



# **Market Entry Mode for Company X to Stockholm**

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Abstract:	
<p>The aim of the study is to define the most suitable market entry mode for Company X to utilize when entering the Stockholm market. Through the use of qualitative research method, interviews were conducted with representatives of three different companies as a primary source of data.</p> <p>The researcher has conducted a PEST analysis of Stockholm, which showed that Stockholm is an advantageous target market full of opportunities for Company X to utilize. Through conducting a SWOT analysis of Company X, it can be stated that the company has a high probability of successful brand positioning amongst the competitors on the market. The researcher evaluated the advantages and disadvantages of various foreign market entry modes, and in combination with the theoretical frameworks and empirical findings, concluded that one of the most suitable alternative modes of entry for Company X to utilize would be a wholly owned subsidiary.</p> <p>The scope of the study does not demonstrate the detailed financial aspects of the company under research, nor does it take into account the current economic climate due to the coronavirus, thus implying that there is no specific timeline demonstrated in the research. This implies that more factors have to be considered that determine the success of a company when entering a new foreign country. The most prominent limitation of the method used, in the case of conducting interviews as a primary source of information would be the misinterpretation of the results of the study due to the preconceived opinion that is based on logical reasoning and deductive thinking.</p>	
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# **1 INTRODUCTION**

The chapter below offers a theoretical outline for the reader. Firstly, it discusses the research context and background and explains the study's main objective and relevance, as well as research questions, aim, and demarcation. Furthermore, it displays the layout of the theoretical frameworks that describes the theoretical foundation of the study, as well as highlighting the structure of the thesis.

## **1.1 Background and Context Description**

Throughout history, humankind has consistently displayed a trend that exhibits the inherent drive to grow, conquer and cultivate dominance. This innate behaviour has continued to the modern-day business climate amongst the most competitive growing businesses. Now more than ever in the fast-growing economy, companies compete intensively to own the highest market shares, achieve the highest revenue and aim for the leading market penetration strategies for foreign market dominance (Friedman, 2012). Due to this intense and high competition, it is not enough that a growing business is primarily domestically located. Nowadays, in order to successfully increase brand awareness and compete amongst multinational corporations, it is rather necessary to have a high market share and dominate markets in various locations in different countries (Friedman, 2012). Internalization allows businesses to compete in the global market to increase sales, improve profits, maintain competitiveness, diversify their market and customer base, and gain high market share.

The internationalisation trend of organizations was achieved through the driving factor of globalization, which enables product, service and money trade, in addition to the integration of various cultural activities. The globalization process has led to large corporations in many countries trading with one another and competing on international markets for higher market shares and the rapid increase of their brand image.

However, despite the fact that international expansion and foreign competition is a very common factor that large amounts of business strive towards, not every business is able to expand successfully to foreign countries. Many factors contribute to unsuccessful international endeavours, such as misinformation of cultural differences and consumer preferences, improper market research analysis, misunderstanding the market demand, inaccurately forecasting the demand, in combination with supply chain management issues, poor timing, and disregard of various psychological and behavioural segmentation. The majority of unsuccessful cases are a combination of the aforementioned factors, rather than a single factor affecting the entire market entry process. Therefore, it is highly important to properly conduct accurate market entry research and thoroughly analyze the mode that will be utilized when entering foreign markets.

## **1.2 Topic Relevance and Motivation**

A mode of entry is a strategy a business adopts to enter into a new market, either domestically or internationally. It is highly important to discuss and consider various alternatives of market entry modes, as there is no specific mode of foreign market entry a business can select that ensures a successful market entry. The success of a business entering a foreign international market depends on various factors that have to be thoroughly discussed, analyzed and thus selected based on the company's main objectives and visions (Hollensen, 2001).

The case company of this research is Company X, a cafe that is jointly operated by two larger companies, represented in the thesis as Company Y and Company Z. Due to circumstances caused by Covid-19, the market entry process to Stockholm has been postponed to the future and therefore Company X has chosen to be anonymous in the thesis. The supervisor and examiner of this thesis have been informed of Company X and are aware that the sources and information of Company X are accurate and well portrayed.



Despite the fact that Company Y operates in thirteen different markets, there have been a couple of unsuccessful attempts in the past with their branch Company X entering foreign markets. Given the progressive growth of Company X in the Greater Helsinki area, it can be stated that the cafe has a high potential to penetrate an additional Nordic market due to various reasons, which will be thoroughly discussed in the following chapters. Therefore, the motivation behind the research is to assist Company Y and Company Z to jointly expand Company X to the Stockholm market through a successful market entry mode.

The most common modes of foreign market entry include export entry, intermediate entry, and hierarchical entry modes (Hollensen, 2001). There are various external and internal factors that affect the implementation of the strategy in a foreign market. External factors include market size, market growth, local government regulations, level of competition, level of risk, production and shipping costs (Albaum, 2016). Internal factors include company objectives, company resources, level of commitment, international knowledge and experience, flexibility (Albaum, 2016). All of these methods require a high amount of resources, which is why the company's final selection of a specific entry mode is challenging to alter or adjust without substantial time and money going to waste. Therefore, suitable entry mode selection is a highly relevant and important strategic decision that will essentially predict the success of the foreign market entry process.

### **1.3 Research Aim**

International expansion of business can be beneficial due to the fact that companies are able to expand brand awareness into new markets, generate larger customer bases, and increase their revenue. As mentioned before, in order to maintain competitiveness on the market nowadays, it is almost a necessity to expand to various locations in foreign countries. However, this expansion is accompanied by high risk, especially for middle to small-sized companies. Despite the long history of experience and success, even the large and experienced companies can make costly mistakes that may lead to slowing

down of the operations in their current successful locations. Selecting the suitable market entry mode accompanied by a comprehensive and well-structured strategy is highly important in order to successfully penetrate a new foreign market and avoid maximum failure. Therefore, the main aim of the thesis is to suggest a suitable market entry mode for Company X to utilize when entering the Swedish market, specifically Stockholm.

#### **1.4 Research Questions**

The purpose of the research is to provide Company X with accurately evaluated information on what factors to take into account when selecting the market entry mode for the Stockholm market. This has been accomplished by providing a thorough analysis of theoretical frameworks, the company under research, and the target market. The theoretical frameworks have demonstrated the factors affecting the selection of foreign market entry modes, and the frameworks have been applied to Stockholm as the target market and Company X as the company under research. This has provided an understanding of what internal and external factors Company X needs to evaluate and thoroughly conduct market research on before entering the Stockholm market.

The research questions of the study are as follows:

- Why is Stockholm an optimal market for entry?
- Why is Company X suitable to enter the Stockholm market?
- With the assistance of the empirical findings, which factors should Company X take into account when entering a foreign market?

The objective of the study is to answer the research questions as thoroughly as possible and provide an accurate and reliable answer to the aim of the research.

### 1.5 Structure of Thesis

The thesis is structured as a comprehensive path followed by the reader to understand the conducted research.

Research Interest and Background →	Introduction → ↓	Research Objectives
Research Question →	Theoretical Framework → ↓	Main Concepts of Research
Research Aim →	Methodology → ↓	Research Design
Semi-Structured Interviews →	Results → ↓	Research Findings
Research Findings →	Discussion → ↓	Interpretation of Results
Interpretation of Results →	Conclusion →	Theoretical Contribution

Figure 1. Thesis Structure (Salome Gabechava)

### 1.6 Demarcation

The scope of the research includes evaluation of various market entry modes, application of the theoretical frameworks, and conducting an analysis of the target market as well as the company under research. The aim of the research is to demonstrate which market entry mode is the most appropriate and suitable for Company X to utilize when entering the Stockholm market. Theoretical frameworks regarding entry modes have been evaluated in order to understand the clear distinction between the successful and unsuccessful market entry modes for cafes, especially when entering the Northern European markets.

In addition, interviews have been held with various company representatives in charge of expanding their businesses to foreign markets in order to understand which market entry modes were suitable for the given companies and why. Limitations have been

taken into account when discussing the results of the study, as well as while measuring trustworthiness of the results. The scope of the study does not demonstrate the detailed financial aspects of the company under research, nor does it take into account the current economic climate due to the coronavirus, thus implying that there is no specific timeline demonstrated in the research.

## 2 THEORETICAL FRAMEWORK

### 2.1 About Company X

The case company of this research is Company X, a cafe that is jointly operated by two larger companies, represented in the thesis as Company Y and Company Z.



*Figure 2. Relationship Between Companies X, Y, Z (Salome Gabechava)*

Company X offers locally brewed specialty coffee, as well as healthy, vegan, and nutritious options for lunch meals, sandwiches, raw cakes, smoothies, ice cream and more. Company X is renowned for its tasty dishes, such as nutritious and healthy meals and raw cakes. The products are known for their high quality and healthy recipes that are made through organic raw ingredients, healthy vitamins and high protein levels that help boost energy and maintain the level of hunger for a longer period of time (Company X, 2018). The main customer segment that Company X attracts include

individuals who have special diet needs, such as vegan, vegetarian, dairy-free, and gluten-free diets with low sugar levels (Company X, 2018).

Company Y operates in a total of thirteen different markets, and approximately 586 workers are employed in the Coffee Department, including the Company X brewers. The main market areas are Finland, the Baltic countries and Russia, along with the neighbouring countries, as seen below. (Company Y, 2016)

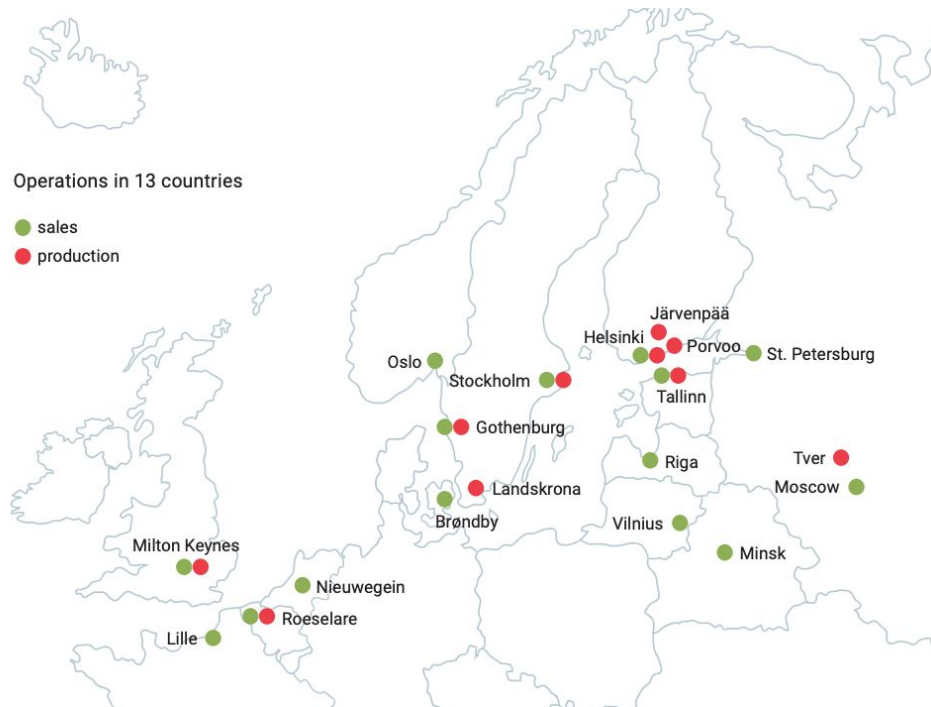


Figure 3. Operation Locations of Company Y (Company Y Sustainability Report, 2018)

## 2.2 Company Internationalization

A business may reach a global market in a number of forms, owing to the reality that no particular market penetration approach succeeds with all the international markets. Direct selling in one region might be the most suitable approach, whilst in another, the company will need to set up a joint venture, and in another, they might succeed through licensing the manufacturing (Albaum G., 2008). The following chapters will display the

most commonly utilized market entry strategies that most companies employ when entering foreign markets.

As aforementioned, now more than ever in the fast-growing economy, companies compete for the biggest market base, achieve the highest revenue and achieve the leading market penetration in their businesses sectors (Friedman, 2012). Due to this intense and high competition, it is not enough that a growing business is primarily located locally. In the current economic climate, in order to successfully increase brand awareness and compete amongst multinational corporations, it is rather necessary to have a high market share and dominate markets in various locations in different countries (Friedman, 2012). Internalization allows businesses to compete in the global market in order to improve sales and profits, maintain competitiveness, diversify their market and broaden their customer base, and gain higher market share.

Penetrating a new market full of significant opportunities for growth and success can be a target for many organizations, but the reason behind the expansion must be reasonable and resonate to the organization's main objectives. This can be done by thoroughly analyzing whether the expansion to another country will be beneficial and profitable. Thus, it is a crucial step to assess several possible market entry strategies based on the reasons behind the expansion of business to the foreign market.

The possible reasons behind the willingness to expand various amongst organizations, but it might include the possible competitive advantages the company can gain through the successful entry, domestic growth of the company indicating success in a foreign market, as well as rapid economic growth through effective market penetration and a broader potential target market. (Friedman, 2012)

Furthermore, a company typically would have the intention of extending globally due to a combination of various factors rather than having one main goal. There are two main theories of motives that explore the reason behind the global expansion of organizations, which may be differentiated into two types of motives, proactive and reactive motives (Czinkota, 2004). An organization must have a suitable reason behind

the decision to enter a foreign international market. Recognizing the factor that stimulates companies to expand to a foreign country is essential and one must accurately take into account where, when and how enterprises are growing or reaching new markets across barriers. (Czinkota, 2004)

### **2.3 Proactive and Reactive Strategies**

According to research, the factors that inspire the drive towards globalization are split into two groups, proactive and reactive motivations (Czinkota, 2004). Proactive and reactive strategic approaches are equally important to the long-term growth of a company. Strategies are referred to as proactive when they are focused on predicting potential demands or problems, which is done through steps to address certain requirements as they occur.

Reactive approaches are being established in order to react to external or internal circumstances that have either already occurred or are actively in motion. Reactive approaches are built to address challenges or to adapt to challenges as they occur. There are often preventive approaches that are formulated in advance or proactively, but are not enforced before the predicted occurrence has taken place (Czinkota, 2004). However, organizations that prioritize proactive approaches are typically more successful in overcoming challenges.

Proactive approaches are established by forecasting or evaluating patterns and examining the organization's past performance in response to externally generated challenges or risks. When a scenario has a fair probability of repeating, the organization could proactively formulate and execute a plan to minimize the negative impact in order to deter such an occurrence from happening in the future. Examples of reactive approaches involve the explanations for post-failure, clarification of the situations, and offers of reimbursement. (Czinkota, 2004)

### 2.3.1 Proactive and Reactive Stimuli

When it comes to differentiating the factors of globalization, there are always various motives behind it, as any aspect alone never accounts for any particular business operation. Proactive motives are incentives to strategically improve in case a problem occurs. Reactive factors motivate organizations to respond to external shifts by adjusting their processes over a period of time. To simplify, proactive organizations seek multinational expansion on the basis of their willingness, whereas reactive organizations are expanding to foreign markets on the basis of need (Czinkota, 2004).

