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## **DEVELOPING AN ENTRY STRATEGY FOR SWEDISH MARKETS**

Study for the case company.

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## ABSTRACT

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This thesis is made for an international hangar door manufacturer. The purpose of the thesis is to help the managers of the company with creating an entry strategy to Swedish markets. Even the company has experience in international business each market area is different and the marketing research has to be done carefully before starting to develop promotion mix and practises to apply when dealing with Swedish customers. The outcome of the thesis will be an entry strategy that will help to figure out all these phases.

The company is doing business-to-business marketing and sales. The thesis will be answering to the questions 1) "how to get a stabile position in Swedish markets?", 2) "how to reach potential new customers?" and 3) "how to be succesfull in competitive bidding?". The thesis will consist of the theory part which opens up the background of business-to-business marketing, exporting and Swedish culture and business life as well as the empirical part including the entry strategy.

The research methods of this thesis are observation and brainstorming. In addition to that the documents provided by the company, for instance quotation letters, brochures and strategies will be used as a part of the material used for this thesis.

The main results of the research were that the competition situation in Sweden is really tight but with a good planning and investing succeeding is possible. Entering Sweden with success requires full concentration and good job by the public relations. In promotion mix the emphasis has to be on personal selling and the quotation formula has to be clear. The competitors may try to use unfair methods of slandering the case company and the best way to answer to that would be by promoting the benefits and ethical behaviour of the commissioner.

The conclusions of the study are that the management should really consider again the whole idea about the entry. Even Sweden itself is not that risky market area the competition situation is so difficult that the penetration and stabilization of the business position will not be easy for sure. All those investments needed for personal selling, after sales marketing and quotation may not be covered that well if the competition drives the prices down. Also if the only segment among other industries considered in Sweden is hangar doors, the aspect of niche market increases the risk.

Later on it could be usefull to start making a research about the big investments in the field of construction in Sweden. All the marketing could be targeted better if the concrete amount of future investments and their locations was known. Also for getting advantage against the competitors closer look to their manners and production would be usefull.

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Keywords: international, entry, Sweden, niche, exporting, B2B, marketing research

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# 1. INTRODUCTION

This Bachelor's thesis is about developing an international entry strategy for the case company willing to penetrate into Swedish markets. The thesis consists of the theory and the actual finished entry strategy including marketing research, promotion and quotation. In the end of this document there is also conclusions and some tips to the commissioner. The commissioner wants to stay anonymous so the confidential material and the names are hidden. In this thesis the commissioner is called the case company and the Company X refers to the main competitor.

The theory of this thesis consist of business-to-business marketing, exporting and useful facts about Swedish business life. B2B marketing includes for example marketing research, promotion mix, and Niche marketing. In Export part there are special features that exporting brings to management, for example routes to market, Customs procedures, currency and pricing. In the end of the theory part are highlighted some facts about Sweden like history and culture. Then the thesis concentrates on Swedish business life, infrastructure, politics and financial situation.

The research problem of the study is that "How should the case company actively act for getting a succesfull and stabile market position in the Swedish market area?" More accurately the questions are "How to get more visibility and requests for quotation?" "How to success in the competitive bidding against the Swedish competitor?" " This thesis also takes a stand on the question is it actually good idea to enter the market at all in the current competition situation.

The aim of the research is to find answers to these questions and help the case company in creating a great entry strategy that they can use in their real-life actions. The entry strategy displayed in this thesis and the final conclusions are supposed to work as a guide to anyone thinking about similar questions as a part of decision making process.

This thesis is a qualitative case study. Research methods are observation and brainstorming. In this thesis there were used material provided by the commissioner and a lot of meetings and brainstorming was held. One part of the thesis was the documentation of the existing unwritten information from the employees.

## 2. BUSINESS-TO-BUSINESS MARKETING

Business-to-business (B2B) refers to a situation where a company sells to other company. Business-to-business marketing is marketing made in order to reach best outcomes in that field. For example transactions between a manufacturer and wholesaler or a wholesaler and retailer can be included into B2B field. The target of the marketing affects to the methods and tools that are most beneficial to use. Also promotion mix and relationships between the partners are different when talking about B2B marketing. (Investopedia 2015, cited 17.02.2015.)

### 2.1. Marketing research

When creating an establishing strategy, marketing research is always a good tool to begin to evaluate potential target markets. There are several factors affecting to the potentiality of the future market area. Some important factors to take into consideration are: market segment where to target marketing and sales, potential competitors, saturation of the market and risk analysis. (Vitale, Giglierano & Pfoertsch 2011, 126; Marshall 2003, 22–23.)

Marketing research begins from internal audit where the company analysis its own competence and products. For example SWOT analysis is a tool to find out the strengths, weaknesses, opportunities and threats of the company. When the company knows its own advantages and disadvantages it is time to create customer profile and find out the trends in the market, who are the customers and how active they are in competing companies and so on. Competitor analysis is then created for finding out who are the potential competitors, are they international and what are their advantages. The fourth part of marketing research is business support analyse which is created to find out if there is any support in new areas available and is it needed. (Marshall 2003, 22.)

**Market segmentation, targeting and positioning** are some of the most important strategies to make prior starting to export to the new market area. Segmentation referres to the process of “finding groups with similarities in what they buy or how they act” among the customers in the target area. Some features of segmenting are that the segments have characteristics of measurability, actionability, substantiality and accessibility. In addition, the size of the segment has to be possible to measure, segment has to be possible to reach and profitable enough and

the company has to be able to place competitive offers to the segment. (Vitale, Giglierano & Pfoertsch 2011, 151–152.)

There are plenty of segmentation bases that can be used in business-to-business marketing.

Segment can be created for example by:

- 1) The product offered
- 2) Geographic region
- 3) Industry where the customer operates
- 4) Technology used by the customer
- 5) Size of the company of the customer
- 6) Process or supply chain requirements
- 7) Size of the account

(Vitale, Giglierano & Pfoertsch 2011, 153.)

When the segments are created and examined the company willing to target their marketing may choose the best targets to approach. For making this decision there are two criterias that has to be fulfilled: the segment has to be attractive enough and the segments chosen has to allow organizational objectives to meet. Attractiveness is measured by combining all elements of environmental analysis. For example growth rate and the size of the segment are important features in the analysis. When making a decision about target segments the company takes the most attractive groups and compares them to their own financial and nonfinancial objectives. When the comparison is done and decision made the company has a chance to start targeting in the most profitable way. (ibid., 160 & 163.)

Positioning is a process where the company markets its product through differentiation and communication to be better and more suitable to the members of the segment than the similar product of the competitor. The customer creates the “position” to the product in his head according to the advertising, articles, discussions, own experience and so on. After choosing and analyzing carefully the target segments the company may create a positioning strategy to help in getting stronger status in the target market. (ibid., 167.)

**Competition analysis** are crucial when planning to enter to the new areas. If there are already strong competitors with great advantages doing business in that market may not be successful. According to Vitale, Giglierano and Pfoertsch (2011) there are five sources of competition:

- existing direct competition
- competition from channels
- competition from upstream suppliers
- competition from new entrants
- competition from substitutes

(Vitale, Giglierano & Pfoertsch 2011, 142.)

