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# MARKET ENTRY OF FINNISH COMPANIES INTO THE UNITED STATES

Business Economics and Tourism

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## TIIVISTELMÄ

Tekijä	Fanni Nieminen
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Tämän opinnäytetyön aiheena on suomalaisten yritysten pyrkimys päästä Yhdysvaltain markkinoille, sekä niiden kohtaamat haasteet kyseisellä markkina-alueella. Tutkimuksen päämääränä oli selvittää, miten yhdysvaltalaisille markkinoille tulisi pyrkiä ja millaisia haasteita suomalaiset yritykset ovat kohdanneet sekä millaista tukea markkinoille menoon on tarjolla.

Kansainvälistymisen prosessi esitellään lyhyesti aloituskappaleessa, minkä jälkeen on kuvattu Yhdysvallat markkina-alueena ja Yhdysvaltain kauppasuhteet Suomeen. Varsinainen teoria on muodostettu markkinoille menomuotojen kuvaamisesta ja oikean markkinoille menomuodon valintaprosessista.

Empiriassa määritellään aluksi valitut tutkimusmenetelmät, minkä jälkeen tutkimuksen toteutus on esitelty. Tutkimus toteutettiin haastatteluiden ja sähköpostikyselyiden avulla, joihin osallistui suomalaisia avustaneita asiantuntijoita ja Yhdysvalloissa toimineita yrityksiä.

Tutkimuksen perusteella voidaan sanoa, että Yhdysvalloissa suomalaiset yritykset suosivat markkinoille menomuotoja, jotka osoittavat sitoutumista markkinoille ja joilla on korkeat tulostavoitteet. Markkinoille menomuotoina käytettiin monipuolisesti niin korkean kuin pienen riskin muotoja yhdessä. Haasteiksi koettiin erityisesti intensiivinen kilpailu ja resurssien puute. Myös Yhdysvaltojen todellisen koon ja monimuotoisuuden ymmärtäminen tuottaa tutkimuksen mukaan vaikeuksia suomalaisille yrityksille.

## ABSTRACT

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The aim of the thesis was to describe the market entry of Finnish companies into the United States and the challenges confronted in the market. The objective was to research how to enter the U.S. market and what kind of challenges Finnish companies have confronted when entering the market. The thesis also researched what kind of support there is for the companies entering the U.S. market.

In the introduction chapter the internationalization process was briefly described after which the United States as a market area and its trade relations to Finland were presented. The theory consists of describing different entry modes as well as describing the decision making process of selecting an entry mode.

The empirical study defines the chosen research methods and introduces the implementation of the research. The research was implemented by conducting interviews and by carrying out an email survey to experts who have consulted Finnish companies in their market entry and companies that have operated in the United States.

The research results showed that Finnish companies prefer market entry modes of high commitment and profit expectations in the United States. Different market entry modes were used from high to lower risk modes. Especially intensive competition and lack of resources were considered as challenging factors. Also understanding the true size and complexity of the U.S. market has been challenging for Finnish companies.

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**ABBREVIATIONS**

EU	European Union
GDP	Gross Domestic Product
SME	Small and Medium-sized Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats-analysis
U.S.	The United States

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# 1 INTRODUCTION

This study is made in cooperation with a consulting company, Henri Syvanen Consulting, which provides training and consultation services for company internationalization. There seems to be a growing interest among the Finnish SMEs in entering the U.S. market and this study aims to provide specific information concerning this area of interest.

The chapter describes the objects of the study, the research questions and the structure of the project. The thesis focuses on the market entry mode decision of Finnish companies in the internationalization process where the target market is located in the United States. However, in the thesis the country selection is based on a company's own assessments and the decisions regarding the target segments and product lines are left into the hands of a company.

Tivi magazine reported on October 23, 2014 about 'characteristics of a company that should stay away from the United States' when interviewing the leader of Global Access Program (GAP), Bob Foster. Especially many Finnish technology companies have been interested in entering the United States but according to Mr. Foster a company whose product or service markets are saturated in the U.S. should not enter the market because of parallel offerings. However, one can success in the market if the idea is unique enough. The GAP helps companies find market opportunities in the United States and consults Finnish companies together with Tekes which is the Finnish Funding Agency for Innovation. (Tivi 2014)

The United States has a considerable importance for the Finnish exports by having the world's biggest national economy (Valtioneuvosto 2015). For a small country such as Finland export is the key for growing the economy since having only over 5 million consumers the domestic at Finland market is relatively small. Today's political and economical environment have led to a situation where exports to Finland's major exporting countries such as Russia and countries inside the European Union have decreased whereas exports to the United States has been increasing (Helsingin Sanomat 2015). Since June 2014 the value of euro has decreased and, thus, made exporting outside the euro area more attractive. The

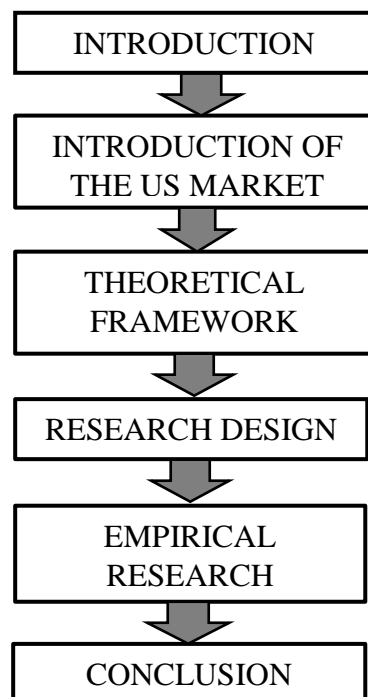
private supply of the households has increased in the United States and the main factor behind the economic development of the US is specifically the increased private supply that is the consequence of the enhanced employment situation and the returning trust of suppliers in to the U.S. economy after the financial crisis (Euro ja Talous 5/2014, 45).

### 1.1 Research Problems

The aim of the study is to discover the suitable entry modes for Finnish companies entering the United States market and the factors behind successful entering this market area. The aim of the thesis is to answer the following questions: *How to enter the U.S. market? What are the opportunities and the challenges that Finnish companies have confronted when entering the market? What are the key factors of a successful market entry? What type of support Finnish have companies needed for their market entry?*

### 1.2 Structure of the Thesis

The thesis structure is presented in Figure 1. The thesis is constructed to be a systematic path that the reader follows to understand the studied issues.



**Figure 1.** Thesis structure.

In this study the focus of the theoretical study is on different entry mode strategies and the determination of the right entry mode. However, the beginning of the internationalization process and the motives for internationalization are briefly described in the introduction chapters that the reader to make the reader understand the process behind the entry mode decision.

The second chapter consists of a brief market research about the United States and presents the current trade relationship between Finland and the United States. Some support organizations for financing and the U.S. market entry are also discussed in the second chapter since the complexity and the size of the U.S. market may require a company to use additional resources such as money, human resources and market knowledge.

The third chapter of the thesis forms the theoretical framework for market entry and describes the possible market entry modes that can be selected. The strategic decision making process is also introduced. The used market entry mode has an impact on the assumed profit, risks and commitment in a certain market which makes choosing a market entry mode an important strategic decision for a long-term plan of a company. The theoretical background for the study is gathered from secondary sources such as related literature, articles and internet publications that are related to market entry selection and the U.S. market

The fourth chapter introduces the empirical of the study where the methodology and research methods for the data collection are presented. Validity, reliability and the limitations of the study are also discussed in the chapter. The empirical research is conducted by interviewing experts and by conducting a survey to study challenges that Finnish companies have confronted to the U.S. market to gain adequate market information.

The fifth chapter displays the study results acquired from the research such as a summary of interviews and the issues that arose from the survey. The final chapter concludes the study results, suggests some managerial implications for Finnish companies and gives recommendations for future study.

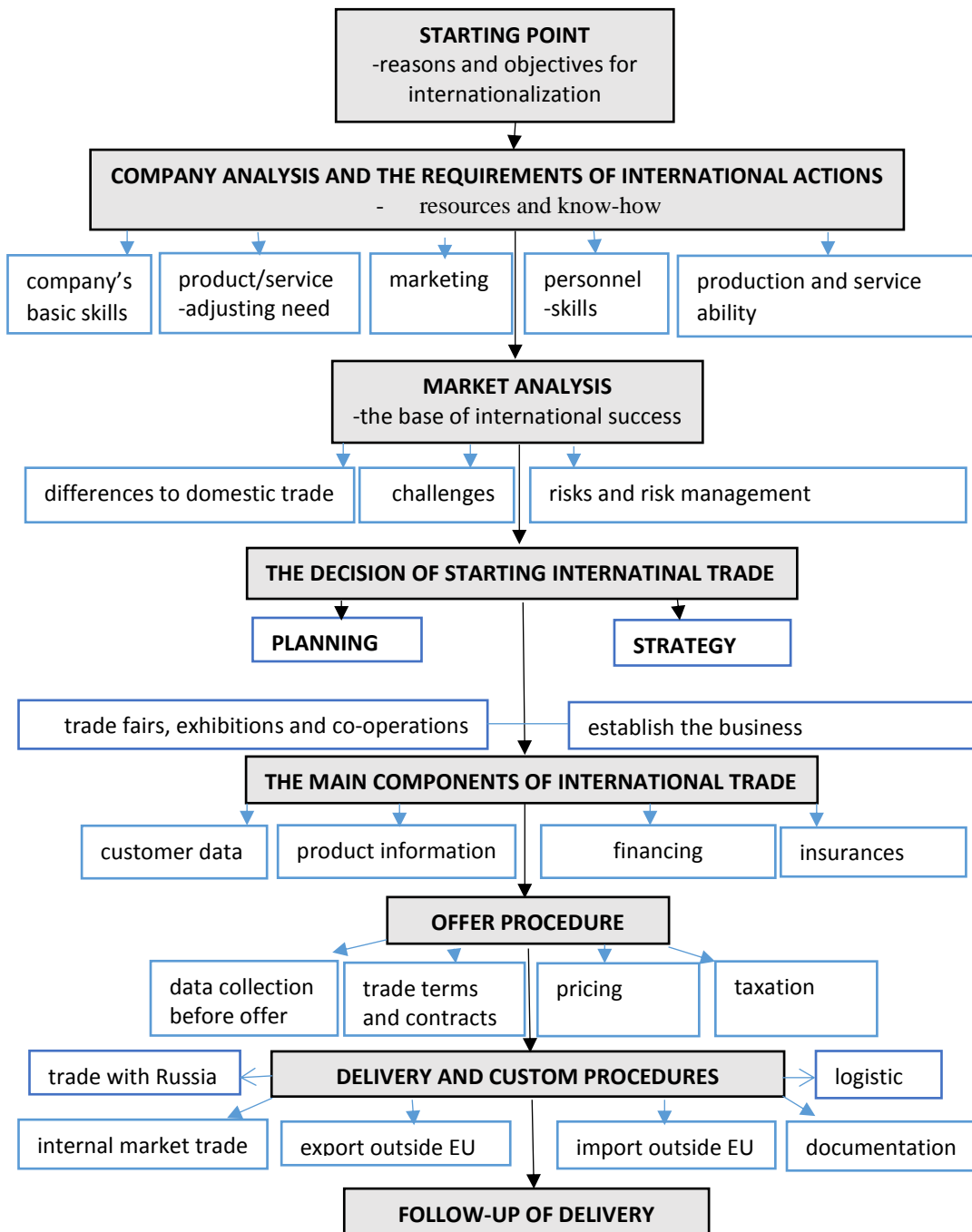
### 1.3 Internationalization

According to Hollensen (2011) *internationalization* is expanding business activities such as production and selling abroad, and it is often concentrated on some region. Internationalization can be described as a process, an end result and/or a way of thinking that is enhanced when a company attends and commits more to foreign markets. Internationalization can either be a planned and organized process that arises from the different motives or it can be a reaction and response to new opportunities or threats. For internationalization a number of different market entry strategies can be used to reach foreign markets either by combining, changing and developing them or simply by using one mode, where the smaller companies try to start with just one country whereas larger companies may enter several countries in the same time. Today, also the Internet and the World Wide Web are exploited as a source of information and market place. They have brought resource efficient opportunities for SMEs by providing higher speed and lower cost in interaction with customers and suppliers. (Albaum and Duerr 2011, 24-27)

The ten key steps for success in foreign markets have been found by studying consumer and industrial product manufacturers (Darling and Seristö 2004, 34). A successful entry and penetration can be achieved by constantly reviewing and analyzing these interrelated and interactive steps during the process. These steps provide a systematic paradigm for planning the implementation of export activities:

- |                                   |                                       |
|-----------------------------------|---------------------------------------|
| (1) Analyze market opportunity;   | (6) Identify technical issues;        |
| (2) Assess product potential;     | (7) Develop strategic marketing plan; |
| (3) Establish market entry mode;  | (8) Organize operational team;        |
| (4) Make a firm commitment;       | (9) Implement marketing strategy; and |
| (5) Allocate necessary resources; | (10) Evaluate and control operations  |

The Federation of Finnish Enterprises presents a model (Figure 2) for a controlled international trade process that starts from evaluating the reasons and objectives of internationalizing and ends at the follow-up of delivery. In the text chapter below the highlights of the internationalization process are briefly described. The process is described until the stage of strategy planning, which is the focus of the thesis.



**Figure 2.** Controlled International Trade Process (Suomen Yrittäjät 2014).

The starting points and main objectives of the process should be agreed to among the management, and the management should be committed to the decision of starting an internationalization process. The foreign market knowledge is in at high importance for succeeding in international trade and, therefore, it is critical to collect information about customers, competitors and markets. Main differences between the domestic and foreign trade can be found in business practices, business culture, supply and demand, and different juridical acts. There can also be an urge for product adjustments if business conditions, culture and product standards differ from those in the domestic country of the business. A company may encounter risks in issues related to contract, currency, finance and interest risk in international trade where also longer distances increase risks for product damages and incorrect document transactions. Political risk is high in the developing countries but it can also be a risk in the domestic country. (Suomen Yrittäjät 2014)

### **1.3.1 Internationalization Motives**

Usually multiple factors affect internationalization as a stimuli. Proactive motives rise inside the company and its interests for change whereas reactive motives respond to external threat in the market. *Profit and growth* goals are the strongest reasons for proactive motives to internationalize a company. *Technology competence or a unique product* may work as a trigger for a company whose products or services are not widely available or technological advances appear in a specialized field. A company should, however, consider if this uniqueness can easily be copied and also consider how long the company can keep its competence, especially if its intellectual property rights are poorly protected. *Exclusive market information* about foreign market can open a distinguish advantage for an exporting company and may include knowledge issues such as market places or foreign customers. (Czinkota and Ronkainen 2010, 279-280)

*Foreign market opportunities* may be an attractive option for a company whose resources meet the necessary requirements to respond to a demand. Also a *managerial urge* may drive a company to internationalize to achieve growth and expansion of markets. It may also arise inter e.g. a wish to operate internationally,

to belong to professional associations or from an interest to travel. *Learning curve* of a company is stronger after taking part in global marketing activities where the example is that the internationalization process of a company starts often from the search of export markets and afterwards extends to establishing subsidiaries and facilities to foreign countries. *Economies of scale* may be achieved from the increased production output for foreign markets that may reduce the amount of fixed cost per unit and thus make a company more competitive also in the domestic market or increase the market share. (Hollensen 2011, 51-53)

*Overproduction and high inventory* level can force a company to export its products until the domestic demand returns. However, if the company is interested in continuing the relationship after the first termination they may be rejected by intermediates and customers as the longer relationship are more valued. *Stable or declining domestic sales* may stimulate a company to extend the life cycle of the product by stepping to a foreign market. The strategy works especially in high-technology items that may still have use in the developing countries and may provide economic development. *Excess capacity* provides opportunities for expansion if domestic demand is changing and, hence, the equipment for production can be used overseas' opportunities to reduce fixed costs and utilize equipment fully. (Czinkota and Ronkainen 2010, 280-281)

