaluate the company's recourses such as funds and time against expected profit margins, revenues and targets to be achievements when planning for internationalization. Traditional low risk entry strategy encourages choosing markets with the similar cultural and language background as initial step. For example, companies in UK would favour Ireland over Vietnam. As it is constant on-going learning process by management, it gives opportunities and ideas that valuable and beneficial to the domestic and other foreign markets. (Cavusgil, Knighr, Riesenberger 2011, 405)

3.3 Classification of export motives

Proactive motives	Reactive motives
Profit advantage	Competitive pressure
Unique products	Overproduction
Technological advantage	Declining domestic sales
Exclusive information	Excess capacity
Tax benefits	Saturated domestic market
Economies of scale	Proximity customers and ports

Table 1: Export motives. Source Czinkota 2009, 217-218

Specific reasons for exporting to overseas markets could be different. Managerial desire, determination, interest and commitment play major roll when deciding the possibility to engage exporting activities. This decision could be reached by an individual for small medium businesses, and for larger firms it could be decision making team. The decisions they make are based on the views of target foreign markets, anticipations of the markets and the capabilities of the company. Managers who were either born

abroad or lived abroad are more internationally minded than others. (Albaum, Gerald 2011, 120)

Companies producing unique product or have unique technologies have higher chance of been contacted and inquired by foreign markets due to the uniqueness of the offerings. Products with several dimensions have higher possibilities to get enquiries. Those firms that develop unique competence and are successful in their domestic markets will face fewer challenges when exporting internationally. Costs associated with exploiting overseas markets are small because of the already incurred sunk cost in developing this competence. (Albaum, Gerald 2011, 120)

By expanding the geographical markets, most of exporting companies are exposed lower market risks than those engaged only in the domestic market. The increased sales volume and profits in foreign markets helps the company to adapt with the local market dynamics. Declining domestic markets due to recession are compensated with the export sale. Spreading the risk is vital for the company's survival in hardship times. When declining domestic sales are certain, companies that are quick to understand potential foreign markets demand for their products will have better chance to go through local economic turbulences. (Albaum, Gerald 2011, 120)

Firm's readiness to export is strongly linked to the foreign market opportunities and the resource capacity it has to respond to the market demand. The correct utilization of tangible and intangible resources of the organization's management is vital to the company's competence in foreign markets, ability to have competitive edge over competitors and generate wealth. Management will possibly shortlist several export opportunities that have similarities to those in the domestic market when planning market entry strategies. Government and private institutions such as government agencies, trade associations, banks and commerce chambers promote export by providing fund and long term loans, making available data on foreign markets, promoting exhibition participations, trade leads assistance etc. (Albaum, Gerald 2011, 121), (Habiyakare 2009, 45).

Exporting companies that use economies of scale in their advertising, production, distribution can benefit reduced product cost as fixed cost associated with administration R&D, staff works equipment will be spread over the unit quantity produced. By taking advantage of the fullest extent of scale economies, some companies do standardise marketing mix aimed at international markets while others accrue economies based on the sizes. As the firm expands to international markets, the increasing customer base will increase production and sales volume and reduce the per-unit cost. Combination of solid marketing knowledge and access to market information will give competitive advantage over competitors. Unique product, professional sales force, strong marketing platform and good service are the key in succeeding foreign markets. (Czinkota & Ronkainen 2007, 283-284)

Industries which are less resistant to business cycles such as textiles, sporting equipment and tourism can benefit from exporting. Exporting reduces the risk of fluctuations in product cycles. On the other hand, decreasing domestic market sales can be compensated by exporting to ensure the company's growth and profitability. Selling seasonal products in countries different to home seasons give stability in sales and continuation of balanced production throughout the year. For example, winter clothing for the northern hemisphere markets is between November–March, whereas the southern hemisphere markets (Chile, Australia and New Zealand) are between May–September. (Albaum, Gerald 2011, 122)

Declining sales volumes and the local market unable to absorb the current and potential production levels, companies tend to find export markets to exploit their products and production potentials with the existing resources including machinery and labour force. This gives increased production efficiency and better stand to fight competitors both domestic and overseas markets. Getting rid of your stocks in overseas markets due to different pressures may result in decreasing sales prices compared to domestic market. This reduction of sales price can cause dumping law suits that will reflect negatively on the company's image and profit. (Albaum, Gerald 2011, 122), (Hollensen 2011, 54).

A firm may realise the potential of its product in foreign markets when it receives unsolicited enquires of its products, sales price or distribution cooperation. Raising awareness through international trade journal, exhibitions and other ways will attract attention of unsolicited orders from overseas potential customers. These export enquires/orders are usually based on the firms product mix, technology, experience in the field and marketplace exposure. Although there is not a general concept that fits all companies when it comes to unsolicited export orders, there is a quantifiable evidence of certain conditions enabling the facilitation of export activities. (Albaum, Gerald 2011, p123), (Hollensen 2011, 54 - 55).

Where the domestic is restricted by its capacity, companies aiming for efficient economies of scale are forced to look for export options that will sustain profit and growth. Firms who have easily identifiable consumers with similar lifestyle and income worldwide will benefit this type of market entry strategy. Another factor encouraging export activities is the feasibility benefits of foreign markets compared to domestic markets. Obviously, most companies prioritise exploiting domestic market first but the potential product sales and growth in foreign markets and stagnant or declining domestic markets could attributed as major factor for decision makers to aim for export. Under-served or not served at all overseas markets offer higher profit margins. Increasing product demand with lower completion usually dictates higher margins. (Cavusgil, Knight, Riesenberger 2011, 15) (Albaum, Gerald 2011, 124)

International trade interaction with foreign firms diversifies the experience and knowledge of the company and gives competitive advantage in international markets. (Habiyakare 2009, 45). On the other hand, it stimulates and encourages innovations and the development of better-quality products. One other major objective for the developed world to internationalise is ensuring steady supply of products to home country. This is known as offshore plants where a plant owned by a company in the developed country is located in undeveloped country. The prime intention for such company is engaged in the production and export of products or goods to the home country markets. (Albaum, Gerald 2011, 125)

A typical market entry strategy consists of two components: entry mode and market plan. Entry mode focuses on the infiltration of target country where as marketing plan focuses on the infiltration of target market. An entry mode has been described as “a structural agreement that allows a firm to implement its product market strategy either by carrying out only the marketing operation (i.e., via export modes) or both production and marketing operations there by itself or in partnership with others (contractual modes, joint venture, wholly owned operations). (Sharma and Erramilli, 2004, 2)” (Albaum, Gerald 2011, 392,)

Most of the decision-making process in international marketing, the influencer is the sales price the end user is willing to pay. Price structure including margins for wholesaler and export merchants add up in the final price the buyer/user pays. Another consideration to take into account is that time and financial resources spent could be high if the procedure in developing distribution channels stretches in time wise. These high costs can create negative effects that may hamper the urge to grow internationally. Closer distance between seller and buyer, and accessibility of reliable data may serve beneficial when it comes in predicting locational patterns and structural alteration in distribution. Other driving factors for internationalization include successful overseas business transactions of a local competitor, fear of losing existing overseas markets, tough competition in home market approaching overseas. (Albaum, Gerald 2011, 394), (Habiyakare 2009, 25).

