



SEINÄJOEN AMMATTIKORKEAKOULU
SEINÄJOKI UNIVERSITY OF APPLIED SCIENCES

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Esla Market Analysis: Colorado

Case company: E.S. Lahtinen Oy

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Thesis abstract

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Nowadays companies are more international than ever before, and they operate in different countries and continents. To gain entry to a new market area requires expertise and knowledge of the target market. Finnish companies are dependent on export to other countries to keep up with the increasing competition, as the domestic markets may not be sufficient to ensure the growth of the company.

The goal of this thesis is to examine Colorado as a new market area for the Finnish company E.S. Lahtinen Oy. The thesis uses different market analyses to gain knowledge of the state of Colorado in the United States and how the products of ESLA will gain a foothold in the local markets.

The research revealed that the State of Colorado in the USA is an exceedingly potent market area for ESLA, with its threats and opportunities. The research provides in-depth information about the business environment and culture of Colorado, thus promoting for a more successful expansion to the markets.

Keywords: marketing, market analysis, strategy, the United States, Colorado

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Nykyajan yritykset ovat kansainvälisempiä kuin koskaan aikaisemmin. Ne operoivat eri valtioissa ja maanosissa, ja onnistukseen laajentumisessa, yritys tarvitsee paljon osaamista ja tietoa kohteena olevasta markkina-alueesta. Suomalaiset yritykset ovat riippuvaisia ulkomaan markkinoista, ja laajeneminen on välttämätöntä kasvun varmistamiseksi.

Tämän opinnäytetyön tarkoitus on analysoida Coloradon uutena markkina-alueena suomalaiselle yritykselle E.S. Lahtinen Oy:lle. Opinnäytetyö hyödyntää eri markkina-analyysijä löytääkseen tietoa Coloradon osavaltiosta Yhdysvalloissa ja kuinka ESLA:n tuotteet saavat jalansijan paikallisilla markkinoilla.

Tutkimus osoittaa, että Coloradon osavaltion on erittäin potentiaalinen markkina-alue ESLA:lle, ja tuo mukanaan omat uhkansa ja mahdollisuutensa. Tutkimus tarjoaa yksityiskohtaista tietoa liike-elämästä ja kulttuurista Coloradossa, ja näin tukee yrityksen laajentumista markkinoille.

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Terms and Abbreviations

ESLA	E.S. Lahtinen Oy
USA	The United States of America
Kicksled	A man-powered sled used for traveling during winter. Built by combining metal runners to a chair with a handlebar
CEO	Chief executive officer
CSR	Corporate social responsibility
EU	European Union

1 INTRODUCTION

The world of business is constantly becoming more globalized, and economies are linked together thus require each other to survive competition. Companies have not operated only in domestic markets for a long time, and currently they can operate all around the world and on different continents. Entering new market areas can prove out to be challenging, since the company is stepping into a completely business area that has its' own way of conducting business. Differences in for example culture, economy, language and buying habits make the traditional way of understanding markets hard to implement in the market area. Competition nowadays is fierce and stepping into a market dominant company's area in a new country is risky. Market analysis is a key tool to reduce the risk of entering the new markets (Kuligowski, 2020).

The international company in this thesis is a Finnish company E.S. Lahtinen Oy, and the researcher will examine the expansion to the new target market, the state of Colorado in The United States of America. Many of the Finnish companies are nowadays required to expand their operations abroad, since the domestic markets may not provide enough demand for products due to for instance competition, lack of demand for a specific type of product or simply the lack of interest for a product. According to Elo (2015, p. 77), there are three factors that determine whether a business is successful or not:

- The product is generally useful and needed, or otherwise in demand.
- The product does not have a compensatory product and does not face too hard competition.
- The product is not extremely regulated in the markets.

These same factors have been pointed out by the investor Warren Buffet, who named companies that fill these points "Franchise-Companies". These same factors can be implemented in smaller companies such as ESLA.

The factors are named “the moat” which protect the company from competition in the markets and enable sustainable competitive advantage. By understanding the strengths and weaknesses of your own company, it is much easier to form up the same “moat” to protect your business. In addition to the factors pointed above, the company benefits from being a market leader in its own market area as well as operates in a larger scale, in this case operating abroad its domestic markets (Hämäläinen et al., 2021, p. 60). All the authors above agree that Buffet’s instructions about “the moat” are fundamental for a business to ensure its growth. ESLA currently dominates the markets of kicksleds in the Finnish markets and does not face overwhelming competition in the foreign markets. Currently the company is expanding abroad rapidly which ensures the demand and networks outside Finland.

1.1 Objectives and purpose of the research

The main purpose of this research is to examine the target market Colorado and identify its’ characteristics as a new business environment. The research gathers information about Colorado and its conditions, such as possible retailers and competition. This research helps the case company to gain as much knowledge as possible of the markets it is about to enter with its’ products. The main objective can be summarized to reduce the risks of entering the market.

The market focuses on winter transportation which ESLA is aiming to enter with its kick-sled-products. The research acts as a guide to the case company, and the choice for the way of implementing this research into their market entry is left to the company itself.

1.2 Research problem

The objectives of this thesis aim to answer the research problems and questions listed below:

- How to reduce the risk when entering the target market of Colorado?
- Is the target market suitable for market entry?
- Analyzing the population, competition, and business environment in Colorado.
- Examining the target market through different market analyses.
- Measuring the strengths and weaknesses of E.S. Lahtinen Oy.

The research focuses on target market and its business environment that supports the company's market entry in the specific market area.

1.3 Structure of the thesis

The thesis begins with the introduction of the topic and research problem, as well as the purpose of the research. Research methods, data acquisition process and literature review will be followed by market analyses about the target market and the company. The results of the analyses are presented after the theories of each analyse.

1.4 Limitations of the research

As the research acts as an analysis of a target market and supports the current expansion of the company to the markets, the goal is to help the company find the best possible outcome. However, the research does not present a one clear way to enter the market. The choices and actions are left to the company itself. The economic conditions in target markets and the world overall are constantly changing, such as the consumer spending and household incomes, which in turn can change the profitability of the target market. Recent global events, such as the COVID-19 pandemic and the 2022 Russian invasion of Ukraine can affect the market conditions in the future and cause unexpected events in every economy.

Due to the target market being located on a different continent, the researcher has difficulties reaching the target group directly, and must rely on secondary data, which in turn can change frequently. Although the data used for the research is up-to-date, primary data in market analyses is important to especially when cooperating with retailers. The results of the research can be relevant at the current time but to remain up to date with the markets and demand, direct and lasting connection have to be made with the local retailers of the target market. Each country in the world has its own laws, which can be hard for a researcher to analyze, especially in as large country as the United States, which is divided into states that have their own set of rules.

