

Dinesh Kumar Thapa & Gobinda Rijal Kshetri

**“Product Market Analysis” Market potential of Nepalese
carpets in Finland**

Thesis

Fall 2012

Business School

Degree Programme in International Business

International Business



SEINÄJOKI UNIVERSITY OF APPLIED SCIENCES

Thesis abstract

Faculty: Business School

Degree Programme: Degree Programme in International Business

Specialization: International Business

Authors: Dinesh Kumar Thapa and Gobinda Bahadur Rijal Kshetri

Title of thesis: "Product market analysis" Market potential of Nepalese Carpets in Finland

Advisor: Cory Isaacs

Year: 2012 Number of Pages: Number of appendices:

The target of this project is hand-made Nepalese carpets. The purpose of the research was to find out market possibilities for the hand-made carpets in Finland. For this purpose a research questionnaire was sent to 30 carpet companies all over the Finland. Eight companies replied to the questionnaire giving a return rate of 26.6%.

The theory consists of the theoretical part, comparison and analysis of theory in context of the target product using the results obtained through questionnaire as well as data analysis. Based on these findings the firms interested to start business with Finland should invest more effort in marketing their product so that it would gain awareness among potential customers.

Keywords: Market potential, market entry, marketing mix, situation analysis, distribution channel

SEINÄJOEN AMMATTIKORKEAKOULU

Opinnäytetyön tiivistelmä

Koulutusohjelma: Kansainvälisen liiketalouden koulutusohjelma

Erikoisala: Kansainvälinen liiketalous

Tekijät: Dinesh Kumar Thapa ja Gobinda Rijal Bahadur Kshetri

Opinnäytetyön nimi: "Tuotteen markkinatutkimus", Nepalilaisten mattojen markkinapotentiaali Suomessa

Opinnäytetyön ohjaaja: Cory Isaacs

Vuosi: 2012 Sivumäärä: Liitteiden lukumäärä:

Projektin kohteena ovat käsintehty nepalilaiset matot. Tämän tutkimuksen tavoitteena on selvittää käsintehtyjen mattojen markkinamahdollisuudet Suomessa. Tätä varten tutkielma kysely lähetettiin 30 mattoa myyvälle yritykselle ympäri Suomea. Kahdeksan näistä vastasivat, joten palausteaste oli 26.6 %. Teoria koostuu teoriittisesta osiosta, vertailusta ja teorian analysoinnista kyseisen tuotteen yhteydessä, käyttäen kyselyyn vastanneiden tietoja sekä tiedonhakuja. Perustuen näihin havaintoihimme, yritykset jotka ovat kiinnostuneita aloittamaan yritystoimintaa Suomen kanssa, joutusivat panostamaan enemmän tuotteensa markkinointiin, jotta se saavuttaisi tietoisuutta mahdollisten asiakkaiden keskuudessa.

Avainsanat: Markkinapotentiaali, markkinoille sisäänpääsy, markkinointimix, tilanneanalyysi, jakelukanavat

TABLE OF CONTENTS

THESIS ABSTRACT	2
OPINNÄYTETYÖN TIIVISTELMÄ	3
1 INTRODUCTION	9
1.1 RESEARCH PROBLEM AND GOAL	10
1.2 STRUCTURE OF THESIS	11
1.3 NEPALESE CARPETS	12
1.4 50 YEARS OF NEPALESE CARPETS	13
1.4.1 Rise.....	13
1.4.2 Fall.....	14
1.5 CARPET EXPORTS	15
2 ENTRANCE TO THE INTERNATIONAL MARKET	18
2.1 ENTRY MODES.....	18
2.1.1 Export based entry.....	20
2.1.2 Indirect export	21
2.1.3 Direct export.....	22
2.2 FACTORS AFFECTING THE ENTRY MODES	22
2.2.1 External Factors.....	22
2.2.2 Internal Factors	25
3 MARKETING MIX (THE 4PS)	27
3.1 PRODUCT	28
3.2 PRICE	29
3.3 PLACE	30
3.4 PROMOTION.....	30
4 SITUATION ANALYSIS	32
4.1 COMPETITOR ANALYSIS.....	32
4.2 ANALYZING COMPETITORS.....	33

4.2.1	Competitor's strategies and objectives	33
4.2.2	Competitors Assumptions	34
4.2.3	Competitors Capabilities	34
4.3	PEST ANALYSIS	36
4.3.1	Political Factors.....	37
4.3.2	Economic Factors	37
4.3.3	Social Factors	38
4.3.4	Technological Factors.....	39
4.4	SWOT ANALYSIS.....	39
4.4.1	Internal Factors (strengths & weakness).....	40
4.4.2	External factors (opportunities & threats)	41
5	CHANNEL OF DISTRIBUTION	43
5.1	ROLE OF CHANNEL INTREMEIDIARIES.....	44
5.2	STAGES OF DISTRIBUTION CHANNEL	44
6	THE EMPERICAL RESEARCH METHODS AND ANALYSIS	47
6.1	RESEARCH METHOD.....	47
6.2	CHOICE OF METHOD AND THE RESULTS	48
6.2.1	Survey.....	48
6.2.2	Interview.....	48
6.3	VALIDITY AND RELIABILITY	49
7	TARGET MARKET FINLAND (GENERAL INFORMATION)	50
7.1	GEOGRAPHY	50
7.2	AGREEMENTS BETWEEN NEPAL AND FINLAND.....	51
7.3	BI-LATERAL RELATION.....	52
7.4	ASSISTANCE TO EXPORTERS	54
7.5	EU CUSTOMS DUTIES	54
7.6	NEPALS TREATY OF TRANSIT.....	55
7.7	NATURE OF FINNISH PEOPLE ON IMPORTED FOREIGN PRODUCTS	56
8	ENTRANCE OF NEPALESE CARPETS IN FINLAND	59
8.1	SELECTION OF APPROPRIATE ENTRY MODE.....	59

8.1.1 Indirect Export.....	59
8.1.2 Direct Export	60
8.1.3 Advantages/Challenges of Exporting	62
8.2 FACTORS AFFECTING THE ENTRY MODE FOR NEPALESE CARPETS	63
8.2.1 External Factors.....	63
8.2.2 Internal factors	65
9 NEPALESE CARPETS MARKETING MIX (THE 4 P'S)	66
9.1 PRODUCT	66
9.2 PRICE	67
9.3 PLACE	68
9.4 PROMOTION.....	70
10 SITUATION ANALYSIS	73
10.1 COMPETITOR ANALYSIS.....	73
1.1.1 Direct competitors	75
1.1.2 Indirect competitor	76
1.1.3 Future competitors	77
10.2 PEST ANALYSIS	78
10.2.1 Political.....	79
10.2.2 Economic	80
10.2.3 Sociological.....	81
10.2.4 Technological.....	83
10.2.5 Legal	85
10.3 SWOT ANALYSIS.....	87
10.3.1 Internal Factors	87
10.3.2 External Factors.....	89
10.4 CHOOSING APPROPRIATE DISTRIBUTION CHANNEL.....	90
11 CONCLUSION AND RECOMMENDATION	93
BIBLIOGRAPHY.....	99
APPENDICES	103
APPENDIX 1 COVER LETTER IN ENGLISH	103

APPENDIX 2 QUESTIONNAIRE IN ENGLISH.....	104
APPENDIX 3 COVER LETTER IN FINNISH.....	107
APPENDIX 4 QUESTIONNAIRE IN FINNISH	108

FIGURE 1 DECREASING EXPORT EARNINGS IN RUPEES (70 RS. = 1\$).....	16
FIGURE 2 EXPORT OF NEPALESE CARPETS; 2010-2012.....	17
FIGURE 3 TOP 5 BUYERS OF NEPALESE CARPETS 2011-2012.....	17
FIGURE 4 MODES OF ENTRY 'ADAPTED FROM ROOT 1994).....	19
FIGURE 5 EXPORT MODES.....	20
FIGURE 6 FACTORS IN THE ENTRY MODE DECISION (ADAPTED FROM ROOT 1994)	26
FIGURE 7 MARKETING MIX.....	28
FIGURE 8 COMPETITORS RESPONSE PROFILE ADAPTED FROM (M. E. PORTER 1998).....	35
FIGURE 9 PEST ANALYSIS	36
FIGURE 10 SWOT ANALYSIS MATRIX.....	42
FIGURE 11 DISTRIBUTION CHANNEL PROCESS.....	45
FIGURE 12 MAP OF FINLAND (ADAPTED FROM DOING BUSINESS IN FINLAND)	50
FIGURE 13 DIRECT AND INDIRECT EXPORTING.....	61
FIGURE 14 DISTRIBUTION CHANNEL FOR NEPALESE CARPETS.....	92
FIGURE 15 TRADITIONAL DRAGON RUG FROM NEPAL (ADAPTED FROM NEPAL'S CARPET INDUSTRY IN 2010 – ARTELINO).....	96
FIGURE 16 TRADITIONAL NEPALESE CARPET WITH FLOWER AND BIRD NEPAL (ADAPTED FROM NEPAL'S CARPET INDUSTRY IN 2010 – ARTELINO).....	97
FIGURE 17 TRADITIONAL DRAGON RUG FROM NEPAL (ADAPTED FROM NEPAL'S CARPET INDUSTRY IN 2010 – ARTELINO).....	98

1 INTRODUCTION

Globalization has become one of the most fashionable buzzwords covering a wide range of political, economic and cultural trends among the society (Professor Malcolm Waters, 2001).

Nowadays countries have extended their business globally. People are more often interacting and interchanging their views about different aspects across the borders. There are many reasons why the companies are dying to work in international field. The two main reasons for them to internationalize their business further are the lack of enough opportunities and dull, saturated market in home country. The word “internationalization” which means involvement of enterprises in global market, is not an easy process. Firms from small country like Nepal; to enter in Finnish market means to get internationalize which requires lots of research, knowledge and adjustments. The political and cultural differences between the two countries and the affect they could make are the important factors needed to be memorized thoroughly and carefully.

This research is made to discover the market potential for Nepalese carpet industry to reach the costumers in Finland. This will make the segmentation and decision making process easier for the industry and help them to concentrate their marketing efforts more efficiently. This research also focuses on the amount of competitors in the market, best entry method, suitable distribution channel, strength and weakness of the product etc. There are various ways and ideas through which international business can be conducted but, this research we will

be targeting mainly on the industrial markets through business to business perspective.

1.1 RESEARCH PROBLEM AND GOAL

The goal of the study was to clarify the market for Nepalese carpets in Finland so that if any firm from the industry wants to trade in Finland it would get better picture about what it should exactly do in Finnish market. Through this research we tried to figure out the best way of entry i.e. entry modes, competitors, strengths and weakness of the product and related product, best product distribution method etc.)

Through this study the research problem could be expressed as;

- Is there a demand for Nepalese handmade carpets in Finland? If yes what could be done to launch and sell the product in Finland? Discovering the possibilities for Nepalese carpets to gain the market share.
- What is the simplest and easiest way to import the target product in Finland from Nepal?
- What is the feasibility of the target product?
- What are the strength, weakness, opportunities and threats of the target product?
- What is the best distribution method for the target product?

1.2 STRUCTURE OF THESIS

Chapter one provides the introduction, history and situation of target product i.e. Nepalese handmade carpets. Chapter 2 – 5 is the main theory section in this thesis. Chapter 6 focuses the empirical analysis of the research methodology used to prepare this research. As the main and important part of this study starts from chapter 7 – 10, that includes the practical part of philosophies, containing the analysis and results the targeted research topic. Final conclusion after revising the research is made on chapter 11.

1.3 NEPALESE CARPETS

Nepal is a landlocked country situated between China in the north and India in the south with a total area of 147,181 square kilometers. According to the 2011 census, the population of Nepal is approximately 26.6 million which is annually growing at an average rate of 2.25%. The 2012 estimate of gross domestic product (GDP) was approximately US\$ 39.8 billion. The GDP is mainly composed of agriculture (39%), industry (8%), and service (53%). Some of the primary industries are carpet, textile, cigarette, cement, and brick. Quartz, timber, hydropower, lignite, copper, cobalt and iron are some of the natural resources. (Nepal home page).

The Nepalese carpet industry started in the 1960's after Nepal provided shelter to Tibetan refugees. There are about 60-150 knots per sq. inch in every carpet manufactured. Nepalese carpets are entirely developed and manufactured from higher quality wool are magnificently designed in various colors. These carpets add beauty and class to any atmosphere. The traditional carpets manufactured by the skilled and experienced Tibetan refugees reflect the Buddhism culture as the designs of these products are highly inspired by Buddhism religion. These carpets are available in various size shape and design according to the want and demand of buyers. (A discourse on Tibetan / Nepali carpets, 2008).

The development of an export quality carpet got started after the arrival of Tibetan refugees in Nepal in the early sixties. It was initiated as a source of livelihood for the Tibetan refugees in the beginning. Thus the marketing of these carpet products was limited to tourists visiting the country. The first commercial shipment was sent to Switzerland in 1964. This product is the most important export product from Nepal due to its different features like;

- It's made of 100%wool.
- It is hand knotted with double knotting system

- It has excellent resilient property with high pile density
- It's hygienic and eco-friendly
- Various designs according to the modern fashion. (JICA, 1998 & Central Carpet Industries Association).

1.4 50 YEARS OF NEPALESE CARPETS

1.4.1 Rise

Nepal carpet industry is one of the biggest Nepal's export industry providing approximately 1000 – 1300 crore Nepali rupees every year. Nepal had more than 3000 carpet weaving centers during the 90's. This industry in mid-90 was providing employment opportunities for more than 1.2 million people.

Carpets industry has been taken as a source of livelihood providing empowerment for local people as the carpets were sold only to tourists visiting Nepal in the beginning. Slowly through these tourists travelling around different parts of Nepal, the unique quality of Nepalese carpets containing very high degree of hand processing and qualities started gaining word of mouth in Europe, America and also in neighboring countries. The production of carpets started increasing drastically as the demand went high. (Tsering Dolker Gurung 2011)

After the first shipment across the border, Nepalese carpets started achieving remarkably high demand. Sometimes the carpet manufacturers would have to work even day and night to meet the demand which clearly reflects that carpet industry and its yielding operation was on its way all to the top. (Central carpet industry association, 2012).

1.4.2 Fall

Nepalese carpet industry has shrunk by 70 percent during past 10 years, as the local manufacturers and qualified weavers along with some carpet importers have move their production in China and India to escape form unbalanced production, aggressive business environment and the local disturbances. Fear and uncertainty has been increasing among the people who're working still in different carpet manufacturing centers and firms. As the fascinating figure of 3000 firms dropped down resulting only 600 firms which are providing jobs only to less than 100,000 people leaving the another big population in circle of unemployment. (Petition for carpet Industry in Nepal, Sherab Dolma Rana 2010)

The government's lack of concern and commitment and the unbalanced political state has been the main reason behind the downfall of the golden reign of Nepalese carpet keeping laborious workers happy and alive. Consecutive governments since the mid-1990s were focused only in extracting either taxes or bribes from the industry through some legal threats or creating barriers. The government has an important role in socializing union activity, and the competition between politically-affiliated unions which have worn-out the industry. (Mr. Tenzin Choegyal, Chairman of Nepalese carpet enterprise, 2011)

The politicized unions are another main problem creating obstacles. For the industry, labor has always been the major concern, but the labor union backed by political parties with unreasonable demands which cannot be fulfilled is hampering the production very badly. (Nepali Times, 2011 & Nepal Tourism)

Many factors such as labor regulations, productivity loss, unstable currency and lack of export incentive and changing government policies are making difficult for carpet manufacturers to compete on the international market. Due to long – standing connections and capable of making luxury goods that do not need to be priced competitively, few companies have managed to survive till this date. But they have been adopting small-scale of production. (Prabhakar Ghimire, 2011)

Three important reasons/factors behind the fall of Nepalese carpet industry are discussed below.

- The availability of cheaper Chinese carpets and the ones from Indian market wounded the situation severely.
- Regardless of the quality that Nepalese homemade carpet would offer, some portion of people moved on with Chinese and Indian products in whim of saving some money.
- Other local problems which would occasionally drag the speed down of this industry such as the child labor and environmental controversies, government indifference and interference, inflation and labor issues.

It has been a story of decline and decay, Export orders have dropped and we depend only on insufficient retail sales. But carpet traders say the lack of motivations for an industry that has the potential to create thousands of jobs is keeping it limited. The government since the mid-1990s has been interested only in extracting either taxes or bribes from the industry. The government also has an important role in depoliticizing union activity, and the competition between politically-affiliated unions that have ruined the industry. (General Manager of the Jawalakhel Handicraft Center, Chime Dorjee).

1.5 CARPET EXPORTS

The industry over 50 years old, and has its roots in the weaving skills brought to Nepal by Tibetan refugees escaping the Chinese takeover of Tibet in 1959. At its peak in 1993 the carpet industry brought in more than Rs 10.4 billion, but by 2009 it had shrunk by half. (Ekantipur, 05. 2012)

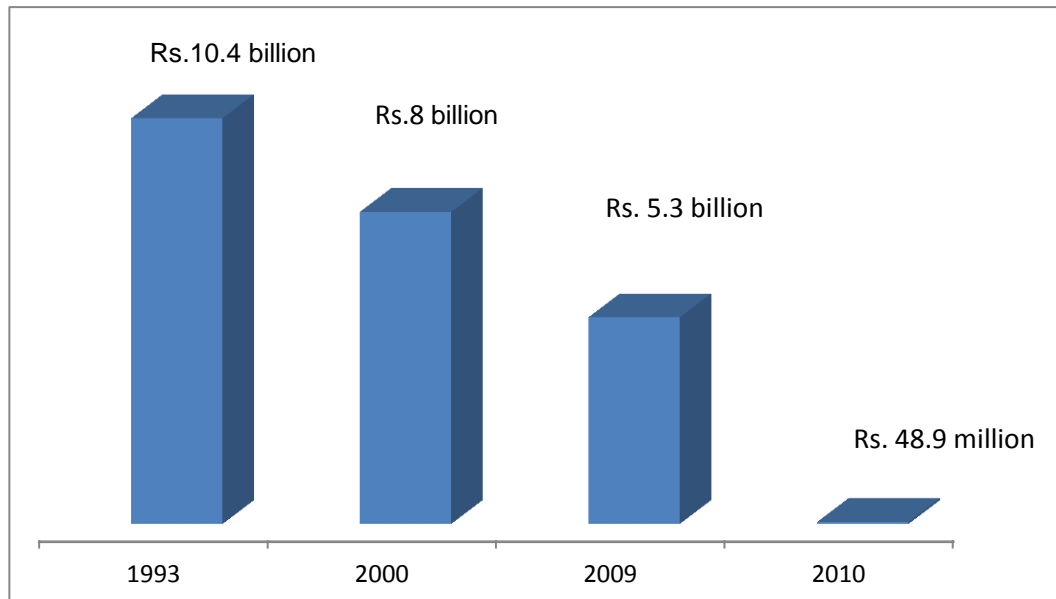


Figure 1 Decreasing export earnings in Rupees (70 Rs. = 1\$)

The graph shows the decreasing export earnings made by the Nepalese carpet industry since 1993 – 2010. As shown in the graph the export of Nepalese carpets was on peak in 1993 and lowest in 2010. In the duration of 17 years the export earning has dropped in very soaring rate making the difference of more than half.

