

Exporting reindeer skin from Finland to Beijing, China

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| <p>Abstract</p> <p>The objective of this thesis was about exporting reindeer skin from Finland to Beijing, China. Research question was to evaluate if people living in Beijing, China are interested in reindeer skin from Finland, and will they purchase it for their future consumption.</p> <p>Exporting, as the main theoretical chapter, supports the whole thesis which includes the principle of exporting, process of export and documentation of export. After the theory follow the practical issues: participants, documents and regulations concerning importing to China. Calculation of the total costs is the following content.</p> <p>Questionnaire, as a quantitative method, was used to do survey of people's attitude and image of this Finnish product. Implementation and analysis of research result are also included in this thesis which shows the possibilities of doing business in this field.</p> <p>The main purpose of this business includes 2 sides. Firstly, getting familiar with exporting strategies issues. From practical field, if this business will be done in the future, it helps Chinese luxury market to go into a higher level and build good relationship between the Chinese and the Finns.</p> | | | |
| Keywords Export Strategies, Export Process, Export Documentation, Marketing, Research | | | |
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1 INTRODUCTION

With the development of society and high-technology, China is becoming bigger and bigger in the world, there is something illustrates that: after 1997's crisis of Asian finance, China is the only one country that live up to the economic promises (Boos et al. 2012, 1). According to this description, it does tell people how capable China. After 2008 Olympic Game held in Beijing, and 2010 World Expo held in Shanghai, China is becoming more and more international. There is a big opportunity and high development space from many marketers point of view, especially in western partners' eyes. Finland, as a one of them, the cooperation with China has been a long history. Especially in recent years, China-Finland trade volume gets higher and higher, it reached 6.25 billion US dollars in 2005; China becomes the most important partner of Finland in Asia; Finland is also the cooperative country of China in Northern Europe (Gao 2010).

So, an idea of new cooperation between Finnish and Chinese came into mind, reindeer skin as a representative product is chosen to be the product during this business. Getting familiar with Export Strategies and Evaluating if people live in Beijing, China is interested in reindeer skin even purchasing it in their future consumption are the research objectives of this thesis.

Knowing current situation of target market is very necessary when marketers plan to enter a new market. The same goes with this thesis, market need to understand recent circumstance of Chinese market to ensure the future unimpeded development.

General Introduction of Study

With the recovery of high-end consumption and the increasing of products price, many European companies are going into Chinese luxury market step by step. While, due to the fast development of Chinese economics, Chinese consumers are not satisfied with "warm and enough", instead, they emphasize the importance of "beauty and comfort", even some of them are looking forward to obtaining the "perfect and best" goods with high price. (Baidu2012)So, there is a trend in Chinese market: International products are more welcomed because of high quality and brand image. Some Chinese prefer to buy a foreign product over a domestic one which gives them a different feeling and shows their social level in some extent.

“Foreign companies generally sell to a higher level on the economic pyramid in developing countries like China, so their customers can afford to pay the price,” said Yip, professor and co-director of the Centre on China Innovation at China Europe International Business School. The upper and middle classes of economic pyramid are expanding rapidly. (Wang 2012)

In 2008, the sale of Chinese luxury products increased 20% comparing with 2007. The Washington Post “forecasted that: if it increases by this speed, Chinese luxury consumption will go beyond Japan in 3 years and 7 years of USA (Finance east day 2009). Until October 2011, China Luxury Institute published the detail information about consumption of variety luxuries: Luxury Car was 55 billion euro; Perfume and Cosmetic were 3.2 billion euro; Diamond was 4.3 billion euro and other Artwork was around 6.1 billion euro; Clothes and Watches were 3.7 billion euro. (China Luxury Institute 2011)

From above, the expanding number of consumption showing in luxury products can illustrate Chinese purchasing power. Also, the possibility of this business-exporting Finnish reindeer skin to China is quite big.

Study Objective and Learning Questions

In this thesis, the ideas of starting point is finding suitable luxury shops in Beijing, China and try to negotiate with them. And the tasks of research are to know the export strategies and find out the regulations of importing to China; participants such as buyer, seller and transportation agency are also needed in this business if it will be a real project in the future.

This thesis is to evaluate the possibility of exporting reindeer skin to China which can not only give boost to development of both countries’ economics but also build good relationship for future development.

The problem of thesis is: to find our potential demand for reindeer skin in China luxury market and design the exporting plan. For the implementation part, quantitative methods will be used in this study. Secondary data from internet, magazine and unpublished reports are main resources; Finland reindeer skins’ online advertisements are main recommendations for selecting suitable wholesale store. The primary data is acquired by questionnaire that is used for getting an idea of Chinese awareness of reindeer skin.

2 EXPORTING

Successful international business is a challenging process. Once companies choose the goods and service they are going to sell, they must explore and assess market opportunities among many options from global point of view. Analysis of current marketing situation is very important for marketer, especially for exporter or importer who wants to do international trade overseas. Know the background of target countries and their customer purchasing behaviour are basic issues for preparation part of whole business.

2.1 Principle of exporting

Knowing the basic issues of doing exporting trade is main part of this chapter. At the same time, company should deal with other issues such as cultural difference, market forces, financial systems and requirements which insure the trade do successfully in the target country.

Companies respond to many motivations when entering foreign markets. In the broadest sense, exporting means to the sale of goods or services produced based in one country to customers that are from other countries. Particularly, the environment factors influences export operations. Physical and social factors affect the exporting objectives and strategy. Competitive environment issue such as modes, functions and overlying alternatives should also be taken into consideration. Hence, knowing all the factors of target country seems very important. (Jiménez, Astrup, Bertasi, Hassan, Jolivet, Katz, Scbiavi, Truong & Valk 2003, 140)

Characteristics of Exporters

There are some basic characteristic of exporters: company **size** is a good sign for doing exporting. Small companies can grow in the domestic market without exporting; however, large companies may like exporting business if they want to increase sales. For example larger companies Sony, Boeing and Nokia are routinely the biggest exporters in their domestic countries. These companies have good domestic market and international trade can not only increase sales but also promote the reputation. So, the exporting business is a good choice for these kinds of companies. (Daniels, Radebaugh & Sullivan 2009, 536)

A study of Canadian companies found that the size of the company was not the most important factor in determining a company's propensity to export; the **export**

intensity seems more significant factor. Export intensity is the percentage of total revenues coming from export sales; it is not positively related to company size. Instead it shows that the greater the percentage of export to total revenue, the higher degree of export intensity. (Daniels et al. 2009, 536)

The second important feature of exporters is **perspective on risks** and other industry factors. From pervious examples listed on different annual reports, managers taking higher risks are more likely to engage in exporting. For example, a small high-tech company operating in domestic market very well with selling expensive capital equipment, furthermore there is a big demanding from global marketing, it is very necessary for this company to carry on exporting business. However, because of lack experience and uncertainty, it is accompanying with big risks of this transforming at the same time. Hence, factors such as management's outlook on risk are also important if the firm will to do exporting trade. (Daniels et al. 2009, 536-537)

Types of Exporting

Normally, there are two types of exporting: indirect exports and direct exports. Indirect exports means the goods and services are sold to an independent intermediary in the domestic country that sells them in the export market to the end users finally. Direct exports are sold to an independent intermediary outside of the home country which then sells the goods or products in the export market to the end clients.

Indirect selling allows the export to use the same customer solicitation methods, terms and conditions of sale, packing and shipping protocol, credit and collection procedures for all clients no matter where they are coming from. The task and responsibility of dealing with complications created by export sales are transferred to export intermediary. The independent intermediary stands for a third-party that facilitates the trade of goods but is not related to either exporter or importer. This agency ranges in size from specialized, small one-person operations to international trading companies with an international dispersed staff. They also have a range of skills, such as updated knowledge of trade laws, regulations, taxes, duties, insurance and transport. (Cavusgil, Knight & Riesenberger 2012, 411)

There are some types of indirect intermediaries, for example export management company (EMC); the export trading company (ETC); export agents, merchants or

remarketers. The terms EMC and ETC are used interchangeably, particularly in smaller intermediaries. Larger intermediaries, however, are often referred to as ETCs, or simply trading companies which are dealing with both exports and imports. (Cavusgil et al. 2012, 411)

Direct Export

Current competitive pressure in building core competencies and improving performance of value chains push exporters to consider two important issues: the network of sales representatives and coordination system. Hence, it provides three different channels for direct exporting: direct selling through distributors; selling to foreign retailers and end users and direct selling over the internet which is so-called E-commerce. (Cavusgil et al. 2012, 411)

A distributor in a foreign country is the person who buys the goods or services from manufacturer and sells them at a profit. Such person usually carries a stock of inventory products and deals with retailers instead of end users in the market. At the same time, from exporter's point of view, **direct selling** through distributors develops marketer's own international marketing capability, charging in-house sales personnel to monitor the actions and activities. It as well gives greater control over the marketing function and opportunity to earn higher profits to exporter. (Cavusgil et al. 2012, 411)

In the direct selling to end users or retailers, products are usually limited to consumer lines. The last form of direct selling, E-commerce is suitable for both big and small international trade. It is easy to engage and provides faster and cheaper delivery of information; generate quick feedback on new product with a global audience. Companies only need to post their home pages in different languages to different target audience and directly contact customers worldwide. (Cavusgil et al. 2012, 411)

In fact, there is another type of exporting: **own export**. For this exporting form, there is no independent intermediary needed, instead every exporting process will be finished by exporter. Comparing with previous two types of exporting, own export requires more knowledge of target country, such as, basic trade rules and current market situation. (Cavusgil et al. 2012, 412)

Pitfalls of Exporting

Companies always treat exporting as different and more difficult as selling goods or services in domestic market. Especially for smaller firms, they prefer to focus on local market over foreign market. The same goes with SMEs' example, from the annual report published by SMEs it shows that 97 per cent of all exporters are in the US market and only less than 1 per cent is exporting business. Why marketers have so many worry about doing exporting business, in deed some factors such as foreign trade regulations, cultural differences and exchange situation should all be taken into consideration. (Daniels et al 2009, 538).

The first important issues that should be considered are dealing with financial management. Many exporters realize that exchange-rate fluctuations and transaction processes of export activities need more sophisticated financial management. And these export transactions require exporters to help foreign customers obtain financing to purchase the products or services. If the exporter cannot help foreign customers secure financing, they are facing to lose the sale. In domestic market, companies are accustomed to providing financing terms of traditional 30- or 60-day trade-credit cycle. And then, they are naturally reluctant to taking on the greater risk and complications of financing export transactions. (Daniels et al. 2009, 538)

The second issue is dealing with customer demand. Customers across the world are increasingly requiring a greater range of services from their suppliers that bring big pressure for exporters. From one hand, exporting companies need to get a position under big competitions with local countries' vendors. From the other hand, they also need to provide better products or services so that the local customers are interested in and willing to purchase in the future. So, customer relationship management is a big challenge for exporter when entering a new market. (Daniels et al. 2009, 538)

Another important point is to deal with communication technology. Especially in recent years, communication technologies have increased the difficulties of managing exports. In the past, internet was not as common as in the 21st century, exporter were customarily arm's-length, ship-it-and-forget-it transaction. Contracts with customer were relied on copy documents. Nevertheless, early 21st century, the ease of contacting vendors through e-mail or inexpensive voice-over-internet-protocol (VoIP) spurs clients to find greater real-time involvement in the details of transaction. This high-development technology does bring benefits and weakness to both exporters and local suppliers. (Daniels et al. 2009, 538)

There are some other pitfalls of exporting that make the exporters stumble; following content will list these problems. (Daniels et al. 2009, 538)

- Failure to obtain qualified export counselling in developing a plan to guide export expansion.
- Insufficient commitment by top management to overcome initial and on-going difficulties.
- Miscalculating the trade-off between a lean export department and the cost in delays or violations in export compliance.
- Misestimating the complexity and costs of ocean shipping and customs clearance to export transactions.
- Wrong selection of overseas agents or distributors.
- Chasing orders from around the world instead of establishing a base of profitable operations and manageable growth.
- Neglecting export markets and customers when the domestic market booms.
- Classifying products inaccurately according to the destination country's tariff schedule, thereby incurring a higher tax or slowing delivery.
- Failure to treat international distributors on an equal basis with their domestic counterparts.
- Unwillingness to modify products to meet other countries' regulations or cultural preferences.
- Failure to print service, sales and warranty message in local language.
- Failure to consider use of an export management company or other marketing intermediary when the company lack personnel to direct export.
- Failure to prepare for disputes with customers.

