Ekaterina Byankina

INTERNATIONALIZATION PLANNING AND ANALYSIS FOR SOFTWARE BUSINESS
MySenso Oy entering the Russian market

Bachelor's Thesis
Business Management

December 2012

MIKKELIN AMMATTIKORKEAKOULU
Mikkeli University of Applied Sciences

DESCRIPTION

	Date of the bachelor's thesis
MIKKELIN AMMATTIKORKEAKOULU Mikkeli University of Applied Sciences	4 December 2012

Author(s)	**Degree programme and option**
Ekaterina Byankina	Business Management

Name of the bachelor's thesis

Internationalization planning and analysis for software business. MySenso Oy entering the Russian market.

Abstract

The study is focused on estimating the potential of the Russian software market and forming recommendations about entry modes and marketing communications channels for MySenso Oy. MySenso Oy is a small-sized Finnish software company which develops SaaS products (software as a service) based on cloud computing technology. The company is already operating in several countries and Russia is the next possible destination for the internationalization strategy of MySenso Oy.

The theoretical part explains internationalization as a process and also guides through the preliminary stages of internationalization strategy formulation, namely understanding motives for entering new markets and detailed analysis of the most important elements. The latter includes corporate analysis; analysis of global environment, target country and products; international customer and competitor analysis; as well as entry mode and marketing communications analysis.

The empirical part consists of the description of research design; results, received after analysing primary and secondary data, which follow step-by-step the structure of the theoretical framework. The last chapter in the empirical part is conclusions, where I briefly answer the research questions from the introduction and also form recommendations for MySenso Oy based on the information from the previous chapter. In addition, reliability and validity of the study were discussed together with topics for further research.

The thesis represents a solid base for the future internationalization strategy of MySenso Oy and it also identifies several problems, which were not highlighted before. The Russian market was discussed deeply paying attention to all the important issues. The research brings benefits for the company and for myself as the researcher, as I developed personal skills and got profound knowledge in the topic.

Subject headings, (keywords)

Market research, internationalization, marketing communications, business-to-business marketing, SaaS, cloud computing, software business, Finnish SME's

Pages	**Language**	**URN**
67 pages + app 5	English	

Remarks, notes on appendices

Tutor	**Employer of the bachelor's thesis**
Heli Aaltonen	MySenso Oy

CONTENTS

1   INTRODUCTION

The relationship between Russia and Finland had good and bad times. However, at the moment things are going well, especially in the economic sector. The two countries – Russia with the population of approximately 142 million people and Finland with the population of five million – have learned how to work together and get benefits from this partnership. Russia is one of the biggest exporters of gas and oil, raw materials, while Finland exports processed and high value added goods. In order to produce them Finland uses raw materials which it gets from Russia. At the same time, high-quality equipment, machinery, vehicles and foodstuffs are the products being shipped to the Russian markets from Finland. (Ollus & Simola 2006, 26-29.)

High demand in technology and innovation in Russia is satisfied by Finnish companies. Finland is famous for its high technological development. The country is Europe's technology leader for the past years, and everything is due to investments, both private and governmental. The software business is a big part of this technological market. According to National Software Industry Survey (2010) by Aalto University, a slight decrease in profitability figures was noticed among the Finnish software companies. The reason for this decrease is the World Economic crisis, which started in 2008, and the global recession which began in 2007 and is still influencing businesses all over the world. However, in general software companies performed quite well due to necessity of many companies to cut down costs, and look for cheaper and more efficient IT solutions to manage organizations. Now when the crisis is over, most of the software companies look in the future with positive attitude.

One of the main target countries, where the Finnish software companies can expand, is Russia. Not only the geographically small distance attracts Finnish businesses but also a good potential of the Russian software market. It is growing rapidly and becoming one of the major players in Europe. This IT sector has the annual growth about 18% per year. In 2009 the software market in Russia reached the size of USD 2.5 billion. Predictions say that by 2015 the size will become USD 4.3 billion. (Russian-American Business 2010.)

The main objectives of my study is to help a small-sized Finnish software company MySenso Oy to analyze the potential of the Russian software market and also form recommendations for the entry mode and marketing communications tools at the beginning of internationalization. The research was requested by the employer company as Russia (St.-Petersburg area)

was considered a very attractive direction geographically, technologically and financially. In order to reach the objectives I am going to perform a market research, analyzing the Russian software market step-by-step. Research questions which are needed to be answered are the following:

- Who are the potential customers and what are their characteristics?
- Who are the main competitors on the Russian software market?
- What is the best entry strategy?
- What tools of marketing communications can be used in order to attract possible customers and increase lead generation?

In addition, during the research I am aiming at developing my personal professional skills in the sphere of IT and the market research. These topics were covered during my studies at MUAS and now I have the possibility to study them deeper by using appropriate theories and practices. The thesis contributes to the learning of the researcher as well as to the employer company.

The thesis consists of two parts: theoretical and empirical. In the theoretical part the process of the preparation for internationalization is described and analyzed. The book "Internationalization Handbook for Software Business" which was highly recommended by the employer is used as a basis. It helps to get an overview of the market research before entering a new international market. In addition, marketing communication tools are explained in the theoretical framework as important elements when planning how to promote the company abroad. In the empirical part the market research is going to be used as a tool where secondary and primary data are going to be used together. Both of them are very important to the outcome of the research. Secondary data includes the information from books, newspapers, and Internet resources. Primary data includes in-depth interviews with MySenso Oy and competitor companies' representatives. The choice of competitor companies is based on their relevant experience on the market, offered products, and geographical location.

As in any research there are several limitations. The first limitation is that the study is going to be concentrated on the B2B software industry, paying special attention to SaaS (Software-as-a-Service) business, because MySenso Oy develops SaaS solutions. There is a geographical limitation as well. The research is aimed to analyze Russia, especially St-Petersburg area;

so, the recommendations created after analyzing primary and secondary data can be applied only for the Russian market.

2   INTERNATIONALIZATION: PLANNING AND ANALYZING

This chapter is aimed to explain internationalization and preliminary processes, such as planning and analyzing. The structure of the process of internationalization from the book "Internationalization Handbook for Software Business" was adopted according to the needs of this study, and the process of preparation for internationalization was formed (see Figure 1). Part 1 describes the stages before the analysis of internationalization which helps to define motivations to go international for software companies and possible pathways. Part 2 presents the market research which includes the analysis of such elements as the corporation, global environment, target country and products, customers, competitors, entry modes and marketing communications.
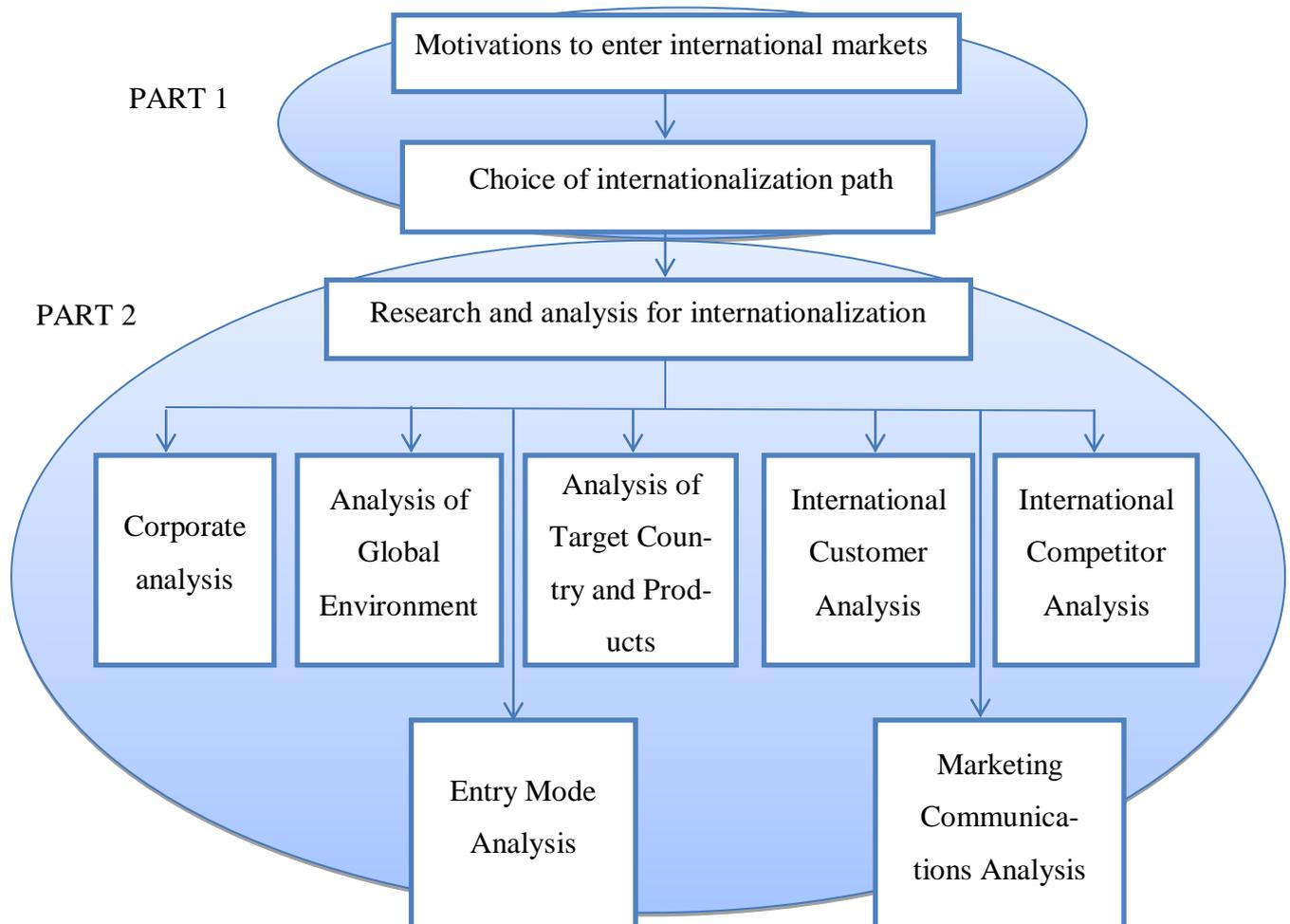
FIGURE 1. The process of preparation for internationalization (based on Äijö et al. 2005)

First of all, it is necessary to define internationalization and to understand its nature. Unfortunately, there is still no clear definition of internationalization but this term is often connected to international entrepreneurship. (Susman 2007, 281.) International entrepreneurship is a process of an entrepreneur performing business activities across national borders. Such elements as exporting, licensing, opening a sales point in a foreign country and even marketing communications abroad are included in the process of international entrepreneurship. (Hisrich 2010, 9). According to McDougal and Oviatt (1997) the process requires an entrepreneur or a company to be innovative, proactive and risk-seeking.

2.1 Motivations to go international

Before entering a completely new market, every company should carefully plan internationalization and the first step is to discuss what the reasons for going international are. In most cases, there are several factors which push and pull companies to take decisions. For any business there are basic goals and specific motives. Basic goals are divided into profit- and non-profit-oriented. Money is almost always an incentive that drives internationalization. Earned profits not only help support companies' operations but also fulfill their non-profit oriented needs such as increasing market share, satisfying the needs of customers and specific markets or maintaining employment in a foreign country. (Albaum et al. 2011, 117.)

However, gaining profit is not the only reason for entering a new market. The process of internationalization is much more complex and requires a clear vision of all motivations. The table below shows stimuli according to the source nature and behavior (see Table 1). Company can be pushed to internationalize from the inside (internationalization is a part of strategic development of the company when it is ready) or from outside (the home market pressure or the export market attractiveness). (Albaum et al. 2011, 118.) In addition, company's nature of behavior plays an important role. Proactive motives are aimed at strategic changes. Usually those motivations are applied for companies which already have good positions on the domestic market and are ready to explore new markets. Companies, which are influenced by reactive motivations, respond to environmental shifts by changing their activities. That means that they are forced to internationalize because of failure to survive on the domestic market. (Czinkota & Ronkainen 2010, 278.)

TABLE 1. Motivations for internationalization (based on Albaum et al. 2011, 118)

	Internal	External
Proactive	Managerial urge; Marketing advantages; Economies of scale; Unique product/technology competence;	Foreign market opportunities; Change agents;
Reactive	Risk diversification; Extend sales of a seasonal product; Excess capacity of resources;	Unsolicited orders; Small home market; Stagnant or declining home market.

Proactive stimuli include market diversification. If there are only limited growth possibilities on the home market noticed by companies they would want to look for new market segments on the domestic market or even go abroad. Companies tend to spread risks this way and reduce dependence on only one market. Knowledge about the international market, competitors and customers can have a significant meaning and a big push for entering new markets. (Doole & Lowe 2012, 145.) Change agents include management of the company, competitors, domestic distributors, business associations, government agencies and export intermediaries. All of them can be promoters of internationalization. Major promotion activities include giving loans, providing insurance, publishing basic market data on foreign markets, exhibiting at trade fairs, and sponsorships. (Albaum et al. 2011, 121.)

Reactive motivations are applied to companies which are very sensitive to environment changes. Businesses are basically forced to look for new possibilities because their product reaches a decline stage in a product lifecycle (see Figure 2). (Doole & Lowe 2012, 145.) After successful growth on the market and stabilizing, the last stage of decline takes place. During this stage costs are increasing while the demand for the product is going the opposite way. (Sahaf 2008, 276.) On the domestic market it is the stage when the best decision for the company is to drop the product and concentrate on others, but a possibility can be seen on a foreign market where this product can start its lifecycle again.
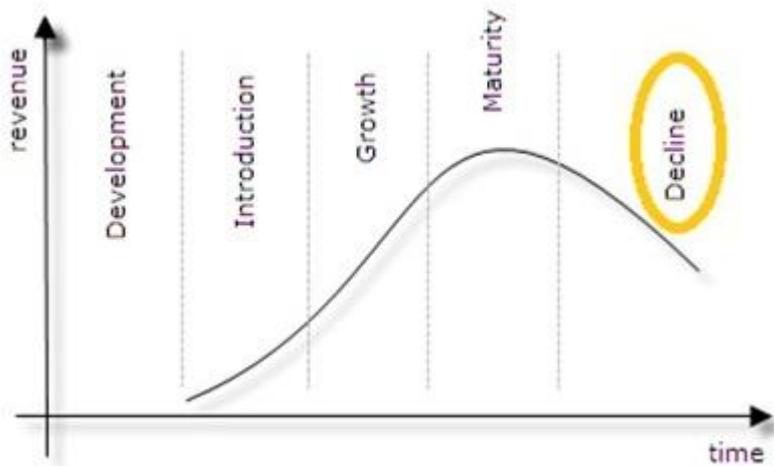
FIGURE 2. Product lifecycle (based on Sahaf 2008, 275)

Overall, Czinkota and Ronkainen (2010, 281) claim that companies which are driven by pro-active stimuli are much more successful in conducting international operations than those driven by reactive stimuli. In the long run they can predict the success of companies, because motivations of firms do not change but stay rather stable.

2.2   Choosing a pathway

Choosing a pathway, a strategy for internationalization, is not a collection of various decisions about products, customers, markets, etc. It is a very complicated process which begins from the full analysis of the company and its abilities for international growth. Internationalization is about new possibilities. (Äijö et al. 2005, 7.)