Nepal's carpet export revenue increased even with an 11 percent drop in volume in 2010. The industry earned US\$ 70.65 million in 2011-12. According to the Trade Export Promotion Centre (TEPC), Nepal exported 621,771 sq. m of carpets in the last fiscal 2009-2010, down from 697,121 sq. m in 2010-11. The US is the largest buyer of Nepali carpets followed by Germany, the UK, Canada and Belgium. According to TEPC statistics, Nepal exported 228,713.77 sq. m of carpets worth US\$ 32.25 million to the US. Lack of effective implementation of the refinancing facility, government's ignorance, ongoing financial problems in Europe and increasing cost of production are the major reasons for the decline in exports. (Ekantipur 2012.07.30)

FY	Quantity	Value
2011-2012	621,771 sq. m	\$70.65 million
2010-2011	697,121 sq. m	\$60.67 million

Figure 2 Export of Nepalese carpets; 2010-2012

Rank	Countries	Quantity
1	USA	228713.77 sq. m
2	Germany	226377.16 sq. m
3	UK	33657.04 sq. m
4	Canada	21373.26 sq. m
5	Belgium	14808.66 sq. m

Figure 3 Top 5 buyers of Nepalese Carpets 2011-2012

2 ENTRANCE TO THE INTERNATIONAL MARKET

It becomes important to understand the target country's political, economic and social, historical, geographical, cultural, and demographical aspects while thinking of emerging in foreign markets. It is difficult to understand the business environment in a country without studying the current political system and institutions, government policies, and a variety of data and other information on the country's economy.

Selection of international markets involves comparison. This can be difficult because the quality of data varies from country to country. Although the expansion of global databases and international online services has helped comparison, difficulties remain because of differences between countries in both recency and rigour of data collection. (Sean de Burca, Richard Fletcher & Linden Brown 2004, 227)

2.1 ENTRY MODES

A firm could find many different modes to enter the foreign markets and each mode has its strengths and weaknesses in general terms. However each single organization will be more attracted to a type mode depending on their backgrounds, nature of the company, strategic objectives as well as the resources. In many cases companies could face many obstacles while deciding to enter other markets, e.g. safety, environmental, packaging, labeling, patents, trademarks and copyrights.

An international market entry mode is to create the possibility by arranging company's products, technology, human skills, and management or other

resources to enter into a foreign country. He regards that entry modes help companies to determine goals, resources and policy in order to channel their international activities toward a sustainable international expansion. Root has further classified market entry mode into 2 groups i.e. Non-equity and equity entry mode. (Root 1994, 3)

Non-equity Modes of Entry	Equity Modes of Entry
Export <ul style="list-style-type: none"> • Direct Export (agent/distributor) • Indirect Export 	Sole venture
Subcontracting (construction/turnkey projects)	Joint venture
Countertrade	Strategic Alliance (may also be non-equity)
Technical Agreements	Merger and Acquisition (M&A)
Service Contracts	
Management Contracts	
Contract Manufacturing	

Figure 4 Modes of entry 'adapted from Root 1994)

2.1.1 Export based entry

A process of international trade through which goods produced in one country are shipped to another country for sale is called exporting. Exporting has been the simplest and quickest way of entering a foreign market. The level of risk and commitment is minimized since investment of managerial and financial resources is relatively low compared with the other modes of foreign market entry. A firm needs to know every detail about the term exporting before it decides to sell its goods and services across the borders.

“As a firm’s knowledge of an export market increases, the uncertainty factor decreases. The key type of knowledge required here, however, appears to be experimental knowledge obtained through operating in the market or ‘learning by doing’. (Carlson, 1975 & Olson, 1975, 8) “adapted from **International marketing strategy** by **Frank Bradley** 5th edition 2005”

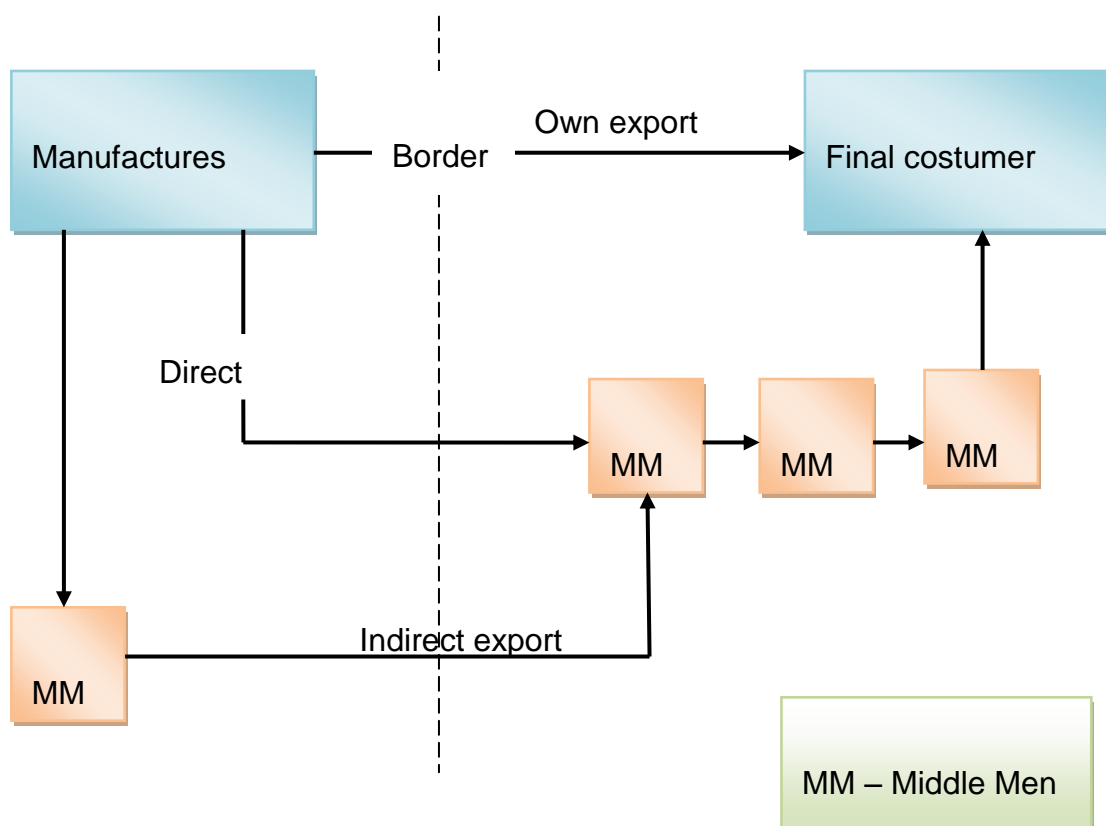


Figure 5 Export modes

2.1.2 Indirect export

Indirect exporting refers to the use of agencies in the home country to get the product into the foreign market. It can be sub-divided into export agents who receive a commission for exporting goods produced by firms and export merchants who buy the goods from the manufacturer and subsequently export them. In addition firms can export using specific agencies established to market international products in their category. This is called as cooperative exporting. Another form of indirect exporting is piggybacking, where an inexperienced exporter uses the facilities of an experienced exporter to enter and market products into an international market (Bilkey, WJ and Tesar 1997, 93).

It is very important for a firm to recognize, however the use of agents or export management companies carries a lot of risks. In the first place the firm has little or no control over the product or service is marketed in other countries. Products may be sold through inappropriate channels, with poor servicing or sales support and inadequate promotion, or be under or overpriced. This can damage the reputation or the image of the product or services in foreign markets. Limited effort may be devoted to developing the market, resulting in lost potential opportunities. (Svend Hollensen 2007, 313).

Some of the main entry modes of indirect exporting are;

- Export buying agent
- Broker
- Export management company/export house
- Trading company
- Piggyback

2.1.3 Direct export

Direct export is a situation where firm itself contacts the international buyers or sells direct to the end user or arranges firms in the target market to act as agents and distributors for its products. The firm establishes its own export sales organization which becomes responsible for all marketing activities in respect of international sales. This group identifies potential markets and segments and is involved in export documentation such as shipment, and planning the strategy and marketing in the international market. Another form of direct export is selling goods to the final consumers directly through the internet. This form of entry is proving to be the most useful entry mode for small firms and firms entering the new markets. (Bilkey, WJ and Tesar 1997, 94)

As exporters grow more confident they may decide to undertake their own exporting task. This will involve building up overseas contact, undertaking marketing research, handling documentation and transportation, and designing marketing mix strategies. Distributors and agents are the two middleman used in the process of direct export. (Svend Hollensen 2007, 318)

2.2 FACTORS AFFECTING THE ENTRY MODES

The two important factors that affect the market entry mode are categorized as internal and external factors.

2.2.1 External Factors

There are four important external factors which affect the entry mode choice: target country market factors, target country production factors, target country environment factors and home country factors.

➤ **Target country market factors**

The size of target country market influences entry mode choice. In small markets companies use entry modes with low breakeven sale volumes such as indirect distributor exporting, licensing and contracts. In a market with high potential sales the company uses entry modes with high breakeven sales volume. The competitive structure of the market is an important aspect in considering the target country factors. When competitive structure tends towards monopoly, entry modes are high resource commitments to compete against competitors. Otherwise, if the competitive structure of the market tends towards perfect competition, entry modes are often low resource commitments. (Root 1994, 10)

Market size and rate of market growth are key parameters in determining the entry mode. The larger the country and the size of its market, and the higher growth rate, the more likely management will be to commit resources to its development, and do consider establishing a wholly-owned sales subsidiary or to participate in a majority-owned joint venture. Small markets in other hand, especially if they are geographically isolated and cannot be serviced efficiently from a neighboring country, may not warrant significant attention or resources. (Svend Hollensen 2007, 300)

➤ **Target country production factors**

The quality, quantity and cost of raw materials, labor, energy, and other productive agents in the target country, as well as the quality and cost of the economic infrastructure have an obvious attitude on entry mode decisions. When the cost of production is low in the target country the local production is favored but if the production cost is high in the foreign country the company tends to export (Root 1994, 10).

➤ **Target country environment factors**

Countries environmental factors such as political, social and economic dimensions can influence the entry mode choice. To be more specific the government law, policies and regulations could play the vital role in choosing the entry mode. The geographical distance is another factor behind the choice of entry mode. When there is a great distance between the home and foreign country, it is possible that transportation costs are high, thus ignoring the export entry modes and favoring another entry mode such as a wholly-owned subsidiary. Cultural distance is also one of the important factors while choosing the entry modes. The companies want to enter those countries which are culturally similar or closest to the home country. (Root 1994, 10-11)

The greater the perceived distance between the home and host country in terms of culture, economic systems and business practices, the more likely is that the firm will shy away from direct investment in favor of joint venture investments. (Svend Hollensen 2007, 300)

➤ **Home country factors**

Home country market, production and environment are the other factors influencing the entry modes. For e.g. if the home country has big market it helps the company to grow stronger and larger before entering the international market. Also the competitive structure of the home market affects the entry mode. Firms in oligopolistic industries are likely to replicate the actions of opponent domestic firms that threaten to upset competitive equilibrium. Hence, when one firm invests abroad, rival firms commonly follow its lead (Root 1994, 12).

Relative production costs of the home country vs. foreign country influences the entry mode choice.

2.2.2 Internal Factors

Two very important internal factors influencing the choice of market entry modes are product factors and resource commitment factors.

➤ **Product factors**

The physical characteristics of the product or service, such as its value/weight ratio, perishability and composition, are important in determining where production is located. Products with high value/weight ratios, such as expensive watches, are typically used for direct exporting, especially where there are significant production economies of scale, or if management wishes to retain control over production. (Svend Hollensen 2007, 299)

When there is a vast difference between the firm's product and their competitor products, there occurs degree of price discretion. As a result these products will/ can absorb high unit transportation cost and high import duties and still remain competitive in a foreign market. In contrast, weakly differentiated products must compete on a price basis in a target market, which might be possible only through some form of local production. Hence high product differentiation favors export entry, while low differentiation pushes a company toward local production. (Root 1994, 14)

➤ **Resource commitment factors**

Even though resources are an influencing factor, they are not adequate to explain a company's choice of entry mode. Resources must be joined with a willingness to assign them to foreign market development. A high degree of commitment means that managers will select the entry mode for a target country from a wider range of substitute modes than managers with low commitment. Hence a high- commitment company, regardless of its size, is more expected to choose equity entry modes. (Root 1994, 14)

When a company owns a huge amount of resources i.e. management, capital, technology, production and management skills, the company will have many entry mode options. However, companies with limited resources are constrained to use entry modes with small resource commitment. (Svend Hollensen 2007, 298)

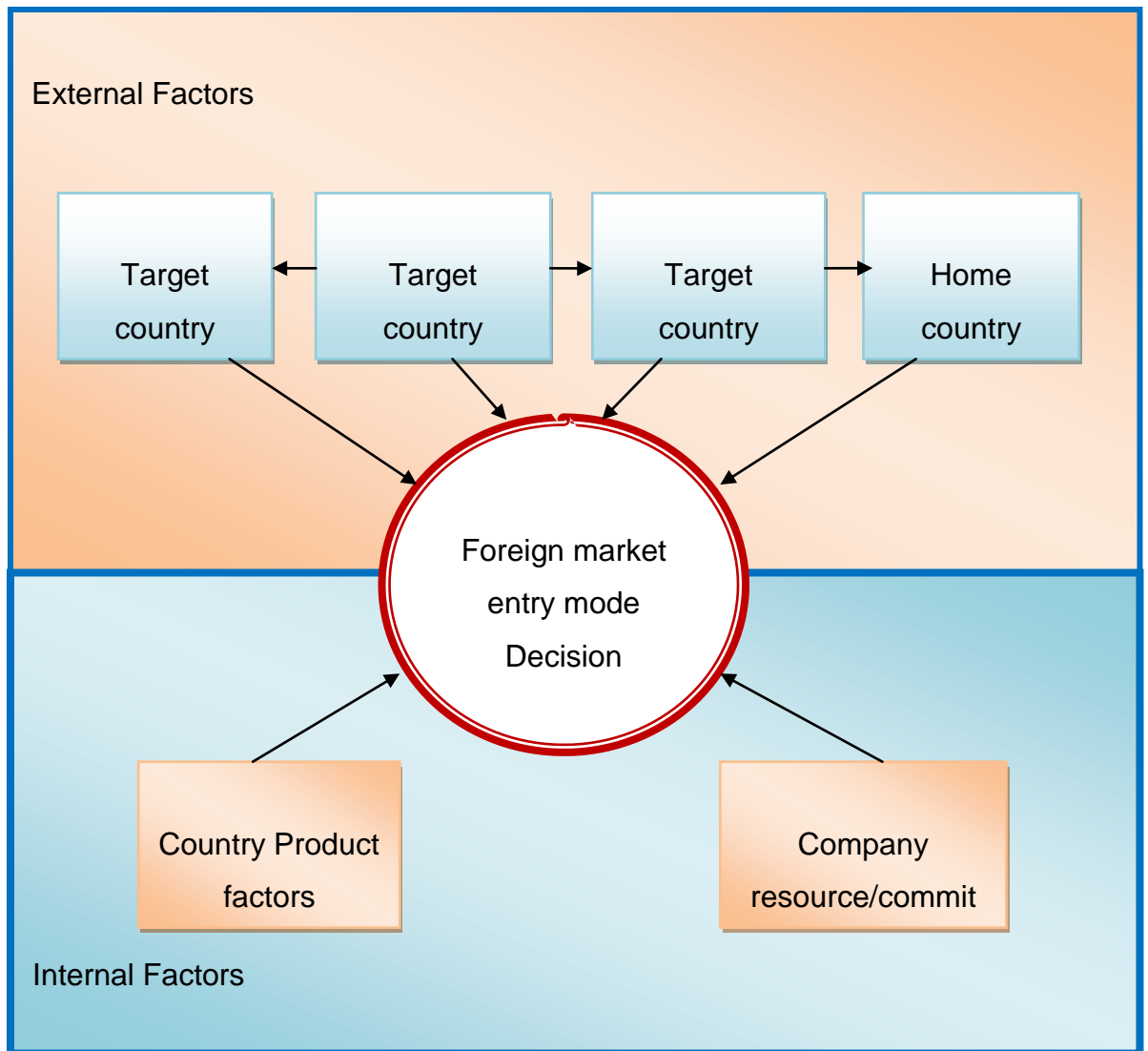


Figure 6 Factors in the entry mode decision (adapted from Root 1994)

3 MARKETING MIX (THE 4PS)

The term "marketing-mix," was introduced by Neil Borden, the president of the American Marketing Association in 1953. Various concepts and ideas combined together to formulate final strategies which are helpful in making a brand popular among the masses could be the right definition of marketing mix.

In business to business environment, defining the 4P's is essential considering the complexity of the markets. In order to be successful the product needs to be well positioned and targeted. (Czinkota & Ronkainen 1997).

Marketing is human activity directed at satisfying needs and wants through exchange process while marketing mix is the set of marketing tools that the firm uses to follow its marketing objectives in the target market. Marketing mix decisions must be made for influencing the trade channels as well as the final costumers. Although many activities constitute the marketing mix, scholars have hunted a classification that will make it easier to see the forest among the trees. (Philip Kotler, 2000:15)

The four factors; product, price, place and promotion are often called as four P's of marketing mix.