Reactive motives are the result of a company's passive activities that either respond to internal or external demand. *Competitive pressures* drive companies to internationalize because of the fear of losing market share to domestic competitors as usually the one who reaches the market first can also retain the market share the easiest. *Unsolicited foreign orders* may be generated from advertising or from exhibitions and inspire a small company to respond to the enquiries. *Small and saturated domestic markets* trigger companies to seek new markets especially if the product is suitable only for a few selected customers or if the product is at the end of its life cycle in the domestic market. *The production and managerial slack* can stimulate a company to take advantage of these surpluses of productive resources overseas. *Extend sales of seasonal products* result more stable yield during the fiscal year. The geographical differences in weather can be taken

advantage of, for example, for agricultural products. A proximity to international customers/psychological distance makes entering to similar markets, for example, inside the Europe easy. (Hollensen 2011, 53-55)



## 2 MARKET INFORMATION ABOUT THE UNITED STATES

The surface of United States of America is 9 629 091 km<sup>2</sup> which is divided to 50 states. The capital city is Washington D.C. and the border neighbor countries are Canada, Mexico and Cuba. The US has the world's largest national economy by 21% of the world's Gross Domestic Product (GDP) in 2011. The size of the market and the political stability sets the United States to a unique position in the world trade. The currency in the United States is U.S. dollar, and it is used as the invoicing currency in international trade for about half of all international transactions, being also denominated in the sale of goods and services. (Finpro 2010; Griffin and Pustay 2015, 50-52)

The U.S. population was nearly 319 million people in 2014. The population is a highly diverse because of the constant attractiveness of immigration (Embassy of Finland 2014). The official spoken language in the United States is English but Spanish is also very common (Finpro 2010). Population groups according to USA Census Bureau estimation in 2015 are presented in Table 1

**Table 1.** Population groups in the United States (USA Census Bureau 2015).

Caucasian	77.7%
African American	13.2%
Asian American	5.3%
American Indian and Alaska Native	1.2%
Native Hawaiian and Pacific Islander	0.2%
Two or more races	2.4%
Hispanic or Latino	17.1%
White alone Non-Hispanic/Latino	62.6%

The major religion group is protestants by 51,3%, and the second largest group is the catholic with 23,9%, other Christians 1,6 %, Mormons 1,7 %, Jewish 1,7%,

Buddhist 0,7 %, Muslim 0,6 %, others or non-classified 2,5 %, not belong to any religious group 12,1%. The poverty is still one of the major challenges that has remained despite the prosperity. Over 30 million Americans live under the official poverty line of, and of that 30 million people the majority is African-Americans and Hispanics. (Finpro 2010)

The form of government is a federal constitutional republic and Barack Obama (2009 - ) is the president at the moment. Parliament is a two chamber Congress that consists of the Senate and House of Representatives. The Senate has 100 members and has two senators from each of the 50 states. House of Representatives consists of 435 members who are elected from each state according to the amount of population in constituencies of a state. Legislations vary in different states. (Finpro 2010)

The U.S. market is ahead of current trends but competition is intensive in almost every business sector and the life cycles of products are often short. The product and service consumptions are high but the market needs a solid input for market entry and for staying in the market. (Finpro 2010)

## **2.1 Trade Relationship between Finland and the United States**

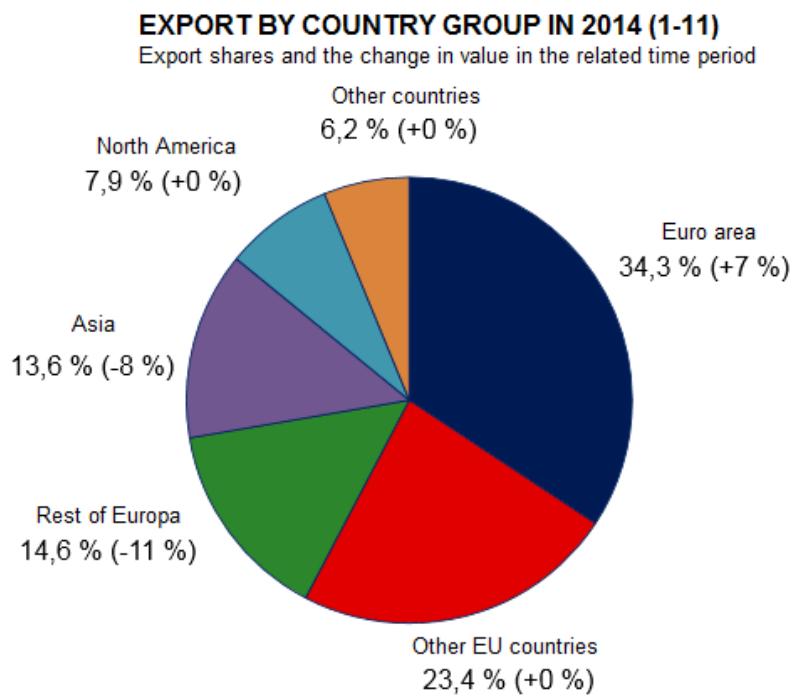
In 1995 the European Union and the U.S. accepted New Transatlantic Agenda. The main goal of the Agenda was to develop a transatlantic market between the EU and the U.S. by decreasing product and service trade barriers as well as barriers of investing. Transatlantic Economic Partnership was established in 1998. Despite the co-operations some of the U.S. standards differ from international standards and hence prevents some products that are manufactured according to the EU standards to be exported to the United States. Buy American acts have also delimited the possibilities of foreign companies' market entry nevertheless the agreement of WTO considers public procurements. (Finpro 2010)

In July 2013 the EU and the U.S. started a dialog about Transatlantic Trade and Investment Partnership that pursues extensive and two-way trade liberation between the EU and the United States. The contract would contain market entry,

regularity issues and the external boundaries of custom as well as the global regulations that would ease the market entry of European companies to the US. Finland has also been an active part in developing these transatlantic relations between the EU and the U.S. (Embassy of Finland 2014)

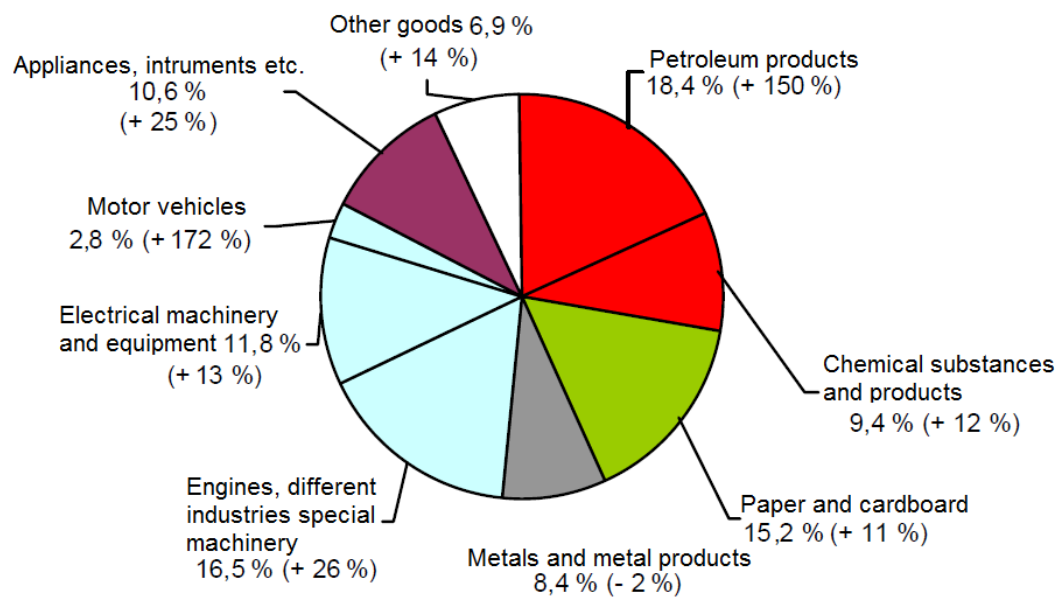
The number of Finnish companies in the U.S. was 228 subsidiaries of Finnish companies in 2012, the total turnover being approximately 14 milliard euros (Tilastokeskus 2014). According to Tilastokeskus (2015) the export to the United States was in fourth place after Germany, Sweden and Russia in 2014.

In 2014 Finland's export to the United States had increased by two per cent and export was nearly 3,5 milliards euros. Figure 3 shows that the export share of North America is 7,9 % of the total export from Finland. (Tulli 2015)



**Figure 3.** Export by Country Group in 2014 (Suomen Tulli 2015, 32).

Figure 4 shows that major exporting product groups were petroleum products (18,4%) and engines, special machinery for different industries (16,5%) in 2012. (Tulli 2013, 3)



**Figure 4.** Export in the United States by product group in 2012 (Suomen Tulli 2013, 3)

The product groups which exports had increased the most were motor vehicles and petroleum products that were exported had increased to 562 million euros of which almost half milliard was gasoline. (Tulli 2013, 3)

## 2.2 Support Organizations for Finnish Companies Market Entry

The market entry to the United States requires from foreign companies much time, labor force and financing. In the beginning of the internationalization process companies have different types of possibilities to receive support to their activities in the forms of finance, consulting and networking. Some support organizations offering services for internationalization process in Finland and the U.S. are listed in this chapter.

Developing and growing activities require financing and capital which can be acquired from public or private sources. Already the planning of internationalization requires money. Often longer delivery times in foreign trade mean also longer payment periods that as well as increased need for extra financing. The need for financing depends on the business sector, the stability of business, the financial position of the company and the situation of global

economy. For example, banks grant short- and long-term currency loans that finance Finnish companies export receivables, projects and export deliveries. Currency loans also hedge against foreign-exchange rate risks. (Suomen Yrittäjät 2014; Nordea 2015)

*The Centers for Economic Development, Transport and the Environment*, called as ELY-centers, grant development allowances for companies to enhance their competitiveness. Development activities should be significant and should improve business activities such as business competence, internalization, products or production. Mainly SMEs can receive a development allowance but if a large company does co-operation with SMEs the allowance may be permitted. (Suomen Yrittäjät 2014)

*The Finnish American Chamber of Commerce* is an association and an international network whose operations are run by the membership fees. FCC consists of eight divisions: FCC in Florida, Midwest, Minnesota, New York, North West, Pacific Coast, Southeast, Washington D.C. and the American Chamber of Commerce in Helsinki. AmCham runs a Launchpad USA program that is a tailored program for all sizes of businesses that seek a way to enter the United States market. The program helps with market entry strategy, to develop business skills that are needed in the market and provides networks and support. Also the FACCs in the U.S. have different types of programs, events and networking activities directed to companies to nurture business opportunities. (FACC Florida 2015; AmCham Finland 2015)

*Finnvera* provides financing for internationalization processes related to improvement of products or services for export markets, enhancement of export marketing or other activities to develop internationalization. Finnvera is the official Export Credit Agency of Finland (ECA) whose granted loans the government guarantees. It offers financing, credit, export guarantees and insurances for internationalization. (Finnvera 2015)

*Finpro* advises Finnish companies in their internationalization processes and provides information regarding challenges, contacts and networks. Finpro has a

set of programs every year that promote different business possibilities around the world. The US program of this year is “Opportunities in Critical Bridge Renovation Projects in the U.S.” for companies working in contraction, IT and software industries. (Finpro 2015)

*Team Finland* is a network that is formed by governmental financed organizations and of the business experts of foreign ministry, Finpro and Tekes in the United States. The mission of Team Finland is to improve the country brand, the success of the Finnish companies of their internationalization process and investments in Finland. Contact persons in US can be reached from Washington DC, New York, Los Angeles, Stamford, Silicon Valley and Houston. (Embassy of Finland 2014)

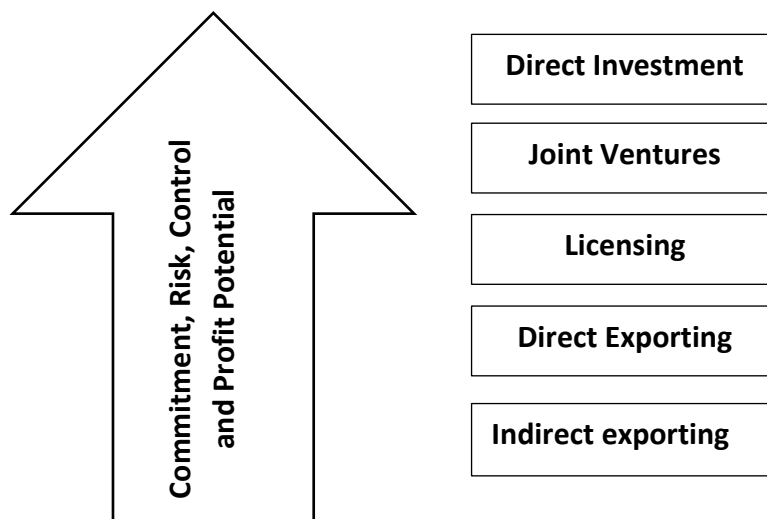
*Tekes* is the Finnish Funding Agency for Innovation and finances SMEs activities related to investing, developing and innovation. Tekes offers financing to challenging and innovating projects for all company sizes that indicate great international business potential. Finance is offered to activities such as gaining international market knowledge, developing growth and international strategies, and developing different organization levels. Tekes finances projects in the modes of loans and allowances. For under five years old young innovative companies Tekes offers a special programme to gain fast growth and to develop the business. (Tekes 2015)

To conclude, there are various of different organizations who offer support for a market entry of Finnish companies into the U.S. Additionally, several private consulting agencies who provide consulting services for a company’s internationalization process are available in Finland and in the U.S.

### 3 MARKET ENTRY

In this chapter are described different market entry modes which a company may use for the market entry. The chapter presents also the decision making process for selecting the suitable entry mode for the company. The first concrete phase of internationalization is planning the internationalization strategy that defines where and how foreign customers are served and products delivered to markets. Market entry mode is an agreement that implements a company's marketing operation or both marketing and production operation. From many entry modes to choose most of them may be eliminated while comparing resources to markets and competitors. The selection of the entry mode is the main decision for internationalization process by determining the level of control over marketing activities and its commitment to the overseas market. Market entry mode should be planned to support a company's main strategy and goals, and also to take into consideration product features and market conditions overseas. (Suomen Yrittäjät 2014; Albaum and Duerr 2011, 392)

Kotler (2009) presents a figure that contains a model for five modes of entry into foreign market where the level of commitment, risk, control and profit potential increases from the bottom up (Figure 5).



**Figure 5.** Modes of Entry into Foreign Markets (Kotler 2009, 647).

While considering different options for a market entry a company should consider the level of control, flexibility, investment and the benefits that a certain entry mode would bring for the company.