Table 1. Proactive and Reactive Motivations (Czinkota, 2004)

<b>Proactive Stimuli</b>	<b>Reactive Stimuli</b>
Economies of Scale	Competitive Pressures
Exclusive Information	Declining Domestic Sales
Profit Advantage	Excess Capacity
Technological Advantage	Overproduction
Unique Product	Saturated Domestic Markets

#### **Proactive Stimuli**

As seen in Table 1, one of the ways that organizations are able to increase their revenue in the long run is through adopting a strategic approach to reach new markets in either domestically or internationally. When it comes to proactive stimuli, profitability is the greatest driver as management is able to perceive foreign revenue as a possible source of greater profit margins or improved income. The second important driving force is the uniqueness of the company's goods or services. If the offerings of a company face minimal competition in foreign market, it will provide the company with leverage over the pricing of the offerings and increase sales. (Czinkota, 2004)

An additional proactive stimulus includes the advantage over the company's competitors based on exclusive market knowledge. This involves knowledge of demand



amongst international customers, industries, or economic conditions that are not commonly recognized by many other competitors. According to Czinkota, such unique power of knowledge and information can be based on intensive research and foreign trade observations, past experience in the given industry, private connections, or simply having the right people doing accurate research on the foreign economic climates (Czinkota, 2004). While such exclusive offerings may drive companies to begin exporting operations, it can seldom offer long-term incentive, as various company competitors can be assumed to catch up not too long after with the company's knowledge advantage, given that there is easy accessibility to global information (Czinkota, 2004).

### **Reactive Stimuli**

Czinkota states that one of the most widely employed reactive reasons for companies to reach a new sector is competition. This is due to the fear of many organizations to be overcome by their competition that have entered foreign markets, which provides them a larger target market and higher brand recognition, leading to increase of sales and revenue. (Czinkota, 2004)

Another reason behind the reactive stimuli to enter a foreign market includes the organization facing an overproduction of their products, which drives the organization to utilize the export entry method (Czinkota, 2004). This opportunity provides an outlet for surplus goods to handle them efficiently or to allow use of their facilities and equipment.

Typically, organizations that are driven by factors of reactive stimuli may experience only a temporary alternative of entering a foreign market. It is referred to as a temporary market entry as it may result in a rapid entrance, but also a rapid exit. This may happen in case the domestic demand of an organization is restored, or the organization is simply not prepared for an international process due to internal factors or external factors of the target country. (Czinkota, 2004)

## 2.4 Market Entry Modes

Table 2. Market Entry Modes (Hollensen, 2001)

<b>Export Entry Mode</b>	<b>Intermediate Entry Mode</b>	<b>Hierarchical Entry Mode</b>
Direct Export	International Franchise	Merger / Acquisitions
Indirect Export	Joint Ventures	Wholly Owned Subsidiary
Cooperative Export	Foreign Direct Investment	
	Licensing	

### 2.4.1 Export

Exporting consists of direct and indirect exports which also provide the least amount of risk but can often be the least financially profitable alternatives. Exporting is the most traditional form of market entry for small to medium-sized businesses but many larger companies often aim for this entry process (Hitt, 2003). In today's increasingly competitive and challenging business environment many firms may need to shift to export marketing only to maintain overall competitiveness on the market.

Direct export refers to the method of exporting goods directly to a foreign customer or through a distributor that is situated in the given foreign country. Distributors can be described as the main representatives of the company that assist in importing the goods in the foreign country and selling them. Direct export allows companies to increase the market shares in the given foreign country, and obtain a larger target audience on the market (Hollensen, 2001). Direct export strategies require the exporters to take responsibility for the shipments, seek for the appropriate distribution channels, conduct proper market research, and handle all the financial management tasks.

When dealing with indirect export, however, the usage of intermediaries in the field of marketing is required (Hollensen, 2001). This is due to the fact that indirect export is a method that involves selling the goods to the intermediaries that assist in marketing and

selling directly to the customers in a foreign country. The manufacturer of the products utilizes the organizations that are already situated in the given foreign country. These local organizations assist in selling of the products and carrying out the daily operations (Hollensen, 2001). Indirect export is suitable for a company that is considering to potentially enter a foreign market in the future, but would first like to observe the market demand and the growth potential in the given foreign market.

#### ***2.4.2 Cooperative Export***

Cooperative export is another form of market penetration strategy in which two or more companies collaborate on the development of the product on the basis of limited resources and limited capital (Hitt, 2003). Creating collective arrangements, mutual companies reach greater economies of scale and establish larger product ideas. Cooperative export includes the parties involved to bear responsibilities and decrease the expense of producing and sales (Hitt, 2003).

#### ***2.4.3 International Franchise***

If an organization succeeds in developing a sustainable business model and wishes to extend it to global markets, one of the best options is to utilize international franchising (Hitt, 2003). Franchising allows a company to exploit the franchisees' existing business expertise as it moves into different geographical areas. It is a useful way of extending a franchise opportunity outside the nation where the franchised company is located. This is done by using the business and operation models, as well as branding and patents of the original company, often referred to as the franchisor (Hitt, 2003).

Despite the advantages international franchising offers, there are considerable disadvantages to utilizing this market entry strategy. One of the biggest disadvantages include the limited freedom of a company in a foreign country, due to the fact that there are typically strict guidelines and rules to follow under the franchise's instructions (Hitt, 2003). These guidelines may include management and daily operation restrictions, as well as the level of marketing that can be implemented.

#### ***2.4.4 Joint Venture***

A joint venture is established after two or more companies agree to combine their financial and intellectual resources to move together into a new investment market (Hollensen, 2001). Through this form of entry, all the parties involved shall share fair financial and administrative liability, unless otherwise agreed upon. Joint venture advantages include a reduced risk attributable to the increased local market awareness generated by the regional joint venture member, as well as better coordination with the company, in addition to the greater leverage of production, distribution and overall business activities (Hitt, 2003).

The mutual probability of loss is the biggest benefit of the joint venture. Since the joint company is jointly held, the liability is evenly shared between the companies. It can also easily enter new distribution networks for rapid development and high efficiency (Hitt, 2003). Knowledge from projects would also be a crucial element in leveraging emerging technology, rising capital and reducing costs.

While possessing the aforementioned advantages, joint ventures include certain disadvantages as well. When establishing a joint venture, it is very important to know the key objective of both parties, otherwise the company can move in a specific unwanted direction (Hitt, 2003). Even a joint ownership agreement may contribute to disputes between two companies. Competition for control within investment enterprises often shifts the course and policy of the joint venture. Whereas licensing a company to a joint venture grants that enterprise leverage of the latest technologies. The key downside of the joint venture is the absence of firm control of its branches owing to a lack of knowledge of the user environment (Hitt, 2003).

#### ***2.4.5 Licensing***

Licensing is characterized as a legal agreement under which a corporation authorizes another corporation to periodically have permission to utilize its intellectual property rights, such as production procedure, trademark, patent, copyright etc., under agreed terms and conditions (Hollensen, 2001).

The licensee has the benefit of penetrating the foreign market with minimal expense. In addition, the licensor has almost no influence over the licensee in terms of production, marketing and distribution of the products (Hollensen, 2001). Licensing allows the companies to grow their market share, encourages customer preference and loyalty towards the company's service offerings and products, and significantly increases visibility, as well as sales and profits (Hitt, 2003).

#### ***2.4.6 Wholly Owned Subsidiary***

A subsidiary organization is considered to be wholly owned when another company, the parent company, owns all the common shares of the subsidiary (Hollensen, 2001). Due to this fact, the parent company operates the daily activities of the subsidiary, even though the subsidiary runs through its own centralized structure and administration. A situation where the supply chain processes of an organization is under the influence of another owner is referred to as vertical integration (Hollensen, 2001).

One of the key benefits of a wholly-owned subsidiary includes the aspect of the parent corporation offering advice, supporting and assisting the subsidiary in a foreign market (Hollensen, 2001). Although a subsidiary has the ability to establish its own system of corporate standards, the reality is that the parent corporation would still have a strong impact on the values, operations and strategies that control the subsidiary. This aspect ensures that the division operates with the same values and principles of the parent organization and maintains exposure to the same target market of the given location (Hollensen, 2001).

#### ***2.4.7 Merger/Acquisition***

Merger/acquisition is the process in which a domestic company chooses a foreign investment company and merges with that foreign investment company or integrates with another corporation in order to carry out international trading (Hitt, 2003). Generally, mergers take place as two companies join forces to form a single company and acquisitions occur where one company absorbs another small company that is incorporated into the parent company or acts as a subsidiary (Hollensen, 2001).

In acquisition, no matter which one of the companies is terminated, the company will have an opportunity to rapidly enter the target market directly. This particular entry mode would allow the company to take advantage of the local company's domestic market knowledge, already existing target market and potential customer base, and easy transition from a foreign company to a locally operating organization from the perspective of the local government (Tradestart, 2019).

## **2.5 Selecting The Entry Mode**

The market entry modes discussed above that are available for organizations to utilize when entering a foreign market. Despite this, the organization has to determine which kind of mode will be more suitable for the company involved. Selecting the suitable mode of entry will define the profitability and success of a business. However, each approach has its own benefits and drawbacks, which need to be assessed according to the company's key goals and objectives.

The executives follow the steps of conceptualization of the entire operation, analysis of the company's policies and standard operating procedures that may eliminate a particular mode, and a thorough evaluation of a profit contribution analysis, a risk analysis, and a nonprofit objectives analysis (Albaum G. , 2008). The management team typically outlines and evaluates the outcomes for each individual entry mode as well as the combinations of them. Thus, the procedure illustrates the most suitable approach, pointing out the benefits as well as limitations. Such analysis provides executives with the tools to formulate and execute rational decisions regarding a market entry strategy (Albaum G. , 2008).

### **2.5.1 Influential Factors of Entry Mode Selection**

The penetration into a new market is a dynamic procedure with multiple advantages and disadvantages regarding various modes of entry (Albaum G., 2008). In addition to

selecting the most suitable mode of entry, the company will carefully evaluate the key factors that influence market penetration. The initial process includes executives evaluating and examining all forms of entry into the international sector. There are two key variables that affect the selection of entry mode, which are referred to as internal and external factors (Albaum G., 2008). Internal factors refer to the company's internal procedures and core capabilities, whereas external factors refer to the environmental factors of the target market that affect the procedures of the market penetration.

*Table 3. Internal and External Factors Influencing Choice of Entry (Hollensen, 2012)*

<b>Internal Factors</b>	<b>External Factors</b>
Firm Size	Economic and Market
International Experience	Social and Cultural
Product / Service Offerings	Legal and Regulatory
Control Required	Demand Uncertainty
	Market Size
	Intensity of Competition

### *Internal factors*

#### **Firm size**

Internal factors impacting the selection of a foreign entry mode include company size, international expertise and product specifications. One of the most significant considerations that primarily affect the selection of entry mode is the size of the business. Small companies with minimal funding and services are at greater risk on the foreign market due to heavy competition with larger businesses with higher resources and revenue. This increases the likelihood of risk of bankruptcy and liquidation of the whole business. (Hollensen, 2012)

As a solution, small companies prefer export entry modes at the beginning and then start using hierarchical modes as the business expands (Hollensen, 2012). Meanwhile, large companies that can spend a high amount of resources, expertise and money can negotiate comfortably with other small and medium-sized globally operating businesses which essentially mitigate risks on the international marketplace (Hollensen, 2012).

### **International Experience**

The international knowledge of executives and hence of the company is another business-specific aspect that affects the selection of foreign entry mode (Blomstermo et al., 2006). International experience increases the likelihood of global integration. An organization with a large degree of expertise will effectively reduce risks and complexity. International experience, which relates to the degree to which an organization has been active in operating internationally, may be acquired by functioning either in a single country or in the broader foreign environment (Czinkota, 2004). As expertise grows through international experience, the company is more likely to become increasingly comfortable in its abilities to handle overseas activities and generate better profitability in the international sector, reducing uncertainties and instability (Blomstermo et al., 2006).

### **Product/service**

Product and/or service characteristics are yet another important element that determines the choice of input mode (Albaum G., 2008). The individuality of the company and its product or services separate the brand from other competing companies. In the case of Company X, the products they offer are mainly made by the staff at the given location, in addition to having coffee beans imported from various countries abroad. Therefore, the main internal factor would be the services provided by the employees of the cafe, due to the fact that the attitude and the culture of the company are what determine the product offerings and thus determine the level of customer satisfaction.



Therefore, in order to effectively identify what factors influence customer satisfaction across countries, it is highly important to analyze the factors that differ in customer expectations, drivers of satisfaction, loyalty, profitability, and customer value across the given countries or cultures. (Ramaseshan et al, 2006)

Blomstermo et al. (2006) states that there is a significant difference in the choice of market entry mode according to whether the company offers hard or soft services. Hard services include a process through which production and consumption may be separated. In the case of soft services, production and consumption occur simultaneously, which implies that the consumer, as well as the service provider, must be present for the experience to efficiently work and the separation of the processes is not possible. This means that the soft service providers must be stationed abroad and be present in the location where the production and consumption of the services takes place.

Consequently, it can be observed that the organization that offers soft services has a higher likelihood of selecting a hierarchical entry mode (high control) when entering a foreign market than hard services. It is necessary for the soft-service providers to communicate with their international customers, which would allow for the company to obtain a high level of control, allowing them to manage the co-production of the services. (Blomstermo et al., 2006)

### *External factors*

#### **Economic and Market**

A successful market entry strategy is able to function well if the company conducts market research beforehand and thoroughly understands the needs and the demands of the local potential customers, which is highly dependent on the economic trends and market variables in different countries (Hollensen, 2012). Not all countries will be suitable for the company to extend their services in due to the fact that some industries are unable to afford the products they offer and should refrain from entering those

markets, whereas some markets may easily accept a modified version of their existing product (Hollensen, 2012).

As Stockholm is highly ranked in terms of political security, liberty of the press and equality, it creates a risk-free investment environment in terms of financial prosperity, which creates a strong and effective competitiveness in every field of business (Swedish Chambers, 2010). It employs vigorous policy structures and supports reforms that benefit the citizens of the country, which have affected the structure of the bureaucracy. Sweden has a strong wage economy and is the world's tenth wealthiest country in terms of average income. This allows for competitiveness and innovation to be encouraged and promoted in various business sectors (Swedish Chambers, 2010).