3.4 Choice of market entry mode

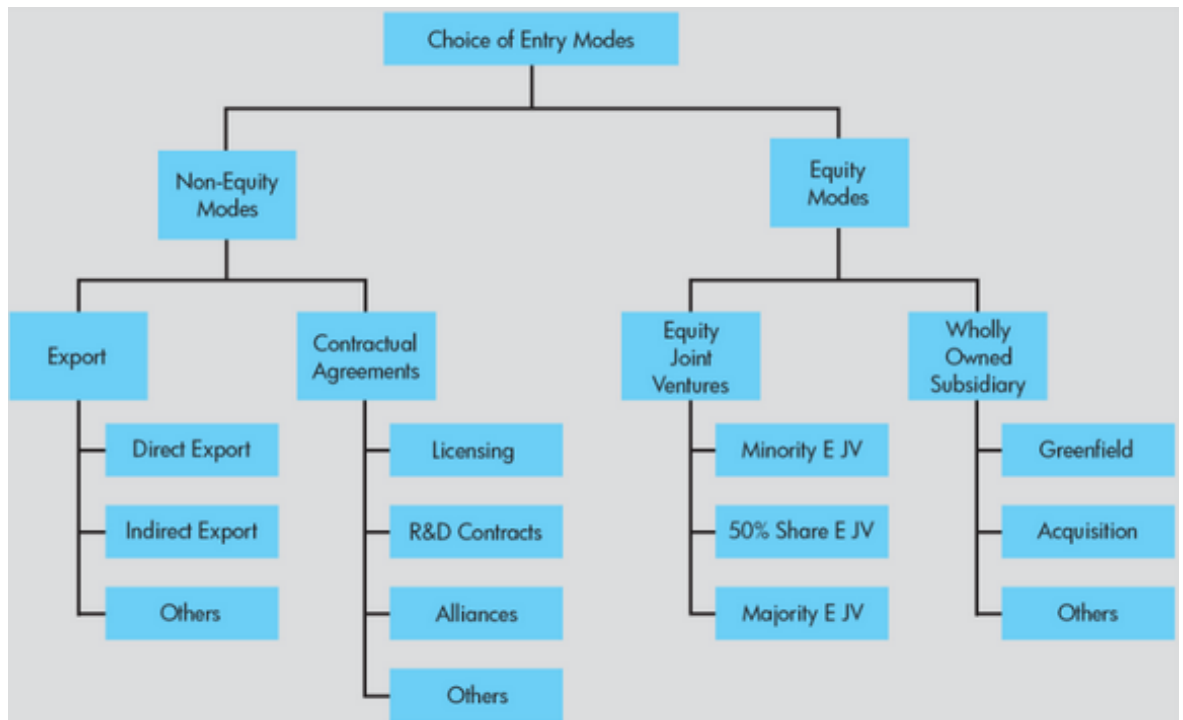


Figure 6: Market entry modes. Source: Yigang Pan and David K. Tse 2000, 535-554

3.4.1 Direct Exporting

Direct exporting takes place when an exporting or manufacturing company engages direct sales with its foreign based customer(s) and flow of trade is handled by dependant organisation of manufacturer, customer or overseas marketing company. The channels of export entry modes evolve gradually with the changing conditions and the dynamics of the market. It starts with the establishment of an exports department or division within the organization's home country. The purpose of such department would either be engaging direct export sales or overseeing and coordinating activities of dependent organization in overseas markets. (Hollensn 2008, 222).

Home-country based export department/organization could be categorised in:

- 1- *Built-in export departments* are basic in structure and consist of export sales manager and clerical assistant. The duty of such manager is direct sales and other export marketing activities such as logistic, credits and advertising are handled by the local market-oriented departments/units of the company. Due

to its simplicity, managers can face problems when trying to coordinate activities with other department of the company that are domestic market oriented. In this situation, managers of other departments see export marketing duties as minor and are hesitant to allocate time and effort in fulfilling tasks and learning complex details associated with exporting. Lack of commitment by other departments may lead to incompetence of the optimal export marketing program. The success of such department relies on the manager's ability and willingness to cooperate managers of other departments. The built-in department best suits small companies that are new to exporting and are aiming for small to moderate foreign sales volumes. (Albaum, Gerald 2011, p464)

- 2- *Separate export department* is needed when the company's export activity increases and expect medium to high sales volumes. It is an independent unit where export activities are ran within the department itself. This department may be organised internally depending on how export tasks varies by function, product, geographic locations and customers. In contrast to built-in department, firstly, there is no clash between international and domestic-oriented departments in the company. Secondly, Committed and knowledgeable personnel could carry out efficiently all of the export activities on a full-time basis. And finally, the department is flexible in where it is located and not located where the head-quarter of the company is. (Albaum, Gerald 2011, 465,)

- 3- *Export sales subsidiary* separates entirely export marketing activities from domestic activities. Although some companies regard such department as a separate corporation in the sense of quasi-independent firm, the underlying fact is that it is controlled by its parent company. In this way conflict between domestic and international marketing activities are minimised. There is little difference between export sales subsidiary and separate export department when it comes to internal organization and specific activities. The single difference is that, export sales subsidiary purchases its export products sold

overseas from parent manufacturer. The benefit of export sales subsidiary include

- There is integrated control system that centralizes all exporting activities
- Possibility to separately calculate revenue and expenses associated with exporting
- As a separate corporation with clear financial position, it is easier to get more funding when needed from financial institutions
- Tax laws of some foreign countries may result to the favour of the company by saving total taxes. . (Albaum, Gerald 2011, 466)

4- “*Agent* is an independent intermediary company/individual that handles sales and purchase orders on behalf of the manufacturer, exporter, importer and distributor. An agent profits is often a commission based of (5 – 10%), paid by the manufacturer on a pre-agreed basis. Agents also known as broker, works on different levels: exclusive, semi-exclusive and non-exclusive agents. The widely used agents for entering international markets are exclusive agents. With agreed contract, the exporter/seller will give to the exclusive agent specific rights to sell their goods in a specific geographical location, compensation, terms of sale and agreement termination procedures. The physical movement of the goods is from exporter/seller to importer/customer without the agent assuming ownership or the title of the goods. The semi-exclusive agents handle non-competing goods of different exporters, whereas non-exclusive agent handles competing goods of different exporters. Agents may operate in a hierarchical form of subagents and share commissions on a pre-agreed basis. (Cavusgil, Knight, Riesenberger 2011, 71), (Hollensen 2014, 354)

3.4.2 Indirect Export

Indirect exporting takes place when a manufacturer engaged in exporting uses independent organization positioned in the same producer's country to reach its target customers. The producer may have exporting department (that may not be engaged in international sales) and is working closely with independent marketing organization to coordinate its exporting activities effectively. Producers that are aiming for indirect export have options to use international marketing organization:

- Merchants
- Agents

Home-based *merchants* are engaged in the purchases, sales, imports and exports like the usual home-based wholesaler. Export merchants take the load of marketing channels such as sales, advertising, marketing, merchandising off from organizations and gives plenty of time and space to focus in their domestic marketing. Such merchants have warehouses, branches, transportation services, retail chain shops etc. and are free to choose what to buy and sell, from/to where and for what price. Export merchants are powerful and strong enough to continue trading without the cooperation or goods of any one manufacturer(s). (Kotabe &Helsen 2011, 300)

The downside of export merchants are they may not be available in all segments of the market, meaning they are more willing to work with steady commodities that are open-market items; they are hesitant to undertake the sales effort and associated expenses needed in in the development of sales channels. In other circumstances, export merchants may not be willing to share profits in a proportional manner, but only allowing for the producer to get nothing more than manufacturers profit for any product. The export merchants meet manufacturers payment demands, fulfils necessary steps needed in the marketing and sales of any given merchandise. (Albaum, Gerald 2011, 447)

Export merchants also known in many countries as *trading companies* differ from country to another. The Japanese trading company is quite unique in the sense how effective the concept is applied from other countries such as Brazil, South Korea, Turkey and others. Largest companies involved in import and export in Japan are known as trading companies. Most import and exports pass through such companies, while smaller ones are limited to foreign trade and domestic distribution. In Japan, general

trading companies are involved in larger commercial and financial activities including financing, shipping, planning, technology transfer, insurance, real estate, construction etc. (Albaum, Gerald 2011, 447) (Hollensen 2014, 351-352).

Exporting companies looking for new markets may use the services of trading company which will simplify the difficulty faced when selling internationally as they will have vast knowledge and expertise in penetrating those markets. Such companies serve as a transitional platform of imports and exports of services, goods and commodities. For those firms which are producers or aiming for exports, but having difficulties or do not have experience in international sales, trading companies can act on their behalf in reaching overseas based markets. Larger trading companies behave as a broker managing high volume low-margin sales of different products globally. (Cavusgil, Knight and Riesenberger 2012, 109)

Types of trading companies can be grouped
General trading company (GTCs) engaged in general import export activities
Export trading company (ETCs) has a prime target of promoting and strengthening exports
Federal export marketing groups (FMGs) cooperating with exporting companies being directed by a third party
Trading arms of multinational corporations (MNC-ETCs) Import, export and trading specific in parent company's operation
Bank-based or bank-affiliated trading groups (Bank-ETCs) which are an extension traditional banking activity into commercial fields
Commodity trading companies (CTCs) are engaged in long-standing export trading in specific markets, secretive, fast-paced high-risk activities.