From the problems list above, we can easily read that it is not an easy task to become an international trade; however, if exporters or importers know the target country in advance and design a good export strategy, it will not be that difficult to succeed.

Export Process

As what has been mentioned above, it seems that a successful international trade is not easy, however, designing an export strategy helps manager avoid making mistakes. In addition, a good export strategy is an important step in the whole process of exporting.

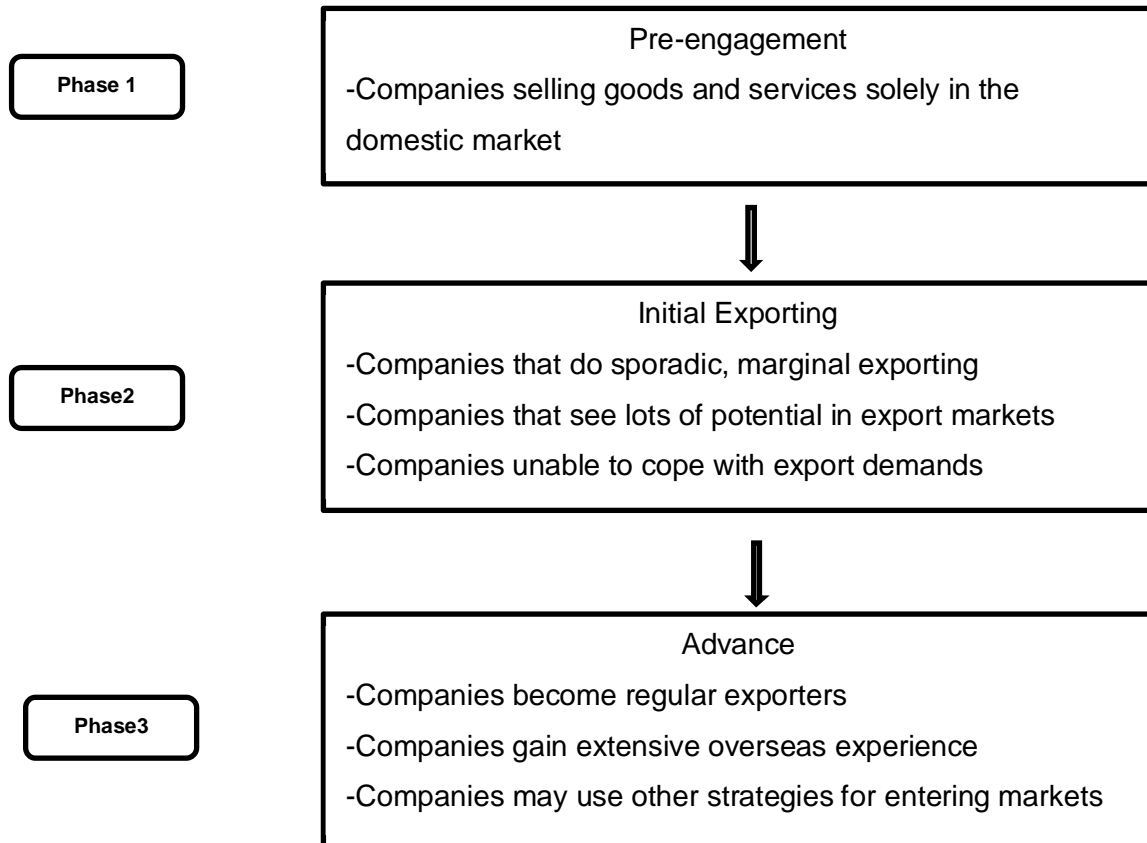
Stages of Export Development

FIGURE 1 Three Phases of Export Development (Daniels et al. 2009, 537)

Figure 1 describes the three phases of export development. These phases are more concentrating on the importance of degree of export development than company size. It means that both big and small companies can be put into any particular stage.

For the first period, **called pre-engagement**, companies have good sales and development in domestic market and they are under the consideration of doing exporting business. After marketing research and getting familiar of target countries, companies turn to the second phase- **initial exporting** which means they begin to do sporadic business. At the same time, companies are more and more interested in overseas business because of many potential customers in exporting market. In addition, during this process, companies have the ability to cope with exporter demand that is the foundation for future development. In the last phase, the **advanced business**, it means that companies have become regular exporters and they have obtained extensive overseas experience and considered about future strategies for entering marketers. (Daniels et al. 2009, 537)

Designing an Exporting Strategy

A successful export strategy can evaluate elements of the transaction chain and for the export strategy, managers must consider following steps from Figure 2:

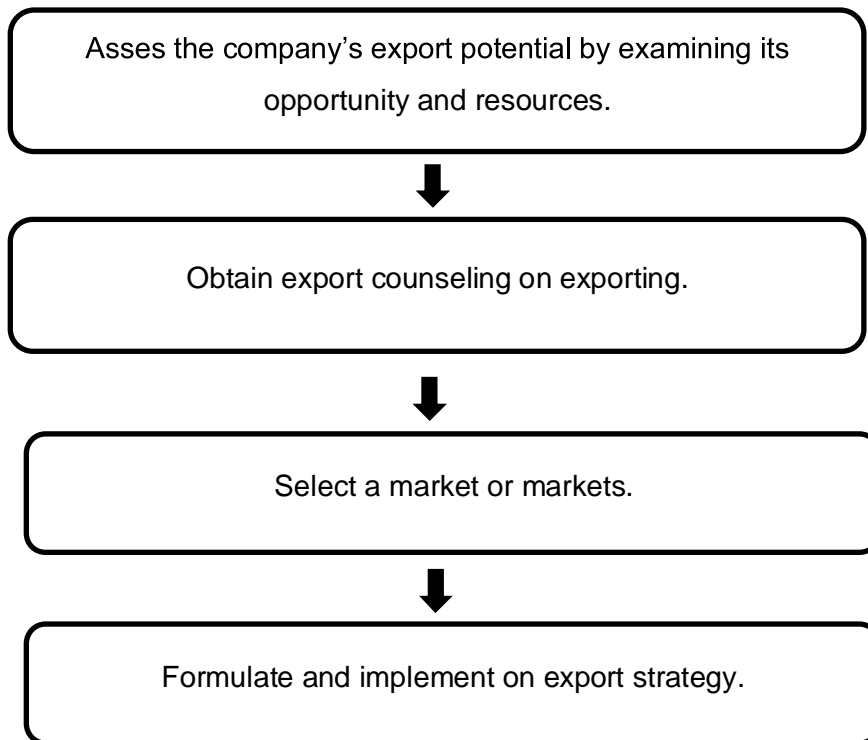


FIGURE 2 Stage of establishing an export strategy (Daniels et al. 2009, 539-540)

First step is to assess the company's export potential by examining its opportunities and resources. In this step, it requires the exporters to evaluate if there is a market for its products or services. At the same time, exporter should identify the degree to potentially leverage the core competency into foreign sales. Besides, it needs to make sure that exporters have enough production capacity, or can develop it quickly if success comes faster than expected.

Next point is obtaining the expert counselling on exporting. Most governments provide assistance for their domestic companies with varying extents. There are several types of organizations or forms to support exporters when they are willing to do international trade. Specialized financial assistance- it is from banks, lawyers, freight forwarders, export management companies, export trading companies and others. Government programs- it is an option to secure government payment guarantees from organization such as European Bank for Reconstruction and Development (EBRD). The last type is agents, hiring an agent makes export a

straightforward proposition. Company can rely on distributors to overseas transactions instead of dealing with individual order and other issues.

The part of export strategy that trips many companies, especially for small ones, is choosing the market. Normally, many follow hunches about the foreign markets rather than applying the standards of business strategy which got their companies going in the first place. Exporters may overestimate the need for their goods or services which gives wrong guide for future development. Hence, selecting a suitable market seems very important for every marketer.

Formulating and implementing is the last step in designing an exporting strategy. In this step, companies need to think about their export objectives, the specific tactics, schedule of activities and deadline that make sure for the company to achieve the goals. Also the allocation of resources that allows finishing the different activities should be taken into consideration. Then the managers may implement the strategy by getting the products or services to another country.

Export Business Plan

A detailed export plan is necessary element of an effective export strategy; in the following content, it provides a sample of such a plan. The development of the plan relies on the company's outlook toward export market and its core competence. (Daniels et al. 2009, 541)

1. Executive Summary
 - a. Key elements of export plan
 - b. Description of business and target market
 - c. Specification of management team
 - d. Summary of projections
2. Company Description
 - a. History
 - b. Goals and objectives
 - c. Core competency
 - d. Management
 - e. The export plan
 - f. Company Finance
3. Product/Services Description

- a. Export opportunity
 - b. fit of company's product in export market
 - c. Growth potential
 - d. Product strategy
4. Foreign Marketplace Analysis
- a. Rational for exporting
 - b. Rational for targeted foreign market
 - c. Country and industry profiles
 - d. Competitors analysis
 - e. Specification of key assumptions
5. Market Entry Strategies
- a. Form of operation
 - b. Indirect/direct exporting
 - c. E-commerce options
 - d. Target customer profile
 - e. Pricing, Sales and Promotion strategies
 - f. Logistics and Transportation
6. International law
- a. Dispute resolution
 - b. Language consideration
 - c. Contract terms and conditions
 - d. Product liability considerations
 - e. Intellectual property protection
 - f. Sales agent and distributor agreement
 - g. Export/Import Regulations
7. Financial Analysis
- a. Facility and equipment requirements
 - b. Sales forecast
 - c. Cost of goods sold
 - d. Projected international income statement
 - e. Projected international cash flow
 - f. Breakdown analysis
 - g. Financing requirements
 - h. Current financing sources
 - i. Tax consequences
8. Risk Management
- a. Country risks
 - b. Commercial risks

- c. Currency risks
 - d. Internal risks
 - e. Market risks
 - f. Political risks
9. External Assistance
- a. U.S Commerce Department
 - b. EU commission on External Trades
 - c. International Trade Administration
 - d. The European Bank for Reconstruction and development
 - e. National, regional and local organization
 - f. Cross-border trade consultancies
10. Implementation Schedule
- a. Operational time line
 - b. Performance milestones
 - c. Contingency plans

2.2 Documentation and Incoterms

In international trade, the exporter and importer need to comply with a battery of documents that regulate the trade. Each export shipment needs various documents to fulfil government regulations controlling exporting and to meet requirements for international commercial payment (Pervez & Philip 2012, 320). Paper document involved in successfully completing a transaction is considered by many to be the best of all non-tariff trade barriers, hence, the preparation of documents can be handled and the position of paper document in an international is very important. The following content will list the important documents for exporters.