### **3.1 Export Modes**

*Export modes* have low control and risk but high flexibility. Exporting occurs when a company's products are produced in the domestic market or in a third country after which they are exported to the foreign market using direct or indirect methods. Export is the typical initial mode for entry. Export channels are classified to indirect export, direct export and cooperative export. (Hollensen 2011, 335)

#### **3.1.1 Indirect Exporting**

According to Seyom (2013) using indirect exporting means that the responsibility is given to a selected intermediate that has the control over actions and results of foreign activities where the intermediate carries marketing and delivery responsibilities. Indirect channels do not require great resource inputs and are inexpensive operations but also offer low profits and only a little contact to the foreign market is established. This entry mode offers a great way for product testing in a foreign market because of the low commitment in activities. The company may also benefit from the resources offered by experienced exporters in their expansion plans. (Seyom 2013, 85-86; Griffin and Pustay 2015, 365)

*Export buying agent* is located in the exporter's home country and works for the foreign buyers who pay the commission to the agent. *The export commission house* examines the market at the request of merchandise who to buy and send invitation bids to manufacturers. In the end the lowest and the most suitable manufacturer for manufacturing specifications wins the order where very little credit risks occurs, as usually there is a guarantee in the exporter's home country for a prompt payment and the delivery of products is managed from the buyer's side. A disadvantage of using purchasing agents and commission houses is the lack of control in marketing activities, lack of contact to customers and their



preference changes, and lack of knowledge in competitor activity. However, these methods are the easiest modes to reach overseas markets. (Hollensen 2011, 338)

*A broker* is specialized in contractual functions and particular products or product groups that usually are basic commodities. The broker does not handle the goods but brings a buyer and a seller together. An export broker may act as the agent for either the seller or the buyer and gather together either potential foreign buyers or secure quotation on a quantity for transactions. The broker is paid by a commission based on the principal. (Albaum and Duerr 2011, 453-454)

*Export management companies/export houses* (EMCs) use the name of the manufacturer to whom they act as an export department. The benefits of using EMCs are the reduced selling, administrative and transportation costs because they can spread expenses with a large range of companies that they represent as more economies are involved in the shipments. Also, the knowledge of local legal, financial and logistical practices can be beneficial, especially if a market is difficult to penetrate. The issues to take into consideration while selecting and monitoring EMCs are that their specialization area may not be the best choice for the manufacturing company, for example geographical, product or customer type and the commission paid to the EMCs may prompt them to short-term benefits instead of long-term by focusing on products with immediate sales potential. The wide product range may as well inhibit the interest of sales people from noticing the products and there may be competitive products available. In the selection of this particular mode the company should also consider that transiting the export performance back to the company may not be easy since all foreign contacts and market knowledge are established through the EMC and the withdrawal of contractual commitments may also be tricky. (Hollensen 2011, 339; Griffin and Pustay 2015, 369)

*Trading companies* act as a link between a buyers and a seller arranging transactions by taking title of the goods. They offer more services, have more diverse product lines and are better financed compared to EMCs. Trading companies have a range of financial services and they manage diverse processes relating to exporting such as warehousing, planning resource development,

insurance and many others. Offering financial services distinguishes them from general trading companies and they also manage counter-trade activities where products or services are paid in the market by exchanging them to other. Motivation to counter trade in the developing countries is the lack of hard currency and in Western countries the low-cost sources of production and raw materials. (Hollensen 2011, 339-340; Seyoum 2013, 91)

Two parties are involved in *piggybacking* where a company benefits from another company's, called a carrier, distribution facilities and it is especially advantageous for smaller companies that lack of resources. Companies co-operate to benefit from the experience of the foreign markets, broader product lines and sharing transportation costs because often the products are non-competitive but complementary. The carrier exports on behalf of the rider in foreign markets and acts either as an agent or an independent distributor. Piggybacking can be used for product testing in foreign markets. (Ghauri and Cateora 2014, 218-219)

### **3.1.2 Direct Exporting**

A manufacturing company has full control in direct export activities and the sales are handled outside the manufacturer's home country. The company handles trade documents, deliveries and pricing policies concerning the product sales to intermediaries and thus gains market knowledge about the market and customers. The experience gained from exporting activities may also prompt a company to search more international opportunities. (Griffin and Pustay 2015, 365-366)

*Distributors* and *agents* are independent marketing organizations. Distributors are generally the sole importers in the foreign country that take title the goods, carriers the inventories and take the risk of the operations. Agents who act as a representative of a customer and are paid by commission, deal the goods shipped to wholesalers and retailers. Distributors and agents are often contracted to be exclusive representatives of a given market area and granted sole rights for the sales of the goods as usually better sales can be expected with exclusive markets areas. The advantage is that distributors and agents in direct exporting have knowledge of the local business culture and contacts, and also the support for

sales and services is available through distributors and agents in foreign markets. When foreign sales have reached a certain level the exporter may consider establishing a sales branch or subsidiary more valuable. However, the exporter should consider that the intimate knowledge that the agent or distributor had acquired during the co-operation that may not transfer to the foreign-based dependent organization. (Albaum and Duerr 2011, 473-477)

### **3.1.3 Cooperative Exporting**

*Cooperative exporting* is collaborative with other export marketing groups where the motivation of the companies is to sell for larger companies with a complementary product program and a broader product concept. The founders of export market groups are often SMEs that do not have adequate management and marketing resources. Challenges in the cooperation may be the different interests of the stakeholders. The advantages of the association are more stable prices, decreased selling costs, shared shipments costs and a possibility to strong common brand. (Hollensen 2011, 348-349)

## **3.2 Intermediate Modes**

Intermediate modes share ownership, control and risk. The distinguishing factor between intermediate entry modes and export entry modes is that intermediate modes primarily transfer knowledge and skills to create overseas sales. A company may have a competitive advantage that it cannot utilize because of resource limitations and therefore it wishes to transfer this advantage to another party which results a contractual arrangement. (Hollensen 2011, 346)

### **3.2.1 Licensing**

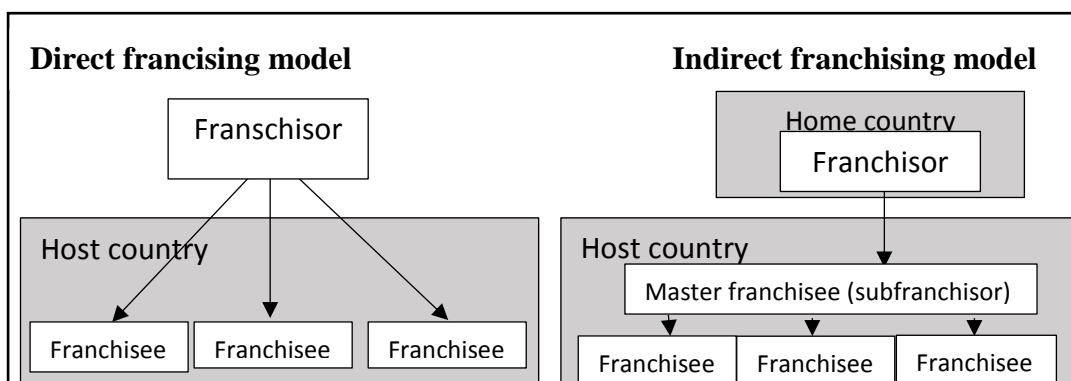
Licensing is a low cost mode and has the advantages of local production and low commitment without any ownership. The payment is given to the licensor who gives the right to the licensee to use an intellectual property such as a patent, technology, trademarks or brand names. The legal contract terms of licensing are generally specified in issues such as the boundaries of agreement, compensation, rights, privileges, constrains and the duration of the contract. However, a

company should avoid using this entry method in a country where intellectual property right protection is weak since the local courts may have difficulties to enforce the licensing agreements. There is also a risk that after the licensing contract expires the licensee may start to operate against the licensor with learnt business secrets. (Griffin and Pustay 2015, 370-374)

### 3.2.2 Franchising

Franchising is a form of licensing but it can be differentiated from licensing as a broader business format that provides trademarks, operating systems, product reputations and support for services such as marketing and quality programs, and means also more control over the franchisee. The franchisor sells a right to trademarks or a total business concept to the franchisee who pays a royalty or an other agreed amount. (Griffin and Pustay 2015, 375)

In an international business format franchising may have three parties that are the franchisor, a master franchisee and a franchisee. The franchisor controls and coordinates the activities in a *direct system*. Whereas, in *indirect franchising system* a master franchisee, called also a subfranchisor, establishes and serves its own subsystem within an area that is successful if the master franchisee is committed and has capabilities. The advantages of this system are the access to local resources and knowledge but the loss of control is seen as disadvantage. Figure 6 presents the differences between direct and indirect franchising models. (Hollensen 2011, 361)



**Figure 6.** Direct and indirect franchising models (Hollensen 2011, 362).

According to Ghauri and Cateora (2014) franchising is the fastest growing market entry mode. The franchise system is a mix of skills that provides operational decentralization and the flexibility to meet local market conditions with a reasonable degree of control (Ghauri and Cateora 2014, 220).

### **3.2.3 Joint Ventures and Strategic Alliances**

Joint ventures are established risk sharing partnerships between two or more parties with a common interest such as combining complementary resources, opening a market entry to closed markets and prohibiting ventures of potential competitors with dangerous opponents. A joint venture may include private or public corporations, and even states. (Young, Hamill, Wheeler and Davies 1989, 17-18)

A strategic alliance does not generally involve equity commitments as a joint venture can be either a contractual non-equity joint venture or an equity joint venture. A new company is created in an equity joint venture where the partners share the investment costs, the risks and the profits. The partners have different roles in the collaboration that occurs in different value chain coalitions. *Y coalitions* appear in the partnership where each partner contributes with their own product line that is complementary to other. In joint marketing this would be organized for example by selling complementary products through common distribution channels. *X coalitions* are formed so that the value chain activities are divided between partners the who can focus on to their core competence such as production or sales. (Hollensen 2011, 366-367)

### **3.2.4 Specialized Entry Modes**

Specialized entry modes such as contract manufacturing, management contracting and a turnkey project described in this chapter are different from the previously described modes since they contain less long-term investments. (Griffin and Pustay 2015, 376)

If a company gives the responsibility of producing to a foreign company it is called *contract manufacturing*. The mode does not require resource investments

and brings foreign customers closer and allows more interaction with them. The production abroad may also offer a reduction in transportation costs, tariffs, quotas and labor costs. If the local government prefers national suppliers it may also encourage contract manufacturing. Contract manufacturing has an expiration date which means that at the end of the contract the contractor can end or continue the relationship. The problems of contract manufacturing may appear in the issues such as quality, warranties, additional orders, cost efficiency or the production capacity. (Hollensen 2011, 356-358)

*Management contracting* is for the purpose of transferring management know-how and administrating local staff in issues such as personnel, finance and marketing for the creation of competitive position internationally. The intention is usually not to continue the contract after it has expired since it is for the purpose of knowledge transfer and to complete a specific project. A management contract is paid by a monetary compensation based on percentage of sales, a flat fee or as agreed between the parties and it is concentrated on to industries such as hotels and transportation. (Young et al. 1989, 14-15)

An international *turnkey project* is often carried out in large and complex projects that requires many years of work such as construction of a facility, where a company agrees to build this issue of contact and after the project has come to end it is assigned to the purchaser. The payment may be at a certain fixed price or on cost-plus basis. The advantages of the turnkey project lies on the availability of home government financing and political ties between countries. (Griffin and Pustay 2015, 376-377)

### **3.3 Hierarchical Modes**

Hierarchical modes refer to a fact that the foreign entry mode is wholly owned and controlled by the company which, of course, means more control and profit but less flexibility and a higher risk. The full ownership of an operation in a foreign country is an option for those who assume long-term market potential for their products and want to have the control to fulfill the company's strategic objectives. Foreign facilities save transport costs, avoid government restrictions

and demonstrate commitment in the market and to customers. In some countries a foreign based subsidiary decreases also labor and raw material costs. Hierarchical modes can be established either through an acquisition, a greenfield investment or by using salespersons. (Hollensen 2011, 386)

*A greenfield investment* enables the use of the latest technology and equipment, and the development of new practices inside the company when a wholly new facility is built and thereby the company can establish a company based on requirements and vision. Some disadvantages of the greenfield project are time-consumption, local and national construction regulations and training the personnel to meet the company standards. (Griffin and Pustay 2015, 378-379)

*An acquisition* may provide many advantages to those who want fast entry to a foreign market. In some cases the acquired company can offer a ready set of distribution channels, customer databases, and even brand names and reputation. If the management remains in the company it may provide knowledge about the local markets and thus assist the company with limited international expertise. However, combining the management styles and coordination may create problems between the local management and the acquiring company. An acquisition may occur in the forms of horizontal, vertical, concentric and conglomerate. A horizontal acquisition is when the companies share similar product lines and markets. A vertical acquisition signifies the formed relationship between the acquired and the acquiring company as a customer and a supplier in either way. If the companies share the same technology but have different markets or the other way round it is called a concentric acquisition. A conglomerate acquisition is formed when the companies operate in different industries. (Hollensen 2011)

### **3.3.1 Sales Person**

*A sales person* of a company who residents in home country and travels abroad for sales activities represents an extension of the marketing methods reaching foreign markets from the home country. The sales person is an employee of the company and can perform various activities with higher control than independent

intermediaries. Activities that belong to the salesperson are the actual selling, the communication of product information to customers and obtaining orders. In some cases the sales person may act as a demonstrator or a tutor. A sales person is often a better solution in the industrial market where the size of orders is in a larger scale and suppliers need to keep close contact with a few large customers because travelling is usually expensive. (Albaum and Duerr 2011, 469-471)

### **3.3.2 Foreign Sales Branch and Subsidiary**

The sales function location in the overseas market means greater commitment to a company's foreign customers. *Foreign sales branch and subsidiary* are options if the technical and complex product requires presence for serving the customer efficiently. A foreign branch is a legal part of the company and works as an extension of the company whereas a foreign sales subsidiary is locally owned and operates for a foreign company that buys ordered products at a certain price from the parent company. (Hollensen 2011, 387-389)

A foreign sales branch is used for the sales, distribution and promotional work that sells primarily to wholesalers and dealers. In addition it is used as a service center that provides the service that products require and which independent marketing organizations may not be able to implement. The challenges of this particular mode are influencing governmental policies, deciding to either use nationals or staff from the domestic organization and huge costs and thus making a foreign sales branch more suitable for larger and financially stable companies. (Albaum and Duerr 2011, 466-468)

### **3.3.3 Regional Center**

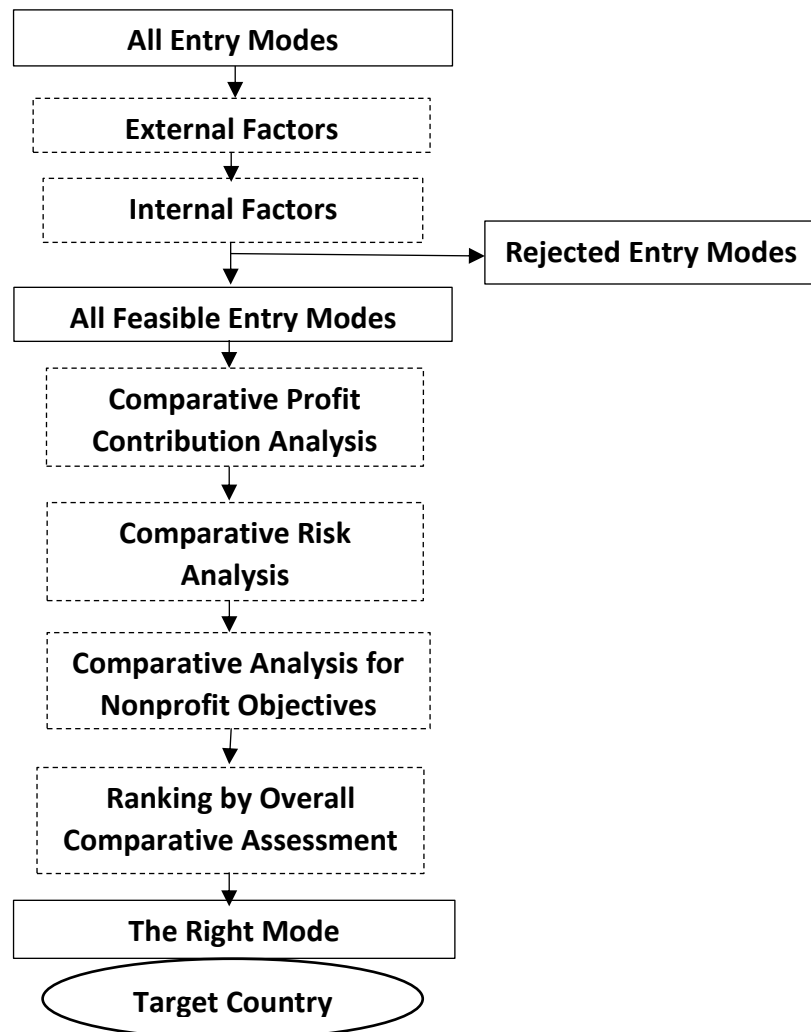
A *regional center* coordinates and stimulates the sales in the whole region is usually located in one country. The regional centers coordinate to keep the country and business strategies coherent, monitor order and balance between subsidiaries, and ensure that identified and beneficial synergies are exploited in the target countries and in target business. They also support subsidiary development. The marketing competences, the quality of human resources,



strategic importance, production location and legal restrictions affect the country selection of the regional center. (Hollensen 2011, 391-392)

### 3.4 Market Entry Decision

The entry mode has an effect on the expected return that should be taken into consideration when choosing the entry mode and it is one of the most relevant strategic decisions in internationalization. Figure 7 describes the process for the most suitable entry mode selection based on an approach presented by Root (1994) where is suggested to select the entry mode that maximizes the profit contribution within constraints imposed by the availability of company resources, risk, and nonprofit objectives.