Table 2: Type of Trading Companies Source: Albaum, Duerr 2011, 448

Export desk jobber also known as *export drop shipper* or *cable merchant* is usually associated with the international sales of raw materials. The difference between them and the previously mentioned other forms of merchants is that they never physically obtain or see what they sale or buy. Other than that distinction, desk jobbers operate similar to the regular export merchants. The manufacturer controls and takes the responsibility of the physical movement of goods by shipping directly to the desk jobber's buyer(s). For example, a buyer is located in China, the manufacturer in United States and the desk jobber in United Kingdom. The desk jobber closes the deal, and the manufacturer directly ships goods to the customer/buyer in China. In this sense, the desk jobber never obtains or sees physical products. (Albaum, Gerald 2011, 451)

Export buying agent (export commission house) is an agent/representative of a foreign company which resides in the exporter's country. The agent acts on the demands of the importer and acts as purchasing agent on agreed commission from the buyer/importer. The export commission house is the domestic procurement agent looking for a particular product that is been asked to locate on a given specifications and pricing. The agent then contacts manufacturers enquiring the merchandise in question and compares the prices offered by the manufacturers. The lowest price wins the order with no or little sales talks. (Hollensen 2014, 350).

The positive side of using export commission houses are the exporter quick payments of the goods in the exporter's home country, not responsible of the physical movement of the merchandise as the agent will go through all the export procedures, the manufactures/exporter faces little credit risk and only has to achieve merchandise sales requirements of the buyer. The negative side is firstly the exporter would not have control of the product marketing internationally. Secondly, as the exporter is dependent of the buying agent, it will have no or little knowledge of the market dynamics of the importing country, competitor's strategy in the domestic and foreign markets, and the continuation of the export. (Albaum, Gerald 2011, p452,) (Hollensen 2014, 350)

Confirming house which is well practiced in Europe particularly in the United Kingdom do assist buyers located abroad by confirming orders previously placed on agreed terms so that the exporter would receive payment of the shipped goods from the

confirming house on behalf of the buyer. Although it functions partially as financial institution, it also assumes some of the functions of the commission house. The functions of a confirming house by intervening trade transactions between buyer and seller is much appreciated in countries where the cost of money is significantly high and where there is credit uncertainties. The services of such organization are mostly beneficial to small and medium sized enterprises. (Albaum, Gerald 2011, 452)

The *broker* is a home-country agent and has principal objective of bringing together both side of the buyer and the seller to reach contractual agreements of future trade transactions. By providing this service, the broker gets principal commission. They specialise in a particular product/business field and are not limited to a particular buyer or exporter. Exports brokers do represent the interest of either the importer or the exporter. For Example, an export broker specialising in the seafood trade is asked to get disposed of specified canned tuna not currently absorbable/saleable in the domestic market. The broker contacts with acquainted overseas buyers and offers the products as a prearranged price or asks them to give him/her an offer. The broker accepts the best offered price if he/she is authorized. If not, the offer is sent to the seller. When a sales agreement is reached, the broker gets his/her pre-agreed commission. (Albaum, Gerald 2011, p454) (Hollensen 2014, 351)

Export management company (EMC) is an international specialist company representing the interest of noncompeting manufacturers. They conduct businesses including contracts and negotiations on the name of each manufacturer they work with. In practice, Export Management Company behaves similar to manufacturer's distributor rather than commission representative. Due to the local knowledge base EMC companies passes regarding government regulations and domestic purchasing practices, it is economically sensible to use them in getting wider product exposure in market that are challenging to penetrate for a much-reduced cost than once own. (Albaum, Gerald 2011, 455) (Hollensen 2014, 351)

The advantages of EMC are: firstly, using EMC, a manufacturer gets tailor-made export department without increasing sales expenses. In return, the manufacturer benefits quick foreign market access, by utilizing EMC's know-how in product sales,

suitable distribution channels selection, forwarding, legal counselling and advertisement. Secondly, they provide financial assistance to manufacturers in buy-and-sell arrangements. Thirdly, EMC have wealth of experience and expertise in export marketing and can quickly distinguish markets that are receptive to manufacturer's products. Fourthly, EMC can provide to importers a line of products from different manufacturer that are not competing but rather complementing the overall sales objective. (Albaum, Gerald 2011, 455,) (Hollensen 2014, 351)

The disadvantages of *export management company* (EMC) are: firstly, the interest of the supplier and the EMC may differ if the EMC specialises in specific geographical area or product that do not agree with the supplier's objectives, leading to single-sided interest of the EMC. Secondly, as EMC work on commission based, they may choose products that sell quicker in the market of another supplier. Thirdly, large product range of the EMC may lead giving little attention to some of the product in terms of sales. Lastly, competitive product promotion by the EMC might be a disadvantage to another supplier's product. (Hollensen 2014, p351)

“A **Cooperative Exporter** is a manufacturer with its own export organization that is retained by other manufacturer to sell in some or all foreign markets” (Rao, 2010, 273). Firms using cooperative export organization for export marketing channels get the combined benefits direct and indirect exporting. As an independent organization engaged in exporting activities on behalf of the supplier it is an indirect exporting. On the other hand, it is a direct exporting for the supplier as it will have some administrative of control over the operating policies of the cooperative organization. There are two types of cooperative international marketing: Piggyback marketing and exporting combination. (Albaum, Gerald 2011, 458)

Piggyback marketing takes place when a SME supplier (rider) who wants to penetrate overseas market colludes with larger company (carrier) in target country to act on behalf of the rider. The carrier often has well established distribution channels and operates in the target market. The carrier's service is paid on pre-agreed commission or in some cases the carrier buys all the products and acts as an independent distributor.

Piggyback marketing is used in complementing product ranges and not competing. In some cases, it is possible for the carrier to buy the products outright, puts its own brand name and labels and sales as its own. But in more often cases, the carrier keeps the producer's (rider's) brand name and both sides work on levels promotional arrangements depending on the importance of the brands. (Albaum, Gerald 2011, 458) (Hollensen 2014, 352)

There is an advantage and disadvantages for the carrier and as well as for the rider. The carrier's advantages are by using piggybacking, it is possible to get products more quickly as they are in the disposal of the supplier. It is cost effective in the sense of not investing in research and development. The firm does not need to spend on long term production facilities and neither does it need market testing of the product. It is as easy as picking up the product from another supplier and expanding the firm's product range without the hustle of going through product development and manufacturing process. One of the disadvantages for the carrier is assuring product qualities received from rider. Below the perceived quality standards of the customers, it may lead to brand damage that may be hard to recover from. The next challenge is, if the market demand of a specific product from the rider increases how committed will the rider be in increasing their production capacity. (Hollensen 2014, 352-253)

The advantages for the rider are the ability to export without creating own distribution system. The other advantage is, the rider's involvement in product handling with the carrier will give comprehensive understanding and know-how of how trade is conducted in unknown markets. In the future, the rider may become self-sufficient in those markets used by carrier to sell products. The disadvantages for the rider could be the lack of carrier's commitment in product sales could lead missing seasonal product sales. The carrier may not cover geographical areas that are highly potential. Smaller rider firms may see as threat giving away control of product marketing. (Hollensen 2014, 353)

3.4.3 Strategic Alliance

Strategic alliance is an arrangement between two organizations to pull resources in undertaking specific tasks that are beneficial to both parties in the short and long terms. Such arrangements are reached to expand into new markets, develop effective processes with a motive to have advantage over competitors. Organizations in strategic alliance move faster rate in pursuing beneficial objectives by benefiting each other's knowledge and resources. Such benefits are reduced setup time and costs. Main types of strategic alliances are Licensing, joint venture and contracting, R&D, partnerships, cross-marketing agreements, cross-production agreements and cross-distribution agreements. (Albaum, Gerald 2011, 535,)

The basic aim of strategic alliance is to improve the long-term competitiveness of the strategic partners. The alliances forms on believe that both parties would complement each other by contributing something unique such as new technologies, market access and know-how. Other advantages of alliances include sharing larger needed investments, generating better return on investment by speeding up asset turnover, spreading business associated risks, increased efficiencies through specialization, economy of scale and rationalization. (Albaum, Gerald 2011, 536)