Äijö et al. (2005, 9) created a figure (see Figure 3) which helps to choose the specific software business path of international development. First of all, it is necessary to define if the company is a start-up, small domestic company or a medium or large firm with a lot of experience. Nowadays there are more and more companies appearing on the market in the form of a start-up. They are very often connected to technology but the main feature of them is a fast growth. Such companies enter the market and start to develop fast and efficiently. Then in the process of choosing the path it is necessary to evaluate the company's resources and risks it can take. The market which is served by the company is the last step helping to find out the right pathway for a business.
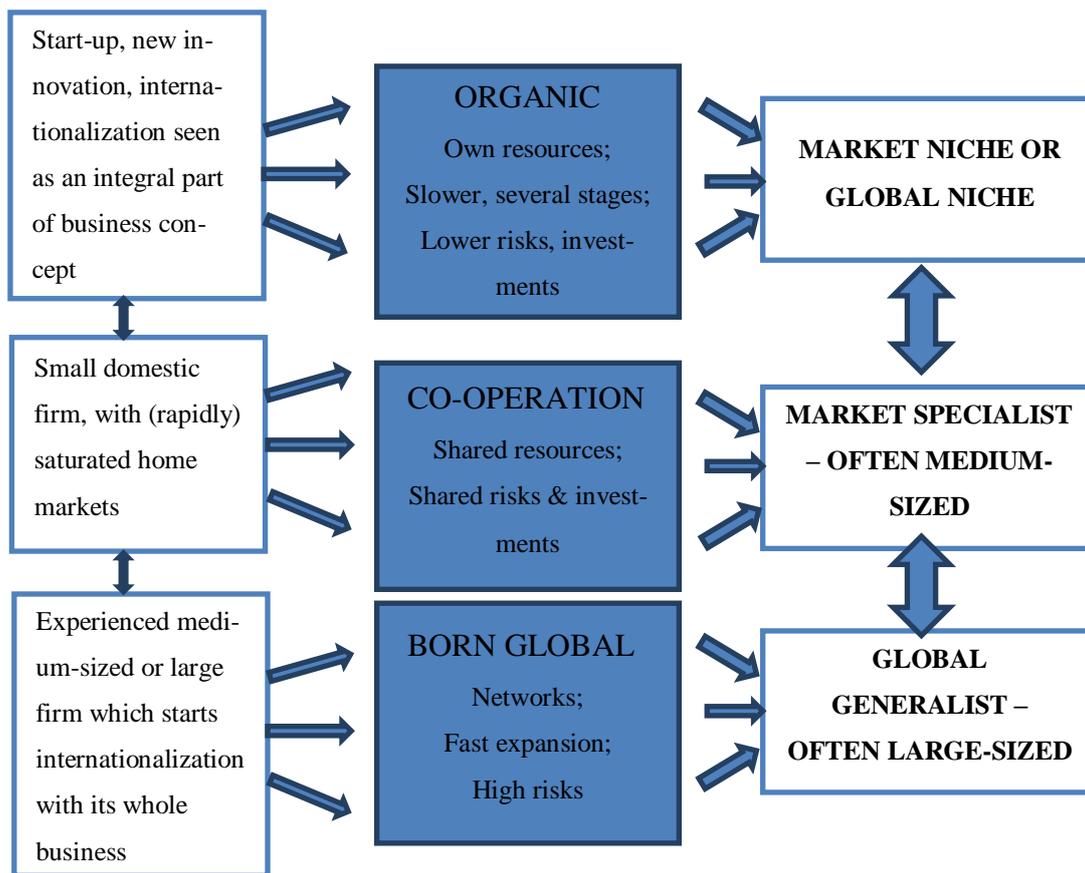
FIGURE 3. Choice of an international pathway (based on Äijö et al. 2005, 9)

Organic Growth Pathway

Companies which choose the organic path for their growth are using the product lifecycle as the base for development. This path is a traditional model and was discussed in details by Johanson and Weidersheim-Paul in 1975 by the name of the Uppsala model. According to the Uppsala model, companies begin internationalization when they are quite small and develop their operations abroad gradually. Such companies established themselves on the domestic market and move to new markets afterwards. (Johnson & Turner 2010, 237.)

The Uppsala model argues that companies internationalize in four steps or stages. The starting point is direct exports to a foreign country. With time representatives or agents abroad help start exporting independently. The third step is the creation of subsidiaries in a foreign country and the last stage is establishing production/manufacturing abroad. (Nejati & Nejati 2009, 52.) Companies which follow the organic path share several characteristics such as management of the company has experience domestically but not internationally; the learning process is going through experience which requires making mistakes; services and tailor-made prod-

ucts are offered; and cash flow and/or financing with retained earnings. (Äijö et al. 2005, 26.) For companies following the organic path the key issues are careful resource planning and existing investment funds. (Nejati & Nejati 2009, 54.)

Collaborative Pathway

Nowadays the software business has become very competitive, and a lot of firms consider co-operation as a good decision when trying to get an advantage. These collaborations are mainly with competitors who have more resources or competences than the company. This pathway is common in Finland because Finnish software companies have a technological advantage but lack international marketing knowledge. The basic characteristics for companies, which choose the collaborative path as a strategy for internationalization, are lack of some key resources needed in internationalization; experienced management with good local connections which can be also used for entering foreign markets; the offered product is systemic, made in cooperation with customers or suppliers; ready cash flow and R & D funding. (Äijö et al. 2005, 23.)

Collaboration itself requires a lot of effort from both companies, and the trust-worthy relationship should be developed. Finding a good partner company is important as it can provide all the information about the market, help with the language, inform about the specifics of doing business in the target country. (Johnsen & Ennals 2012, 3.) There are three possible ways to collaborate: within firms, between firms, and between firms and the public sector. Influencers of the internationalizations are economic and cultural explanations, together with the type of innovation and policy implications. Depending on the collaboration type influencers change in those four groups. Table 2 summarizes some initial positions that create the collaboration advantage.

TABLE 2. Factors creating collaborations advantage (Johnsen & Ennals 2012, 11)

Factors	Collaboration within firms	Collaboration between firms	Collaboration between firms and the public sector
Economic, non-context specific explanations	Transaction cost	Externalities, economics of scope	Rent-seeking, public choice, monopoly competition
Cultural, context specific and non-economic explanations	Trust, relations, social capital	Network, social capital, path dependencies, cultural cohesion	Social cohesion, partnership and network steering, public administrative reforms
Type of innovation/ development dynamics	Participatory processes, incremental innovation, process improvement	Diffusion of ideas, new collaborative solutions, open innovations	New policies, public support for innovation in initiatives, public goods
Policy implications	Promoting innovative organizational forms	Stimulate networking	Organized partnerships, public dialogue, create connectedness

Accelerated Growth/Born Global Pathway

Born global companies represent a completely different model than the traditional/organic one. From its inception born global companies seek to gain competitive advantage from the use of resources and the sale of products in multiple countries. The main feature for companies taking the accelerated pathway is the international approach from the birth. The size of the company is not emphasized as the age is playing a much more important role in internationalization. (Cavusgil & Knight 2009, 1.)

According to Stephen Kobrin, a Wharton Multinational management professor, born global companies are generally high-tech companies that immediately find acceptance among other societies and cultures. Software businesses tend to be born global by nature which allows them to operate on several markets at the same time from the start up stage. (Ireland et al. 2009, C-27.)

In order to choose the born global path a company should have an internationally experienced management team and board members; the innovative core technology in-house; a packaged product and/or a niche market; external financing and a wide network. It is essential for born global companies to have internationally experienced employees. Only in this case new opportunities on a global arena can be noticed. Aggressive campaigns including strong product offering make a statement and promise success. The last are earning trust and maintaining the customer relationship management. (Äijö et al. 2005, 20-21.)

2.3   Analysis of planning situation

In this chapter the internationalization strategy and strategic planning are going to be discussed. As internationalization is a complex process it needs profound research before formulating a successful strategy. The strategy is a long-term plan that integrates an organization's goals, policies and action sequences together, and identifies overall development of an organization in the future. (John et al. 2002, 176.)

Strategic planning is the process of producing strategies and other strategic documents. (Grünig & Morschett 2012, 56.) Without well-developed strategic planning stakeholders can misunderstand the company's purpose, employees will not see a clear intent of the organization, organizational intelligence and resources can be misapplied, and finally, the results and outcomes can be not as expected. (Simerson 2011, 2.) Usually the top management of a company is responsible for strategic planning. (Abraham 2012, 2.)

Strategic planning includes an internal and external environment analysis, or the market research. The internal analysis is aimed at reviewing the corporation from the inside. It is necessary to find out how resources, capabilities and competencies are used. During the internationalization the readiness of the company for new markets should be mentioned as well. (Hill & Jones 2013, 2010, 19.) The purpose of the external environment analysis is to give an understanding about factors that are changing or able to change the company's environment in the future. The external analysis covers industry or segment in which a company competes, its customers and competitors, and other relevant environmental trends. (Abraham 2012, 59.) In the following sub-chapters those issues are going to be discussed more precisely.

2.4 Corporate analysis

As it was mentioned in the previous sub-chapter, the internal analysis of an organization is the first step which should be taken when planning an internationalization strategy. The corporate analysis is about identifying strengths and weaknesses of the company in order to understand what comparative advantage it has on the market. There are three steps which managers should be aware of. First of all, it is important to understand the process of creating value for customers and profits for the company. Secondly, such issues as innovation, efficiency, quality and customer relations have to be considered during the process. Thirdly, managers should be able to evaluate resources of the company in order to see the comparative advantage of the organization and also new opportunities for growth. (Hill & Jones 2013, 2010, 83.)

Lynch (1997) proposes to divide the internal analysis into two parts: the purpose of the company and analysis of resources. Defining the purpose of the company includes the background information together with mission and objectives. Technology, innovation and quality are areas which are important in developing the purpose of the company. In the twenty-first century technology is a factor that can give a real competitive advantage. However, not only technology plays a big role nowadays. With the market being overloaded with various products innovation is the key to beat competitors. Innovation can be created to satisfy customer needs or as a narrow solution to some particular problem. The third component is meeting expectations of customers about the product, its price and other issues. Providing quality of at least minimum standards is obligatory for companies. (Lynch 1997, 389-411.) Formulating a clear mission and a vision of the organization is essential for efficient work of employees at all levels and for attracting customers. The mission describes the main direction and goals of the company in the present while the vision shows how the company sees itself in the future. (Barnford 2010, 63-64.)

The analysis of resources helps to find out how the company uses its resources and if the output of the company satisfies buyers' needs. Porter (1985) suggested a value chain model which is still relevant in the twenty-first century. The model (Figure 4) displays value activities and margin of the company. Value activities are physically and technologically distinct activities of the company. There are two types of value activities: primary and support activities. The primary activities are connected to the physical creation of the product, its transfer to the buyer and after-sales service. There are several categories of the primary activities: inbound logistics (warehousing, inventory control, and vehicle scheduling); operations (machin-

ing, packing, assembly, testing, and equipment maintenance); outbound logistics (collecting, storing, and distribution); marketing and sales (advertising, selling, channel selection, pricing, and promotion); service (installation, training, parts supply, repair, and maintenance). Support activities include the procurement, technology development, human resource management and the firm infrastructure. The function of the procurement is purchasing outputs including dealing with suppliers. Technology development is needed to explore innovations and create new products. Human resource management is essential for any company as it deals with such issues as recruitment, training, development and remuneration of staff. The last element, the firm infrastructure, includes general management of the company. Without a good leader with impressive skills it is impossible to organize the value chain. (Bowman 1990, 62-64.)
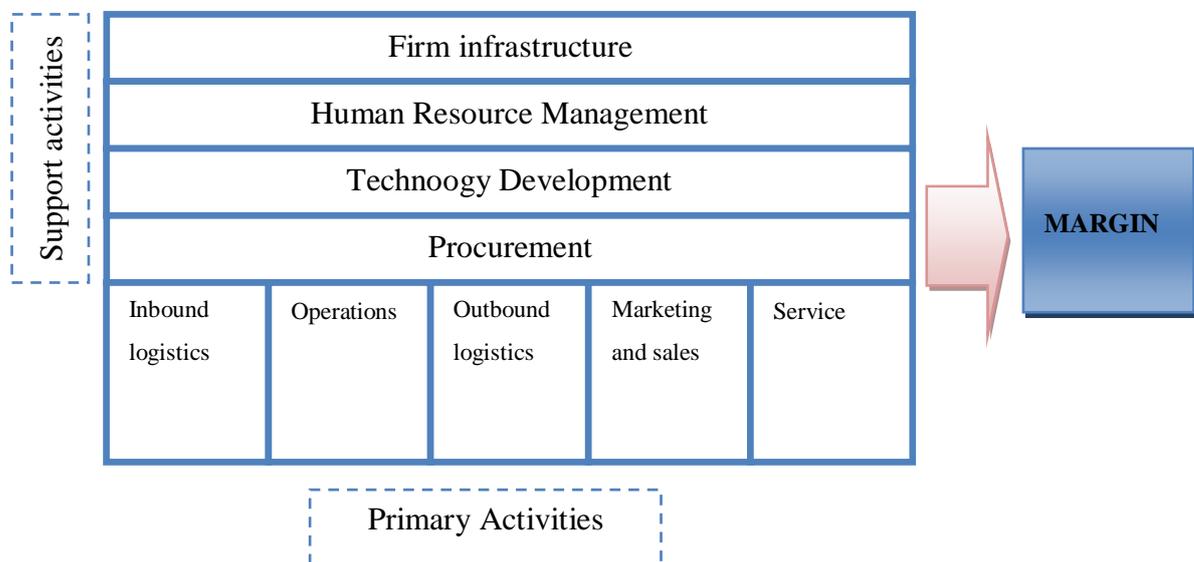
FIGURE 4. The Value Chain (Based on M.E. Porter model, Competitive Advantage: creating and sustaining superior performance (New York: Free Press, 1985)

In order to succeed on the market primary and support activities should be applied with the special attention and extra thought. Hill and Jones (2012, 134-135) identify value creations activities and what should be done inside the company (see Table 3). They strongly believe that gaining competitive advantage is not only following the steps described in the table but the organization-wide commitment and cooperation among functions.

TABLE 3. Primary roles of value chain creation in achieving superior efficiency (based on Hill & Jones 2012, 135)

Value creation function	Primary roles
Infrastructure	- Provide company-wide commitment to efficiency - Facilitate cooperation among functions
Production	- Where appropriate, pursue economies of scale and learning economies - Implement flexible manufacturing systems
Marketing	- Where appropriate, adopt aggressive marketing to ride down the experience road - Limit customer defection rates by building brand loyalty
Operations and logistics	- Implement Just-In-Time systems - Implement supply-chain coordination
R & D	- Design products for ease of manufacture - Seek process innovations
Information systems	- Use information systems to automate processes - Use information systems to reduce costs of coordination
Human resources	- Institute training programs to build skills - Implement self-managing teams - Implement pay for performance

2.5   Analysis of global environment

In this chapter I am going to discuss the global environment issue. The term "environment" is used in business as everything and everyone outside the organization. (Lynch 1997, 87.) In order to identify forces that are influencing the company, PEST analysis is a useful tool. PEST stands for political, economic, social, and technological factors. PEST analysis can help identify trends in the external environment that already exist or soon will be in the competitive environment. (Henry 2008, 51.)

Political factor

The political factor of PEST analysis is connected to the government policy. Such issues as the taxation policy, the government stability and regulations can influence any company on the domestic and especially on the international market. When the company decides to inter-

nationalize it has to observe laws and regulations of the country of interest. Every country has its own policy and it is better for the organization to obey it for the sake of its employees, customers and other stakeholders. (Henry 2008, 52.)

Economic factor

Economic factors are connected to financial changes that influence the company. During the internationalization the most common issue is the change of an interest rate. The change can affect the company's cash flow, make its goods and services more expensive, and cause the company to invest less money in the equipment. Other factors that are included in this section are changes in taxation levels; excessive increase in wages; unemployment rates; changes in trade agreements; inflation; and recession. (Williams & Green 1997, 162-163.)

Social factor

The socio-cultural factor is the base of the society. Social factors influence people's choices and are the core of beliefs. During the internationalization it is important to recognize habits, values and beliefs of a target country. Other factors can be included in this category as well: demographics changes, consumer views on the products and services, environmental issues, lifestyle changes, and attitudes to health, gender, and work. (Xu 2005, 26.)

Technological factor

Technological changes in the external environment influence every company nowadays. Technology helps companies in many different ways, starting from the production process and concluding with after-sales services. (Henry 2008, 58.) For software companies, which are the key actors in this thesis, technological development is highly important. The IT sphere is changing constantly with big steps. During internationalization the organization should gather information not only about the global trends in its industry in the world but also how those trends are developed in the target country. (Äijö et al. 2005, 83-85.)

2.6 Analysis of the target country and products

Selecting the target market and the target product is crucial for the company as it can help the company to flourish or to destroy it. The choice of the target country depends on the path (the

issue is described in Chapter 2.2). On the organic path companies chose the nearest countries on purpose. It helps minimize costs and make internationalization safer. On the collaboration path companies work together and they internationalize according to their resources and competences. On the born global path companies can move in any direction, picking any country they feel interested in. Sometimes the company has to go on several markets in different countries at the same time. (Äijö et al. 2005, 90.)

In order to understand the customer, its needs and wants, segmentation can be applied. However, segmentation is a useful tool for the company itself. It helps to maintain a certain scale of economies. Segmentation is also necessary in order to develop thoughtful marketing programs, to get a deeper insight into the competitive situation, which can lead to the more efficient resource allocation. The successful market segmentation allows creating an appealing product offering. (Dibb & Simkin 1996, 10.)

The process of developing a product offering is associated with product differentiation and product positioning. Product differentiation is aimed to distinct the company's product offering from those produced by competitors. Normally it is done by highlighting special features and additional services. Product offering refers to creating a mental image in the minds of target segments about the product offering and its features. (Ferrell & Hartline 2011, 209.) However, in any business, especially the software business, selling benefits and not features is crucial. Customers are attracted not to the technical elements that the product has but to the positive effects that it can bring. (Äijö et al. 2005, 114.)