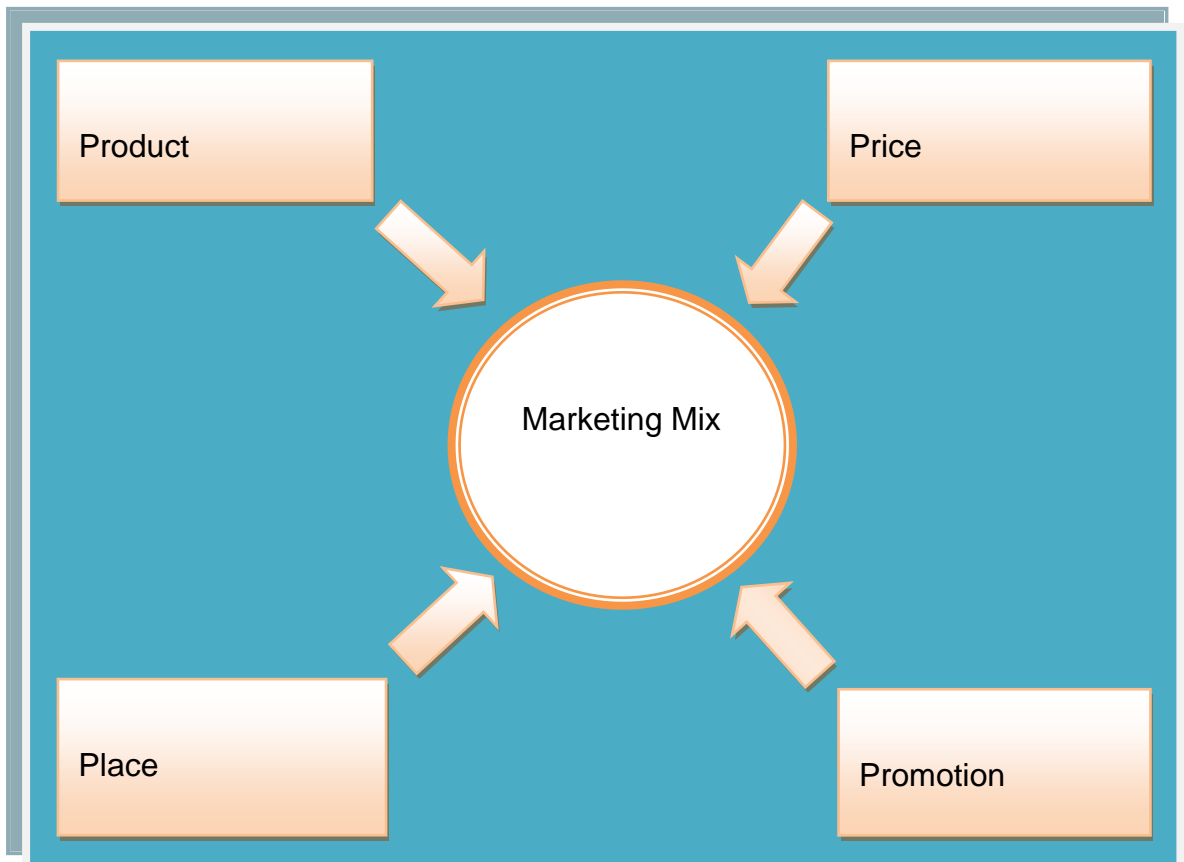


Figure 7 Marketing Mix

3.1 PRODUCT

We can define product/s as the goods that are manufactured by organization and bought through sellers by costumers in exchange of money for their satisfaction. Products are mainly divided into two groups; tangible products and intangible products. Tangible products could be touched, feel and seen (e.g. car, computers, clothes etc.), while intangible products cannot be touched or seen; e.g. computer software.

Before making or deciding any product the company should always have the exact idea about the following questions.

- What is the product?
- The quality of the product.
- What are the new/different features in comparison with the existing product in the market?
- What is the USP (unique selling proposition) of the product?
- Whether the product will be branded as sub brand or completely new?
- What else could be sold along with the product? (services)

A firm's product can have both tangible and intangible aspects to satisfy its customers' wants and needs. Within this element, the firm needs to consider other things such as its product range, quality and design, features and the benefits, sizing and packaging, guarantees, customer service offerings etc. (Czinkota & Ronkainen 1997).

The basis of any business is a product or offering. A company aims to make the product or offering different and better in some way that will cause the target market to favor it and d even pay a price premium. (Philip Kotler, 2000:16).

3.2 PRICE

The payment made by a costumer in exchange of the product is defined as price. Usually the price of a product is mostly proportional to its availability in the market. More it's available lesser is the price and lesser its available more will be the price. Price of the product is always determined between the manufacturing costs and the strength of the demand. Price could be also affected by the middleman, e.g. expenses for the promotion, special discounts etc. In marketing mix price is the only element that generates revenue. Hence organizations should price its product

or service in such a way that the price remains competitive but also allows them to make a good profit. (Czinkota & Ronkainen 1997).

Pricing has a vital bearing on the competitive position of a product. Pricing could be used as tool for achieving the targeted market share and capturing marketing as well as facing market competition efficiently. Price mix consist of many variables such as pricing policies, discounts and concessions, terms of credit sales, delivery etc. (Philip Kotler 1999, 99)

3.3 PLACE

In terms of marketing mix place is defined as the channel or way through which a firm brings its products and services to the costumers. To be more exact it's the firm's policy to distribute its product to the costumers using the channel management and logistics management. Buyers can purchase products either from physical markets (e.g. agents, retailers, wholesalers etc.) or from virtual market e.g. internet.

Every seller must decide how to make its goods available to the target market. The two choices are to sell the goods directly or to sell them through the middleman. Both types of distribution choices could be found among any firm/industry that are exporting or importing. (Philip Kotler 1999, 103).

3.4 PROMOTION

The term promotion refers to the different methods and ideas implemented by the firms to make the costumers aware of their product/brand. Promotion could be classified mainly into two groups.

- **Advertisements** through print media, radio and television are the most effective way to make the costumers aware of a product. Hoardings, Banners, billboards etc. installed in public places like city centre, bus station, train station etc is another mostly used method of advertising a product.

- **Word of mouth** one satisfied costumer brings 5 more costumers where as one unsatisfied costumer takes away 5 more costumers. That's the power of word of mouth. Positive word of mouth helps to promote the product while negative word of mouth helps in demotion of the product. (Philip Kotler 2000, 18)

Nepalese carpets and its fresh entrance in Finnish market are challenging but not impossible. Unlike other businesses, the carpet firm needs to maintain word of mouth in order to gain the stable demand for the target product in long run. Therefore, it is necessary to consider the ways, so that the product can attain good impression among the customers in the new market so that the satisfied voice of the happy customer can build an influential word of mouth.

In this context, the firms need to utilize the full benefits out of trade fairs and business exhibitions. For example, the target product can be promoted also by providing as a gift through some competitions or contest to the introductory customers.

4 SITUATION ANALYSIS

A situational analysis is the collection and examination of internal and external factors that affect/influence an organization's market in order to decide on the best plan for the organization's future. It provides the context and knowledge for planning and also describes an organization's competitive position, operating and financial condition as well as general state of internal and external affairs.

The situational analysis can be performed through three different methods. 5C analysis, Porter's 5 forces analysis and SWOT analysis. Among these three we will SWOT analysis is widely known and mostly used by any firms/organizations.

4.1 COMPETITOR ANALYSIS

Competitor analysis is used by the organizations to understand, examine and evaluate their main competitors. It identifies the strengths and weaknesses of competing products or services before starting work on prototypes.

Competitors are companies that satisfy the same customer need. For example, a customer who buys a word processing package really wants "writing ability"- a need that can be satisfied by pencils, pens, or type writers. The market concept of competition opens up a broader set of actual and potential competitors. (Philip Kotler 2000, 224)

4.2 ANALYZING COMPETITORS

When a firm finds/identifies its primary competitors, it must discover their characteristics, focusing mostly on their strategies, objectives, assumptions and capabilities.

4.2.1 Competitor's strategies and objectives

A group of firms following the same strategy in a given target market is called strategic group. The most important two sources of information about a competitor's strategy is what the competitor says and what it does. (Michael E. Porter 1998)

A firm can observe its competitors market through the help of press releases and advertising. The other source of information could be the competitor's quarterly and annual reports. Interviews of journalists and consultants are very valuable to understand the market strategy of a competitor. Understanding the loyal customers of the competitor could also provide much information about the competitor in target market.

Once a company has identified its main competitors and their strategies, it must ask:

- What is each competitor seeking in the market place?
- What drives each competitor's behavior?

One very important and useful primary assumption is that companies strive to maximize profits. However these companies differ in weights they put on short-term versus long-term profits. Many factors shape a competitor's objective, including size, history, current management, and financial management. If the

competitor is a division of larger company, it is important to know whether the parent company is running it for growth or milking it. (Philip Kotler 2000, 224)

4.2.2 Competitors Assumptions

A systematic competitor analysis would also include assumptions that a company makes about its competitors, and whether that the estimation is accurate or not.

Competitor's assumption refers to the guess that a competitor executive holds about its own industry. For example, if in the past one industry had introduced a new product that failed, the industry executives may think that there is no market for the product. These kinds of assumptions are not always exact as there is no such guarantee that the product failed yesterday would also fail today. It past fail could be the present opportunity. A competitor's assumption could be based on many factors such as, past experience with the product, industry trends, rules of thumb, beliefs about its competitive position etc. (Michael E. Porter 1998)

4.2.3 Competitors Capabilities

Whether competitors can carry out their strategies and reach their goals depends on their resources and capabilities. A competitor's capability can be analyzed through its strengths and weakness, that's the reason why a company needs to gather information on each competitor's strengths and weakness. In general, a company must monitor three variables when analyzing each of its competitors.

- The competitors share of target market.
- The percentage of the costumers who named the competitor in responding to the statement "name the first company that comes to mind in this industry"

- The percentage of the customers who named the competitor in responding to the statement “name the company from whom you would prefer to buy the product” (Philip Kotler 2000, 227)

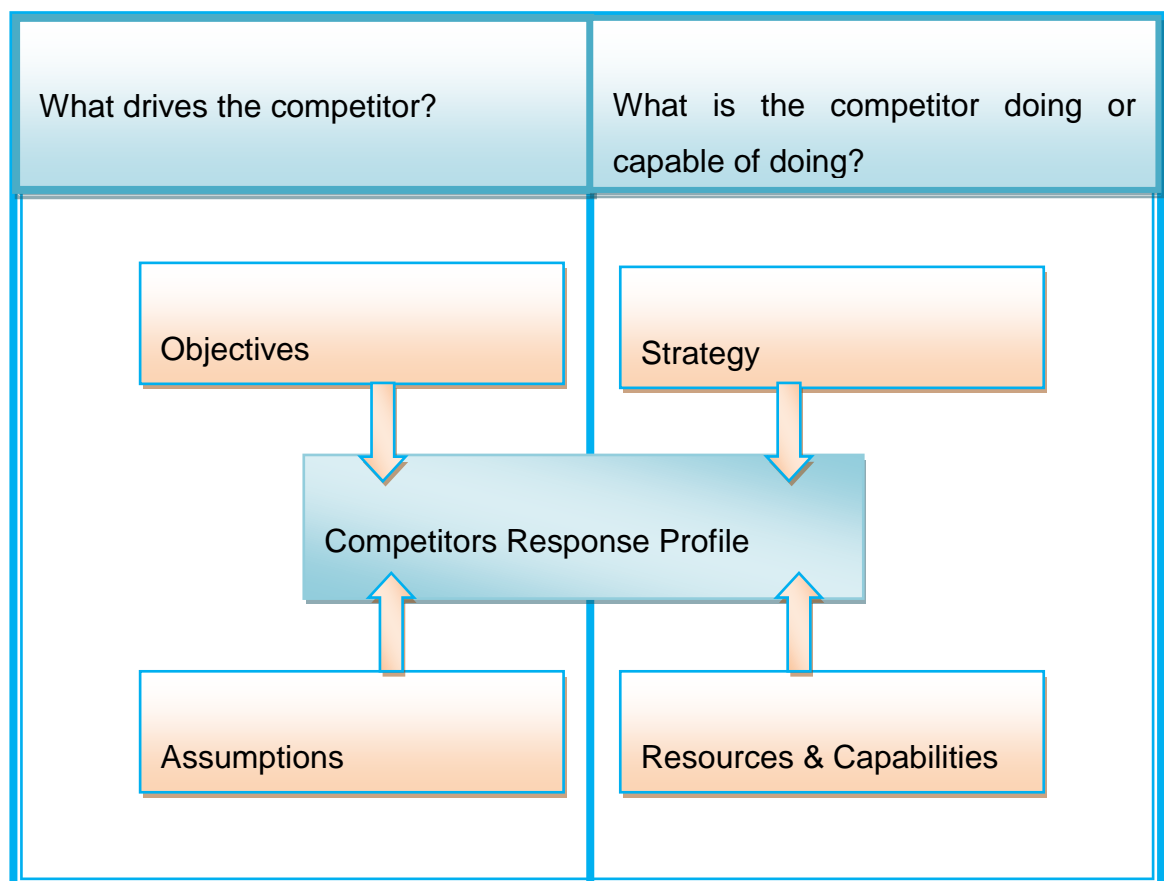


Figure 8 Competitors response profile adapted from (M. E. Porter 1998)

A competitor analysis should include the more important existing competitors as well as potential competitors such as those firms that might enter the industry, for example, by extending their present strategy or by vertically integrating. (Michael E. Porter 1998)

4.3 PEST ANALYSIS

Pest analysis is a scan of the external macro-environment in which the firm operates. The term PEST sometimes rearranged as STEP is used to explain the framework for the analysis of 4 macro environmental factors; (political, economic, social and technological)

PEST analysis is a valuable strategic tool for understanding market growth or decline, business situation, prospective and direction for operations. The headings of PEST are structure for reviewing a situation. The use of PEST analysis can be seen effective for business and strategic planning, marketing planning, business and product development and research reports. PEST also ensures that company's performance is aligned positively with the powerful forces of change that are affecting business environment. (Philip Kotler 2000, 137)

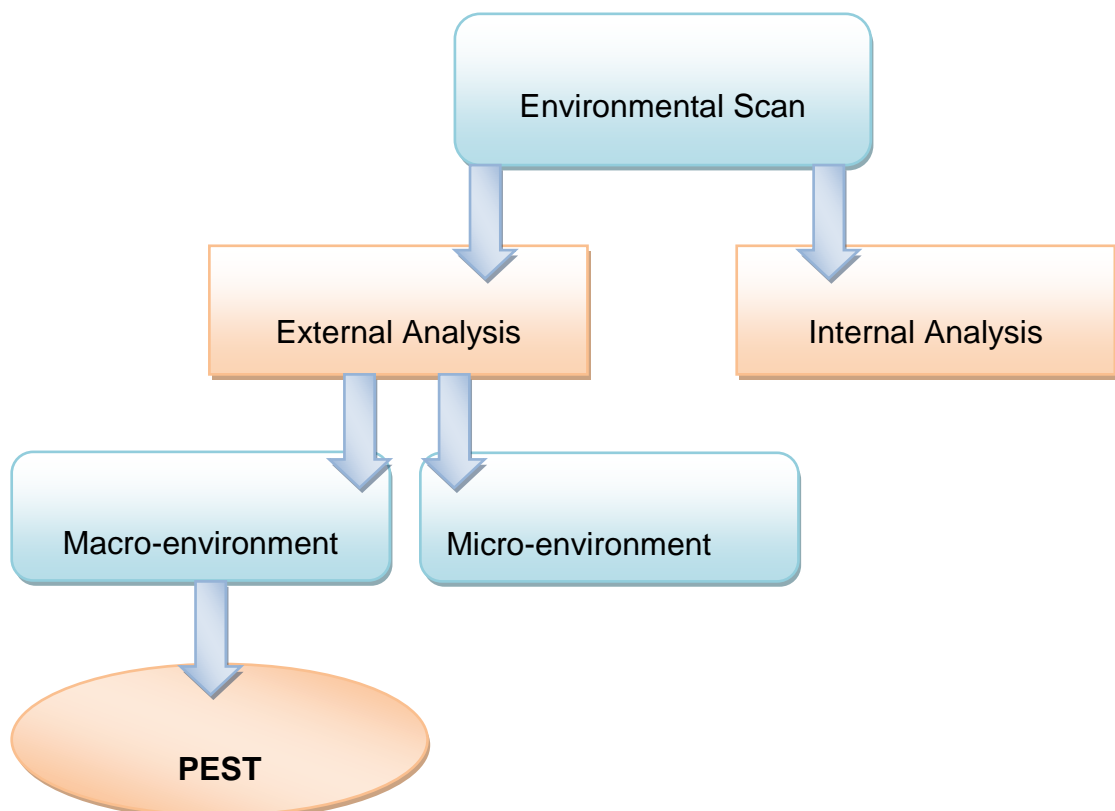


Figure 9 PEST analysis

4.3.1 Political Factors

Marketing decisions are strongly affected by developments in the political and legal environment. This environment is composed of laws, government agencies, and pressure groups that influence and limit various organizations and individuals. Sometimes these laws also create new opportunities for business. For example, mandatory recycling laws have given the recycling industry a major boost and spurred the creation of dozens of new companies making new products from recycled materials. (Philip Kotler 2000, 151)

Political factors include government policies, regulations and legal issues in the country of operation. These factors define formal and informal rules which the company must operate. Some examples regarding the political factors are mentioned below.

- Tax Policy
- Labor law
- Environmental laws
- Trade restrictions and tariffs
- Political Stability

4.3.2 Economic Factors

The economic goal of a certain industry is like an axis in which other objectives or goals are revolving. The economic factors have the major impact on the purchasing power of potential customers and the cost of capital of the company. . (Philip Kotler 2000, 146)

Some of the examples for economic factors include;

- Economic growth rate
- Exchange rates
- Interest rates
- Inflation rates
- Long-term growth prospects of a country
- Unemployment

4.3.3 Social Factors

Society and culture is an important factor that must be given importance by any business, particularly those who are operating in the global field. It is essential that the company must operate in observance with social systems in order to gain good reputation and successful public image. On the other hand, good reputation and public image is equally essential, in order to understand the variety of needs of different individuals that belongs to different culture. . (Philip Kotler 2000, 153)

Social factors include the demographic and cultural aspects of the external macro environment. It influences the customer's needs and the size of the potential market. Examples of social factors are listed below.