**Figure 7.** Deciding right Entry Mode (Root 1994, 187).

The following questions presented by Darling and Seristö (2004, 34) can be used for a careful analysis in the decision making process of the right entry mode:

1. What alternative entry modes are available for the product in the foreign market?
2. What alternative entry modes are used by importers of major competitive products?
3. What special trade agreements and/or preferential treatments exist for competitors?
4. Are there any major potential reputable partners available in the target foreign market?
5. How much control does the firm wish to maintain over the marketing of the product in the foreign market?
6. What types of pre- and post-sale services will the intermediary need to provide with the product?
7. What are the major problems related to distance and communication with foreign market?
8. What logistical elements are important for the foreign market?
9. What are the legal issues that must be considered in dealing with the intermediary?
10. What are the various issues that need to be included in the working agreement with intermediary?

### **3.4.1 External Factors**

International environment has directly affected the market entry mode with multiple factors such as culture and societal culture, economic forces, competition, and political and legal forces. The sociocultural environment has impact on customers' behavior but also on the personnel of a company. Also, in order to be successful in international activities foreign culture has to be understood. (Albaum 2011, 174-178)

*Market size and growth* predictions are determined by the size of a country and its markets and if they are perceived high the management will more likely tie more resources to entry because of higher profit expectations. *The intensity of competition* has an effect on to the profitability of the markets. Higher competition usually means less profit and, thus, companies tend to favor involving fewer resources on to such markets. If there is only a *small number of relevant intermediaries available* in the market the use of hierarchical modes is favored to decrease monopoly of the few exports intermediaries. (Hollensen 2011, 324-325)

*Country risks* may include political instability and restricted imports that lead damage to property and disruption of supplies or sales in the cases of wars, insurrections and change of laws. *Entry barriers, limit on profit remittances and/or ownership, taxes and price controls and protection of intellectual property right* have an effect on sourcing, production and marketing tactic decisions. (Seyoum 2013, 69)

### **3.4.2 Internal Factors**

Analyzing the internal factors is important in order to be able assess a company's capabilities for establishing and sustaining competitive advantage within a foreign market. *The size of a company* has an effect on the available resources of the company and especially financial issues limit SMEs more than large enterprises. Human resource issues such as good marketing knowledge, skilled technicians and production managers may be challenging to find for cross-cultural operations. (Czinkota and Ronkainen 2010, 192)

Boter and Holmquist (1996) state in their study about *industry characteristics* of small companies and internationalization that internationalization should be understood in the context of the industry, company and the people involved. Innovation companies have usually relatively easily movable production equipment so that the location can be changed even a number of times. They have also global insight compared to traditional manufacturing companies (Boter and Holmquist 1996). For example also the research of Blomstermo and Sharma (2006) points out that hard and soft-service industries have differences in their market entry mode selection.

*Experience in international operations* can be acquired from acting in similar countries that have a low psychological distance between each other or from the general international environment. The international experience of management increases the probability of committing resources to foreign markets. (Hollensen 2011, 232)

The characteristics of *the product* affect the determination of production location, the channel selection and the distinguishing factors to differentiate the product.

The characteristics that affect the handling may be the size, weight, temperature and perishability. Companies should use the hierarchical modes of entry with a product that needs high support in introduction process and after sale because the intermediaries are not in many cases able to handle such complexity. Product differentiation by appearance, brand name and marketing activities offers a company the competitive position through the development of entry barriers which are often protected by using hierarchical modes of entry. (Hollensen 2011, 323-324; Albaum and Duerr 2011, 408)

### **3.4.3 Desired Mode Characteristics**

*A risk-averse* company will use low levels of financial and management resource commitment that are connected to entry modes such as export and licensing but that are usually also the less profitable options. If there is a need to share risks a joint venture provides a way for that but usually consumes much management time and effort. *The level of control* is often linked to the level of resource commitment that needs to be considered in the connection with managements want to control international operations. Indirect exporting offers less control whereas the wholly owned subsidiaries offer the most control. *Flexibility of entry mode* affects strategy changes that may appear during the internationalization process. The hierarchical modes reserve more resources which makes quick strategy changes impossible. (Hollensen 2011, 326)

### **3.4.4 Transaction-Specific Factors**

*Transaction costs* come from the internationalization process and can be divided to ex ante costs and ex post costs where ex ante costs stand for search and contracting costs, and ex posts costs for monitoring and enforcement costs. The transaction cost theory assumes that there is an attempt to minimize cost during the undertaking process and suggest that their sum would be the lowest possible in the most efficient entry mode. The conclusion of the theory is that if these transaction costs increase to a high level the company should consider hierarchical modes. The costs of gathering information for export intermediate selection and acquiring foreign market knowledge are included in search costs. Negotiation and

costs from writing an agreement are calculated into contracting costs. Monitoring costs come from the supervising fulfilment of the agreement and enforcement cost are costs associated with not correctly followed the agreement from the side of the trading partner. However, the theory has received some criticism that it excludes costs from communicating between the headquarters and foreign facilities as well as costs of production, and also underestimates the importance of cooperative environment for SMEs. (Hollensen 2011, 77-80)

*Tacit nature of know-how* makes contract drafting difficult and transferring it costly which provides a stimulus to use hierarchical modes where human capital can be used to transfer organizational routines to structure because tacit knowledge is difficult to put into words and complex to explain. (Hollensen 2011, 327)

### **3.5 Summary of the Chapter**

Market entry mode defines how a company's production and marketing are implemented, and how customers are served. A company's long-term strategy as well different other factors such as internal factors, external factors, decided mode characteristics and costs affect on the market entry mode selection. A company should carry out their own careful analysis by considering the factors that affect to their entry mode selection and what a certain market entry mode would provide to the company. The selected entry mode reflects level of control to operations, commitment to the market, the potential risks and the profit expectations. The main differences between different entry modes are that how much resources entry modes require and how much entry modes are present in the foreign market.

Export modes contain less commitment, control and risks than other entry modes. The main modes are categorized to indirect, direct and cooperative exporting. Indirect and direct exporting utilize external intermediates such as agents, distributors and brokers to reach foreign customers. Co-operation exporting includes a formation of an export group together with other exporting companies to benefit the advantages which a larger association may provide such as sharing shipment costs and complementary products. Disadvantages of exporting modes

are that direct contact to the end customers remains low and a company has limited influence to marketing activities in the foreign country.

Intermediate modes differ from export modes because the ownership, control and risks are shared with other company. These modes can, for example, transfer knowledge by contract manufacturing, management contracting or licensing to create sales in a foreign country. Intermediate modes may also mean creating strategic alliances or joint ventures to combine complementary resources. A special intermediate mode is a turnkey project which includes large projects to build facilities under a temporary contract. Disadvantages of collaborations are e.g. different interests of the partners, contractual disputes and difficulties to remain the business secrets after the contract has ended.

Hierarchical modes are under the full control of the company and the modes require more investments in the cases of acquiring or establishing a new branch, subsidiary or sales department in the foreign country. A sales person is usually used only in industrial markets because the sales volume is higher and the contact to a few customers of a company is wanted to keep close despite the expensive travels. Advantages of wholly owned operations are high profit expectations and control to business activities, whereas disadvantages are high risks and investments.

## 4 RESEARCH METHODOLOGY

Quantitative and qualitative methodologies are often described by comparing them to each other because it is difficult to define them without making any general comparison between these two. However, qualitative research aims to understand reality as socially constructed and whereas quantitative methods include explanation, testing of hypothesis, and statistical analysis. By understanding the main features of different methods the most suitable methodology can be chosen for the research questions. (Eriksson and Kovalainen 2008, 4-6, 27)

*Qualitative research* is conducted to gain insights of the specific phenomenon and a person's opinions that cannot be reached through observation and measuring. The number of respondents is small but the research has higher potential to find new insights and perspectives because the methods are usually more flexible and intensive compared to those in standardized interviews used those used in questionnaire-based research studies. Qualitative data can be used before the more analytical part of the research to obtain a basic understanding about the subject for designing a structured study. (Kumar, Aaker and Day 2004, 178-179)

*Quantitative research* gathers numerical data that provides information sources for the determination of the effectiveness of actions and it is often collected from the greater number of respondents (Hague, Hague and Morgan 2004, 8-11). The responses can be summarized in statistics such as percentages and averages and they are measuring the aspects of respondents' behavior, attitudes, motives and demographic characteristics (Ghauri and Cateora 2014, 120). It is also an approach to test theories in an objective way and the relationship among variables (Creswell 2014, 4).

*Mixed methods research* combines both qualitative and quantitative data and provides a more complete understanding of the studied issues. The research design may involve philosophical assumptions as well as theoretical frameworks. (Creswell 2014, 4)

#### 4.1 Research Methods

The research methods were selected to give relevant answers for the defined research questions that were introduced in the introduction chapter. Both qualitative and quantitative researches were used to accomplish the objectives of the study. The methods used in the research were interviews and surveys.

*An interview* is a conversation between two persons that can also be done in a group and that contains a series of questions and answers (Eriksson and Kovalainen 2008, 78). In this study interviewing was chosen for the quantitative data collection to obtain insights of the respondents by using a structured questionnaire that allowed also discussions between the interviewee and the interviewer. The interviews were conducted the on phone and the Skype because of the distance with the interviewees in order to save time and costs. The aim of the interviews was to obtain the basic understanding about the market environment in the United States but also to gain in depth insights in to the subject. In the study open questions such as “How does the U.S. market differ from the Finnish market?” were used to find direct answers to the research questions. The interview contained ten questions and it was planned to be explicit and time efficient so, that, experts would have time to answer and the interview would gather necessary information for the research. The interviews such as this are structured and standardized and considered as qualitative research (Eriksson and Kovalainen 2008, 81). During the interviews the interest was in the facts provided by the interviewees and the method was used to for gathering subjective experiences from the consults to form an understanding of the US market environment and the key issues of the market entry of the companies. The interviews were recorded and directly written down for analyzing studies purposes.

*Survey research* gathers numerical data about current trends, attitudes, or opinions among the sample group where either a questionnaire or interviews are used for data collection (Creswell 2014, 13). The advantages of a web-based survey are flexibility, requirement speed, cost efficiency and ability to collect broad-based data all over the world (Kumar et al. 2004, 235). The survey for the research was created by using software provided by Vaasa University of Applied Sciences in



Finnish and in English. The aim of the survey was to reach a greater number of respondents for the research and from different locations in Finland and the United States in a short period of time. The survey was sent to companies that have operated in the US markets. The survey was divided into four sections to gather general information to study relationships between different variables. The sections of the survey were divided into background information, market entry mode strategy, challenges confronted in the market and to the open questions of which the purpose was to obtain information about the future market environment in the United States. The total number of questions was 15 and it contained open questions, different scales and multiple choice questions. The survey was pretested to a test group to make sure it was logical and understandable. The method was selected to obtain an objective perspective about the market entry selection of Finnish companies and the factors influencing their selection.

## **4.2 Data Collection**

The thesis project began from the literature review that acts as the theoretical framework for the empirical research and that was collected by using secondary data related to the subject such as books, Internet publications, online sources and articles. “Secondary data are collected for some purpose other than solving the present problem” defines Kumar et al. (2004, 74). The questions presented to the respondent groups were formed from the literature review.

On December, 2014 the research process started with a examining the possible sources of first-hand knowledge of the United States market. This knowledge is called ‘primary data’ because it is collected for this specific research. Information about possible primary sources was gathered by using the Internet’s search engines. Firstly the experts who had consulted Finnish companies in a market entry process in the United States were tracked and then the Finnish companies conducting business in the U.S. market were listed. At the end of the identifying process 85 companies operating in the United States were tracked for contacting by email. The email was sent to the companies in English and Finnish and it contained a polite cover letter that explained the motives for the research and ensured the anonymity of the answers. In the email the link to the survey was

attached. The companies had two and half weeks time to respond to the survey and at the end of this time 14 companies had responded to the survey. One week before the responding time ended a reminder was sent to increase the respond rate. Three experts were interviewed and one of the expert's responses to the interview questions was received in written form which in this case provided support materials for the facts arisen from the other interviews. The experts had various of experience in providing information and helping Finnish companies in their internationalization process, strategy planning and networking to enter in the United States market. The collection period for empirical data ended in April 2015.

### **4.3 Reliability and Validity**

Next the reliability and validity of the research are defined and discussed to prove credibility of the study for future research purposes. According to Kumar et al. (2004) validity is “the ability of a measurement instrument to measure what it is supposed to measure” and reliability is “the random error component of a measurement instrument” that can be discovered by repeating the study and observing the consistency of the results. In a quantitative research instrument construction has effect on the considered credibility of the research, whereas in a qualitative research the researcher has the major impact and, thus, reliability and validity of these two methodologies are defined separately. A qualitative research is often under the influence of constructivism which means that the reality consists of multiple realities constructed by different persons. Therefore, the usage of different methods increases validity and reliability of a study. (Golafshani 2003).

#### **4.3.1 Reliability**

Reliable research should be internally consistent, stable over the time and consistent while administrating and scoring. Qualitative reliability means the consistency across different researchers and different projects. (Creswell 2014, 201)

Reliability in a survey research pursues to the consistency of the answers and individual scores through the retesting and it refers actually to stability of the research. If the degree of stability is high can reliability also be considered high. However, reliability in a qualitative research has to be ensured by examining trustworthiness of data but there have been discussions about irrelevancy of reliability in qualitative research since the different purposes of the methodologies. (Golafshani 2003)

The survey method used in this research contained a web-based survey which means that the respondents and the researcher were not connected and, thus, the influence of the interviewer remained minimal. The use of a standardized questionnaire results also to the reduced amount of error components. The answers were guaranteed to be handled confidentially and anonymously and as a result the threshold to answer reliably to the questions was lowered. However, the small sample group may cause bias in the research. At the end, true reliability can be tested only by other researchers who conduct research on the topic.

#### **4.3.2 Validity**

Validity of the research reports is the research measuring the subject that it was intended to measure and are the results reliable and accurate. In a quantitative study the generalizability of the study is the common test to ensure the validity in the research. (Golafshani 2003)

Qualitative validity follows certain procedures to assure the accuracy of the findings (Creswell 2014, 201).