The research focuses mainly on the kicksled-products, although ESLA features a range of products suitable for other seasons rather than only winter. The products suitable for the other seasons can be utilized in the same market area but the information about them remains short.

2 CASE COMPANY: ESLA

The case company of this thesis is a Finnish winter transport manufacturer E.S. Lahtinen or ESLA. The company has a long tradition of producing iconic kicksleds as well as a number of different ways of transportation for instance kickcycles during summer times. ESLA operated mainly inside Finnish domestic markets due to its' small size in production and staff. After developing a way to produce high-quality products in high numbers with relatively small number of staff, the company started to expand to foreign markets, where it quickly met demand for its' products and is currently scouting new markets to expand further. ESLA is currently the market leader of kicksleds in Finland and Scandinavia and is starting to become a popular choice for alternative transportation during winter in countries where similar products are not known (ESLA, n.d.-a). The company also provides transportation for other seasons than only winter. For example, kickcycles and scooters.

E.S. Lahtinen's journey started in 1928 when its founder, Erkki Samuli Lahtinen started retailing motorcycle and bicycle parts in the city of Seinäjoki, Finland. The company also provided maintenance for several types of vehicles. The company later expanded to selling actual motorcycles rather than only providing parts and maintenance (ESLA, n.d.-a). After running the company for a certain amount of time, Lahtinen had gained a large amount of experience about machinery and business. The retail of motorcycles did not turn out to be profitable enough, although the products themselves provided the company with parts for the machinery. In 1933, ESLA started to mass produce kicksleds, using the customized machines built by using the spare parts of the vehicles originally intended to be sold. The machinery was specifically designed to produce the kicksleds cost-efficiently, and due to the use of spare parts, the cost of acquiring these machines was also low.

Between 1977 and 1980, the company experienced many changes. The first step was the start of exporting ESLA products abroad, first in Sweden. The target market had a similar climate suitable for kicksleds, thus making them a popular choice for people to travel.

Along with the expansion to a new country, the family business decided to become a limited company, that has been owned entirely by family members. In 2018, foreign market areas that had the highest demand for ESLA kicksleds were Norway, Canada and Sweden (Mäkipere, 2019). Nowadays ESLA is expanding abroad rapidly as demand for products

as unique as kicksleds is rising. Consumers are becoming more interested in a sustainable and cheap way for transportation. Currently ESLA has several retailers in 12 different countries, and more retailers and areas are being discovered (ESLA, n.d.-c). The current countries besides Finland where the company has retailers are the following:

- Sweden, 22 retailers
- Czech, one retailer
- Estonia, four retailers
- France, two retailers
- Germany, three retailers
- The Netherlands, one retailer
- Norway, one retailer
- Poland, one retailer
- Switzerland, two retailers
- Russia, one retailer
- Canada, two retailers
- United States of America, four retailers

ESLA keeps refining its ability to produce high quality products and respond to demand quickly, as the readiness to produce larger quantities of kicksleds is currently 300 in a day (ESLA, n.d.-b). In the United States, where the current target market Colorado is located, ESLA has established itself in four different states: Massachusetts, Alaska, Wisconsin and Minnesota (ESLA, n.d.-c). According to Möller and Kettumäki (2022), for last two years now, the demand for kicksleds has been significantly higher outside Finland, especially in the United States. The climate for ESLA's products has been suitable for last few winters, and the current pandemic has affected consumers' opinions about healthy lifestyle and outdoor activities. ESLA features two additional states with retailers in the US markets,

which are not listed above with the retailers, which are New Hampshire and Florida. These market areas are fairly new and for example Florida has a climate only suitable for products such as the kickcycle and scooter, and not the main product, the kicksled (internal data source, 30 May 2022). For approximately seven years, a quarter of turnover comes from the US markets, which explains the demand of ESLA's products in the country.

ESLA is currently featuring a quite new product in the markets, which is the dog-sled, that has high demand in the northern states in the USA. The product is equally attractive to the consumers as the main product as it offers a sustainable way to travel.

3 RESEARCH METHODS AND ACQUISITION

3.1 Research methods

According to Saunders et al. (2012, p. 161), research can be divided into three types which are quantitative and qualitative as well as a mixed method research. Quantitative research is about gathering data based on numerical data and statistics, and generally answers to questions, how much and how often (University of Newcastle, 2022). The method is useful in gathering large amount of data or reaching a group of people or information. The method is efficient, quick and can be done in the form of questionnaires and surveys. Quantitative research can often mislead the researcher, as in certain situations for example in surveys, the data can be limited and important information can be left out (The Balance Small Business, 2020).

Qualitative research is more specific than quantitative and covers more in-depth knowledge of specific data. University of Newcastle (2022) explains that qualitative research gathers data about emotions, behaviors and overall, more individualistic data through more time-demanding research, such as interviews and document analysis. Qualitative method is concerned with fully comprehending a topic or issue. The goal is to collect comprehensive and demonstrative facts that will help the researcher understand various aspects of the issue or topic at hand (Almeida et al., 2017). The data collected with qualitative method can often be more time consuming since the interviews will be done with specific sources, such as retailers and contacts in a certain company. Individuals and their opinions are recognized in qualitative research, and an attempt is made to comprehend their point of view as they perceive it.

According to Gaille (2018), unrestricted enquiries are the foundation of qualitative research. He claims that it collects data in a unique way. Rather than giving questions with a limited number of precise response alternatives, as in large surveys, it allows people to share their personal thoughts and experiences. Whereas quantitative method can highlight already existing patterns for specific topics, qualitative method can reveal these patterns and show why they exist in the first place (Naresh, 2021).

The two methods above can also be combined to form mixed methods research, that utilizes the strengths of them both and minimizing data loss and countering their weaknesses. Mixed methods research is overall a more holistic approach than using only either one of the originals, thus producing more detailed, yet broad data. Combining the two methods of qualitative and quantitative, a theory discovered by the other method can support the other. For example, research done by qualitative method could only concern few individuals, and leads to generalization of findings discovered to other individuals

3.2 Data acquisition

According to Benedictine University (n.d.), acquired data can be divided into primary and secondary data. Primary data is knowledge discovered by the researcher personally through qualitative or quantitative methods, such as surveys or interviews. Secondary data has been already discovered by other organizations such as governments and facilities and is shared for further research to generate additional sources for researchers. For example, in this thesis the demographics used to support the research is secondary data provided by the government of the target market.