The most obvious competitors are those operating in the same field of business with similar products. There are also competitors that affect through networks for instance the current partners of the companies. In upstream and downstream there might be suppliers or channel members that may become competitors in one point. Also new entrants and possible substitutes can start to compete about same customers. Substitute is not necessarily competing technology but it can also be an innovation making existing products cheaper or more available. (ibid., 142)

When analyzing a competitor some of the features to take into consideration are the goals, strategies, capabilities and assumptions of the competitor. Those include the estimate of the share the competitor wants to achieve in the target market and actions towards it. Also the financial and organizational resources and assumptions about behavior of the competitor in different situations are essential in competition analysis. (Vitale, Giglierano & Pfoertsch 2011, 142–144.)

When the analysis is ready it should offer knowledge about how and where the competitors are trading, the trading terms, market share, promotional policies, entry strategies, level of after-sales service and so on. According to that knowledge the company can create an entry strategy that makes it possible to participate in a competitive bidding. (Marshall 2003, 47.)

**“Risk analysis** is broadly defined to include risk assessment, risk characterization, risk communication, risk management, and policy relating to risk” (Society of risk analysis 2015, cited 17.02.2015). It is one of the main factors when considering to start business in a new target area or segment. Some risks that may occur in international trade are foreign exchange risk and political risk. Foreign exchange risk is caused by the fluctuation of foreign currency while the political risk appears when the government unexpectedly changes its policies. International trade makes it more difficult to estimate and guarantee the revenues than when operating only in the



domestic market. Some more risks are stated later in the chapter 4.6. (Sargeant 2015, cited 17.02.2015.)

## 2.2. Niche marketing

“Niche marketing refers to competing within a narrowly defined market segment with a specialized offering.” Niche marketer is a company with a great share in a small field of business. Those marketers are experienced and operating in a high volume so that the competitors are not able to compete against it. Niche marketing brings great risks. Due to the small segment market downturns, new entrants and changes in the market environment may affect strongly to the business. There are although great advantages in a position of a niche marketers, for example little competition, strong relationships, business stability, improved capabilities, focused business and high profit margins. Due to these reasons it might be useful to the company to try to achieve a position of a niche marketer. (Market Segmentation Study Guide 2015, cited 17.02.2015.)

## 2.3. Promotion mix and after sales support

Promotion mix includes all those tools that can be used to provide information about the product. For example advertising, public relations, personal selling and sales promotion belong to those elements. Advertising includes all the paid activities as billboards and Television commercials while public relations consist of all non-paid activities as trade fairs, press conferences and so on. Personal selling is a selling and promotion activity done face-to-face between individuals while sales promotion is a complex including all other activities to promote sales. (Marshall 2003, 25–26.; Vitale, Giglierano & Pfoertsch 2011, 373–374.)

In business-to-business marketing promotion mix is used in a different way than in consumer marketing. For instance personal selling is considered very important part of promotion while advertising is not really meaningful when doing business with other company. The relationship between the seller and the buyer is often longer lasting and closer so the personal abilities of the sales personnel are crucial in terms of successful business-to-business marketing. Personal selling is more expensive than other elements of promotion mix but can really make the chance in a competition situation. (Vitale, Giglierano & Pfoertsch 2011, 7 & 373.)

When talking about process of solicitation of customers both public relations and advertising are offering tools to reach new customers. A customer may get an idea to ask for an offer by what he sees for example in the trade fair or finds by search engine optimization. In that point personal selling and the competence of the offer are affecting to the final purchasing decision of the customer.

Depending on the field of business after-sales support may include for example guarantee, warranty, upgrade or repair service. After-sales support is a part of sales and it is ment to help the customer to use product properly, ensure customer satisfaction and create brand-loyalty. Support can be offered in different technology- and time-basis but it has became an important feature affecting to customers purchase decision and satisfaction. ( Janssen 2015, cited 17.02.2015.)

### 3. EXPORTING

International trade is a part of international business and exporting is one of its actions. Export is a process where a business or an individual person sells something to a foreign market.

Exporting follows the rules of domestic marketing and sales but it also requires special features. For example documentation, duties, tariffs and currency are giving an extra spice to the international trade. (Marshall 2003, 1,5)

The case company is currently exporting to different market areas including Russia, Germany, France and Brasilia etc. They produce industrial doors for different purposes such as hangars, metros, storage buildings etc.

There are several different reasons why companies normally start to do exporting:

- 1) A company may see exporting as a chance to increase their sales and profit. The costs of foreign sales are higher than in domestic markets but the new bigger customer base is giving chances to grow the sales.
- 2) A company wants to export for spreading risks. If the company is only having few clients and dependent on them it may be useful to spread into new foreign markets for getting more security.
- 3) A company may start international sales as a production-led exporting. For example if the company produces seasonal products or the maximum sales volume is already reached in the domestic markets it may be a good opportunity to try sales in new markets.
- 4) A company may have the attempt of improving image as a motivation to start exporting. While exporting and being succesfull the company gains so much knowledge and reputation that can be used as a benefit in domestic markets. (ibid.,6–8)

Some companies may start exporting after being in domestic markets for decades while other may enter foreign markets right away. There are several categories in exporters: Passive exporter is a company with no previous experience of exporting. Reactive one is not certain about the export manners but reacts to the enquiries of the foreign customers. Proactive ones are more confident about international business than reactive ones and they are already having some experience. Committed exporters are having a lot of experience and relying the future of the company to exports. (ibid.,9)

The case company started in completely different field of business but since entering the door business exporting was a natural way to increase volume and sales. They belong to different exporter categories in different market areas since in some market areas they have been working for longer period and they have been actively seeking for knowledge. In different countries the export manners are different and the case company is reactive in exporting to Sweden but reactive in case of Russia. In this thesis the goal is to get knowledge about Sweden for becoming more active exporter.

Whichever is the motivation and the type of the exporter it can be never underlined too much that exporting may cause you problems and costs if you are not fully prepared for it. Small and medium-sized enterprises are facing additional challenges with budgeting and human resources. Familiarizing with the competition, restrictions, legislation and unfamiliar business practices is a necessity and in this chapter we are going through those issues that you need to know prior starting to export. (Marshall 2003, 16)

### 3.1. Routes to market

According to Marshall's "Mastering International Trade" (2003) there are several different ways to enter a new market. Those entries are called routes to market. Choosing the most suitable entry strategy is necessary when trying to maximize the incomes. The most common strategies are:

- 1) direct
- 2) agent or broker
- 3) distributor or dealer
- 4) retailer
- 5) local office or joint venture
- 6) licensing and franchising

(Marshall 2003, 71–72)

From these strategies first four are selling directly to the end customer. These direct strategies are risky since the company has bigger financial risk and responsibility but also it has the control over marketing and sales. Strategies five and six are indirect where there are intermediaries who are doing the marketing and selling the products as they prefer. In indirect exporting the products

are ending up to the end customers abroad but the producer has no risk and no rights to choose to whom and how the products are to be sold. (Marshall 2003, 72–73)

Direct approach to markets is the most traditional way of exports. It means that the exporter does the marketing, contacting and all the exporting procedures by itself without middlemen. Other direct entry strategies are through partnering. Agent is a person representing the company. Usually agents are having several complementary non-competing principals and they are trying to win orders and sell their products. Agent is not owning the business and the products it represents and normally gets paid on commission-only basis. (ibid., 82–83)