Before the research a literature review was completed that offers the theoretical background to drafting a questionnaire and an interview to study the market entry of Finnish companies in the United States. The literature review helped also in observation of the key factors that arose from the interviews and the interview in turn helped in the formation of the survey structure because the environment where Finnish companies operate in was understood. During the designing the questions to the interview and survey the research questions were reviewed

multiple times to ensure the right direction of the research. The questions in the interview and survey were structured. The aim of the interviews was to achieve a common understanding of the market environment in the United States that the respondents shared. The interviews contained also subjective opinions of the respondents that were interpreted by the interviewer. In some extent the interpretations of qualitative research contains always also subjective interpretations of the interviewer.

#### **4.4 Limitations**

Due to time limitations the sample group for the study remained quite small because identifying the companies that operate in the United States was time consuming and the contact information for email survey were not necessary available in the websites of the companies. Finpro has a register containing exporting companies that have informed about exporting but it cost 100 euros + 1,50 euros / per company name + value added tax. However, this thesis project was not able to get access to such financial resources but the information may be useful for someone else.

This study included qualitative research methods which mean that results of the answers contain subjective interpretations and, thus, if the research was repeated the results may appear different. Despite the limitations of study the research attempts to provide general information about the United States market entry for Finnish companies and information that can be generalized to cover the whole market area of the United States.

## 5 EMPIRICAL FINDINGS

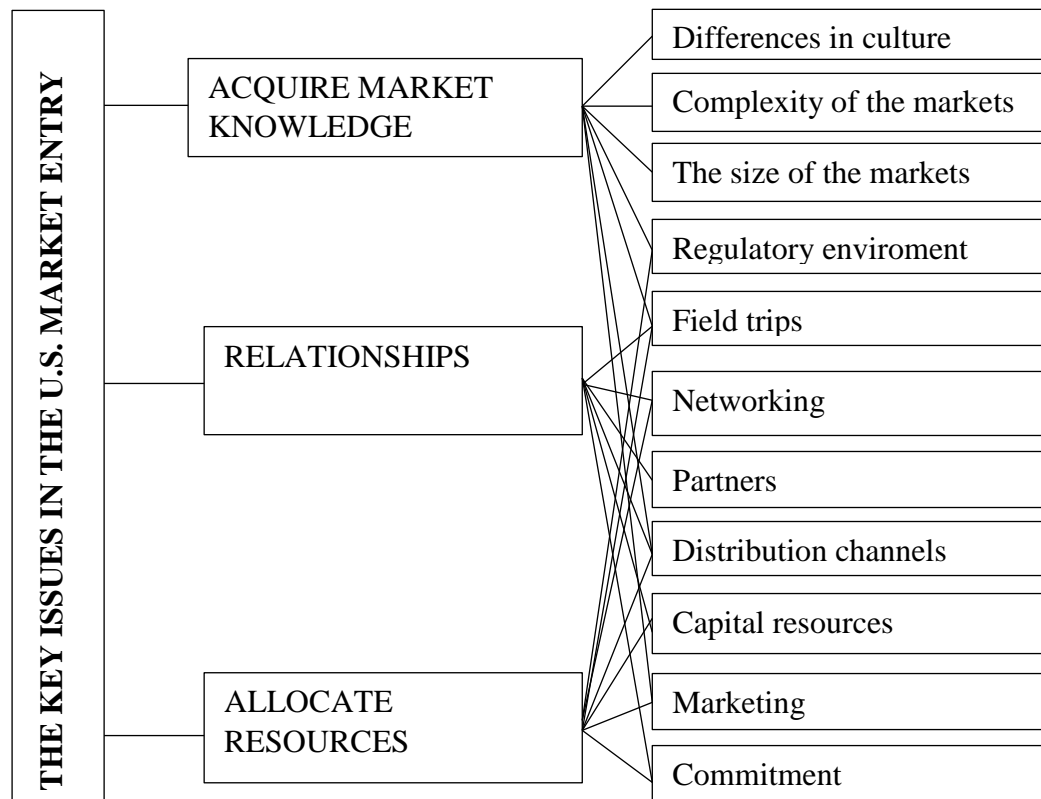
The research results collected from the interviews and survey are presented in this chapter. Firstly an overview of the results of the interviews is presented after which the survey results are introduced. Before starting the analysis the research problems are reviewed and they are also reviewed during the analyzing process to ensure the aimed direction of the study.

### 5.1 Overview of the Interviews

The interviews were made with three experts on phone or Skype and one of the interviews was made in a written form. The duration of the interviews was from 30 to 45 minutes. The interviews were recorded and transcribed afterwards. The analyzing process started from coding the data manually from the transcribed interviews. Coding refers to the process where the data that was collected from the research is segmented or categorized under a certain labeled term (Creswell 2014). From the coded data are identified the general ideas of the experts into themes. According to Saldana (2013, 175-176) a theme is an outcome of coding and an extended phrase or a sentence to identify what a unit of data is about and/or what it means and how it acts as a set of data to organized a group of repeated ideas. The issues, that appeared in the interviews on several occasions and the respondents had same opinion of the issue, were chosen to the overview. Also some subjective opinions are presented. The experts had different emphasis in their responses; one underlined marketing, one differences in culture and another legal issues. However, all four expert agreed on the importance of these issues in the U.S. market: the understanding of the regulatory environment, market penetration from where and to which market, the need for capital resources, networking and having partners. The overview aims to describe the general market environment in the United States, especially from the view point where Finnish companies had confronted challenges when entering the market.

The main themes of the interviews and the codes related to the themes are organized in Figure 8. All the presented codes were mentioned at least by two of the experts. The main themes arising from the interviews were the acquiring of

market knowledge, relationships and allocating necessary resources to certain activities. As seen from Figure 8 the codes had connections to multiple themes.



**Figure 8.** The key issues in the U.S. market entry.

From all four interviews the main themes were easy to detect. The understanding of the market environment is vital especially in the United States because numerous of companies and industries operate in the market and trends move fast. Creating relationships and networking differentiate the U.S. from Finland because they are in high importance as the issues which a company has to master to succeed in the market. Personal relationships matter in the business world and they act as a differentiating factor among the other companies because hierarchy is in different level in the U.S. than in Finland. Allocating resources to the certain activities such as committing operations to the market, marketing, trustful partners and a good lawyer are necessary to compete against other companies in the intensive market environment. The summary of the interviews according the main themes is in the following subchapters' 5.1.1-5.1.3.

### 5.1.1 Market Environment

*“In the United States the way of living is different than in Finland. The lack of market knowledge and the lack of the true understanding of intensive competition are the major challenges of Finnish companies.”*

The market in the United States is diversified and geographically massive where the market environment is highly competitive because of the great amount of companies and industries in the market. In the market a great number of consumers can also be found and thus also the supply volume is hectic and the markets are very dynamic. The global situations have effect on the markets but currently the markets are growing and the growth is aimed to keep moderate to ensure steady growth. The growth will increase if employment and salaries keep rising. Consumer confidence index is good at the moment which means that people will invest and consume because they have trust in the current situation. The value of the U.S. dollar has strengthened when the value of euro has weakened and the situation has brought challenges to the U.S. based companies but possibilities to the companies operating from the euro area.

The U.S. markets are complex as already a state can be larger than Finland where the consumer market is much more homogeneous compared to the U.S. markets. Different locations (the West coast and East coast, a city and the country side and so on) differ in demographic, culture, legislation and other factors which make the markets diversified. For example, in Silicon Valley compensation levels are very high compared to some other regions in the U.S. Problems that Finnish companies confront are that the true size and diversity of the market are not truly realized, neither the amount of resources that is required for market entry such as capital and human resources. The lack of local knowledge and understanding towards local culture has also been problematic in the past since the markets can be understood only by firsthand experience. Companies have often difficulties in interpreting state laws and taxation structures, especially if they are operating in many states.

The strategically important issues of the market entry can be defined truly only case by case and they depend on the industry, company, products and services. The key issues of a company may vary from marketing channels and logistics to the right partners. E-commerce has had a huge impact on to the existing marketing channels in the United States it has, for example, shrank the number of distribution channels of the way of huge players such as Amazon. However, product category is the issue to take into consideration and a company should evaluate before entering the market where the company fits in the market and is there room for the product. A company should examine if it is necessary to introduce the total product category in the U.S. market because markets are constantly developing and with a focus on a certain segment the learning process about the customers of the company and their preferences is very fast. Marketing is more efficient when customers and their preferences are understood and in a country like the United States where population is diverse the understanding of customers may remain low if the company does not concentrate on its focus. Marketing skills are needed in the U.S. and a strong brand should be created to connect to and communicate with customers.

*“Try to look local, act local and communicate like a local.”*

Finnish companies are known for their design, quality, technology, respect towards delivery times and contracts and often for committed attitude to operations. Finnish companies want most often information about existing distribution channels and the most suitable distribution channels for their company. Distribution channels are quite concentrated in some industries such as the electronic industry where there only a few major distributors are available. A niche markets can exist which also Finnish companies have noticed. Finnish companies are often innovative and operate in the niche markets with high quality products and services.

### **5.1.2 Relationships**

When entering the markets for the first time at least one reliable partner is needed for true market knowledge because the markets need to be experienced by first-



hand to actually understand the culture of market and business. By visiting the United States beforehand it can be possible that partners are found to find the best solutions for product or service distribution and, hence, a company may start their operation from Finland. However, it is not possible to just go and do business in the United States but certain types of visas are needed for different operations that a company should take into account.

There are different tradeshows and possibilities to meet potential customers overseas, especially in the business-to-business markets. It is advisable that the company should try to hold the strings in its own hands and not rely on intermediates that have the responsibility for activities such as agents, trading companies and distributors who have their own product portfolios and no interest in developing the client company's brand overseas, which is vital if long-term commitment in the market is wanted. However, sales and marketing division are an option for a company who wants to focus on overseas customers and by using local personnel with knowledge about customer's preferences this mode may work well.

The importance of networking cannot be emphasized enough in the United States. The lack of understanding the importance of networking in order to succeed in the market is also often underestimated by Finnish companies. 'Plug n Play' is a term used to describe the business environment and it is said that you have to persuade counterparties first by selling yourself and then you can start selling your company. By knowing someone personally it is easier to contact them also in business issues since the U.S. business culture is much more hierarchical compared to Finnish business culture and the contacting people and organizations may appear difficult without connections.

Partner companies in business can also be advantageous. For example, an entry mode that is advised to be used in the United States is to buy a company which products are complementary for a company's own products and thus get easy access to the market by utilizing the local knowledge and customer base. However, if local people are hired one has to understand the culture in working place and environment. Right compensation helps in avoiding unnecessary

personnel turnover in the United States. This is an issue usually not understood by Finnish companies.

### **5.1.3 Resource Allocation**

*“The United States cannot be entered by doing an activity only partially because otherwise the operation is likely doomed to fail. A company has to come here to stay that will require understanding, resources and a sufficient amount of money.”*

A company should commit to the operations with long-term interest to succeed and in this kind of a situation resources are needed. Market entry in the United States will require resources from a company and 'deep pockets' are certainly needed which is an issue often underestimated by Finnish companies. Financial resources are needed e.g. for regulatory issues, networking, marketing and hiring the right persons. In the United States the federal law, state laws and even the local laws are applied. Various states have different taxation structures and, thus, the complexity of regulatory environment is difficult to understand. The United States is 'the promised land of lawyers' which means that a company must review if the company's products meet the standards of the target market and have proper intelligence property rights, and also how to manage the risk of law suits.

Networking is also expenditure for which that a company should certainly allocate money. Networking may happen for example in associations, programs, interest groups or events and different fees may require some of the company's resources.

External support for the United States market entry is highly recommended and typical needs for external support are acquiring local knowledge, networks, contacting decision makers, juridical help, need for money and marketing knowledge. Finnish companies are often interested in having information about possible reliable partners for business activities such as subcontractors. Companies usually need most help with strategy planning, legal issues, licenses and also finding and developing expert networks. In the United States there are

much consulting services available that can be utilized by a company as needed – that, of course, requires also financial resources.

## **5.2 The Survey Results**

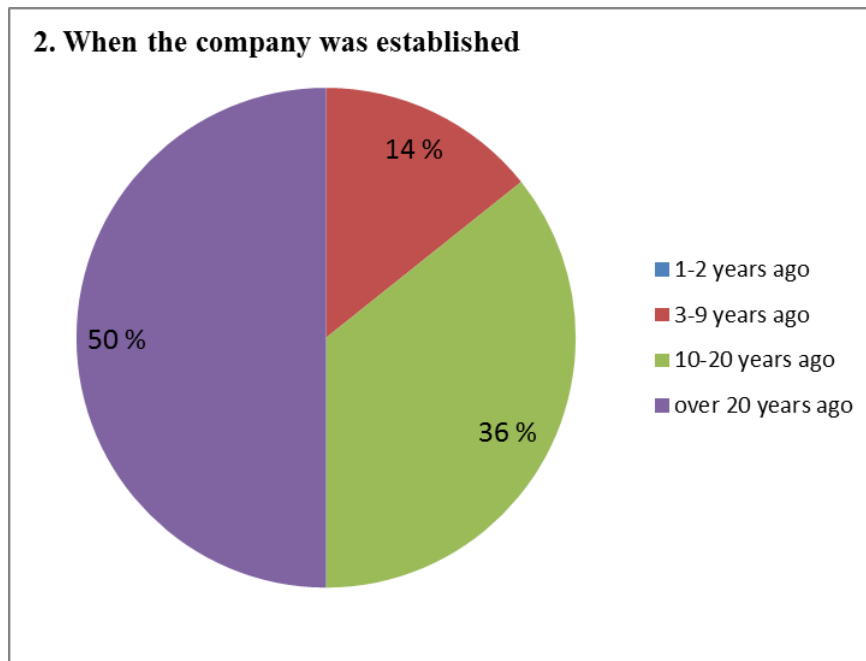
The survey results present the collected data from the Finnish companies operating in the United States and their attitudes toward the market environment and market entry mode selection. The surveys were sent to 85 Finnish companies operating in the United States and the total number of respondents was 14, which signifies a response rate of 16,5%. The number of respondents in the research remained small despite the contacting attempts and the response rate of the survey can be considered quite low. It seems that many companies are busy with their business activities and they do not have time for surveys that do not benefit them. However, the respondents belonged to the variable groups and so it can be seen that the conclusions drawn from the responds represent objective perspectives from variable views to the research questions. Especially the companies' answers to the main research questions were similar and their responds were similar to the answers received from the experts that indicate that the issues presented in this study are commonly perceived similarly by the Finnish companies and experts who have consulted numerous Finnish companies. Thus, in this case the response rate can be considered acceptable for this study because through using different research methods the same key issues appeared and led to the same conclusions.

### **5.2.1 Company Profiles**

The first section of the survey contained questions about the background of the companies and five questions were asked to be able examine relationships between the studied different factors. 14 responds were received through a web-based survey.