In this analysis, most of the data will be acquired through use of mixed methods research and is based mostly on secondary data. The data consists of various international articles, journals and books as well as official government data. Cheng and Phillips (2014) explain that the main advantages of secondary data are the low cost and access to large databases. The increased ability to acquire knowledge through the internet has made data acquisition easy for researchers all around the world, as scientific articles done by professionals can be accessed regardless of location and time. Although secondary data can be efficient, the accuracy of the data can be difficult to measure, since the data can be used at any time regardless of if it is up to date or not. The mixed methods research allows the researcher to gather large amount of data of the target market.

According to George (2021), a third type of acquired data, which is tertiary data, that identifies primary and secondary sources, which can be indexes and encyclopedias. Tertiary data often summarize information and ideas and are not credited to an author.

The knowledge produced for this research will be done using mode 2, which focuses more on practical side of knowledge, providing a solution to a challenge in the real world (Brainmass, n.d.). This is important since the research is done to support a company to enter new markets. Mode 2 can be seen as a vital part of studies done in university of applied sciences, as often they are more focused on the practical aspect than focusing entirely on theory.

3.3 Data implementation

To understand the target market and the consumers better, the researcher utilizes several methods of market analysis of which the most known are likely SWOT-analysis and PESTLE-analysis. The thesis answers to the company's question: what should we expect? The target market is researched and summarized in the beginning and continues to in-depth information in the form of the market research, such as the ones mentioned above. Data collected from the market analyses will form the results which will be used by the company to examine Colorado as a potential new target market. Buying habits and demand in the target market will be analyzed which will help retailers understand consumers' needs (Soltius, 2017). This will also benefit ESLA as the company acts also as a direct retailer for customers, rather than only acting as a manufacturer that produces the goods. According to Moore (n.d.), there are four key steps of implementation data:

- Collection of data
- Validation
- Analyzing
- Finding the correct data and linking them

The collection of data is described above. The collected data is primarily secondary and somewhat tertiary data, using summarization of large samples of data. The validation of data will be done by measuring the consistency of the data and recognition of the author. Analyzing the data will allow the researcher to find the most relevant data for presenting concrete facts about the target market. The last results will be presented in the market analysis results that form a clear overview of the target market and consumers by linking

all the data together. For example, high demand for kicksleds in a climate suitable for them can be seen as a potential target market.

4 LITERATURE REVIEW

4.1 Validity and reliability

Nowadays information can be accessed and shared by everyone, and it is not always simple to evaluate if the information from the source is reliable. Middleton (2019) states that a reliable source is measured by its consistency to prove same information with the same methods and under same circumstances. If several identical tests are conducted at the same time, and they provide the same result, a method or source is reliable. O'Brien and Orn (2018) explain the same test of reliability with a simple example. If a researcher measured distance with a ruler between two points on a flat surface, and repeated the same test multiple times, the researcher would have relatively reliable results. The secondary data in research must be evaluated for its reliability based on the author or publisher of the data. The data must be proved scientifically by an official organization or author with expertise. The data must be up-to-date and has not to have conflicts of interests for example ties to an area or ideology.

According to George (2021), the reliability of data can be examined with five ways, which are following:

- Is the data up to date?
- is the source relevant for specific research?
- Is the author or organization recognized?
- Is the data supported by facts and what is the origin of the data?
- What is motive of the publishment?

As mentioned in the previous chapter, the main source of this research is secondary data, and the researcher must be careful with the sources in order to produce valid information. Most of the data has been extracted from international journals and articles of business that focus mainly on marketing. The larger demographic facts about the target market

have been extracted from official sites such as government agencies and state statistics. The data of the company is provided by the company itself, along with business articles of the most recent news of it.

5 CORPORATE SOCIAL RESPONSIBILITY

According to Fernando (2022), corporate social responsibility, or CSR is a business model that helps companies to be aware of the impact they have on societies, in environmental, social and economic level. All these have an effect of the brand image and consumers' attitude towards the company. European Commission (n.d.) states, that some of the best ways for companies to include CSR in their operations is following all laws and regulations as well as integrating ethical and social factors to their business strategy. The importance of sustainable business has risen due to alarming effects of climate change and pollution. CSR is equally important to both the consumers and the companies themselves, as the companies that follow CSR policies contribute more to the communities, while in turn consumers help companies' contribution with their buying habits.

According to Reckmann (2022), CSR should not be used as a mere marketing tool, although it would make companies more appealing to consumers. The CSR-policies should be core values for a company. Finnish companies and their CSR can be measured with the Finnish Key Flag Symbol, which can be obtained by the companies if at least 50% of the raw materials and production of a product or service is done in Finland (Association for Finnish Work, n.d.). The symbol is highly recognized in the domestic markets and often products and services featuring the symbol are favored over the ones that do not feature it. The price of the use of the symbol is measured by the turnover of the products and services that the symbol is awarded. The price is 0.01% of the turnover of the product of the service, which means the fee is usually approximately 97-5900 euros per year, depending on the turnover.

A part of CSR and the ethical approach of it is the treatment of employees and safety of the work environment. The employees' rights have to be respected and they have to be provided with a safe environment to work, for example machinery in a company must meet the safety requirements and all the employees have to be treated equally. Companies that follow CSR-policies are also an attractive decision for investors all around the world, since the responsible company is equally attractive to customers (Reckmann, 2022).

6 TARGET MARKET: COLORADO, UNITED STATES OF AMERICA

6.1 General Information

Colorado in the United States is located in the center of the country, bordering other states such as Arizona, Kansas, Utah and Wyoming. The total area of the state is roughly 104,100 square kilometres, making it the eight largest state in the USA. According to World Population Review (2022), the total population of Colorado is 5,961,083, thus making it the twentieth most populated state. The area of Colorado can be divided into four different regions, which are the following: The Great Plains, the Rocky Mountains, the Colorado Plateau and the Intermontane Basin (Nationsonline.org, 2022).

The capital city of Colorado is Denver, where a lot of its industry is located, such as aerospace industries and information technology. The population of Denver is approximately 690,000 (CityTownInfo, n.d.). The state's main industries are natural resources for example mining, manufacturing, agriculture, and service industry, for example healthcare solutions, high tech services and finance. Tourism and outdoor recreation also play a major role in Colorado's economy, as one of the largest of the services. Accommodation and tourist attraction sites that offer outdoor activities such as skiing, and mountain climbing are extremely popular for people all around the world. In Colorado, a tourist can find several national parks such as Rocky Mountain, Mesa Verde, Great Sand Dunes, and Black Canyon of the Gunnison.