In high-tech marketplace companies should be able to generate the appropriate product model. Moore (1998) highly recommends using the whole product model. He argues that there are two types of markets: early and mainstream markets. Participants in the early markets are ready to bring together the whole product while in the mainstream market the whole product model is emphasized (see Figure 5). In the model there are only two categories: what is shipped and what customers need in order to buy. The latter is the marketing promise about additional features for the customer. It is not in the contract but keeping the promise is desirable. (Moore 1998, 115.)
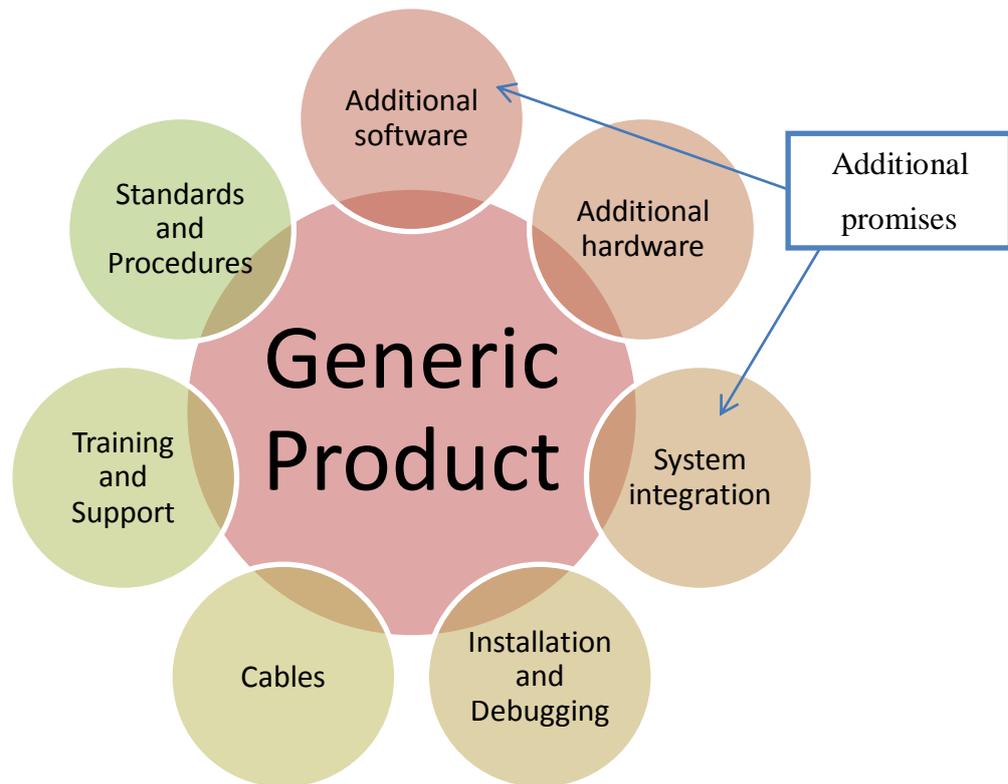
FIGURE 5. The simplified whole product model (based on Moore 1998, 115)

2.7   Customer analysis

Any company has its own customers: those groups of consumers or companies they produce products for. Knowledge about the customer is essential for the company in order to make effective marketing decisions such as product positioning and the choice of marketing entry channels. The starting point for the customer analysis is to define customers' characteristics and needs. (Hooley et al. 2004, 180.) However, this process is different for business-to-consumer and business-to-business markets, regarding the behavior of industrial buyers, the types of products and services purchased, and the purpose for which they are purchased. (Hollensen 2010, 108-109.)

First of all, it is necessary to recognize the whole customer chain from resellers to end users. Taking into account only the first ones or the last ones doesn't give the whole perspective on the situation. Usually resellers can give important information about end users. Considering this the company should care more about every member of the chain. (Äijö et al. 2005, 111-113.) Then it is important to think what the forces that influence the buying decision are. Business buying behavior is usually affected by three factors: customer characteristics and needs; organizational considerations; and internal and external relationships. To any problem

there should be a solution and it is necessary for vendor companies to know what exactly their customers want. This information can be gathered through the qualitative or quantitative research. However, not only what a customers' needs defines if they buys a product or not. The company's financial situation limits available vendors. The last factor is the relationships between companies. (Wood 2004, 78-80.) Relationship management dramatically changed the nature of the managerial work, and new ways of organizing the company and buyer-seller relationships emerged. Nowadays partnership and teamwork are highly recommended. (Hutt & Speh 1998, 106.) The failure in relationship management can have serious consequences. In business-to-business markets references are very important. Failure creates negative word of mouth and causes the significant decrease in sales productivity. (Moore 1998, 115.)

The buying process itself consists of several stages. At the beginning, the company recognizes the need in a product or service. Management is supposed to decide whether the product should be produced by the company itself or bought from somewhere else. Participants of the Make-or-Buy decision are illustrated in Figure 6. Then engineering and R & D divisions should develop product specifications and provide technical details about the needed product. The next step is for purchasing personnel to perform the vendor analysis and then to place an order afterwards. Issuing a contract and making the partnership official is very important for both sides. When the product is finally delivered, quality control has to be done. On the basis of this knowledge the company evaluates the vendor and makes a decision about future cooperation. (Bingham et al. 2005, 102-104.)
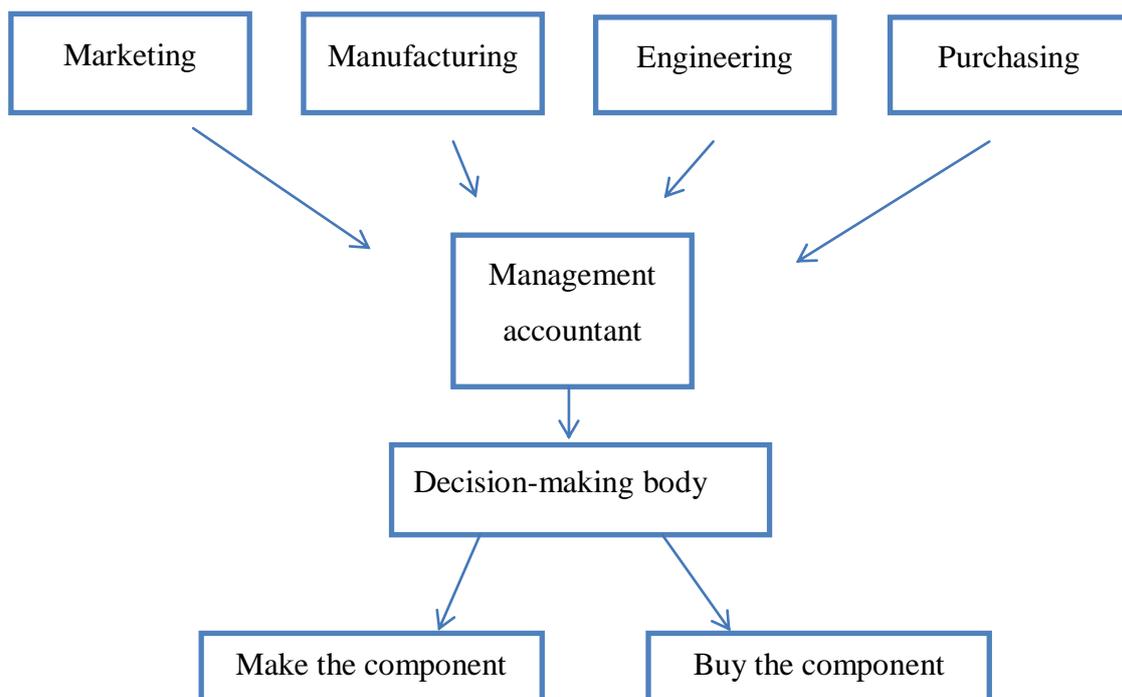

FIGURE 6. Participants in the Make-or-Buy Decision (based on Bingham et al. 2005, 99)

In the technology market Moore (1995) emphasizes the importance of discontinuous innovation where new products and services force both the end-user and the marketplace to change their past behavior and start concentrating on new benefits. He also defined five classes of customers which form the marketplace of discontinuous innovation. *Technology enthusiasts* (innovators) are interested in the latest technologies and innovation. They have a great impact on how products are perceived by the whole organization but they lack control over resource commitments. *Visionaries* (early adopters) are true revolutionaries in the market. They are driven by the desire to gain the competitve advantage and usually have all the necessary resources but require frequent product modifications. *Pragmatists* (early majority) believe in technology evolution, not revolution, and they look at market leaders for new product ideas. *Conservatives* (late majority) comprise those people in the company who are pessimistic about technology and do not see any real advantages in using it. However, they purchase high-tech products in order not to be left behind. *Skeptics* (laggards) are not customers but more like critics of the technology market. (Hutt & Speh 1998, 309.)

2.8   Competitor analysis

In every business there is competition. When the company enters new markets it meets other participants, and it is crucial to know why they succeed or not on the market. The competitor analysis helps understand the company's own products and services better, and reassures investors in the profound knowledge of the industry and the company's strengths. Learning from competition is important as it helps to understand customer needs which will make you successful in the future. A very good tool for evaluating competitors is creating two worksheets: one from the perspective of customers and another one from internal capabilities of competitors. The aim of the worksheet is to give points from 1 to 10 (10 being the best performance) to several features of the company. (Abrams 2003, 103-104.)

For the technology business-to-business market key factors include reputations and trendiness in one part, and channels of distribution and advertising in another. Personal selling and relationship management are highly valued in this type of market. (Berry 2004, 8.3.) Templates for the competitor analysis are presented in Appendix 1, taking into account the most important factors for the business-to-business market.

2.9   Analysis of entry modes, channels and partners

This choice of an entry mode depends on such factors as firm-specific resource advantages, country-specific or location advantages, internal coordination or administrative advantage, need for control, and resource availability. (Ireland et al. 2009, 157.) Figure 7 helps to visualize the process, connecting together factors influencing the choice and possible entry modes.
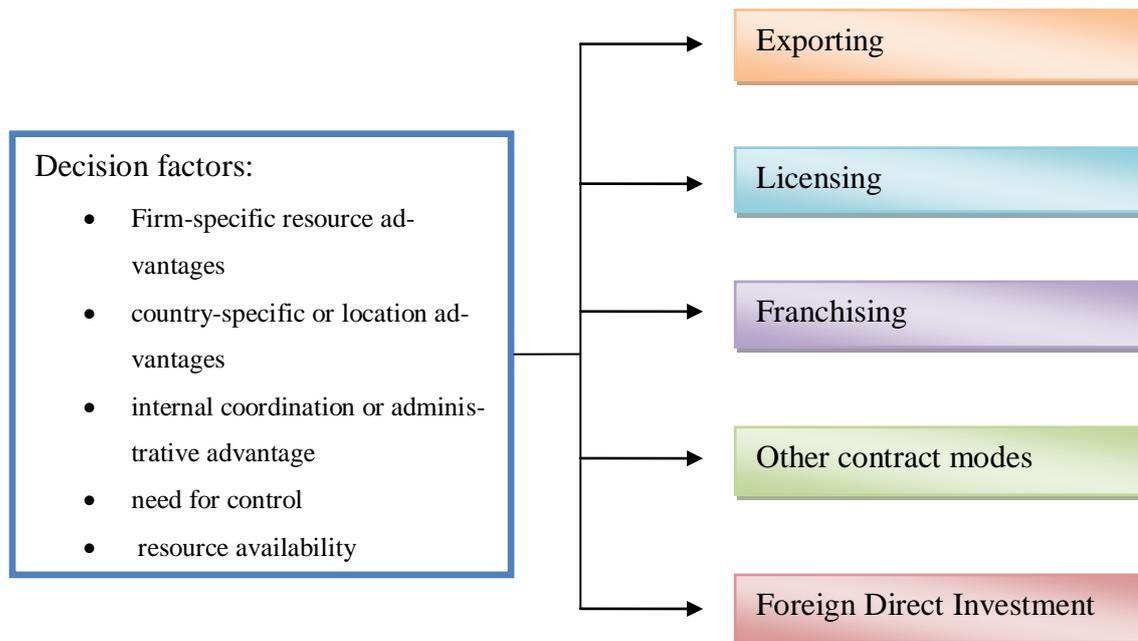
FIGURE 7. International Modes of Entry and Decision Factors (based on Ireland et al. 2009, 158)

Exporting

Exporting is the least risky entry mode of all. A lot of companies use especially this mode at least for some markets. Export does not require big investments compared, for example, to FDI (Foreign Direct Investment). There are two kinds of exports: direct and indirect. Direct exporting fully involves the company in the international business. The company sells directly to end users through its own agents. If the company does not own necessary resources it can use indirect exporting. The company first sells to intermediaries and they sell it to the target market. (Sharan 2006, 23-24.) However, there are also some problems connected to exporting. Companies are very tariff-sensitive and they often have logistics challenges as it is very difficult to reach the end user on the international market. In addition, local distributors can create entry barriers. (Ireland et al. 2009, 158.)

Licensing

Licensing is connected to the technology and patents. When a company develops a highly innovative product through the research and development program, it would want to get profit from it. There are two ways of earning money: to sell to the local or foreign company or to pass on the technology to the subsidiary in the foreign country. During the first way the company loses its ownership advantage and the secrecy of the technology is not maintained. During the second way a lot depends on the local government. If it doesn't permit any foreign investment then the existence of the subsidiary is impossible. Licensing has its advantages and disadvantages. On the one hand, it gives vast opportunities for the licensor company as it can sell their technology and know-how without any investments. It also helps the licensee company to upgrade its production technology. One of the biggest fears is that licensing can reduce the global consistency of the quality and marketing of a licensor's product in various markets. (Sharan 2006, 28-29.)

Franchising

Franchising is a special form of licensing when a franchiser makes the marketing program available. That includes brand name, logo, products and the method of operation. (Gillespie & Hennessey 2011, 258.) In addition, service support, including advertising, specialized training, and quality assurance programs, is provided. The franchiser takes specified fees for letting its partners to use the business model together with goods and services. (Ireland et al. 2009, 158.)

Other contract modes

Other contract modes include contract manufacturing, turnkey project and management contract. Under contract manufacturing, the company signs a contract with the local manufacturer to produce its goods. The manufacturer produces goods according to the standards of the company and afterwards they are transferred back to the company, which starts marketing processes such as sales, promotion, and distribution. (Gillespie & Hennessey 2011, 261.) In turnkey projects, another form of licensing, the company agrees to build an entire plant in the chosen country and make it fully operational. The contract is taking place when the initial construction part of the plant is more complex than the operational part. Such projects can be developed by the company itself or by the licensee. Management contract allows one compa-

ny to provide managerial expertise to the other company. It usually happens during the turn-key projects when the licensee company is not able to manage its day-to-day operations. Both managerial expertise and technical expertise are provided by the licensor. (Sharan 2006, 29-30.)

Foreign Direct Investment (FDI)

FDI is the riskiest entry mode out of all mentioned above, however, it provides a great amount of control over the business. There are three different approaches to perform FDI: strategic alliances and joint ventures, greenfield ventures, and acquisitions. *International strategic alliances and joint ventures* imply the company from the foreign country and the local company working closely together. The result of this partnership is usually a separate company which represents the interests of both participants. It is also easier to learn new technologies and the foreign company doesn't need to pay local tariffs because of its local partner. When a company decided to organize the *greenfield venture*, it buys or leases the land and builds the facility, hires or transfers employees, and starts operations in the target country. Such mode is also known as a fully owned subsidiary. The disadvantage of the greenfield venture is that it always takes time to be accepted by the market. The company needs to be patient before it becomes successful. During *international acquisition* the foreign company takes over the local company. By acquiring the other company, the purchaser gains power over the company's assets, employees, technology, brand names, and distribution. The process is much faster than other modes, but it can be difficult for the foreign company to control the local firm. One of the reasons is differences in cultures. (Ireland et al, 2009, 158-159.)

3   MARKETING COMMUNICTIONS TOOLS IN INTERNATIONALIZATION

International marketing is a very important part of internationalization, especially in the software business which is mostly business-to-business. As it was mentioned before B2B companies value a great deal personal relationships. Traditional methods that are used by business-to-consumer companies may not work for business-to-business ones. (Blythe & Zimmerman 2005, 222.)