Distributor is also an intermediary and the main difference between an agent and a distributor is that distributors are actually buying products from the exporter and then selling those with profit. They do not get commission since they generate their income through the resale. Distributors are generally buying the products with preferential rates and after that they take the full responsibility of all the phases of sales process and marketing. (Marshall 2003, 84)

The company may sell products to retailers who are then selling the items to the end-customers. Retailers generally sell the products with profit margin and generate their income through the resale. Retailers are responsible of the sales after purchasing the products. (BusinessDictionary 2015, cited 31.01.2015)

The biggest difference between these direct strategies is that the “direct” one is through no middlemen at all. Agent sells the products without owning them while distributor and retailer are actually buying them before reselling. Generally the distributor is the one communicating with the manufacturer and selling the products to the next partner so that the retailer may buy the products from the distributor and sell them forwards to the end customers. (Cole 2015, cited 21.04.2015)

Some companies may end up setting up a local office in the country they are willing to spread. Local offices are often functioning as a sales offices or manufacturing units. By setting up a sales office the company may raise its marketing and sales volume in foreign markets. If producing the products in a receiving country they may avoid import tariffs. Also the labor costs and raw materials may be cheaper abroad so the company may get benefit when setting up another factory in a foreign country. (Marshall 2003, 77)

Joint venture is an agreement between two companies and as a result of that they are forming a third company. In some countries there are restrictions for foreign companies for setting up a local office. Sometimes in this cases the company ends up cooperating with a local company and they form a joint venture. Joint venture is an investment and it can be expensive but as a result the exporter benefits from the knowledge and skills of the local company. As an exchange the local company has a chance to penetrate into the home market of the exporter. (Marshall 2003, 77–78)

When a company sells the intellectual property rights of its product to other company that starts to manufacture and sell the product in a new market the process is called licensing. The licensee may get materials, training or assistance from the licensor that is receiving regular payments and commissions as an exchange. The licensee is having the most of the financial responsibilities and risks after signing the agreement. The licensor has to be really careful while choosing partners since production of for example bad quality products affects to the reputation of both companies. (ibid., 80)

Franchisee has a lot of similarities to licensee but instead of buying the intellectual property rights franchisee buys the right to sell the products of the franchiser. The franchiser gets a fee and royalties and as a return the franchisee has a right to use the trading name, branding and promotional methods of the company and gets training and support. (ibid., 80–81)

In addition to the Finnish market sector the case company is currently having two local offices: one in Paris, France and the second one in Dubai, United Arab Emirates. Also they have several agents, for example in Poland. Otherwise the sales are mostly done through direct approach. Since the products are customized and big investments the communication has to be fluent in order to manage to fulfill customers requirements. That is why middlemen are not commonly used. The employees of the local offices are educated and supervised by the main office in order to avoid misunderstandings. In the countries without an office or agents the system of finder's fee is used so that the person who gives a hint about a potential customer and the contract is made gets a fee. Also the case company is sometimes selling the products in cooperation with other companies so that for example they may sell the building and the door in one package. All those routes have been successful although the direct approach without an agent but with help of the "finders" is the most profitable one. Local offices are good but big investments and in case of the

Swedish market that shouldn't be considerable at the beginning. Possible cooperation with those hangar building manufacturers would be most probable good idea.

### 3.2. Macro factors

As the marketing issues and those factors affecting to the export process were already taken into consideration in the chapter three now we go through the macro factors that the company has rarely any control over but that are affecting to its operations. These are including the need of intellectual property rights such as patent, governments protectionist attitude towards foreign imports and legal requirements etc (Marshall 2003, 55).

Culture is the factor that affects to the nation most. It gives folks their own identity and it can't be changed or controlled like for example legislations. It defines peoples behavior towards other people and situations. As a business man it is important to understand the cultural value of the target market and how foreign cultures are actually working. That is crucial in order to realize the differences and correct ways to communicate in business situations. Wrong manners or behavior can cause a break of contract and cause harm in long term business relations. (ibid., 56)

The need of intellectual property rights varies from country to country. In most of the countries it is possible to safeguard the intellectual property for example innovative products and trademarks. The design of the products is an advantage of many companies and going to foreign markets may endanger that. Without preserving the rights of the company someone may end up copying and selling similar products and the original manufacturer may get in to a bad competition situation. A patent is one way to take care of the rights of the company but also trade secrets can be protected under the TRIPS agreement (Trade-Related Aspects of Intellectual Property Rights). Before entering new markets the company should consider protecting the intellectual properties even though that costs money. (ibid., 57–58)

Since the case company is manufacturing tangible products the technics, manufacturing methods, physical properties and other competitive advantages could be protected with the patent. There is copying and disregard in that actual field of industry and in case of conflict the agreements for intellectual property rights are the only way to solve the situations.

Export licences are needed when shipping goods that can not be freely traded between nations. According to the law if shipping goods to another country may pose threat to the country of the exporter the export licence is needed. (Marshall 2003, 62–63)

Quality and safety licences are required by many nations. For example in EU the CE mark in products proofs that the product is tested to be safe for the consumers. Many countries are having strict quality standards that should be taken into consideration when doing business. (ibid.)

Each country has its own requirements in packing and labeling. Basic rules are that the item can be packed in cardboard boxes, hessian sacks, plastic wrappers, wooden crates or any other safe method to protect the product. The package must be safe to touch and move by cargo handlers. Also environmental laws are giving requirements for packaging. Every product has to have the label of origin and producer for the customs officials to check. Other special requirements like ingredients, components, contents, warranties and guarantees are dependent of the country. The requirements by country should be complied when starting to export. (Marshall 2003, 64–65)

Sweden as a market area is not really protectionist towards foreign companies. The culture is similar to Finnish one and Finnish products are having generally good reputation. The existence of free trade agreement among European Union makes exporting to Sweden pretty simple and as it is seen in the following table 1 the PESTEL analysis are showing Sweden as a good target country in business purposes.

*TABLE 1. PESTEL (political, economic, social, technological, environmental, legal) analysis about Sweden as a market area*

<b>Political:</b> In Sweden there is not bad political influence against foreign companies
<b>Economic:</b> The GDP of Sweden is very close to the GDP of Finland so the customers have the money to buy the products. When Case company enters Swedish market that causes more competition which may cause the decrease of prices and that affects Swedish economy
<b>Social:</b> There is not a social problem, attitudes or negative actions towards foreign companies



<b>Technological:</b> Both in Finland and in Sweden the infrastructure is good enough to support the entry. Also transportation and roads are supposed to be in a proper condition.
<b>Environmental:</b> There are not laws against any products or production methods of the company.
<b>Legal:</b> Swedish laws are making the entry possible as long as all the documentation and minimum requirements are fulfilled

### 3.3. Pricing

In the year 1936 the International Chamber of Commerce (ICC) stated 13 Incoterms. Those Incoterms have been revised six times and since the publication 2010 there are eleven of them. Those are the official interpretation of commercial trade terms. In Incoterms there is stated the share of responsibilities and the terms of an export order. (Marshall 2003, 106–107)

Incoterms are shared into four classes: E, F, C and D. From the exporters point of view E is the best class because the buyer comes to get the products from the premises of the exporter and there are no further activities needed. Class F requires the exporter delivering the products to a named carrier that is arranged by the customer. When dealing with group C it is required that the exporter is arranging a shipping of the products but all the risk remains on a buyer. The class D forces the exporter to ship the products and carry all the risks and costs of the operation. The basic terms of the Incoterms are stated in the table 2. When using Incoterms in a contract there should be always mentioned the Incoterm, the city where the contract is made and the edition of the standard. For example the statement may look like following: “FOB Nivala (Incoterms 2010). (ibid.)