The location of Colorado is an interesting advantage as it is located in the center of the United States. The tourism that acts as a major part of the economy benefits from this location and accelerates the demand for outdoor activities and transports. ES LA's kicksleds will gain additional visibility during winter times when tourism rises along the rise of popularity of wintertime sports and vacations.

6.2 Finnish Immigrants in Colorado

According to Finland Abroad (n.d.), Colorado has approximately 300-500 Finnish citizens and 10,000 Finnish-Americans living in the area. Finnish immigrants arrived in Colorado in 19th and 20th centuries, and often worked as miners. For example, communities of Leadville and Telluride used to have a great number of Finnish immigrants working in gold and silver mines. Modern day descendants of Finnish immigrants are located around the areas of the largest metropole areas such as Denver, Boulder, Colorado Springs, and Fort Collins. It is stated that Finnish in Colorado are generally well educated and work in a variety of fields of businesses, as well as many of them being entrepreneurs (Finland Abroad, n.d.). As a way to promote Finnish culture in the area, The Finlandia Foundation of Colorado was founded in 1965. It accepts members who are interested in their Finnish roots and provide them with newsletters and events (Finlandia Foundation of Colorado, n.d.). The climate of Colorado is quite similar to Finland's, thus making it appealing for the Finnish people living there who enjoy the specific climate. As the state of Colorado does not feature a Finnish Chamber of Commerce, organizations such as Swedish-American Chamber of Commerce, South Metro Denver Chamber and Global Chamber help Finnish companies in the area and invite them to a membership. An exceedingly interesting and famous person from Colorado, who had Finnish roots was William Fredrick Cody who was also known as "Buffalo Bill". The reliability of this knowledge is unknown, since the story has different versions and sources of this fact are not confirmed. It is said that Cody's grandfather, Viljami Kotilainen moved to the USA from Finland and eventually changed his last name to Cody.

7 MARKET RESEARCH

7.1 PESTLE-analysis

According to Pestleanalysis.com (n.d.), is a basic tool for companies to measure a business environment whenever a new market entry is being planned. Each letter of the name of the analysis stands for a different approach to a new market area, which are the following: political, economic, social, technological, legal, and environmental. PESTLE-analysis is a useful way to examine a market area since it covers a large variety of approaches. Some of the approaches are more important to different areas of industry, for example in ESLA's market entry, the environmental approach plays a far more important role than it would play for other companies (The University of Sydney, 2022). Nevertheless, the researcher must examine all these factors to reveal the potentiality of Colorado as a new market area for ESLA.

7.1.1 Political

Political factors in the business world include regulations for companies such as tax policies and free trade disputes. The overall political climate is the subject of this approach. Every nation has its own set of rules, laws and regulations, all of which influence a company's actions and possibilities. Workplace safety, taxes and political stability are prime examples of the approach. This factor has all to do with how and to what extent does a government regulate business in an economy or a specific industry (de Bruin, 2016). In addition, a government can have a significant effect on a country's education, health legislation and infrastructure.

7.1.2 Economic

Economic approach of the analysis focuses on profitability of businesses and consumer spending in the region. The profitability of companies relies heavily on the consumers' spending force, which is usually affected by the current market situation and inflation. The approach examines an economy and its stability, which has a direct impact on the profitability of the business conducted inside the economy (Oxford College of Marketing, n.d.). The focus is on inflation, nation's unemployment, interest rates, income rates among consumers and overall economic growth. These measurements can have a long- or short-term influence on a business because they all affect heavily on the consumers, thus the demand in an economy. As a result, it can also have an impact on how businesses set their prices for goods and services (de Bruin, 2016).

7.1.3 Social

Social part of the analysis approaches the demographics and consumers overall, such as consumer buying patterns, education, and lifestyle trends. According to BBC (n.d.) social factors such as language, culture, occupation, and family structures affect greatly on businesses conducted in certain areas. Preferences and attitudes are constantly changing through advertisements which makes social approach complex for businesses to make use of.

7.1.4 Technological

The technological approach examines the development of businesses' products and overall environment of technology. Technological world never stays the same for even a short period of time, due to constant breakthroughs in product development. Innovations can affect only individuals but also entire industries and markets. Perhaps one of the most potent innovations in perspective of marketing is social media, advertisement, and shopping online. According to Gorodnichenko and Talavera (2014), border effects in international trade may very well disappear forever due to the rise of online shopping. New ways of

communicating with the target group and distributing goods will change the former model of international trade.

7.1.5 Environmental

Environmental factors include the target market's climate and raw materials. For instance, climate of the market affects companies that operate in industries such as tourism and agriculture. The awareness of climate change has changed the methods of operation for many companies that have increased the sustainability of their production and services. Corporate social responsibility is an important practice in modern companies, as more consumers and businesses alike are concerned with the carbon footprint and pollution. Laws regarding environmental policies also must be considered when entering a new market area, as the attempts to decrease pollution can affect the companies' possibilities to offer certain products and services (Bush, 2016).