### **Social and Cultural**

A company has to take into account the target market's social and cultural factors that affect the customer vision of a company or a brand. Countries respectively differ in language spoken, religion practiced, food eaten and values carried. These differences are highly significant and should be taken into account in order to avoid hindrance of the company's success. (Hollensen, 2012)

One of the cultural aspects that plays a significant role in the daily beverage and pastry consumption is the Swedish Fika, which essentially means coffee break. However, Fika is not only a simple coffee break known to the rest of the world, but rather an integral part of Swedish social phenomena that provides an opportunity for people to connect. It is a lifestyle of the Swedish culture and plays a significant role in the daily lives of the Swedish people (Forslin, 2017). This in itself provides a remarkable drive for Company X to enter the Stockholm market and provide high quality coffee and healthy, sustainable raw cakes and pastries for the target market.

### **Legal and Regulatory**

Before a corporation decides to commit resources for market entry and finance the customer relationship management programs, it is highly important to understand the

mindset of the government and the citizens of given country (Czinkota, 2004). It is also worth considering the past record of various business market entries in the country and the host country's behavior towards foreign investments and assets.

### **Intensity of Competition**

When the competition is very intense and fast growing in the target market, companies tend to avoid penetrating the market in order to avoid unnecessary spending of resources and finances (Hollensen, 2012). This is due to the fact that such markets tend to be quite unprofitable as it requires a large amount of resources to position the brand amongst other fierce competitors on the market. However, companies that still push towards penetrating high competitive markets usually will favour entry modes that involve low resource commitments. (Hollensen, 2012)

### **2.5.2 Marketing Mix**

The marketing mix, developed by Jerome McCarthy in 1960, enables one to identify the key marketing components for the effective positioning of the business offering in a foreign new market. The marketing framework involves all the tools used to implement successful and profitable activities that meet the goals of the business within the target market. A successful marketing plan incorporates the 4 Ps of the marketing mix - the right product, the right price, the right promotion, and the right place. These tools are intended to fulfil the business objectives of the organization by delivering value to its customers.

Nevertheless, service advertising must take into consideration the specific characteristics of services such as intangibility, perishability, variability and inseparability of output and consumption. In order to understand the unique obstacles inherent in the selling of services as opposed to products, several researchers recommend expanding the model to 7 Ps for service sectors by incorporating three

additional tools - the right people, the right processes, the right physical environment (Booms & Bitner, 1981).



*Figure 4. Marketing Mix Elements (Hopper, 2020)*

### **Product**

As people from various cultures and backgrounds have different preferences of product offerings, satisfactory products for all cultures can be extremely difficult to achieve while operating internationally. The product offerings of the company are the key aspects of the marketing mix, which can be either tangible goods or intangible services (Booms & Bitner, 1981).

Company X differentiates from its competitors through their cooperation with Company Z, which allows them to provide high quality, vegan, nutritious raw cakes to their customers. According to Company Z, 51,25% of their customers follow special diets, such as vegetarian, vegan, gluten-free, and dairy-free diets (Company Z, 2018). In addition, Company X offers on-spot breakfasts made by chefs, as well as a nutritious, vegetarian and healthy lunch buffet throughout the entire week. As the demand for

goods with less amount of sugar, salt and contaminants are perceived to be one of the most valuable offerings of Company X (Company Y, 2018), it provides them with a high advantage over the tangible offerings of the competitors on the Stockholm market.

### **Price**

The second key component of the marketing mix is the price of the product or service offerings. This is the factor that affects both the revenue of the company and the consistency of the customer buying behaviour. Price adjustments can improve the profitability of the given products or services and validate the amount of time and effort and resources involved in producing/providing them (Booms & Bitner, 1981).

In the case of Company X, one of the reasons why the prices of the product may increase includes the growing operating costs of the company (Company Y, 2016). Supply and demand may be influenced by several factors in the production countries, including climate, environmental disasters, crop disease, a general rise in farm supplies and production prices, inventory rates as well as political and economic conditions. However, through maintaining strong supplier relationships, Company Y ensures that the risks of higher prices, insufficient deliveries, and unexpected demand fluctuations are avoided (Company Y, 2018).

### **Promotion**

The promotion covers the channels and forms through which the company informs the customers about their product or service offerings, including the strategies used for advertising, promoting, and selling the offerings (Booms & Bitner, 1981).

As a sales promotion, Company X offers its customers a membership card which includes discount offers on their products. In addition, Company X cooperates with Kluuvi (the shopping mall Company X is located in) as well as Nordea Bank, which offers Kluuvi and Nordea's employees' percentage discounts on their coffee and other

offerings. These types of deals and offerings increase customer satisfaction, as well as customer loyalty and consumer buying consistency.

### **Place**

The place can be described as the channel where the products and services are sold, which can be either a physical place or an online website. This has to be appropriate for the target audience and ensure accessibility for all customers, which has to be evaluated based on their needs and requirements. (Booms & Bitner, 1981)

Company X offers customers high convenience as it is located in the Greater Helsinki area, which assists in attracting more customers through easy accessibility of high-quality coffee. However, it is only convenient for the people who live around the area, due to the lack of other locations around the Greater Helsinki area. The lack of other locations may prevent customers from consistent consumption of Company X's products.

### **People**

The people aspect of the marketing mix is essential when offering services to customers. Successful customer management assists businesses in building a strong relationship with their customers, which in turn generates customer satisfaction, brand loyalty, and higher customer engagement (Booms & Bitner, 1981).

Intangible services, such as courteous manners and hospitality of customer service providers and baristas have just as significant a role in the level of customer satisfaction, brand loyalty, and brand recognition as the tangible products do. Company X employees are especially proud of an appealing brand with a clear customer orientation, a comfortable environment to work, successful product research and development, as well as a strong sustainability development (Company Y, 2016).

## **Processes**

Processes are one of the key factors that assist in delivering a quality service to the customers. Processes include the overall flow of the protocols, operations, production of goods, packaging, distribution, as well as the delivery of the products or services provided to the consumer (Booms & Bitner, 1981). Company X is a reliable company that has a high level of responsibility regarding the attitude towards the flow of processes, which demonstrates reliability and consistency with the customers, increases customer satisfaction and contributes to the sustainable and dependable flow of supply chain processes (Company Y, 2016). Since services are intangible, procedures are all the more important to ensuring the expectations are achieved.

## **Physical Environment**

The physical environment is one of the last factors included in the marketing mix that affects the customer's satisfaction. When dealing with intangible services, customers depend highly on the environment they are purchasing the product while having the services provided to them (Booms & Bitner, 1981). Having a comfortable, clean, aesthetically pleasing environment increases the customer satisfaction and in most cases guarantees customer loyalty and higher brand appreciation.

According to Kotler and Keller, customer satisfaction refers to a feeling of pleasure or disappointment when they compare the actual performance outcome to the expected outcome of a product or service. The customer becomes disappointed if the result does not reach the expectations; pleased if the result reaches the expectations; and delighted or extremely satisfied if the performance exceeds the initial expectations (Çetinsöz, 2019).

In order to successfully fulfil the customers' expectation, Company X offers a cosy environment where customers can enjoy a high-quality cup of coffee with nutritious raw cakes, a variety of healthy lunch offers, an energizing breakfast, or various delicious sandwiches. The daily environment at Company X is ensured to be comfortable for

those working, studying, or meeting a friend. This is done by offering comfortable seating areas, as well as separate small huts allowing peace and quiet, and a set of swing chairs to ensure an enjoyable, memorable environment with one's company. In order to positively influence customers' association with Company X, the music playing in the background always reflects relaxation, enjoyment, and matches the surrounding environment of comfort.

### **2.5.3 Porter's Five Forces**

When penetrating a new foreign market, one of the major threats is the domestic competition of the given country. Given that Company X is a cafe specializing in high-quality coffee and healthy, nutritious raw cakes, it would face big competitors such as Espresso House, Joe and The Juice, Wayne's Coffee, and many others that have positioned their brands on a fairly high scale on the Stockholm market. Therefore, it is highly important to conduct a thorough analysis of the competitors in the given market and analyze ways in which the brand may successfully be positioned on the market.

Utilizing Porter's Five Forces framework that defines five strategic factors that influence any market would assist in evaluating the company's operational structure as well as its organizational strategy. Five Forces evaluation is also used to describe the nature of the market and assess the organizational strategy (Porter M.E., 2008). This framework should be seen as a method to help establish a market advantage over competing companies within the marketplace in a sustainable and balanced setting. The framework defines five variables that measure the intensity of competitiveness, profitability and attractiveness of the business or the market (Porter M.E., 2008).





Figure 5. Porter's Five Forces, 1979 (Foley, 2018)

### *Rivalry Among Existing Competitors*

One of the five forces refers to the number of existing competitors on the market, and their ability to hinder an organization in positioning their brand high on the market. The increasing number of competitors with similar products and services of better quality and prices may weaken the strength of the organization on the market (Porter M.E., 2008). Suppliers and consumers might select the competition over the given company since they are willing to deliver a better deal at cheaper costs.

The domestic competitors Company X will have to face include Espresso House, Joe and The Juice, Wayne's Coffee and several others that have positioned their products relatively high on the Stockholm market. These cafes also offer high-quality coffee in combination with pastries and sandwiches, which means that the competition is quite high on the Stockholm market in the restaurant and cafe industry.

### ***Threat of New Entrants***

The influence of the given company on the market is often determined by the impact of new competitors on the market. The less time and resources it takes for a competitor to reach the market of a company and to be a successful competitor, the sooner the position of an established organization will be substantially weakened (Porter M.E., 2008). If the target industry is fairly difficult to penetrate, then new competitors will have a difficult time negotiating and seeking better deals than the existing ones between established companies (Porter M.E., 2008).

This factor may make it difficult for Company X to penetrate the Stockholm market as the established companies will most possibly start competing with higher bids and tougher negotiations in order to obtain better deals with suppliers. However, Company X has the ability to smooth out the entry process through differentiating its brand from its competitors based on the company's strengths, core objectives, environmentally friendly projects, and accurately evaluating the market demand and targeting the right customers.

### ***Bargaining Power of Suppliers***

The following element in the five-force framework includes how quickly manufacturers and suppliers can influence the prices of product manufacturing and increase their supply costs (Porter M.E., 2008). The amount of suppliers available for the company's key products or services impacts the cost of production, as well as how unique the given products are, and whether or not the company can afford to change to a different vendor. If there are few suppliers on the market, it is more likely that the customers will rely highly on the supplier. This leads to the supplier having more leverage over production prices and is able to negotiate for certain market advantages. (Porter M.E., 2008)

### *Bargaining Power of Buyers*

One of the key elements of Porter's framework includes the non-negotiable ability of customers to decrease the prices of the company's products or services (Porter M.E., 2008). Consumers tend to be more sensitive to the product price if the product they are purchasing is undifferentiated from the competitors, meaning that they can always find the products elsewhere, which leads to even higher competition of the organizations on the market (Porter M.E., 2008).

Nowadays, the level of buyer bargaining power is increasing as the majority of customers are able to easily compare the value of the company offerings to its competitors online, and easily come across better offers. Company X, however, is able to decrease the buyer bargaining power through loyalty programs, special offerings, and valuable aspects that assist in differentiating from their competitors.

### *Threat of Substitute Products or Services*

The ability of consumers or clients to substitute the company's product or service offerings poses a large threat to the company. Companies are able to raise costs for their offerings in a situation where their competitors are not able to offer similar products or services to the market. This provides the company with higher brand value and leverage over its competitors in terms of better deals and higher revenue (Porter M.E., 2008). If similar alternatives to the offerings are accessible with a better price or quality deals, consumers will have the option to select the competitors' products, which would weaken the company's positioning on the market.

In the case of Company X, the cafe differentiates from its competitors through their cooperation with Company Z, which allows them to provide high quality, vegan, nutritious raw cakes to their customers. This factor, in combination with other product and service offering strengths mentioned in the marketing mix, allows Company X to lower the possibility of product or service substitutes on the market.

Porter's Five Powers allows companies to understand how these core elements are applicable to the market and help an organization modify its business strategy and allow effective and optimal use of its resources to achieve higher profits and maintain competitiveness on the market. (Porter M.E., 2008)

### **3 METHOD**

#### **3.1 Material**

The case company of the research is Company X, which is a specialty coffee based cafe located in the Greater Helsinki area. The researcher has investigated the appropriate market entry mode for Company X to utilize to enter the Stockholm market. Despite the fact that Company Y operates in thirteen different markets, there have been a couple of unsuccessful attempts in the past with their branch Company X entering foreign markets. Therefore, the researcher believes that it has been appropriate to conduct research in order to assist the coffee shop in selecting the most suitable market entry mode.

The data for the research has been obtained through both the primary and secondary sources. As a primary data source, interviews have been conducted with representatives of three different companies. Conducting interviews as a primary source of information has assisted in providing more thorough and in-depth description of the various market entry strategies used by the given companies to enter foreign markets (Saunders M., et al, 2009). Qualitative research method has been used, which has assisted in focusing on obtaining a high level of understanding and in-depth analysis regarding the research question (Saunders M., et al, 2009). As a secondary source of data collection, the research has conducted a SWOT analysis of Company X, and a PEST analysis of Stockholm as a target market.

#### **Sampling**

In order to gain detailed knowledge about various successful market entry modes, the sampling of the research has been purposive. The researcher identified and purposely handpicked a representative sample, which has assisted in producing more reliable findings than that of other sampling methods (Saunders M., et al, 2009). The main objective of the sample was to interview individuals that have had the experience of being a part of the foreign market entry mode selection for their company. Another objective was to interview representatives of companies that have been operating in Northern Europe, and have been successful with their market entry mode selections.

The researcher thus contacted in total over thirty possible representatives of various companies through LinkedIn and email multiple times, and eventually conducted the interviews with those who were willing to assist in gathering the required data. This resulted in a representative sample of three individuals from three different companies, who were interviewed for their expertise on analyzing and utilizing various market entry modes for entering foreign markets.

### **3.2 Approach**

In order to have successfully obtained the primary source of information through interviews, the researcher ensured that the main theme of the research was highlighted. In addition, the interview was designed in a manner that clearly guided the interview process and assisted in obtaining useful information for the research. After the interview was conducted, the researcher transcribed the interview and clearly highlighted the themes and topics that arose during the interview process. This assisted in thoroughly understanding the interviewee's answers to the interview questions, which led to an overall clear view of the common themes and opinions of the topic.

### **3.3 Data Collection**

In order to have efficiently conducted the intended interviews, the researcher established an interview guide. The data has been collected through semi-structured, open-ended interviews, which has ensured that all interviewees were asked the same open-ended

questions and all answers corresponded to the research questions. The semi-structured interview process has provided a thorough structure to the interviews than the normal conversational method of an interview, which has also allowed the interviewees a level of flexibility and adaptability, thus allowing the researcher to efficiently acquire the needed details (Saunders M., et al, 2009).

The interviews have been conducted online during the week 15 and 16 of 2020, specifically on the 7th, 9th, and 13th of April, on average in the afternoon/evenings. The interviews were held in an office space without any distractions to ensure a constructive flow of the interview and avoid any limitations regarding losing train of thought or peer pressure of some sort. Utilizing the video call option has allowed the researcher to not only communicate verbally with the interviewees, but rather observe the interviewee's expressions and body language (Deakin et al., 2013).