First in the survey the name of the company was asked for tracking and identifying the respondents. However, in this study the names are anonymous and confidential because some of the information may be sensitive business information for the companies. The classification of the establishment years was

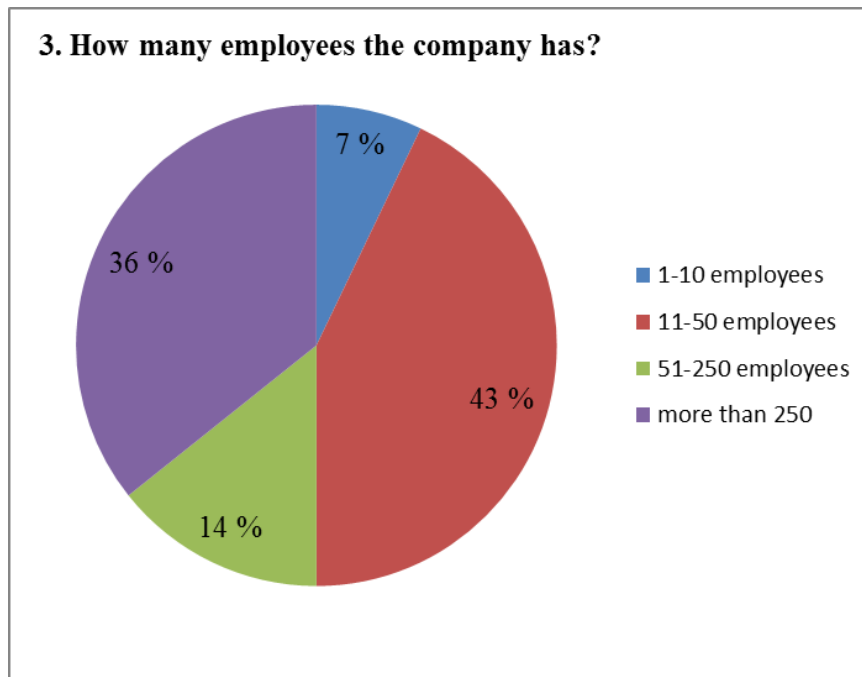
adjusted to measure if the respondents are beginners or already experienced players in their business field. Half of the respondent companies are over 20 years old companies (Figure 9).



**Figure 9.** Year of establishment.

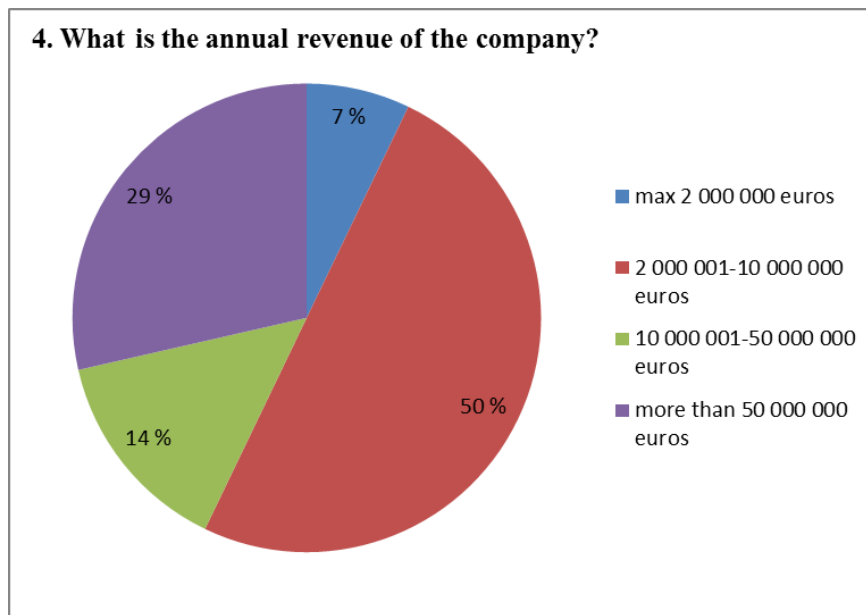
It is be noticed is that all of the respondent companies had at least several years of business experience, which in this study increases the relevancy of the data because the companies have gained business experience from the business field and, thus, have a deeper understanding about the business environment that they are operating in.

Figure 10 it can be noted that the respondent companies are different in sizes from micro to large companies. 64,29% of the companies can be classified as SMEs according to classification of European Commission 2014 for small- and medium sized enterprises. Micro companies have fewer than ten employees and the turnover in maximum is 2 million euros. Small companies have less than 50 employees and the turnover is in maximum 20 million euros. Medium sized companies have less than 250 employees and the turn over may rise to 50 million euros. 36 percentage of the respondents belonged to the large sized company group. (European Commission 2014)



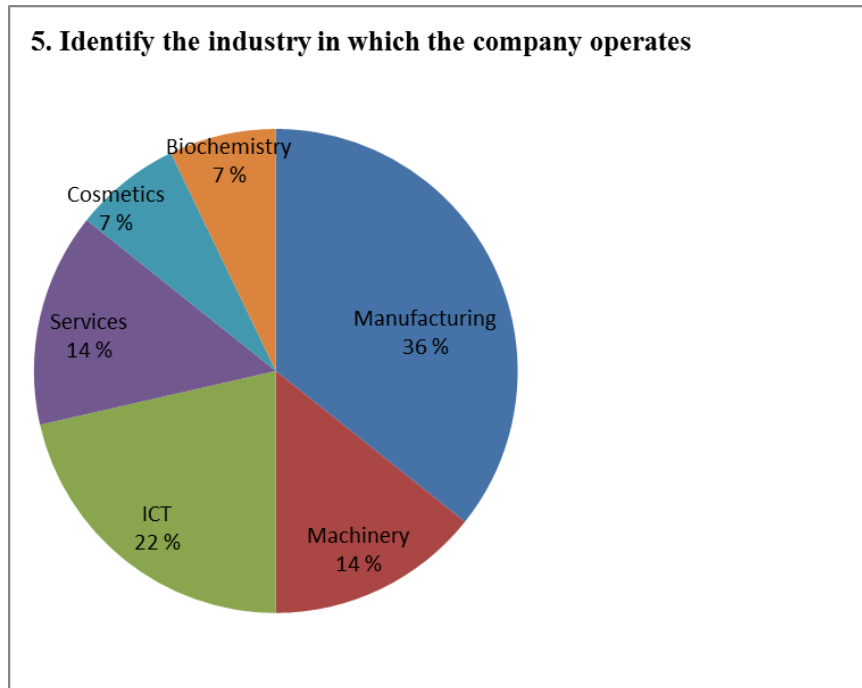
**Figure 10.** The number of employees.

In Figure 11 the annual revenue of the companies by the classification groups is presented. Half of the respondents yearly revenue is between 2 000 001 – 10 000 000 euros. The second largest group was companies who annual revenue is over 50 000 000 euros (29%).



**Figure 11.** Annual revenue.

From Figure 12 the division of the industries operating in the United States can be seen. Classification for the business industries was done to differentiate the companies and their answers and to explore the studied matter in greater depth.



**Figure 12.** Industry grouping.

From the respondents 36% of Finnish companies operate in manufacturing and 14% in machinery. In the field of ICT operate 22% of the respondents and in services 14%. Also representatives for biochemistry and cosmetics were found from the respondent group. According to Tulli (2013) the United States is by far the biggest buyer of machines and instruments of Finland and also as showed in Figure 4 in page 17, the major of Finnish exports in the U.S. consists of machinery and manufacturing products related to metal, wood and petroleum products. Thus, it could be stated that the industry grouping in this research represents more or less the distribution of Finnish exports in the United States.

### 5.2.2 Market Entry Strategy

The second section in the survey contained questions about the company's market entry mode selection and its aim was to study the strategies that the companies had chosen to implement in their business activities in the United States. The

section contained questions about the scope of the operations in the US, the factors that attracted to entering market, the selected entry modes and the factors that affected the selected entry modes. Before question 8 about the selected entry modes some of the entry modes were defined to distinguish different entry modes from each other so that the company's representative could choose the ones that the company uses and not mix that to other similar ones.

The states the companies operate in are highlighted with yellow color in Figure 13. Finnish companies operate in Florida, Illinois, Maine, Massachusetts, Michigan, New York, North Carolina, South Carolina, Wisconsin and 50% of the respondents operate in the whole country.

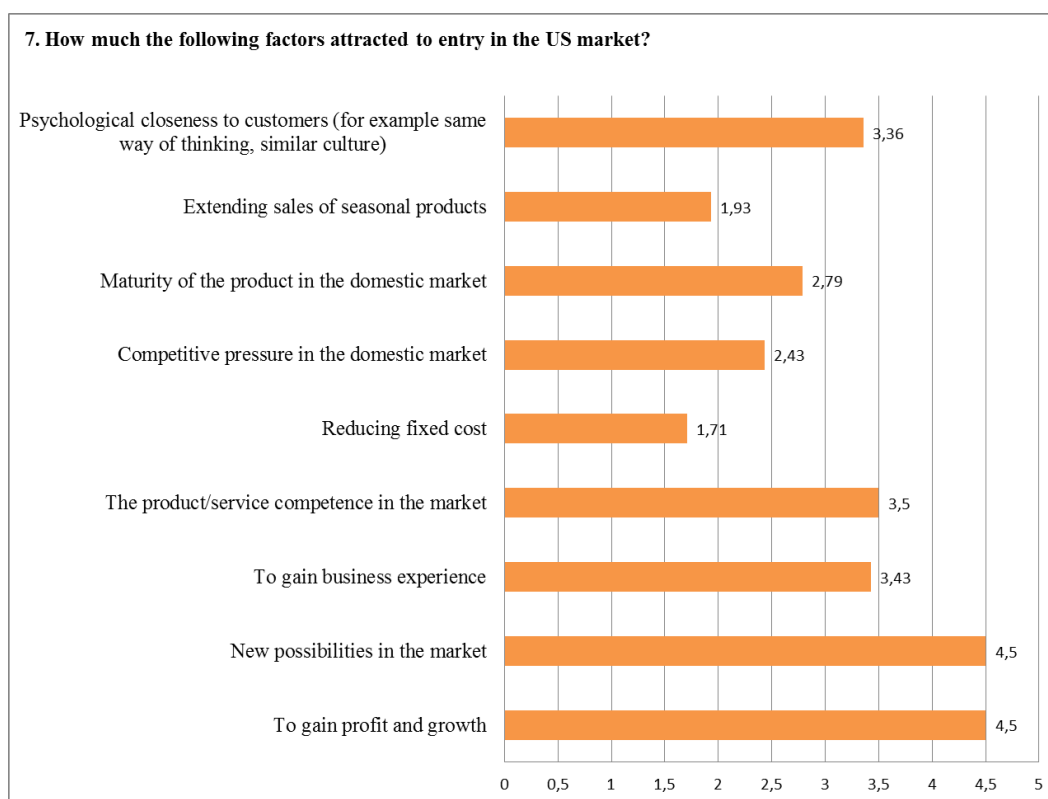


**Figure 13.** Operation states.

Two of the companies operated in Florida, two in Michigan and only one company in other the highlighted states. Two companies operate in three states but the states were not next to each other and were located in different locations in the East side of the United States. One company operated in two states that were border neighbors. From 14 companies 7 companies operate in the whole country

and three of these companies operate in ICT (42,86%), two in manufacturing (28,57%), one in biochemistry (7%) and one in cosmetics (7%). However, the clear majority of the companies operating in the whole country were over ten years old (85,71% ) and had more than 50 employees (71,43%) which suggest that over the time the scope of the operations has grown.

As be reviewed from Figure 14 the factors that attracted the companies clearly the most for their market entry in the United States were profit and growth assumptions and new possibilities in the market with average grade of 4,5. Also gaining business experience, product/service competence and psychological closeness were seen as attractive to entering the market.



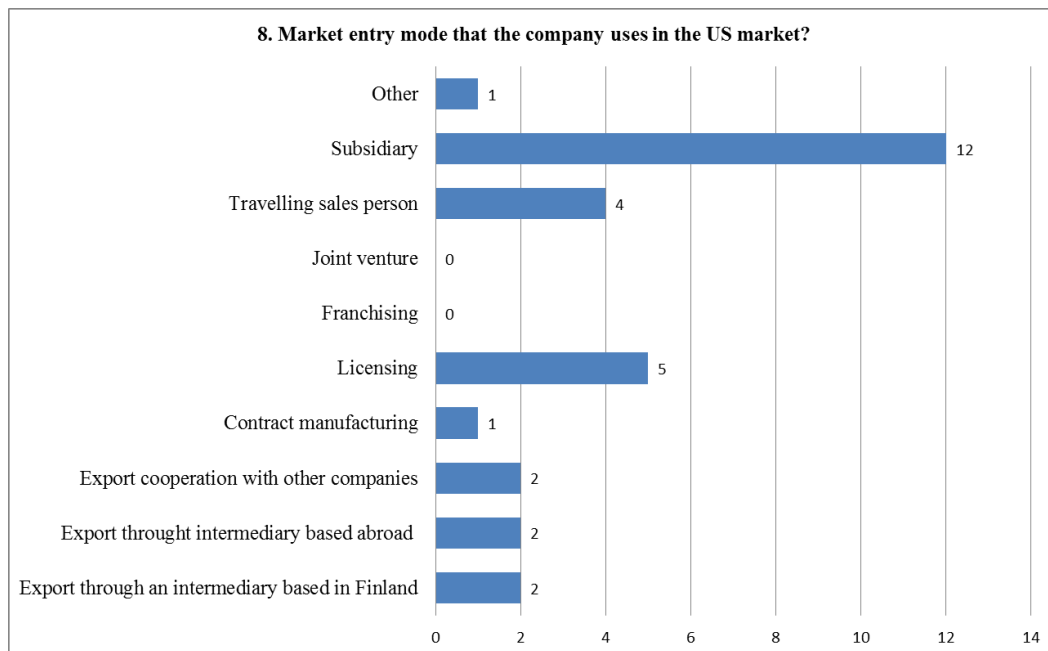
**Figure 14.** The factors attracting to the market entry.

In the survey the respondent had the possibility to choose from a scale of 1 to 5 where the number 1 represented “not at all”, 2 “some”, 3 “neutral”, 4 “quite much” and 5 “very much”. The conclusion drawn from the market attractiveness of the United States among this respondent group is that the motives for a



company's internationalization in the United States are mostly proactive and arise from a company's internal motives rather than from the pressure of the external environment.

In Figure 15 the used market entry modes that the Finnish companies have used are collected. As be seen from the figure a subsidiary was the most used market entry mode by 85,71% of the companies, which means 12 from 14 companies. Finnish companies had 228 subsidiaries (Tilastokeskus 2014) in the United States in 2012 which means that the companies owning the subsidiary in the U.S. in this survey represent 5,26% at the sample.

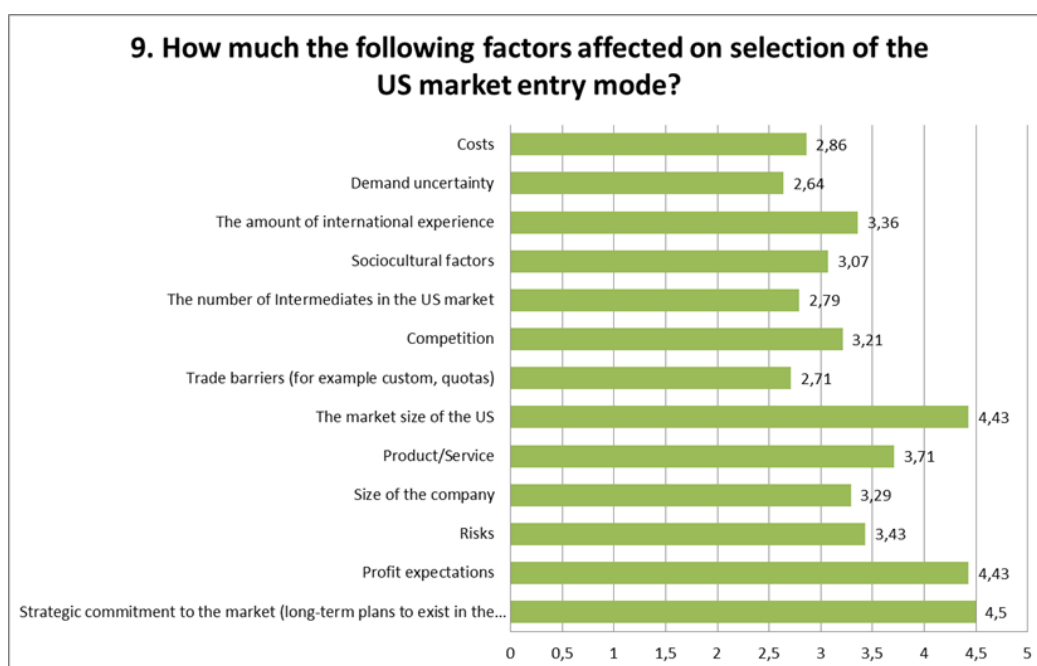


**Figure 15.** Market entry modes.

Subsidiary stands for high and long-term commitments in the foreign market and requires much resources from the company. It is also a mode where the control to activities can be maintained. Some companies had used multiple entry modes in their market entry in the United States and licensing was the most used one of them with a travelling sales person. "Other" response contained the answer "Sales and Marketing Division" which was used for as a market entry mode of a company. The respondent companies had used only market entry methods that represent commitment and presence in the market such as subsidiary, licensing,

sales and marketing division, and in addition to these modes that require less commitment were used. The quarter of the companies that used a subsidiary as their entry mode used also licensing and a sales person as their entry modes. The companies which did not use a subsidiary as their entry method operated in cosmetics and biochemistry. They used sales and marketing division, and licensing as the modes which represent presence in the market and as supportive modes exporting and sales person.