*TABLE 2. The share of the responsibilities stated in the Incoterms (Corpac 2010, cited 31.01.2015; World Class Shipping 2012, cited 21.04.2015.)*

Responsibilities	All modes of transport							Sea and inland waterway transport			
	EXW	FCA	CPT	CIP	DAT	DAP	DDP	FAS	FOB	CFR	CIF
Load to truck	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export-duty payment	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Transport to exporter's port	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Unload from truck at the origin's port	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Landing charges at origin's point	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Transport to importer's port	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Landing charges at importer's port	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Unload onto trucks from the importer's port	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer
Transport to destination	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Buyer	Buyer	Buyer	Buyer
Insurance				Seller							Seller
Entry - Customs clearance, Duties and Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer

Exporting causes always extra costs and it is important to calculate how much more it costs and is there something we can save so that the product is still competitive even after the export process. Before the buyer appears the company can calculate the manufacturing costs plus profit margin, packaging, marking, export clearance and possible commissions. If the sales are following EXW contract those are the only costs that exporter has to take care of. If using any other term the company has to carefully follow all the restrictions. The export costing sheet is a good guideline the company can form and follow in unclear situations. (Marshall 2003, 114)

According to the purchase power of the target market, competitors strategies and customers activity in bidding different export pricing strategies can be chosen. The company can sell with variable pricing and negotiate the price separately with each customer. That can raise the incomes but that is a risk to the goodwill of the customers because they may find out that they paid more than someone else. Company can also sell with rigid pricing in a way that all the products are offered with same price. It is not that risky but also profit is not that good. In foreign markets the company can sell with higher price than in domestic markets especially if the competition is limited. It can also consider selling with much cheaper prices in order to get bigger volume. In this case there can be dumping laws that the company may violate so the regulations of the receiving country has to be read carefully. (ibid., 115–116)

The quotation should always be written in order to avoid misunderstandings. The important features that should be included in international quotation are the description about the quality and nature of the product, the volume offered, quarantees, warranties, package and marking practises, transport methods, price and currency used, the Incoterm, how the sale is to be agreed and when can the products be shipped and delivered. Marshall 2003, 116–117)

When making international contracts it is important to state under the control of which state the contract is made. The majority of the international trade contracts are under the United Nations Commission on International Trade Law (UNCITRAL). The business partners can state to the contract the “choice of law” and the “choice of jurisdiction” in order to choose which country’s courts are having jurisdiction over the contract. If the statement is not made in the contract between EU-companies the responsible country is the one with the “closest connection” to the agreement. (Marshall 2003, 118)

For securing the mutual understanding about the deal the exporter should write T&Cs (The exporter’s terms and conditions” including all the documentation and terms used in the sale. The exporter should also ask the buyer to sign the terms and only after both agreeing the contract can be formed. (ibid., 119)

After that the exporter writes an offer and the buyer either accepts, declines or makes an counteroffer. Only when both agree about the terms the acceptance can be made. The exporter has an opportunity to check the Letter of Credit details and credit rating of the buyer before signing the order. (ibid., 119–121)

### 3.4. Transport and logistics

Logistics is about managing all the phases of manufacturing since sourcing raw materials till the actual shipment to the end-customer. In exports logistics are more complicated and expensive than in domestic business. When exporting the company has to take into consideration the rising costs of the transports, insurances and Customs procedures. For getting these processes made in the most efficient way the company might hire freight forwarders, insurance brokers and Customs brokers. (Marshall 2003, 124–125)

Freight forwarder works as a transport intermediare. The person arranges transports for the exporters products and ships those to the buyer. The freight forwarder can arrange total solutions to the exporters distribution requirements. Generally the forwarder buys space on cargo ships, trucks, trains etc. in Freight All Kinds (FAK) basis so that he is paying the standard fee no matter what he is transporting. Then he sells the space forward to the exporters in kilo-basis so that the price depends on the weight of the item. Normally the forwarders are not owning the vessels so

they are usually called “non-vessel owning common carriers” (NVOCCs). Companies are paying a fee for using the service but often it can be anyway cheaper and easier to use these forwarders than to do own shipment contracts. Planning shippings requires a lot of knowledge, experience and time. (Marshall 2003, 125–126)

Transportation to Sweden is generally simple because there are regular ferries and boats operating in the Baltic Sea and those are also available for trucks and cargo containers. From North there is also a roadway to Sweden. The only problem the companies may face is a lack of transport equipments. The solutions is to sell the products with EXW Incoterm or then send the products via line or hire a freight forwarder. The distance to Sweden is short and the transportation is generally simply to organize but comparison of prices, knowledge of the fees and customary manners of the company are useful in order to keep the expenses as low as possible.

The carrier of the product is responsible for the losses and damages happening during the transportation. There are four exceptions exempting them from the responsibility:

- 1) An act of the nature
- 2) An act of the public enemies
- 3) Fault of fraud by the shipper
- 4) An inherent defect in the goods

(ibid., 130)

For avoiding the loss or damage of the shipment the company should consider taking an additional insurance. The company can hire an insurance broker to compare the rates of the products of different insurance companies. (ibid., 131)

Customs procedures are varying from the country to country. Hiring a Customs broker can help the company to get the products through the process faster and easier. Customs brokers are either companies or individuals that are located in the target market. They are experienced about the documents and procedures of importing and exporting. They can also help for example in case that the officials are opening the package and it has to be packed again before getting to the customer. In some countries hiring a Customs broker is mandatory but even if it is not it can help the company to save money and time. (Marshall 2003, 135)

### 3.5. Payment and currency

In international trade there are four main methods of payment that can be used. Choice of the applied method should be based on the research of the risk of not receiving the payment. Those options are prepayment, documentary credits, documentary collections and open account trading. Some options are more favourable for the exporter and some of them really beneficial for the importer. Some payment methods are giving mutual security to both of the partners. Generally all international transfers are causing costs so in payment terms there should be balance between security and cost efficiency. (Marshall 2003, 169)

Prepayment is the best option from the exporters point of view. Requiring prepayment secures that the exporter gets the money but the importer is having a risk that the product is never shipped. It is not uncommon that the exporter requires deposit on ordering. In cases of prepayment taking place the importer can request APG (an advance payment guarantee) for getting even some degree of security in case of fraud done by the exporter. (ibid., 170)

In international trade the L/Cs (Letters of credit) is currently most used method of payment documents. In L&Cs the exporter ships the goods and delivers proper commercial- and shipping documents for their bank. The bank delivers papers to the named bank of the importer and when the papers are received and checked the importer makes the transaction. The bank transfers the payment and when the exporter receives it they send the receipt. Both partners are having certain security when operating through the banks. The banks are taking a fee but the risks are lower than without these middlemen. (ibid., 173–174)