All the interviewees have been made aware that the interview was being recorded for the research purposes, and that the recordings and transcriptions will be disposed of after the research process has ended. In addition, the terms of confidentiality have been thoroughly addressed, and the format of the interview has been explained before the interviews began.

During the recording and transcription process the security and safety measures were taken into account in order to ensure the limitation of spreading confidential company information. This precaution was taken into account in order to meet the GDPR regulations that protect the spread of personal information of the subjects being interviewed. Thus, the interviewees' personal information, as well as the names of the cafe chains are confidential. Therefore, the companies have been referred to as Company A, Company B, and Company C during the explanation and discussion of the results. The given country target markets have been mentioned respectively.

In addition, the researcher has been extremely careful to not expose the transcriptions or the recordings of the interviews through uploading it on any platform accessible through foreign services.

### **3.3.1 Interview Guide**

The objective of the empirical findings through conducting the interviews has been to gain an understanding of the factors that influence the selection of the entry mode to a new market, as well as the processes that are done by the cafes before and after the market entry. In addition, the findings have allowed the researcher to further validate the theoretical framework that has been used in the thesis. This has allowed the researcher, as well as the reader, to gain an understanding of whether the theoretical framework used for the process of market entry strategies is in fact used in practice or not.

#### **What was the initial reason for foreign market entry?**

The answers to this question have provided an understanding behind the underlying factors, internal and external, that inspired the companies to enter the given foreign market.

#### **What were the core capabilities that allowed the cafe to expand to the foreign market?**

The answers to this question have provided the researcher with an understanding of what competencies are strong enough for cafes that assist in differentiating from the competition and creating a cafe's competitive advantage in the marketplace.

#### **Did the cafe take into consideration a specific time frame and decided to enter the market then?**

The answers derived from this question have assisted the researcher in acknowledging whether cafes have to take into consideration an optimal entry time, which consequently affects the selection of the entry mode (Gallego M. et al, 2009).

**What were the initial steps in market analysis and customer segmentation?**

Through this question, the researcher has understood how cafes were able to segment the customers according to their product/service offerings. It has also assisted in understanding how the cafe predicts the demand for their product/services in the given country.

**Were there any differences in consumer behaviour in the new market? Did you attempt to change the traditional method/strategy in the new market after seeing these differences?**

According to research, it is highly important to understand the needs and behaviours of individuals in order to get a deeper insight into how they choose to purchase products and services (Ramaseshan et al, 2006). The answer to this question has allowed the researcher to recognize how and if the cafes were able to adjust to the local cultural needs and requirements, and how the adjustments affected the overall business strategy of the cafe.

**After entering the market, or before, did the cafe conduct a competitor analysis? To what extent was that beneficial?**

Through the answers of this question, the researcher has gained a deeper perception of the level of importance of conducting competitor analysis before entering a new market, and whether this has ultimately assisted the cafes in gaining an insight to the local customer demand.

**How would you best describe the market entry mode that the cafe used to enter the foreign market?**



The answer to this question has allowed the researcher to comprehend which market entry mode the cafes utilized when entering the foreign market and why. The insight to this has assisted in evaluating what similar factors the cafes under interview may have with Company X, which have further assisted the researcher in analyzing which market entry mode would be suitable for Company X to utilize when entering the Stockholm market.

**Did the cafe conduct a strategic analysis of external factors of the target market? What are your thoughts on the importance of conducting market strategies analysis before entering a foreign market?**

The answers to this question have allowed the researcher to recognize whether the cafes utilized any frameworks that are typically used for the market entry strategies. The level of importance has been highlighted and a deeper understanding of how to conduct such frameworks has been displayed.

**How did the cafe manage to position the brand image amongst the other competitors?**

Through the answers of this question the researcher has understood what factors differentiate the cafes' products/offerings from the local competitors' offerings, and how the cafes were able to market the products for the potential customer base, thus positioning their brand highly on the market.

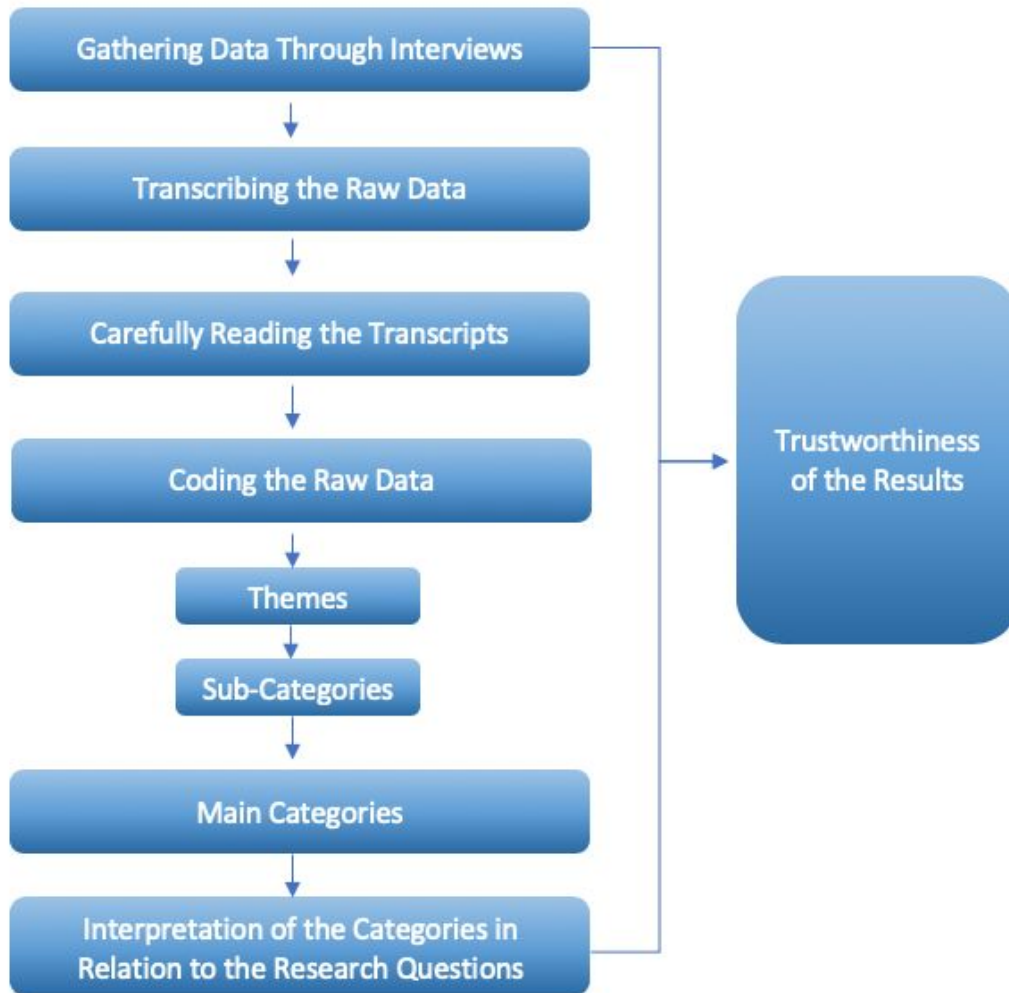
### **3.4 Data Analysis**

After the interviews were conducted, the researcher began the transcribing process in order to obtain the answers to the questions and thoroughly analyze them. Thematic analysis has been utilized as the data analysis method, which is a form of qualitative data processing. In order to efficiently analyze the data, the researcher has carefully

studied the data to recognize certain themes, elements, concepts, and trends that frequently came up in the interviews (Saunders M., et al, 2009).

The initial process of the thematic analysis was transcribing the audio, reading through the text and taking initial notes, and generally looking through the data to get familiar with it. Afterwards, the researcher coded the given data by highlighting sections of the text such as phrases or sentences and grouping them in distinguishable, larger themes. After the highlighted sections were grouped into larger themes, the researcher ensured that the described themes were accurate representations of the data. This was done by looking over the overall themes and formulating precisely what each theme represented and how it corresponded to and answered the research questions.

In the data collection processes, the researcher ensured that no bias occurred towards the findings during the interviews. A pre-established idea of which market entry mode is more successful than others has not played a role in the data analysis and interpretation process. The overall process of the data analysis can be seen in Figure 9 below, whereas the detailed data analysis can be found in the Appendices.



*Figure 6. Process of Data Analysis (Salome Gabechava)*

### **3.5 Data Interpretation**

In order to efficiently interpret the anticipated results of the data analysis to answer the research question, the researcher used the deductive research approach (Saunders M., et al, 2009). The fundamental distinction between inductive and deductive reasoning is that inductive reasoning attempts to establish a theory whereas deductive reasoning attempts to evaluate an established theory (Saunders M., et al, 2009). The researcher evaluated various market entry modes and theories on which is more suitable in given situations, which has been mentioned in the following chapters.

Finally, the trustworthiness of the results were evaluated. Assessment of the trustworthiness of the research findings is highly significant in qualitative analysis. Trustworthiness includes aspects of credibility, transferability, confirmability, and dependability of the results (Porter, S., 2007). These principles assist in evaluating how effectively the selected research methods and techniques have been used to analyse the gathered data, how reliable and credible the findings are, and how accurately the researcher has interpreted the information.

## **4 EMPIRICAL FINDINGS**

### **4.1 Stockholm as a Target Market**

#### **4.1.1 PEST Analysis**

In order to answer the following research question “*Why is Stockholm a suitable market for entry?*”, a PEST analysis of Stockholm as a target market has been conducted. Developed by Francis Aguilar in 1967, PEST analysis consists of Political, Economic, Socio-Cultural and Technological factors (Kenton, 2020), which assists in accurately and thoroughly analyzing the external factors that affect successful market entry into the given country. Using this framework, factors that make Stockholm an attractive market for Company X to penetrate has been discussed.



*Figure 7. PEST Framework (LucidChart, 2020)*

### ***Political Factors***

Political factors refer to variables that assist in understanding the laws, regulations and security concerns of the selected target market. Political factors contribute to the extent to which the government intervenes in the economy. These factors include economic reform, labour policy, environmental regulation, export controls, taxes and political stability (Kenton, 2020).

In 2008, after the financial crisis, the Swedish Government introduced a number of initiatives intended to make the Swedish business market more desirable to operate in. The initiatives include cheaper and less expensive recruitment of workers, the establishment of equity and high employee respect, as well as fostering a fair compromise between supply and demand on the labour market. Swedish public finances also enabled specific programs and policies to be introduced to encourage economic growth for businesses (Eurydice, 2020).

Having a supportive and reliable government that promotes an innovative environment for business expansion makes Stockholm a targetable market full of opportunities.

### ***Economic Factors***

Economic factors include economic development, interest rates, inflation as well as exchange rates (Kenton, 2020). Such variables have a significant impact on how companies operate and take decisions, which is highly corporated with the government policies and organizational aid that builds the economic structure of Stockholm.

Stockholm delivers a wide purchasing power, as it is one of the most popular destinations in Europe and an attractive economic climate with a promising foreign business environment (Investor, 2020). According to the investment firm Sparklabs, Stockholm ranks as the second largest startup ecosystem in the world second year in a row. The ranking is focused on a variety of variables, such as technical infrastructure, aid in the start-up community, as well as government policies and programs (Michael, 2019).

As the Swedish labour market has significantly strengthened after the financial crisis, it can be stated that the Swedish government has had a positive impact on the encouragement of employment on the market. In August 2018, the unemployment rate decreased from 7.4% to 6.9%, which is a significant decrease within a year (Eurydice, 2020).

### ***Sociocultural Factors***

Different cultural factors in different countries influence the market demand for the products, as well as the level of functionality and profitability of the company. Businesses may have to adjust various management strategies and respond to the social trends in the given target market in order to maintain competitiveness on the market. (Kenton, 2020)

According to the Food Chain Sustainability publication by the Swedish University of Agricultural Sciences (2017), Sweden's current food related policies include striving

towards a more sustainable food production and consumption, while aiming for environmental, economical, and social sustainable development that predominantly represents the consumer demand (Eriksson et al, 2017). A series of researches on modern food systems, conducted by the city of Stockholm, demonstrate how innovations in sustainable production, and the re-use of wasted urban resources in dense cities will produce a significant amount of economic and social gains, which is ultimately highly supported by the citizens of Stockholm (Investor, 2019).

In addition, the citizens of Stockholm are motivated and active towards reducing their ecological footprint, which derives from their awareness of environmental sustainability as well as personal health (Investor, 2019). According to the Mayor of Stockholm, Anna König Jerlmyr, Stockholm has an ambition of becoming a worldwide leader in food technology, food innovation and digitalisation. Jerlmyr points out that the objective is to make Stockholm the leading destination for global research and development, and capital investment with a strong start-up scene (Investor, 2019).

### *Technological Factors*

The technological component recognizes the core functions and advancement of innovations within the given sector and organisation, as well as the wider applications, developments and improvements in technology. These factors can distinguish entry barriers, minimize the efficiency of production and influence the outsourcing actions. In addition, technical changes may impact prices, efficiency and contribute to innovation. (Kenton, 2020)

The technological factors available in Stockholm, which are relevant for the majority of the foreign investments in the Swedish market, include information technology (IT), mobile software development, and additional distribution channels (Michael, 2019). These factors are highly important for the service industry, such as Company X, due to the fact that today's marketing is mainly done through the use of social media and mobile applications that demonstrate ratings and experiences of the cafe/restaurant. This form of advertising is considered highly reliable and informative, which generates a

large number of new customers on a weekly basis. Therefore, the availability of software development, as well as IT, provide an opportunity for new market entrants to position themselves amongst the competitors and gain customer loyalty through reliability and high level of satisfaction.

## **4.2 Company X as a Suitable Entrant in Stockholm**

### **4.2.1 SWOT Analysis**

In order to answer the research question “*Why is Company X suitable to enter the Stockholm market?*”, a SWOT analysis of Company X has been conducted. SWOT analysis, an abbreviation of strengths, weaknesses, opportunities and threats, is a method that is utilized to determine the level of competitiveness of an organization and to establish a successful operational strategy (Thompson et al., 2007). The strengths and weaknesses of an organization represent the internal factors, whereas the opportunities and threats represent the external factors. Using this framework, the factors that make Company X a suitable startup cafe to penetrate the city of Stockholm will be discussed and highlighted.





Figure 8. SWOT Analysis Framework (SWOT Analysis Template, 2018)

### *Strengths*

**Sustainability** – Company Y takes high consideration of the environmental aspects in the day to day operations. Management is dedicated to reducing the environmental effects of the organization by fostering organic production and responsible manufacturing, carefully preparing and designing their goods with recyclable packaging, allowing effective use of resources for their activities, and encouraging efforts of customers to reduce their environmental stress (Company Y, 2018).