The alliance may fall apart if the fundamental core dimensions are absent. These dimensions are achievable goal compatibility on both parties; beneficial strategic advantage(s) for the alliance; maintaining the interdependence balance to reduce conflicts and increase cooperation that is beneficial to both parties; commitment of resources; creating communication and conflict management mechanisms that prevents the deterioration of alliance partnership; work coordination that reduces bureaucracy red tape and associated costs; and better planning structures and procedures. (Albaum, Gerald 2011, 536-537)

3.4.4 Joint Venture

Joint venture is widely practiced when engaging international marketing. It is a partnership of collaboration and cooperation between two or more companies mostly located in different countries around the world. These partnerships between companies of

local and international usually involve the sharing of ownership and control. Reasons for setting up joint ventures are to gain the know-how of a foreign company such as technology and management skills; to speedup foreign market entry process and reduce costs associated by complementing the experience of the host company; to have some form of ownership in countries that restrict complete foreign ownership; and to give advantages over competitors by sharing production and R&D expenses. . (Hill 2013, 497)

Joint ventures can be either specialized where one party complements the activity of another in marketing and production, or it can be shared venture where all parties in the partnership equally involved in the value-adding activities. For a small or new company that cannot afford establishing overseas subsidiaries, it could be the best way to enter foreign markets. It minimises the risks of committing capital and labour resources by benefiting the expertise and management skills of a foreign partnership in the target country. Joint ventures could lower foreign business environment risks and increase sales and profits compared to a subsidiary by pulling in nationalist-oriented consumers that would otherwise see your products/services as foreign. (Hill 2013, 497)

The limitations of joint ventures are generated profits are share more than one company; disagreements may arise from dividends policies and different corporate cultures; and there could be a mismatch of companies with different strategic motives and rationales. The international marketer could become your competitor if he forms a joint venture in a third market/country where the existing joint venture is already selling or supplying. The success of a good joint venture relies on the extent partners communicate and cooperate. In the joint venture agreement, it is wise to include phrases pointing measurements in solving conflicts if they may arise. (Hill 2013, 497)

3.5 Factors affecting entry mode choice

International experience of the firm. According to Hollensen (2012, 223), the company's experience in international trade and the physical characteristics of their product/service will determine the company's internationalization process. Firms already

dealing with international clients would have broader understanding in international operations procedures and market environment. Such strength would encourage taking risks and committing resources on one hand, and on the other hand it will reduce costs and uncertainty in foreign markets. The product characteristics and nature such as size, value, material and weight will define where the product will be sold.

Size of the organization. Small to medium size businesses choose less risky market entry modes such as exporting or contractual mode because of their resource limitations. Growing resources availability provides basis for increased international involvement over time. On the other hand, multinationals organizations that are larger in size and possess more resources favour using foreign direct investment mode. Foreign direct investment gives them full control over their operations and will individually face the risk of the new market alone. (Hollensen 2004, 280).

Product characteristics. Products that are high in technical nature or complex, and do require before and after-sales servicing would need hierarchical mode as there are not enough intermediaries in many foreign countries that are capable of servicing it. Companies would pay more attention where to produce in terms of product physical characteristics such as value/weight ratio, composition and perishability. Products with differentiation advantages such as brand name, after-sales service, physical variation and advertising that encourage preference for one product over another may allow the firm to absorb the higher cost of being in a foreign market. (Hollensen 2004, 281).

Trade barriers are imposed restrictions by governments of a certain country in which the government regulates the imports of foreign products and services to protect and encourage growth of local organization as well as FDIs. According to Subba (2010, 44), “the companies planning to enter global market should know the trade policies, general legal and political environment of the foreign market”.

Companies planning to enter such markets where trade barriers exist, it may establish manufacturing facilities in foreign countries rather than exporting owing to high tariffs and restriction in foreign countries. On the other hand, some countries enforce legal conditions that only enable foreign companies to do business in that country by

forming joint venture with a local company. As for the tax policies, countries differ. There are some countries imposing high tax rates for foreign companies, while others provide incentives to stimulate national economic growth and job creation.

Social and cultural environment. The social-cultural fabric of the society is an important factor that needs analysing while formulating business strategies. It's a system of learning behavior patterns differentiating characteristics of members of different societies. Because culture resist change and fosters continuity, the cost of ignoring traditions, customs, tastes and preferences of people could be costly. (Czinkota & Ronkainen 2010, 92-94). Often companies orientate their initial internalization efforts in countries that have similar domestic market in order to minimize the social cultural risks. (Subba 2010, 45.)

Business organizations should embrace the process of gradual change in values and attitudes and prepare to accommodate the changing need and demand of consumers. Firms operating in foreign markets would need to ensure that their product portfolios represent the society demand. Firms should closely follow market dynamics taking place relating to the change of society and their patterns of demand (Palmer & Hartley 2009, 9).

Market potential is measured either by the sales value or sales value representing the entire market size for a product at a specific time. Companies may consider accessing the market potentials, based on the size of the target market's population, GDP of the country and per capita GDP, competitors, analysis of potential customer base, urban areas/Rural areas and purchasing power.(Subba 2010, 42).

According to Hollensen (2004, 282), "firms select the market entry modes according to the market size and its growth rate". Firms choose the entry mode with least capital and risk factor involved, when the market size is small and has less demand for the products and services.

Country risk and uncertainties. As companies have no certainty of the future following the recent past pattern, country risk varies from one country to the next. These

risks include exchange-rate risk, political risk, transfer risk and economic risk. In the general sense, country risk relates to how political and economic turbulence affect issuer's securities in doing business in a country. It is easier and cheaper for small companies to adjust to change than it is for big companies. There are number of risks which are confronted by companies and it includes unfavourable legislations and high taxes, new better resourced competitor, new government may come with unfavourable political agenda, consumer disposal income may decline, shortage of skilled workers. (Palmer, & Hartley 2009, 29).

Economic situation. Household's disposal incomes vary with economic cycles generating increased consumption of goods and services during the economic boom time and decline during the recession time. There is a direct link connecting the actual distribution of spending power among the population influences to the pattern of demand of specified goods, and rise of unemployment encouraging low wages favouring the labour intensive service companies. (Palmer & Hartley2009, 13).

3.6 Pricing Strategy

Pricing is one of the three marketing mix and integrates with other three Ps when reaching decisions. Pricing policies can be revised continuously and quickly without incurring large costs. For small and medium sized enterprises (SMEs) that are engaged in domestic markets, pricing approach is the totals of production costs, managing and marketing costs, and profit margin. For international markets, it is different due to external factors influencing pricing. These factors could be foreign currency rates fluctuation, inflation and method used for payments. SMEs planning to exporting or new to exporting would set price that will covers incurred costs. Better pricing policies that are integrated with other marketing mix would give competitive edge in target markets. (Hollensen 2014, 369)