Getting the message right is absolutely crucial in order to gain customers' attention. Media channels should be chosen in such a way to reach customers successfully. There are several

factors that help business-to-business companies to define appropriate media: the capacity of the selected medium (for satisfactory transmission of the message), the degree to which the medium can provide the access, and the cost of the medium. (Brennan et al. 2011, 172.) Due to the development of the IT sector and Internet applications, companies should consider new ways for marketing and advertising. (Lilien & Grewal 2012, 171.) That brings them to using a "push and pull" marketing strategy (see Figure 8).
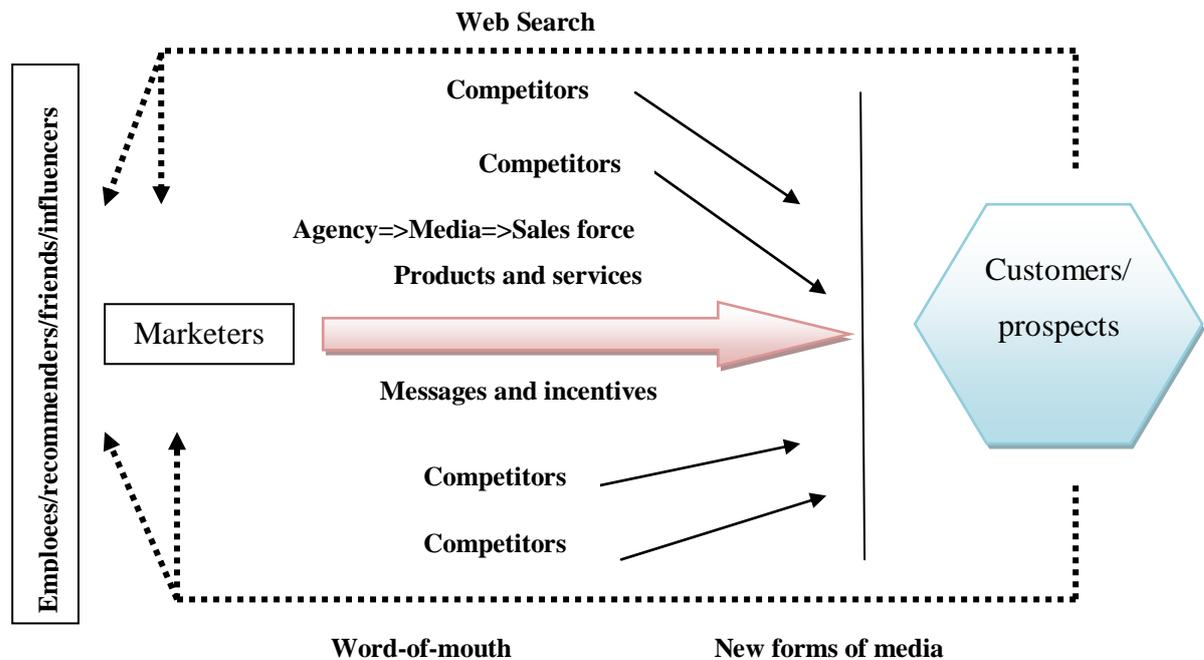
FIGURE 8. Push and pull communication in b2b market (based on Lilien & Grewal 2012, 171)

According to this strategy there are three "pull" communication systems that B2B customers can use to gather information about interesting products. The customer-driven systems are websites and the Internet search engines; electronic word-of-mouth methodologies like LinkedIn or Facebook; and mobile and wireless devices. Now customers look for information themselves. The sales force changed its role from the persuader to the product negotiator. (Lilien & Grewal 2012, 172.)

The main communication tools, used by exporting companies, when communicating with foreign markets include direct marketing, personal selling, digital marketing, trade fairs and exhibitions. When choosing the appropriate media, two main concerns are effectiveness in reaching the appropriate target audience and efficiency in minimizing its costs. It is also valuable to think how well a chosen media tool will interfere with other tools the company is going to use. (Czinkota & Ronkainen 2010, 386-387.)

3.1   Direct marketing

Direct marketing means two-way communication to interact with customers and stimulate direct responses which lead to an ongoing relationship. Direct marketing can be organized through various channels such as television, radio, mail, e-mail, web advertising, telemarketing or personal selling. Usually the objective of direct marketing is to persuade the customer to ask for product information, request a price quote or simply agree to receive further messages. The dialogue with the customer can be created and the data stored by the company can help in forming a more effective marketing message. (Wood 2004, 235.)

The key features of direct marketing include the absence of face-to-face interaction; the usage of online and offline media; one-to-one communication and transactions with the customer; the ability to measure responses to communication; and the usage of databases which help to distinguish target groups according to the stored data. (Brennan et al. 2011, 204.) Direct marketing can be an effective tool for business-to-business and business-to-consumer markets when carefully planned, highly targeted, and controlled. However, it brings more possibilities to business-to-consumer companies, while B2B companies concentrate more on other marketing communications tools. Direct marketing includes direct mail, direct response advertising and telemarketing. *Direct mail* is one of the oldest ways of marketing communications. The idea of the direct mail is sending a promotion letter to households. In order to succeed in direct mailing it is crucial to develop a relevant mailing list and a promotion message that will suit target customers and their needs. *Direct response advertising* is different from other direct marketing tools because it actually demands the response by giving a telephone number, a website address or a coupon. The research for direct response advertising is less scientific than for direct mail, and it is based on average individuals and groups. T*elemarketing* is another form of direct marketing, and it includes personal approach and direct communication with potential customers via phone. It aims to develop personal relationships with the customers, however, in many cases this channel is found rather intrusive, and customers are resistant to share information with telemarketers. (Beamish and Ashford 2005, 129-131). In many sources e-mails are also added as a direct marketing tool but in this study I am going to discuss it as a part of digital marketing as it is connected with the Internet.

3.2   Personal selling

Personal selling can be defined as a person-to-person communication between the company representative (a sales person) and the prospective customer. The company itself aims to persuade an individual to make a purchase while the sales person is the tool which the company uses. The sales person should be able to understand the buyer's needs correctly, apply them to the company's products and persuade the customer to buy. (Albaum et al. 2011, 519.)

Personal selling is the most expensive tool, compared to other marketing communications tools, as it is resource intensive, time ineffective, contributing few or no economies of scale, with high customer maintenance costs and contract costs. However, it is one of the most effective methods to influence the customer at the adoption stage. It is important to have a professional and experienced sales team which can help the company reach its objectives in a sales strategy. (Beamish & Ashford 2005, 135.)

Nowadays the meaning of personal selling has changed, and it is explained as relationship marketing. The difference between the two is significant as today selling requires a problem-solving instinct; involves two-way communication and win-win for both sides; is based on listening, sensitivity, and follow-through. Sales people are not just employees; they are professionals and are part of a customer value creation team. Sales professionals are divided into four groups: development-oriented, missionary-oriented, maintenance-oriented, and support-oriented. *Sales development*, or order-getting, requires a significant level of creativity and refers to the process of getting customers through motivating them to change suppliers. *Missionary salespeople* are providers of information; they do not sell anything but rather support buyers in the decision-making process. *Maintenance selling* involves the continuation of the selling process with existing customers. *Support sales* require the least amount of creativity and include continuous service for existing customers. (Bingham et al. 2005, 48-49.)

3.3   Digital marketing

According to the information published by Internet World Stats in March 2000 there were about 361 million the Internet users. With time the figure has been growing bigger and bigger. At the moment there are approximately 2405 million people with internet access, which is 34% of the whole world population. In addition, people go to the Internet more often and

spend more time there. This fact opens new possibilities for companies in a completely new era, the digital era. (Internet World Stats 2012.)

The objective of the digital marketing or the Internet marketing is to create the right amount of "buzz" among customers. In the end companies aim to create more leads and generate sales In order to fulfill these objectives the company needs to concentrate on creating the digital marketing strategy as part of the internationalization process. Ryan and Jones (2009, 32-33) describe that main elements of the Internet marketing are the company's website, search engine optimization, pay-per-click search advertising, e-mail marketing, and social networking. The information about each tool was precisely described by Ryan and Jones (2009), and in this sub-chapter I will use mainly the information from their book.

The website

The website of the company is its place of business. The website can represent the general information including products and services of the company as well as various campaigns. It is important for the website to be effective and successful. To reach these goals several steps should be taken. First of all, it is necessary to use *planning*, which includes establishing your goals for the website, defining competitors and potential customers, the schedule and the distribution of duties. The next stage is *designing*, where it is important to work along with web designers on such issues as colors, graphics, information architecture, and navigation. *Development* is described as creating the website according to the approved design. It is crucial to *test* that everything works as planned. The last step is *deployment*, which means setting out the website and waiting for customers to find it. (Ryan & Jones 2009, 42.)

Search Engine Optimization

Search engine optimization or SEO is the process of improving the website's visibility in search engines, for example, Google, Yahoo!, and MSN. The objective of any search engine is to provide relevant and trust-worthy results to customers. The main tool is automated programs called "bots" (known as "spiders") which are sent to "crawl" the web. Bots follow hyperlinks and search for information. Afterwards this information is stored in the massive database called index. Bots or spiders are able to read only text, therefore it is needed to concentrate on the content of the website and put a lot of effort in creating keywords which help spi-

ders to process the information. Keywords are those words that the Internet users can type in the search engine when looking for specific information. (Ryan & Jones 2009, 69-80.)

After implementing keywords in the content of the website, it is necessary to create hyperlinks to this website. When giving the search results to the Internet user index relies on the number of hyperlinks in the web. To generate links the company can create a blog or use personal networks, ask the people who link to the competitor to link to the company as well. After this procedure it will be easier for search engines to find the company's website and rank it. (Ryan & Jones 2009, 81-85.)

Pay-per-Click (PPC) search engine advertising refers to paid-for advertisements that usually appear together with non-paid results of the search. They can be labeled as "sponsored links" and situated above, below or aside the organic search results. The leader in the pay-per-click arena is Google with AdWords. The company agrees to pay search engines a fee per click for advertisements to appear as a sponsored link. When the Internet user clicks on the advertisement, the company gets a new visitor on the website and the search engine pays money for the click. Among different companies there is an auction that puts those companies, which paid more for the advertisement, higher in the ranking system. The successful paid search advertising can work by virtue of wisely chosen keywords and optimization of the advertisement. (Ryan & Jones 2009, 90-92.)

E-mail marketing

E-mail marketing was mentioned before as one of the forms of the direct marketing. E-mail marketing is basically e-mails sent to the customers with a promotion or a "call to action". (Ryan & Jones 2009, 134.) Companies use e-mails to persuade the customer to click on the web link, or it can be weekly/monthly newsletters. In order to perform e-mail marketing the company needs to have a special program which is able to work with a big client database. E-mail marketing has several tools included: easy-to-use tools to create and work from e-mail templates; testing tools which help to check if e-mails will pass through spam filters; tracking tools to track how many customers opened, ignored or answered e-mails; personalization tools which help to change the content of the e-mail depending on individuals' profiles. (Ryan & Jones 2009, 135.)

Before starting planning e-mail marketing it is necessary to gather a customers' list, to review anti-spam legislations, to test that the e-mails go through spam filters, and to use the appropriate format (e.g. HTML). E-mail lists can be rented from the company who is a member of the country's marketing association. The other way is to include the customer in the list after he/she has completed a survey on the website, downloaded documents or requested additional information. There are different anti-spam legislations depending on the country which the company has to know. Breaking the laws can cause a lot of problems which, in the very bad scenario, can lead to the company's destruction. (Ryan & Jones 2009, 137-141.)

Social media marketing

Social media marketing implicates communication. According to Ryan and Jones (2009) social media is web-based software and services which make it possible for people to exchange, discuss, communicate and participate in any type of social interaction. From corporate point of view the main question is 'Where do customers talk about the company, its products, etc.?'

Social media websites can be divided into different forms. Social bookmarking involves such websites as StumpleUpon (www.stumpleupon.com) or Delicious (www.delicious.com), which allow saving bookmarks to the favorite web resources and categorizing those using tags. Social bookmarking is the same as web browser bookmarks but with the advantage of accessing your favorite website from anywhere. Forums and discussion sites exist since the beginning of the Internet and are still popular. Yahoo! and Google have groups where you can sign up and ask any question or start a discussion. Media sharing sites such as Flickr (www.flickr.com) or YouTube (www.youtube.com) allow internet users to share media files such as photos and videos and then everyone can comment on them. Social network sites are getting more famous every minute. Everybody knows Facebook (www.facebook.com) which nowadays has more than 800 million users. Other social networks include, for instance, MySpace, LinkedIn, and Twitter. Such networks allow companies and individuals to connect to people and make new friends. It is very easy to post information and then all your "friends" can view it. (Ryan & Jones 2009, 162-163.)

Jessica Locke (Brafton 2011) claims that business-to-business marketers don't pay enough attention to social networks which is a big problem. However, B2B companies' customers are other businesses, and businesses can't make decisions. A person who is using social media

makes the decision. Also according to Brafton statistics 61% of Business-to-Business firms gained new customers over LinkedIn and more leads were driven through this channel.

Blogs are the last form of social networks. Blogs are made for the self-expression and communication. Through blogs everyone can become a publisher in 5 minutes. Such websites as Blogger (www.blogger.com) allow the Internet users all over the world to create a blog using the template. For businesses, having a blog is a very effective method to attract customers. Nowadays a lot of big companies have blogs which add some personal façade for the company and connect with potential customers. (Ryan & Jones 2009, 164.)

When entering new markets, for example during internationalization, it is crucial to get to know popular blogs in the industry. Bloggers are the big influencers of trends, and building a good relationship with them can help the company to spread the word about it. Another way for companies is to start a blog. Companies can also communicate via blogs and become influencers of the industry themselves. (Ryan &Jones 2009, 164.)

3.4   Exhibitions and trade shows

Trade shows and exhibitions are very useful marketing tools which help companies become familiar with new developments, new products and trends. The role of trade shows it to bring manufacturers, suppliers, and distributors together in one place. In business-to-business markets trade shows are a very powerful component of the marketing mix. The reason for that lies in the value of relationships in the business. Exhibitions provide a point of difference and allow comparing products and services. Shipley and Wong (1993) claimed that the main aims for trade shows and exhibitions are to develop long-term partnerships with customers, to build or develop the corporate identity and for up-to-date information to be shared. Sometimes for reaching these aims it is appropriate to make private exhibitions. That way not only costs can be cut but only necessary customers can be attracted as well. (Fill 2011, 312.)

As any marketing communications tools, exhibitions and trade fairs have their strengths and weaknesses. Exhibitions are a good way to launch the products and make a powerful impact with a good PR campaign. It is also possible to find out more about competitors, buyers, and technical and political developments in the market. Relationships with customers can be successfully developed through personal interaction, as it was mentioned before. Among weaknesses of such events can be the lack of time management and organization, the recruitment

of sales people, and recognizing customers. It is not always possible to predict what is happening during exhibitions: time spent on the potential customer and the presentation performance. In order to make the overall performance better it is significant to have good organizers, and professional and experienced sales people. It is quite common for open exhibitions to have people who are not serious buyers or are not related to the industry. Research by Gopalakrishna et al. (2010) found that nearly 40% of first-time exhibitors never come back to the show the following year. In addition, as Galea cited by Gopalakrishna et al. (2010) managers find it challenging to reach relevant decision-makers. (Fill 2011, 313.)

3.5 SaaS marketing communications

Software as a Service (SaaS) has been a very popular topic in the IT world for the last few years. The phenomenon is that software as a digital product, instead of being installed locally and delivered as a product, now is installed in data centers and delivered as a product. SaaS vendors usually provide their software through the Internet and use subscription or pay-for-use basis as a payment tool. Customers do not need to buy the software; they are paying for using it. (Strader 2010, 156.)

Saas has several benefits over the traditional enterprise model software applications. Firstly, customers are able to provide feedback for the software. Secondly, Saas companies are more customer-focused and customer-friendly. Thirdly, prices are usually affordable for companies, especially for SME's because of the subscription basis. The last benefit which can be very important is frequent availability of updates. (Blokdijk 2008, 18.) SaaS companies in their marketing strategies should think about themselves as web companies that have business users who access their services over the Internet not as sellers of on-demand software. To be successful on the market SaaS companies must have such elements as innovative software, regular updates, research and development professionals, and improvement of user experience. (Blokdijk 2008, 82.)

Marketing communications channels of SaaS products should be carefully chosen as it is not a usual product. The old marketing channels such as brochures, advertisements on conferences or magazines can still be adopted but most of the companies prefer using the Internet as a massive sales force. Google Ads and new real-time promotion are becoming more and more popular as they do not require a lot of investment and are seen by a broad public sector. For vendors it is important to be honest about strengths and weaknesses of the software in order to

build a trust worthy relationship with a customer. Additional sources most of the time provide the past experiences of other customers using the software. The reputation of the vendor highly depends on those reviews. (Strader 2010, 183.)

4 RESEARCH DESIGN

Market research is a process of collecting, analyzing and interpreting information about a market; about a product or a service to be offered at a concrete market; and about past, present and potential customers. Market research tries to characterize the specific industry, a target market and potential competitors. (Mooi & Sarstedt 2011, 2.) This research is done to address the specific needs of the Finnish software company called MySenso Oy.

4.1 The company's description

MySenso Oy is a small-sized software company based in Hollola, Finland. Currently the number of employees is five. The administration of the company is situated in Hong Kong where only two people are working. The company also has sales representatives in such countries as USA, Mexico, Brazil, Turkey and China. Overall, there are around 10-15 employees working in Senso Global.

MySenso Oy designs and sells the software using SaaS model for various businesses, concentrating on fashion and apparel business. The company was created in 2009 after restructuring a Finnish technology and media corporation Rosendahl Digital Networks Oy (RDN), founded by Mr. Marcus Rosendahl in 2005. Mr. Rosendahl has more than 90 years of experience in the fashion and apparel industry where his family-owned company was operating. MySenso Oy provides leading combination of industrial competence and background combined with the latest innovative spirit and knowledge of emerging technologies. (MySenso Oy.)

MySenso Oy provides complete solutions for the whole value chain. Manufacturing, logistic operations, wholesale and retail can significantly benefit from using the products of MySenso Oy. The latest technologies, e.g. Web 2.0 and RFID, are utilized in order to get the best solutions for customers in such industries as apparel, publishing, pharmaceuticals and media. The company has three main products which are Web Builder, Business Management and Virtual Commerce. (MySenso Oy.)