- Population growth rate
- Age distribution
- Health consciousness
- Age distribution
- Level of education
- Career attitudes
- Emphasis on safety

4.3.4 Technological Factors

One of the most dramatic forces shaping people's lives is technology. Technology has released such wonders as penicillin, open-heart surgery, and the birth-control pill. It has released such horrors as the hydrogen bomb, nerve gas, and sub-machine gun. The point is every new technology is a force for "creative destruction". Transistors hurt the vacuum-tube industry, xerography hurt the carbon-paper business, autos hurt the rail-roads, and television hurt the newspapers and so on. The economy's growth rate is affected by how many major new technologies are discovered. New technology creates major long-run consequences that are not always foreseeable. The marketers should monitor the following trend in technology: the pace of change, opportunities for innovation, varying R&D budgets, and increased regulations. . (Philip Kotler 2000, 149)

Technological factors have the potential to lower barriers to market entry, reduce efficient production levels, and influence outsourcing decisions. Examples include;

- R&D activity
- Automation
- Technology incentives
- Rate of technological change

4.4 SWOT ANALYSIS

A SWOT analysis is a strategic planning tool used to understand the strengths, weakness, opportunities and threats that could exist in a business. This process generates information that is helpful in matching a firm's goals, programs, and capacities to the social environment in which it operates. It's very useful tool used as a starting point for team discussion before launching any product or service for an organization.

Kotler has defined SWOT analysis as an overall evaluation of the company's strength, weakness, opportunities and threats. There are various aspects that should be taken in mind while performing SWOT analysis. We have tried to mention some of the important questions that a firm should have knowledge while performing this analysis. (Philip Kotler 2000, 78-79)

SWOT analysis can be categorized into two factors.

4.4.1 Internal Factors (strengths & weakness)

The internal factors of SWOT analysis consists of the strengths and weaknesses which focuses on companies past performance, present strategy, resources and capabilities. It is based on an analysis of facts and assumptions about the company.

- **Strengths** - are the quality that allows the firm to achieve its target mission. These are the basis through which a company achieves continued success. Strengths can be tangible or intangible and they are within the organization's control. Examples of organizational strengths are no debt, broad product line, huge financial resources, committed employees etc. To analyze the strengths a firm should have good knowledge about;
 - What product are you selling?
 - What are your exceptional skills?
 - What special knowledge do you have?
 - What different/better do you do than your competitors?
 - What experience do you have?
 - Where are you most profitable in your business? (Philip Kotler 2000, 79)

- **Weaknesses** - are the qualities that prevent the company from achieving its mission and reach its full potential. These are the factors which do not meet the standards as a company feels they should meet. Weakness must be minimized and eliminated. Huge debt, high employee turnover, narrow product range, large wastage of raw materials etc. are some of the good examples of weaknesses. To minimize the weakness the firm should think about;
- In what areas do you need to progress?
 - What are the resources that you lack?
 - What area of your business is not very profitable?
 - In which area do you need further education and experience?
 - What costs you time and money? (Philip Kotler 2000, 79)

4.4.2 External factors (opportunities & threats)

The external factors of the SWOT analysis include opportunities and threats to carry out to examine the domestic and export market for a given company.

- **Opportunities** - are the external factors that stand for the reason for an organization to exist and develop. Opportunities are offered by the environment within which the firm operates. These arise when an organization can take benefit of conditions in its environment to plan and accomplish strategies that facilitate it to become more profitable. The opportunities for any firm could be found by realizing;
- What are the current business goals?
 - How can you do more for your existing customers?
 - How can you use technology to improve your business? (Philip Kotler 2000, 76)

➤ **Threats** - are uncontrollable. When threat arises, the stability and survival of organization mission or operation can be at risk. Examples of threats are price wars, ever changing technology, unrest among employees etc. Threats could be noticed through investigating ;

- What are the obstacles that you will face?
- What are the strengths of your biggest competitors?
- What different are your competitors doing?
- What's the current situation of the industry & economy? (Philip Kotler 2000, 77).

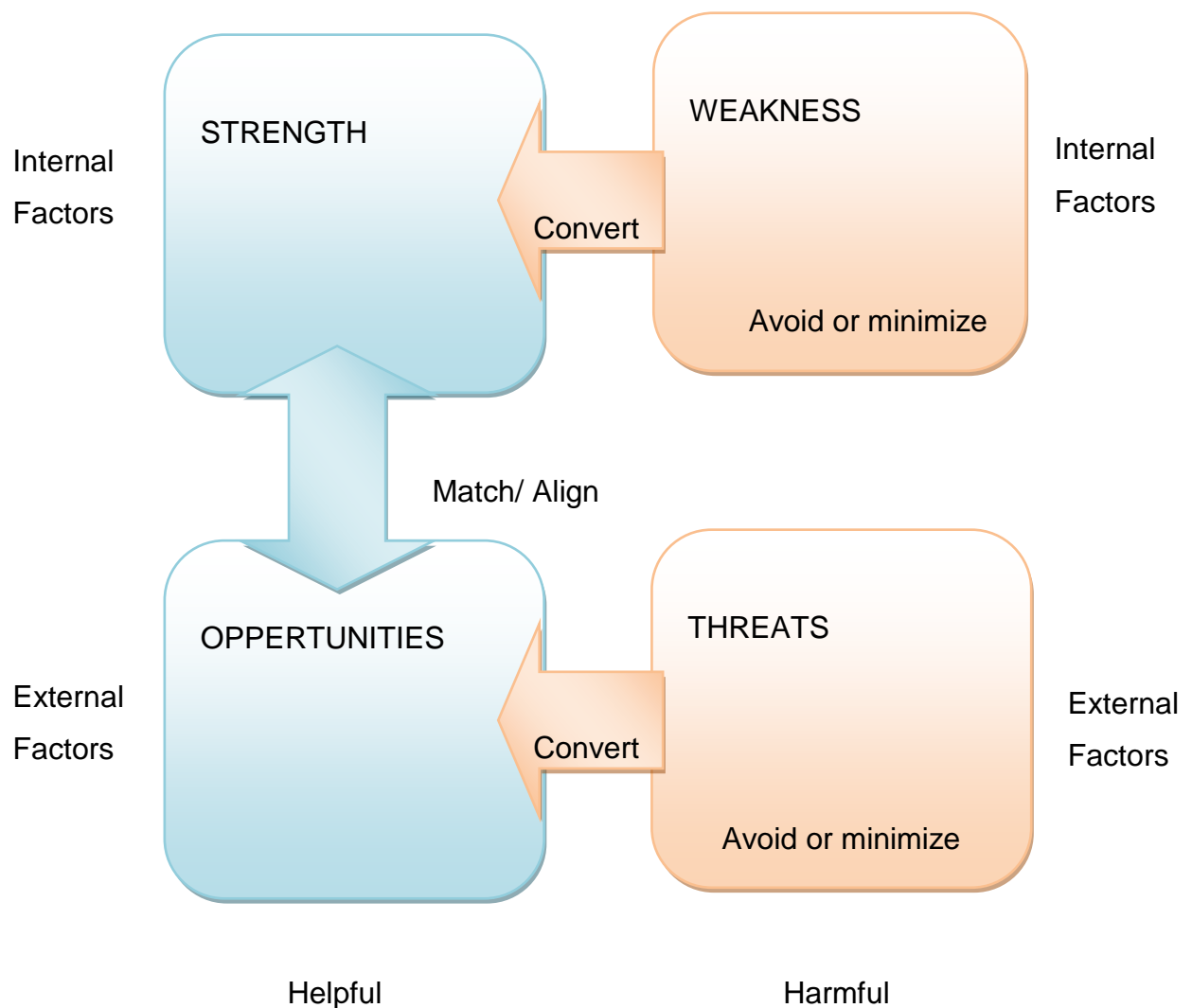


Figure 10 SWOT analysis matrix

5 CHANNEL OF DISTRIBUTION

Channel of distribution is a process/path along which a good or service passes from the manufacturer and reaches to the end consumer. To be short we could call this process as a distribution network through which producer puts his products or services in the market.

Before choosing a distribution channel a firm needs to analyze and evaluate its consumers wish/need so that they could receive the product with ease and complete information about it. A distribution channel includes various intermediaries; (Frank Bradley 2005, 303)

- Producers
- Consumers
- Wholesalers
- Direct (internet/catalog/sales team)
- Value - added reseller
- Selling agents
- Retailers
- Distributors
- Internet

5.1 ROLE OF CHANNEL INTERMEDIARIES

By clearly specifying channel roles, cooperating firms reduce the potential for conflict and improve the performance of the entire channel system. Roles define appropriate behavior for firms occupying each position in the system. Role consensus enables channel member to anticipate the behavior of others and to operate collectively in unified manner. Five important roles for international intermediaries:

- Co-ordinate and assemble international buyer demand and product availability.
- Protect buyers and sellers from opportunistic behavior.
- Reduce market transaction costs.
- Match buyers and sellers in different countries – establish contracts and customer relations in selected markets.
- Provide the physical distribution/logistical support necessary for the company's product category. (Frank Bradley 2005, 303)

5.2 STAGES OF DISTRIBUTION CHANNEL

There are a number of things which are common in all channels, domestic and international. Participants in the channel usually include manufacturers, distributors, wholesalers, retailers, end-users and consumers. (Czinkota & Ronkainen 1997).

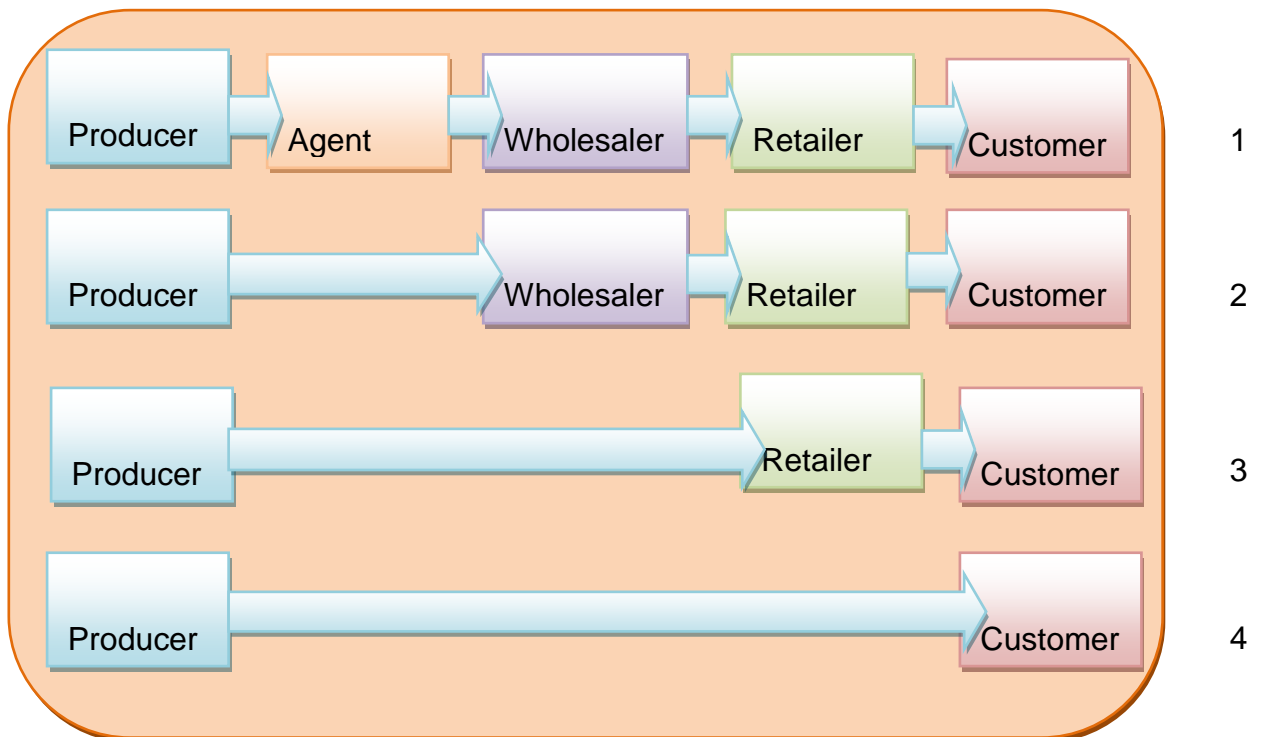


Figure 11 Distribution channel process

Channel 1 is the longest channel of distribution containing three stages between producer and consumer. This channel is used when the producer wants to be fully relieved of the problem of distribution and thus hands over his entire output to the selling agents. The agents distribute the product among a few wholesalers and the wholesalers distribute the product among a number of retailers who finally sell it to the ultimate customers.

Channel 2 is the most common and traditional channel of distribution which contains two middlemen between producer and costumer. The manufacturer sells its products to wholesalers who in turn sell its products to retailer. And retailers finally sell to the ultimate consumers.

Channel 3 involves only one middleman called retailer. The producer sells its products to big retailer who wants to buy goods in large quantities and finally the retailer sells the product to the end use consumers.

Channel 4 is the shortest distribution channel in which no middleman is involved. Manufacturers sell its product and services directly to the costumers.

Channel of distribution is the key for the firms that are willing to export their products and services across the borders. It's the way through which a product reaches to the final consumers from the manufacturers. We shall be discussing more about the appropriate distribution channel for the target product in chapter 10.

6 THE EMPIRICAL RESEARCH METHODS AND ANALYSIS

Marketing research is the process of designing, gathering, analyzing and reporting information that may be used to solve a specific problem. It is the function that links the consumer, costumer, and public marketer through information – information used to identify and define marketing opportunities and problems; generate and evaluate marketing actions; monitor marketing performance; and improve the understanding of marketing as a process. (Alvin C. Burns & Ronal F. Bush 2006, 7-8).

This chapter contains the research methodology used to prepare this thesis as well as the response we got from the research methodology. The methods and the techniques discussed are applied to fulfill the objective of our research topic.

6.1 RESEARCH METHOD

We have used both qualitative as well as quantitative research methodology to prepare this thesis. There are three methods used in this empirical research; Personal Interview, questionnaires and document analysis. The research was carried out in fall 2012. As for quantitative research, the survey questionnaire, with a cover letter was sent to 30 carpet companies in Finland. The questionnaire was sent through e-mail. While for qualitative research, we had planned to interview 3 carpet companies located in Finland, but due to their busy schedule and our short time notice the interviews could not be successful. Document analysis covers both the statistics in Nepal and Finland.

6.2 CHOICE OF METHOD AND THE RESULTS

6.2.1 Survey

Surveys involve interviews with a large number of respondents using a predesigned questionnaire. Key advantages of surveys include standardization, ease of administration, ability to tap the “unseen” suitability to tabulation and statistical analysis, and sensitivity to subgroup differences. (Alvin C. Burns & Ronal F. Bush 2006, 235).

Online surveys are the simplest form of administration for researchers. At the beginning of our survey, questions were preset and put in a particular arrangement on a questionnaire with multiple answers. The person answering the questionnaire could just tick one of the answers given below the questions. This would save the time and makes easier for the person who is answering those questions.

As mentioned earlier we had sent the questionnaire to 30 carpet companies all over the Finland, and we gave 2 weeks’ time to reply the answers. Only 8 of those carpet companies replied our questionnaire. We had expected at least 50% response but unluckily things were not in our side. Thus the research was not going to get the best results, but we are not completely disappointed, as there could be many possible reasons for our research not being as successful as expected. For example, language barrier, fear of losing the strategy, privacy etc.

6.2.2 Interview

In normal words interview could be defined as a conversation, an interrogation or an oral exchange between two or more personnel with an objective to achieve some targeted data or information.

As mentioned earlier we had planned to interview at least 3 companies from Finland. But things did not go exactly as we planned. Due to the busy time schedule of the contacted personnel to be interviewed which did not fit them according to our expected time for the results to be gathered for the analysis and its conclusion, we were compelled to terminate the whole interview section.

6.3 VALIDITY AND RELIABILITY

Ideally, any measurement used by a market researcher should be reliable and valid. A reliable measure is one for which a respondent responds in the same or in very similar manner to an identical or near-identical question. Obviously if a question elicits widely different answers from the same person and the researcher should know that the person is unchanged from administration to administration of the question, there is something wrong with the question. (Alvin C. Burns & Ronal F. Bush 2006, 290).

Validity operates on a completely different plane than reliability; it is possible to have perfectly reliable measurements that are invalid. Validity is defined as the accuracy of the measurement: It is an assessment of the exactness of the measurement relative to what actually exists. So a valid measure is one that is truthful. (Alvin C. Burns & Ronal F. Bush 2006, 290).

Errors in research design or data collection will compromise the estimated results. These errors cause threat to the study's reliability and validity. The research of Finnish market for Nepalese handmade carpet is reliable, but due to the fact that some of the answers were not received because of many reasons some changes in result may occur.

7 TARGET MARKET FINLAND (GENERAL INFORMATION)

7.1 GEOGRAPHY

Republic of Finland in Finnish “Suomi” is the eighth largest Nordic country situated in the Fennoscandian region of Northern Europe. Russia, Sweden, Norway and Estonia are the borders in east, west, north and south respectively. Finland has a total area of 338, 424 sq.km and 10% of the area is covered by water. Helsinki is the capital and Finnish is the official language of Finland. It is also the most sparsely populated country with 5.4 million inhabitants in European Union. (Facts about Finland, 2012)



Figure 12 Map of Finland (adapted from doing business in Finland)

7.2 AGREEMENTS BETWEEN NEPAL AND FINLAND

With the flow of globalization and its wave all around the world, every country is wide openly welcoming foreign capital through different agreements and policies. Out of different such policy to fascinate foreign investment to own economic motherland, Nepal has also been able to follow the trend and has been acceptably trying to cope with different foreign countries around. One significant example of this accepting and welcoming nature of Nepal is the Bilateral Investment Promotion and Protection Agreement (BIPA).

Bilateral Investment Promotion and Protection Agreement is that kind of treaty which is defined as an agreement between two countries, nations or even states for the reciprocal encouragement, development, promotion and protection of investments within the territories occupied by either of the countries and the companies situated in either of them. Amongst different objectives behind this agreement, some significant reasons are to create favorable conditions for encouraging greater investments by the investors making them able to invest in either of the countries.