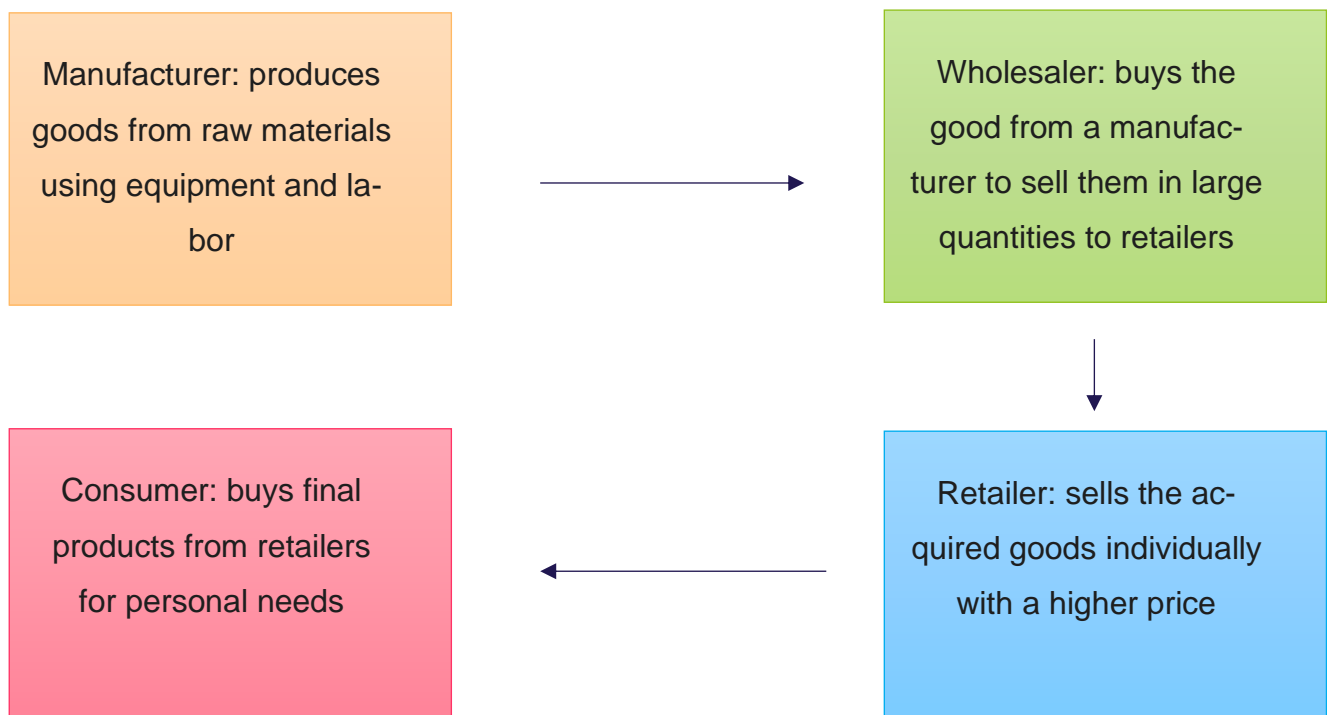
7.1.6 Legal

Legal aspect of the analysis examines the regulations and is much in a way like the political approach of PESTLE. However, Oxford College of Marketing (n.d.), states that the main difference between political and legal factors are that political factors are set by government policies while legal factors are to be complied with. Regulations include for example operation permits and laws regarding employers and consumers. Legal factors also include product labeling and product safety. Legal factors can be difficult for companies since every country has its own rules and regulations.

7.2 Retailer analysis

When entering a new market area, a company cooperate with the local retailers to operate in the area and establish itself in the area. Colorado as a market area has the suitable climate for ESLA's products, and retailers featuring wintertime accessories and transportations can be found. The simple explanation of retailing can be defined as selling goods or a service directly to a consumer's personal needs (Kotler & Armstrong 2018, p. 392). Retailers also serve as provider of place for acquiring the goods for the consumers. Nowadays online retailing is significantly more advanced and popular, which gives an advantage over traditional retailers, although modern retailers use both methods of retailing more often. Retailing is based on a chain of work that includes four key members: manufacturer, wholesalers, retailers, and the consumer (Farfan, 2020).

Table 1 Chain of Retailing



Some manufactures are different and can produce, and sell their products directly, while some retailers can cooperate directly with manufacturers in case the retailers have the possibility for their own shipping and storage facilities. Retailing is almost entirely depended on customer behavior and market conditions, such as climate, economical condition and location as well as the condition of the specific industry.

7.3 SWOT-analysis

SWOT is an analysis that assess the strengths and weaknesses of a business as well as identifying the main opportunities and threats posed to a company (Kenton, 2021). The analysis examines internal and external factors that affect the company's succession and prepares it with a better understanding of the capabilities in the future. SWOT helps a business to become more aware of all the factors that affect the company (Schooley, 2022). Using the analysis, a company can do better business decision, when assessing its own abilities in a realistic way. SWOT-analysis is usually done in a table where columns represent each part of the analysis, for example strengths can include high quality materials, while weaknesses can be a limited size or unreadiness in responding to demand. Opportunities can include strong relations with local partners, while threats can be competition in the industry.

Table 2 A visual representation of the SWOT-analysis. The tables show internal and external factors in a clear way that affect the current situation and future of a business.

Internal factors		External factors	
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> – Assets and experience of a company – Characteristics that separate from competitors – Manufacturing capabilities 	<ul style="list-style-type: none"> – Assets company lacks – Limitations in production and resources – What competitors do better – Unclear business plan 	<ul style="list-style-type: none"> – Demand for products in the markets – Unique product, few competitors – Networks in a target market 	<ul style="list-style-type: none"> – New competitors – Economic changes – New regulations – Changes in customer behavior and buying habits

7.4 Hofstede's Cultural Dimensions Theory

Cultures have a major impact on the business world and affect consumers' buying habits. Companies are required to work with people all around the world from different backgrounds, cultures, and languages. A useful tool to measure cultural differences in business is the Cultural Dimensions Theory developed by Geert Hofstede in 1980 (CFI, 2022). The theory measures the six main cultural traits of a business culture, which are power distance, individualism, masculinity, uncertainty avoidance, long and short-term orientation and indulgence.

7.4.1 Power Distance

The power distance in business world measures the hierarchy in companies and organizations. High power distance indicates that the hierarchy is respected among employees and the employees higher in the hierarchy structure thus giving them more power inside the organization. The lower the power distance is, the more equal the employees are in decision making and power distribution.

7.4.2 Individualism and Collectivism

Individualism and collectivism explain whether the employees are prioritizing their personal goals or rather focusing on the thrive of a group such as a company as a whole. In a highly individualistic culture, employees prioritize goals that affect themselves first before the company, such as a promotion or higher salary. Collectivistic culture is the opposite where people work towards the good of for example a company, over their personal goals.

7.4.3 Uncertainty Avoidance Index

The uncertainty avoidance explains if a culture is more tolerant towards risk-taking, for example in business a high uncertainty indicates that a company follows regulations more carefully rather than taking a risk which might affect the company's success in the future. Low uncertainty in culture is more open to previously unknown factors and ideas and is more comfortable in uncertain situations and can handle those situations better (de Bruin, 2017).

7.4.4 Masculinity and Femininity

A masculine culture is described as a society where achievements and assertiveness are the dominant factors in life, such as the success of a company. Feminine cultures tend to prioritize the quality of life and well-being of every individual over the success of an individual or organization. The masculine versus femininity dimension describes whether the success and results are more important than the well-being of the people behind the work for the results.

7.4.5 Short-Term and Long-Term Orientation

The time orientation explains if a culture is more focused on near future objectives for rapid results and successes, or if it focuses more on the future with longer planning and long-term projects. Low score in this dimension or short-term orientation indicates that a culture has stronger focus on the present time and traditions, while a high score or long-term orientation prepares for the future with factors such as education.