Export Documentation

All necessary documentations in an exporting trade are listing and detailed explanations are behind the list.

A pro forma invoice is an invoice, such as a letter of intent from the exporter to importer which outlines the product information (selling terms, price and delivery) if the goods are shipped. After the importer agreeing with terms and conditions, she/he

will send a purchase order and arrange for payment. At that point, exporter can issue a commercial invoice. (Daniels et al. 2009, 555)

A commercial invoice is a bill for the products from importer to exporter that includes a description of products, and the address of buyer (importer) and seller (exporter). Delivery and payment terms are also needed inside. Specially, many governments use this form to assess duties. (Pervez & Philip 2012, 321)

A bill of lading is a receipt for products delivered to common carrier for transportation; at the same time it is a contract for the services rendered by the carrier, and a document of title. (Pervez & Philip 2012, 321)

A consular invoice is required by countries as a means of monitoring imports sometimes. The authorities use the consular invoice to monitor prices of imports and to generate revenue for the embassies which issue the consular invoice. (Daniels et al. 2009, 555)

A certificate of origin indicates where the goods originate and is validated by an external source, like the chamber of commerce. It helps countries determine the specific schedule for imports. (Daniels et al. 2009, 556)

A shipper's export declaration is used by exporter's government to monitor exports and to compile trade statistics. (Daniels et al. 2009, 556)

An export packing list, itemizes the material in each individual package, introduces the type of package, and is attached to outside of the package. The shipper or freight forwarder and customs official use the packing list to determine the nature of cargo and to check if the correct cargo is being shipped. (Daniels et al. 2009, 555)

Incoterms

Incoterms, short for International Commerce Terms, is a system of universal, standard terms of sale and delivery. Commonly used in international sales contracts, it specifies how buyer and seller share the cost of freight and insurance, and at which point the buyer takes title to goods. Here the table below illustrate the implications of three most commonly used Incoterms. (Cavusgil et al. 2008, 415)

TABLE 2 INCOTERMS (Cavusgil et al. 2008, 415)

| <i>Incoterms</i> | <i>Definition</i> | <i>Key Points</i> | <i>Arrangement of Shipping</i> |
|---|--|---|---|
| EXW Ex works (named Place) | Delivery takes place at the seller's premises or another named place (i.e., works, factory, or warehouse). | EXW represents minimal obligation for the seller, the buyer bears all costs and risks involved in claiming the goods from seller's premises. | Buyer arranges shipping. |
| FOB Free on board (named port of shipment) | Delivery takes place when the goods pass the ship's rail at the named port of shipment. | The buyer bears all the costs and risks of loss or damage upon delivery. The seller clears the goods for export. | Buyer arranges shipping. |
| CIF Cost, insurance and freight (named port of destination) | Delivery takes place when the goods pass the ship's rail in the port of shipment. | The seller pays for the freight and insurance to transport the goods to the named port of destination. At that point, responsibility for the goods is transferred from seller to buyer. | Seller arranges shipping and insurance. |

2.3 Transportation and shipping cost

Transport is responsible for the physical movement of materials between points in the supply chain. The mode of transportation describes the types of transport used. There are basically five different options – rail, road, water, air and pipelines.

At the same time, the choice of transportation carriers affects the pricing of products, delivery performance and conditions of the goods when they will arrive and all of these elements will affect customer satisfaction. In shipping goods to its warehouse, dealers and customer, the company may choose among five main transportation means as what have been mentioned above: truck, rail, water, pipeline and air, along with an alternative mode for digital product-the internet.

Tracks have increased the share of transportation steadily and now account for over 39 per cent of total cargo ton-miles in the USA. According to a survey from American Trucking Association, it shows that 82 per cent of U.S. communities depend solely on trucks for their products and commodities. Trucks are highly flexible in their routing and time schedules and they can usually offer faster service than railroads. Trucks are very efficient tools for short hauls of high-value merchandise; trucking firms have evolved in early 21st century to become full-services providers of global transportation services. (Amstrong & Kolter2011, 361)

Railroads, occupies 37 per cent of total cargo ton-miles moved. they are one of the most cost-effective mode for shipping large amounts of bulk product-coal, sand, minerals and farms, forest products over long distance. Especially in recent years, railroads have gone up the customer services by designing new equipment to handle special categories of products, providing flatcars for carrying truck trailers by rail. They also provide in-transit service that ships goods to other destinations en route and processing of gods en route. (Amstrong & Kolter2011, 361)

Water carriers that account for about 7percent of cargo ton-miles transport large amount of goods by ships and barges on U.S coastal and inland waterways. The cost of water carriers is low for shipping and non-perishable products for example sand, coal, grain ,oil and metallic ores, it is also affected by weather. **Pipeline** is only occupying 1 percentage of cargo ton-miles, are a specialized means of shipping petroleum, natural gas and chemicals from sources to markets. Most of the pipelines are used by their owner to ship their own products. (Amstrong & Kolter2011, 361)

Air carriers is less than 1 percentage of cargo ton-miles of the nation goods, however, it is an important transportation mode. Airfreight rate are much higher than rail or track rate, but airfreight is ideal when speed is needed or distant markets have to be reached. Some of companies also found that airfreight reduce inventory levels, packaging costs and the number of warehouse needed that re the good points comparing with other transportation means.

Internet carries digital product from producer to customer via satellite, cable or phone wire. Software firms, media, music and education all make use of internet to transport digital products. Although these firms primarily use traditional transportation to distribute DVDs, newspapers and more, internet holds the potential for lower product distribution costs. (Amstrong & Kolter2011, 361)

In conclusion, in choosing a transportation mode for a product, shipper must balance many considerations: speed, dependability, availability, cost and others. Hence, if a shipper needs speed, air and truck are the first choice, if the goal is low cost, water or rail might be the best.

Shipping Cost

International shipping exposes the exporter's products to adverse conditions and handling by various facilitators. It is the duty for logistics agents to ensure the goods arrive in good conditions. Many export transactions involve shipping products from exporter's factory to a nearby seaport or airport and from there by ships or planes to a foreign port, to be transferred to land-based transportation and delivered to the clients. However, there are other means to transport the goods from seller to buyer, such as rail or track. Throughout the delivery process, exporter incurs transportation costs and carries insurance against damage or loss during transit. (Cavusgil et al. 2008, 415)

The increased transportation costs mean the moving products from one country to another. If it is using water transportation, there are additional costs for insurance, packing and handling not generally added to locally produced goods. These costs add another burden because import tariff in many countries are based on the landed cost that consists of transportation, insurance and shipping charges. (Cavusgil et al. 2008, 415)

2.4 Payment Methods and financing

Receiving payment can be more complicated in international business. Foreign currencies are unstable; government may be reluctant to allow funds to leave the country. Local laws and enforcement mechanisms are favourable for local companies than foreign firms. There are several methods for getting paid in international trade, they are: cash in advance, letter of credit, open account and countertrade.

Cash in advance, when exporter receives cash in advance, payment is collected before goods are delivered to customer. The main advantage of this method is that, the exporter don't need to worry about collection problems and can access the funds almost immediately upon concluding the sales. From buyer's point of view, cash in advance is risky and may cause cash flow problem. (Cavusgil et al. 2008, 416)

Open Account, is the least safe method; it is used when importer is fully trusted and creditworthy; for the exporter, they should consider the requirements for protection with credit insurance (Jiménez et al. 2003, 165). In other words, importer purchases now and they may pay later that is always called "on credit". For example, the "14 days less 2%, 30 days net" these are all belonging to this type.

Collection/documentary collection/ Clean Collection are not as safe as letter of credit, but it is significantly cheaper. Sellers must be willing to take risks if the importers will not pay or accept the documents. Documentary Credit is very expensive in terms of banking fees. It requires the exporter should have rigorous document-preparation system in place so that it can avoid the risk of non-payment due to non-conforming documents being presented to banks. (Jiménez et al. 2003, 165)

Payment backed by standby means exporter grants open account terms backed by a standby credit or bank guarantee. The advantage of this method for seller is that the documentation prepared is easier than in Documentary Credit. For buyers' benefit is that they receiving open accounts terms from seller directly.

Financing

The ability of finance a sale is often a factor that differentiates successful exporter from other firms. If a competitor offer better terms for a similar product, the exporter may lose sale. Hence, the capability of offering attractive payment terms is often necessary to generate sales. Normally, there are three main types of sources for financing in international trade; following content will discuss it in detail.

Commercial banks can not only support the domestic activities, but also finance export sales. An important step for exporter is to approach the local commercial banks with who has already done these kinds of business before, or the banks are familiar with exporting and provide international banking services such as letters of

credit. Another option is to have the bank make a loan directly to the foreign buyer to finance the sales. (Cavusgil et al. 2008, 418)

Forfaiting is the selling, at a discount, of long-term accounts receivable of the seller or promissory notes of the foreign buyer. **Factoring** is the discounting of a foreign account receivable by transferring title of the sold item and its account receivable to a factoring house. Normally, Forfaiting works at one-time basis and factoring want large percentage of exporter's business; forfaiting is medium-term receivable and factoring is short-term's; forfaiting may cooperate with developing countries, however, factoring don't do lots of business with these countries. Finally, it is that forfaiting work with capital goods and factoring work with consumer goods. (Cavusgil et al. 2008, 419)

Official trade finance, in this source, there are two forms: loan or guarantee. In loans, government, as a lender, provides funds finance sale and charge interest with fixed rate. At the same time, they accept risks of possible default. In guarantee, private-sector lender provides funds and sets interest rate, with the assuring under government that will pay for lender if loans are unpaid. Particularly, the big advantages of this point are: good protection of riskiest part of business; protection against political and commercial risks; encouraging exporter to make competitive offers by extending term payment; broadening potential markets by minimizing exporter's risk; big possibility to finance export accounts receivable; with government guarantee opportunity for commercial banks to remain active in international finance area. (Czinkota et al. 2010, 205)

2.5 Principle of marketing

Successful international business is a challenging process. Once companies decide on the goods and service they are going to sell, it must explore and asses market opportunities among many options from global point of view. Personnel, customer and management are key elements inside of the organization, knowing the internal marketing situation seems important for a company to do overseas trade.

Following content will describe the internal analysis and segmentation of marketing to give an idea of what marketer may do before carrying on a business.