Question 9 enquired the companies' motives about the factors that had affected on the entry mode selection. Figure 15 presents the survey results. The response scale was adjusted from 1 to 5 where number 1 represented "not at all", 2 "some", 3 "neutral", 4 "quite much" and 5 "very much".



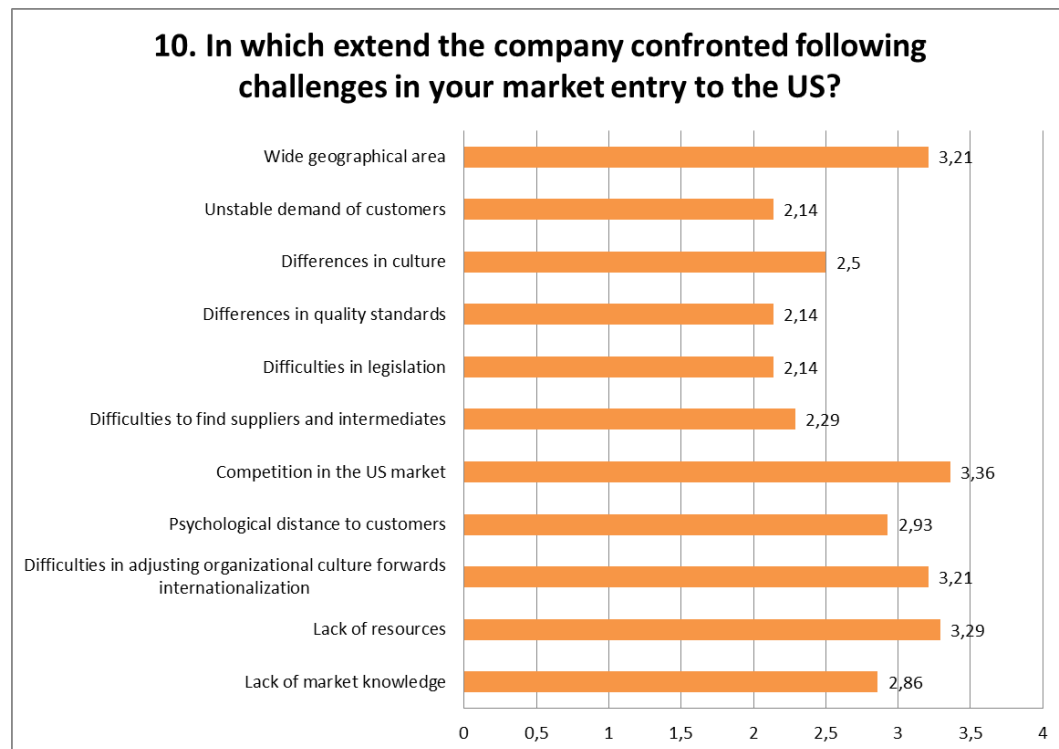
**Figure 15.** Selection criteria.

The strategic commitment to the market (4,5), profit expectations (4,43) and the market size of the U.S. (4,43) had a major impact on to the decision of the selected entry modes. Also other factors such as product/service (3,71), risks (3,43), size of the company (3,29) and competition (3,21) have had a major impact on to the chosen entry modes. Compared to the other factors presented in the survey trade barriers, number of intermediates, demand uncertainty and costs

remained less influential factors in the entry mode selection of the companies; although it does not mean that they would be less important factors in the strategy planning. The entry mode selection of the companies supports their answers about the factors that affected on the selected entry mode. The use of a subsidiary indicates long-term commitment, high profits and the large size of the market can be easier to manage if located in the United States.

### 5.2.3 Confronted Challenges and Needed External Support

The third section of the survey examined to what extend the companies had confronted the presented challenges in their market entry and the satisfaction level with their entry modes. From Figure 16 it can be seen that the most challenging issues in the market entry were the experienced competition in the U.S. market (3,36), lack of resources (3,29), difficulties in adjusting organization culture forward internationalization (3,21) and a wide geographical area (3,21). The response scale was also adjusted from 1 to 5 where number 1 represented “not at all”, 2 “some”, 3 “neutral”, 4 “quite much” and 5 “very much”.



**Figure 16.** Challenges in the market entry.

Psychological distance was seen as little challenging with the lack of market knowledge and differences in culture. Though psychological closeness was seen as one of the attracting factors in question 7 to enter the market it was also seen as a challenge which could be explained so that the diversity of the population makes understanding of the customer preferences difficult when operating in the market.

Question 11 asked the respondents to mark their level of satisfaction from 1 to 5 so that the number 1 represents “not at all”, 2 “some”, 3 “neutral”, 4 “quite much” and 5 “very much”. The question stated “Has the company been satisfied with the selected market entry mode?” The average grade for the level of satisfaction was 4,29. It seems that the Finnish companies have been more than quite satisfied with the selected entry modes.

The fourth section gathered information about the external help sources that the companies had used in their market entry in the United States. Question 12 inquired the external support that a company had needed in their market entry. 42,86% of the companies had survived without external help in the U.S. market and the companies were at all sizes. It is difficult see that companies had not needed any kind of external help, for example, in the form of advices so probably the question was understood to enquiring about help provided by larger organizations. 42,86% needed help, especially for financing issues and 21,43% for networking. Also a company had needed R&D help and other help to gain market knowledge from an external source. External help was acquired from investors, venture capitalists, banks, Tekes and embassies.

#### **5.2.4 Expected Future Market Environment**

The final two questions in the survey were open questions with objects to gain attitudes and opinions about the future markets in the United States. The questions were “In your opinion, what are the key challenges in the US market in the future?” and “In your opinion, what are the key opportunities in the US market in the future?”

The market challenges that the Finnish companies mentioned were related especially to the high competition in the market. They were also concerned with the adequacy of financing to fund the operation until the presence in the market is established and the ability to fund the brand to the extent of the competitors. Challenges in establishing a presence in the United States are developing a good sales network and selecting the right manager for the subsidiary. Maintaining the competitiveness and successful implementation of the strategy was also seen challenging. The changing value of the U.S. dollar was also seen as a challenge in the future. Varying demand and industries in different states were also considered problematic. The companies had understood that risk management is important.

The U.S. market will provide many opportunities in the future because the consumer base is constantly growing and there are consumers who are attracted to the quality products being manufactured in Finland. In the U.S. market technology is advanced and especially for technology companies Silicon Valley is an attractive location. The low value of euro was seen as a challenge but also an opportunity for Finnish companies.

Most of the companies consider the United States as their largest market area where the most market potential can be found:

“Market size for us is about half of the size of the world market. The competition is the fiercest, but also the possibilities are the greatest.”

“The United States is evidently the largest market in our industry.”

“The U.S. market for our industry is as large as the EU area. Increasing our market share is the most important objective.”

## 6 CONCLUSION

A final conclusion on how to succeed in the U.S. market is not available since it depends on the industry, company and products and also the location of operations but it can be stated that good networks are a way to a good outcome because through co-operation barriers and threats can be won and solutions found for problems that a company encounters in s U.S. market. In the empirical findings there are some strategies presented to use in market entry which have achieved good results in the United States and the feasibility of which a company can evaluate for their use. In the study the results of the interviews and surveys ended with the same main issues which Finnish companies confront in their market entry in the United States. The key issues in the successful market entry in the U.S. are the amount of resources, commitment to the operations and the understanding of the complex and diversified market environment. The experts recommended highly using partners for consulting help and business activities.

Finnish companies have favored subsidiaries as their market entry which shows commitment to the markets and high profit expectations. A foreign based subsidiary holds the control to fulfill a company's long-term strategy and also customers can be served from a close proximity. The understanding of local employees and selecting the right subsidiary manager can be seen as vital issues in this entry mode. The selection criteria of the entry modes were strategic commitment to the market, profit expectations and the market size of the United States which clearly showed in the research results. The selection criteria supported the chosen entry modes that companies were using. The Finnish companies have been satisfied with their market entry mode selection. The market entry in the United States requires a lot of resources such as financing, human resources and time so it is advisable to commit to operation to not waste these resources.

The United States is an attractive target market for many companies because of its large area and large consumer base that represents for many industries the major market. The market entry in the Unites States requires a lot of resources from the

early phase until the company has established its presence in the market and for keeping the achieved market position. Even though companies have much external support available from sources such as banks, Tekes and investors Finnish companies consider the lack of resources as a major challenge in the United States, where competition between companies is intensive and dynamic. A company has to sustain its development constantly and that requires also constant funding of operations and may be challenging, especially in an industry that contains many large corporations. In the United States and in Finland there are multiple parties that offer support for a company's internationalization in the United States from banks to private consults. The relationship between risk and return is also present in the United States market entry, meaning that by taking risk also profit expectations are higher. The United States has much to offer to those who succeed in its market but the competition is dynamic and the trends are fast moving.

As a summary the main issues in the market entry into the United States are acquiring first-hand knowledge about the market environment, find the markets where the company's offering fits and allocating necessary resources to different activities that are important to the company's operations and fit to its long-term strategy. It is difficult to understand the size and diversity of the United States of America without experiencing it and, thus, it would be important to invest in field trips, networking and finding reliable partners to succeed in the United States. It seems that the Finnish companies have had challenges in understanding the complexity and diversity of the United States. Different business practices, such as networking and intensive competition, are issues that differentiate the U.S. market from the Finnish market. Especially legislation is the issue to pay attention to when operating in different states because laws may differ considerably.

In the Table 2 the strengths and weaknesses of the Finnish companies in the United States are presented as are the opportunities and threats in the future markets of the United States. The table is based on the responses of the experts and Finnish companies that attended to the research presented in this thesis. Finnish companies appear to have multiple virtues when operating in the United

States that display advantages in the markets but lack of adequate information about certain key areas have be noted to be challenging.

**Table 2.** Finnish companies and the U.S. market SWOT.

<p><b>STRENGTHS OF FINNISH COMPANIES</b></p> <ul style="list-style-type: none"> <li>➤ Design</li> <li>➤ Quality</li> <li>➤ Technology</li> <li>➤ Respect towards delivery times and contracts which makes them a wanted business partner</li> <li>➤ Often committed attitude to operations</li> <li>➤ Innovativeness</li> <li>➤ The competence of products and services</li> </ul>	<p><b>WEAKNESSES OF FINNISH COMPANIES</b></p> <ul style="list-style-type: none"> <li>➤ Low resources in financing</li> <li>➤ Marketing knowledge</li> <li>➤ Market knowledge</li> <li>➤ Legislation knowledge</li> <li>➤ Underestimating the importance of networking</li> </ul>
<p><b>MARKET OPPORTUNITIES IN THE U.S.</b></p> <ul style="list-style-type: none"> <li>➤ Huge constantly growing markets</li> <li>➤ Number of consumers</li> <li>➤ Will be the major in many industries because of its rich natural resources</li> <li>➤ The value of dollar has weakened (advantage for Finnish based companies)</li> <li>➤ Advanced technology</li> </ul>	<p><b>MARKET THREATS IN THE U.S.</b></p> <ul style="list-style-type: none"> <li>➤ Value of the US dollar has weakened (threat for the US based companies)</li> <li>➤ Defensive attitude towards foreign companies, especially in difficult times</li> <li>➤ High competition</li> </ul>



## 6.1 Managerial Implications

The United States is an attractive market for a company which wants to increase its business operations overseas to gain market opportunities and growth. The United States is the country with largest GDP in the world and it is the third largest country where the U.S. dollar is used which is also an internationally used currency world trade. The United States has rich natural resources and fast economic development. However, on the other side of the coin there is an intensive competition between different business parties and complexity that is not easy to understand without experiencing it. Next the reference points for market entry in the United States are presented to guide Finnish companies in their strategy planning process.

When a company considers internationalization in the United States it is advisable to start the process orienting by oneself to its business environment by travelling overseas or using organizations or consultants that have experienced the markets first-hand. Possible partners provide important market knowledge and solutions for channels of distribution. After an orientation to the market is done the company can evaluate its competences to enter the U.S. market by asking questions as:

- Where could the market be entered? What is the company's penetration tactic?
- Is there a market where the company fits? Is the total product portfolio presented in the market?
- What kinds of distribution channels are there available for the company to reach the target segment?
- Does the company have adequate resources for a long-term commitment to build a brand, presence and keep up with competition?

The local presence is vital to understanding customer preferences and to developing the brand to establish in the U.S markets. By holding the strings in one's own hands a company can learn from its operations and raise higher profits.

## 6.2 Recommendations for Future Studies

This study was able to find the answers to the research questions “How to enter the U.S. market?” and “What are the challenges and opportunities confronted in the United States?”. Due to time and money limitations there are several issues that were not discussed in this study.

A successful entry in the U.S. by Finnish companies could be understood profoundly if comprehensive and intensive interviews to study their internationalization process from the seed phase until the established presence was done in the future. This kind of research would have high possibility to find the factors the attitudes, networks, marketing strategies or some other factors of companies that have enabled their long-term presence in the United States.

The market environment of the United States could be studied more closely to understand the differences between regional areas, especially in the regulations which would be helpful for companies planning the location of the market entry in the United States. Differences in business culture could also be studied in order to understand the local manners. In the United States commitment to the operation is needed, which means also local presence where local personnel plays the main role. Thus, an area of future research can be human resource management in the United States and motivating the local personnel.

Lack of resources was one of the issues that was stated to be one of the main challenges at least small Finnish companies and Finnish start-ups in the United States. It would be advantageous for Finnish companies if different financing opportunities were identified to ensure sufficient financial capital for establishing a presence in the United States and if these funding opportunities were improved by the government to enhance especially the internationalization of the SMEs.

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## **APPENDIX 1**

### **Questionnaire in English to consults**

#### **ENTERING TO MARKETS**

- 1.** How the U.S. market differs from Finnish market?
- 2.** What are the key issues when planning market entry?
- 3.** Is there a market entry mode that works best in the U.S. market? (proAmerica issues or something else that could affect to the market entry mode selection)

#### **SWOT**

- 4.** What are the problems that Finnish companies have confronted in the U.S. market?
- 5.** What are the strengths of Finnish companies in the United States?
- 6.** How does the future of the US market appear?
- 7.** Is there future challenges coming up?

#### **SUPPORT ORGANIZATIONS**

- 8.** Is it necessary to request external support for market entry in the U.S.? If yes, what kind of?
- 9.** What kind of help Finnish companies most often seek?
- 10.** Where would Finnish companies most need help when entering the U.S. market?