7.4.6 Restraint and Indulgence

Indulgence in a culture describes that the society is free to pursue natural desires that improve an individual's quality of life. High restraint in a culture indicates that the society is regulated or even restricted by norms that affect people's behavior and decisions, even if the decisions would be approved in another culture.

8 MARKET RESEARCH RESULTS

8.1 PESTLE-analysis

8.1.1 Political

In the state of Colorado, taxation for individuals and corporate's is 4,55% currently (Colorado General Assembly, 2022). The federal taxable income is measured in the amount of sales of the company in Colorado.

Table 3 Introduction to State of Colorado tax policy that forms the net income tax (Colorado General Assembly, 2022).

$$\begin{array}{rclclcl}
 \text{Federal} & & + & \text{State} & - & \text{State} & = & \text{Colorado} \\
 \text{Taxable Income} & & & \text{Additions} & & \text{Subtractions} & & \text{Taxable Income} \\
 \text{Attributable to Colorado} & & & & & & & \\
 & \searrow & & & & & & \\
 \left(\begin{array}{c} \text{Colorado} \\ \text{Taxable Income} \end{array} \times \begin{array}{c} 4.55\% \\ \text{Corporate Income} \\ \text{Tax Rate} \end{array} \right) & - & \text{Colorado} & = & \text{Net Colorado} \\
 & & \text{Tax Credits} & & \text{Income Tax}
 \end{array}$$

Colorado has low taxation which increase profits for businesses and individuals alike. The increased ability for spending in the state will lead to higher profits for local businesses. The only specific taxation that might possibly rise in the near future is aimed for industries with the carbon footprint (EMBA Pro, 2022). The issues with carbon footprint will not likely affect ESLA's products themselves unless the shipping is included in the measurement. Recently, large outdoor recreation manufacturers such as Patagonia and REI in Colorado have united to protect the free access to lands for recreation and activities, due to restrictions caused by federal policy changes (Blevins, 2018).

8.1.2 Economic

Economical approach of the analysis focuses on profitability of businesses and consumer spending in the region. The profitability of companies relies heavily on the consumers' spending force, which is usually affected by the current market situation and inflation. The current median household income of Colorado in 2020 was approximately 83,611 US dollars which was slightly higher than the previous year when it stood around 72,499 US dollars (Statista, 2022). The Denver Post (2022) states that the annual consumer inflation rate in the areas of Colorado currently stands at 9.1%, while the annual inflation rate in the United States has stopped to 8.3% (Trading Economics, 2022). The global pandemic caused by the Covid-19 has affected every economy in the world, yet Colorado's flexible taxation and high median incomes have helped the consumers survive the crisis better than in many other states.

8.1.3 Social

According to Colorado Office of Economic Development & International Trade (n.d.-a). 92% of Colorado residents take part in outdoor recreation every year and the economy around the recreation generates 37 billion US dollars annually in consumer spending. Outdoor activities are an extremely important part of everyday life in the State of Colorado, and the culture and economy around is exceedingly rich, and potent for companies such as ESLA. The importance of the activities promotes healthy lifestyle among the population and guides towards for example healthier way of transportation rather than using public transport or cars.

The outdoor recreation also employs over 500,000 jobs in Colorado, reducing the unemployment in a large scale. Although the United States is a multicultural nation, Emba Pro (2022), states that the overall attitude towards migration and foreign businesses has shifted slightly to negative. This may cause complications with international companies competing with local businesses, as a portion of the population could prefer domestic products over foreign brands.

8.1.4 Technological

Colorado has become a clearer hub for technological companies such as AT&T and IBM Corporation (Colorado Office of Economic Development & International Trade, n.d.-b). Technology sector employs more than 146,000 residents and the University of Colorado-Colorado Springs works closely with the local tech companies and start-ups. Jackson and Winegarden (2021) explain that the former center of technology, California, is facing an outmigration of high-tech companies and individuals. This is due to tax policies that cause downfalls in profitability among companies and reduce in quality of life in everyday lives. The outmigration has caused the people and companies to seek areas with more flexible tax policies such as Colorado as Colorado General Assembly (2022) described in part 8.1.1.

8.1.5 Environmental

Pollution and climate change are becoming more relevant and measures to prevent them have to be put to use. Laws regulating pollution and limiting carbon footprint are being set in most of the developed countries. Most of Colorado's electricity is still generated by coal, although wind power is becoming increasingly more popular in the state, replacing use of both coal and natural gas (Britannica, n.d.). Customers and companies are becoming more aware of the impacts on climate with the help of social media. For example, the city of in Colorado is focusing heavily on effective pedestrian environment, suitable for ESLA's kicksleds for instance (University of Colorado Environmental Center, n.d.).

8.1.6 Legal

Colorado's local governments share jurisdiction with the state. A country can choose between a home-rule charter and a constitutional government with legislature-defined posts and powers (Britannica, n.d.). In order for a foreign company to start exporting to Colorado, and expand to its markets, it is advised to cooperate with the International Trade Administration (International Trade Administration, n.d.). To reduce the risk of legislative factors in the target market, ESLA relies on the local distributors and retailers that have more experience of the local markets and laws (internal data source, 30 May 2022).

8.2 Retailer analysis

When entering a new market area, a company cooperate with the local retailers to operate in the area and establish itself in the area. Colorado as a market area has the suitable climate for ESLA's products, and retailers featuring wintertime accessories and transportations can be found. According to Blevins (2017) Colorado's retail for outdoor and winter-industries have been greatly enhanced by Outdoor Retailer trade shows, often organized in the city of Denver. The show has almost 85,000 visitors and delivers the city a 110-million-dollar economic impact. Colorado will experience a growth of energized recreation community, that will increase political and cultural support for environmental health and outdoor activity industry in the state. The overall economy of Colorado's outdoor recreation is huge. According to Worthington (2017), consumer spending on outdoor recreation in 2016 was approximately 28 billion US dollars. She reveals that 71 percent of the state's 5.7 million residents take part in outdoor activities.

8.2.1 Alpine Sun Ski Shop

Established in 1980, Alpine Sun Ski Shop is a family-owned business focused in renting out skiing equipment (Alpine Sun Ski shop, n.d.). The business is located in Winter Park, close to Winter Park Resort, which is a popular destination for tourists. Being in close proximity to a holiday destination, kicksleds could be a favorable addition to the selection of the company, even to be rented out. The company over 80 years of experience and has offers a unique experience for their customers, who in turn stay loyal for the company from year to year.