That's why these agreements are found to be very fruitful for both the countries because the ultimate goals of such agreements are to bring mutual development and all around progress. Because of this agreement businesses are assisted a lot with their initiatives which as a result work as catalysts to enhance the efficiency, profitability and prosperity.

In order to provide predictable investment climate to foreign investment in Nepal as well as to let the Nepalese investment foster profitably in foreign market the government of Nepal has signed BIPAs with Finland. This agreement has already been in practice although it yet to see in future, the extent of actual benefits that can be derived out of this agreement which was proved to be very ambitious back then.

Besides for this, Nepal has well established partnership with several European Union member states as long-standing development partners. That's why Nepal was able to make a remarkable export to European region which covered almost about 16 percent of country's total national export in the economical year 2005/2006.

Somehow it still seems that Nepal is not being able to maintain its pace to acquire the best out of all the benefits and yield out of all the agreements and treaties so far. There has somehow been reflection through a mirage that Nepal is benefited well out of those agreements but it is not so strongly true. (Doing business abroad, 2007)

7.3 BI-LATERAL RELATION

Even those bi-lateral trade agreements that Nepal has made with several countries so far, are static in nature. Such trade agreements have never got a chance of revision and have not been reassessed. That's why from several research, it has been realized that there should be management of a system that would keep the trend of reviewing, assessing and updating these treaties in case of necessities. Unless the trade partners who are daydreaming to reap the maximum benefits of such treaties in rapidly changing global and national context will remain as just another dream with null significance. The politic and economic dimensions in relation to priorities of these countries are changing all the time rapidly. Therefore now the situation is almost like it is now or never for Nepal, to review trade and treaties. After all these things are done, it will be meaningful to explore potential countries and region to be covered in the upcoming trade agreements and relationships to be built.

The awkward truth of Nepal still not being able to have a well-established agreement arranged with European Union (EU) somehow pushes Nepal drastically backwards while every countries around the world trying hard to put themselves on the track. Therefore, it is not only a remedy suggested for Nepal to make a trade agreement with EU in present context but it also is trying to grow the consciousness to gain its own international fiscal identity. This might be of great loss and a reason to regret a lot in near future, in case of ignorance. Because right after Nepal gets linked with this agreement with grand European Union, it will uplift the investors from either of the region with a blessed progressive globalization. Apart from this it will make finally possible the enhancement of merchandise as well as various trade and businesses. (Nepal's Regional and Bi-lateral Trade Agreements)

Nepal initiated its economic integration process in mid 1980s. After restoration of multi-party democracy in 1990, Nepal accelerated the process of economic globalization. Trade policy was changed with the new trade policy 1992. The Import Substituting Industrialization (ISI) was replaced by an export led economic growth and imports were made free to assist exports. Following the ideology of New Economic Policy (NEP) to integrate Nepalese economy with world economy, Nepal became the member of the World Trade Organization (WTO) in the fifth ministerial conference of WTO held on 10-14 September 2003 at Cancun, Mexico. Along with the wave of liberalization, Nepal has dismantled trade barriers and has opened the economy to international competition at a fast pace in recent years. (Doing business abroad, 2007)

7.4 ASSISTANCE TO EXPORTERS

The policy of The Ministry for Foreign Affairs promotes imports to Finland in accordance with the Finnish Government's Development Policy Program and the Government's Trade Policy Program which seems somehow favorable in this case mentioned in our research even though Nepal doesn't have a lot of options for finding trouble less routes and relations to export to Finland. According to our research, this promotion happens by taking measures with a view to removing obstacles to trade and by providing information services.

Developing countries trade capacity is strengthened by means of allocating development co-operation resources to various ends. The Ministry welcomes reports on barriers to trade encountered by importers and exporters. (Finland trade policy: Ministry for Foreign Affairs of Finland & creation Nepal 2002-2012)

7.5 EU CUSTOMS DUTIES

One important factor, which might make the exporters think twice before willing to ship their goods and products towards Finland, is the necessity to pay the EU custom duties. Because, importing products to the EU from outside the EU zone could be subject to customs duties and in some cases also in import quotas. In some cases there are free arrangements between non-EU countries and the EU. The duties are applied as a percentage of the customs value of the products.

On the other hand, Nepal is fortunately found in the list of least developed countries of the world. Hence it is entitled to various special export duty privileges to the most of the developed countries, which also has Finland in the list of the developed destination for its handful of export. The list of the countries includes Denmark, Germany, Estonia, Greece, Spain, France, Ireland, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, The Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland, Sweden and United Kingdom.

This opportunity that Nepal can use while exporting things through the Generalized System of Preferences (GSP) to Finland, it will help to save a huge amount of money out of duties and taxes. This will correspondingly result in increasing the profitability by making the importer being able to sell the products comparably cheaper to that of competitors. This might also give an option to a higher yield in the margin while making the sales finally to the customer ahead.

For example, many textile products manufactured in China are no longer eligible for the GSP preferences because of the growing development.

So, it provides Nepal a major competitive advantage to those countries where Finland exports from which don't meet the criteria to enjoy the privileges by Generalized System of Preferences. (Finland trade policy: Ministry for Foreign Affairs of Finland & creation Nepal 2002-2012)

7.6 NEPALS TREATY OF TRANSIT

The international trade traffic mostly moves through sea transport which is far cheaper than other mode of transport. The lack of seaports in the inland country inflates the prices of imports by increasing the transit costs and makes exports less competitive in the international market. As a result, the overall performance of trade declines and the economy deteriorates considerably.

7.7 NATURE OF FINNISH PEOPLE ON IMPORTED FOREIGN PRODUCTS

According to our research, it has been found about the nature of Finnish people which shows clearly the inclination of customer interest more on the goods and products produced in Finland, has been accelerating as years coming ahead. This upgrading nature of Finnish people has always been giving the first priority to local Finnish products.

Due to the Finnish behavior of taking a great deal of pride for the products manufactured inside the Finnish territory or in the participation of Finland directly and sometimes indirectly too, goods even trying to enter Finland should meet a lot of requisites to compete with the domestic Finnish products.

Therefore just a nominal entry in Finnish market is not a big deal but is demanding, to meet the required qualities to fulfill the customers' desire. Finnish consumers are well conscious about the quality and very familiar with the high technology and updated as well. They would rather go for quality instead of bargaining for price, if seen the overall Finnish consumers' behavior. Therefore somehow it has come to conclusion through this research that being a product to be imported from some other foreign countries, the product not just only has to fulfill the customers' need but also be providing some extra value. It should tend to provide marginal utility somehow higher than the average Finnish goods, regardless of the price determined for the product very often. But somehow, cases of exception have been found around.

However, there has been some flexibility too, with regard to various attributes of even Finnish goods as perceived by the end consumer. For example, the improvement in product stability, quality improvement and creativity, use of color and design and practicality of products, are some of the aspects where has been the highest amount of variation over past few decades.

Focusing the general customers' voice in context of goods, products and services, that Finns prefer while making any purchase or even buying some goods, our research helped us to reveal out some common qualities that would be very good for the suppliers to at least try to fulfill. Such as price affordability would not be of great concern as long as the quality compensates the amount spent on it. All the required information, date of manufacture, validity date, ingredients, precautions and other necessary details are to be provided in simply understandable form mandatorily in Finnish and Swedish which are two official languages in Finland. Furthermore, providing the information in English which is another widely spoken language in Finland would be a plus point.

In case of transaction, requiring shipments and long transportation, they will require the necessary documents to be attached along with invoices and shipments. And also the appliance of sticker or the labels which are requested by the buyer is a must, and especially it will be a blunder mistake in case of ignoring these things while importing and exporting. If the products are to be retailed, bar codes should be provided on them. In case of goods for clothing and shoeing, it should be paid an attention to use the Finnish size and units of measurement.

No matter how developed Finnish business culture is, it is very environmentally concerned; in spite of the massive achievement they have gained technologically, even in this competitive business world of today where profitability always shines everywhere.

The social responsibility in a supply chain is highly esteemed and favored in Finland. Another important thing to keep in mind is that the small population size of Finland is more favorable for the companies who haven't jumped yet to mass production because the quantity of the order in Finland might be compatibly smaller than the countries else in Europe. So, this somehow would be favorable for the businesses trying to find the market potentiality in Finland like the one we have mentioned and concentrated a bigger portion of our research on.

Well, the advertisement, word of mouth and other initiatives to promote the product are appreciable but in addition to this internationally launched trade fairs, exhibitions and promotional campaign are always very polishing.

According to our research, the carpet importing process from Nepal to Finland is relatively easy to carry out but several issues have to be taken into consideration. Especially due to the Generalized System of Preferences, paying the duties is not an issue of concern. However, the import process requires an extremely careful strategic thinking, and the conditions of contract of purchase play a significant role. Especially, choosing the terms of delivery and payment has a major influence on risks, and finally on the success of the import process.

During the study, several other interesting viewpoints for further research appeared. Risk management, and Nepalese business culture (Asian related culture) are great examples of issues that should be examined next, in order to find out, if starting this sort of business operations would be profitable and if not, how to make them. This will for sure, assist remarkably to lead businesses like this towards prosperity.

8 ENTRANCE OF NEPALESE CARPETS IN FINLAND

8.1 SELECTION OF APPROPRIATE ENTRY MODE

Earlier in chapter 2 we discussed about 2 different kinds of entry modes (non-equity modes of entry and equity modes of entry). Among them exporting mode of entry (which comes under non-equity mode of entry) was mentioned and discussed. As mentioned earlier in chapter 1, the main purpose of this research was to find the possible market for Nepalese handmade carpets. In other word the aim of this thesis is to discover the market potential for Nepalese carpets.

It's a common fact that if a firm/company wishes to start business across the borders, how to get entrance in the international market is the first thing it discusses while planning the marketing strategy. The firm always chooses the best entry mode or method that will provide maximum profit with minimum risk. In case of Nepalese carpets, exporting modes of entry would be more appropriate to step into the Finnish Market.

8.1.1 Indirect Export

If a Nepalese carpet firm i.e. the manufacturer uses independent organizations located in Nepal then it's the case of indirect export. In addition the carpet manufacturer could have a dependent export organization (for example an export department) that works with the independent marketing organizations and coordinates the entire export effort. In that case the dependent organization does not actively engage in any international sales activity. The indirect exporting process consist of two basic types of independent marketing intermediaries: home-country based merchants and home-country based agents.

➤ **Home-country based export merchants**

In this case the domestic merchant buys and sells on its own account. All the tensions of the manufacturer are handled by this merchant except for any needed modifications in such things as the product itself, its package, or the quantity included in the unit package to meet any special needs of individual overseas markets. According to our research for this thesis we would say that the export of Nepalese carpets through domestic merchant would be the most easiest way for the manufacturers as they may not get enough information about the Finnish market trend and they could save time as well as make easy profits.

Export merchants exist in the exporter's country, acting as principals in export transactions (buying and selling on their own accounts). They are wholesalers who buy goods from the manufacturer in their own country and sell across the borders. (Gerald albaum, 2008, 308)

➤ **Home-country based export agent**

There could be several types of wholesaler agents (for example export commission house, confirming house, resident buyer broker etc.) located in the country of export who are available as members of manufacturer's export marketing channel. When a manufacturer uses such kind of agents it generally assumes all kind of financial risks. (Gerald albaum, 2008, 313)

8.1.2 Direct Export

Direct exporting occurs when the carpet manufacturer sells directly to an importer or buyer located in Finland. The actual transaction between these two countries will be handled directly by a dependent organization of the carpet manufacturer or Finnish carpet marketing organization or costumer. Thus, Nepalese carpets firms could also export their products directly to Finland after establishing their own

export sales organization in Nepal that will take care of all marketing activities (including documentation, searching potential markets, shipments etc.) in case of international sales.

In other hand the manufacturers could also use independent marketing organizations such as Finland-based distributors and agents to export the carpets.

This process looks quite similar to the indirect export but the only thing that distinguishes the indirect exporting and direct exporting is the agent based on domestic country and foreign country. In indirect exporting the manufacturer deals with home-country agents whereas in direct exporting the manufacturer sells its products through the agents and distributors located on foreign country.

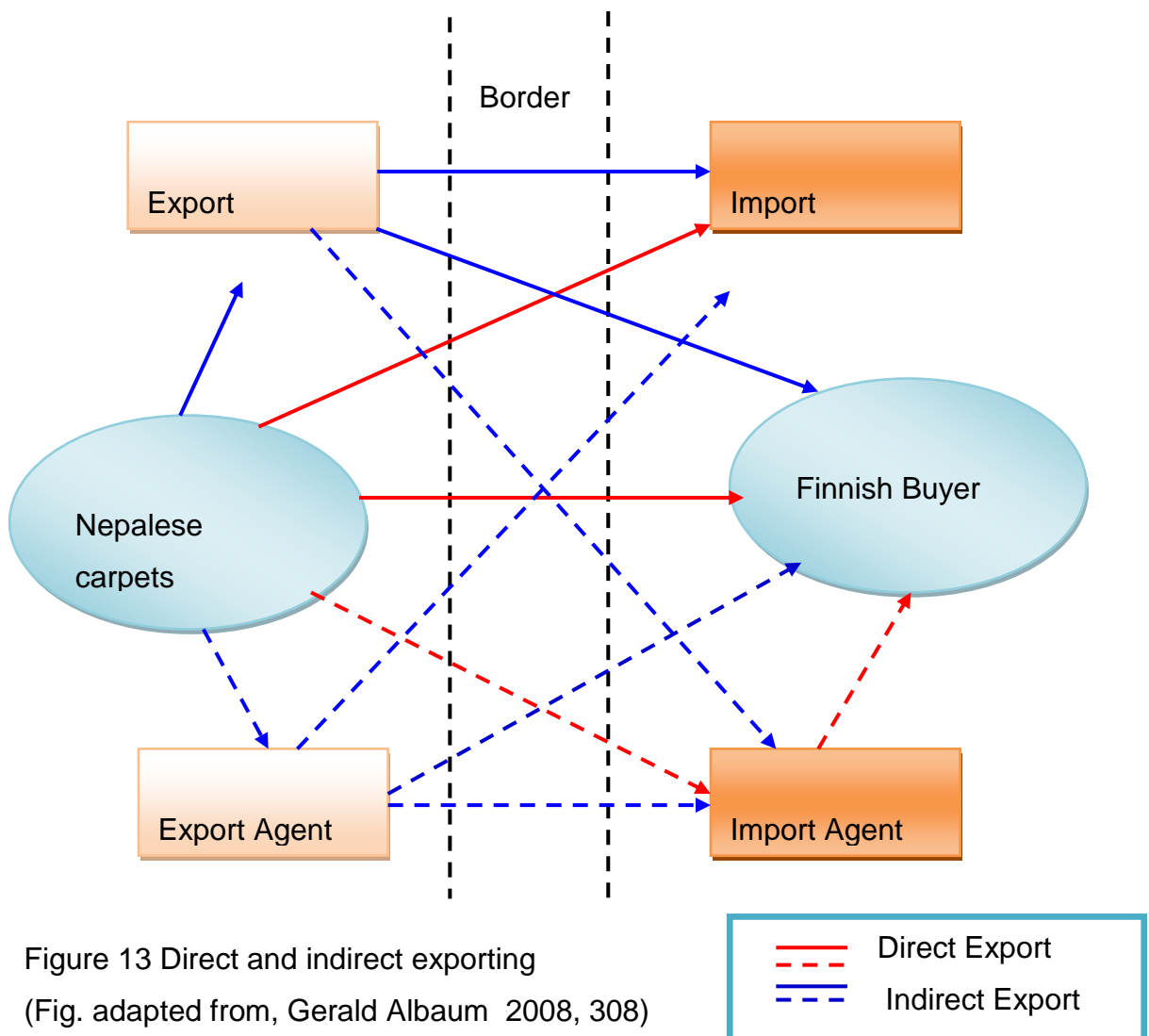


Figure 13 Direct and indirect exporting
(Fig. adapted from, Gerald Albaum 2008, 308)

8.1.3 Advantages/Challenges of Exporting

As per our research about market entry for our target product exporting has proved to be the simplest and quickest ways of entering the Finish market, requiring a low level of investment in terms of managerial and financial resources and consequently a low level of commitment of risk. But as we all know everything has two sides, for example day and night or two faces of a coin i.e. head and tail. In context with that exporting have also advantages and challenges. We have tried to point out some advantages and challenges that the choice of our market entry method i.e. exporting will have/need to face.

➤ Advantages

- Selling handmade carpets in Finnish market will definitely boost the sales and increase the revenue of Nepalese carpet firms. Once the export development costs are covered there will be additional long term sales and business with Finland.
- After entering the international arena the firms become more competitive in domestic market and that helps the companies to obtain some strategies which could help them in international field.
- By going international the Nepalese carpet industry will participate in global market and gain a piece of their share from the huge international marketplace.
- Nepalese carpet industry don't need to be tied to the business cycle of domestic market, as selling to international markets allows them to diversify their business.
- For country like Nepal, going international can yield valuable ideas and information about new technologies, modern marketing techniques and different foreign competitors.

➤ **Challenges**

- As Finland is a new market for Nepalese carpets it takes more time to develop extra markets, and the payback time is longer. Many up-front costs for activities like promotional materials, personnel to travel, other administrative costs associated with the market could hamper the financial resources of the companies
- While exporting firms may need to modify their products in order to meet the foreign country safety, security code and other import restrictions.
- For countries like Nepal finding information on foreign markets is conclusively more difficult and time-consuming than finding information and analyzing domestic markets. For example in developing countries, reliable information on business practices, market characteristics, and cultural barriers may be unavailable.
- There could be financial risk as collections of payments using the methods available e.g. prepayment, open-account, consignment, letter of credit etc. could be complicated.

8.2 FACTORS AFFECTING THE ENTRY MODE FOR NEPALESE CARPETS

8.2.1 External Factors

- **Target country market factors**

During our research we discovered 20 mainly twenty companies which are exporting and in porting carpets. Technically Finland is almost 2.5 times bigger than Nepal in context of geography. The market size of handmade carpet production is medium or even less. We came up with the fact that, in Finland VM Carpet Company is the biggest company which is mainly exporting and importing

their carpet products outside and inside of the country. They usually manufacture machine made, plastic and nylon carpets in large quantity but the handmade carpets are produced in low amounts. After analyzing the vision of carpet dealers we came to the conclusion that the reason why there is less market for handmade carpets is the high price.