Marketing internal analysis

Internal marketing implies a double phenomenon. Firstly, it is the prime importance of **employee** behaviour when they are contacting with clients, interacting in the delivery of a service. The second is the heterogeneity in service quality comes first of all from the difference in skills and the ability of those responsible for the relation of service to manage a relationship. (Michel et al. 2002, 335)

The issues, nevertheless, are more complicated than this, as shows in Figure 3; it is a game of three players. **Management** is responsible for the design of service offer and communication to marketplace; staffs are involved in the interaction with clients. Especially, staffs plays a decisive role in the quality of service provision and customer satisfaction, while the remainder of company acts as a group of support staff ready to intervene and assist the persons involved in the task. Hence, the requirements to bring as much coherence as possible to the promise and the service made available.(Michel et al. 2002, 336)

In this way, the internal personnel in fact become the first **customer** of management who must be convinced, listened to and given the means an tools necessary to fulfil customer's requirement and their expectations. It is also explained the importance given to internal relationship, the search for coherence and staff solidarity in service industries. (Michel et al. 2002, 336)

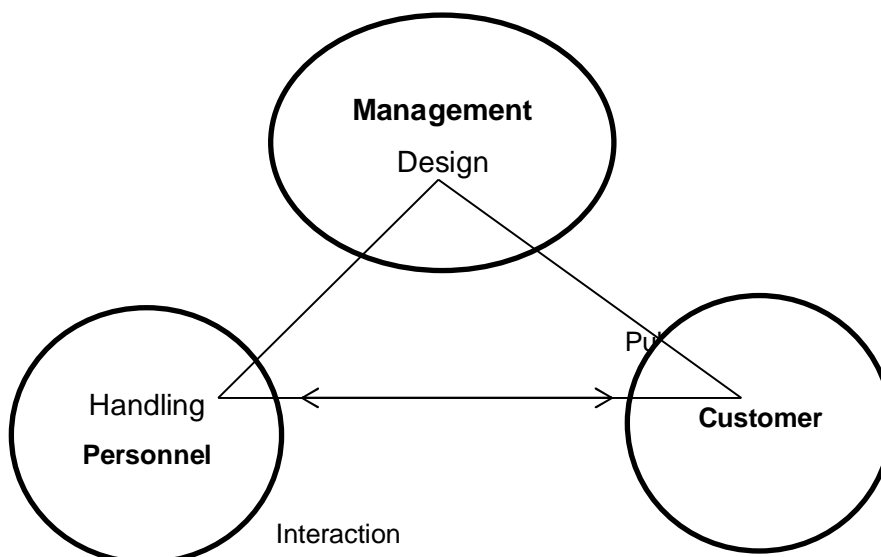


FIGURE 3. The Issue of internal marketing (Michel et al. 2002, 335)

Marketing Segmentation

Good marketing begins with target audience that decides success. Hence, the first factor to be set out in any marketing strategy is the approach of organization toward markets. While, target audiences come in different ways and a fundamental problem for marketing manager is how to deal with this complexity. Treating customers the same may get economies of scale, while, it ignores the diversity, besides it cannot fulfil the need very well from customers' side. However, treating every client as a unique individual deserving customized has been historically too expensive and impractical. (Amstrong&Kolter2003, 143)

Hence, the effective use of segmentation can help markets differ sufficiently enough to warrant individual marketing mixes, allow marketers to take advantage of benefits (Czinkota & Ronkainen 2010, 196). At the same time, it will ensure the development of whole market.

A marketing term refers to the aggregating of prospective buyers into groups that have common needs and will respond similarly to a marketing action. Besides, it (market segmentation) enables companies to target different categories of consumers who perceive full value of certain products and services differently from one another. (Investopedia 2012)

By segmenting market, companies divide large and heterogeneous markets into smaller parts that can be reached more efficiently and effectively with services and products which will match customers' unique needs. (Amstrong & Kolter 2013, 193)

In this thesis, it will segment the consumer market of luxury shops in Beijing, China. Segmenting the market is a research task and good "backward" research starts with an understanding of how the data will be used to help manager make decisions (Amstrong & Kolter 2003, 143). By dividing luxury market into smaller segments, it can help understand the needs directly from customers so that company may fulfil the requirements effectively.

Market Segmentation Process

Marketers have to try segmentation variables, alone and in combination, to find the best way to view market structure because there is no single way to segment a market. Table 3 shows variable that might be used in segmenting consumer markets.

Here it looks at major geographic, demographic, psychographic and behavioural variables. (Amstrong&Kolter2013, 193)

TABLE3Major Segmentation Variables for Consumer (Marketing an Introduction. Ed.11. Armstrong & Kotler, 193)

| Markets Segmentation Variable | Examples |
|--------------------------------------|--|
| Geographic | Nations, regions, states, countries, cities, neighbourhoods, climate, population density |
| Demographic | Age, life-cycle stage, gender, income ,occupation, education, religion, generation |
| Psychographic | Social class, lifestyle, personality |
| Behavioural | Occasions, benefits, usage status, loyalty status |

Geographical Segmentation

In geographical segmentation, market is divided into different geographical units, such as nations, regions, states, countries, cities or even neighbourhoods. A company may decide to operate in one or several geographical areas or in all areas but concentrate on the difference in wants and needs. (Amstrong & Kolter 2011,150-193)

In early 21st century, lots of companies localize their products, advertising, promotion and sales effort to meet the requirement of individual regions and cities.

Demographic Segmentation

Demographic segmentation calls for dividing the market into different parts based on variables such as gender, age, life-cycle stage, income and generation. The first reason of the most popular segmenting base is that demographic segmentation is

close with consumers' needs, wants and usage rate. Another reason is more measurable than other types of variables. (Amstrong&Kolter2011, 194)

In this thesis, segmentation of target market in demographical method will be divided by gender, age, income and other related elements. With the help of market research (questionnaire and interview), it is automatically separated.

Psychographic Segmentation

In this part, it divides buyers into different groups based on social class, lifestyle or personal characteristics. Even though people are in the same demographic group, they can have very big difference in psychographic features. (Amstrong&Kolter2011, 196)

Question related to professional status, purchasing habits and production sources will be asked in questionnaire to collect results from customers. And after analysing answers, it will show a clear social level of target group and easier for researcher to do different promotions.

Behavioural Segmentation

The last method is behavioural segmentation which is the best starting point for building market segments from marketers' point of view. It divides clients based on their knowledge, attitudes or responses to a product. (Amstrong&Kolter2011, 198)

User Status analysing is another method to help plan campaigns for organizations. It segments markets into nonusers, ex-users, potential users, first-time users and regular users. According to different status, companies do different marketing strategy. For example, to get new parents off to the right start, P&G makes certain its Pampers Saddlers are the diaper provided for new-borns at most American hospitals (Amstrong&Kolter2011, 156-199).

Markets can also be divided into light, medium and heavy product users which called Usage Rate method. Heavy users always occupy a small percentage of whole market but account for a high number of total consumption. Last element is Loyalty Status. Customer can be loyal to brands and company will learn a lot by analysing loyalty patterns in its market (Amstrong&Kolter2011, 199).

3 POSSIBLE DEMAND FOR REINDEER SKINS IN CHINA

During this thesis, the aim was to find out whether it is a profitable business that exporting reindeer skin from Finland; if so, people live in Beijing, are willing to purchase reindeer skin in the future. Thus, several questions were asked to get the answer; for example, people's awareness of reindeer skin; where did they get information about reindeer skin if they have known reindeer skin before; the price acceptability of reindeer skin etc. Detail analysis of results will be presented in this chapter.

3.1 Implementation of survey

Quantitative research is to quantify the data, applied some form of statistical analysis (M. 2010, 171). It is designed as a survey with the help of questionnaire; it is also a complementary tool for validity and reliability of whole research. In this thesis, paper questionnaire was used to finish this survey by directly sending to visitors who came into these three luxury shops.

The total number of questionnaires was 60 pieces of copies sent to three luxury shops -XinTianDi; YinTai and Coach. 20 pieces of questionnaires were sent out to each shop in different shopping halls. All of them were answered with 100% response rate. Particularly, these three luxury shops are all locating in Changping District, Beijing, China. (Detailed addresses are: XinTianDi- Zhongshan Road 11, Changping District, Beijing; Yintai- Jia 585, Yintai Shopping Center, Changping District, Beijing; Coach- NO.5 in Yangguang Middle Road, Changping District, Beijing). At the same time, according to the interviews from personnel of these three shops, they mentioned that, visitors were 15 to 20 per day in each shop and they had same amount of personnel: 3 staffs in each shop. Analogous annual sales: 20,000-30,000euro per year. (Du, Yao, & Li 20th November 2012)

The target group of this survey is the people who come into these three luxury shops during Charismas Holiday in 2012. Target market is in Changping District, Beijing, China. Paper questionnaire, as an approach, collects all the needed information from potential customers.

The survey was carried out during Charismas Holiday period and it took two weeks to finish it. The reason why this period was chosen is that reindeer skin is a luxury product with expensive price; people may use them as New Year gifts. In addition, it seems that more people will go shopping during that period and purchase some

products that are not bought usually. Hence, this is a good opportunity to launch reindeer skin.

Data result of questionnaire

In this questionnaire, there are 10 questions with easily understandable questions translated into Chinese. The first 4 questions are to get background information from respondents. The following 6 questions are single and multiple choice questions. No open questions are needed in this questionnaire. As we all know that, the more questions in a questionnaire, the more annoyed respondents feel. Hence, 10 questions are enough to get all needed information and make the respondents actually feel comfortable with the questionnaire.

1. Age Group

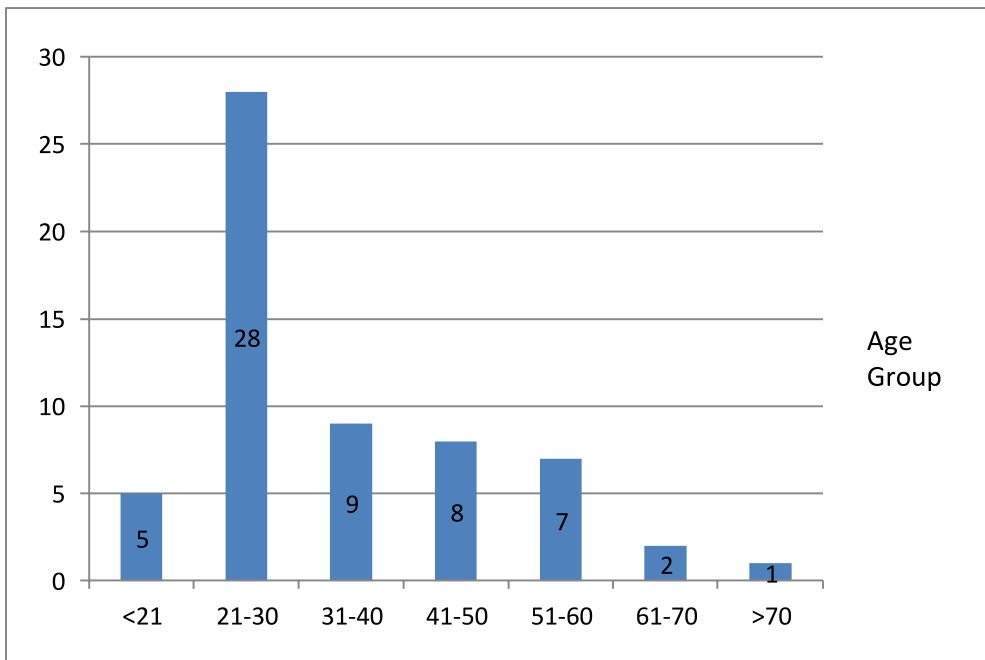


FIGURE4 The Age of respondents (n=60)

This question aims to get a clear idea on ages of customers so that can be segmented into different groups for future using of market objective setting.

From the figure, it shows the biggest age group is from 21-30 which occupies 28 of 60 respondents. The following age is from 31-40 and reaches 9; 41-50 and 51-60 groups are 8, 7 respondents respectively. People who are less than 21 years old are 5 people and 61-70 is 2. Only one old people answered the question in this survey.