Documentary collection differentiates from the L/Cs in terms of the timetable of the shipping. In documentary collection the bank of the exporter delivers required documents to the bank of the importer. The bank gives the documents to the importer and when those are accepted they make the payment. Only when the payment is received by the exporter they are required to ship the goods. (ibid., 179)

Open account terms are making it possible to the importer to only pay after 30, 60, 90 or more days after the shipment. The amount of the time depends on the credit period agreed by the partners. This terms are really complicated to the exporter because the exporting company has to finance all the phases since the importer has to pay. Open account terms should be considered

only when the exporter is sure about the liquidity and the paying ability of the buyer. (Marshall 2003, 171)

When making international transactions the currency issues always matter. Inflation, deflation, currency exchange rates and interest rates may make a big difference to the profit and to the costs of exporting. The companies are having some tools for minimizing the effects to their business. (Marshall 2003, 184–185)

Selling and buying foreign currency at the spot rate helps for getting the most out of the currency. Quoting the rate for the forward contract as a “premium” or as a “discount” takes into consideration the changes in the interest rates. By doing that the company is prepared and protected against major changes and it gets compensation if something occurs. (Marshall 2003, 187)

When making forward contracts with a bank either “fixed” or “option” rates can be applied. When taking the fixed rate the exchange will be made on exact date written to the contract. When applying the option rate there is a period consisting on two dates and the exchange can be made any time between these due dates. The option rate is more expensive for the company but with a lot of experience and a great management it can be really beneficial. (ibid., 189)

If the company operates continuously with foreign currencies it may be more beneficial to open a currency account than to make separate transactions all the time. Opening an account for a foreign currency is possible with most of the convertible currencies and it can reduce the costs since the company already has the money when it is needed. When opening a currency account having also the forward contract is not recommendable so the company should consider which option is financially the most beneficial one. (ibid.)

Swedish companies are used to deal with Euros when doing international business. It is up to them whether they keep the money in the Euro or Crown account but in the case of many international companies the Euro account helps to avoid the harms caused by the fluctuation of the currency. The Crown is quite stable currency and it is possible for the case company to make the contracts in Crowns too. In that case they may consider selling the Crowns at the spot rate with an “option” rate for getting some extra money. Also opening an Crown account might be considerable idea.

### 3.6. Financing exports and the risks

When exporting it is possible that the company has to consider financing their actions. In some cases the company has to cover the production costs, shipping and other costs until the customer pays. In that case the short-term finance like payment terms or medium and long-term finance like buyer credits, loans, factoring, supplier credits, forfaiting and leasing might be potential options. (Marshall 2003, 202)

There are more financial risks in exporting than in selling in domestic markets. The risk of not receiving the payment is higher when operating with so many intermediaries and processes. Also country risks like war, sanctions, import and export restrictions and strikes are affecting to the probability of the customer receiving the product and the exporter receiving the payment. (ibid., 205–207)

The exporter should research the liquidity, liabilities and the reputation of the buyer and also the reliability of the intermediaries for minimizing the risks. In the market research prior exporting the political and social stability of the possible target market should be taken into consideration. (Marshall 2003, 205–207)

### 3.7. Documents for shipping and Customs

International trade and exporting as a part of it is including plenty of documents and a lot of paper work. This chapter goes through some main documents needed in average export process. Depending on the field there may be more documents needed but in general there are four types of international trade documents: transport, customs, insurance and payment documents. (Marshall 2003, 142)

Under transport documents are:

- 1) Bills of lading (B/L) that is a receipt from the carrier to the exporter confirming that they have received the package.
- 2) Air Waybill is a receipt from the carrier to the exporter confirming that they have received the package in case that the items are transported by air. Works like B/L but is non-negotiable and does not work as a title of items.

- 3) As Invoices exporters are using both pro-forma and commercial invoices. The difference is that pro-forma informs about the nature, quantity and value of items to be shipped but does not require the buyer to pay yet. Commercial invoice proves that the sale has taken place but also requires the payment. Pro-forma is often used for telling the value of the shipment if the actual sale has not taken place; for instance if the products are sent as gifts or they are going to the exhibition or as samples.
- 4) DG Note for shipping dangerous goods.
- 5) CIM, a document for international cargo transport by rail.
- 6) CMR, a document for international cargo transport by road.

Customs documents are:

- 1) Export Declarations and Import Declarations are simplified within the EU so that the company has to fulfil INTRASTAT document in monthly basis and submit it to the Customs. The document consists of the tariff commodity code, value in pounds Sterling, delivery terms, nature of transaction, net mass, supplementary units, country and number of consignment, mode of transport, country of origin and traders reference.
- 2) ATA Carnet is a form of documentation that is used for temporary exports in cases that the company is about to bring the product back to the domestic markets. For example items for exhibitions and different samples are exported with ATA Carnet.
- 3) Invoices that are used as a documented information for example about the terms of shipments and payments.

Insurance documents:

- 1) Insurance policy is a document consisting of the terms of the insurance and it also determines the claims when the insurer is required to pay.
- 2) Insurance certificate is a document proofing the existence of the insurance.
- 3) Insurance declaration is a page providing details about the insurance, insured, insuring company and the insurance policies.

Payment documents:

- 1) Letter of Credit, a document from the bank that proves that when the delivery conditions are met the exporter will receive the payment.
- 2) Bill of Exchange, an unconditional order addressed by the drawer to the drawee that obligates the drawee to pay certain amount to the drawer.



(Marshall 2003, 142–150; BusinessDictionary 2015, cited 31.01.2015)

In case of the commissioner and while talking about Sweden the Bills of lading, Commercial invoices, CMR, INTRASTAT and Insurance documents are required. From the payment documents both can be applied in this case. Letter of Credit is a good and safe payment mechanism for the case company's point of view while Bill of Exchange is also working as a great payment instrument for international business.

## 4. SWEDISH CULTURE AND BUSINESS LIFE

Kingdom of Sweden is a country located in Scandinavia, Northern Europe. Sweden has 9.5 Million inhabitants spread to the area of total 449,964 square kilometer The capital of the country is Stockholm. Sweden is a monarchy and the current leader is Carl XVI Gustaf. (BBC 2014, cited 30.01.2015; United Nations 2012, cited 30.01.2015.)

Sweden has been a part of European Union since 1995 even though it is still using its own currency Swedish Crown. (BBC 2014, cited 30.01.2015).

### 4.1. History of Sweden

When Christian religion reached Scandinavia happened major changes occurred in the societies. Small competing parties formed unite Sweden first time in 1248 when the monarchy was established. In the first years Sweden was financially and politically instabile and in 1397 they decided to join Denmark and Norway and form the Union of Calmar. (Ulkoasiainministeriö 2013, cited 30.01.2015.)

The state of the Union of Calmar remained until 1523 when Gustav Vasa took over the control of Sweden and the countries separated. That day; sixth of June, when Gustav Vasa rised to power is remarkable in Swedish history and nowadays celebrated as a national day of Sweden. (ibid.)