The reason behind the sustainability of food cultivation is that food production systems are experiencing tremendous difficulties as the essential requirements for food production are threatened by climate change and water stress (Company Y, 2018). Simultaneously, food processing accounts for a large share in worldwide greenhouse gas pollution, accounting for two-thirds of all freshwater utilized in the world.

Company Y focuses thoroughly on their greenhouse gas emissions, resource and material utilisation, recycling and waste, as well as hazardous substances and chemical usage (Company Y, 2018). This is highly valuable as the divisions of the organization

manufacture various consumer goods, varying from coffee to savoury pastries, which have specific processes and production lines. This leads to the necessity of the divisions to have their own sustainability policies to handle their key environmental impacts.

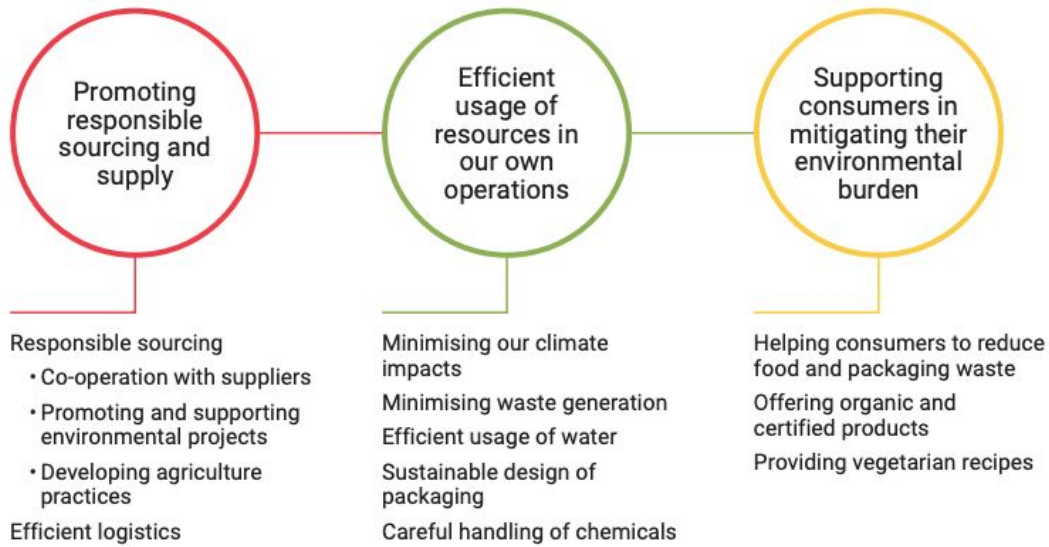


Figure 9. Sustainability Operations of Company Y (Company Y Sustainability Report, 2018)

**Minimizing Waste**

One of the highest priorities of Company Y is to reduce the amount of waste produced. About 70% of all their waste is bio-waste, primarily non-marketable, and much of the by-products generated from the processing is recycled as animal feed or used for bio-energy production. Company Y Coffee's aim is to use 100% recycled materials in coffee packaging by 2025 (Company Y, 2018).

**Quality**

Food safety and quality is the most significant and highest priority for Company Y, and is the essential component in building consumer trust (Company Y, 2018). The various departments evaluate risks proactively and communicate with their vendors on a routine

basis and discuss their means of handling quality and food safety in order to guarantee that the raw materials and goods of the organization fulfill their high criteria.

In addition, traceability of the raw materials is highly controlled and assessed regularly. This is done through recording the raw material batch numbers and matching them to the finished goods, and vice versa. This allows fast product detection if any issues are found and assures maximum traceability during distribution. In addition, processing and evaluation of incoming raw materials is an essential aspect of their production operations. (Company Y, 2018)

### **Caring for Customers**

Due to the fact that consumers have mostly high expectations regarding the products they purchase and consume, it is a vital part of the food and coffee production process of the company to deliver nutritious and healthy offerings (Company Y, 2018). Perhaps the most important topics are health and nutrition, as well as the sources and quality of goods. The demand for goods with less amount of sugar, salt and contaminants is perceived to be one of the most significant developments in the manufacturing process of the company's offerings (Company Y, 2018).

While coming up with various recipes and products, Company Y addresses both the health considerations and the legal and environmental issues at an early stage of food production processes (Company Y, 2018). Nowadays, more than ever, there is an increasing demand for vegetarian and plant-based products, as more and more customers are opting for healthier and more environmentally friendly food options. Company X, due to its cooperation with Company Z, offers healthy raw cakes, smoothies, as well as vegetarian, vegan, and gluten free options for savoury pastries and sandwiches.

### **Equality**

The Company Y bases its recruiting assessments on the compatibility of the applicant with the job criteria and the work environment, not on age nor ethnicity (Company Y,

2018). Each person is respected as an individual and a professional, and the same values are expected from their suppliers and partners. The guiding values of the management are equity and justice, and discrimination of any sort is intolerable. Equality is highly promoted in the company, and all employees are given the same opportunities in the field of work (Company Y, 2018).

### **Support of Human Rights**

Increasing environmental threats in the food industry apply to human rights such as forced or child labour, and labor rights such as equal compensation and working hours. Company Y highly values human rights in all its activities and supports the protection of human rights through its procurement of raw materials, supplier collaboration and resource development in the supply chain. Company Y aims to entirely avoid contributing to wrongful human rights impacts linked to their supply chain activities and operations. (Company Y, 2018)

### *Weaknesses*

#### **Physical Location**

Even though the products of Company Y are highly known and spread throughout the Nordics, the Baltics, Russia, and multiple surrounding countries (Company Y, 2018), the company does not provide many physical locations, such as cafes, for people to enjoy the coffee and other offerings on the spot. Despite Company X being an easily accessible location in the Greater Helsinki area, the lack of other locations outside the main areas of the city prevents the increase of brand awareness and popularization.

#### **Marketing Their Strengths**

As seen above, the strengths of Company X entail a large amount of elements that are highly valued amongst the Swedish consumers nowadays (Eriksson et al, 2017). However, the lack of marketing of these strengths leads to low brand awareness amongst potential consumers regarding sustainable and healthy offerings. Marketing the strengths of the company can increase positive brand recognition, which is highly

important as it communicates the meaning of the brand to the potential consumers and improves brand loyalty and customer satisfaction.

## *Opportunities*

### **Stockholm Market Entry**

According to Company Z (2018), people in the Nordic countries are increasingly more aware of what they consume and are more cautious about personal nutrition. However, the options for nutritious meals are very limited, and the more nutritious the meals are, the more the taste of the meals suffer. Therefore, Company Z has been developing their recipes using nutritious ingredients for the past five years now, which implies that they are consistently developing the products towards the better taste every day. The strengths of Company Y and Company Z together, in combination with the sustainable food preferences amongst the Swedish people, provides an opportunity for Company X to exploit the advantage of penetrating the Stockholm market.

As previously mentioned, the increase in marketing of sustainable operations and transparency of the company will increase the brand awareness and allow the potential target market to demonstrate brand loyalty towards Company X. The company is moving forward technologically and economically while minimizing waste, utilizing sustainable solutions, and protecting the environment in which production of the coffee and other product offerings take place (Company Y, 2018). These aspects are highly valued amongst the public in Stockholm, which increases the possibility of high brand positioning amongst the existing brands in the field of restaurant and cafe business in the Stockholm market.

### **Market for Premium Coffee Lovers**

Additionally, across the period, the increase in the number of competitors in the restaurant and coffee industry in Stockholm represents the pattern of rising demand for high quality coffee (Eriksson et al, 2017). Company Y Coffee has the potential to promote its high quality, organic and sustainable products that assist in maintaining the

quality of its offerings and improve the coffee experience for coffee lovers in combination with healthy and nutritious culinary experience.

## *Threats*

### **Strong Competition**

One of the main challenges to the entry of a new international market is domestic competition. Seeing that Company X is specializing in good-quality coffee and healthy, organic raw cakes, it will face big competitors such as Espresso House, Joe and The Juice, Wayne's Coffee and several others that have positioned their products relatively high on the Stockholm market.

Not only will Company X be competing with the brand awareness on the market, but also the quality of the offerings and services, as well as the convenience of the physical location on the Stockholm market. This is because Swedish cafe chains such as Espresso House and Wayne's Coffee are located in almost every corner of the city center, which makes it difficult for Company X to access a prime location in Stockholm.

## **4.3 Results of Interviews**

The results of the interviews, despite it not being a strong representative sample due to the reasons mentioned in the method chapter, have, to a certain extent, allowed the researcher to propose the answer to the research question *“With the assistance of the empirical findings, which factors should Company X take into account when entering a foreign market?”*.

The researcher has gathered the data through a primary source by conducting semi-structured interviews, over a video call online, with three individuals for their expertise on analyzing and utilizing various market entry modes. Purposive sampling was used to gather the information from reliable and knowledgeable sources of the given topic. The main objective was to interview representatives of companies that have

been operating in Northern Europe and have been successful with their market entry mode selections.

All three individuals have taken a significant part in the decision making process of entering the given markets. The individuals represent the chain cafes offering similar products and services as Company X, which is the reason behind the results being relevant and reliable. Security and safety measures were taken into account in order to ensure the limitation of spreading confidential company information, which is the reason why the interviewees' personal information, as well as the names of the cafe chains are confidential as requested.

Therefore, the companies are referred to as Company A, Company B, and Company C during the explanation and discussion of the results. Company A, of American origin, established its brand in Spain in 2002. Company B, of Swedish origin, established its brand in the UK in 2016. Company C, of Danish origin, established its brand in Germany in 2014. All three cafes are still operating in these countries successfully.

The details gathered from the interviews have been carefully analyzed, preserving the confidentiality of the interviewees at all stages throughout the process. The data evaluation was carried out without sacrificing the original data at any stage. The original context of the gathered data was coded, evaluated and interpreted without changing the meaning behind the discussed concepts. The researcher remained as objective as possible during the process, excluding possible bias and personal opinions in order to avoid invalid and unreliable interpretation of the data. The main categories that have arisen during the coding process can be seen in Figure 10, in addition to the larger categories they have been grouped into. The data analysis process can be seen in the Appendices.

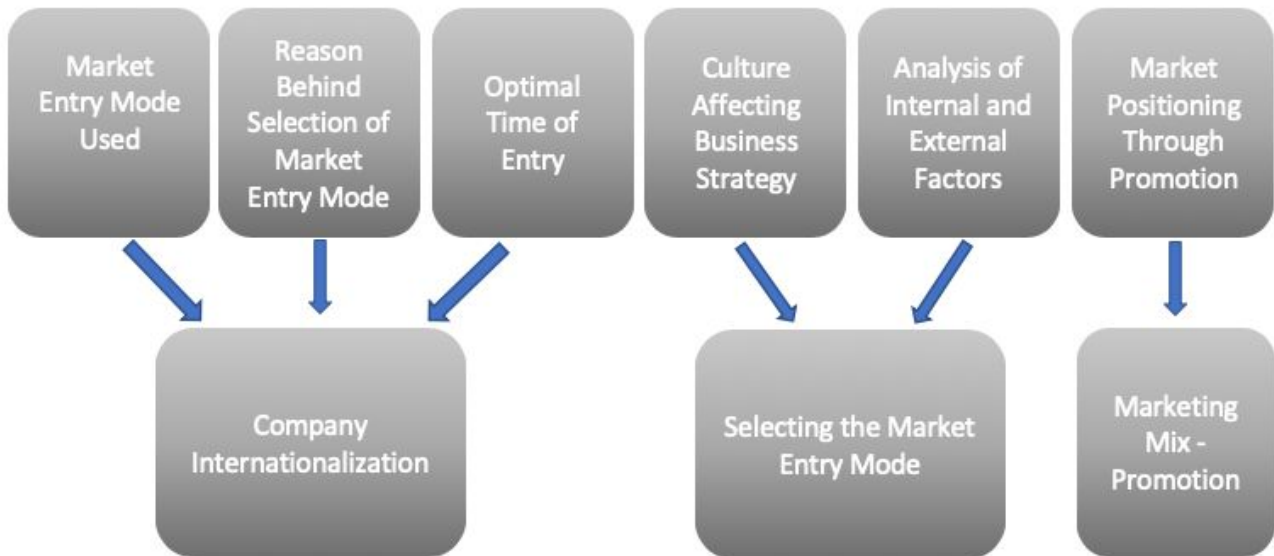


Figure 10. Main Categories of the Gathered Data (Salome Gabechava)

### 4.3.1 Company Internationalization

#### *Market Entry Modes Used*

*Company A:*

Company A selected the joint venture entry mode to enter the Spanish market in 2002. A joint venture is established as two or more companies agree to combine their financial and intellectual resources to move together into a new investment market (Hollensen, 2001). In order to respect the culture, traditions, and religion of the target country, the foreign strategy of Company A includes adaptation to various markets to satisfy the demands and expectations of each country. Therefore, in order to successfully respond to external factors of Spain and evaluate the company's internal variables, Company A opted to utilize the joint venture entry mode with a one of the leading Southern European food service providers.

*Company B:*

Company B selected the wholly owned subsidiary entry mode to enter the UK market in 2016. A subsidiary organization is considered to be wholly owned when another



company, the parent company, owns all the common shares, meaning there are no minority shareholders (Hollensen, 2001). Establishment of a wholly owned subsidiary by Company B was done through acquiring an established local company in the UK. As the initial Northern European country penetrated by Company B was the United Kingdom, Company B representative stated that *“acquisition of the local coffee store enabled our company to effectively and efficiently reach a new foreign market”*. Company B then re-branded the acquired coffee stores that had already obtained customer acknowledgement in the location, thus making it easier for Company B to introduce their new offerings to the market.

#### *Company C:*

Company C selected licensing as the entry mode to enter the German market in 2014. Licensing is characterized as a legal agreement under which a corporation authorizes another corporation to periodically have permission to utilize its intellectual property rights under agreed terms and conditions (Hollensen, 2001). Due largely to the uncertainty of the German market, Company C was unable to risk the maximum costs of developing an enterprise in a new country. The license deal between Company C and a local channel was therefore a pragmatic opportunity to access local resources and reduce the financial burden of entering Germany.

#### ***Reason Behind Selection of Market Entry Mode***

#### *Company A:*

The initial reason for Company A to enter the Spanish market with a joint venture entry mode was mainly the financial benefits of the market share. Additionally, Company A saw a high growth potential on the Spanish market with the use of a joint venture with a locally operating food service provider. This would allow the company to gain a thorough understanding of the cultural dynamics of the country, and would thus assist in further future growth and development in the neighbouring countries. Through

*“analysing the market demand, financial benefits, and evaluating the market potential”*, Company A initiated the planning of the market entry mode to enter the Spanish market.

Amongst the internal variables, the most important factors were the economic climate, timing and intensity of competition of the international market. The most prominent external variables influencing the entry mode were, for example, resource engagement, corporate management performance and effectiveness, and risk management.

*Company B:*

In the case of Company B entering the UK market, it is highly important to state that the internal and external factors affecting the choice of entry mode were highly significant. Regarding the external factors, Company B was affected by *“limited information and understanding of the business dynamics of the UK business sector”*, as there was a cultural gap between the two countries.