2. Income Level per month

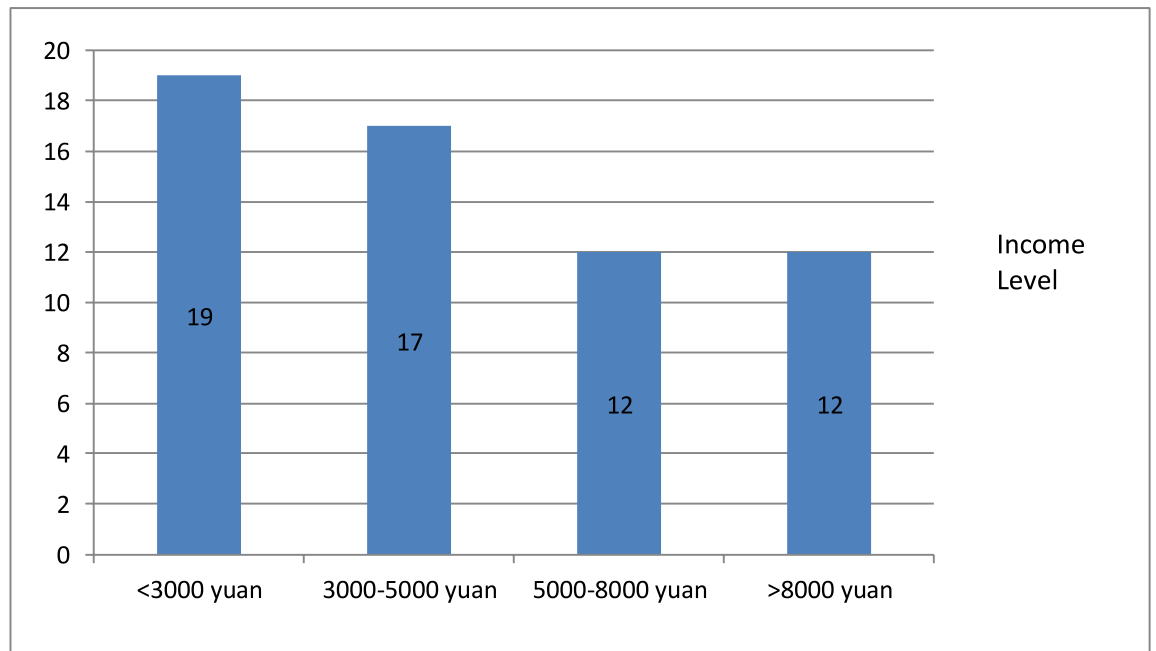


FIGURE 5 Income Level of Respondent (n=60)

This question aims to find out the income level of respondents. Reindeer skin, as a luxury, is more expensive and high value comparing with other goods. Hence, knowing the income level of people is very necessary.

From the figure, it shows that 19 of respondents earn less than 3000yuan (around 400€) every month. 3000-5000yuan (400-600€) has 17 respondents that is also the middle level of income in Beijing. 12 is the following number that people get 5000-8000 (600-1000€) every month for incoming. >8000 (1000€) is higher standard and majority of this group in Beijing called: Golden-collar, this group occupies 12 respondents.

3. Place of Residence

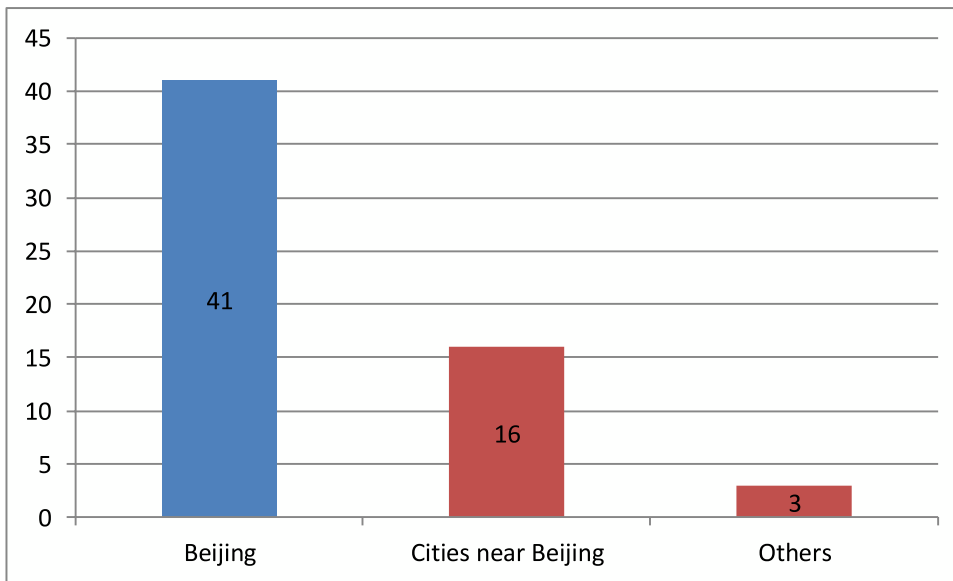


FIGURE 6 Place of Residence (n=60)

This question is aiming to find out the living place of respondents. Customers can be divided into three groups when segmenting the market: sudden customers; regular customers and loyal customers. Concerning the place of residence, visitors could not be our regular even loyal customers; hence, the marketing communication for this group is different from regular customers.

From the picture it can be seen that 41 of respondents are living in Beijing; 16 are from cities near Beijing. Another 3 respondents are from somewhere further than Beijing City, even overseas travellers (UK, USA and Taiwan).

4. I know what reindeer skin is

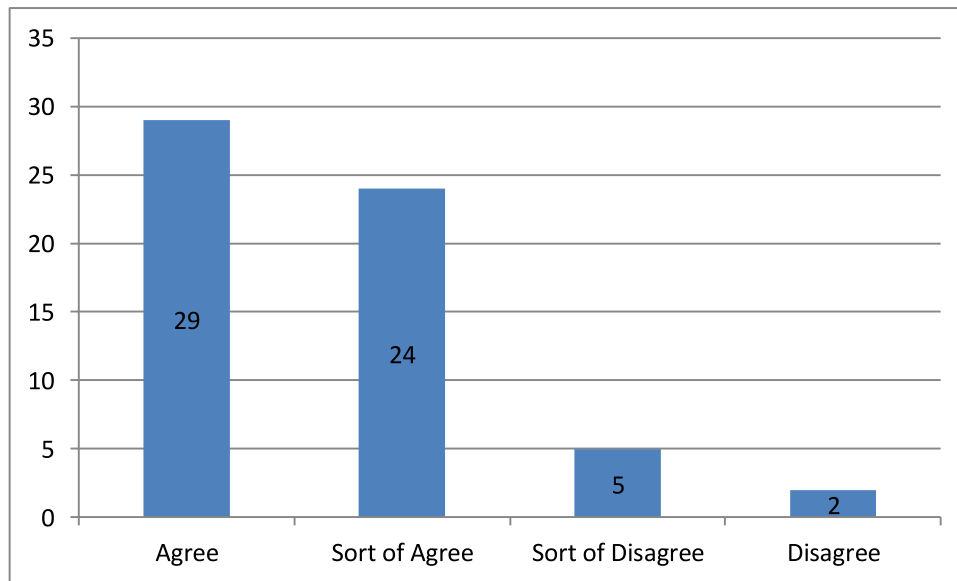


FIGURE 7 Awareness of reindeer skin (n=60)

This question is to know the awareness of reindeer skin. Because it is an imported Luxury product from Finland, people may have no knowledge of it. Even in Chinese luxury market, reindeer skin is different field from other products. So, knowing customer's awareness of reindeer skin may help marketer to do marketing segmentations and use different communication tools to get in touch with customers.

The figure, it describes 29 of respondents knew what reindeer skins are; 24 are sort of agree with this statement; only 7 of them have no idea of this product. It illustrates that people do have some awareness of reindeer skin.

TABLE 3 shows the relationship between age group and their awareness of reindeer skin. 25 responses from age group 21-30 knew reindeer skin before; two person from less than <21 group and 61-70group did not know what reindeer skin is. Based on the result, marketer may focus on communicating with age groups 21-30 and 41-50 who have known what reindeer skins are. These groups of people have gotten notification of reindeer skin that will be easier to do marketing communication. However, people from 61-71 can be more concentration comparing with other groups who have knew reindeer skin before.

TABLE 3 Relationship between age group and awareness of reindeer skin (n=60)
(Questionnaire 2012)

| | Agree | Sort of Agree | Sort of disagree | Disagree |
|---------------|--------------|----------------------|-------------------------|-----------------|
| 21> | 3 | 1 | 0 | 1 |
| 21-30 | 25 | 3 | 0 | 0 |
| 31-40 | 1 | 6 | 2 | 0 |
| 41-50 | 0 | 8 | 0 | 0 |
| 51-60 | 0 | 5 | 2 | 0 |
| 61-70 | 0 | 0 | 1 | 1 |
| 70< | 0 | 1 | 0 | 0 |

5. I know what reindeer skin is and I got the information from

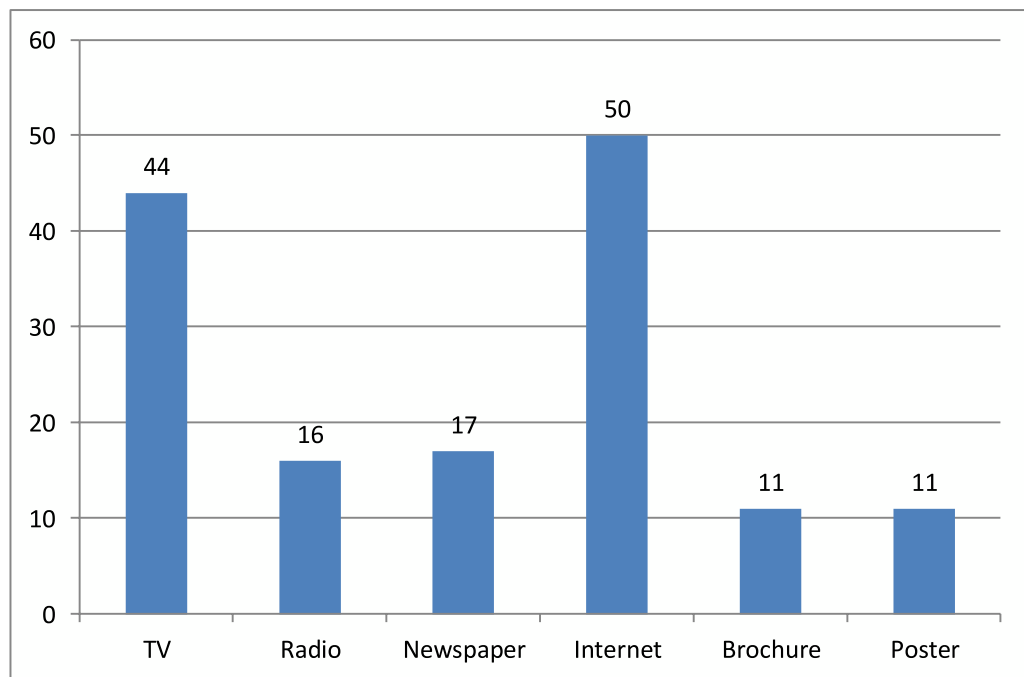


FIGURE 8 Sources Channel from Customers' point of View (n=53)

The amount of respondents is 53 because of it is based on the previous question that they know what reindeer skin is. This question is to get clear idea where and how people know reindeer skins information and it is easier for marketer to do marketing communication in the future.

As can be seen clearly, 50 of respondents chose internet as the main source; 44 chose TV program as the tool. Newspapers and radios are the following channels which occupy 17 and 16 respectively. Brochures and posters are other sources of the awareness for reindeer skin.

Hence, doing more advertisement on Internet and TV program could be a wise choice. For example, designing official home page of luxury shops with reindeer skins; recording videos and sending them to online-video-websites (such as YouTube, Tudou and Baidu) are good way to do advertisements. Frequent repeating is the best way to remember something, so increasing the show-time of reindeer skin in media channel is very essential.