One important fact is that the monthly income of a normal worker in Finland is 5-10 times higher than a normal Nepali worker. Even normal full time worker can easily afford to buy this product. For example product like carpet is not a daily consuming product that you need to buy every day. Once you buy it, it lasts for years. And of course, if you are buying any product like carpets, or furniture's you are expecting it to use for long term period. That's the reason why long life as well as beautiful product like handmade carpets, that makes your home actually home becomes little bit expensive.

The main catch is, though there are some strong competitors inside the market we see enough space in Finnish market for Nepalese carpets because of the affection of Finnish people towards traditional art and culture, and Nepalese carpets has all of those features to satisfy the costumers wish and demand; only area that should be focused specially, is to make aware of the beauty and quality of Nepalese handmade carpets among the Finnish costumers.

- **Target country production factor**

This factor only affects the entry mode only if the firm is manufacturing in target country. It would be very expensive and bad idea for Nepalese firms to produce in Finland at first due to high cost for various things like labor costs, raw-material costs, tax, policy etc. It is very wise and cheaper to export in the start.

- **Target country environment factors**

The political situation is stable in Finland. It's true that in some cases Finland imposes higher taxes to international product, but in other hand Finnish government has also given some concessions and benefits for developing country willing to do business with Finland.

The Geographical distance could somehow affect this entry mode for Nepal because of the long distance between the two countries. The transportation cost will be more as Nepal doesn't owe any sea route and the shipment has to be done only through the air.

The cultural factors also affect the entry modes and for Nepal it could be a big challenge. There is a big gap between Nepalese and Finnish culture. So while doing the pricing, promoting, packaging and styling the marketers should be very aware of Finnish cultural sensitivity by accepting the differences between cultures by assessing in an objective and not creating stereotyping.

8.2.2 Internal factors

- **Product factors**

We found that the Nepalese handmade carpets somehow look similar to the Persian carpets but the price of Persian carpet is much expensive than Nepalese carpets. We can comfortably say that Nepalese carpets are more affordable and quality is better than Iran made Persian carpets as well as Finnish carpets. We found that Nepalese carpets are highly different with distinct advantages over expensive and not so attractive Indian, Chinese, Finnish carpet products. Thus, we can say that this differentiation definitely favors the export mode of entry.

9 NEPALESE CARPETS MARKETING MIX (THE 4 P'S)

9.1 PRODUCT

As explained previously, our products are the fine Nepalese Carpets which mostly as hand weaved. Through the strong waves of time, price and fierce competition in decades, they have stroked against, trust on the quality of these carpets has never titled downwards. People who do really care about the quality are still in handsome proportion to those who get easily washed away in search of other carpets to fulfill their needs, regardless of the irreplaceable carpets and the quality that the Nepalese ones offer. That is why it has been mentioned clearly and boldly that the word of mouth for these carpets is still loud and proud among the carpet lovers.

Basically quality is the prominent reason why the consumer mass run after Nepalese carpets. But not only this single reason fascinates all of the costumer, the capability that the carpet weavers possess to manufacture any of the kind that the recent market puts in availability for end costumer's use.

Another important factor, that keeps Nepalese carpets on top, is the design they hold. Since past few decades, the prevailed trend of fine artistic design has been found still in existence that Nepalese skilled hand carpet weavers have been successfully using as another main reason to make Nepalese carpets worth trying and testing at least once. It has been able in keeping the carpet lovers' and admirers' passion to have Nepalese carpets still alive.

Despite of these favorable features of Nepalese carpets and the still going costumer's belief, the Unique Selling Proposition (USP) of these carpets might stand next to a serious questionable situation anytime ahead. But still, Nepalese carpets proudly possess one of the most salient USP over the other competitive carpet manufacturers and their successive products. The guarantee service that

the customers get to enjoy with Nepalese carpets and rugs can't be found very commonly among the other competitors and their products found around.

As our thesis explains and the topic justifies clearly that this whole research is completely based on finding the new market possibilities in Finland or at least leaving fine pavements to be chased for the upcoming traders who would like to put our outcomes into practice and start building friendly business relationship between Nepal and Finland. So, the product that we are planning to launch here will be of completely new in Finland. The prosperity that this product is going to bring in near future in the economic, social and cultural scenario which is yet to see is for now a new start of history with the quality seeds of Nepalese carpets and rugs products.

The trend of selling services along the products in the context of current business world is quite common and is growing with the time. In this case of Nepalese carpets, guarantee services which will cover up the repair and remake during the time the validity applies. Additionally, depending upon the quantity of purchase and shipping, the suppliers will also offer the customer with various goods and souvenirs that reflects the rich Nepalese cultural diversity.

9.2 PRICE

Price is one of the important factors of Nepalese carpets that has been observed so far during past two decades. Although the quality that we get in Nepalese carpets is barely comparable amongst the ones that the competitors are providing, the surprising price affordability people get along while buying qualitative Nepalese carpets have always been wonderful.

On the other hand, the prices determined for the carpets manufactured by China and India is somehow slightly less than that of Nepalese ones. But despite of this difference, people who know already about the quality of Nepalese carpets, still go

paying even more comparatively as the quality roars from the Nepalese ones. The same pricing has also created a different class for Nepalese carpets in western market.

The concept of cheaper the goods, lower is the quality has somehow put the Nepalese carpets maintaining a class. That's what the explained affordability tries to clarify in the paragraph above.

While if seen comparatively, the average price that Finnish current market might figure out for the handmade quality carpets that we are planning to welcome in Finland is somehow going to be still cheaper and affordable for the Finnish customers. That will be another attracting reason in the Finnish market which strongly tries to ensure the feasibility of Nepalese handmade qualitative carpets and rugs.

As a result, after getting used to with the Finnish market trend and feasibility here, the pricing can be correspondingly swift to higher range. After all this strategy once accomplished, the profitability from Nepalese carpets in Finnish market won't be that hard to bring on to practical existence.

9.3 PLACE

We all know well place is given very important priority amongst the all 4P's. As it does have very significant role, it could not remain in the shadow during this analysis too. The origin from where the Nepalese carpet would start circulating from, after manufacture, which obviously is Nepal, for now, is kind of favorable condition for the uprising carpet business targeted to Finland. The cost of production there will be very low in comparison to production in Finland which will result a high decrease in the expenses estimated while doing the production. Hence choosing developing country like Nepal as our place of destination for production will be wise-worthy.

On the other hand, it might also have adverse effect for businesses like Nepalese carpets' who are trying to crawl now in dreams of being able to stand and run further ahead. Because if we see thoroughly, the expenses that are going to be made on the transportation to import those goods to Finland at first before selling it forward to the end targeted customers, has also severe influence on deciding the expenditure during the course of business to be accomplished. So, the choice of place as a matter of production can somehow be requiring handsome amount of hidden expenses to carry on the designed business cycle that we have assumed so far.

Nevertheless, if the price affordability here somehow fascinates the larger amount of customers and increases the sales as per the expectation by investing some more to increase the convenience for the target customers to purchase Nepalese carpets. This means there's still possibility to have profitable business from sales of qualitative, fancy carpets to the needy customer, providing them easily, quickly and with less effort.

The question of possible difficulties in shipping from Nepal to Finland will no longer be in existence once the goods reach to the destined market. When they are finally here at places which are easily accessible to the local customers from nearest shopping malls, super markets, chain shops, designing shops etc., the strength of the place will be proven crystal clearly.

If there would be need of maintaining the production cost by keeping it to line in case of necessity in future for the business survival, the shipping cost can also have an option to be reduced. We might be wondering, how would it be possible? Well, once the business will start grabbing the place, making contacts and business relationship with the suppliers, it will gradually build mutual trust between the business holders which in Asian culture is very prominent factor. When these things are well taken care of, the production might be shifted incase the situation favors the business to the targeted land of market, which will be Finland. By then

there will be plenty of suppliers who would be ready to offer the raw materials at reasonable price and time.

9.4 PROMOTION

Another important section, promotion, here in this case might need some efforts to build a trend that will gain a long life and last progressing ahead.

As already mentioned in this research, the lack of promotional activities for Nepalese carpets have adversely affected the business, creating obstacle in gaining its' real market share that it deserves. Merely few European countries have been aware of the massive Nepalese carpet business potentiality and the long continued culture revealing the unique quality. So, it is somehow a very fresh start in Scandinavian region, especially in Finland.

Despite this challenging journey to be started, Nepalese carpets as their plus point have strong maintained word of mouth since the very beginning of their supplies to the countries around. So, it will have a big part in this promotion section.

In order to cover up the loss that the lack of advertisement created in decades before, plenty of advertising campaigns should be launched. Not just any plain advertisements, but it should be short and sweet, carrying some message so that it will add more value to the long gained word of mouth. It should also be well analyzed to which country we are targeting to, market and advertise. So that keeping in concern the norms, values, culture, traditions, beliefs and other important social aspects in the destined place, we can still promote our products effectively.

For example, where would carving pictures of Jesus on the carpets that we use on floor lead to, if we try to launch and promote our product in Christian countries. No matter how affordable we are, how good our quality might be, regardless of how

strong we are, we are going to have very difficult time to even survive in those markets. Very soon we might be on the street and we'll have to give up our dreams for a profitable business.

Beside this, the advertisement we make should be effectively targeted, entertaining, and memorable. It should also be able to deliver a quick message to the targeted customers. Hence, rather than a long, boring, descriptive story we should keep our limit, try to make it short and sweet, grabbing attention of the customer through whole the time they'll be checking the advertisement. It should be able to create a unique feeling, something fresh, and something different, something special and strike the attention of the customer resulting them to have a special desire for the product regardless of other similar goods, trying to offer similar services. It should reflect the virtue of the entire product.

Trade fair and exhibition can also be another promotional pillar to let us mount high with high profitability with fruitful promotion. Analyzing the recent business environment around, trade fairs, conferences, business events, economic forums and exhibitions are so directly proportional to the success of the investing firms and business. They are more than just a marketing tool as the entire market place might be at your fingertips. They also work as affective source of market information and explain us about what is going on and where is the business trend moving towards. Additionally, they will also assist us enormously providing the necessary information and fulfill our needs in a centralized and a specific way.

Exhibitions provide a unique networking platform. They provide an excellent opportunity to assess opinions from clients and determine market potential, conduct research and evaluate competition, develop commercial structures by identifying new agents and distributors, and initiating joint ventures and project partnerships.

They also help in promotion, marketing and publicity efforts of participating companies like the one dealing with Nepalese carpets as they need to build a

convincing relationship with the customer and gain trust in new market, converting the challenge as a golden opportunity.

Some significant further importance of trade fair and exhibition are: they introduce products effectively, build relationship and create bonds, reach prospects, grab the media attention, leave close and special impression on the targeted groups. They focus a lot on face-to-face interaction with the sample customers passing by. They gather leads; assist tremendously to evaluate the competitors and possible threats and opportunities as well. On the basis of these all benefits and keeping regular analysis, it will be very easy to do market research and enjoy the high degree of accuracy. This will finally result to fruitful business decisions to be made.

10 SITUATION ANALYSIS

10.1 COMPETITOR ANALYSIS

Competitor analysis is the examination of business competitors. Every business organizations have their own competitive industry environment. It is uncommon for them not to have any competitors because it will lead to monopoly straightly. In this today's world of fierce competition, where companies are threatened sometimes even by those ones which seem not to be operating so challengingly against them, it would be so very exceptional to think one does not have a competitor.

It nearly is same like as if when someone blinding him or herself with a finger in front of his or her eyes while looking at the sun and trying to convince people around saying "I can shadow the sun", which is nothing else than just an illusion, a crystal clear superstition.

Therefore it is worthless to feel false security of not having any competitive challenges. Instead of having this misconception, one should continuously be prepared of present challenges or competitive threats from the firms operating somehow in the similar field. Sometimes products and services of a firm operating totally in different line can also raise challenges against our business survival and profitability in competitive environment.

Hence, accomplishing competitor analysis in a regular basis with the complicated but still very rewarding analysis of present as well as potential competitors is very essential in today's business world unless one does not have fear of being victim of extinction. More than just the current and potential competitors sometimes businesses can learn a lot from the competitors back then who were very effective in their own line. That is why it is wisely said that learning from past, making

today's best and preparing for surprising and challenging tomorrow is what keeps you on top.

Analyzing competitors helps an organization to discover its weaknesses to figure out the opportunities for, be aware of the threats to the organization from the competitive industrial environment. Additionally, efficient competitor analysis can encourage an organization in converting arising challenges to opportunities and molding them into basic building blocks strategically for fruitful tomorrow, which is a profitable, sound business environment.

Competitor analysis can therefore be defined as a driver, driving strategies of an organization which effects on how firms act or react in their various sectors. The main motto of the organization in accomplishing a competitor analysis is to measure its position and assess the possibility of standing amongst the competitors.

It also portrays very essential supplements to conduct an overall industry analysis which gives valuable information regarding probable sources of competition, including all the possible strategic steps, actions and reactions and their influence on profitability for all the organizations competing in the industry. In over all, a well-planned and designed competitor's analysis allows a firm to concentrate on those organizations with which the firm will be competing directly and it is proved to be especially very important when the firm faces only a few potential customers.

We talked already about the main motto of conducting competitor analysis, now we will go briefly through the objectives of doing such analysis. In order to study the market, so that we can predict and forecast organization's demand and supply, competitor analysis is very important. The valuable information that we possibly gather about the strategic actions and reactions, can finally be formulated only when competitor analysis is accomplished. It helps to boost up the market share, investigating the ongoing market trend and pattern. This analysis, it intends to develop strategic steps for growth and expansion of the concerned firm as well

because it is a must do project when an organization dreams for expanding and have a strong diversification surrounding in the environment.

Apart from this, competitor analysis also helps to collect know-how of the current strategy strengths and weaknesses of a competitor which can suggest various fruitful chances and opportunities and the threats that will merit a response. In order to predict and prepare accordingly with the prevailing trends and also gather acquaintance about the forth coming trends in the industry, competitor analysis is proved very essential. Similarly prediction and upcoming threats and opportunities, can be enhanced with the help from making diagnostic insight into future competitors strategies.

That is why competitor analysis which itself is a very wide topic, should be analyzed from various dimensions, keeping broad vision such as on the basis of size, reputation, objectives, growth and profitability, culture, cost structure, production, strengths and weaknesses, threats, business strategies, opportunities, exit barriers etc.

Now moving further, checking on various kinds of competitors that we might have to deal with, here we will briefly explain about few categories of them. They are, direct competitors, indirect competitors and future competitors.

1.1.1 Direct competitors

These are the most active and influencing competitors which can directly affect the overall business operation and market share of the concerned company. All the existing companies producing same products as us are categorized as direct competitors. Here as per our research, all the companies manufacturing handmade carpets are supposed to be direct competitors for the Nepalese carpet (handmade carpets) manufacturers. These are the ones who have proportional effect on the market share of Nepalese carpets.

According to the research case that we are dealing with in this study, Persian (Iran) carpets, Indian carpets, carpets manufactured by China and Finnish carpets can be listed in the category of direct competitors. As their manufacture and supply of products to Finland directly influences a lot in determining the market share of Nepalese markets, they will be termed as competitors with direct influences. For example, if the demand of Persian carpet will increase, it is going to hamper the Nepalese carpets demand severely. Similarly, once Nepalese carpets start collecting good will from Finnish customers, Chinese carpets and Indian as well are going to have very difficult time with their business and exerting market share.

While glancing on the other phase, the local carpets manufacturers in Finland which obviously are very vital player in driving the market share in local market are also other direct competitors to be aware about.

That is why; they can also be called as proportional competitors with proportional impacts on each other, demand and sharing of market power.

1.1.2 Indirect competitor

All those companies having however the same group of targeted customers in the destined market like us are referred as indirect competitor. They might have their operation in other markets but with the final destined market same as we are trying to get the hold on.

Hence as per our study, all those carpet manufacturers which are producing not necessarily hand-woven carpets but carpets in general in various other ways like with the use of machineries and advanced technology, which might create a serious competitive threat to the overall business's market share which we are talking here about, can be categorized as indirect customers. They are not as effective as the direct competitors in hindering our progress creating competitive

obstacle on gaining the market share in the areas of our operation. However, they are found quite influencing sometimes, incase if not paid proper attention and taken some necessary steps in overcoming the threat through tackling moves strategically.

It has been noticed very well that with the growth of advance technology and machineries, market share which had been enjoyed by the hand woven-carpets are declining as the carpets produced from high-tech machineries are taking the demand to a very high level. This challenge, hand-woven carpets will have to stand against in order to get the capture over the market share is very strong and threatening as well. So, if we can't appreciate the threat from such mass-producing manufacturers, we might have to lose the sales without any alarming warning and we might also not be able to protect the overall business operation.

1.1.3 Future competitors

This category of competitors goes for those ones who might create a future competitive threat making new and successive entry in the same field of market lines. If the market entry process is found relatively easy for the new comers in the common shared market, it's very much likely for new business arousals. Such new entering companies will subsequently strike the competitive challenge from the upcoming future competitors.

Therefore, not just the observation on recent competitors is sufficient unless we are able to analyze continuously and watch out for future competitors. Otherwise, it will not be a surprise to face a sad end to the business profitability and also the overall business might be limited to just a history like every other existed business.

10.2 PEST ANALYSIS

In context of situation analysis different business organizations and firms have been using PESTLE analysis for the efficient analysis of their business. PESTLE analysis is combined abbreviation of political, economic, social, technological, legal and environmental analysis. It is used as a very efficient tool for the identification and analysis of the key drivers of change in the strategic or business environment, in which the whole concern business is linked towards.

In other ways, we can explain PESTLE analysis briefly as a type of situation analysis in which political-legal (concerning government stability, expenditure, taxation), economic (concerning inflation, interest rates, unemployment), socio-cultural (concerning demographics, education, income distribution), technological (concerning knowledge generation, conversion of discoveries into products, rates of obsolescence/extinction) factors are examined to chart in order to guide an organization's long-term plans.

It is somehow similar to SWOT analysis or it does the same work as SWOT analysis, but somehow it's wider as it constitutes of some other factors too. Despite of this, PESTLE analysis can be modified to as simple or even to complex according to our necessity and of course depending upon the nature of project at hand. The PESTLE analysis tool allows the assessing of the current environment and potential changes to the corresponding business scenario. However, the main motto can be summarized in this way, the main idea of this tool focuses that even the project is only located strategically and efficiently compared to that of the competitors, it will generate a very qualified and productive respond to the changes, sometimes current and even sometimes the upcoming ones.