Moreover, the uncertainties of the new market, including the customer behaviour and product demand, urged Company B to select the mode of entry that would assist in eliminating such limitations. In order to successfully execute its business strategy, Company B chose the entry mode of a wholly owned subsidiary due to the *“specific efficiency in monitoring performance and increased control of quality standards”*.

*Company C:*

Company C saw high potential of growth and development on the German market. However, as the competition was high in the given industry, Company C selected the licensing entry mode into the German market largely due the *“reluctance of risking the potential costs of establishing a company in a foreign region”*. The licensing deal between Company C and the local channel was therefore a strategic incentive to *“have leverage over domestic capital and to reduce the financial cost of the German market entrance”*.

### ***Optimal Entry Time***

The interviews demonstrated a somewhat of a common answer regarding the question of optimal entry time in the given market. The interviewees commonly stated there is no standard strategy for timing the market entry process. The approach used for timing of market entry relies on variables such as the demand for the company's product and service offerings, the external environment of the target market, the degree of competition, and the availability of appropriate resources. It was stated by the Company A representative that *“the market entry approach used by an organization may often include a single strategy or a mixture of different strategies based on the company’s offerings and the target market. The timing is not a crucial part, unless there is a pandemic such as this one [the coronavirus] going on in the world. The most important factor is the demand of the company offerings on the target market”*.

### **4.3.2 Selecting the Entry Mode**

#### ***Culture Affecting Business Strategy***

*Company A:*

The representative of Company A described the cultural differences as one of the key factors that affect the choice of entry in a country, which is mainly dependent on the company’s offerings, market demand, as well as the local businesses’ willingness to cooperate if needed. It was stated that *“understanding the cultural values, traditions and beliefs of the people in the country can allow a company to identify the right approach of market entry strategy and appeal highly to the target market”*, as well as position the brand successfully amongst the predominant competitors.

Company A was required to acknowledge that operational strategic management is typically less essential in Spain than in most countries where it is of utmost importance. It is not uncommon for the business strategy of Spanish companies to have the main responsibility of the managing director or the owner of the corporation, who would

*“fairly often base decisions on instincts rather than formal evaluation and analysis of the situation”.*

Additionally, given that there is a high importance for the business relationship culture between the negotiating parties involved in Spain, the negotiation processes between companies takes quite some time. *“The company will be expected to establish a personal connection and plant confidence with its business partners before negotiations proceed”.* These business relationships are typically established individually by social interactions rather than through email or phone calls.

#### *Company B:*

When Company B entered the UK market, the essential cultural difference between the Nordic and British societies became broadly highlighted and acknowledged. The main differences between the two cultures includes *“the societal lack of awareness and appreciation of the sustainable food production and development within the restaurant and cafe industry”.* The company thus recognized that the cultural gaps may, in the future, affect the willingness of organizations to adapt business practices and methods according to the sustainability requirements and procedures.

As a result, Company B aimed to search for and acquire a local company that shared the same values and objectives in order to successfully adjust to the British coffee culture, without compromising the company’s core values. Company B representative stated that if a company's culture is clearly associated with its corporate strategy, *“it promotes enthusiastic, motivated, and optimistic teams of individuals that are on board and comfortable with the production and distribution processes”*, which in turn leads to a high level of customer loyalty and engagement.

#### *Company C:*

Considering the fact that the German and the Nordic cultures do not differ significantly within the business sectors, the market entry process of Company C into Germany was highly focused on the market demand of the company offerings, competition on the

market, as well as the high potential of growth and development, instead of the cultural adjustments. However, the representative of Company C stated that Germans are highly individualistic people who greatly respect the business etiquette and will deliver the best results, granted that the same results and efforts are reciprocated.

Therefore, given that the competition on the German market was very high, demanding, and highly challenging, Company C selected the licensing entry strategy in order to avoid risks of unsuccessful positioning on the market and reduce the costs and resources of market entry.

### ***Analysis of Internal and External Factors***

The results of the interviews showed that various departments of the companies in question performed an evaluation and analysis of their strengths and weaknesses, regarding their products and services, organizational strategies, resource utilization, as well as competitor analysis, and external factor analysis of the given market. Company A and B performed a SWOT and PEST analysis, while company C performed a series of analysis of their company, but the representative did not specifically mention which frameworks were used.

SWOT and PEST frameworks are used to carry out a comprehensive and detailed assessment of a potential company or project. According to the representative of Company A, either of the frameworks provide a greater understanding and knowledge to the management of the changes that may emerge and the effect that such changes will have on their company. The representative states that the *“thorough understanding of such possible changes ensures accurate forecasting of demand and thorough strategic development in order to avoid any financial risks”*. While the SWOT analysis emphasizes the internal core capabilities and limitations of the organization, the PEST analysis focuses on external factors. Together, using both approaches, a detailed assessment of the strategy is made.

#### 4.3.4 Marketing Mix

##### *Market Positioning Through Promotion*

Company A representative states that sometimes the change of a target market and demographics allows better brand positioning, higher to high customer satisfaction and increased revenue. *“It is typical for companies in established sectors to rely on the same consumer base over a long period of time and to ignore shifts in the market environment”*, the representative states. There is a high chance that a different market base could give companies a chance to succeed over their competition. That is the reason behind Company A shifting their focus of the target market from general coffee drinkers to students looking for a comfortable place to study while having a delicious cup of coffee and a pleasant environment, which was not very common on the Spanish market.

The representatives of Company B and C both made similar statements, which included the possibility to position the brand highly on the market and promote the brand even if the range of the company’s offerings do not differ significantly from its competitors. This can be done by providing the customers with the knowledge of the company’s core values, production processes, the sustainable harvesting, manufacturing, and background of the company culture.

In addition to providing the customers with high quality products and services, as well as a comfortable and safe environment, Company B representative states that they differentiate their brand through organising events at their coffee shops. These events include providing a platform for local artists to perform once a month, sharing the coffee culture and knowledge of coffee brewing over training programs, competitions of many sorts, collaborations with influencers and possible chances of winning prizes, such as a free coffee or pastry. Thoroughly understanding the societal interests of the UK culture has provided Company B with the knowledge of how to gain popularity

amongst the target market, which increases sales and positions the brand highly amongst its competitors.

#### **4.4 Trustworthiness of the Results**

Assessment of the trustworthiness of the research findings is highly significant in qualitative analysis. Trustworthiness includes aspects of credibility, transferability, confirmability, and dependability of the results. These principles assist in evaluating how effectively the selected research methods and techniques have been used to analyse the gathered data, how reliable and credible the findings are, and how accurately the researcher has interpreted the information.

According to Porter (2007), *confirmability* refers to the extent to which the research findings are neutral, meaning the results are focused on the responses of the participants and not on the possible bias or subjective motive of the researcher. *Dependability* refers to the consistency of the data gathered, which means the degree to which the same outcomes can be obtained more than once using the same methods of data collection. *Transferability* refers to the researchers ensuring that the results of the findings are applicable to other research contexts. *Credibility* refers to the degree to which the criteria of scientific research methods have been fulfilled during the process of generating scientific results.

*Credibility* of the results can be measured by analysing how accurately the data collection process was described by the researchers and the level of precision that was followed during the interview processes (Porter, S., 2007). The researcher has gathered the intended data through a primary source by conducting semi-structured interviews with three individuals for their expertise on analyzing and utilizing various market entry strategies. The interviews were transcribed, thoroughly analyzed through coding and segmenting of the data into larger themes, and finally, the data was categorized and interpreted by its relevance and applicability. The researcher remained as objective as possible during the process, excluding possible bias and personal opinions in order to

avoid invalid and unreliable interpretation of the data. This can be ensured through the presentation of direct quotes drawn from the raw data, which additionally supports the *confirmability* of the gathered data.

The interviews were held through a video call online, and the interviewees consented to the interviews being recorded for transcription purposes. The video call, given the current climate of the world regarding the coronavirus, was the best solution for conducting the interviews. The video call allowed the researcher to observe the body language of the interviewees, establish a trustworthy environment, and allow the topic in discussion to flow naturally while following the structure of the interview guide. These factors increase the *transferability* and the trustworthiness of the results due to the data collection method being applicable to other research contexts, granted that they are applied to similar situations, samples, and circumstances.

During the discussion of the results, the identity of the representatives of the companies remained anonymous as requested by the interviewees, which was done in order to ensure the safety of the company information. Informed consent was signed from each interviewee, which stated that the information gathered will be kept anonymous and the personal information will not be shared.

*Dependability* can be measured by the extent to which the same outcomes can be obtained multiple times using the same methods of data collection. In this case, the researcher used purposive sampling to gather the information from reliable and knowledgeable sources of the given topic (Porter, S., 2007). All three individuals that were interviewed have taken a significant part in the decision making process of entering new markets. The individuals represent the chain cafes offering similar products and services as Company X, which is the reason behind the results being relevant, reliable, and dependable. If the research and data collection methods were repeated in the same circumstances with the same interviewees, the results of the research would most likely provide highly similar data.



The researcher took into account the factors that influence the level of trustworthiness of the research findings, and ensured that the actions taken to increase the credibility, dependability, transferability, and confirmability were justified and relevant for the given aim of the study. Therefore, it can be stated that the research findings are to a large extent trustworthy, dependable, and valid for further use of research in the field.

## **5 DISCUSSION**

### **5.1 Stockholm as a Target Market**

This chapter aims to further discuss the answer to the research question “*Why is Stockholm a suitable market for entry?*”.

International expansion of a company can be beneficial due to the fact that organizations are able to expand into new markets, generate larger target markets, and increase their revenue. Despite Company Y operating in thirteen different countries, Company X has its location in only one place, in the Greater Helsinki area. Company X has received a high brand recognition in Helsinki amongst coffee enthusiasts, as well as individuals with special diet needs (Company Z, 2018). This factor, amongst other combined strengths of Company Y and Company Z, is the reason why the researcher believes penetrating the Stockholm market would be highly beneficial. Company Y and Company Z would jointly penetrate the Stockholm market and expand Company X’s brand image to a new target market and broaden their customer segment.

An organization must have a suitable reason behind the decision to enter a foreign international market. Recognizing the factor that stimulates companies to expand to a foreign country is essential and one must accurately take into account where, when and how enterprises are growing or reaching new markets across barriers (Czinkota, 2004). There are two motivational factors that usually drive organizations to expand to foreign markets, referred to as proactive and reactive stimuli. In the case of Company X, after conducting the SWOT analysis, the researcher has concluded that the motivations

behind the expansion includes the factors that are categorized into the proactive stimuli. The factors that Company X fulfils include profitability, uniqueness of the company's offerings, and exclusive target market knowledge.

In terms of unique offerings, Company X differentiates from its competitors through their cooperation with Company Z, which allows them to provide high quality, vegan, nutritious raw cakes to their customers. In addition, Company X offers on-spot breakfasts made by chefs, as well as a nutritious, vegetarian and healthy lunch buffet throughout the entire week. As the demand for goods with less amount of sugar, salt and contaminants is perceived to be one of the most valuable offerings of Company X (Company Y, 2018), it provides them a high advantage over the tangible offerings of the competitors on the Stockholm market.

Exclusive market knowledge is also another proactive stimulus. This involves knowledge of demand amongst international customers, industries, or economic conditions that are not commonly recognized by many other competitors. Such unique power of knowledge and information can be based on international observations, specific connections, or simply having the right people doing accurate research on the foreign situations (Czinkota, 2004).

As the results of the interviews showed, according to Company C, the German and the Nordic cultures do not differ significantly within the business sectors. Therefore, the market entry process of Company C into Germany was highly focused on the market demand of the company offerings, competition on the market, as well as the high potential of growth and development, instead of the cultural adjustments. The researcher believes that the same situation of cultural similarities applies to the Finnish and the Swedish market, as stated by Eriksson et al (2017).

Considering the PEST analysis of Stockholm, it can be stated that Stockholm is an advantageous target market full of opportunities for Company X to utilize. According to the Food Chain Sustainability publication by the Swedish University of Agricultural Sciences, Sweden's current food related policies include striving towards a more

sustainable food production and consumption, while aiming for environmental, economical, and social sustainable development that predominantly represents the consumer demand (Eriksson et al, 2017). In addition, the citizens of Stockholm are motivated and active towards reducing their ecological footprint, which derives from their awareness of environmental sustainability as well as personal health. This implies that sustainability and transparency of an organization is highly valued by the Nordic regions, specifically Stockholm, which provides an opportunity for Company X to exploit the advantage of penetrating the Stockholm market.

Lastly, one of the cultural aspects that plays a significant role in the reason for the Stockholm market entry is the phenomenon of the Swedish Fika, which essentially means coffee break. However, Fika is more than just a coffee break, it is a lifestyle of the Swedish culture and plays a significant role in the daily lives of the Swedish people (Forslin, 2017). This in itself provides a remarkable drive for Company X to enter the Swedish market and provide high quality coffee and healthy, sustainable raw cakes and pastries for the target market.

## **5.2 Selecting The Suitable Entry Mode**

This chapter provides a proposal for the research aim *“to suggest a suitable market entry mode for Company X to utilize when entering the Swedish market, specifically Stockholm”*.

The most common modes of foreign market entry include export entry, intermediate entry, and hierarchical entry modes (Hollensen, 2001). The researcher will be discussing the advantages and disadvantages of various entry modes for Company X to utilize when entering Stockholm.

### **5.2.1 Export Entry Modes**

Company X utilizing the export entry method to penetrate the Stockholm market would provide the least amount of risk, in combination with the least amount of financial

profitability. This entry mode would allow Company X to evaluate their growth potential, as well as obtain an understanding of the market demand of their offerings. Company X would have to utilize the organizations that are already situated in Stockholm, and would assist in selling of the products and carrying out the daily operations. However, given that Company X would like to open a coffee shop in Stockholm, direct or indirect export entry modes have to be taken off the table as possible market entry strategies. This is due to the fact that long-term profitability in the Stockholm market would not derive from export entry modes, as the success of a coffee shop in a foreign country would be determined by the physical store where customers would fully experience the service offerings in combination with the product offerings.

### ***5.2.2 International Franchise***

Utilizing the international franchise entry mode, Company X would obtain the opportunity to exploit the chosen franchisor's existing business strategy in Stockholm. This would assist Company X to take advantage of the existing company's target market and increase awareness amongst the customers that are already interested in the similar offerings as the Company Y products. However, despite the advantages international franchising offers, there are considerable disadvantages to utilizing this market entry strategy. One of the biggest disadvantages include the limited freedom of a franchisee in a foreign country, due to the fact that there are typically strict guidelines and rules to follow under the franchise's instructions. These guidelines may include management and daily operation restrictions, as well as the level of marketing that can be implemented.