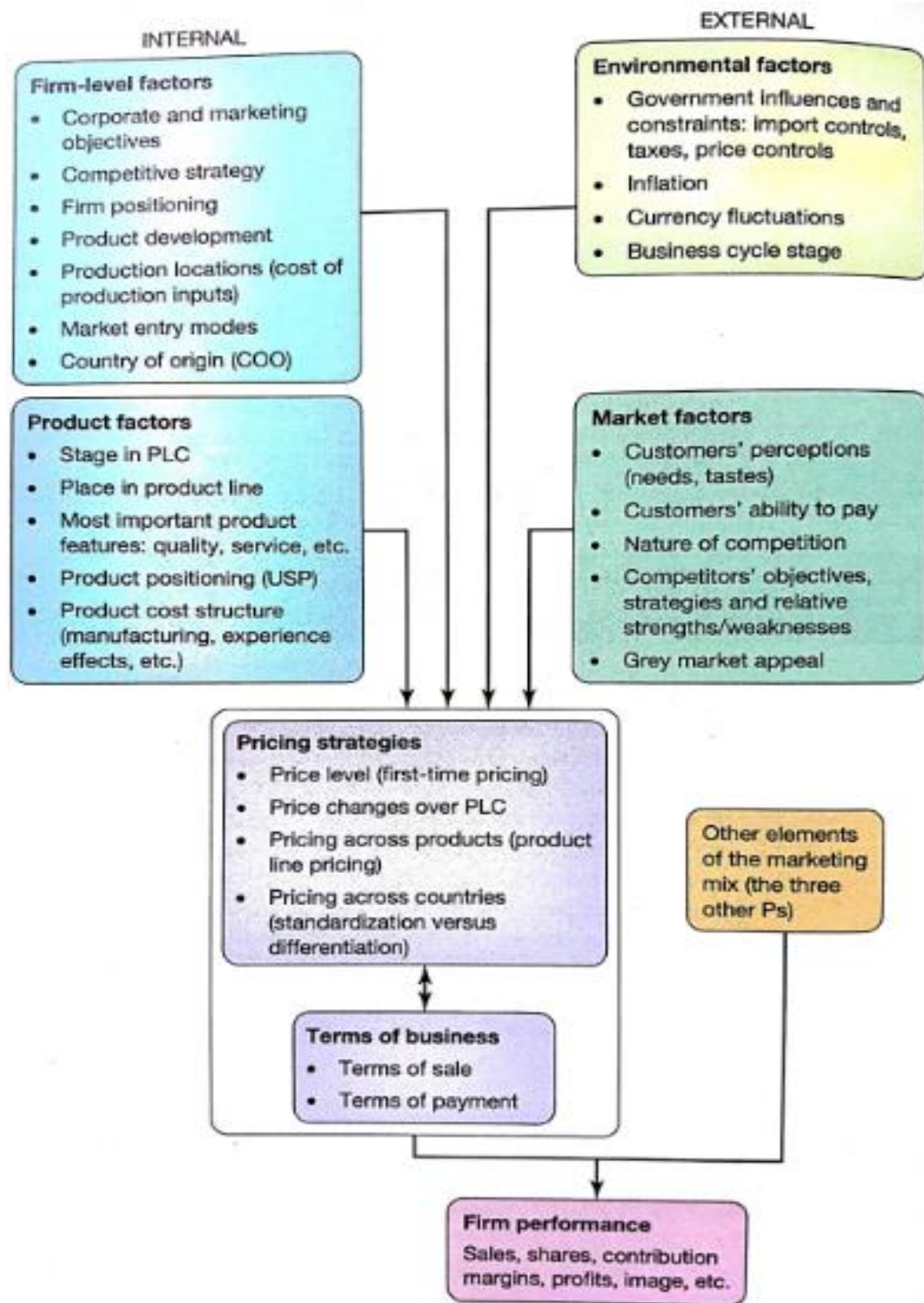


Figure 6: Pricing Strategy

At the firm level, factors influencing international pricing could be the past and present governing philosophy, corporate and decision-makers policies. Setting the price with short term incentives in the form of price reduction and product offering greatly contributes in the restructuring, progress and decline of different industries. Some Asian companies enter international markets with reduced pricing of their products to build

long term market share, creating strong brand name, and establishing effective supply and servicing channels. Japanese firms approach in achieving long-term term profit is accomplished at the costs of short term profits. Product place of origin place major role as management will orientate achieving premium prices. Countries with good product reputations and image will attract consumers willing to pay higher prices. (Nagle & Hogan 2006, 265)

Some of the product factors are its uniqueness that differentiates from others, the innovative features it possesses, and the availability of its alternatives. These factors will have direct effect of the product life cycle in a given consumer or industrial markets. The cost associated to market dynamic adoption, the ability to modify product and logistics will have impact on the pricing. Adding up these costs may create price escalation resulting consumers comparing and searching for other alternative products. Price escalation will have direct consequences on those engaged cross-border trade. Measures to control price escalation include reducing factory export price, rationalizing the supply route, and establishing production in export market. . (Nagle & Hogan 2006, 266)

Environmental factors are external and uncontrollable by the firm. It is controlled by the national government and is based on policies that are political and strategic to the country's import and export. Import limitations may accrue due to local producer protection or reduction of foreign exchange outflow. Restrictions in the form of tariffs, quotas and other non-tariffs increase the product price and restrict the flow of product supply. If the product is to achieve acceptable volume sales, these tariff and non-tariff costs should be absorbed between the exporter and importer. (Hollensen 2014, 539)

The market factor depends on the customer's willingness and ability to pay a certain price for a product. Another factor influencing is the existence of fierce competition in the market for similar products. Pricing strategy in highly competitive markets will affect international price. In such situation, prices are set in marketplace to just above cost to keep marginal producers in production. Factors influencing the customer's sensitivity to price are product uniqueness, product quality perception, no alternatives available in the market, difficult to compare to others (mostly services), having

substantial benefit to the customer, that it comprises a small portion of the customer's expenditure, etc. (Hollensen 2014, 539)

Skimming is when a high price per unit is set to generate high profit in short time. This situation accrues when the products stand out from others due to its uniqueness and there is a willing segment of the market to pay those premium prices. Prices drop later as other segments of the market are targeted and introduces to the product. This strategy is oriented only in the short run and not the company's long-term position in the market. It is used when there is no foreseeable future of the product in foreign market. The down sides of skimming are facing threat from local competitors due to small market share; resources and presence are needed to sustain the quality and image of the product; and if the product is sold cheaper in other markets, there is a possibility of parallel importing. (Albaum, Gerald 2011, 690) (Nagle & Hogan 2006, 131 - 132)

Penetration pricing is used to quickly capture mass market and stimulate growth by introducing low priced products. This method of pricing is believed to decrease unit cost by production and demand increase. It is implemented economies of scale and experience curve effect and is suitable where price sensitive consumers exist such as developing countries. There is a threat from competitors reducing their price too which will have reverse effect on the target sales quantities. Another threat is customers losing faith in product quality if prices as set so low. The objectives of deploying penetration pricing are protecting against aggressive competition; providing cheaper products to low income segments of the market; and to generate revenue by exporting to foreign markets. (Bergström & Leppänen 2015, 240).

Extinction pricing is aimed at eliminating or reducing present competitor's threat in the market. It is applied by larger corporations producing low-cost products to drive out marginal producers from market. Pre-emptive and extinction pricings slow down economies and market developments in developing countries. They are both believed to closely relate to dumping in foreign markets. There is a threat that national governments will enforce arbitrary restrictions to protect local and marginal producers.

Another down side of such method is there will be difficulties rising up prices to profitable levels after customers accustom to lower prices. (Albaum, Gerald 2011, 691-692)

Market pricing is used when comparable products exist in the market and the customer choice is based on attractive prices. Firms deploying market pricing should have good understanding of product costs and its life cycle. As it is reactive, firms have little choice other than accepting international market prices. After calculating the cost, thoroughly investigating the features of other similar products offered in the market, the company evaluates its position and introduces prices that could be higher or lower. These prices are reached after calculating contributing factors and remaining profit margins. Market demand creates opportunities to set the price higher. As the demand falls, consumer interest of the product(s) could be attracted by offering discounts and incentives. (Bergström & Leppänen 2015, 244-245).

3.7 Frankincense trade in US and EU markets

The market is segmented into 3 sectors:

- The food supplements market has great prospects for frankincense gum. Its anti-inflammatory properties of boswellic acids is used for joint conditions. The aging and the overweight population in EU and USA are at risk of joint health conditions. Countries with higher risks of joints, muscles, bones problems are USA, Austria, Hungary, Slovakia and Spain.
- Frankincense is also used in the herbal medicinal products. A seller/exporter should fulfil with the legal requirements for the industry such as WHO and ESCOP and European Pharmacopoeia monographs.
- The aromatherapy segment is promising due its constant growth. Frankincense oil is mostly used in relieving stress, anxiety and joint health. Europe's population is at risk of work-related stress. The use of aromatherapy is increasing due to people perception and growing faith in their effectiveness as safe alternative to conventional medicine. Largest markets are in countries like France, Austria, Germany, USA and Switzerland.

The key actors in the frankincense those engaged in the trade and production of raw gum and essential oils. In the essential oil, Young living and Doterra are the dominants. Other major market players are Biolandes, Sydney Essential Oils, HRF, The Lebermuth Company, Essential Oils of New Zealand, Sydella Laboratoire, Farotti Es-senze, Moksha Lifestyle Products, West India Spices Inc., Falcon, and Ungerer Limited. Some of these companies have already established supply chain from Somalia such as Young living and Doterra.