8.2.2 Larson's Ski and Sport

Located in Wheat Ridge, Larson's Ski and Sport has one of the biggest selections of skiing equipment in the Denver area (Larson's Ski and Sport, 2022). The family-business offers retailing and renting of skiing and snowshoeing as well as winter clothing and bicycles for summer. The company values its customers above all else, and as having one of the largest selection of products in the capital area, they are able to reach out customers more easily.

8.2.3 Rocky Mountain Ski + Sport

Started by Jessica and Aaron Lifford in 2018, the small but efficient business handles some of the largest inventories of ski equipment in Colorado Springs (Rocky Mountain Ski + Sport, 2020). The business offers selection of mainly used and new ski equipment, but since the location of the company is in the second largest city of Colorado, visibility for new products is easier. The company focuses on affordable products that are capable of surviving in the competition that is certain in a place like Colorado Springs, where winter resorts are highly popular

8.2.4 Boone Mountain Sports

Opened in 1985, Boone Mountain Sports is a large winter equipment retailer in Evergreen, part of the Metropolitan Denver-Aurora-Lakewood area (Boone Mountain Sports, 2022). The company takes pride in its passion for outdoor winter activities to bring the best possible experience for its customers. The company offers clothing for winter seasons as well as snow sports equipment with shipping to all around Colorado through their online store, which features up-to-date products for all customers.

8.3 Retailer analysis discussion

The retailers listed in the previous section examines potential new retailers, and the decision is left to the company whether cooperation is formed between the companies. The companies found are specifically winter sports retailers, but other type of retailers can also be contacted for additional networks. In surveys sent to retailers about the industry in the target market, different facts about the area are revealed. According to A. Springer (personal communication, May 26, 2022), the climate of Colorado is suitable for the products, as winters in the state are long, and customers are constantly looking for new types of ways to move. The competition is fairly low in the region, although a local business has been developing a similar type of product as the kicksled. The latest challenges in the industry have been involving the customers' rebound from the pandemic as well as shipping costs and times.

The buying habits in the area varies a lot. Consumers are used to spending on outdoor recreation and appreciate everything with a connection to nature. Part of the consumers tend to buy kicksleds in large quantities for all the family members. State parks and schools also contact retailers and purchase kicksleds in great numbers. A. Adam (personal communication, June 1, 2022), states that demand can vary in different areas, and in their region the demand is fairly low. The earlier retailer agrees with this fact, stating that the demand is determined by the spending force of the consumers in the specific area. All in all, the information provided by the retailers indicate that Colorado has demand for ESLA's products, the only challenge is to determine which regions turn out to be the most profitable ones.

8.4 SWOT-analysis

The SWOT-analysis will help ESLA evaluate its situation in Colorado and form a clear picture what to expect of a possible market entry. The data of the analysis can be implemented to reduce the risks and challenges and make the use of the company's already existing potential. The table is formed using the traditional method of SWOT-analysis.

Table 4 SWOT-analysis of ESLA

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> – Long experience in the industry – High quality products – Unique product – Dominant in the markets – Ability to respond quickly to demand 	<ul style="list-style-type: none"> – Small size – Limitations in production – Not a recognized brand or product in the target market – Target market is located far away 	<ul style="list-style-type: none"> – Experience of the markets in other states – Positive attitude towards sustainable transportation – Climate of the target market is suitable for the product – Unique product has few competitors 	<ul style="list-style-type: none"> – Local businesses can come up with equivalent products – Increased shipping costs – Climate change affects target market – Failure in entering the markets

8.5 SWOT-analysis discussion

The main strengths of ESLA revolve around its unique product and the expertise towards it. There are few companies that can offer kicksled-products like ESLA, which in a way gives it free hands to operate in new markets without facing hard competition. In case a new market area is discovered, the company is able to respond to the increase of demand quickly. The high-quality products give ESLA a competitive advantage as the brand will be recognized as a provider of reliable and safe products. Although the unique product can be used to become dominant in new markets, there is always a risk of failures in entering the new markets. For a company of a small size, investments and market entries can be costly. Market entries have less risks for large companies that have capital to fund market entries and also survive from failures easier. The distance between the manufacturer and the target market can also be challenging as the new market is entirely different in comparison with the domestic market

There are several opportunities for ESLA in the future. The company already has experience operating in the United States, thus making the expansion to another state less risky. Sustainable business models are becoming more popular and with the right CSR-policies, ESLA can use them as an advantage to increase the value of its brand, a company offering an ecological solution for transportation. Colorado itself has a suitable climate for the use of kicksleds, as it is also a popular hub for outdoor recreation and winter sports. When there are opportunities, there are also threats. The main concept of a kicksled is fairly simple and the risk of local manufacturers coming up with a similar solution for winter transportation is real. Climate change will inevitably affect ESLA's operations in different areas, unless the effects can be slowed and halted.

8.6 Hofstede's Cultural Dimensions Theory

The results of the Hofstede's Cultural Dimensions Theory can be examined with the help of Hofstede's Insights (2022), that offers a clear measuring of cultures using the Hofstede's model. In this research, the target country was compared with Finland, in order to see the differences of the company's original country and the potential market.

8.6.1 Power Distance

Power distance score of the USA is currently 40, which makes it relatively close to Finland, which scored 33. The results reveal that the power distance in organizations is low, although the score can vary between companies and other states. The hierarchy among employees is not considered exceedingly high, although the higher positions can feature more authority in larger companies. The employees in both countries are considered equal and power is distributed more among every employee.

8.6.2 Individualism and Collectivism

The USA is considered one of the most individualistic cultures as the individuals are determined to pursue a successful life and career. A proof of this is the score 91 in the Hofstede's dimension, while Finland's score is 63. Finland's lower score can also be explained by the social democratic values where citizens are taken care of, while in the USA people have to rely more on their successful career to take care of themselves.

8.6.3 Uncertainty Avoidance Index

The uncertainty avoidance measured the score of the USA to be 46, while Finland was ranked 59. Finnish culture prefers avoidance of uncertainty and risk-taking to reduce unexpected situations for example large moves in the business world without careful planning. The USA is ranked close to Finland, although being more open to uncertain situations, and easier to take large leaps towards the unknown. This can be explained by the culture of business in the USA, where marketing is more aggressive and daring.