Such restrictions may disrupt the ability of Company X to successfully position their brand on the market and interfere with the ability to stand out from the rest of the competition through the use of their strengths. These factors may go as far as preventing Company X to efficiently utilize its resources and successfully implement their marketing strategies, which is a considerable risk for a small coffee shop in a foreign country. Despite its advantages, the level of the risk regarding the disadvantages implies that franchising should not be utilized as the initial market entry strategy for Company

X to Stockholm in order to avoid possible risk of unsuccessful brand positioning on the market.

### **5.2.3 Licensing**

Licensing could be a possible market entry strategy for Company X to utilize as it would provide the company with an opportunity to periodically utilize the licensor's intellectual property rights, such as production procedure, trademark, patent, copyright etc., under agreed terms and conditions. As the results of the interviews showed, the licensing deal between Company C and the local channel was a strategic incentive to "*leverage local capital and to reduce the financial cost of entrance into Germany*". This implies that licensing is not highly demanding regarding company resources, it is appealing to small companies that lack the resources and would not want to take too high risks. This allows Company X to penetrate the Stockholm market with minimal expense. In addition, it would allow the company to grow their market share, encourage customer preference and loyalty towards the company's service offerings and products, and significantly increase visibility, as well as sales and profits.

Despite the advantages, licensing includes disadvantages that entail high quality risk for the licensee, which in this case would be Company X. The licensor has almost no influence over the licensee in terms of production, marketing and distribution of the products, which means that Company X has to have thorough supply chain management processes and smooth operations in Stockholm in order to ensure success of the company and efficient brand positioning. This would make the entry process highly difficult as Stockholm is a foreign, unknown market to Company X, and would not be beneficial to take on such thorough activities as the initial entry strategy.

In addition, the licensing period of a brand typically has a time limit (probably between 5 to 10 years) which may potentially disrupt the future processes of Company X expanding on the Stockholm market if the contract with the licensor can no longer be further renewed. This would result in a loss of time, money, and resources investment, which could be otherwise avoided through utilizing a different market entry mode. The

risks of utilizing licensing as a market entry strategy entail a high probability of Company X not being able to successfully position their brand on the Stockholm market, meaning further market entry strategies have to be explored.

#### **5.2.4 Joint Venture**

One of the possible market entry strategies for Company X to utilize would be a joint venture. A joint venture is established after two or more companies agree to combine their financial and intellectual resources to move together into a new investment market (Hollensen, 2001). As the results of the study showed, the initial reason for Company A to enter the Spanish market with a joint venture entry strategy was mainly the financial benefits of the market share. Additionally, Company A saw a high growth potential on the Spanish market with the use of a joint venture with a locally operating food service provider. This would allow the company to gain a thorough understanding of the cultural dynamics of the country, and would thus assist in further future growth and development in the neighbouring countries. Through *“analysing the market demand, financial benefits, and evaluating the market potential”*, Company A initiated the planning of the market entry strategy to enter the Spanish market.

The results, in combination with the Hitt’s (2003) theory behind licensing, demonstrate that one of the biggest advantages of the joint venture as an entry mode include all the parties involved sharing the responsibility of financial and administrative management, unless otherwise agreed upon. In addition, the joint venture entry mode would provide Company X to cooperate with an established local coffee shop, which would increase the knowledge of the local market demand and provide visibility to a larger target market.

While possessing the aforementioned advantages, joint ventures include certain disadvantages as well. When establishing a joint venture, it is very important to know the key objective of both parties, otherwise the company can move in a specific unwanted direction (Hitt, 2003). In order to avoid possible disagreements, a thorough

evaluation has to be done through the use of SWOT analysis for a potential company Company X would engage in a joint venture with.

However, despite having similar objectives, goals, and strengths, the competition for control within investment enterprises often shifts the course and policy of the joint venture. This may cause disagreements between the two companies and interfere with the overall business strategy, resulting in potential loss of cooperation and partnership. This particular aspect entails a high financial risk of the initial market entry for a small cafe such as Company X and possible loss of the opportunity to exploit the Stockholm market.

#### ***5.2.5 Wholly Owned Subsidiary***

Blomstermo et al. (2006) states that there is a significant difference in the choice of market entry strategy according to whether the company offers hard or soft services. In the case of soft services, production and consumption occur simultaneously, which implies that the consumer, as well as the service provider, must be present for the experience to efficiently work and the separation of the processes is not possible. Consequently, it can be observed that the organization that offers soft services has a higher likelihood of selecting a hierarchical entry mode (high control) when entering a foreign market than hard services (Blomstermo et al., 2006). It is necessary for the soft-service providers to communicate with their international customers, which would allow for the company to obtain a high level of control, allowing them to manage the co-production of the services.

Company X offers its customers soft services, which includes both tangible goods and intangible services. Company Y is a reliable company that has a high level of responsibility regarding the attitude towards sustainability, environmental friendliness, and the natural flow of processes. This demonstrates reliability and consistency with the customers, increases customer satisfaction and contributes to a sustainable and dependable flow of supply chain processes (Company Y, 2016). After conducting the SWOT analysis for Company X, it can be stated that the standards of coffee production,

as well as other offerings, hold a high standard and require a significant amount of credibility. Due to this factor, it is highly important that the procedures are respected and strictly met by any other companies Company X chooses to collaborate with in order to ensure the quality expectations of the offerings are achieved.

As the interview results showed, Company B also offers its customers soft services, which implies that the presence of the service providers is crucial in order for the customer experience to be satisfactory. When Company B entered the UK market, using the wholly owned subsidiary entry mode, the essential cultural difference between the Nordic and British societies became broadly highlighted and acknowledged. Company B thus aimed to search for and acquire a local company that shared the same values and objectives in order to successfully adjust to the British coffee culture, without compromising the company's core values. In order to successfully execute the business and growth strategy, Company B chose the entry mode of a wholly owned subsidiary due to the *"specific efficiency in monitoring performance and increased control of quality standards"*.

Despite the joint venture not being completely disregarded before as a possible market entry mode for Company X, the theory of Blomstermo et al. (2006), in combination with the disadvantages of the joint venture and empirical research findings, implies that the initial entry mode of Company X to Stockholm has to be narrowed down to one of the hierarchical entry modes. This includes the choice between the wholly owned subsidiary or merger/acquisitions.

Generally, mergers take place as two companies join forces to form a single company and acquisitions occur where one company absorbs another small company that is incorporated into the parent company or acts as a subsidiary. Even though a subsidiary has the ability to establish its own system of corporate standards, the parent company would still have a strong impact on the values, operations and strategies that control the subsidiary. This aspect ensures that the division operates with the same values and



principles of the parent organization and maintains exposure to the same target market of the given location, which is highly important in the case of Company X.

A subsidiary organization is considered to be wholly owned when another company, the parent company, owns all the common shares of the subsidiary (Hollensen, 2001). Due to this fact, the parent company operates the daily activities of the subsidiary, even though the subsidiary runs through its own centralized structure and administration. A situation where the supply chain processes of an organization is under the influence of another owner is referred to as vertical integration. Company X has the ability to establish a wholly owned subsidiary through acquiring a local coffee shop that shares the same values, strengths, and objectives in order to successfully adjust to the Swedish coffee culture, without compromising the company's core values.

One of the key advantages of acquiring a local coffee shop would include the opportunity to increase the knowledge of the local market demand and provide visibility to a larger target market. Afterwards, establishing a wholly owned subsidiary through the acquisition would provide Company X with a high control of the daily operations of the subsidiary. However, instead of having to establish a new supply chain management process, Company X would have the possibility to utilize the acquisitions' existing clients, suppliers, sales networks, management expertise, market identity and credibility.

This particular entry mode would allow the company to take advantage of the local company's domestic market knowledge, already existing target market and potential customer base, and easy transition from a foreign company to a locally operating organization from the perspective of the local government (Tradestart, 2019). This aspect would minimize the risk Company X would face regarding Porter's Five Forces framework, which is a method to help establish a market advantage over competing companies within the marketplace in a sustainable setting. Through the use of the acquisition's existing clients and suppliers, Company X would lower the possibility of high supplier bargaining power as well as the high threat of the new entrants, in combination with the high threat of substitute products or services.

In addition, acquiring an already established coffee shop with similar values would ensure that the core values of Company Y are not altered and mislead into a different direction, in addition to the ability to monitor the performance of the management and thoroughly control the quality standards of the company offerings. Considering the high authority of the parent company over the subsidiary, the decision of whether to invest more or less money into the subsidiary will be based on the success of the market penetration and brand positioning amongst the competitors. This allows reduced risk of financial loss and ensures high control over the business strategy of the subsidiary.

However, one of the main disadvantages of establishing a wholly owned subsidiary in a foreign country is the cost of acquiring a successful local company. Nevertheless, if the business strategy of Company X is thoroughly planned out before penetrating the Stockholm market and the acquisition rebranding is strategically planned according to the market research and segmentation, the return on investment for the local company acquisition will have efficient results.

In conclusion, taking into account the above mentioned factors, the researcher suggests that the suitable option of market entry out of all the market entry modes discussed, would be the wholly owned subsidiary. This would be done through the acquisition of an already established local coffee shop that would be turned into a wholly owned subsidiary in order to maintain a high control of the operations and quality of the offerings.

### **5.3 Market Positioning**

This chapter aims to further discuss the answer to the research question “*Why is Company X suitable to enter the Stockholm market?*”.

Once Company X selects a suitable local coffee shop for its acquisition, the rebranding process has to be thoroughly evaluated according to the market research and market demand. The increase in marketing of sustainable operations and transparency of the

company will increase brand awareness and allow the potential target market to demonstrate brand loyalty towards Company X. The company is moving forward technologically and economically while minimizing waste, utilizing sustainable solutions, and protecting the environment in which production of the coffee and other product offerings take place (Company Y, 2018). These aspects are highly valued amongst the public in Stockholm, which increases the possibility of high brand positioning amongst the existing brands in the field of restaurant and cafe business in the Stockholm market. This suggests that Company X would have a relatively high chance of positioning their brand positively on the Stockholm market.

The main objective of Company X is to deliver high-quality products that are made through innovative recipes, sustainable harvesting, environmentally friendly production, in addition to being highly nutritious and healthy. In addition to Company X using this as an advantage over their competitors, the cafe should optimize the possibility to shed light on the similarities between the Finnish and Swedish cultures by organizing events that demonstrate this in the best possible way. According to Investor (2019), Stockholm is an innovative city full of spontaneous cross-collaborations. Stockholm offers a highly business-friendly climate, which gives rise to a creative space where talented people from various industries cooperate together, often resulting in mutually beneficial business opportunities.

In addition, for example, the results of the interviews showed that Company B differentiates its brand through organising events at their coffee shops. Thoroughly understanding the societal interests of the UK culture has provided Company B with the knowledge of how to gain popularity amongst the target market, which increases sales and positions the brand highly amongst its competitors. This leads to the importance of one of the main findings of the study - the understanding of cultural differences when entering a foreign market.

Lastly, the representatives of Company B and C made similar statements regarding brand positioning on the market, which included the possibility to position the brand

highly on the market even if the range of the company's offerings do not differ significantly from its competitors. This can be done by providing the customers with the knowledge of the company's core values, production processes, the sustainable harvesting, manufacturing, and background of the company culture. As Sweden's current food-related policies include striving towards a more sustainable food production and consumption, it implies that the sustainability and transparency of an organization are highly valued by the Swedish people. This provides an opportunity for Company X to positively position their brand on the market once they acquire a local coffee shop and establish a wholly-owned subsidiary.

## **6 LIMITATIONS**

One of the limitations of the research includes the extensive use of theoretical frameworks when predicting the possible success of a company in a foreign country. This reinforces the idea that if the factors mentioned in the research are thoroughly evaluated and successfully fulfilled, the success of a company is guaranteed when entering a new market. However, as mentioned in the demarcation, the scope of the study does not demonstrate the detailed financial aspects of the company under research, nor does it take into account the current economic climate due to the coronavirus, thus implying that there is no specific timeline demonstrated in the research. This implies that more factors have to be considered that determine the success of a company when entering a new foreign country, which cannot be taken into account without the presence of various reports, statements, and multiple departments of the company under research.

The most prominent limitation of the research is that the empirical findings are to a certain extent limited due to various unfortunate reasons caused by Covid-19. Therefore, only utilizing the empirical research findings at hand, the researcher cannot strongly state all the factors Company X has to take into account when entering a

foreign market, as well as which market entry mode is the most suitable one for Company X to utilize, without taking more factors into account.

The limitation regarding the method used, in the case of conducting interviews as a primary source of information, would be the misinterpretation of the results of the study due to the preconceived opinion that is based on logical reasoning and deductive thinking.

Additional limitations of the research include the possible bias regarding the company representatives that were interviewed, as well as the potential pre-established idea of the most suitable market entry mode from the perspective of the interviewer. Thus, despite the transparency of the interview processes, the responses of the interviewees may have been subjective with their opinions about their workplace, which may have led to the interviewees solely demonstrating the positive aspects of the brand. This may have led the researcher to interpret the results of the interviews differently during the evaluation and analysis of the results.

## **7 CONCLUSION**

In the current economic climate, in order to successfully increase brand awareness and compete amongst multinational corporations, it is rather necessary to have a high market share and dominate markets in various locations in different countries (Friedman, 2012). Internationalization allows businesses to compete in the global market to increase sales, improve profits, maintain competitiveness, diversify their market and customer base, and gain higher market share.

However, the process of internationalization is accompanied by high risk, especially for middle to small-sized companies. Even the large and experienced companies can make costly mistakes that may lead to slowing down of production in their current locations. Selecting the suitable market entry mode accompanied by a comprehensive and

well-structured strategy is highly important in order to successfully penetrate a new foreign market and avoid maximum failure.

Company X is the case company of the research, and the main aim of the thesis is to define a suitable market entry mode for Company X to utilize when entering the Swedish market, specifically Stockholm. Company X, located in the Greater Helsinki area, offers locally brewed speciality coffee. The coffee house is a branch of Company Y, an international company known for its high-quality products and services. Company X operates in partnership with Company Z, which is located in Turku and renowned for its tasty dishes, such as nutritious and healthy raw cakes.

Despite Company Y operating in thirteen different countries, Company X has its location in only one place. Company X has received a high brand recognition in Helsinki amongst coffee enthusiasts. This factor, amongst other strengths of Company Y, is the reason why the researcher believes penetrating the Stockholm market with a suitable market entry mode would be an optimal way of Company X to expand their brand image and broaden their target market.

There are two motivational factors that usually drive organizations to expand to foreign markets, referred to as proactive and reactive stimuli. After conducting a SWOT analysis of Company X, the researcher has concluded that the motivations behind the expansion includes the factors that are categorized into the proactive stimuli. The factors that Company X fulfils include profitability, uniqueness of the company's offerings, and exclusive target market knowledge.