Although this concept has gone through a lot of changes and improvements throughout the time, but the earliest reference of it can be dated back to a book written by Aguilar in 1967. He made the discussion of abbreviated ETPS (standing for Economic, Technical, Political and Social) in his book called the Scanning the

Business Environment. And even after his deed, it has been modified and contributed by several other people to make it capable of being very broad yet efficient analytical tool.

The popular use of PESTLE analysis tool can be seen a lot in business planning, marketing planning, strategy planning, product development and also organizational planning. One of the main reasons behind its popular application is that it provides the users with the important factors that are needed to be very well researched and brainstormed. It keeps them aware of the on-going and upcoming circumstances linked with this study.

As per our research we will now explain the case we've been working on categorizing it through different important elements of PESTLE analysis.

10.2.1 Political

Politics has a very significant influence on the control of business, decisions which are made and consumers' capability of expenditures. Furthermore every project has two sided politics, which includes internal politics and the external one.

Cohesive projects, team jealousies, personal interest and ambitiousness, they occur in almost every project hence they must be considered, analyzed and managed by stake holders. Therefore they are somehow in control of stake holders where as those factors which are involuntary and cannot be controlled or managed by stakeholders are called as external politics. For example, the political instability of Nepal which often creates very tiresome problem for letting some business deal happen successfully between two parties reflect the influence of political section included in PESTLE analysis. Government changes, policies are reformed, political leaders keep changing and this finally puts the businesses in trouble. Sometimes it just takes years trying to adjust with the prescribed policies by the government.

10.2.2 Economic

The whole internal and external economic environment and all the events that affect this two portioned environment are considered by this, one important factor of PESTLE analysis, i.e. economic factor. Economic factors they combine economic growth, interest rates, exchange rates and the inflation rate together. Some major roles of these factors are considered in influencing business operations and making all kinds of decision to the concerned business. Hence this factor has very important function of examining the short term and the long term situation of the business through the targeted market analysis. Especially in the cases where a company tries to ride internationally and compete with foreign markets, it is very important while forecasting international markets.

Several components like rate of interest, per capita income, exchange rates, the condition of inflation, the trend of economic progress, production level etc. are very important to be considered while dealing with this economic factor. And also the consumer confidence, their behaviors are some of the very prominent constituents which affect the total demand. Consequently, this will help the business to shape the trend of their supply in order to keep them economically alive.

Somehow, even inside this economic factor, we can sail through the internal or micro-economic and external or macro-economic events. The events that relate to the project viability and internal soundness of the project from fiscal view are categorized under internal or micro-economic events. They need to use financial models and different accounting techniques during the evaluation phase to bring up to the action for its beneficial implementation.

Whereas the external or macro-economic events, constitute of events like interstate taxes, restrictions, rates of interest, economic growth, recession, exchange rate, inflation rate, minimum wage, the rates of wages, unemployment, living cost, working hours, credit availability, buying capacity and financial availability.

Thus, we can easily build the concept that this factor contributed by all such subcomponents that we explained above how vital impacts on how the business operates, make their important decisions and how to make those decisions in such a way that they will result prosperity in the entire business. The way how interest rates influence the shape of the firms cost of capital and correspondingly to what extent a business can grow and expand can be taken as a very simple and clear example that reflects the effect of fiscal events compounding the economic factor in the PESTLE analysis. Moreover the exchange rate affecting the cost of transportation and shipping and also the overall activities while exporting goods across the national boundary and the supply, price of imported good in the country of export makes it more understandable about such effects.

10.2.3 Sociological

Regarding the sociological factor, it is found to consider those all events that affect the market and community socially. On the other hand, activities having social influence in the targeted market community are referred as sociological events. They also include the various cultural aspects. Before starting any business in a certain place, it should be examined very well about the effect in the society where the business will be operating or at least will have influence on that area. Therefore it is worth being recommended to analyze not only the advantages that the society will be provided with but also the adverse effect the society might have to suffer with. Being a responsible project or business it is one of their very significant duties to be conscious about the welfare of the society too.

In case there happens to arise some troubles in the future because of the project, it is advisable to let the society and the residents be aware about the drawbacks of project. This somehow aims and also reflects the business to be highly aware and disciplined about term corporate social responsibility (CSR).

Based on the cases that we are researching on, to be sociologically aware and also being salutary both economically and socially to the society, either of the business partners could do some social work that would support the society. For example, in Nepal out of some profit made from the trade and transactions, some portion of amount could be donated for some schools, orphanages, elderly homes or some social welfare activities in general.

Finland is a developed country but also to demonstrate the awareness of corporate social responsibility we could find at least something to do for the welfare of Finnish society. For example, we could contribute some money for the sports, extra-curricular activities, child protection organizations or at least in some sector generally.

Why not organizing a club or some cultural meeting where people would get a chance to know each other, get familiar to new cultures, speed up their integration process smoothly and learn about Finnish way of living. It simply shows that if there is just a willingness to show the thankfulness to the society where we are operating and expecting financial gain in return of the services we provide to the social human beings, we can find variety of ways to do that. Not necessarily it will just be our paying back for the money that people (customer buying our products or services) pays for us, it can also be made directly proportional to the business prosperity which is one of the most important and highly expected dream of every business around the world. People will trust more and try to support the business that wants to do something to the society welfare and wellbeing, besides just making profit. It will build a very strong word of mouth that might spread all around and multiply the business profitability through the trust and belief, people in the society will gift them (business) in return.

Several sociological events include cultural expectations, norms, values, population dynamics, career attitudes, healthy consciousness, welfare of the society, etc.

10.2.4 Technological

Today's world of science and technology is putting different kind of businesses around the world on a race of technological acceleration where the one who has sound technological engine can stand the race, continue ahead smoothly and may only reach the destination. It's challenging to keep a company technologically sound, bringing it to the current technological track. Somehow it is even more challenging often because technology keeps changing frequently sometimes even within a few months after the day of launch because fierce competition is threatening for the existence. In order to survive the current scenario, it is very important to keep in consideration how to stay updated and refreshed.

All kind of events that affect business through means of various kind of technology come under the technological events. Technology is commonly valid as an essential element of the organization since it is very useful tool for capturing the market advantage. The evolution of new technology contributes in creating new products and services through different new processes that are in demand by the end users of this sophisticated business world. Online shopping, bar coding, computer aided design are some of the significant achievements and also the pattern of the way we do business today. As a result of business technology, there has been an irreplaceable support leading to several fruitful achievements.

Technology has drastically reduced costs, improved quality and lead to continuous new innovations. Staying in Finland today, we can get easily a business deal done with the people residing far across the world on the other side of globe within very short period of time which has been possible only because of one reason and that's obviously technology.

These developments have benefited the customers as well as the business, organization a lot in their daily operations. Talking in a broader sense, several aspects like R&D activities, automation, technology incentives and the rate of technological change etc. also fall under technological factor. Today's technology

has changed a lot and created a society where very instant and fruitful results are expected and this technological revolution has increased the rate at which information is exchanged between stakeholders. A faster exchange of information makes business efficient enough to react quickly to the changes and challenges within the operating environment. On the other hand, this also might create extra pressure on the business operations as business transactions are to be done; deals are needed to be made as per the promises within ever decreasing timescales.

The above explained technological factors and their influence, if we check in context of our research, it is quite full of diversity. Finland, the destination market, being one of the world's most developed countries and Nepal, on the other side, which is creeping for its economic survival and political stability. It is very challenging, especially in case of Nepal where the application of technology is still in starting phase. It is not so common to use computers to make purchases, pay bills, make orders and put records of the sales and other necessary information of the business. While Finland is almost operated through various means of new technology or it can also be said that the life and the living culture of Finland is very highly affected by advanced technology. People carry out a large portion of their daily activities like paying bills, making purchases, collect information, shopping, communicate and connect with people around with the help of internet and technology, which if observed, can be found totally contrasting in Nepal.

Therefore, it might be slightly challenging in this case because making orders and shipments, conducting business deals through the means of newest technology with the concerned business party in Nepal is not that common yet. Hence it will take obviously some time to build that trend and get the business transactions accompanied on the basis of advanced technology.

While on the other side, it would somehow sound weird for the Finnish business partners that still the traditional way of building business relationship and carrying out the operations also in old fashioned way in Nepal is still in existence. Well, of

course things are changing all the time and the hope of catching up the speed with the international trend which is inclined towards the dependence on the support of modern and advanced technology is still on. ‘

10.2.5 Legal

All the events and issues that have their connection directly or indirectly to the legal environment where the operating business is surrounded with are included in legal factors. It probably is not so uncommon for us to know that these legal factors, they severely affect the overall behavior of the business organization and their performances as well. So we can agree that almost every aspect of organizations operation is influenced and also controlled through legislation.

Legal factors include accessibility law, interception and monitoring, discrimination law, computer misuse, human right e-Commerce, antitrust law, hosting liability, employment law, harassment law, health and safety law, terrorism, consumer law etc. As organization will have to work with prescribed legislative frameworks, legal factors are hence very important and the must follow guidelines from the authorities.

In case of even simple ignorance, company might have to suffer several difficulties and burdensome challenges because the legal factors can do create hindrance in businesses by creating oppressive obligation on organization. But if we turn our view and try to realize a bit wisely, there is a big importance of such legal factors to be prescribed. Lack of proper rules and regulations stated might create chaos. The ones who will be in benefit will always be going higher and be benefited even more whereas those who try hard in expectation of making their situations better will unfortunately have to struggle always unless there's legislation acting effectively on. Therefore legislation can not only be threat to a business or just another challenge creating obstacles ahead but also be a creator of proper market conditions that benefits business. Hence it works for the convenience of customers

and their shopping habits too. This finally will create a great impact on the whole business also.

Depending upon the nature of customers, suppliers and sellers too, the well analyzed and applied legislation will stand on the side of customer rights while it will enhance the proper business operation through a smooth principle of execution.

So we can summarize the impacts of legal factors as everything that refers how local, national and global legislation affects the project, its productivity, profitability and making it aware of its customer duty and responsibility too. It also comprises of current home market legislation, future legislation, legislations applied internationally, consumer protection, industry specific regulations, competitive regulations, regulatory bodies and processes.

These legal factors and their influence resemble lots of similarities to that of the political factors and their consequences. The laws and regulations prescribed by the Finnish law are clearer than the ones that Nepalese government keeps prescribing, removing, making again, implementing and prohibiting again along with the tsunami of changing government. It is not only the business holders or companies who are affected severely with this less responsible act of the legislation, but also enormous portion of country's population. The legislative body is supposed to make rules and regulations for the benefit of all those who try to live a respected life being responsible citizen, without ignoring their fundamental duties. But somehow it is revealed as a very embarrassing example of excellent failure.

It might not be a surprise that in the journey while making business deals with any party from Nepal, no matter how efficiently both the parties try to carry up the business relationship and try to build the trust, every now and then Nepalese legislation is found pulling the leg sometimes for a reason while in whims of finding reasons some other time.

The government instability is therefore putting endless loop generating new problems on the struggling dreams of the Nepalese workers, employers and the overall system as well. In this anarchy, it probably won't be so surprising for Nepalese employees not to keep high expectations and be highly ambitious in getting reasonable reward of their precious labor.

10.3 SWOT ANALYSIS

10.3.1 Internal Factors

- **Strengths of Nepalese Carpets**

While talking about the strength of Nepalese carpets quality takes the first place. The handmade carpets in Nepal are made by highly qualified and experienced designers. Nepal has good infrastructure and has been producing excellent quality products since past five decades. It has always been a trend for people to buy unique and extremely well designed products in affordable price, especially for decorating their house, office etc. And carpets play the vital role in this process of decoration.

During our research process we discovered that Finnish people are very fond of traditional arts and designs. They give their first priority to the quality and design but due to the higher costs they compromise their wish and need with cheaper products. In case with Nepalese carpet products, customer can find unique arts and choose beautiful designs in reasonable price and this will definitely divert Finnish customers towards Nepalese carpets. Let's suppose that a Finn wishes to buy a carpet then finds that the one which has good quality costs 50-80 Euros per meter but it doesn't have good design. In other hand if he/she gets beautiful designed carpet with excellent quality with the same price, there would be 99 percent chances for him/her to buy the carpet having both features as the

remaining 1 percent chance could favor towards the love and affection for home country product.

Third important strength of Nepalese carpet is it's a registered trademark in local market. The extensive exposure of these carpets in International market has become a good prospect in world market especially in EU zone. Already it has well established markets in USA, Canada and EU countries like Germany, Belgium etc. As Finland is also a part of EU and quiet close to Germany makes easy for us to understand the buying behavior of Finns.

- **Weakness of Nepalese carpets**

It is a well-known fact that Nepal is a developing country and doing business for companies from developing countries with developed countries like Finland is not a piece of cake. In this context we would like to point out the weakness of our product i.e. Nepalese carpets and rugs. Nepalese carpet industry has a weak knowledge of modern technology as well as business networking as they need to focus on those areas and make enough research about Finland. They don't have proper knowledge of marketing and advertising techniques in Finland, and these are some of the very important areas to focus on. Nepal doesn't have sea route and the only option to export the products for Nepal is through the air route which is more expensive, thus we can say lack of cheaper transportation. The cost in developing marketing linkage will be high while entering the new market. As none of the two countries have English as first language and this may force to difficulty in identifying matching partners.

10.3.2 External Factors

- **Opportunities for Nepalese carpets**

Nepalese Industry sources see the EU as the most promising market for newly created designs of carpets and rugs. Entering Finland will help in putting gravels to the earth road/ dirt track for Nepalese carpet industry for spreading business in other EU countries in future. The industry has opportunities to enter other big potential market i.e. Russia

We have observed that different designs of traditional handmade carpets for decoration are in high demand in different markets. This could bring interest to the other international companies and local companies located in Finland and other countries. With this we Nepalese carpets could also be manufactured in Finland bringing the cheap labors from Nepal in future.

Somehow this inaugurating business and the circumstances from this research of ours might lead in near future, creating profitable business possibilities in concerned field. But if we just try to broaden up our view and think wider, this might be a new beginning for not only the industries in this field but also other related and even those who are functioning in totally different fields. As we know very well that Nepal possesses very large amount of availability of natural resources. This will correspondingly result in arousal of other new industries to think forward of doing business with Finland and even other countries around the world.

Fruitfully, it will encourage even other industries dealing with metal and steels, textiles, cigarettes and smokes, cement, and bricks, quartz, timber, hydropower, lignite, copper, cobalt and iron to forward hands for starting new fruitful business relationship with several other countries too.

Therefore, it can also create several other surprising new opportunities for new businesses to collaborate and work out for mutual profitability which will finally lead to improve the business relationship which needs a very strong and reliable foundation.

- **Threats for Nepalese carpets**

It's has become difficult for Nepalese carpets industry in competing on price as overall economic environment has increased the costs of various components. Along with this, the availability of carpets from India, Ecuador, Colombia, Iran etc. in Finland has become a threat to Nepalese carpet industry. The biggest threat is the increasing competition from China as the Chinese are imitating the Nepalese carpet's design and selling in cheaper price.

10.4 CHOOSING APPROPRIATE DISTRIBUTION CHANNEL

Channel decisions are the most long-term decisions for manufacture and those decisions are quiet complicated to change in short time. Manufacturers use multiple channels of distribution for many of their products and services. For example a costumer could buy a laptop directly from manufacturer, either through internet, or over telephone, or through different kinds of independent stores, retailers, franchised computer stores and department stores. The point is that any kind of business, even though its large, medium or small may make their purchase through different other outlets.

A personal computer, for example, might be bought directly from the manufacturer, either over the telephone, direct mail, or the Internet, or through several kinds of retailers, including independent computer stores, franchised computer stores, and department stores. In addition, large and small businesses may make their purchases through other outlets.

Previously we have discussed and mentioned four different types of distribution channel structures. The simplest is a two-level structure in which goods and services move directly from the manufacturer to the consumer. Two-level structures occur in some industries where consumers could order products directly from the manufacturer and the manufacturer fulfills those orders through its own physical distribution system. But in our case it's quite difficult to follow this type of channel structure due to various barriers and lack of modern technology.

Regarding Nepalese carpets the three-level and four-level channel structures would be easier and beneficial. If we choose three-level channel structure retailers will serve as intermediaries between the Nepalese carpets manufacturers and final Finnish customers. For example big retailers like K-market and S-market are also selling different carpet products. To be more specific retailers like SOTKA who are selling only textile products could be another way to sell our products in Finland.

In other hand these carpet products could also be sold directly to the big carpet wholesalers from Finland and the wholesaler will sell those products to retailers and from retailers to final customers. The point is if the Nepalese carpet companies could make good understanding and offers with these kinds of wholesalers and retailers, it would be easier for them to promote and sell their products in Finland.

Usually in the international field the company doesn't have proper knowledge or sufficient knowledge of every country's markets due to different reasons. Therefore for country like Nepal indirect export is the safest option in terms of risks and costs.