8.6.4 Masculinity and Femininity

The USA is described to be a relatively masculine culture, scoring 62 in the dimension. The culture of the country where success in one's career is one of the key factors in life explains why achievements and competition is important. Pursuing a career is highly valued and determines an individual's life and decisions. Finland scored 26, which makes the country extremely feminine. Free time is important for employees and companies and organizations are aware of it. The difference between the cultures can be explained simply, by the priorities in life. Finnish culture is described as "work to live", while the American culture can be quite the opposite.

8.6.5 Short-Term and Long-Term Orientation

Time orientation dimension revealed that the two countries have quite the similar culture through this specific approach. The USA scored 26, and Finland scored 38. Both countries maintain traditions in the business world and rely on short-term planning and quick results. Although both countries rely on for example education to prepare for future, in the business world both are able to do rapid decisions in order to ensure profits.

8.6.6 Restraint and Indulgence

Much like in the previous approach, the results between the two countries are quite similar, for the USA scored 68, and Finland scored 57. In both countries, desires are not regulated extremely, for example in the USA, a link between the individualistic society and indulgence can be seen, since every individual is free to pursue his or her own career, regardless of the way of life. In Finland, where leisure time is considered important along with the highly feminine culture, it is relatively easy to see why the culture is considered indulgent.

8.7 Corporate Social Responsibility

ESLA can use CSR as a powerful tool to improve its brand as a sustainable company providing pollution free-transportation and a healthy lifestyle choice. The CEO of ESLA, Mika Lahtinen, famously said, that if the sanding of streets would be reduced, a person could travel with an ESLA rather than a Tesla (Möller and Kettumäki, 2022). The sanding of streets that is used to prevent traffic accidents during winter affects the air quality negatively every year. Marketing ESLA as an ecological company as it is, gives the company a competitive advantage over its rivals, although complementary regulations push majority of modern companies towards sustainable business models every year. All of the ESLA's products can be fully recycled, and the use of the products have no impact on the environment. The ethical factors of ESLA can be distinguished by their strong contribution for their employees. ESLA's most important investment is their staff, for example during its entire history, only one employee has been dismissed (Mäkipere, 2019).

ESLA follows CSR-policies as the company provides sustainable alternative to transportation and outdoor activity. Along with the product being sustainable in use, the production has taken a leap towards sustainability. The use of water-based paint has been a part of production for a long time (internal data source, 30 May 2022). Water-based paint was decided by the company entirely by the reason of sustainability, despite the fact that the decision might have not been financially viable for the company, since the oil-based paint allowed fast production. ESLA also features the Finnish Key Flag Symbol, indicating that at least 50% of the raw materials for the products are from Finland. The company follows regulations and EU guidelines regarding the use of chemicals in production. The products are also CE-marked, which means that the products meet requirements appointed by EU, regarding safety and long lifecycle of the product (Kiwa, n.d.).

ESLA does cooperation with subcontractors and retailers, and one of their personal policies is that these companies are reliable and practice trustworthy business. These companies have expertise in the field and practice transparent business. The expertise is important for ESLA as the retailers usually handle vital parts of the exporting such as shipping. The ethicality of both their own production, as well as the subcontractors and retailers is a policy that ESLA follows, described in a simple way as trust beats price. ESLA takes also requests from the cooperating companies in case modifications and different products are needed in the target market.

By using the CSR-policies that are built into ESLA's products and manufacturing, it holds a strong brand as a sustainable company. The target market of Colorado is a center for outdoor activities and features a strong desire for sustainable products. By marketing the products correctly using these policies, ESLA can gain the necessary visibility as a provider of sustainable products for the demand for the products necessary for outdoor activity. By having the necessary policies such as CE-mark and Finnish Key Flag symbol, ESLA's products can meet the regulations of the target market, thus making a possible market entry easier. According to MacCarthy (2017), the majority of American consumers value CSR in businesses and their products. Although a large number of companies nowadays follow CSR-policies, it is hard to see whether the policies are merely a marketing tool, or actually a vital part of the company, as it is in ESLA's case. Using this opportunity, ESLA's products meet the requirements of consumers for sustainability and CSR. The American consumers value the following policies the most important:

- The company is a good employer for everyone
- The operation of the company benefits the community and environment
- Invests in local communities
- The products of the company promote wellbeing
- Defends social justice

The most important policy above them all turned out to be a good employer. Most of these policies are met by ESLA and indicate that the business environment is exceedingly favorable for it. According to ESLA (internal data source, 30 May 2022), one of the key traits of it was the well-being of its staff. The work environment is made sure to be safe in all situations, and the wishes of the employees are heard.

9 CONCLUSION

The primary goal of this research was to examine the market conditions of Colorado, United States. The focus was on the winter and outdoor recreation that is the main industry of ESLA. The research analyzed the industry as a whole and the demand and spending force of the consumers.

Two questions from the research problem and purpose of the research can be presented at the end of the research:

- What to expect from the target market?
- Is the target market suitable for market entry?

The research revealed that there is a huge potential in the State of Colorado for ESLA and its products. The outdoor recreation of the area is immense and the current trends for healthy lifestyle and ecological choices favor ESLA's products. Potential retailers were found through the use of secondary data, that are specifically focused on outdoor recreation industry. These retailers will help ESLA to establish a foothold in the target market. PESTLE-analysis revealed important facts of Colorado regarding the business environment. A SWOT-analysis help the company to use its strengths as an advantage, as well as improve the weaknesses. Opportunities can be seen which ESLA can choose to use or not regarding their current strategy. a number of threats were detected which have to be taken into account in order to minimize the risks. The final choice of entering the markets will be up to ESLA to decide.

Cooperating with future retailers and researching the target market, as well as keeping up to date with the economic situation and customer behavior will aid ESLA to succeed in expanding to Colorado and discovering new markets in the days to come.

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APPENDICES

Appendix 1. Survey of ESLA kicksleds

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Survey for Esla Kicksleds

1. Where does your company currently operate and who is the target group of the company?
 2. What gives your company a competitive advantage over other companies operating in your area?
 3. How do you reach your customers? (Directly, online, others?)
 4. Who are your main competitors?
 5. What are the biggest challenges currently in your area regarding business?
 6. Does your company feature any previous Esla products?
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7. The main products of Esla are the kicksleds, that offer a good alternative transport during winter. Is the local climate suitable for the use of Esla products?



8. Does your company provide similar or alternative products to Esla kicksleds, and if so, how would you rate the demand for such products?



9. Would you find products such as the kicksleds attractive to your target group?
10. How would you describe the buying habits of your customers? What is the budget of the customers when it comes to transport such as bicycles or kicksleds?