From 17<sup>th</sup> Century to 18<sup>th</sup> Century Sweden was having powerfull kings and invading countries and areas nearby. Sweden had a lot of wars and in one point it was having control over the Baltic Countries and parts of current Poland, Denmark and Germany. The area of Finland was a part of Sweden all those years. The era of great power ended in 1721 after the Great Northern War where the neighbouring countries had allied against Sweden. (Ulkoasiainministeriö 2013, cited 30.01.2015.)

After major losses of areas and power Sweden started to live so called "era of freedom". The country started to develop its democracy and formed the parliament. The estates got the power and the political life of Sweden was born. Years 1719-1809 brought Sweden into wars with Russia that was back in those days a rising power in Europe. In 1809 the area known as Finland

was lost to Russia. Sweden had a control over Norway from 1814 to 1905 when it finally got the borders that it has nowadays. (Ulkoasiainministeriö 2013, cited 30.01.2015.)

The industrialization got to Sweden quite late. In the end of 19<sup>th</sup> Century only one third of the population was working in the field of industry. In 1921 women were enfranchised and since then Swedish people have had common and equal right to vote. In 19<sup>th</sup> Century and 20<sup>th</sup> Century Sweden was suffering from a big number of emigration. (ibid.)

In the World War I Sweden remained neutral. After the war it joined the League of Nations and the social democratic governments got a lot of reforms to the social system. In the World War II Sweden was neutral in the beginning but when Germany occupied Denmark and Norway it had to allow German troops to transit through its areas. Sweden was also supplying Germany with iron ore, other minerals and guns. (BBC 2014, cited 30.01.2015.)

During the cold war Sweden was a neutral country and stayed outside NATO and the Warsaw pact. In 1946 Sweden joined the United Nations and in 1959 it became the founder member of EFTA (the European Free Trade Association). Nowadays there are four countries in the association: Norway, Iceland, Switzerland and Lichtenstein. EFTA and EU together (excluding Switzerland) are forming European Economic Area (EEA) that provides free movement of people, goods, capital and services inside its area. As a part of EU Finland and Sweden are part of the EEA agreement so exporting is remarkably easier between these countries than without the agreement. The bilingual trade agreement between Finland and Sweden was ratified 1928. Sweden joined European Union together with many other states in 1995. (BBC 2014, cited 30.01.2015.; EFTA 2015, cited 21.04.2015.; FINLEX 2015, cited 21.04.2015.)

#### 4.2. The society

The unemployment rate in December 2014 was 7%. According to the statistics from 2012 almost 90% of Swedish population had a chance to use internet and about 85% has an internet access at their home.

(Statistiska Centralbyrån 2014, cited in 31.01.2015; Ulkoasiainministeriö 2013, cited 31.01.2015.)

There are 130 magazines published in daily-basis. The most common ones are Dagens Nyheter, Svenska Dagbladet, Aftonbladet and Expressen. The state owned TV-channel is called SVT (Sverige Television). There are also many commercial satellite and cable channels. The state owned radio channels are P1, P2, P3 and P4 and those together form SR (Sveriges Radio). (Ulkoasiainministeriö 2013, cited 31.01.2015.)

24,6% of the total capacity of the energy is produced by nuclear power. Sweden is investing a lot to develop the usage of the renewable energy sources and sustainable development. (CIA 2015, cited in 31.01.2015.)

### 4.3. Economy

During the current financial recession Sweden has been doing particularly well. The inflation rate is now smaller than before the year 2008 and there is more unemployment although the public-sector is still gaining budget surplus. (Ulkoasiainministeriö 2013, cited 31.01.2015.)

Like seen in the Figure 3 in Sweden 25% of the GDP comes from the industry and construction business, 2% from forestry and agriculture and 73% from the services. Biggest local companies in 2012 were AB Volvo, Ericsson and Vattenfall AB. (ibid.)

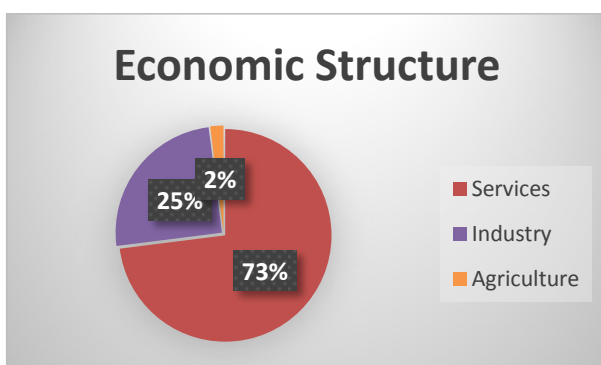


FIGURE 2. The economic structure of Sweden from the year 2012. (Ulkoasiainministeriö 2013, cited 31.01.2015.)

In 2012 57% of all the exports went to EU area. The amount of exports to whole Europe, including Russia, was total 73%. To the North America Sweden shipped 7% of the exports.

Sweden gains about 50% of its whole GDP by exporting. (Ulkoasiainministeriö 2013, cited 31.01.2015.)

Sweden has a lot of minerals which are one of the most important exports among engineering products. Sweden imports for instance technology, foodstuffs and textiles. Sweden is importing groceries, mostly dairy products and coffee from Finland, even though those are not sold with really high volume. Also manufactured wood products such as paper and also Nokia phones are imported from Finland. Finnish products are generally only subsidiary to local ones since Sweden is producing similar types of products. (Ulkoasiainministeriö 2013, cited 31.01.2015.; FinSve 2015, cited 21.04.2015.)

Swedish Crown was quite stabile against the Euro from 2002 to 2008. In the beginning of the financial crisis the Crown first declined about 20% due to the actions of a local bank. In 2009 the currency started to appreciate again and finally reached a really strong position against Euro. Those fluctuations might be used by companies and individuals to gain money with currency exchanges. (CIA 2015, cited 31.01.2015.)

#### 4.4. Politics

Sweden is divided into 21 counties and the total amount of municipalities is 290. In addition to the municipal self-government there is also a provincial self-government. The head of the state is king even though nowadays the power of the king is only ceremonial. (Ulkoasiainministeriö 2013, cited 31.01.2015.)

Sveriges Riksdag, the Swedish parliament is unicameral and has 349 members. The parliament names the prime minister who names the government. (ibid.)

In Sweden the court and the parliament are separate institutions balancing the society. According to the statistics of Transparency International from 2012 Sweden is the fourth least corrupt country in the World. Sweden is a state with a wide freedom of speech and Swedish people are acting through voting, civic organizations, trade unions and interest groups. (ibid.; Transparency International 2015, cited 31.01.2015.)

Sweden is active in EU and it supports the enlargement of the union. Some main points Sweden has in its EU policies are the significance of free trade and freedom of movement. Also, the actions against the enlargement of current financial crisis are gaining great interest among Swedish politicians. (Ulkoasiainministeriö 2013, cited 30.01.2015.)

## 5. ENTRY STRATEGY

When entering a new market area, the first thing is always to find out how and when it should be done. Sometimes the timing is crucial, sometimes the market is just too difficult or risky to handle. The case company is already operating in multiple countries in the Europe, in Asia and in South America. All the countries are anyway different and the special features shouldn't been underestimated. For getting the best possible beginning there is an entry strategy. (CEO 31.10.2014, meeting.)

This entry strategy is a non-investment strategy since according to the marketing research the best approach to Sweden is a direct approach without local offices. The case company is only having one manufacturing unit and it is not planning to set up new ones so the only questions are concerning marketing, sales and contacting customers just as the questions about exporting and transportation.