At the moment MySenso Oy is more focused on international operations and foreign markets like Western Europe and Turkey. Russia and Finland are countries which are geographically and psychically close which is the main reason for MySenso Oy to enter the Russian market. According to Johanson and Vahle (1990) during the first steps of internationalization firms enter psychically close market where they are able to identify more opportunities with low market uncertainty and then they enter other markets. However, most of the companies underestimate the meaning of the market research for international markets which are psychically close. (Buckley & Ghauri 1999, 397.)

4.2   Research strategy

Three types of the research can be performed according to the purpose of the study: exploratory, descriptive and explanatory. Exploratory research is often used when the problems has not been clearly defined. It is used as a preliminary stage which gives an insight in the situation but does not help solve actual problems. Descriptive research provides a clear picture of phenomena. It can be an extension of the exploratory research as it is more concrete or, more often, a part of explanatory research which helps to answer questions like how/when/why. Explanatory research tries to explain the relationship between two variables. (Saunders et al. 2009, 138-140.) The mixture of two is called descripto-explanatory and it is going to be performed in this thesis.

Sources of information are divided into internal and external. Internal sources include information about sales and cost records, personnel and all the general information about a company. External sources include primary and secondary data. (Albaum & Duerr 2011, 327-328.) Primary data is collected by the researcher in order to solve a specific problem during the study. It is more exclusive and sometimes it is more expensive and time-consuming to gather and analyze primary data than data which is already available in different sources. Secondary data is data which has been already collected for the purpose of the research and is ready to be used. The collection and analysis of secondary data is crucial to the outcome of the research as it gives necessary basis and helps to develop the approach. (Malhotra & Birks 2007, 93-94.)

In this study secondary data gives an overview of the market, its specifics, potential competitors and customers. This is the descriptive part of the research which only helps to prepare for the next part – conducting an explanatory research. For collecting primary data the quantita-

tive and qualitative research can be performed. Quantitative research is a data collection technique or data analysis procedure that generates numerical data. On the contrary, qualitative research is a synonym of a data collection technique or a data analysis procedure that generates non-numerical data . (Saunders et al. 2009, 151.) Qualitative research helps to find out what's going on in a person's mind. (Schmidt & Hollensen 2006, 89.) In this study qualitative research is performed and in-depth interviews are used to collect the data.

In-depth interviews are divided into two types: non-directive and semi-structured. In non-directive interviews the respondent is free to go beyond the given topic and add a lot of information to the questions. It is very important for the researcher to be able to guide the conversation and to get back to the original topic, as well as to create a relaxed and sympathetic atmosphere. In semi-structured interviews the interviewer attempts to ask a specific set of questions. This kind of interview is very effective with busy executives, however, being persuasive and being able to get to the right person is a difficult task for the researcher. (Schmidt & Hollensen 2006, 90.)

For this study, semi-structured interviews were used to identify the market and its characteristics. Interviews were held via phone and e-mail. A telephone interview has many advantages associated with access, speed and lower cost. As there is a distance barrier it is impossible to organize a face-to-face interview. As an adequate alternative, phone interviews may be a follow up to the previous correspondence through e-mail and a first step in the future cooperation (Saunders et al. 2009, 349.) An e-mail interview consists of a series of emails, each containing a small number of questions. Morgan and Symon (2004) emphasize that according to the nature of this communication it can take several weeks to get a complete interview. However, that is the risk that every researcher has to take to complete the study when choosing this tool of communication.

4.3 Data collection and analysis

The data used for the market research consisted of information from the Internet sources (due to the innovative subject a lot of articles and interviews were read and analyzed), telephone, e-mail and personal interviews, and MySenso Oy artifacts, technology and experience. Both primary and secondary data were used to generate objective results.

During the research three interviews were implemented. During the planning stage the number of interviews was supposed to be around five. The employer company believed that the more interviews would be performed, the better and more reliable results I would get. However, due to the low responsiveness of the interviewee companies I was able to find only two companies that were able to cooperate. Nevertheless, those two interviewees provided a significant amount of information which together with secondary data gave me a good understanding of the Russian software market nowadays. These two interviews were conducted in the Russian language. MySenso Oy is the third company interviewed; it was able to help out throughout the whole process of thesis writing and several interviews were held in person, by Skype and e-mail in English language with the operation manager of the company.

The first interview was conducted with Ms X (name is hidden by request) on 19-26 October, 2012, first via phone and then via e-mail. The person is the marketing manager of the Company A, one of the leading international software companies worldwide and in Russia. The second interview took place on 29 October, 2012, first via online chat on the company's website and then via e-mail. The interviewed person was the customer relations manager and the manager of technical support in a Russian start-up company "RedHelper". The company is specializing in the cloud technology, and it develops and sells a "live chat" application. The third interview or series of discussions were held with the MySenso Oy's operation manager during the fall 2011 in person, via emails and Skype. To gather as much information as possible about the company I was in Lahti, where the company is situated, in September – November 2011.

Interviews went relatively smoothly. The interview frame consisted of groups of topics with complimentary questions which helped in leading respondents during the interview. However, there were several problems during the process. First of all, the interviewees were unable to answer some questions due to the confidentiality issues or futility of the question. One of the interviewees declined to answer the question about financial funding (see Question 1 (f) in Appendix 2 (1)) and information about internal processes of the company was shared briefly. For the second interviewee the question about the target country was inappropriate as the company is originally Russian (see Question 3 (a) in Appendix 2 (1).) Another problem was the whole process of searching for right individuals. A huge amount of calls and e-mails was done beforehand. However, most of the e-mails were ignored or received a negative answer. The most useful way, which I applied during the research, was to first call the companies and when the right individual was reached to send the interview frame via e-mail. This gave them

the opportunity to answer questions without pressure and give more detailed answers, while for me there was no need for taping and making notes during the interview. If there were any additional questions I was able to ask them in e-mails after receiving the answers. During the interviews with MySenso Oy operations managers I was taking notes and writing emails.

Questions which constituted the interview frame were aimed at gathering information about the SaaS market in Russia, its characteristics, barriers and perspectives, as well as marketing communications channels. Two companies which participated in this study are based in Moscow, Russia. One of the companies has Russian origins. The information provided by this company is still very valuable, in my opinion, as it was having the same difficulties as MySenso Oy a year ago when it was established.

The results of the interview were carefully analyzed. After interviews were completed I had three documents with answers to each questions and several e-mails. As all questions were categorized according to the theoretical framework elements, it was relatively easy to bring together answers, compare companies and with the help of secondary data provide the full analysis. The results were used to understand the specifics of the Russian software market and the experience of competitor companies, which were interviewed, served as a base for further recommendations for MySenso Oy concerning the entry process to the Russian market.

5   RESULTS OF THE MARKET RESEARCH

The purpose of the market research for MySenso Oy is to evaluate market possibilities of a small-sized Finnish software company, as well as give some practical recommendations based on the experience of other companies in the market. According to the theoretical framework, described in the beginning of Chapter 2, analyzing the process of internationalization takes several steps which are the following:

1. Defining motivations for internationalization. This basic knowledge is a part of the preparatory process for the research. Why does the company want to look for new markets? Does the company have necessary motives and how strong is the desire to internationalize?
2. Corporate analysis. This step is the second part of the preparatory process which gives information about the readiness of the company for internationalization. It is necessary

to evaluate human resources of the company as their professionalism and experience can help the company to enter new markets successfully.

3. Analysis of business environment. What are the main laws, trends and social characteristics concerning the software business in Russia?

4. Identification of the target country and products.

5. Analysis of customers. How does the customer chain look like for MySenso Oy? What are the characteristics of customers?

6. Analysis of competitors. Recognizing competitors and defining their characteristics.

7. Choosing the best entry mode. What are the most suitable ways for MySenso Oy to enter the Russian market?

8. Analysis of marketing communications. This step is necessary as a final part of the market research. It describes decisions which will help to introduce the products of MySenso Oy to the Russian market.

5.1 Motivations for internationalization

The software industry in Finland is undergoing significant changes at the moment. For a very long time companies were struggling to find skilled workers; and during the recession sales dropped a bit. However, the turnover grew by 5-6% in 2010. Now companies not only operate on the domestic market but start looking for opportunities on foreign markets. Motivations for internationalization are similar from one software company to another. There are different factors that define motivations, e.g. the size of the company, presence of past experience in internationalization, and professional employees.

MySenso Oy is a small-sized software company which has some international experience. Main motivations for it to internationalize are getting new resources (human and funding) and expanding to bigger markets. Human capital is an added value that an employee brings to the company. Employees borrow their knowledge and skills for the benefit of the company (Baron and Armstrong 2007, 5). The meaning of the human capital is critical because it can result in a positive and negative way for the organization. The process of hiring Russian citizens can help MySenso Oy not only to overcome the language barrier but also to get to know the market characteristics. Attracting additional funds will allow doing R & D, upgrading the old software and designing new ones. MySenso Oy is a born global company and its products are international. Finland is a small country, and it is necessary to promote and sell products in bigger markets. MySenso Oy has sales representatives in the USA, Mexico, Brazil, Turkey

and China. As Russia is the nearest country for Finland, it is the most natural idea to enter this market. If the process is going well the company will be able to attract much more customers and new partners than before.

5.2 Corporate analysis

In the Chapter 2.3 specific characteristics of the corporate analysis were defined. The analysis of the company and its resources will help to identify the company's level of readiness to internationalize. First of all, in this sub-chapter I will define the company and its sphere of activities. Secondly, the structure of the company will be identified and then internal resources of the company will be compared to the primary activities of value chain creation, needed for achieving superior efficiency, from the theoretical part of the study.

MySenso Oy provides business management solutions in a form of 'SaaS' (Software as a Service). 'SaaS' is a software application delivery model by which an enterprise vendor develops a web-based software application, and then hosts and operates that application over the Internet for use by its customers. SaaS differs radically from the traditional system (on-premise software application). The traditional system was used before in many companies but it requires big investments and professional IT staff to support it. With SaaS it became possible to reduce costs and simplify processes. In Table 4 both systems are compared.

TABLE 4. Comparison of tradition and SaaS systems (based on Grebneva 2011)

Features	On premises software	SaaS
Customization	Low customization level depending on the vendor	Design and functions are not customized, however, some features are in order to make it customer-friendly
Integration	Can be integrated with existing software	Can be integrated with existing system of a company but only partly
Hardware	Client should provide hardware to run applications	The vendor provides needed hardware and software
Cost	Besides buying the software, money should be spent on its licensing, implementation, customization in addition to IT staff and their training to use the software	Subscription basis
Control	Full control	The vendor controls systems and entrusted with customer data
Security	On premises location helps to raise the security level	Access through the Internet which makes it less secure

MySenso Oy has a clear vision and a mission. "Our vision is becoming the leading creative technology provider in the world. Our mission is to providing best management tools to our clients with latest technology". MySenso Oy has a developed structure which includes of the central administration and divisions under that: R & D, Commercial division and Services division. Every division has its own clear vision and is a part of the whole value chain from the designing of the product to follow-up activities such as customer service and technical support. Figure 9 shows the structure of the company in details. (MySenso Oy 2012.)
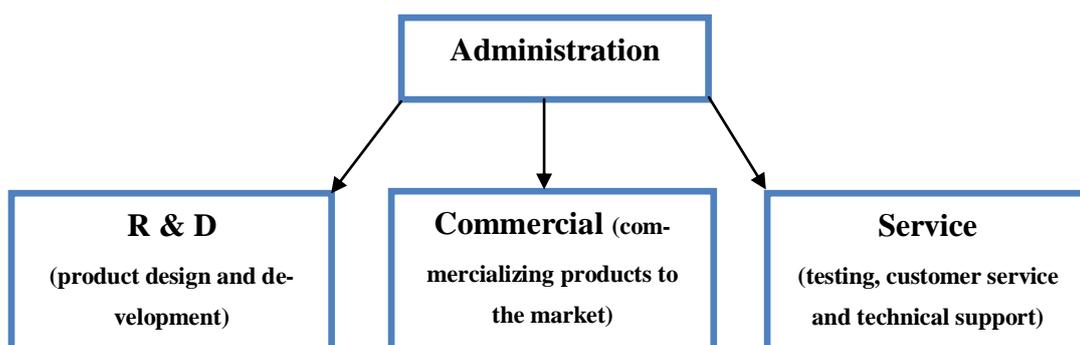
FIGURE 9. MySenso Oy company structure

When analyzing the organization itself it is necessary to see how internal functions are working separately and together. The first and the most important function is the infrastructure, or leadership. MySenso Oy has an administration which connects other value chain activities. The company has a clear mission and vision; nevertheless, the personnel are not motivated enough; and the company's culture is mentioned to be quite poor. The reason for that can be not developed human resource function. Marketing professionals in the company have a lot of experience on the domestic market but they are now well-prepared for internationalization. The research and development is one of the most important functions for MySenso Oy. Employees, involved in this function, are very interested in the modern technology and their performance is outstanding. Operations and logistics are held on a satisfactory level and still require some improvements. (MySenso Oy.)

The results show that MySenso Oy is concentrating a lot on the technological advantage of the company and other functions stay undeveloped. It is necessary for employees to be motivated and inspired by the company. Trainings and self-education should be a part of everyday routing of every employee. Employees can handle several languages such as English, Finnish, Swedish, German, Spanish, and Chinese, but professional knowledge of international operations is a must-have as well.

5.3 Global environment

In Chapter 2.4 PEST analysis was introduced as a useful tool for analyzing the global environment. As MySenso Oy is looking for opportunities to enter the Russian market in this chapter I will present the results concerning characteristics and specifics of the Russian software market.

Political

The Russian government and politics are highly-sensitive topics nowadays both for citizens of the country and for foreigners. Politicians are judged for their opinions and actions; laws have a lot of imperfections. While collecting primary data both interviewees mentioned the importance of the political factor for the software industry. It is not only important to be able to deal with the government (a lot of difficulties come up, such as high power distance and corruption) but to learn the laws.

One of the major problems for international software companies who provide SaaS and Cloud applications is that Russia has its own approach concerning privacy legislation and cyber-crime legislation which is not recognized by the international standards. In terms of intellectual property rights the copyright law has several gaps, as Russia is not a part of the TRIPS agreement (The Agreement on Trade Related Aspects of Intellectual Property Rights) and enforcement in relation to online breaches.

Business Software Alliance made a country report on Russia in 2011. The company described all the laws that can be applied for digital economy and cloud computing. The Russian *privacy law* has a lot of similarities with the EU Directive. However, enforcement of the laws is very limited. Another problem arises with a *breach notification law*. It does exist and states that breaches must be cleaned within three days, and this notification must be provided to individuals within three days. In practice, this law is not implemented or enforced. The Russian *IP legislation* doesn't include information about the liability of Internet Service Providers (ISP) for the violation of copyright or related issues. Also *e-commerce laws* are not fully in place. There are some basic laws in the legislation but they do not cover the type of electronic contract and electronic signature provisions which are expected in this type of the law. (Business Software Alliance 2011.)

Economical

The economic situation in Russia is improving with little steps. Nevertheless, it is still risky to conduct business in Russia. Comparing the level of difficulty of doing business, the country was ranked 120th out of 183 according to the World Bank statistics (2011), which means that it is one of the worst countries to perform business operations. In 2011 some positive and negative changes happened to the Russian legislation. Among positive changes are the legislation affecting cross-border trading, which reduced the number of documents for export and import transactions and lowered the associated cost. In 2011, an electronic case filing system was implemented which made filing a commercial case easier. However, the ever-evolving tax code increased the social security tax for employers. Pension contributions became mandatory for foreign employees with the contract for more than six months. (Software Russia 2011.)

Labor laws in Russia are also different from the US or UK standards. This difference is not only in the legislation but in the way people think about employment. Both of these factors

are partially caused by the USSR principles. People are much more interested in the salary they bring home every month than the gross income. The minimum salary in Russia is 4330 Rubles per month which is around 144 USD. The situation in Russia is that the official salary the employee is getting by the contract is much more than the one he is getting in reality. This gives the employer such benefits as saving on social security fees and compensation when an employee is let go. (Software Russia 2011.)

Social

Doing business in Russia is a very challenging task and a lot of companies do not succeed when entering the market. However, the key to the Russian market lies is a careful research of the culture and behavior of the Russian people. Carl F. Fey and Stanislav Shekshnia from INSEAD Business University (2008) describe in their study the specifics of doing business in Russia. They mentioned high power distance in the country which makes it important to have strong leaders in the company and make contacts with important people; creating company culture where people have the same vision for the future; dealing with corruption. After analyzing the interviews and the article I was able to bring together three main commandments for foreign companies when entering the Russian market, which are shown in the Table 5.