The researcher has conducted a PEST analysis of Stockholm as a target market, which showed that Stockholm is an advantageous target market full of opportunities for Company X to utilize. Research shows that Sweden's current food related policies include striving towards a more sustainable food production and consumption, while aiming for environmental, economical, and social sustainable development that predominantly represents the consumer demand. This implies that sustainability and transparency of an organization is highly valued by the Nordic countries, specifically

Sweden, which provides an opportunity for Company X to exploit the advantage of penetrating the Stockholm market.

The researcher evaluated the advantages and disadvantages of various foreign market entry modes and concluded that one of the most suitable alternative modes of entry for Company X to utilize would be a wholly owned subsidiary. Despite the joint venture not being completely disregarded as a possible market entry mode for Company X, the theory of Blomstermo et al. (2006), in combination with evaluated frameworks, the disadvantages of the joint venture and empirical research findings, suggests that the initial entry mode of Company X to Stockholm has to be narrowed down to one of the hierarchical entry modes. This includes the choice between the wholly owned subsidiary or merger/acquisitions.

A suitable strategy of Company X to enter the Stockholm market includes the possibility of acquiring an already established local coffee shop. This would assist in increasing the knowledge of the local market demand and providing visibility to a larger target market. Eventually, establishing a wholly owned subsidiary through the acquisition would provide Company X with a high control of the daily operations of the subsidiary. However, instead of having to establish a new supply chain management process, Company X would have the possibility to utilize the acquisitions' existing clients, suppliers, sales networks, management expertise, market identity and credibility.

The use of an already existing supply chain would minimize the risk Company X would face regarding Porter's Five Forces framework, which is a method to help establish a market advantage over competing companies within the marketplace in a sustainable setting. Through the use of the acquisition's existing clients and suppliers, Company X would lower the possibility of high supplier bargaining power as well as the high threat of the new entrants, in combination with the high threat of substitute products or services. In addition, acquiring an already established coffee shop with similar values would ensure that the core values of Company Y are not altered and mislead into a

different direction, in addition to the ability to monitor the performance of the management and thoroughly control the quality standards of the company offerings.

In conclusion, the researcher has to take into account that the empirical findings are to a certain extent limited, and therefore cannot strongly state which market entry mode is the most suitable one for Company X to utilize. However, taking into account the above mentioned factors, the researcher suggests that the suitable option of market entry out of all the market entry modes discussed, would be the wholly owned subsidiary. This could be done through the acquisition of an already established local coffee shop that could be turned into a wholly owned subsidiary in order to maintain a high control of the operations and thorough maintenance of the quality of the offerings.

### **Applicability of the Research Findings**

The researcher took into account the factors that influence the level of trustworthiness of the research findings, and ensured that the actions taken to increase the credibility, dependability, transferability, and confirmability were justified and relevant for the given aim of the study. Therefore, it can be stated that the research findings are to a large extent trustworthy, dependable, and valid for further use of research in the field.

However, it has to be taken into account that no foreign or domestic market entry mode can be applied to every company in a similar situation. Various frameworks have to be utilized, analyses have to be conducted, and the case company, as well as the target market, have to be thoroughly evaluated. The evaluation of the case company has to be suitable for the target market, meaning the internal factors of the company and the external factors of the target market have to be compatible with one another. If a case company is similar to that of Company X, and the target market is similar to that of Stockholm, it does not suggest that the findings of this research can be directly applied to the given company entering the given target market in a foreign country. However, the research method, in combination with the use of given frameworks, is a reliable and



dependable approach to providing an accurate answer to a similar research aim, and can be used for further research.

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## **APPENDICES**

### **Interview Questions**

1. What was the initial reason for foreign market entry?
2. What were the core capabilities that allowed the cafe to expand to the foreign market?
3. Did the cafe take into consideration a specific time frame and decided to enter the market then?
4. What were the initial steps in market analysis and customer segmentation?
5. Were there any differences in consumer behaviour in the new market? Did you attempt to change the traditional method/strategy in the new market after seeing these differences?
6. After entering the market, or before, did the cafe conduct a competitor analysis? To what extent was that beneficial?
7. How would you best describe the market entry mode that the cafe used to enter the foreign market?
8. Did the cafe conduct a strategic analysis of external factors of the target market? What are your thoughts on the importance of conducting market strategies analysis before entering a foreign market?
9. How did the cafe manage to position the brand image amongst the other competitors?
10. Is there anything else you would like to comment on?

## Data Analysis Process

Interview Subject	Theme	Category	Key Word
<b>Company A - Spain as target market</b>	Financial benefits of the target market share	Reason Behind Selection of Market Entry Mode	Financial benefits
	High growth potential on the market	Reason Behind Selection of Market Entry Mode	Growth potential
	Joint venture as a mode of entry	Market Entry Mode Used	Joint venture
	Meeting the local market demand	Optimal Entry Time	Product demand
	Willingness of local cooperation	Culture Affecting Business Strategy	Cooperation
	Motivated team	Importance of Company Analysis	Motivation
	Respecting the local business culture and values	Reason Behind Selection of Market Entry Mode	Cultural respect
	Cultural differences between companies	Culture Affecting Business Strategy	Cultural understanding
	Risk handling	PEST Analysis	Risk preparation
	Importance for the business relationship culture	Culture Affecting Business Strategy	Business culture
	Establishment of relationships before negotiations	Culture Affecting Business Strategy	Negotiations
	Satisfying the local demands	Reason Behind Selection of Market Entry Mode	Local demand
	Thorough understanding of the cultural dynamics	Reason Behind Selection of Market Entry Mode	Cultural dynamics
	Pandemics affecting foreign entry time	Optimal Entry Time	Pandemics
	Efficiency and resource optimization	Reason Behind Selection of Market Entry Mode	Resource optimization
	Accurate forecasting of demand	Optimal Entry Time	Demand forecasting
	Thorough strategic development	PEST Analysis	Strategy
	Avoidance of financial risks	PEST Analysis	Financial benefits
	Strong appeal to the target market	Importance of Company Analysis	Appeal to target market
	Difference in decision making processes	Culture Affecting Business Strategy	Decision-making
Reliability on the same customer segment	Market Positioning	Customer segment	
Importance of switching to another target market	Market Positioning	Target market	
<b>Company B - UK as target market</b>	Limited information of the target market	Reason Behind Selection of Market Entry Mode	Information limitation
	Strong financial resources	Importance of Company Analysis	Financial resources
	Importance of cultural understanding	Culture Affecting Business Strategy	Cultural understanding
	Efficiently reaching the target market	Reason Behind Selection of Market Entry Mode	Target market
	Opportunities of the target market	SWOT Analysis	Target market
	Positive external environment of the target market	Optimal Entry Time	External environment
	Analysis of the political climate	PEST Analysis	Political climate
	Lack of environmental importance	Culture Affecting Business Strategy	Environment
	Selection of wholly owned subsidiary as an entry mode	Market Entry Mode Used	Wholly owned subsidiary
	Adaptation of business practices and methods	Culture Affecting Business Strategy	Adaptation
	Cultural gap between the two countries	Reason Behind Selection of Market Entry Mode	Culture gap
	Efficient monitoring of performance	Reason Behind Selection of Market Entry Mode	Performance
	Appropriate resource availability	Optimal Entry Time	Resources
	Importance of sustainability requirements and procedures	Culture Affecting Business Strategy	Transparency
	Importance of two companies sharing same values and objectives	Reason Behind Selection of Market Entry Mode	Sharing values
	Uncertainties of the new market	Reason Behind Selection of Market Entry Mode	Uncertainty
	Uncertainties in customer behaviour	Culture Affecting Business Strategy	Uncertainty
	Importance of clear corporate strategy	Culture Affecting Business Strategy	Corporate Strategy
	Differentiating through high corporate social responsibility	Market Positioning	Corporate social responsibility
	Events and local support of artists	Market Positioning	Events
<b>Company C - Germany as target market</b>	High presence of market demand	Optimal Entry Time	Market demand
	Competitor analysis	Target Market Analysis	Competitor Analysis
	Potential growth of the company	Reason Behind Selection of Market Entry Mode	Potential growth
	To scale the business	Importance of Company Analysis	Scale through a new market
	Cultural similarities	Culture Affecting Business Strategy	Culture
	Individualistic people	Culture Affecting Business Strategy	Individualistic mindset
	Licensing as an entry mode	Market Entry Mode Used	Licensing
	Minimizing the risk of market entry	Reason Behind Selection of Market Entry Mode	Minimizing risk
	Costly to enter a foreign market	Reason Behind Selection of Market Entry Mode	Financial benefit
	Competition determining success on a market	Optimal Entry Time	Foreign competition
	Meeting the societal demands and inspiring interest	Market Positioning	Sparking interest
	Detailed assessment of the target market	Target Market Analysis	Targeting the market
	High level of customer loyalty	Optimal Entry Time	Broad potential market
	Differentiating from competitors through company offerings	Market Positioning	Customer deals
Transparency of company processes	Market Positioning	Trust through transparency	



## Extracts from the interviews

### **COMPANY A:**

*“analysing the market demand, financial benefits, and evaluating the market potential”.*

*"the company saw the potential for growth on the Spanish market".*

*"the best way to describe the entry mode our company used would be the joint venture entry mode".*

*"I believe that there is no optimal time to enter a specific country. If there is a demand for the company's products, any time of the year would be suitable. Unless, of course, we are talking about seasonal products. Which was not the case with our company as we offer services in combination with products".*

*"it is very important to remember the local business culture of a country and respect it, because that predicts whether the local companies would want to cooperate or not".*

*"one of the most important aspects is the team's motivation to succeed and work together in every situation, especially when dealing with a foreign country".*

*"we wanted to respect the culture as much as possible when we entered the Spanish market, because we know how every decision comes from personal values of a person".*

*“understanding the cultural values, traditions and beliefs of the people in the country can allow a company to identify the right approach of market entry strategy and appeal highly to the target market”.*

*"The use of frameworks that target the local market have provided understanding and knowledge to our team that will prepare us for any challenges that may happen".*

*"Before entering the Spanish market we were very aware of the importance of personal relationships in business".*

*“The company will be expected to establish a personal connection and plant confidence with its business partners before negotiations proceed”.*

*"understanding the local values, cultural dynamics, and needs of people typically helps*

*in deciding how to satisfy the customer's needs, and we needed help with the initial customer segmentation".*

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*"the timing is not a crucial part, unless there is a pandemic such as this one [the coronavirus] going on in the world. The most important factor is the demand of the company offerings on the target market".*

*"selecting joint venture as the entry mode helped the team to manage any risks that could have arisen, efficiently utilize our resources, and take advantage of the local knowledge through partnering up with already established companies in the region".*

*"the company's offerings have to be in demand for the sales to increase, and to successfully do this the demand has to be forecasted accurately".*

*"thorough understanding of such possible changes ensures accurate forecasting of demand and thorough strategic development in order to avoid any financial risks".*

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*"We have always been appealing to the domestic target market"*

[the management would] *"fairly often base decisions on instincts rather than formal evaluation and analysis of the situation".*

*"It is typical for companies in established sectors to rely on the same consumer base over a long period of time and to ignore shifts in the market environment",*

*"sometimes shifting the focus and switching to another market segment can be what the company needs".*

## **COMPANY B:**

*“limited information and understanding of the business dynamics of the UK business sector”.*

*"the company was willing to invest in a potentially successful market, but we needed to minimize the risks".*

*"there was an obvious culture gap between the domestic and foreign markets, and we did not have enough understanding of the UK culture to take on such complicated procedures"*

*“acquisition of the local coffee store enabled our company to effectively and efficiently reach a new foreign market”.*

*"the UK had many opportunities for us to explore and since we were in a financially strong position, we did not want to miss out on these opportunities".*

*"it was extremely important that we were fully aware of the political climate in the UK and its implications, as the Brexit campaigns were already starting so we had to make sure we would not be harmed by this aspect"*

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[main difference between the cultures includes] *“the societal lack of awareness and appreciation of the sustainable food production and development within the restaurant and cafe industry”.*

*“acquisition of the local coffee store enabled our company to effectively and efficiently reach a new foreign market”.*

*"the cultural gaps between the countries may have affected the way our company adapted to the UK business culture, and the way the local operations adapted to our values and requirements".*

*"acquiring a locally established company allowed us to eliminate risks of uncertainties that may have occurred due to the culture gap"*

*“[a wholly owned subsidiary allows] specific efficiency in monitoring performance and*

*increased control of quality standards”.*

*"We always say that if there is a will, there is a way. This applies to foreign market entry as well. If there are resources, we have to take advantage of it, and we have to make it work no matter what".*

*"we had to make sure we stood out from the competition in the eyes of the public, and we wanted to market our brand successfully to the customers. To do this, we had to make sure that the target market shared the same values as us, regarding environmental friendliness".*

*"Our company wanted to acquire a local company that shared the same values and objectives as us. This had to be done so that we would not have to compromise the company's core values while trying to minimize the potential risks".*

*"no matter how well you think you know the target market culture, there are always surprises and uncertainties to a new market that can cause risks".*

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*"[a clear corporate strategy] promotes enthusiastic, motivated, and optimistic teams of individuals that are on board and comfortable with the production and distribution processes”,*

*"one of the best ways to position the brand on the market is transparency".*

*"a fun way to engage with the public, increase sales, and market the brand is to host events at the local stores. We got inspired through some pop up cafe stores in the UK, and decided to give it a shot".*

#### **COMPANY C:**

*"for our company the main objective was to understand whether there was a market demand for our products in Germany. Through market research we found that we would grow well as a company and that was a big sign to enter".*

*"through the market research we also of course conducted a competitor analysis to see*

*what we were facing up against".*

*"for our company the main objective was to understand whether there was a market demand for our products in Germany. Through market research we found that we would grow well as a company and that was a big sign to enter".*

*"another objective for us was mainly to scale through a new market and find all possible ways to expand our working concept".*

*"we mainly focused on the distribution processes and meeting the market demand in the country. I would say that the culture of the target market was very similar to our own, so the processes picked up their pace quite fast without huge problems".*

*"we found that the Germans are people with an individualistic mindset who value the business relationships and will deliver the best results, but we had to make sure that we met their expectations as well. It worked well because it has always been a two way street".*

*"we used licensing as an entry mode because we wanted to eliminate risks of immediate bankruptcy".*

*"have leverage over domestic capital and to reduce the financial cost of the German market entrance".*

*"reluctance of risking the potential costs of establishing a company in a foreign region".*

*"the competition on the German market was demanding and challenging, which implied that we should have entered and not lost the opportunity because we did not want to risk higher competition in the future".*

*"we had already started planning the strategy of how to target the customers before we entered, which was very beneficial. We mainly focused on sparking interest amongst the customers because we made our brand the new big thing. Who would not be willing to try that, right?".*

*"The competitor analysis helped us target the market in the right way I must say".*

*"the market demand showed us that we had a broad potential market to reach".*

*"we offered deals and benefits in the start, which helped us spread the word amongst the target market".*

*"The process of transparency in our work environment, from harvesting, to manufacturing and delivering, helped us gain the trust that we needed with the public".*