### 5.1. Marketing research

Since the case company has already penetrated into many markets there is already some kind of requirements that a future market area should fulfill for being interesting in terms of starting to market and sell there. Competition, risks and marco factors can make Sweden an uninteresting future investment and routes to market and selection of the segment are helping to choose the right way to enter in the most economical way.

Marketing research is the first thing to do when starting to create an entry strategy. It helps in making a proper budget and promoting in terms of winning the local competitors.

#### 5.1.1. Routes to enter Sweden

In the case of the case company indirect approach to the market is almost impossible since the products are customized and communication between the buyer and the seller has to be fast and accurate. Distributors, retailers, licensing and franchising are not considerable options in this case.

Direct approach is the best possible because it makes the communication easier and it is also pretty good financially. Also agents are used already in several locations and they are getting a fee from their actions but the middlemen also make the information flow slower and less reliable and it also takes time and money to train the agent. Setting up a local office works in some countries but it is not the best way to enter the market since it requires great investments for the premises, licenses and the staff. Local office is a good option when the stable market position is already earned.

Sweden is a pretty similar market area to Finland because it is geographically near and it is pretty easy to start a business there so there are no middlemen needed in the documentation and other tasks. It would be useful to actually send someone to work there for an undefined period of time but agent or local office is not the first thing to invest in when entering the market.

#### 5.1.2. Selection of the segment

The case company is operating in several fields of business. The company is supplying for agriculture, mining industry, harbors, aircraft hangars, energy plants and some smaller clients. There are different practices in different fields and also the profit is varying. Really small doors are not worth sending abroad since transportation and all the costs are so big compared to the income so in this case the company should consider selling only doors bigger than 50m<sup>2</sup> or worth more than 50 000 €. (The sales representative of the Scandinavian department 13.02.2015, meeting.)

Hangar doors are a niche market and the segment with highest marginal profit so that can be sold abroad with less volume. The investments are also generally big so the incomes are greater than with all the other products. Also there is not that much competition in that field. If the company had more employees selling smaller doors with high volume would work but in the current situation hangar door industry is the most profitable. So that was chosen to be the only segment to target in Swedish markets. The positioning is to be made only towards competitors in hangar door business. (ibid.)



### 5.1.3. Competition analysis

The main competitor of the case company is Swedish Company. Company X is producing pretty similar products but there are also companies producing old-fashioned sliding doors that are still competing against the doors representing new technology. The competition in the field is really tight because the customers in hangar door industry are only few and they can be listed according to the aircraft related companies and future investments. In Sweden there are not particularly many hangar projects and each sale counts so the door manufacturers are doing everything for getting the requests for quotation.

Company X can be mentioned as a direct competitor. It has a wide network of partners due to its existence as part of a big multinational company. All those supporters can be mentioned as competitors too. When the case company now decides to enter Sweden, all those smaller existing competitors and possible national or international entrants have to be clearly stated and risks estimated. Especially with Eastern European and Asian companies the risk is that they can produce with clearly cheaper prices and their entrance to the markets may change the balance. The doors of the case company are representing new technology that requires lighter structures and less space but also those producers of different types of doors, for instance sliding doors are setting a challenge for the company.

When comparing to the Eastern European and Asian competitors the distance to Sweden is a benefit to the case company. Delivery time, quality and isolation technologies can be considered as a critical success factor compared to those competitors. Marketing, service and pricing can be formed as a benefit when comparing to the Swedish competitors.

### 5.1.4. Risk analysis

As seen from the chapter 4 and more closely from the PESTEL-analysis in the table 1 in chapter 3.2 there are no major risks in entering Swedish markets. The political and social environment are not against foreign entries and all the laws are making the entry possible. In nature there should not be any remarkable hazards threatening people or assets. Also risk of terror and violent attacks is small. Financial risks are covered with insurances and legally valid contracts with customers. Reputational risk should be covered when respecting the customers, business partners and competitors and their cultures.

Sweden is using their own currency Crown and that is also the currency Company X uses in their offers. If there happens fluctuation it may happen that the offer of Company X becomes clearly cheaper but also it may cause that investments in foreign currencies become more interesting. Case company could prepare for those fluctuations by preparing to offer also Crown-payments in case of fluctuations.

In general the competition is the biggest risk in Sweden. The existence of the competitors may disturb or even destroy the entry to Sweden.

Even though there are no remarkable risks in Sweden when we compare the environment to Finland those risks should not be underestimated. In case something would happen the company should re-check and update the insurances, plan B:s and Public Relation risk management plans. For example global security situation may change quickly and that may cause financial losses. Too much preparation is always better than nothing at all.

## 5.2. Promotion

**Promotion mix** should be created in order to ensure succesfull entry strategy. Currently, all those actions the case company is taking in Sweden in order to get more sales are the visibility of the reference items and –letters. In the products already sold to Sweden there are logos of the company and the customers have written reference letters that the company is showing to potential future customers.

In the future, they should start a campaign in Sweden including participation to trade fairs, visibility in the Swedish business- and construction magazines, contacting the customers and the representatives of the big projects. Advertising with traditional adds or billboards is not really considerably option with this kind of business. In B2B-marketing most important features are personal selling and public relations.

Personal selling is important and really dependent on personal chemistry. Selling itself is not a problem to the case company but they just need to reach the customers for it. Getting more customers requires more visibility and also direct contacting. For example in the year 2015 there is a big construction related trade fair called Byggmässan held in Malmö, Sweden. Those events

are a great opportunity to get contacts and meet potential customers. Also being interviewed for some Swedish magazines like Ny Teknik or Affärsvärlden would be a great free advertisement for the company.

Social media and the web-sites should not be underestimated since that is the place where the potential customers start to look for the information and references and the first impression often matters a lot. Search engine optimization is already used by the company and that is a great tool for getting more visitors to the web site also. As an internet manager I would set up Facebook and Twitter accounts and use them to create positive image of the company.

The public relations section should do some great work in internet and media for promoting the company and its products. Even the products are high-quality ones the Competitor X makes the entry more difficult and can try to damage the image of the case company. The case company should not get provoked but spread information about their environmentally friendly production methods, high moral and great working conditions. Participating in all kind of events and campaigns is free advertising for the company and possibly that makes the change in terms of winning the competitors. When the products and pricing are almost alike with the Company X, the reputation can be the only thing to find the winner.

Also the manager responsible for entering Sweden could start looking for the responsible companies of the future investments in hangar industry. Those should be possible to find and include in to the database for example based on the information given by European Investment Bank. When all the potential customers are found it is easier to keep them updated and start to provide information about the products and services of the case company.

**Pricing and service** are important factors in order to win in competitive bidding. Due to a lighter organizational structure the products of the case company have traditionally been cheaper than the ones of Company X. Anyway, nowadays, the gap has become smaller and in Sweden Company X has the geographical benefit that makes the product more competitive. The case company can not compete in prices with East European or Turkish companies but the difference in quality may make the change. (The sales representative of the Scandinavian department 13.02.2015, meeting.)

Things like the selection of the Incoterm, extra services and features are affecting to the price of the product. It is a benefit that the customer is provided with enough information about the variations so that they get an image about great service behind the product.