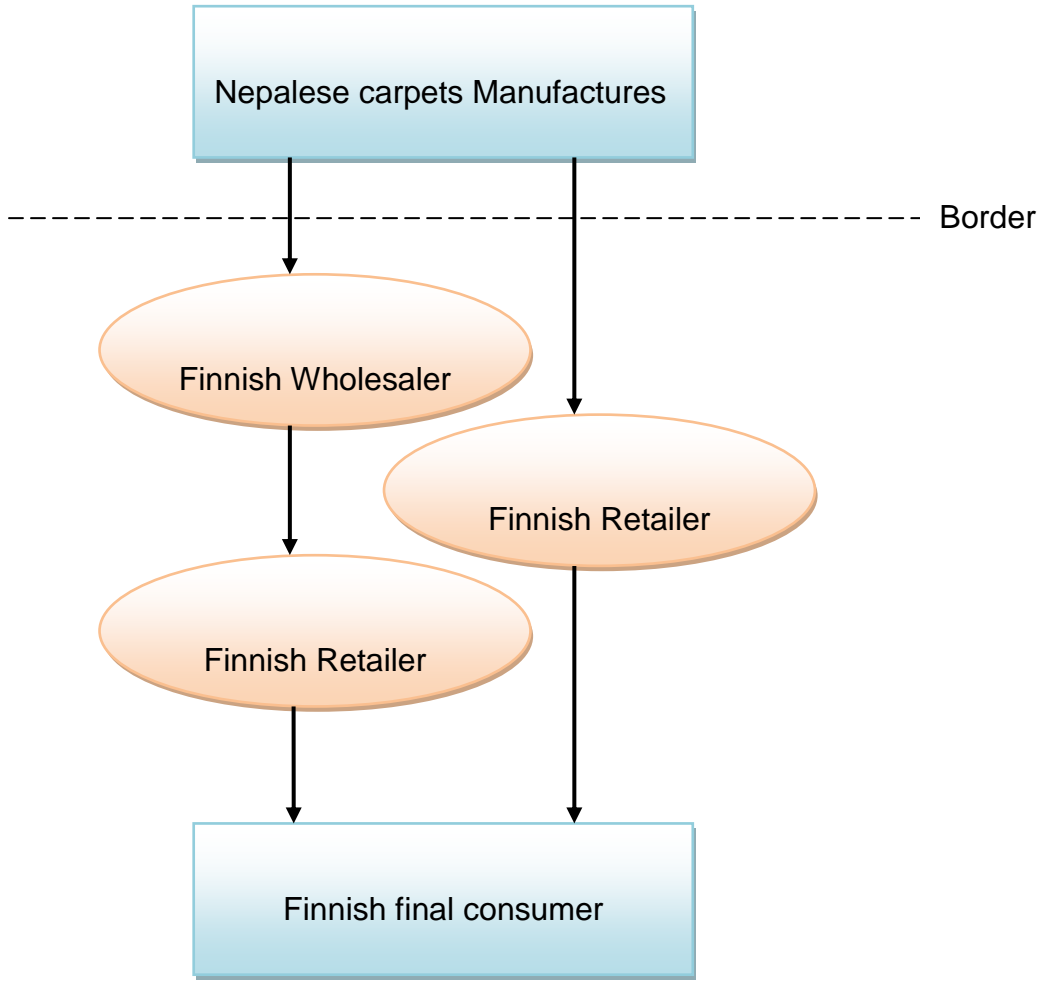


Figure 14 Distribution channel for Nepalese carpets

11 CONCLUSION AND RECOMMENDATION

The main objective of this thesis was to find out the market possibility for Nepalese hand-woven carpets in Finland. The secondary aims were to find the suitable entry method, best distribution channel, important competitors as well as the features of the target product including its strengths and weakness.

To wrap up, this research is focused mainly on understanding, the willingness of Finnish customers on buying foreign made carpets, here according to our research, obviously Nepal made carpets, if they will be supplied making them easily accessible in Finland.

It will also tend to introduce the huge potentiality of Nepalese hand woven carpets to the developed Finnish market which is economically sound. Undoubtedly, it will generate profitability for the Finnish business holders who would be performing this business. Apart from this, it will help Nepal and especially the deteriorating situation of Nepalese carpet industries a lot in upgrading and bringing back to the platform again where they can stand on their own and move successfully ahead. Because these carpet industries mentioned in our research had been contributing the Nepalese economy remarkably by generating a big portion of total country's employment.

Earlier in chapter 2 and 7, we discussed about different modes of entries, among them export based entries was specially focused. Analyzing the results gained from our surveys and data analysis, we would recommend that the exporting is the best way to enter the Finnish market. To be more specific, indirect export proved to be the simplest, easiest bearing minimum risk.

The best method to distribute the target product could be through the agents and merchants based on home country i.e. Nepal or, host country i.e. Finland. The reason for choosing this distribution channel is the lack of awareness about the Finnish business culture and market trends. This chosen entry method and the selected distribution channel will correspondingly assist a lot at first in building a strong know how of different business culture and behavior in Finland. Secondly it will significantly guide in gaining the trust which is must for the business stability and profitability as well in longer term.

Nepalese hand woven carpets are not just any simple carpets that Finnish market is going to get which has been crystal clearly explained through marketing mix analyzing all the aspects of it, product, price, place and promotion.

Going through the investigative discussion on these four important aspects, we found the first two ones, product and price to be strongest ones in the context of the product on our research, while the remaining two ones, place and promotion needed to be focused more in order to reduce the risk of possible threats from other competitors and similar products which might lead to the failure of the whole business.

During the course of our research, we noticed that plenty of advertisements were very essential factor to be concerned in order to bring the core- competitiveness of the targeted product to the customer. The ongoing trend of offering similar products with low quality and even at comparatively cheaper price from competitive suppliers has been proved to be the biggest threat for the target product. Out of those challenging suppliers, China and India were found to be salient ones. They were found imitating the original designs of traditional Nepalese carpets and selling the cheaper copies with higher degree of promotion compared to that of Nepalese.

During our research process, we were not able to achieve exactly what we expected due to the shortage of time. Also, the questions that we asked through

our questionnaire could have been confidential to targeted people whom we had sent the questionnaire.

There has not been any specific research or study regarding this topic before. It was quite a challenging job to collect findings and gather information about this research. The lack of availability of enough information shook us severely but it was exciting on the other hand. We came to learn a lot of new things even about our own country Nepal. We got the opportunities to use various theoretical knowledge as well that we achieved during the study period in our university.

Analyzing, all the outcomes and based on the findings from our research, we can highlight the fact that there's good possibility for Nepalese carpets or any upcoming businesses in this related field to gain the market share. Although, the potentiality at the moment is huge but still there are several things needed to be well observed and investigated beforehand every time while starting a new business.

We would like to thank our supervisor Mr. Isaacs Cory for guiding and assisting in completing this thesis. We also appreciate the companies who responded the questionnaire and provided feedback to our work. We wish this research will be helpful for the companies willing to do business in Finland in upcoming time.



Figure 15 Traditional dragon rug from Nepal (adapted from Nepal's Carpet Industry in 2010 – artelino)

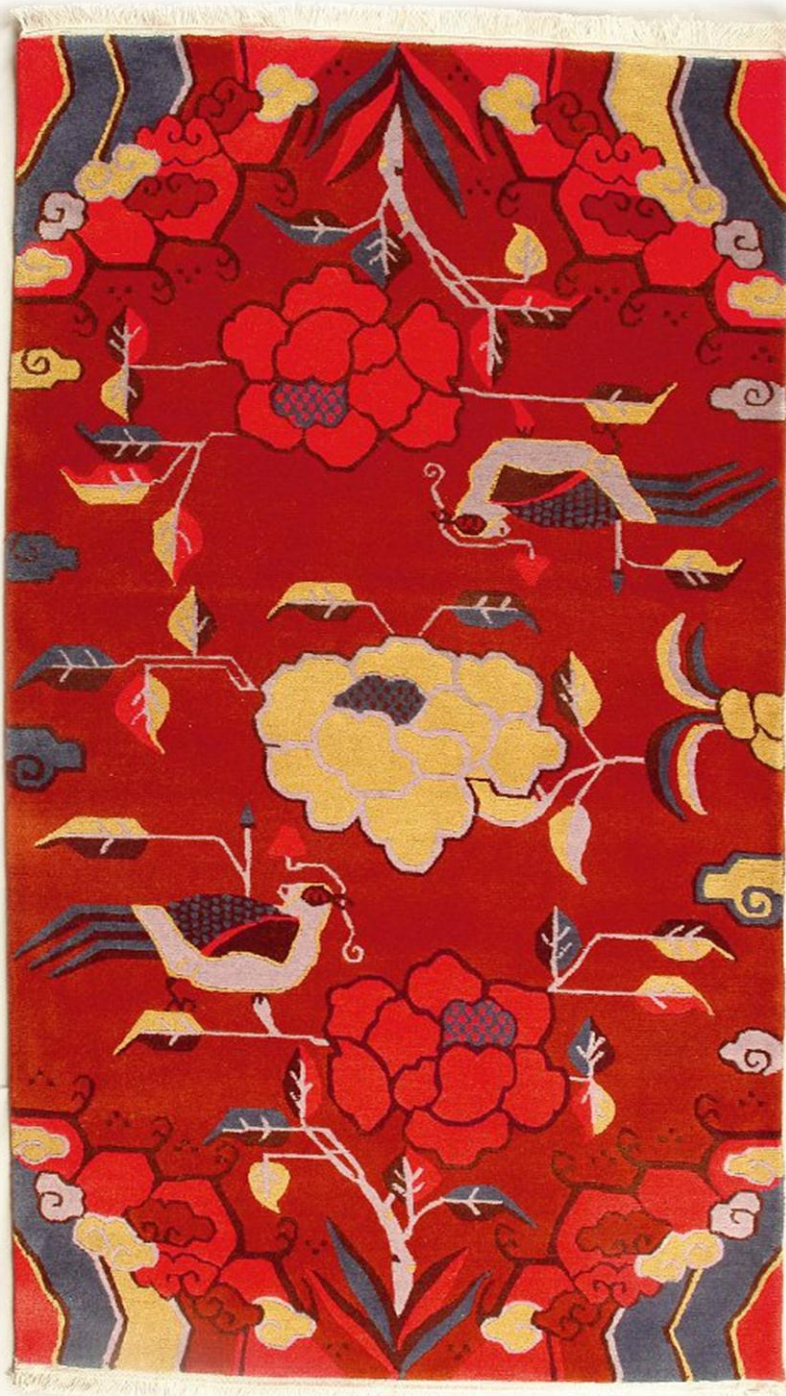


Figure 16 Traditional Nepalese carpet with flower and bird Nepal (adapted from Nepal's Carpet Industry in 2010 – artelino)



Figure 17 Traditional dragon rug from Nepal (adapted from Nepal's Carpet Industry in 2010 – artelino)

BIBLIOGRAPHY

➤ Published

Franklin R. Root, 1994. Entry strategies for International markets, Lexington books

Frank Bradley, 2005. International Marketing Strategy, 5th edition. Pearson Education limited, Edinburg gate, Harlow, England.

Svend Hollensen, 2007. Global Marketing, 4th edition. Pearson Education limited, Edinburg gate, Harlow, England.

Roger Bennett, 1998. International Marketing, Pearson Education limited, Edinburg gate, Harlow, England.

Philip Kotler, 1999. Kotler on Marketing. Simon and Schuster UK Ltd. London, England.

Philip Kotler, 2000. Marketing Management, The Millennium Edition. Prentice-Hall, Inc. Upper Saddle River, New Jersey.

Professor Malcolm Waters, 2001. Globalization, Second edition.

Czikonta M. & Rokainen I., 1997. International Marketing, 5th edition. Harcourt College Pub.

Gerald Albaum & Edwin Duerr, 2008. International marketing and Export management, 6th edition. Pearson Education limited, Edinburg gate, Harlow, England.

Sean De Burca, Richard Fletcher & Linden Brown, 2004. International Marketing, an SME Perspective. Pearson Education limited, Edinburg gate, Harlow, England.

Bilkey, W.J. and Tesar, G. 1997. The Export behaviour of smaller-sized Wisconsin Manufacturing Firms, Journal of internal business studies. MCB University.

Michael E. Porter, 1998. Competitive Strategy: Techniques for Analyzing Industries and Competitors. New York: Free press MacMillan.

Alvin C. Burns & Ronal F. Bush, 2006. Marketing Research, 5th edition. Prentice-Hall, Inc. Upper Saddle River, New Jersey.

➤ **Electronic**

Nepal Home Page

<http://www.nepalhomepage.com/dir/general/>

Central Nepal carpet industries association

<http://www.nepalcarpet.org/>

Petition for carpet Industry in Nepal, Sherab Dolma Rana 2010

<http://www.label-step.org/en/news/newsletter/january-2010/petition-for-carpet-industry-advancement-in-nepal/>

Ekantipur, Carpet export earnings jump to \$70m, Rajesh Khanal, 2012

<http://www.ekantipur.com/2012/07/30/business/carpet-export-earnings-jump-to-70m/357935.html>

Nepali carpet exports post positive growth, 2012

http://www.nepaltourism.info/business_in_nepal/nepal_carpet_rug.htm

Ministry of Finance, Nepal

<http://www.mof.gov.np/>

Nepali times, Quality not quantity, Naresh Newar, 2004

<http://www.nepalitimes.com/issue/2004/12/17/Business/1483>

Nepal's Carpet Industry in 2010 – artelino

<http://www.artelino.eu/en/articles/news/225-nepal-capet-industry-2010.html>

Ministry of Nepal Tourism, Culture and Civil Aviation

<http://www.tourism.gov.np/>

Ministry of Industry, Commerce and Supplies Government of Nepal, 2007

<http://www.scribd.com/doc/33506489/Nepal-s-Regional-and-Bilateral-Trade-Agreements>

Facts about Finland 2012,

<http://www.finnfacts.fi/Facts-about-Finland>

Doing business in Finland, 2011

http://www.amcham.fi/site/wp-content/uploads/2012/04/Legal_Guide_2011.pdf

A discourse on Tibetan / Nepali carpets, 2008

<http://tbird86ghz.blogspot.fi/2008/10/discourse-on-tibetan-nepali-carpets.html>

Tsering Dolker Gurung 2011, the rise and fall of the Tibetan carpet industry, Nepali Times

<http://www.nepalitimes.com/issue/2011/06/10/Business/18273>

Jawalakhel handicraft center

<http://www.jhcnepal.com/>

APPENDICES

APPENDIX 1 COVER LETTER IN ENGLISH

Dear Sir/Madam,

We're doing our research work on Nepalese carpets. The main objective of this research is to analyze and discover the market possibility for Nepalese carpets in Finland. This study will help us to find the current situation of Finnish market. Moreover, it will also tend to reflect the market opportunities for Nepalese carpets which hold a huge potentiality.

This research will also assist the existing carpet manufacturers and sellers to flourish and increase the business turnover with the entry of Nepalese carpets. Furthermore, it can be helpful to those who might want to inaugurate business in this sector in near future.

Therefore we would humbly request you to fill this questionnaire. In case of any confusion, please feel free to ask.

We would be very grateful if you could reply us as soon as possible and not exceeding 5.11.2012

Thank you for your precious time and co-operation.

Best Regards

Dinesh Thapa & Gobinda Rijal

dinesh.thapa@seamk.fi 0442122944

gobinda.rijalkshetri@seamk.fi 0465425957

<https://docs.google.com/spreadsheets/viewform?formkey=dGhVSENVr0FjcGJkSn p1NVI5ZHNFSmc6MQ>

APPENDIX 2 QUESTIONNAIRE IN ENGLISH

Do you manufacture and sell your own carpets or import?

- Manufacture our own carpets
- Import

If you manufacture, who are your main raw material suppliers? If you do not manufacture, please go to question number 3.

If you import, who are your main suppliers for finished (readymade) carpets? Mention any two.

Quantity of carpet you sell in average per annum? In square meters

Carpets with high demand are

- Hand-made
- Machine-made

Who are your main competitors? Mention any two

Do you have guarantees on your products?

- No
- Yes, 0-5 years

- Yes, 5-10 years
- Yes, above 10 years

What is the main strength of your products?*

- Price
- Quality

Who are you main target customer groups?*

- General people
- Firms/Offices
- Muu:

What is your average business turnover per annum?*

- 0 - 100,000 €
- 100,000 - 500,000 €
- 500,000 - 1000 000 €
- Above 1000 000 €

Are you familiar with Nepalese carpets?

- Yes
- No

Have you been trading with Nepal directly/ indirectly?*

Yes

No

Do you have any comments?

APPENDIX 3 COVER LETTER IN FINNISH

Hyvä Herra/Rouva,

Teemme tutkimusta liittyen nepalilaisiin mattoihin. Tämän tutkimuksen päätavoitteena on analysoida ja löytää markkinamahdollisuus nepalilaisille matoille Suomessa. Kyseinen tutkielma auttaa meitä tietämään lisää tämänhetkisestä Suomen markkinatilanteesta. Kaiken lisäksi se näyttää meille hyvin potentiaalisten nepalilaisten mattojen markkinamahdollisuudet.

Tämä tutkimus auttaa myös nykyisiä tuottajia ja myyjiä kukoistamaan ja lisäämään yrityksen liikevaihtoa nepalilaisten mattojen avulla. Kaiken lisäksi, siitä voi olla apua niille, jotka haluaisivat aloittaa toiminnan tällä sektorilla lähitulevaisuudessa.

Täten pyydämme teitä täyttämään tämän kyselyn. Mikäli teillä on kysymyksiä tähän kyselyyn liittyen, ottakaa yhteyttä alla oleviin sähköposteihin.

Olisimme kiitollisia, jos vastaanottaisimme vastauksenne mahdollisimman pian, viimeistään 5.11.2012.

Kiitos ajastanne ja yhteistyöstänne.

Ystävällisin terveisin,

Dinesh Thapa & Gobinda Rijal

dinesh.thapa@seamk.fi 0442122944

gobinda.rijalkshetri@seamk.fi 0465425957

<https://docs.google.com/spreadsheets/viewform?formkey=dFowVTFabF9BaGhTT1gyTnM4cnZ0d3c6MQ>

APPENDIX 4 QUESTIONNAIRE IN FINNISH

Valmistatteko ja myytte omia mattojanne vai tuotteko maahan?

- Valmistamme itse
- Tuomme maahan

Jos myytte omia mattojanne, ketkä ovat teidän raaka-aineiden toimittajia? Jos vastasitte edelliseen kysymykseen "Tuomme maahan", siirtykää kysymykseen numero 3.

Jos tuotte valmiita mattoja maahan, ketkä ovat teidän toimittajia?

Vuosittain myytyjen mattojen määrä? Neliömetreissä

Ostetuimmat matot ovat...

- Käsintehtyjä
- Koneella tehtyjä

Ketkä ovat teidän suurimpia kilpailijoita? Mainitse kaksi

Onko teidän tuotteillanne vakuutusta?

- Ei
- 0 - 5 vuotta
- 5 - 10 vuotta
- Enemmän kuin 10 vuotta

Mikä on teidän tuotteidenne vahvuus?

- Hinta
- Laatu

Ketkä ovat teidän pääkohderyhmiänne?

- Tavalliset asiakkaat
- Yritykset/Toimistot
- Muu:

Mikä on teidän vuotuisen liikevaihtonne määrä? Euroissa

- 0 - 100,000 €
- 100,000 - 500,000 €
- 500,000 - 1 000 000 €
- Enemmän

Oletteko olleet tekemisissä nepalilaisten mattojen kanssa?

- Kyllä
- Ei

Oletteko tehneet kauppaa Nepalin kanssa suoraan/epäsuorasti?

- Kyllä
- Ei