Somalia and Ethiopia are the biggest producers of frankincense resins. As Somalia is largest supplier of myrrh and opopanax, there are other neighbouring countries that also produce lesser quantities like Ethiopia and Kenya. Somalia is the single source of maidi type frankincense. Most widely traded frankincense is produced by Sudan, Ethiopia and Eritrea. Indian frankincense is used domestically to produce incense sticks. (FAO)

Frankincense gum starts from tapping the frankincense tree in May and November each year. By tapping, the trees produce milkfish saps in the form of tears on the tree barks. They are left to dry for weeks. Then they are harvested and spread for further drying in the field where frankincense trees. Unsorted gums are then trucked to major cities like port city of Bosaso. Skilled women workers manually grade the gum into 4 grades. Graded gums are then packed in 50 kg poly bags and prepared for sale and export. Frankincense is on the market for trading and export in summer and winter seasons.

All Somali frankincense trees grow in the wild. No irrigation, no fertilizers and no pesticide/insecticide are used, they are natural. Such products are organic as there is no human interference wild growing in the wild. There is lack of understanding among growers and harvesters of the importance and benefits organic labelling could contribute to the Somali frankincense. In my research, I have met only one organization that had EU and USDA organic certifications. Organic labelled products have

3.8 Summary of the theoretical research

Internationalization is the designing of a product and services in a way that is easily adaptable to different cultures and languages. For businesses, it has growing tendency to operate across national boundaries and leads to take steps that increases organisation's client base in the international markets. Due to cross-border commerce, internationalization pushes the world economy into globalization that interconnects economies of different countries.

The general and logical motive for companies to internationalize through exporting or any other means is to serve the economic objectives in the short and long term by utilizing and developing its resources. Characteristics such as push and pull factor from within and the outside environment of the company are the initial triggers to expand in international markets. Traditional low risk entry strategy encourages choosing markets with the similar cultural and language background as initial step.

Companies producing unique product or have unique technologies have higher chance of been contacted and inquired by foreign markets due to the uniqueness of the offerings. Products with several dimensions have higher possibilities to get enquiries. Expanding the geographical markets, most of exporting companies are exposed lower market risks than those engaged only in the domestic market. The increased sales volume and profits in foreign markets helps the company to adapt with the local market dynamics. Firm's readiness to export is strongly linked to the foreign market opportunities and the resource capacity it has to respond to the market demand.

Direct exporting takes place when an exporting or manufacturing company engages direct sales with its foreign based customer(s) and flow of trade is handled by dependant organisation of manufacturer, customer or overseas marketing company. Indirect exporting takes place when a manufacturer engaged in exporting uses independent

organization positioned in the same producer's country to reach its target customers. The producer may have exporting department and is working closely with independent marketing organization to coordinate its exporting activities effectively.

Pricing is one of the three marketing mix and integrates with other three Ps when reaching decisions. Pricing policies can be revised continuously and quickly without incurring large costs. For small and medium sized enterprises (SMEs) that are engaged in domestic markets, pricing approach is the totals of production costs, managing and marketing costs, and profit margin. For international markets, it is different due to external factors influencing pricing. At the firm level, factors influencing international pricing could be the past and present governing philosophy, corporate and decision-makers policies. Setting the price with short term incentives in the form of price reduction and product offering greatly contributes in the restructuring, progress and decline of different industries.

4 Research approach and method

In the empirical part of the thesis, the author conducted a research based on the theory described in chapter 3 of this thesis. The following chapters discuss chosen research method, data collection, validity, reliability and possible limitations. The objective of this research is to provide Rahan Trading L.L.C. comprehensive information of potential markets and market entry modes suitable in exporting frankincense internationally. The provided information will help the case company make the right strategic decision in entering international markets. The main target markets for Rahan Trading L.L.C. are European and American frankincense gum and oil wholesalers and brokers.

4.1 Research approach

The author chose qualitative research method to deeply understand the context within which actions and decisions take place. The aim to use qualitative research in this thesis is to understand motivators, opportunities and challenges a new exporter would face when exporting to international markets. The author intended to reflect the findings based on literature review and collected data to the adopted framework of the research. Moreover, the aim of the research is to narrow down one or two entry modes that would be suitable for Rahan Trading L.L.C. to export frankincense. Consequently, collected data in the form of interviews and desktop research were analyzed and concluded together applying the results into the bigger theoretical framework.

“Qualitative research is an array of interpretive techniques which seek to describe, decode, translate and otherwise come to term with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world” (Van Maanen 1979, 520). The aim of qualitative research method is:

- To gain an in-depth understanding of situation in the marketing domain, consumer and managerial contexts. Qualitative research combines the intuitive with ration by unfolding the process rather than the structure. Gathered data

delivers detailed picture of situations, events and interaction between people and things.

- To examines without prior judgments by involving inductive reasoning. Best suits uncharted area of study where there is little or no theory under consideration and no hypothesis. Qualitative research allows a variety and mixture of interpretive techniques.
- To addresses questions of why and how things happen. It gives in-depth understanding of contexts by answering why, how and what certain phenomena take place.
- To be a trustworthy by carefully using, interpreting, examining and assessing literature. Structures data and ensures descriptive evaluation and assessment that links back to methodological framework, theories derived from existing literature and theories relating to significant findings.
- To provides clear and precise evidences contributing to the research transparency. It offers reasons why a given interpretation is made by giving clear explanation. (Carson, Glimore 2001, 68 – 72)

Qualitative research design

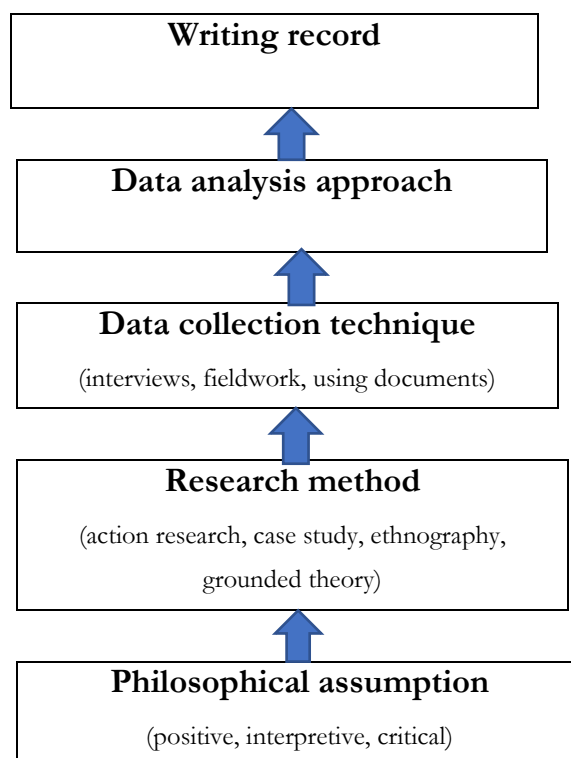


Figure 7: Qualitative research design [\(Myers 2013, 57\)](#)

A qualitative approach to the research is chosen over quantitative method due to the nature of the research, type of information that is collected and the method used in data collections. This approach is appropriate and applicable in seeking in-depth answers to the research question. Consequently, the data collection method suggested for this type of research is an in-depth interview that is semi structured two-way discussions, described as an “active interview” and a questionnaire where applicable. (Cohen et al. 2011, 2019). It gives detailed qualitative information that explores more on the matter. (Gubrium & Holstein 2003, 73). After conducting qualitative interviews with the interviewees, the data was presented as case studies for each company. Furthermore, the collected data is described as confined to the context, which means it must be presented as a case also providing the background to be understood correctly. (Imms 2002, 18).

4.2 Data Collection

Interviews play major role in most of qualitative data collecting (Interpretive or critical). Interviews enable us to gather comprehensive data from people in different roles and situations. A good interviewer listens, directs, prompts, and encourages the interviewee to feel comfortable so s/he would disclose needed information focusing on the subject’s world. Other used techniques in qualitative data collections include participant observation, fieldwork and literature or archive research. The choice of the data collection techniques depends on the kind of research methods you intend to implement. For case study research, it is almost certain that the researcher would conduct interviews. For ethnographic research, it would be fieldwork.