Company X as a competitor has a great benefit in Swedish markets since it is operating locally from there so the after sales support runs really smoothly and reparations can be made fastly. The after sales support that the case company offers is customer service, help, guarantee and possibility to reparations and supply of new parts after the guarantee has expired.

### 5.3. Quotation

The products of the case company are big investments and the competition is tight. When the customers are reached they generally leave the request for quotation for several different companies. The process of quotation and the structure of the offer are important when making a decision about the winner.

The offer should consist of the most relevant information and highlight the benefits of the products instead of slandering the competitors. The letter should include basic technical information, the price, payment terms, terms of delivery, contact information and shipping details. More detailed information about the field, production and different options are delivered in a separate brochure.

Some of the competitors (Barduwa and Shipyarddoor) are giving all the details in the offer letter which makes it less accurate and gives a bad image about the quotation process. Compared to them the quotation form of the case company is already well prepared and clearly written. Also the benefit of the case company is that they can make the quotation in Swedish in order to please Swedish customers.

#### 5.3.1. Payment practices and the terms of delivery

The Swedes are used to pay in Euros so it is the business of the customer whether they pay from an Euro or Crown account and how do they buy the currency. Though it could be considerable whether the Swedes might will to buy better if offering a chance to pay in Crowns. Opening a Swedish bank account for the case company could be one option.

In the contracts asking for a prepayment of 50% is usual in Sweden and that could be used in these contracts also. In Sweden it is not necessary or useful to ask for the entire payment before shipping. L&C's and Documentary collections are probably the least risky options and choosing from them gives some of options to the customer.

EX Works is the easiest term of delivery for the case company but in some cases it can be seen as a bad customer service. One option would be offering the contract as a DAP so that the buyer pays the costs but at the same time giving an opportunity to choose another terms of delivery.

### 5.3.2. Documentation

The case company has a really good ERP-system to document all the quotation and other forms. All the phases should be documented and saved. The documentation practices are pretty much similar to Swedish ones due to a cultural similarity so there shouldn't be major problems. When writing the contracts they can be written under the United Nations Commission on International Trade Law and Finland can be stated as a choice of jurisdiction so in case of anything occurring it is clear which court is solving the problems.

The customary does not cause any problems since the company is already making business in Europe and the same INTRASTAT form is used in all the countries of EU. That is already been fulfilled in monthly-basis by the case company. The free movement law makes the export and import declaration simple and affordable. (The sales representative of the Scandinavian department 13.2.2015, meeting.)

## 6. CONCLUSIONS

As a conclusion the entry strategy that the case company could use for getting to their target which is a stabile position in Swedish markets is a direct, non-investment entry. Sweden is worth entering but they should not use too much money for that since the competition situation is tough.

The PESTEL analysis, risk analysis and competition analysis are showing that the major risks are the fluctuation of the Crown and the competitors. Sweden as a market area seems to be stabile but quite small. The segment of hangar doors is stabile but there is only a small amount of investments and Company X is a current segment leader so getting sales is hard.

Eastern European and Asian competitors are offering similar products with lower prices but the quality is weak, marketing amateur and distances long so they are not potential risk in Swedish markets. Company X is a really big competitor but with a great promotion, contacting directly the customers and doing some public relations work they can be beatable. The products are pretty much similar with similar prices but with little bit different features that can be used in a marketing as a benefit of the case company. Also quotation process and after-sales support are in an important role in this case.

It is also remarkable that Sweden is a home market for Company X so they do not have to bother their customers with export procedures. That is why the case company should consider offering an Incoterm that makes the tasks of the customer as easy as possible. The money used for exporting and transport can be added to the price or saved from some other phase. The customers might not be used to international contracts or it is just easier to buy from Sweden if everything seems too complicated for them.

The great amount of competition may decrease the prices. That affect to the Swedish economy but that also affects to the case company because the profit marginal is decreasing. Niche market is increasing the risk of the entry and because of the small segment and tight competition that decreases the profit even small changes in the hangar door field are directly affecting to the whole profitability of Swedish market.

The route to Sweden is better to be without middlemen or great investments. The direct approach is the best because it does not require major investments but basically minor amount of

promotion and answering to the requests for quotation is enough. Using the system of “finder’s fee” might be useful in Sweden also in the future and maybe later on investing to the agent or to a local office might become less risky.

The case company should name a person whose target is to develop promotion, contacting and selling in the Swedish market area. In the beginning developing a promotion mix and a marketing strategy are important tasks. Trade fairs, articles and direct contacting are probably the best tools to set up situations where personal selling can be used. Also offering open information about the reference items helps to create trust to the product and build the image of the company. Quotation formula of the case company is clear and that is also part of the sales process.

In Niche market the customers are not too many and a database about new investments and potential customers might be useful. The company can do the contacting via newsletters, emails, phones etc. Company X has plenty of partners in all fields of business and the case company could possibly also start finding for Swedish business partners and people to open up the whole Swedish hangar door industry.

Even with a good entry getting a stabile position in the market will take time. With good promotion and contacting the commissioner may get requests for quotation and even sales but because the concrete amount of the projects in Sweden is so low getting a greater per cent of all sales will take time and effort. The competitor is currently working from Sweden and can offer faster and more accurate after-sales support which affects directly to the purchase decision. Getting that advantage requires lot more employees, volume and sales in Sweden and that does not fit to the non-investment entry strategy.

As a succession to the case company might be to consider again the whole idea about entering Sweden. Sweden is developed, rich country but with small population and only small annual growth. There are better market areas such as Azerbaijan, Qatar and in future maybe even some African countries such as Nigeria that are growing fast due to their oil deposits. Sweden can be also entered but that should not be the main idea for the future and that should be done with small volume only.

## 7. DISCUSSION

The goal of my thesis was to set up an entry strategy for my case company. The strategy was about to help the management to plan entry to Sweden including marketing research, risk analysis, competition analysis and promotion. I was also about to cover the questions about export documents, selection of the Incoterm, payment terms and transportation. As a research method I was about to do brainstorming and observation.

As a results of my research I found out that Sweden itself is a good market area but the strong competition and fluctuations of the currency may cause that the volume of the market is not enough for covering the costs. Big investments to Sweden are too risky and the best possible approach is via direct non-investment entry.

I am pretty satisfied to my work. Even the process has been really difficult, time consuming and hard for me I managed to finish in time. The purpose of the study and the actual research has been changing during the process. I had several meetings and brainstorming and some tangible material but I used that information widely. The study was made with low costs and I have learned a lot. The feedback from the commissioner of course gives more information about the usefulness of the document.

I do not work in this field of business so the study is made from an outsiders point of view. I hope my thesis will bring some kind of wind of change to the everyday work and work as a guideline when thinking about entering Sweden.

As I stated in the conclusions Sweden is a really difficult market area because of the competition and the entry should be planned well. With good planning and some competitive spirit that can be possible. I would start with mapping and listing the possible customers and future investments in Sweden and then contacting them. I would highlight the critical success factors and ethical behavior and also highlight great after sales support, good reputation and competitive prices against Company X. With those benefits the competitive bidding is possible to win.

If the company decides to continue with this idea closer look to competitors daily manners and production would be useful. If not, then there is a world full of new market areas to conquer!



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