TABLE 5. Commandments for doing business in Russia (based on Fey & Shekshnia 2008, 31)

1. **Developing re-lationships**	People are very important in Russia. Creating a network and maintaining relationships within this network will make the process of entering a market and further activities of a company much easier. This rule also concerns government representatives.
2. **Recognizing and managing the corruption**	Corruption is a very big issue in Russia. It is difficult but possible to manage it by using four effective strategies: 1) outsourcing those activities in the supply chain that can be corrupted; 2) acting first by suggesting your own rules; 3) entering the market at a later stage; 4) do not make deals where corruption may take place.
3. **Respecting local rules, but sticking to your own principles**	It is useful to show respect and interest in the Russian culture but copying local and foreign companies' strategies is not an option. It is better to be unique and have advantages in comparison to competitors.

Technological

MySenso Oy is a small Finnish software company which develops and sells SaaS products. Nowadays SaaS is a very popular topic together with cloud computing, which includes such products as SaaS, PaaS (platform-as-a-service) and IaaS (infrastructure-as-a-service). In this study I am going to look at cloud computing trend and then at SaaS more closely. The main idea of cloud computing is the possibility to access various applications through networks (the Internet). The infrastructure of cloud computing is shown in Figure 10.
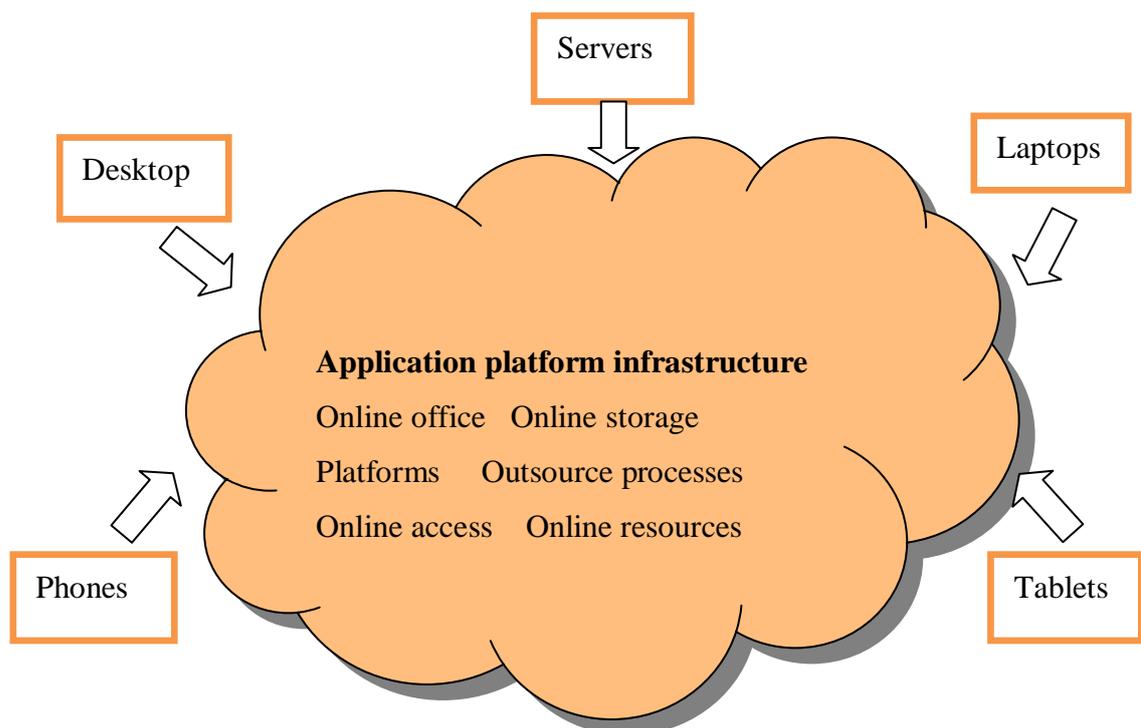
FIGURE 10. Cloud computing infrastructure (based on Grebneva 2011, 10)

In this model the business software and user's data are stored on the distant server and end-users access applications through the web browser or mobile apps. There are different types of clouds: (1) public cloud (provisioned for open use by the general public); (2) community cloud (allows sharing data between several organizations); (3) hybrid cloud (the combination of two or more clouds); (4) private cloud (designed for exclusive use by a single company with multiple customers). (Grance & Mell 2011, 3.)

The most important factor for implementing the cloud technology is to have a very good Internet connection. Unfortunately, the connection in Russia is still not the same as in Europe or in the USA. The most important problems are connected with the cost of the Internet, the pen-

etration rate, and the availability for organizations. First of all, the cost of the Internet connection may seem cheap (13,28 USD) compared to the numbers in the USA or Europe, but after taking into account GDP/per person and the difference in purchasing power (the USA and Russia indexes compared) , the cost of the connection becomes 22,43 USD. This number equals the European one, but in fact salaries in Russia are lower. The other problem is the connection penetration which is not at the same level as in Europe or the USA, e.g. the speed of connection is 1,5 times lower. In addition, prices for private users and organizations are enormously high. If in Europe or the USA the prices differ 1,5-2 times, in Russia the difference reaches 20-30 times. (Grebneva 2011, 9-93.)

SaaS software is one of the types of solutions developed on the base of the cloud technology. It has several characteristics. First of all, it is a software application that promotes the idea of a service, not a product, where companies lend it for their needs. Software applications are developed on one platform by the SaaS vendor, which is used by all clients. Customers also pay for using the software on a subscription basis (per month or per year). In addition, technical support is usually included in the price and updates appear regularly and automatically.

SaaS as a platform has only been in Russia since 2009. In comparison, SaaS was first mentioned in Europe in 2001. Gradually developing this software model is now very well-known in major economies which cannot be applied to Russia. Due to the slower technological development Russia is only learning about SaaS now. More and more SaaS companies are established every day and professionals look positively at their future in Russia.

Overall, cloud computing is one of the hottest topics in Russian IT market in 2012. Biggest companies like Rostelecom, Russia's national telecommunications operator, invest in cloud computing as a promising technology. Despite some disadvantages concerning security and control over applications, Russian company representatives believe that cloud computing is technology of the future.

5.4   Target country and products

MySenso Oy is a born-global company and it operates on different markets. However, Russia is the nearest and psychologically close country to Finland it wasn't the first target country in the beginning. The products of MySenso Oy are sold all over the world, and the target continents are North and South America, Europe, Asia Pacific and Africa. Choosing Russia as a

target country gives a lot of opportunities to MySenso Oy. First of all, Russia is the biggest country in the world and entering it successfully will increase the customer base. Second of all, Russia has a lot of resources that can be used in order to upgrade existing products and develop new ones. (Fey and Shekshnia 2008, 1.) However, the country is too big so the segmentation is needed to be applied. In this study I will be concentrating on the St.-Petersburg and Moscow areas. The employer company requested the research which is aimed at the St.-Petersburg specifically, but due to the big amount of SaaS companies in Moscow I decided to include this area as well. Moreover, both cities are very important for the economy of Russia, and characteristics of doing business are similar (cities are geographically close and are highly populated).

It is essential to choose what products are going to be sold on a new market and how the product is going to be positioned. MySenso Oy provides a clear vision of its products. For the Russian market the company is ready to offer the following products which are divided into three categories: Web Builder, Business Management, and Virtual Commerce. Every category is described further to give a basic understanding about the company's products and services. MySenso Oy was able to create an appealing product offering for each solution and provide a lot of information on the website. Every module and feature of the specific solution is explained as well as prices and pictures (which are not included in the study). As complementary services, MySenso Oy offers implementation, consulting and training. They help to deliver the model of the whole product to the market. (MySenso Oy.)

Web Builder

Senso Web Builder is a simple tool for creating websites for individuals and companies. In order to make the process easier and faster, Web Builder has several modules and features (Table 6). With their help it is possible to build a well-designed website which answers the specific needs of customers. (MySenso Oy 2012.)

TABLE 6. Senso Web Builder product offering

Modules	News
	Calendar of Event
	Online Store
	Photo Album
	Blog
	Forum
	Search Engine
Features	Page Builder
	Menu Builder
	Site Management
	File Management

Business Management

Senso Business Management is the next generation Enterprise Resource Planning (ERP) system which provides a complete set of modules to manage the whole business. It is the hardware that helps to manage the whole organization and its operations. The basis of this solution is Senso Cloud which is developed in cooperation with Amazon Cloud Services. Table 7 represents modules and features of this solution. (MySenso Oy 2012.)

TABLE 7. Senso Business Management product offering

Modules	CRM and Account Management
	Order Management
	Product Management
	Warehouse Management
	Finance and Invoicing
	Analyze and Reporting
Features	Integration interfaces and APIs
	Dynamic configuration engine
	Localization support
	Senso Cloud engine

Virtual Commerce

Senso Virtual Commerce is a wide-ranging portfolio of tools designed for companies trading B2B and B2C products. E-commerce and next generation retail store solutions are brought together to create several check-out solutions together with some self-service tools to improve sales. The latest innovative tracking and automatic identification technology such as RFID (Radio Frequency Identification) brings customer experience to a completely new level. Virtual Commerce tools are listed in Figure 8. (MySenso Oy 2012.)
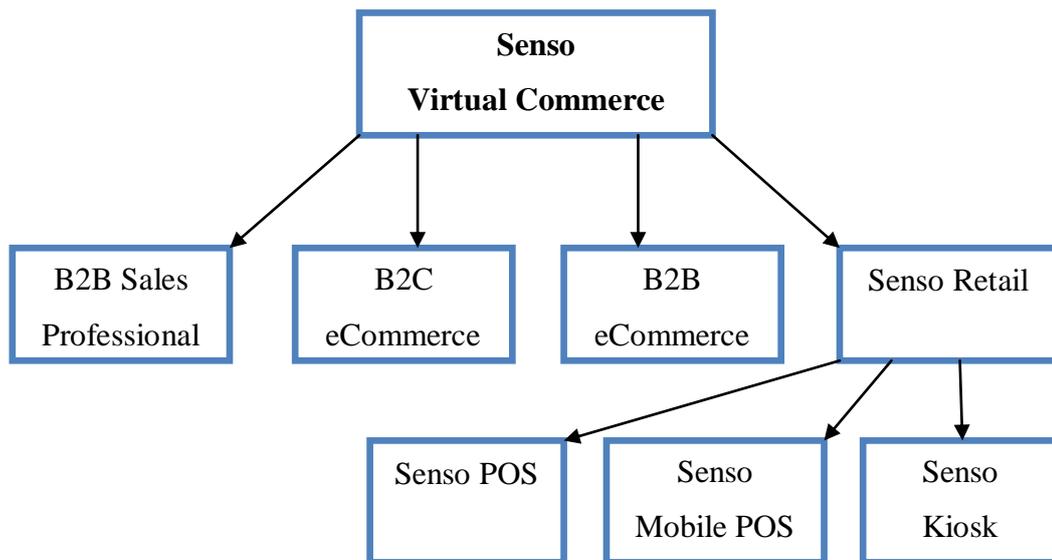
FIGURE 8. Virtual Commerce tools

The more detailed description of the Virtual Commerce solution is presented in Appendix 3. MySenso Oy pays a lot of attention to its Virtual Commerce solutions and they are the most popular among all the products the company develops. The company has a show room in its premises in Hollola where it is possible to try the solutions of Senso Virtual Commerce, and see how easy and effective they are.

5.5   Customer analysis

The customer analysis is a big part of the market research during internationalization. Knowledge about the intermediate and the end customers is essential when deciding the ways of bringing products to the market. MySenso Oy provides the software for different kinds of businesses as well as for individual customers. Table 9 shows the products of the company that are available for launching and who are the customers for each product.

TABLE 9. MySenso Oy customers according to products

Web Builder	Micro companies and home users; Small and medium size companies; Digital marketing professionals.
Business Management	Product development; Sales management; Buying and merchandizing management; Process and organization management; Logistics and supply chain; Administration.
Virtual Commerce 1) Sales Professional; 2) B2C eCommerce; 3) B2B eCommerce; 4) Retail.	 1) B2B sales professionals; 2) Micro business; small and medium business; large business; 3) Administrative staff; customers; 4) Retailers; apparel; book stores; restaurants; pharmacy; food delivery services; airlines; service providers.

According to the table MySenso Oy has three groups of customers depending on the product provided: individuals, B2B and B2C companies. As a result the customer chain for MySenso Oy is drawn further (see Figure 12).
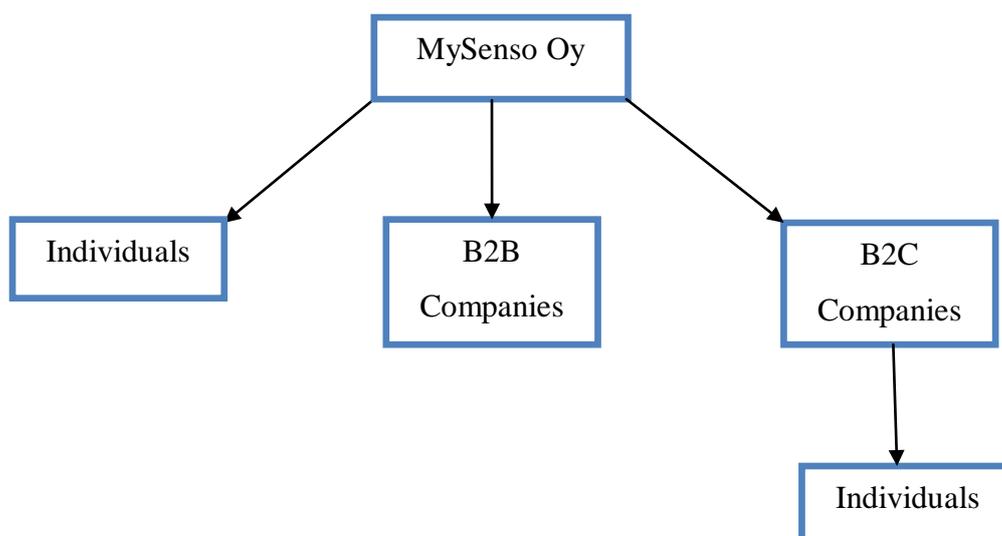
FIGURE 12. Customer chain for MySenso Oy

MySenso Oy is positioning itself as a B2B company because most of its customers are companies. As a provider of ERP system and various solutions for the retail industry, MySenso Oy tries to ensure that client companies' operations run smoothly and efficiently. Senso Web Builder can be used by both individuals and companies in order to create a website. Senso Business Management is created to help employees in different divisions of the company to work faster, easier, and make the process enjoyable. Senso Virtual Commerce is aimed to ease up sales processes for companies and sales professionals. The main focus is on retailers and apparel companies, as this type of customers was reached from the very beginning of the company's existence.

On the Russian market companies can be divided into three types: large international companies, large Russian companies, and SMEs. The first group includes big well-known brands, for example, H & M, Coca-Cola, and IKEA. Companies that are large but operate only in Russia are in the second group. Retail chains such as CenterObuv, O'stin and Magnit are well known in the St.-Petersburg and Moscow regions. The last group represents SMEs in Russia. As SaaS solutions are perfect for SMEs, starting the market entry with getting customers from the last group is the best opportunity. MySenso Oy puts a lot of effort into its Virtual Commerce solutions and plans to market it on the Russian market. Retail and apparel companies in Russia nowadays are starting to think about more efficient ways of doing business, and especially for the retail industry there not so many competitors offering similar solutions. In addition, it is not necessary to have cash registers in shops according to the law, which makes it much easier for retailers to apply a new system and do check out operations using just the touch screen computer. (CNews 2011.)

In order to enter the market successfully it is necessary to know the features of your customer. Russian customers are different from the usual customers of MySenso Oy. Due to the slow technological development companies are afraid of changes. The most important values for SaaS vendors are reliability, functionality, price, competence, and customer relations management. Reliability is marked as very important because companies have to keep private data on the Internet platform, and with many cracking issues companies are afraid of losing this data. Companies need proof of good work, which can be shown through time. Other values are the same as those applied for every stakeholder. Overall, the Russian market has representatives of every group mentioned by Moore (1998) in his theory. Most of the consumer companies tend to be pragmatists: they believe that cloud computing is the future of modern technology but nowadays they do not see any outstanding perspectives. The target customers

for MySenso Oy are preferably visionaries and technology enthusiasts, who are constantly looking for something new on the market to try and highly value SaaS solutions.

5.6   Competitor analysis

The Russian software market is overloaded nowadays. The amount of foreign and Russian companies is growing every day. Companies vary from big international corporations to small start-ups. There are several players on the market that show the positive growth but those numbers dramatically differ from those of the European or US companies.

MySenso Oy develops SaaS products and widely uses the cloud technology in its products which limits direct competitors to SaaS and Cloud providers. The table below sums up the ten biggest companies on the Russian SaaS market, the profit growth during 2010/2009 and the number of registered users (see Table 10). As it can be noticed companies experienced growth in profits from 2009 to 2010 but there are not many big players on the market. There are some companies that have a radical profit growth (800%) and a big number of clients which proves fast development of SaaS in Russia.