6. I think reindeer skin is a Luxury product

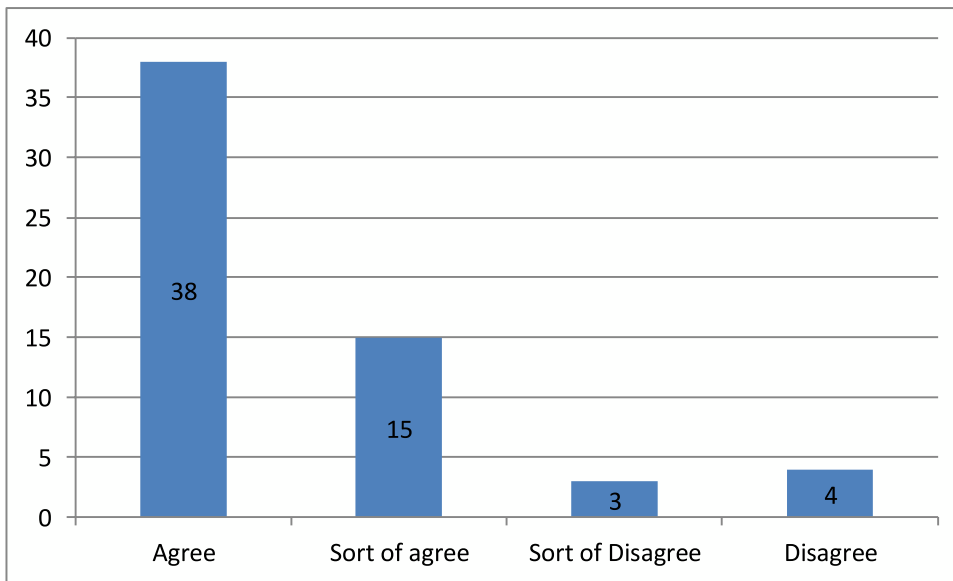


FIGURE 9 People's Image of reindeer skin (n=60)

Reindeer skin will be launched as luxury product from marketer's point of view. While, they have no idea if clients have the same idea, so knowing the image of reindeer skin in customers' eyes are very important that also helps in price setting and do customer segmentation.

Luckily, it is the same like marketer's idea, 53 of respondents considered that reindeer skin is a luxury product; only 4 held the opposite idea.

Objectively speaking, the image of reindeer skin has a big relationship with the price. Because it is treated as luxury product, the high price and value could not be accepted by everyone, after all China is a developing country.

7. I am willing to buy reindeer skin in the future

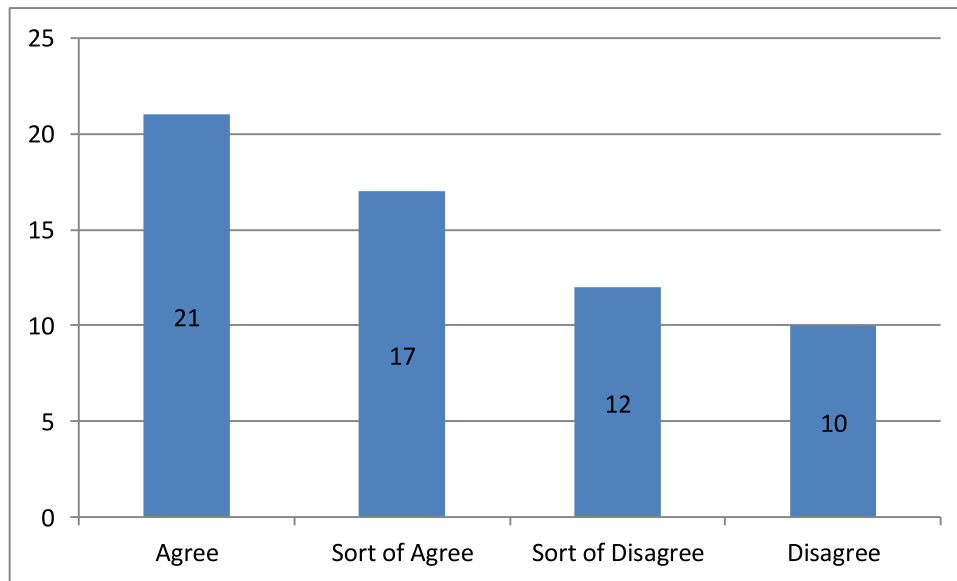


FIGURE 10 Purchasing Attitude of reindeer skin (n=60)

This question aims to directly collect respondents' idea if they are willing buy reindeer skin in the future.

From the result shows above, 21 of respondent are willing to buy reindeer skin in the future; 17 of them are not sure if it is in their consumption; 12 respondents totally disagree and they may not purchase reindeer skin in the future.

According to checking the result, it seems there is a good market in China of importing reindeer skins; people are interest in this new luxury product. So, doing more advertisement by using different media channels such as internet, TV and radio are necessary.

TABLE 4 shows the income level and people's willing to buy reindeer skin in the future that may help market segment and use different tools to communicate with potential customer groups. We can easily see that, people's income level more than 8000yuan (1000€) per month has the big number of willing to buy reindeer skin in the future. People has less than 3000yuan (400€) has the greatest amount of disagree in willing to buy in the future.

Based on the result, it tells marketer that income level is a basic condition for customer to purchase reindeer skin in the future. At the same time, higher income person showed their bigger willing in purchasing reindeer skin that gives a good

direction to marketers, concentrating on this target group by using different marketing communication tools might be a good way to earn sales.

TABLE 4 Relationship between income level and people's willing to buy reindeer skin in the future (n=60) (Questionnaire 2012)

| | Agree | Sort of agree | Sort of disagree | Disagree |
|-----------|-------|---------------|------------------|----------|
| <3000 | 2 | 4 | 6 | 7 |
| 3000-5000 | 2 | 8 | 4 | 3 |
| 5000-8000 | 6 | 4 | 2 | 0 |
| >8000 | 11 | 1 | 0 | 0 |

8. I will buy reindeer skin in the future and the price I may accept (maximum)

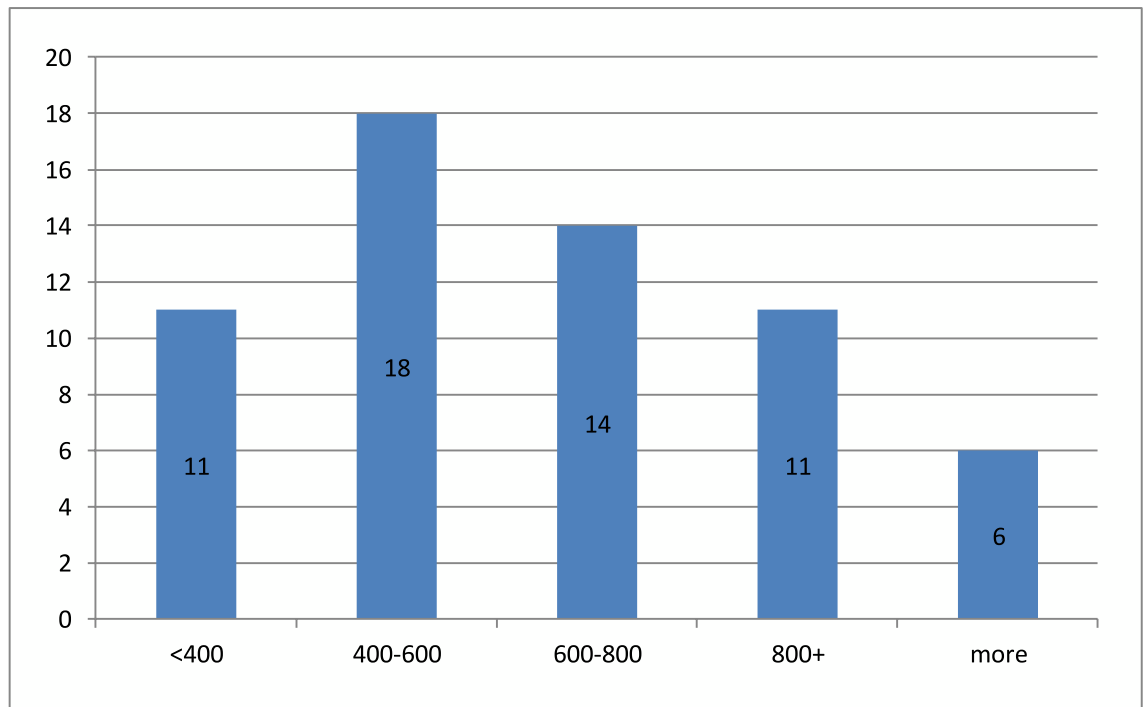


FIGURE 11 price may accept of purchasing reindeer skin (n=60)

This question is to estimate the price of reindeer skin that people can accept. Based on their answer, marketer can set the acceptable price of reindeer skin. Different sizes are in different prices, knowing their maximum accepting price is better to segment and develop.

400-600yuan (50-75€) are acceptable by 18 respondents; 600-800yuan (75-98€) occupies 14 respondents; <400yuan and >800yuan is 11 respectively. Only 6 answered even more expensive that they can accept also.

The result shows a good picture for future development of reindeer skin; a normal size reindeer skin costs 55€ (Leinonen 22nd Mar 2013), transportation fee and other costs gathered will increase the final retail price. And the final price calculated by all the expense is settled 150€ per piece that has 17 from total responses. Especially, following's chapter will give detailed explanation of final price per piece.

9. From my point of view, reindeer skin can be used for

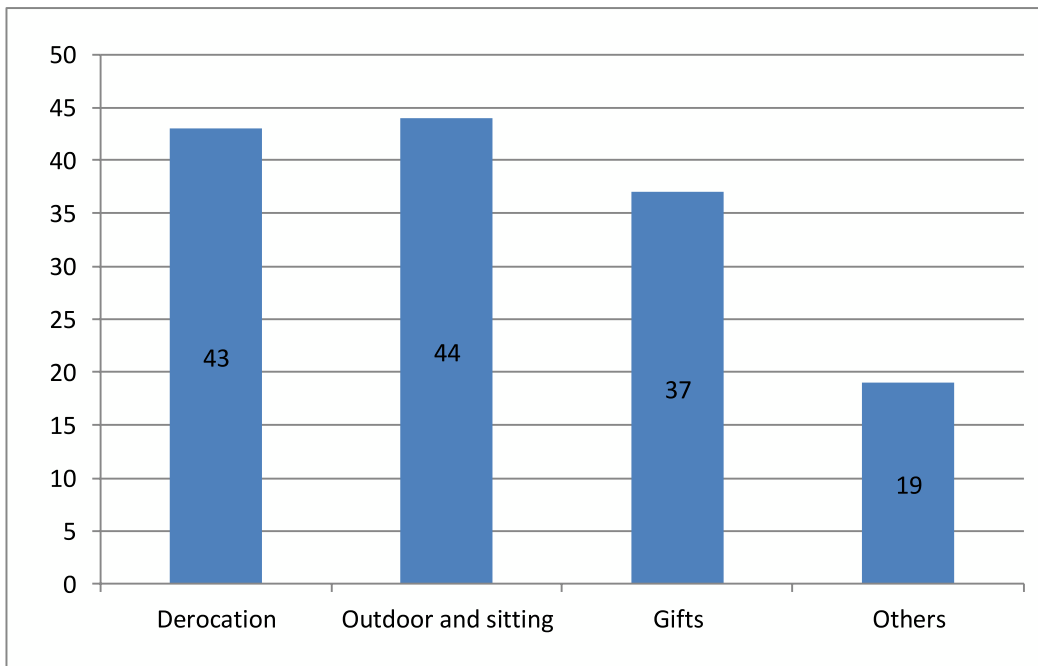


FIGURE 12 Function of reindeer skin (n=60)

This question is concentrating on the function of reindeer skin. From respondents' answers, marketer knows what people may use of reindeer skin for so that marketer can decide different advertisements to attract customers.