Primary data is unpublished data that the researcher gathers directly from people or organizations through the means of interviews, fieldwork and documents such as minutes of the meetings. This data is unique to the research and researcher as it adds richness and credibility and contributes to the overall outcome of the research. To have an added value to the research, the researcher should be familiar with the data

gathering technique s/he is using to get comprehensive data by opening up the interviewee. Secondary data refers to gathered data that has been previously published in the form of books, articles both in newspaper and in journals etc.

There are three types of interviews:

- Structured interviews involve considerable planning and uses pre-formulated questions that have a specific order and time limit. Usually used alongside intercept research in telephone interviews, survey research, politics and market research, it reduces the role of the interviewer as there is no need to improvise the interview itself.
- Unstructured interview uses little pre-formulated questions with the possibility of no time limit for each question or topic. There is no consistency across the interviews and the interviewee narrates freely.
- The semi- structured interview that will be used in this thesis uses some pre-formulated questions with no strict adherence. During the course of the interview, new questions may arise to clarify or encouraging new line of inquiry within the asked question. There is a consistency across the interviews which the interviewer starts similar set of questions in each interview. This type of interview is flexible, giving interviewees the opportunity to complement with important insights. With interview structure, the interviewer is able to improvise.

Secondary data can also be gathered from documents apart from interviews and field-works. Documents including web pages, blogs, corporate record and newspapers can enrich the research by providing evidences. Electronic documents in the internet provide wealth of freely available information. Documents including press releases, annual reports, minutes of meetings, press releases, mission statements, company policies and procedures, emails and websites provide useful background information and can be used to supplement the conducted interviews. Today, documents are easily accessed in the internet through search engines. Another source of finding documents is library with various databases containing vital documents. (Burns & Bush 2014, 122-124)

The advantage of secondary data collection is that it saves time and money, and is rather easy to access because of the technological advances on Internet. Secondary data can be also used as a comparison tool to support or compare gathered primary data. However, it is important for a researcher to keep in mind that not all the sources of information are reliable, and hence, be critical in collecting secondary data from trustworthy sources. The secondary data collection in this research focused on gathering information on companies engaged in the frankincense trade such as traders, importers, brokers, distilleries and licensing agencies. The data was collected from topic related books, articles, and studies founded in the Internet.

The interviewees were Guled Said from Rahan trading L.L.C. He is the managing director of the company. He was chosen because of his role in the organization and his in-depth knowledge of the product the company intends to export. The interview with mister Guled was conducted Face-to-face in his office in Bosaso city. During the interview, he answered all the asked questions.

The second interview was with Maria Boukaouri of Bokar L.L.C. She is the owner of the business. The company is a broker of gums, nuts, spices bet and bird foods. Located in Piraeus in Greece, it is the oldest broker in Greece dating back to 1880. The interview went good with Maria and needed information was gathered. The company's brokerage covers Europe. She was keen doing business with Rahan Trading L.L.C. if the quality and the prices were attractive. Interview was conducted over the phone.

The third interview was with Aurore Gallet from Exflor, an essential oil broker located in Paris – France. She is the sales director of Exaflor. She showed interest working with Rahan Trading L.L.C. The company has trading ties in Africa, Asia, Europe and north America. Its trading products include essential oils, spices, and vegetable oils. The interview was conducted over the phone. All questions were answered.

The final interview was with Atanas Krachmarov from Ecomaat LTD. She is the trade manager. The company is located in Sofia – Bulgaria. It's a family owned business operating since 2001. It is an essential oil distillery with a capacity of 12meter cube per

each parch. There was language barrier between us and the interview was sent to her through email. She answered all the questions. Few days later, a quotation with service prices was sent to me.

4.3 Data analysis process

The author collected the research data through earlier described qualitative thematic interviews. The collected information was analysed according to the created framework presented in chapter 1.1 Research aim and objectives of the thesis. Principally, all the interview respondents of the companies shared their experiences on the themes discussed in detail in the theory. Moreover, the data was structured and transformed into a meaningful report that would be beneficial for Rahan Trading L.L.C. and to the wider audiences.

Case studies would be suitable in analyzing and presenting the collected data because of the nature of the empirical research. Furthermore, Case study research uses empirical evidence from real situations concerning people and organizations and relies on data from multiple sources. (Myers 2013,73-75). As the cases are further analyzed and related to the studied theory, further generalizations based on the conclusions and the analysis of the cases are justified. After describing all the cases individually, the author will draw conclusions presenting the essential information in a table. According to Huberman, Miles & Saldaña (2014, 12-13) the three simultaneous flows of activity in data analysis are data condensation, data display, and drawing and verifying conclusions. This summary as well will be built according to the thesis framework. By describing the interviews first as cases, it is possible to get the big picture of the process of expanding frankincense sales in the international markets. Furthermore, as the experiences are always to some extent dissimilar and the best way would be presenting one case at a time.

5 Discussion

In this chapter we discuss key findings of this empirical research followed by the research's conclusion of the main findings for Rahan Trading L.L.C and the author's professional specialization track. Then followed by the recommendations for the commissioning company, final conclusion and personal evaluation of the thesis project.

5.1 Key findings

Rahan Trading L.L.C. is interested internationalizing for different reasons:

- The company had strong market presence in North-eastern regions of Somalia. Its has reached the local market potential and would want to increase profits and sales volumes by exporting to international markets, where its products are currently exported through local brokers. Reaching international consumers and customers of frankincense products (gum and oil) means cutting down middlemen and local brokers on one hand, and on the other hand would bring more profits to the company.
- Need for innovation was another key factor to internationalize. To stand out from competition, Rahan Trading L.L.C. was eager to understand and learn from competitive markets and demanding customers. Such markets would encourage better product understanding and design.
- Gaining access to mature markets in Europe and US would create security for the company. Such markets would ensure job security for employees, increased production and better financial model.

Frankincense is harvested in summer and winter, and Rahan Trading L.L.C is currently able to provide 100 tons of various grades each season which its main product is destined for export. Productions and sales can be increased according to international demands by working with neighbouring growers and harvesters. The company is in the process of gaining EU and USDA organic certifications for markets where it wants to expand its exports. In the meantime, its partner company's certifications were planned to be used.

The gum market and the essential oil markets were appealing to the company. The essential oil market has more potential and was valued in 2016 6.63 billion USD and forecasted steady growth of 7.7% annually between 2016 and 2026. This growth is stimulated by increasing food and beverage demands, medical applications, and the aromatherapy industry. Rahan Trading L.L.C. understands such potentials and intends to exploit further. Attending international exhibitions of essential oils would enable the company better understanding of markets, trends, demands, market players and current market offerings. The expectation of the company is high, and believe they would succeed.

As a frankincense grower and processor, the company sees great potential in reaching foreign buyers and importers particularly Europe and US markets whose demand are forecasted to grow in the near future. It can offer better quality products, reduced delivery time, stable annual supplies and better pricing. Operating in these markets, can create win-win solution both for producers/exporter and consumer/importing customer. Ideal partners for Rahan Trading L.L.C. are major distributors, and brokers with larger geographical area. The company aims at direct export and indirect export through agents due to lower costs of these market entries.

Increasing demand for frankincense gum creates opportunities for new exporters. Some major market players of frankincense oil have already established their representatives in Somalia. Reducing future supplies of the gum due to overharvesting, tree diseases in Ethiopia, Eritrea and the Sudan and demand growth would create new export opportunities for Somali frankincense exporters. Gum and essential oil brokers want reliable and steady supplies. Currently in Greece there are only Sudanese and Ethiopian frankincense. New suppliers/exporters are welcomed if the quality and the price are attractive. Most of Bokar's customers used frankincense for oil distillation and church uses.

Proper grading of the product and quality assurances were key factors. Concerns were raised of the product variation in samples and actual exported goods. Grading in size, colour and age of the stock is important. Although brokers did import from growing

countries, there is opportunity to sell to the broker directly in quantities close to Rahan Trading L.L.C.'s production volume. They were open to offers and were willing to conduct business transactions. Needed documentations were certificate of origin, organic certificate if selling as organic frankincense and sanitary certificate. For the herbal medicine and food supplements, additional certifications were needed which could be asked the customs office in the intended country. Exaflor broker want steady supply quality and quantity; and expressed interest of the oil in organic and conventional.