TABLE 10. Top 10 SaaS companies in Russia (CNews 2011)

№	Name of the company	Profit growth 2010/2009, %	Number of registered users
1	SKB Kontur	27,2 %	1000000
2	Mango Telecom	50%	25000
3	Korus Consulting	33,8%	6000
4	BARS Group	38,2 %	350000
5	Softline Trade	800%	15000
6	I-Teco	unknown	5
7	Stack Soft	unknown	40
8	Tica	17,6%	120
9	Mega Plan	200%	24235
10	IT-GRAD	800%	500

Following the outline of the theoretical framework, I was able to analyze three companies which were taking part in this research according to the perspective of customers and the perspective of internal operations of companies (see Table 11 and 12). As one of companies pre-

ferred to stay anonymous I will call it Company A. However, the information about the whole competitor market cannot be built on these results; the inaccuracy was covered during the research by asking interviewees about their direct competitors (other SaaS providers), their strengths and weaknesses.

TABLE 11. Competitive analysis: customer perception factors

Factor	MySenso Oy	Company A	RedHelper
Product/service features	8	9	7
Price	10	10	7
Brand recognition	4	9	6
Customer relationships	8	7	8
Trendiness	10	10	8
Customer service	7	7	8
Total points (out of 60)	47	52	44

TABLE 12. Competitive analysis: internal operations factors

Factors	MySenso Oy	Company A	Redhelper
Financial resources	4	8	6
Marketing program	3	9	5
Technological competence	8	9	7
Sales & distribution	5	8	5
Company morale/personnel	3	7	8
Strategic partnerships	7	8	5
Total points (out of 60)	30	49	37

Results of Company A are much higher because the company is one of the leading providers of SaaS in Russia, especially in ERP (enterprise resource planning), CRM (customer relationship management), SCM (supply chain management) and corporate solutions for the retail industry. The company is operating on the market for a long time, and nowadays experience is its main strength, in addition to the powerful software and developed marketing strategy. However, the company is international and it is challenging to have the personal approach for each and every customer, which is the strength of RedHelper. The company is a start-up company selling the Live Chat application on a cloud base. It was founded by the graduates of Moscow State University in 2011. The young and fresh approach of the company helps them to take risks and promote their product from the absolutely different perspective than Compa-

ny A. MySenso Oy got fewer points in the brand recognition because it is completely un-known in Russia at the moment. The overall result of the internal operations is lower than in other companies, which defines some areas to work on before internationalization. The lowest numbers identify problems in marketing and personnel morale.

In general, on the Russian SaaS market three groups can be defined: software giants (such as SAP, Oracle, and Microsoft), medium-sized companies (such as 1C, Epicor, and Galaktika), and other small companies. The first group can be characterized as big international compa-nies with a lot of experience in the industry, well thought marketing programs, and a wide product range. The second group includes smaller companies which are less known but their solutions are wide-spread and well-known in the country. The third group represents various start-ups and small-sized companies offering a small range of products. (CNews 2011.)

5.7 Entry mode analysis

During interviews companies had a list of possible entry modes and the aim was to find out about the most suitable way to enter the Russian market. The lack of interviewees brought me to the question during the interviews about competitor companies and the best practices for the software business in general. The answers were different as there are many factors influ-encing this decision, for instance, financial funds, the size of the company, and experience in other markets.

For foreign companies entering the Russian market is quite difficult but as the highly techno-logical business the organization should be very careful with planning the internationalization strategy. During interviews only some of the entry modes were mentioned as the most suc-cessful ones when entering the Russian market. *Partnership* was discussed in every interview and all of the respondents agreed it is the fastest way to extending the company's markets. The process of looking for the right partner can be long and demanding. It is possible to part-ner with value-added resellers and consultancies, and with other companies. For example, the SaaS company Salesforce started up with direct sales strategy but nowadays its sales through channels (partners) are much higher than direct sales. *Licensing* can also be a mode for en-trance but only if the company has an innovation product that none of the competitors is aware of. Being part of a joint venture gives opportunities to the foreign company as it gives more credibility to the local customers with the local representative office. However, the last

mode requires investments from both companies. The foreign company should critically analyze its financial resources first.

MySenso Oy, as many other SaaS companies, practices direct sales through the website. Nowadays it is the easiest way for such companies to sell their products. Through this channel it is possible for the customer to visit the website of the company and has the chance to try the software (in most cases every company has a free trial). After the trial the individual can purchase the software from the sales representative also via the Internet. This system doesn't require big investments, but it is crucial to have a technically and graphically-attractive website and professional sales people.

The result is that partnership is the easiest and the most efficient way for foreign companies which are big international companies with a lot of experience. The partner is playing the role of the communicator. The lack of knowledge about culture, laws and customers of foreign companies is fulfilled with plenty of experience of the Russian partners. However, if the company decided to proceed alone with internationalization it has to be in touch with consulting firms about all the processes in Russia. (CNews 2011.)

5.8 Marketing communications analysis

All of the marketing communication tools mentioned in the theoretical part of the thesis were claimed as effective during the research to some extent. However, the importance of personal selling and marketing through the Internet was highlighted. All of the interviewed companies are currently using the Internet as a marketing channel to promote their products. The table below shows what marketing communications channels three interviewed companies are using at the moment (see Table 13).

TABLE 13. Marketing communications channels used by interviewed companies

Marketing communications channels	MySenso Oy	Company A	RedHelper
Direct marketing	Yes	Yes	Yes
Personal selling	Yes	Yes	Yes
Digital marketing			
• The website	Yes	Yes	Yes
• SEO	Yes	Yes	Yes
• E-mails	Yes	Yes	Yes
• Social networks	No	Yes	Yes
• Blogs	No	Yes	No
Exhibitions and trade shows	Yes	Yes	No

According to the table, MySenso Oy shows good results in using different ways of marketing its products. However, the company still doesn't have profiles in social networks and does not have a blog. Those two tools are becoming very important, because the personal approach and customer service are key issues in the software marketing. As Company A is one of the leaders on the market it is successfully using all the available marketing communications channels. However, some of channels are not used in Russia specifically. For example, the company has a blog but only in English. The presence in social networks is very strong but it is still absent in the Russian social network www.vk.com. The marketing manager of Company A highlights the importance of being present in social networks such as Facebook, Twitter and blogging: "nowadays almost everybody uses the Internet for communication with customers because the number of users is increasing rapidly". RedHelper doesn't have a blog but as the customer relations manager claims "there is no need for a blog at the moment, our company is a start-up and at this stage we concentrate on the most effective marketing communications channels such a live chat communication on our website". The company also does not participate in any exhibitions or trade shows, paying all the attention to the Internet as the main channel for development.

Other competitors recognize the need of customer service and relationships, and actively participate in social networks through direct marketing and personal selling. A lot of companies start to implement live chat on their websites, in order for customers to immediately ask all questions about products, services and the company itself. Sales, promotions and creative advertisement are also very popular tools. It is also important to get noticed by bloggers. Busi-

ness blogs by various professionals have a lot of readers; and connecting to them and showing interest in their blogs can help get noticed and written about.

As it was stated in the theoretical framework tradeshows and exhibitions are a good way for companies to present themselves. It is important to search for right events where the company can successfully attract customers and find partners. During the analysis of secondary data I was able to find several events which are useful for any software company entering the Russian market. It is possible to register online for all of these exhibitions and forums. There is a price for exhibition place.

The 13th International Forum "High Technology of XXI–2012"

Source: http://www.engl.vt21.ru/

High Technology of XXI–2012 promotes facilities of the enterprises involved in creating high technology. It is a large-scale event, where expositions are supplemented with congress sessions and the wide business program. The covered topics during the forum include the key branches of economy and social sphere.

Infosecurity Russia 2013

Source: http://eng.infosecurityrussia.ru/

Infosecurity Russia is held 25-27 September 2013, and cloud computing security issues are going to be discussed. At the moment the market of cloud solutions is overloaded with various companies. However, not all problems with the security are solved. There are new standards for cloud services providers which are being formed now.

Softool 2013

Source: http://www.softool.ru/en/

Usually organized at the end of October each year Softool exhibition is dedicated to new technologies and equipment for trade and warehouses. The exhibition has been organized by the company "IT-Expo" since 1990, and it is visited by delegators of industrial groups, minis-

tries and authorities. Some of the topics discussed are Case-technologies, ERP/MRP/CRM, Data protection systems and General Purpose Software Programs.

6 CONCLUSIONS

In this chapter I am going to make conclusions about the data analyzed and also form several recommendations for MySenso Oy's internationalization strategy which I planned as one of the objectives of this study.

The process of internationalization nowadays is related to many companies. There are different reasons why exactly companies decide to go international, whether it is the next step in their strategy or they are forced to look for new markets because the lifecycle of their product is in the "decline" stage on the local market. It also depends on the nature of the company. Such a phenomenon as "born global" companies was described in the theoretical part which is the type of company MySenso Oy is. Born global companies start internationalization at the beginning of their existence, seeking to gain the competitive advantage from their resources and sales. Nevertheless, it is still necessary to carefully plan the entry process to each country as a lot of factors should be considered, including cultural differences, the political and economic situations, technology development in the target country, and possible competitors. These factors were analyzed thoroughly and based on the results I was able to put together several recommendations which can help MySenso Oy in the process of entering the Russian software market (presented in Chapter 6.2). As the products developed by the company are based on the cloud computing technology and belong to the SaaS (software as a service) category, those two trends were discussed during PEST analysis.

I suppose that the objectives of the study, namely the analysis of the potential of the Russian software market and developing recommendations about the entry mode and marketing communications channels, were met, as the research questions were answered. The structure of the analysis was based on the book "Internationalization Handbook for Software Business" by Äijö et al. (2005), which helped me to understand the process of internationalization and the preparation for it, describing the specifics of the software market.

6.1 Research questions

In the introduction part of the thesis I formulated four research questions which were successfully answered and I consider the received information as valuable and reliable.

Who are the potential customers and what are their characteristics?

MySenso Oy develops and promotes its Virtual Commerce solution at the moment. On the Russian market there is a need for such solutions for retail and apparel companies, which are B2B and B2C companies. There are not so many available solutions for retail and the interest is constantly growing for high technology products. Retail companies are noticing benefits of cloud computing and SaaS in the internal operations of the organization. Moreover, check-out solutions of MySenso Oy can be a very useful tool for shops, as the law doesn't require having cash registers. Doing check-out is much easier with touch screen computers. Also the security functions of the Virtual Commerce solution can increase safety level.

It is very important to know the characteristics of customers, especially when entering a new market. The Russian people have an absolutely different mentality which is coming from the USSR times mostly. In addition, the technology development in Russia is not at the same level as in Europe or the USA, which makes some customers unable to understand the high technology such as cloud computing and SaaS and to see the benefits they bring. The idea of storing the data somewhere else and not in the company is not very attractive for Russian companies as they are afraid of security issues and other problems. Personal relationships and contacts are very important for the Russians.

Who are the main competitors on the Russian software market?

The Russian software market is overloaded with various companies offering all kinds of software and applications. The market can be divided into three groups: big international companies, medium-sized companies, and small start-ups. It is difficult to compete with companies that have already been on the market for several years and learned how to do business in Russia. They have well-thought marketing programs, their operations run smoothly; and the most important is that they have a strong technological base which allows them to develop high-quality software.

The competition is tough, which requires companies to develop the software with special characteristics, and apply aggressive and savvy marketing programs. One of the interviewees mentioned during the study: "companies, entering a new market, always have to compete with local companies, to do so it is necessary to have something special about your product, something that will help to "shine out of the crowd"". MySenso Oy has this advantage in a form of its Virtual Commerce solution. Nowadays there are not so many competitors among the providers for retail and apparel companies, that gives MySenso Oy the possibility to promote its solutions in this sphere.

What is the best entry strategy?

The best entry mode for foreign companies entering the Russian market is partnership. Having a local partner can make the process of internationalization much easier for a foreign company. Companies that have been on the market for some time are aware of legal issues and also know the customers better. The partner can relate to the customers and understand the needs and characteristics of Russian customers. It also has significant knowledge about the laws and characteristics of doing business in Russia. The partner at the same time should be able to benefit from the partnership itself by getting technological and financial advantages from MySenso Oy.

What tools of marketing communications can be used in order to attract possible customers and increase leads?

The best channel for IT companies to perform the marketing program is the Internet. All of the companies in the software business use it to some extent. Such marketing tools as television, radio, mail and telemarketing are not effective at all for software companies. Digital marketing which includes having a well-developed website, using the Internet advertisements, creating a blog, and actively updating profiles in social networks such as Facebook, Twitter and Russian www.vk.com, are the most popular ways to attract customers and manage customer relations.

Another effective tool is participating in exhibitions and trade shows. Trade shows and exhibitions are very important for B2B companies as they help to make personal contacts and attract customers and partners. Creating and managing the stand is necessary for a successful

presentation. Sales people should be able to sell not only the products but the benefits it provides.

6.2   Recommendations

After analyzing primary and secondary data received during the research I was able to form some recommendations about the market entry. First of all, I advise concentrating on only one solution that is going to be sold on the Russian market. At the moment MySenso Oy intensively develops and promotes its Virtual Commerce solution for retail and apparel companies. The best option is to start the entry to the Russian market with this solution.

Secondly, as Senso Virtual Commerce is mainly advertised for apparel companies it is crucial to get contacts in the fashion industry in Russia and develop partnerships. This can be done not only by participating in high technology exhibitions but in various fashion exhibitions. The operations manager of MySenso Oy already had this idea during the interview and I searched for appropriate events in this area. Exhibitions are aimed at presenting textile companies, discussing new trends in the industry and recent developments in the technology which optimize companies' operations. There are two exhibitions that I highly recommend to participate in as they answer to the MySenso Oy's need in retail and apparel partners, and they are held at the beginning of 2013, so the company still has time to prepare for them. *Premiere Vision Moscow 2013*, to be held on 20-21 February 2013, allows fashion designers and companies to present their garment pieces. The exhibition is organized in other fashion cities such as New York, Shanghai, Beijing, Moscow, Japan, and Sao Paulo. More information can be found on the website of the event:
http://www.premierevision.ru/en/Presentation/Presentation. *CPM Moscow 2013*, to be held on 26 February-1 March 2013, is a fashion trade show presenting different collections from women's clothes to accessories and giving overview of the latest trends. More information can be found on the website of the event: http://cpm-moscow.com/cpm/.

The third recommendation that I would like to propose is to start using the Internet as a channel for communication more intensively. MySenso Oy is developing its website, making it more attractive for customers; however, no presence is shown in social networks such as Facebook, Twitter or the Russian alternative of Facebook www.vk.com. A good idea is to find appropriate technology and fashion blogs, and to get noticed by bloggers. They can later mention the company in posts and make people interested in trying the solutions.

The last but not the least is to develop internal operations of the organization. As the research showed MySenso Oy had low indexes in the marketing program and the company's internal environment. The first problem can be solved by developing a marketing strategy for each target market. That includes forming a product offering according to customers' needs; calculating budgets for advertising and public relations; writing a sales plan, including pricing, future earnings and sales channels. This thesis gives the base for the marketing plan as the market research was performed and the most useful marketing communications channels were discussed. The company's internal environment should be supported by the professional human resource manager and a well-planned human resource strategy. In the theoretical framework it was mentioned that the employees should know what the purpose of the company is, and be inspired and motivated. The possible tools can be seminars and training programs, pay for performance system, and teamwork.

6.3   Reliability and validity of the study

Validity in any research is about stability and accuracy of the data. In the qualitative research such issues as internal and external validity should be discussed. Internal validity highlights the importance of the findings and research account reflecting the social world of participants. External validity, or generalizability, is about your findings and conclusions being applicable for other contexts. (Daymon and Holloway 2011, 79-80). The study was initiated and supervised by the employer company and thus can be useful for this specific company. As it was specifically created for the purpose of one company, it can hardly be applied in other contexts. The study also has its time frames. The software market is changing rapidly everywhere, including Russia; that means that the study is valid only for a specific period of time and needs improvements in the future when new information is available.

While collecting secondary data, official websites and statistics were used presented by magazines, companies, and other official sources. The quality of primary data is acceptable as all of the questions in the interview frame were answered by the participants of the study, providing reliable information. However, the degree of honesty during the interviews cannot be evaluated as the channels used involved the phone and e-mails without any personal contact. Nevertheless, the information was checked using secondary resources and can be valued as adjustable.

6.4   Study implications

The implications of the empirical part can become a valuable base for internationalization strategy of MySenso Oy in the future. The findings, results and recommendations received in the end of the study are supposed to make MySenso Oy aware of possible advantages, difficulties and prospects of entering the Russian software market. The research highlights the importance of the thorough analysis and significant preparation for internationalization. The implications of the study can be used as a reliable source for any SaaS company wishing to enter the Russian target market.

6.5   Topics for further research

The study enables the need for formulating an internationalization strategy for the Russian market which requires collection of other data such as pricing policies, partners and customers. In addition, during the research several problems in the internal operations of MySenso Oy were identified. For the future, the company can develop a marketing strategy and also a human resource strategy. There is a possibility that by making internal operations of the company run better MySenso Oy will be able to achieve better results on all other markets as well.