The main usages from customers' point of view are outdoor, sitting and decoration. Some of them also consider using reindeer skins as gifts. At the same time, marketer can emphasize the main function when communicate with customers, for example colourful pictures of decorating houses by using reindeer skin; comfortable sitting chair with reindeer skin. Meanwhile, putting fashion style and unique designing are welcomed elements by people as well.

3.2 Evaluation of the data from questionnaire research

The purpose of this survey is to know if people in Beijing, China are interested in luxury product-reindeer skin; and if they would be intended in buying reindeer skin in their future consumption. Out of exception, all the respondents answered very well and did provide useful information during this survey. According to analysing the questionnaire and result, it gives a good picture and makes marketer more interested to do this business in the future.

Analysis of the result of questionnaire

These questionnaires were sent to people who visited luxury shops during Christmas holiday 2012 through paper documents. There were three luxury shops selected as target partners. At the same time, these three shopping hall have similar amount of visitors which ensure the number of visitor in luxury shops has no big difference. Hence, during the analysis part, these three shops are gathered to do analysis.

Through this research, lots of information has been shown clearly. Majority people in Beijing do know reindeer skin and the sources of reindeer skin are variety: Internet and TV programs are main media channels. Quite a lot of people, around more than half of respondents are interested in reindeer skin and they may purchase it as luxury product in the future. The price they may accept is from 400-800 based on different sizes and quality of products.

Hence, as what has been mentioned before, there is a good luxury market in Beijing China. Increasing their notification of reindeer skin is a touching point, in this level; marketer can use direct mail and personal selling as communication tools to communicate with customers directly. Media channels such as Internet, TV programs are other useful tools as well.

4 PLANNING FOR EXPORTING REINDEER SKINS FROM FINLAND TO CHINA

A good plan of exporting strategy is the starting point of successful marketing. A brilliant strategy means nothing if the organization could not manage it with the correct implementation way. Hence, the implementation process plays an important role in a business which turns the plans into actions and achieves the marketing objective.

4.1 Participants

Buyer, seller and transportation company are main participants in this international business, so choosing suitable partners seems very significant.

Buyer

In China side, Beijing as a capital city has thousands of luxury shops, some of them are locating in shopping center and the others are inside of shopping halls. As has negotiated with Chinese Luxury Shops in Beijing, finally, three shops (XinTianDi; YinTai and Coach) located in shopping halls are interested in this international trade. In addition, these three luxury shops are all locating in Changping District, Beijing, China. (Detailed addresses are: XinTianDi- Zhongshan Road 11, Changping District, Beijing; Yintai- Jia 585, YintaiShopping Center, Changping Direct, Beijing; Coach- NO.5 in Yangguang Middle Road, Changping Direct, Beijing). At the same time, according to the interviews from personnel of these three shops, they mentioned that, visitors were 15 to 20 per day in each shop and they had same amount of personnel: 3 staffs in each shop. Analogous annual sales: 20,000-30,000euro per year. (Du et al 20th November 2012)

Seller

In Finland side, according to searching the information from internet and magazine materials, it was founded that many Finnish companies such as Ultima Thule and KeminNahkatarvikeOy are professional in both domestic and international market. It seems that if this business will really happen in the future, seller from the mentioned companies could be a good option.

Transportation

Transportation Company is the connection between Finland reindeer skins and China Luxury shops, thus, selecting a reliable transporting company ensures the development of this business.

Helsinki is chosen as the departure city of this trade and means of transportation from Helsinki can be concluded in different ways: train; road; air and ship. Train transportation, recommended by logistics teachers from Finland to China across Russia is the shortest distance; however, the INCOTERMS and documentation should be prepared enough in Russia which brings more inconvenience. Air transportation takes shorter period 2-3 days, nevertheless it is the most expensive one; Road transportation takes the longest period and the same situation with train. Finally, it was decided to choose sea transportation as main transportation for this international trade. One Chinese shipping company named: SEABY Transportation Company is willing to do this business. TABLE 5 shows the detail information of transportation blow is from SEABY official website

TABLE 5 Transportation Information (SEABY 2013)

| |
|---|
| Departure: Helsinki to Beijing, China by sea |
| Route: Finland via Hong Kong to Tianjin, China |
| Transit Time: around 28-35 days |
| Price: based on weight and volume. 20-70\$/cubic meter |
| Packing Info: 20feet (5.69m/2.13m*2.18m)high cube container |

Particularly, SEABY transportation finally decide the transportation cost of reindeer skin is 60\$/cubic meter. What's more, each standard size reindeer skin is around 1.3square meters and the thickness is around 0.1m (Leinonen Mar 2013), that is to say in one container (20feet high cube) can occupy standard size reindeer skin340 piece .Detailed calculations can be found in following content.

4.2 Documentation and regulations

The information from Chapter 3 provides the key documents for exporter and following content will illustrate the detail files that are needed when importing reindeer skin to China and the operation part of this international business.

(1) Contract between Finland reindeer skin Store and Luxury shops in Beijing, China;
 (2) The commercial invoice from Finland reindeer skin Store, particularly, the contract of sale includes the detail description of reindeer skin, the price in different types and payment terms, delivery terms (packing, transportation)
 (3) Packing list that indicated the types of reindeer skin.
 (4) Declaration authorization protocol;
 (5) License of Importing;
 (6) Requirements of the customs processing trade manual (paper or electronic data) and the other relating to importing documents. What's more, customs should retain the original import or export license, and the rest of a copy or copies of the document can be retained. (China's MF, GAC, SAT, 2013, Chapter 27)

In conclusion, this chapter lists the key documents for exporters in an international trade; and the detailed documents for this international trade what are needed if exporter would like to export reindeer skin from Finland to Beijing, China.

Regulation of China on the administration of importing

There are different rules and regulations in international business. Importing and exporting countries have their own systems on administration of international trade. Hence, knowing the basic regulations and system are needed in an international business.

In following content, it will show the regulations, basic controls and documentation in China.

The Endangered Species of Wild Fauna and Flora Import and Export Admiration Regulation formulated that: "the Convention prohibits commercial trade for the purpose of the import or export of endangered wild animals, plants and their product. Due to the special circumstances of scientific research, domestication and breeding, artificial propagation of cultural exchange, imports or exports, shall be approved by the State Council of Wild Fauna and Flora approval of the competent department; approved by the state Council is in accordance with the relevant regulations, they should be reported to the State Council for approval. Prohibit the export of unnamed

newly discovered and important wild life and its products as well as wild animal or plants of the State council or competent authorities banned the export of endangered wild animals or plants and their products". (Administration Regulations of China's ESWFFI&E, 2013, Article 6)

From the Article 8, it formulates the basic requirements if an international business will be operated: "(A) the use of endangered species of wild animals and plants and their products should comply with the relevant provisions of the State; (B) It should have effective control measures and comply with the requirements of ecological safety; (C) the applicant should provide a real and effective materials; (D) it should have other conditions of wild flora and fauna of the State Council department in charge of publicity"(Administration Regulations of China's ESWFFI&E, 2013, Article 7).

According to above regulations, if necessary documents are provided and get the permission from Wild Fauna and Flora of the State Council department, it will have no problem to import to Chia.

Foreign Trade law of the People's Republic of China, states in Article 16: the State may impose restrictions on the import or export of goods and technologies in any of the following circumstances:"(1) the import or export shall be restricted in order to safeguard the national security or public interest; (2) the export shall be restricted on account of domestic shortage in supply or effective protection of exhaustible domestic resources; (3) the export shall be restricted due to the limited market capacity of the importing country or region; (4) the import shall be restricted in order to establish or accelerate the establishment of a particular domestic industry; (5) the restriction on the import of agricultural, animal husbandry or fishery products in any form is necessary; (6) the import shall be restricted in order to maintain the State's international financial status and the balance of international payments."(China's FTL, 2013, Article 16)

What's more, some forbidden products can be found from Article 17: "(1) where such goods or technologies will endanger national security or public interest; (2) Where the import or export of such goods or technologies must be prohibited in order to protect human life or health; (3) where such goods or technologies will disrupt the ecological environment. (China's FTL, 2013, Article 17)

In conclusion, reindeer skins as luxury product exporting from Finland to China is a two-win business. From one hand, it pushes the development of Finnish animal husbandry; from the other hand, it helps to go higher level of Chinese luxury market. At the same time, good sales of reindeer skins in the future illustrate the promotion of living standard in China.

4.3 Calculation

Process, documents and regulation of this international business have been mentioned from above chapters. However, if this business is profitable should also be taken into consideration. In this chapter, it will list all the costs and calculate them to evaluate if it is a profitable trade. TABLE 6 below describes the total investment of this exporting trade.

TABLE 6 Costs of Exporting reindeer skin from Finland to Beijing, China

| Product price | | Transportation cost | |
|--|-------|-----------------------------|------|
| Reindeer skin price(piece)€within VAT14% | 62,7 | Track cost € | 2336 |
| Reindeer skin amount (piece) | 340 | Ship cost € | 1266 |
| Total Price € | 21318 | Total Transportation cost € | 3602 |
| <hr/> | | | |
| Total Investment € | 24920 | | |
| Total Amount | 340 | | |
| Price(piece) € | 73,29 | | |

From the table, we may easily read that the total investment of reindeer skin is around 24920€ and we divided it into 340 pieces, finally it is around 74€ of each piece of reindeer skin that will export to China. The final retail price will be shown in following content.

Other data to explain Table 6:

Weight of RS: 1kg/per piece middle size (Leinonen 22nd Mar 2013)

Size of RS: 1, 3mX0, 6mX0, 1m= 0,078m³ (Leinonen 22nd Mar 2013)

Size of container: 20feet (5.69mX2.13mX2.18m) = 26,42m³ (SEABY 2013)

Number of RS in one container: $26,42/0,078=339\text{---}340$ pieces

Total weight of RS: $340 \times 1 = 340$ kg in one container

Product Price:

- Reindeer skin in wholesale price: standard size is around 55€/ per piece. (Leinonen 22nd Mar 2013)
- Amount of reindeer skin: 340 pieces.
- Value added tax: 14% (WORLDWIDE-TAX 2013)
- Total product price: $55 \times 1.14 \times 340 = 21318$ €

Transportation Cost:

- From wholesale store to Helsinki harbour by track: 1356€ (Gets.cn 2013)
- From Helsinki to Chinese harbour by ship: 1620\$(1265.82€) (SEABY 2013)
- From Chinese harbour to Luxury shops (by track) :980€ (Gets.cn 2013)
- Total transportation cost: $1356+1266+980 = 3602$ €

Total Investment= Total Product Price+ Transportation Cost

Total Investment= $21318+3602=24920$ € $24920/340 = 73,29$ € /per piece

It is around 74€/ per RS

The final retail price will be shown in following content.

5 CONCLUSION AND FUTURE SUGGESTIONS

In this thesis, main idea is to export reindeer skin from Finland to Beijing, China. Getting familiar with current market situation in China is one important part of marketing analysis; know the basic strategies of exporting are the core part of this thesis. Both of these two theoretical issues support the implementation of this exporting trade if it will be carried on in the future. Transferring to operational part, three luxury shops locates in Beijing are participating in this trade as buyers. SEABY Transportation Company as transporting partner joined in. For seller side, no exacta wholesale store wanted to cooperate, however it did not influence the whole process, they kindly provided information that are needed in this thesis.