Reduced distillation costs were observed in Portugal with the possibility to produced conventional frankincense oil and EU, USDA organic certified frankincense oils.

Ecomaat distillery have capacity of distilling large volumes of up to 12-meter cube of frankincense gum per batch. This means reduced oil production time with the desired percentage yield. Ecomaat also produces lab tests essential oil brokers would want. The distillery would be able to customise packaging and labelling needs of the brokers and buyers.

Competing frankincense products both gum and essential oils were from Ethiopia, the Sudan, Eritrea and India. Somali frankincense was mostly distilled for the perfumery industry and aromatherapy due to its unique properties. Second grade of the Somali frankincense suits best in the production of both organic and conventional oils and religious uses. It competes well in price and quality. The difference between first and second grades are size and colour but would yield similar oil quality and quantity.

5.2 Recommendations

Frankincense's anti-inflammatory properties has great potential in the food supplement market. The boswellic acids it contains have proven human joint conditions and stress relief. It is also popular in the herbal medicinal products. Reaching this market need to be carefully complied with the industry's legal requirements. There are existing competitors in this market and buyers can be attracted with better pricing strategies, services and deliveries. This market is driven by rising demands of natural healthcare products. European and American consumers are getting more health conscious by improving

their lifestyle and understandings. The global demand for essential oils is predicted to grow annually by 7.7% till 2026. Key markets in the aromatherapy and cosmetic are the US, Germany, Switzerland, Austria, the Netherlands, UK and France.

The raised awareness of consumers and the need to ensure long-term supplies of frankincense products are key to ethical and sustainable productions. Fair-trade labeling means better living and working conditions for frankincense gum harvesters. Organic certification is important in the frankincense's aromatherapy essential oils used for health purposes and creating higher quality perception than the conventional oils. Meeting the buyer's requirement is must when exporting to US and EU food supplement and in herbal medicine producers.

Consistent quality in gum and oil is important. Consistent quality checks start from the beginning of the sorting and grading in post-harvesting processing. Buyers and importers are looking for consistent composition free from contaminations and dilutes. Buyers quality requirements may include Hazard Analysis and Critical Control Points; Good Manufacturing Practices, Corporate Social Responsibility practices such as prohibiting child labour and environment protection. Sustainable practice certifications are needed only if one is aiming for niche markets.

The essential oil traders, brokers, producers and buyers are usually members of trade organizations such as European Federation of Essential Oils, International Fragrance Association, the International Federation of Essential Oils and Aroma Trade (IFEAT) etc... Such organizations represent the interest of their members including companies engaged in the production, processing, trade and manufacturing ingredients used in flavour, fragrances and aromatherapy. They do have members in different countries. IFEAT for instance has 636 company members in 65 countries around the world. These organizations serve and protect the interest of their members. Some offer study tours and courses relating to essential oils. Being a member in one or more of these organizations will benefit the member in understand the essential oil trade and in finding buyers and brokers.

For Rahan Trading L.L.C., importers, distributors, agents and processors of both frankincense gum and essential oils are the most vital entry point into US and European Markets. Their focus is international sourcing, quality control and analysis, product documentation, blending, refinement and sales to end-product producers and processors. For the fragrance and aroma therapy, the company can distil its frankincense oil in countries like Bulgaria that offer better prices compared to western Europe. The sales channels can be agents and brokers who will represent Rahan Trading L.L.C. in the market. Also, direct sales to buyers and importers is encouraged because of the existing market demand. Most frankincense enters Europe in Germany and France, and New York in US. Offering directly to companies in other importing countries are important.

Value added frankincense products such oils give better profit margins when compared to selling as a gum. Producing value added products can earn 50% more profit than selling as a gum. Organic labelled essential oils have higher price values in the US markets for aromatherapy uses. I strongly recommend Rahan Trading L.L.C direct export and indirect exporting through brokers for market entry modes due to the flexibility and lower cost associated with. Brokers in this field are also buyers who have enough funds to purchase goods. Rahan Trading L.L.C. can start trading with the Greek broker that is willing to place orders of 15 tons every 40 days. Sorted and cleaned second grade is ideal for such broker.

5.3 Self-evaluation

This thesis has evolved from an idea to research throughout the entire process. After its completion, I feel very confident in undertaking other similar projects. The outcome of this thesis is an information useful and beneficial to the commissioner's decision making in entering foreign market. It was interesting subject and learning process for me. During the thesis writing, I understood the needs to think out of the box. I had to look for essential information that would contribute to the integrity of the research.

The structure of the thesis followed the guidelines of Haaga-Helia consisting of background information. Theory, methodology, research description and discussion. The interviewees were willing to discuss their need and understanding of frankincense product and its market potentials. Having limited knowledge of the product and the market demand encouraged me to look further. My theory part was extensive and was asked by my kind supervisor to omit un-necessary theories that were not suitable for SMEs.

The research was qualitative, and the interviews were conducted over the phone and in writing when language was barrier. The interviewees were professional and new their markets well. They were open and frank and expressed their thoughts straight forward. Some had better knowledge of Somalia and the type of frankincense that grows there and the different qualities that is offered.

During the writing process of the research, the commissioner was helpful answering the asked questions. They were professional and told me their needs and their expectation of the research. I did learn that frankincense was important product for Somalia and internationally. The grading, processing and uses were unfamiliar to me prior to this research. Understanding markets of such product made research further and contact different nationalities that were all engaged in the trade, processing and production of frankincense products.

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Picture 1: Frankincense tree, harvesting, gum and cave storage

7 Appendices

Research problem (RP)	Investigative questions (IQs)	Theoretical framework	Measurement Questions (Question number in interview frame)	Results
What is the frankincense market potential for Rahan Trading L.L.C...?	What are the motives of internationalization?	Chapter 3.2	7A,	Profit, innovation and EU and US market access.
	What are the suitable foreign market entry modes?	Chapter 3.4	9A, 6B	Direct export and indirect (brokers and agents) export
	What factors are affecting market entry modes?	Chapter 3.5	10A, 9B, 8B 10B, 7C, 8C	Certifications, labelling and packaging.
	What are the market trends and demand for frankincense?	Chapter 3.7	11B	There is increasing demand for frankincense products due to market growth and declining supplies.

There are two sets of interview questions (A, B and C). The first set (A) is aimed at case company. The second set (B) is aimed at brokers and importers of frankincense gum and essential oil. And the third set is aimed at essential oil distilleries.

Questions A

1. Can you identify yourself and your company?
2. What business sector do you operate in?
3. When was your firm established?

4. How many employees do you have?
5. What countries do you trade now and how?
6. What are your main products?
7. Which markets do you want to expand to and how do you see these markets?
8. What have you done in reaching these markets (did you search or contacted them)?
9. Did you consider of any market entry modes (Agent, own subsidiary, joint venture)?
10. Are there factors effecting/influencing the choices of the market entry mode you planned/implemented?
11. Would you be able to customize your products according to the needs/requirements of target customer/market/country?
12. What resources are you committing?
13. What do expect from operating these markets?

Questions B

- 1- Can you identify yourself and your company?
- 2- What business sector do you operate in?
- 3- When was your firm established?
- 4- What type of frankincense products do you use/import (*Boswellia Carterii*)?
- 5- Do you buy frankincense products directly from growers/country of origin or through intermediaries?
- 6- Who are your customers (Wholesalers, retailers, distillers, production companies, end users)?
- 7- If you are selling frankincense oil, do you distil through in own distilleries or contract distilleries?

- 8- Are the frankincense (oils) used/sold by your company labelled organic or conventional?
- 9- What certifications are required from frankincense (oil) exporter?
- 10- What are the packaging requirements for export frankincense (oil)?
- 11- What are the current market trends?
- 12- Can you give us a rough estimation of frankincense (oils) quantity used in the European Union/US?

Questions C

- 1- Can you identify yourself and your company?
- 2- What business sector do you operate in?
- 3- When was your firm established?
- 4- Can you do us frankincense/olibanum distillation (steam distillation)?
- 5- What is your capacity?
- 6- What are your fees?
- 7- Can you pack according to the buyer's requirement?
- 8- What certifications do you have (organic, USDA ...)?
- 9- What is the waste disposal fee in your country?
- 10- What is the tax rate for imports?
- 11- What documentations do we need?