7   CONCLUDING REMARKS

The result of this study is an analysis of the Russian market potential for a small-sized Finnish software company and several recommendations about available marketing communications channels. The next step will be developing a well-structured internationalization strategy and implementing it. In my opinion, the analysis is well grounded and the recommendations formed are relevant and useful for the company.

The analysis was performed following the elements of international strategic planning described in the theoretical framework. Product technicalities, including IT nature of the products and business-to-business customer base, were taken into consideration as well. I suppose, the theoretical part fully supported the empirical part of the research, and makes it feasible.

The objectives of the study, which were analyzing the potential of the Russian software market and proposing recommendations based on this analysis for MySenso Oy, were met. In order to do that I had to answer questions about target customers, competitors, the best entry

strategy and marketing communications channels. All of them very successfully answered using the information received after the internal and external analysis of the company.

As for my own learning perspective I can claim I have learnt a lot about the internationalization process, international business strategy of business-to-business companies. I learned a significant amount of information about cloud computing, SaaS solutions, and general trends in the software industry nowadays. In the beginning, I couldn't imagine how many companies and products there are on the Russian software market. I also learned technical specialties such as the laws and regulations concerning cloud computing and SaaS solutions. Profound knowledge was gained about marketing communications channels, suitable for the industry. In addition, I was able to upgrade my personal skills such as analyzing, selecting appropriate data, reporting, self- and time management. Overall, if I could start the process again I would plan my time frames better as I was almost always late with my personal deadlines and possibly include more participants for the research as three interviews cannot give a full overview of the Russian software market.

BIBLIOGRAPHY

Books

Abraham, Stanley C. 2012. Strategic Planning: A Practical Guide for Competitive Success. Second edition. UK: Emerald Group Publishing Limited.

Abrams, Rhonda 2003. The Successful Business Plan: Secrets & Strategies. Fourth edition. USA: The Planning Shop.

Äijö, Toivo, Kuivalainen, Olli, Saarenketo, Sami, Lindqvist, Jani & Hanninen, Hanna 2005. Internationalization Handbook for the Software Business; the Model of Internationalization Paths & Internationalization Workbook. Center of Expertise for Software Business Product 2005.

Albaum, Gerard, Duerr, Edwin & Strandskov, Jesper 2011. International Marketing and Export Management. Seventh Edition. UK: Pearson Education Limited.

Barnford, Charles E. 2010. Strategic Management: Value Creation, Sustainability, and Performance. South-Western, Cengage Learning.

Baron, Angela & Armstrong, Michael 2007. Human Capital Management: Achieving Added Value through People. UK and USA: Kogan Page Limited.

Beamish, Karen & Ashford, Ruth 2005. CIM Coursebook 05/06 Marketing Planning.UK: Elsevier Butterworth-Heinemann.

Berry, Timothy J. 2004. Hurdle: The Book on Business Planning. USA: Palo Alto Software Inc.

Bingham, Frank G., Gomes, Roger & Knowles, Patricia A. 2005. Business marketing. Third edition. USA: McGraw-Hill/Irwin.

Blokdijk, Gerard 2008. SaaS 100 Success Secrets - How Companies Successfully Buy, Manage, Host and Deliver Software as a Service (SaaS).

Blythe, Jim & Zimmerman, Alan 2005. Business-to-Business Marketing Management. Thompson.

Brennan, Ross, Canning, Louise & McDowell, Raymond 2011. Business-to-Business Marketing. Second edition. Sage Publication Ltd.

Bowman, Cliff 1990. The Essence of Strategic Management. UK: Prentice Hall International Ltd.

Buckley, Peter J. & Ghauri, Pervez N. 1999. The internationalization of the firm. Second edition. Thompson.

Cavusgil, S. Tamer & Knight, Gary 2009. Born Global Firms: A New International Enterprise. USA: Business Expert Press, LLC.

Czinkota, Michael R. & Ronkainen Ilkka A. 2010. Principles of International Marketing. Ninth edition. South-Western, Cengage Learning.

Daymon, Christine & Holloway, Immi 2011. Qualitative Research Methods in Public Relations and Marketing Communications. Second edition. USA: Routledge.

Dibb, Sally & Simkin, Lyndon 1996. The Market Segmentation Workbook: Target Marketing for Marketing Managers. UK: Thompson.

Doole, Isabel & Lowe, Robin 2012. International Marketing Strategy: Analysis, Development and Implementation. Sixth Edition. South-Western, Cengage Learning.

Ferrell, O.C. & Hartline, Michael D. 2011. Marketing strategy. Fifth edition. South-Western, Cengage Learning.

Fill, Chris 2011. Essentials of Marketing Communications. Financial Times Prentice Hall/Pearson.

Gillespie, Kate & Hennessey, H. David 2011. Global Marketing. Third edition. South-Western, Cengage Learning.

Grünig, Rudolf & Morschett, Dirk 2012. Developing International Strategies: Going and Being International for Medium-sized Companies. Germany: Springer-Verlag Berlin Heidelberg.

Henry, Anthony 2008. Understanding Strategic Management. USA: Oxford University Press Inc.

Hill, Charles W. L. & Jones, Gareth R. 2013, 2010. Strategic Management Theory: An Integrated Approach. Tenth edition. South-Western, Cengage Learning.

Hisrich, Robert D. 2010. International Entrepreneurship: Starting, Developing, and Managing a Global Venture. Sage Publications, Inc.

Hollensen, Svend 2010. Marketing Management: a Relationship Approach. Second edition. UK: Pearson Education Limited

Hooley, Graham, Saunders, John & Piercy, Nigel 2004. Marketing Strategy and Competitive Positioning. Third Edition. UK: Prentice Hall

Hutt, Michael D. & Speh, Thomas 1998. Business Marketing Management: a Strategic View of Industrial and Organizational Markets. Sixthth edition. USA: The Dryden Press.

Ireland, R. Duane, Hoskisson, Robert E. & Hitt, Michael A. 2009. Understanding Business Strategy: Concepts and Cases. South-Western, Cengage Learning.

Johanson, Jan & Vahlne, Jan-Erik 1990. The Mechanism of Internationalization. International Marketing Review. In Buckley, Peter J. & Ghauri, Pervez N. 1999, *The internationalization of the firm*, (115). Thompson.

John, Robin, Cox, Howard, Letto-Gillies, Grazia, Grimwade, Nigel, Allen, Michael & Finn, Edward 2002. Global Business Strategy. Thompson.

Johnsen, Hans Christian Garmann & Ennals, Richard 2012. Creating Collaborative Advantage: Innovation and Knowledge Creation in regional economies. UK: Gower Publishing Limited.

Johnson, Debra & Turner, Colin 2010. International Business: Themes and Issues in the Modern Global Economy. Second edition. Taylor & Francis e-Library.

Lilien, Gary L. & Grewal, Rajdeep 2012. Handbook of Business-to-Business Marketing. UK: Edward Elgar Publishing Limited.

Lynch, Richard 1997. Corporate Strategy. Singapore: Addison Wesley Longman China Limited.

Malhotra, Naresh K. & Birks, David F. 2007. Marketing Research: An Applied Approach. Third edition. Prentice Hall.

McDougal, Patricia P. & Oviatt, Benjamin M. 1997. International entrepreneurship literature in the 1990s and directions for future research. In Hisrich, Robert D. 2010, *International Entrepreneurship: starting, developing, and managing a global venture,* (9). Sage Publications, Inc.

Mooi, Erik & Sarstedt, Marko 2011. A Concise Guide to Market Research. The process, Data and Methods Using IBM SPSS Statistics.

Moore, Geoffrey A. 1998. Crossing the Chasm: marketing and selling technology products to mainstream customers. UK: Capstone Publishing Limited.

Morgan, & Symon, 2004. Electronic interviews G. Symon (eds) Essential Guide to Qualitative Methods. In Saunder et al. 2009, *Research Methods for Business Students*. (351). Fifth edition. Pearson Education Limited.

Nejati, Mehran & Nejati Mostafa 2009. Global Business and Management Research: An International Journal Vol.1, No.1. USA: Universal Publshers.

Porter, Michael E. 1985. Competitive Advantage: creating and sustaining superior performance (New York: Free Press, 1985). In Bowman, Cliff 1990, *The Essence of Strategic Management*, (62). UK: Prentice Hall International Ltd.

Ryan, Damian & Jones, Calvin 2009. Understanding Digital Marketing: Marketing Strategies for Engaging the digital generation. USA: Kogan Page Limited.

Sahaf, Musadiq A. 2008. Strategic Marketing: Making Decisions for Strategic Advantage. Prentice-Hall of India Private Limited, New Dehli.

Saunders, Mark, Lewis, Philip & Thornhill, Adrian 2009. Research Methods for Business Students. Fifth edition. Pearson Education Limited.

Sharan, Vyoptakesh 2006. International Business: Concepts, Environment and Strategy. Second edition. Dorling Kindersley (India) Pvt. Ltd.

Schmidt, Marcus J. & Hollensen, Svend 2006. Marketing Research: An International Approach. Pearson Education Limited.

Simerson, B. Keith 2011. Strategic Planning: A Practical Guide to Strategy Formulation and Execution. USA: ABC-CLIO , LLC.

Strader, Troy J. 2010. Digital Product Management, Technology and Practice: Interdisciplinary Perspectives. USA: Business Science Reference.

Susman, Gerald I. 2007. Small and Medium-Sized Enterprises and the Global Economy. UK: Edward Elgar Publishing Limited.

Williams, Teresa & Green, Adrian 1997. Business Approach to Training. UK: Gower Publishing Limited.

Wood. Marian Burk 2004. Marketing Planning: Principles into Practice. UK: Pearson Education Limited.

Xu, Jie 2005. Market Research Handbook: Measurement, Approach and Practice. USA: iUniverse.

Electronic resources

Aalto University School of Science and Technology 2010. National Software Industry Survey. PDF document. http://www.softwareindustrysurvey.org/SlidesFinland2010.pdf. No update information. Referred 15.08.2012.

Business Software Alliance 2011. Country Report: Russia. PDF document. http://portal.bsa.org/cloudscorecard2012/assets/pdfs/country_reports/Country_Report_Russia.pdf. No update information. Referred 21.10.2012.

Cnews 2011. Magazine about high technology. Several articles about SaaS and cloud computing in Russian language are used. http://www.cnews.ru/reviews/free/saas/. Updated 15.13.2011. Referred 1.11.2012.

Fey, Carl F. & Shekshnia, Stanislav 2008. The Key Commandments of Doing Business in Russia. Faculty and Research Working Paper. PDF document. http://flora.insead.edu/fichiersti_wp/inseadwp2008/2008-16.pdf. Updated in January 2008. Referred 22.10.2012.

Grance, Timothy & Mell, Peter 2011. The NIST Definition of Cloud Computing. PDF document. http://csrc.nist.gov/publications/nistpubs/800-145/SP800-145.pdf. Updated in September 2011. Referred 10.11.2012.

Grebneva, Elena 2011. Cloud Services. The view from Russia. CNews & Microsoft. PDF document. http://www.cnews.ru/mag/2011/CloudTechnology.pdf. Updated 13.08.2011. Referred 24.10.2012.

Jessica Locke 2011. Social Media Marketing for the Skeptic. WWW-document. http://www.brafton.com/blog/social-media-marketing-for-the-skeptic. Updated 25.09.2011. Referred 17.08.2012.

MySenso Oy 2012. WWW-document. http://46.51.187.71/senso-cvp/senso-os/demo/index/module/layout/external/id/137. No update information. Referred 20.10.2012

Ollus, Simon-Erik & Simola, Heli 2006. Russia in the Finnish Economy. Sitra Reports. PDF document. http://www.sitra.fi/julkaisut/Raportti66.pdf. No update information. Referred 10.08.2012

Russian-American Business 2010. Entering the Russian Software Market. WWW-document. http://russianamericanbusiness.org/web_CURRENT/articles/663/1/Entering-the-Russian-software-market. Updated 23.12.2010. Referred 15.08.2012.

Software Russia 2011. Doing IT Business in Russia: Labor Laws. WWW-document. http://www.software-russia.com/business/laws. No update information. Referred 21.10.2012.

Software Russia 2011. Doing Business in Russia: Regulatory Climate. WWW-document. http://www.software-russia.com/business/climate. No update information. Referred 21.10.2012.

The World Bank 2011. Doing Business 2012. PDF document. http://doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB12-FullReport.pdf. Updated 10.10.2011. Referred 21.10.2012.

Interviews

Ms X* 2012. Marketing manager of company A, the international SaaS company, one of the market leaders. Phone interview and email discussion 19.10-26.10.

Hu, Peizhi 2011-2012. Operations manager of "MySenso Oy". Several interviews and discussions during fall 2011 and 2012.

Naumov, Artyom 2012. Customer relations manager and manager of technical support of "RedHelper". Live chat and email discussions 29.10.2012.

*Name is hidden by request

APPENDICES

Competitive analysis: customer perception factors (based on Abrams 2003, 106)

Factors	Your company	Competitor #1	Competitor #2	Competitor #3
Product/service features				
Price				
Brand recognition				
Customer relationships				
Trendiness				
Customer service				
Total points				

Competitive analysis: internal operations factors (based on Abrams 2003, 107)

Factors	Your company	Competitor #1	Competitor #2	Competitor #3
Financial resources				
Marketing program				
Technological competence				
Sales & distribution				
Company morale/personnel				
Strategic partnerships				
Total points				

Interview frame

1. **General description of the company:**
   a) General information includes the business model of the company, mission and vision. Who are the owners and how well do they know the software industry?
   b) If you think about internationalization, what are the issues the management should do differently than in domestic markets?
   c) How ready are the employees to work in international environment? Do they have necessary language, technical and marketing skills?
   d) How are delivery and distribution of software products going to happen? What are the channels?
   e) How can production resources be evaluated? Do the developers have needed skills and experience? Are they working well as a team and does R&D bring new knowledge?
   f) How does the company finance the internationalization?

2. **Global environment:**
   a) What are the most important change trends in the global environment and how do they affect your company?
   b) What are the trends in software industry and how influence your company?

3. **Target country and products:**
   a) Why did the company decide to enter the Russian market?
   b) What are the company's products?
   c) How do you estimate the demand in your product on the Russian market?
   d) How easy is it to access the Russian market and what are possible boundaries?

4. **Customers:**
   a) How does the customer chain look like? Who is the reseller and who is the end user?
   b) What are the characteristics and needs of your customers?

5. **Competitors:**
   a) Who are your competitors on the market? Describe their strength and weaknesses.

6. **Entry modes and channels:**
   a) What entry mode to the market is the most suitable for the company? Why?
      - *Export*
      - *Licensing*
      - *Franchising*
      - *Partnership/strategic alliance*
      - *Joint venture*
      - *Subsidiary through acquisition or greenfield*
   b) Describe channels through which you are going to bring products to the target market: the structure of the channel, its members and management.

7. **Marketing communications:**
   a) How are marketing communications held in the company?
   b) What are the most efficient channels of marketing communications are used in the industry?
   c) Does the company have experienced sales people who manage to represent the company, to help the customer to make the right decision, to maintain customer information and handle the complaints?
   d) Is e-marketing developed enough? Here it is relevant to talk about social marketing (Facebook, Twitter, etc.), search engine optimization (improving the visibility of the website of the company) and pay per click/impression (advertisements on specific websites which help to generate leads).
   e) What are the available exhibitions and trade shows in Russia where the company may participate in? If the company has already participated in such events, how were they held?

B2B sales professional product offering

Modules	Account Management
	Order Creation
	Email Campaign
	Product Browsing
	Reporting and Analyze
Features	Offline support
	Global usability
	On real time
	Easy to use
	Innovative order process
	Reports
	Full ERP integration

B2C eCommerce product offering

Modules	Design
	Product Management
	Orders
	Administration
Features	Customizable front page
	Dynamic menu structure
	Intelligent Search engine
	Customizable layout system
	Visual product group browsing
	Various types of product browsing methods
	Advanced searching and sorting features
	Slide show buying
	Product summary
	Product media content browsing
	Product tracking
	Customizable product pages
	Cross sales features

B2B eCommerce product offering

Modules	Account Management Order Creation Email Campaign Product Browsing Reporting and Analyze
Features	Integration interfaces and APIs Dynamic configuration engine Localization support Senso Cloud engine

Senso Retail product offering

Characteristics	Senso POS	Senso Mobile POS	Senso Kiosk
Modules	- POS Basic - POS Advanced	- Item and price look up - Apply discount - Post void - Email receipts - Suspend transactions - Retrieve transactions - Store Locator	- Catalog browsing online - Catalog browsing touch kiosk - Catalog browsing touch plus kiosk
Features	- Cloud based POS - Integration to existing ERP system - RFID enabled - RFID Anti-Theft can be added as part of the system	- Integration interfaces and APIs - Dynamic configuration engine - Localization support - Hardware compatibility	- Cross-sales functions - Real-time info about stock availability and prices - Automated garment suggestions and service requests - Product catalog browsing