For the implementation, questionnaire, as a quantitative method, was used during the research. 60 copies of questionnaires were sent out three luxury shops in Beijing, China. All of them were paper document and answered rate was 100%. According to analysing respondents answer, it shows a good picture for future development of this business: more than half of respondents are interested in reindeer skin and they may purchase it in the future. The price of reindeer skin people can accept is no big difference with the price shown on the price list of reindeer skin. Meanwhile, the question related to sources of reindeer skin is asked, respondents did give good advises what marketer can do to deliver the message by using accurate media channels to interact with customers such as internet, TV program and videos.

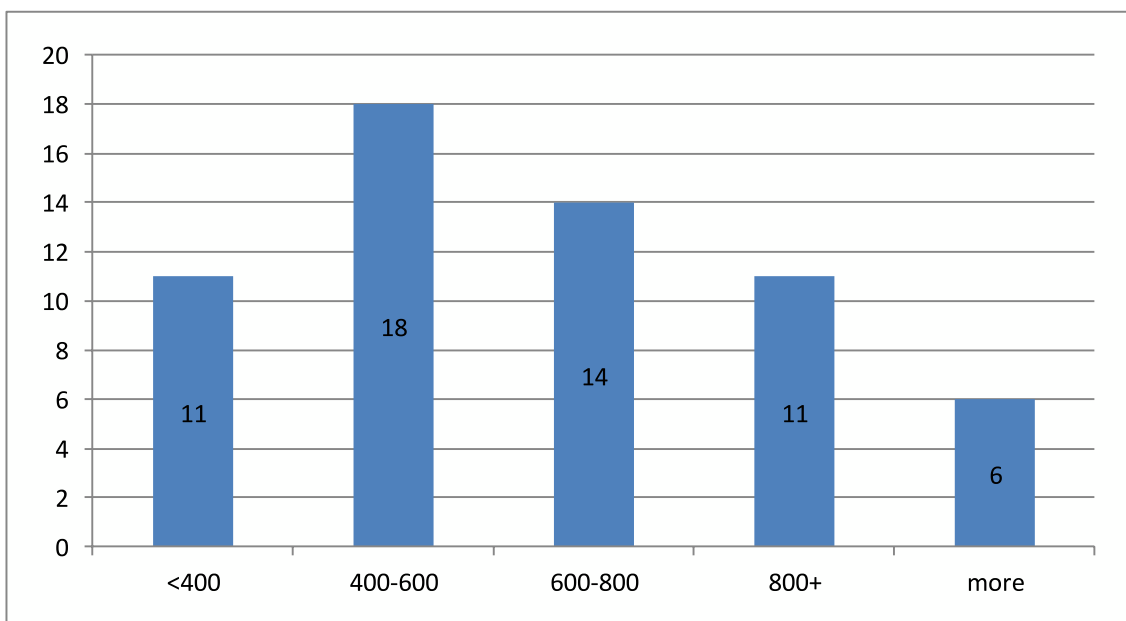


FIGURE13 price may accept of purchasing reindeer skin (n=60)

For the retail price setting part, as what has been shown before, final wholesale price to Beijing, China is around 74€(within VAT) of standard size's reindeer skin. What's more, after checking the price list of reindeer skin in current Chinese luxury market (early 21st century), they provide the price ranges are 1000yuan-1600yuan (around 125-200€) based on different sizes. Hence, in this business, the final retail price of standard reindeer skin is settled **1200yuan (around 150€)**. At the same time, as can be seen from questionnaire's result (FIGHRE 13), price may accept more than 800yuan+ have 17 respondents.

Problems during thesis

During this thesis, it was founded that the most difficult task was to search the regulations and documentations to import or export with China. Comparing with theoretical knowledge, this part is more practical and challenge. Besides, translation is another hard part, especially for the proper noun and special regulation only needed in China.

In the practical phase, getting in touch with customer who visited these three luxury shops was not as difficult as expectation. As what has been mentioned before, respondents gave useful information and suggestions to help marketer to carry on this business. At the same time, it was the successful part of this thesis comparing with finding sources of regulations and documentations.

However, there are something needs to be improved: if it was more respondents of the survey it would be a better evidence to show the result. Only 60 respondents were not enough to show customer's attitudes of reindeer skin exporting Beijing, China. So, the more participants joined in, the more convincing the result will be.

Future suggestions

Based on the research result, there are several points suggested:

Firstly, current **Chinese market analysis** is the foundation of this business; **updating market resources quickly** is the key point because of China's fast growing. In this point, marketer may follow the fashion trend from European style and bring them to China. In these years (early 21st century), more and more Chinese people are becoming European style orientation, and they are interested in clothes, shoes or other products with European style.

Using appropriate **marketing communication tools** is touching point to interact with clients. In this thesis, reindeer skin, as an exporting product, will be launched in luxury shops.

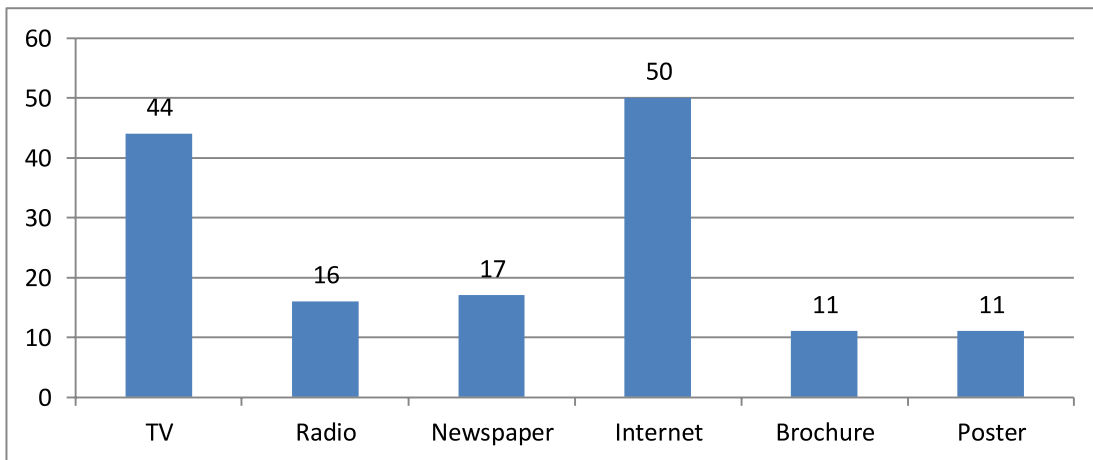


FIGURE 14 Sources Channel from Customers' point of View (n=53)

As it shows in FIGURE 14 resources of reindeer skin, doing more advertisements on internet and TV program could be a wise choice. For example, designing official home page of luxury shops with reindeer skins; recording videos and sending them to online-video-websites (such as YouTube, Tudou and Baidu) are good ways to attract people's attention. Meanwhile, personal selling method could be a best to convey the news from sales person to potential customers. Brochures of this new product could be sent from shops to potential customer directly.

Correct **customer segmentation** from sudden clients to loyal clients helps marketer to fulfil customers' requirements and expectations. From TABLE 7 below, it can be easily seen that people's income level has a big relationship with their willing to purchase reindeer skin. Hence, marketer may focus on the last group whose income is more than 8000yuan (1000€) per month. For this group, as what has been mentioned above, personal selling is a good way interacts with customers. 3000-5000 and 5000-8000 groups could be use personal selling as well to be built the relationship.

TABLE 7 Relationship between income level and people's willing to buy reindeer skin in the future (n=60) (Questionnaire 2012)

| | Agree | Sort of agree | Sort of disagree | Disagree |
|-----------|-------|---------------|------------------|----------|
| <3000 | 2 | 4 | 6 | 7 |
| 3000-5000 | 2 | 8 | 4 | 3 |
| 5000-8000 | 6 | 4 | 2 | 0 |
| >8000 | 11 | 1 | 0 | 0 |

After sales services is another significant process in the whole business. Personnel from luxury shops may contact their customers regularly to get feedbacks and know their attitude of this new product. These feedbacks and customers' answers will be used for setting business objective in following year.

In conclusion, all the research and different efforts tell that it is a profitable business to exporting reindeer skin from Finland to Beijing, China. Marketer can get a big profit if this idea will be carried on in a real business in the future. However, exporting products to other countries is a risk; however, if marketers do enough market research before implementing, it will have a different consequence. According to evaluating the research results and understanding the basic theoretical knowledge, it seems there is no problem to carry on this business; however, if it will be done in a real business, markets need to do deep analysis, find enough resources and detail issues of how to settle these problems are belonging to future research.

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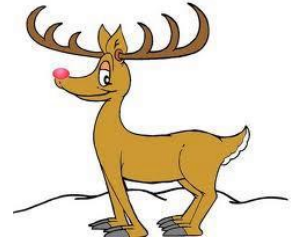
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APPENDIX 1

Dear Customers,

Good news! A new product (reindeer skin importing from Finland) will be published next year on this shopping hall; hence we need your help to finish this survey. Your response is only used for researching purpose without any other business events. Thank you for your cooperation and have a good day!



1. Choose your age from the box below

<21 21-30 31-40 41-50 51-60 61-70 >70

2. Gender Female Male

3. Income level _____ (per month)

<3000yuan 3000-5000yuan 5000-8000yuan 8000yuan

4. Place of Residence _____

5. I know what reindeer skin is

I agree I Sort of agree I Sort of disagree I disagree

6. I know what reindeer skin is and I got the information of reindeer skin from

TV Radio Newspaper Internet Brochure Poster

7. I think reindeer skin is a luxury product

I agree I Sort of agree I Sort of disagree I disagree

8. I am willing to buy reindeer skin in the future

I agree I Sort of agree I Sort of disagree I disagree

9. I will buy reindeer skin in the future and the price I may accept (maximum) _____

<400yuan 400- 600yuan 600-800yuan 800+yuan more

10. From my point of view, reindeer skin can be used for _____

Decoration Outdoor and Sitting Gifts Others

Thank you for your time!

APPENDIX 2

尊敬的顾客，您好：

好消息！本购物中心，将要在明年初推出一个新的商品（从芬兰进口来的驯鹿皮），因此我们需要您的帮助来完成这个调查问卷。您的回答将只作为调查和研究，并不涉及任何商业活动。谢谢您的合作，并祝您在本中心购物愉快。



1. 在下面的选项中选择您的年龄

<21 21-30 31-40 41-50 51-60 61-70 >70

2. 性别 女 男

3. 收入水平____(每月)

<3000 元 3000-5000 元 5000-8000 元 8000 元

4. 暂住地_____

5. 我知道驯鹿皮是什么

同意这个说法 部分同意 部分不同意 不同意这个说法

6. 我知道驯鹿皮，我从以下途径得到关于驯鹿皮的信息

电视 广播 报纸 网上 宣传 手册 宣传展板

7. 我认为驯鹿皮是一种奢侈品

同意这个说法 部分同意 部分不同意 不同意这个说法

8. 我将来愿意购买驯鹿皮

同意这个说法 部分同意 部分不同意 不同意这个说法

9. 我愿意购买驯鹿皮，我可以接受的价格最大值是

<400yuan 400-600yuan 600-800yuan 800+yuan 更多

10. 在我看来，驯鹿皮可以用作_____

装饰 户外取暖和座椅靠垫 礼物 其他

谢谢您的配合！