## **APPENDIX 2**

### **Questionnaire in Finnish to consults**

#### **MARKKINOILLE ASTUMINEN**

- 1.** Miten amerikkalaiset markkinat eroavat suomalaisista?
- 2.** Mitkä ovat avainasiat suunnitellessa markkinoille menoa USAn?
- 3.** Onko joku tietty markkinoille menomuoto, joka toimii amerikkalaisilla markkinoilla parhaiten? (ProAmerica tyyppisiä juttuja tai muita markkinoille menomuotoon vaikuttavia asioita)

#### **SWOT**

- 4.** Minkälaisiin ongelmiin suomalaiset yritykset ovat törmänneet pyrkiessään amerikkalaisille markkinoille?
- 5.** Mikä on suomalaisten yritysten vahvuus amerikkalaisilla markkinoilla?
- 6.** Miltä amerikkalaisten markkinoiden tulevaisuus näyttää?
- 7.** Entä onko odotettavissa tulevia haasteita?

#### **TUKIORGANISAATIOT**

- 8.** Onko amerikkalaisille markkinoille pyrkiessä välttämätöntä hakea myös ulkopuolista apua? Jos on, millaista?
- 9.** Minkälaista apua suomalaiset yritykset useimmiten hakevat?
- 10.** Missä suomalaiset tarvitsisivat eniten apua markkinoille pyrkiessään?

## APPENDIX 3

### Survey in English to Finnish companies

#### A survey about companies entry in the US market

I am writing my Bachelor thesis about the subject 'Market Entry of Finnish Companies in the United States' and I would be truly grateful if your company had time to answer to this survey. It takes 10-15 minutes to fill this survey and in the survey is 5 sections. Your company's information will be confidential and anonymous. Please answer latest on April 7, 2015.

#### BACKGROUND

**1. The name of the company**\_\_\_\_\_

**2. How many employees the company has?**

- ☐ 1-10
- ☐ 11-50
- ☐ 51-250
- ☐ more than 250 employees

**3. How much is the annual revenue of the company?**

- ☐ max. 2 000 000 euros
- ☐ 2 000 001 - 10 000 000 euros
- ☐ 10 000 001 - 50 000 000 euros
- ☐ more than 50 000 000 euros

**4. When the company is established?**

- ☐ 1-2 years ago
- ☐ 3-5 years ago
- ☐ 6-9 years ago
- ☐ 10-20 years ago
- ☐ more than 20 years ago

**5. In which business sector the company does its business?**

- |   |                                      |
|---|--------------------------------------|
| <input type="checkbox"/> Agricultural, Food | <input type="checkbox"/> Healthcare  |
| <input type="checkbox"/> Raw materials      | <input type="checkbox"/> Services    |
| <input type="checkbox"/> Manufacturing      | <input type="checkbox"/> Other, what |
| <input type="checkbox"/> Machinery          | _____                                |
| <input type="checkbox"/> ICT                |                                      |



## MARKET MODE STRATEGY

### 6. In which state/states the company operates in?

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Alabama        | <input type="checkbox"/> Kansas        | <input type="checkbox"/> Ohio              |
| <input type="checkbox"/> Alaska         | <input type="checkbox"/> Kentucky      | <input type="checkbox"/> Oklahoma          |
| <input type="checkbox"/> Arizona        | <input type="checkbox"/> Louisiana     | <input type="checkbox"/> Oregon            |
| <input type="checkbox"/> Arkansas       | <input type="checkbox"/> West Virginia | <input type="checkbox"/> Pennsylvania      |
| <input type="checkbox"/> Colorado       | <input type="checkbox"/> Maine         | <input type="checkbox"/> North Carolina    |
| <input type="checkbox"/> Connecticut    | <input type="checkbox"/> Maryland      | <input type="checkbox"/> North Dakota      |
| <input type="checkbox"/> Delaware       | <input type="checkbox"/> Massachusetts | <input type="checkbox"/> Rhode Island      |
| <input type="checkbox"/> South Carolina | <input type="checkbox"/> Michigan      | <input type="checkbox"/> Tennessee         |
| <input type="checkbox"/> South Dakota   | <input type="checkbox"/> Mississippi   | <input type="checkbox"/> Texas             |
| <input type="checkbox"/> Florida        | <input type="checkbox"/> Missouri      | <input type="checkbox"/> Utah              |
| <input type="checkbox"/> Georgia        | <input type="checkbox"/> Montana       | <input type="checkbox"/> Vermont           |
| <input type="checkbox"/> Hawaii         | <input type="checkbox"/> Nebraska      | <input type="checkbox"/> Virginia          |
| <input type="checkbox"/> Idaho          | <input type="checkbox"/> Nevada        | <input type="checkbox"/> Washington        |
| <input type="checkbox"/> Illinois       | <input type="checkbox"/> New Hampshire | <input type="checkbox"/> Wisconsin         |
| <input type="checkbox"/> Indiana        | <input type="checkbox"/> New Jersey    | <input type="checkbox"/> Wyoming           |
| <input type="checkbox"/> Iowa           | <input type="checkbox"/> New Mexico    | <input type="checkbox"/> Washington DC     |
| <input type="checkbox"/> California     | <input type="checkbox"/> New York      | <input type="checkbox"/> The whole country |

### 7. How much the following factors attracted to enter the U.S. market?

(1=Not at all, 2= Some, 3=Neutral, 4=Quite much, 5=Very much)

- To gain profit and growth..... 1 2 3 4 5
- New possibilities in the market..... 1 2 3 4 5
- To gain business experience..... 1 2 3 4 5
- The product/service competence in the market..... 1 2 3 4 5
- Reducing fixed cost in the market..... 1 2 3 4 5
- Competitive pressure in the domestic market..... 1 2 3 4 5
- Maturity of the product in the domestic market..... 1 2 3 4 5
- Overproduction..... 1 2 3 4 5
- Extending sales of seasonal products..... 1 2 3 4 5
- Psychological closeness to customers (for example same way of thinking, similarity in culture) ..... 1 2 3 4 5

**Exporting** – a company's products are produced in the domestic market or third country which after they are exported to the foreign market.

**Contract manufacturing** - a company gives the responsibility of producing of the goods to a foreign company.

**Licensing** – arrangements for the foreign licensee to pay for the use of manufacturing, processing, trademark or name, patents, technical assistance, marketing knowledge, trade secrets, or some other skill provided by licensor.

**Franchising** – similar to licensing but includes wider business concept

**Joint venture** – a co-operation with two or more companies/organizations where the ownership and control are shared.

**Travelling salesperson** - residents in home country and travels abroad for sales activities.

### 8. Market entry mode that the company uses in the U.S. market?

- |   |   |
|---|---|
| <input type="checkbox"/> Export through intermediate based on Finland       | <input type="checkbox"/> Contract manufacturing |
| <input type="checkbox"/> Export through intermediate based abroad           | <input type="checkbox"/> Licensing              |
| <input type="checkbox"/> Export cooperation with other companies as a group | <input type="checkbox"/> Franchising            |
|   | <input type="checkbox"/> Joint venture          |
|   | <input type="checkbox"/> Travelling salesperson |
|   | <input type="checkbox"/> Other, what?_____      |

### 9. How much the following factors affected on selection of the U.S. market entry mode? (1=Not at all, 2= Some, 3=Neutral, 4=Quite much, 5=Very much)

Strategic commitment to the market (for example long-term plans to exist in the market) .....	1	2	3	4	5
Profit expectations .....	1	2	3	4	5
Risk.....	1	2	3	4	5
Size of the company .....	1	2	3	4	5
Product/Services .....	1	2	3	4	5
Market size of the US.....	1	2	3	4	5
Trade barriers (for example custom, quotas).....	1	2	3	4	5
Competition .....	1	2	3	4	5
Number of intermediates in the US.....	1	2	3	4	5
Sociocultural factors.....	1	2	3	4	5
The amount of international experience.....	1	2	3	4	5
Demand uncertainty.....	1	2	3	4	5
Costs.....	1	2	3	4	5

## CHALLENGES

**10. In which extend the company confronted following challenges in your market entry to the U.S?** (1=Not at all, 2= Some, 3=Neutral, 4=Quite much, 5=Very much)

Lack of market knowledge.....	1	2	3	4	5
Lack of resources.....	1	2	3	4	
Difficulties in adjusting organizational culture forwards internationalization.....	1	2	3	4	5
Psychological distance to customers.....	1	2	3	4	5
High competition in the US market.....	1	2	3	4	5
Difficulties to find suppliers and intermediates.....	1	2	3	4	5
Difficulties in legislation.....	1	2	3	4	5
Differences in quality standards.....	1	2	3	4	5
Differences in culture.....	1	2	3	4	5
Unstable demand of customers.....	1	2	3	4	5
Wide geographical area.....	1	2	3	4	5

**11. Has the company been satisfied to the selected market entry mode?**

Level of satisfaction

- ☐ 1=Not at all
- ☐ 2= Some
- ☐ 3=Neutral
- ☐ 4=Quite much
- ☐ 5=Very much

## EXTERNAL SUPPORT

**12. Did the company request external support for the market entry? To which activities help was needed?**

- ☐ The company didn't need external support for the market entry to the US.
- ☐ financing
- ☐ product R&D
- ☐ marketing knowledge
- ☐ networking
- ☐ something else, what? .....

**13. Who provided the external support for the company?** .....

## OPEN QUESTIONS

**14. In your opinion, what are *the key challenges* in the US market in the future?** .....

**15. In your opinion, what are *the key opportunities* in the US market in the future?** .....

## APPENDIX 4.

### Survey in Finnish to Finnish companies

#### Kysely yritysten Yhdysvaltain markkinoille meno strategiasta

Teen opinnäytetyötä suomalaisten yritysten markkinoille menosta Yhdysvaltoihin ja olisin erittäin kiitollinen, jos yrityksellänne olisi aikaa vastata tähän kyselyyn. Kyselyn täyttäminen vie 10-15 minuuttia ja on jaettu viiteen osaa. Yrityksenne antamat tiedot tulevat olemaan luottamuksellisia ja anonyymejä. Pyydän teitä vastaamaan 7.4.2015 mennessä.

#### PERUSTIEDOT

**1. Yrityksen nimi** \_\_\_\_\_

**2. Montako työntekijää yrityksellä on?**

- ☐ 1-10
- ☐ 11-50
- ☐ 51-250
- ☐ enemmän kuin 250 työntekijää

**3. Milloin yritys on perustettu?**

- ☐ 1-2 vuotta sitten
- ☐ 3-5 vuotta sitten
- ☐ 6-9 vuotta sitten
- ☐ 10-20 vuotta sitten
- ☐ enemmän kuin 20 vuotta sitten

**4. Mikä on yrityksen vuosittainen liikevaihto?**

- ☐ enintään 2 000 000 euroa
- ☐ 2 000 001 - 10 000 000 euroa
- ☐ 10 000 001 - 50 000 000 euroa
- ☐ enemmän kuin 50 000 000 euroa

**5. Millä alalla yritys työskentelee?**

- ☐ Maatalous, elintarvikkeet
- ☐ Raaka-aineet
- ☐ Teollisuus
- ☐ Koneet
- ☐ ICT
- ☐ Terveystieteet
- ☐ Palvelut
- ☐ Muu, mikä? \_\_\_\_\_

## MARKKINOILLE MENO STRATEGIA

### 6. Missä osavaltiossa/osavaltioissa yritys toimii?

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> Alabama        | <input type="checkbox"/> Kansas         | <input type="checkbox"/> Ohio             |
| <input type="checkbox"/> Alaska         | <input type="checkbox"/> Kentucky       | <input type="checkbox"/> Oklahoma         |
| <input type="checkbox"/> Arizona        | <input type="checkbox"/> Louisiana      | <input type="checkbox"/> Oregon           |
| <input type="checkbox"/> Arkansas       | <input type="checkbox"/> Länsi-Virginia | <input type="checkbox"/> Pennsylvania     |
| <input type="checkbox"/> Colorado       | <input type="checkbox"/> Maine          | <input type="checkbox"/> Pohjois-Carolina |
| <input type="checkbox"/> Connecticut    | <input type="checkbox"/> Maryland       | <input type="checkbox"/> Pohjois-Dakota   |
| <input type="checkbox"/> Delaware       | <input type="checkbox"/> Massachusetts  | <input type="checkbox"/> Rhode Island     |
| <input type="checkbox"/> Etelä-Carolina | <input type="checkbox"/> Michigan       | <input type="checkbox"/> Tennessee        |
| <input type="checkbox"/> Etelä-Dakota   | <input type="checkbox"/> Mississippi    | <input type="checkbox"/> Texas            |
| <input type="checkbox"/> Florida        | <input type="checkbox"/> Missouri       | <input type="checkbox"/> Utah             |
| <input type="checkbox"/> Georgia        | <input type="checkbox"/> Montana        | <input type="checkbox"/> Vermont          |
| <input type="checkbox"/> Havaiji        | <input type="checkbox"/> Nebraska       | <input type="checkbox"/> Virginia         |
| <input type="checkbox"/> Idaho          | <input type="checkbox"/> Nevada         | <input type="checkbox"/> Washington       |
| <input type="checkbox"/> Illinois       | <input type="checkbox"/> New Hampshire  | <input type="checkbox"/> Wisconsin        |
| <input type="checkbox"/> Indiana        | <input type="checkbox"/> New Jersey     | <input type="checkbox"/> Wyoming          |
| <input type="checkbox"/> Iowa           | <input type="checkbox"/> New Mexico     | <input type="checkbox"/> Washington DC    |
| <input type="checkbox"/> Kalifornia     | <input type="checkbox"/> New York       | <input type="checkbox"/> Koko maa         |

### 7. Kuinka paljon seuraavat tekijät vaikuttivat markkina-alueen

**valintaan Yhdysvaltoihin mentäessä?** (1=Ei yhtään, 2= Jonkin verran,  
3=Neutraali, 4=Melko paljon, 5=Erittäin paljon)

Tuoton ja kasvun saavuttaminen.....	1	2	3	4	5
Uudet mahdollisuudet markkinoilla.....	1	2	3	4	5
Liiketoimintaosaamisen kasvattaminen.....	1	2	3	4	5
Tuotteen/palvelun tarjoama etu.....	1	2	3	4	5
Kiinteiden kulujen pienentäminen.....	1	2	3	4	5
Kotimaisen kilpailun paine.....	1	2	3	4	5
Tuotteen kypsyys kotimaisilla markkinoilla.....	1	2	3	4	5
Ylituotanto.....	1	2	3	4	5
Kausimyyntien pidentäminen.....	1	2	3	4	5
Henkinen läheisyys asiakkaisiin.....	1	2	3	4	5

(esim. sama ajattelutapa, samanlainen kulttuuri)

**Vienti**– yrityksen tuotteet valmistetaan omassa kotimaisessa tai ulkomaisessa tehtaassa, jonka jälkeen tuotteet viedään Yhdysvaltoihin.

**Sopimusvalmistus** - yritys antaa vastuun valmistuksesta toiselle yritykselle.

**Lisensointi** –järjestely, jossa lisenssisopimuksen ostaja maksaa, että saa käyttää tuotemerkkiä, nimeä, patenttia, teknistä tukea, markkinatietoa tai muuta lisensioijalle.

**Franchising** – samankaltainen järjestely kuin lisensointi, mutta käsittää koko liiketoimintakonseptin

**Yhteisyritys** – yhteistyö yritysten/organisaatioiden kanssa, missä omistajuus ja kontrollitoiminta on jaettu.

**Matkusteleva myyntihenkilö** - joka asuu kotimaassa ja matkustaa Yhdysvaltoihin myyntiasioissa.

## 8. Mitä markkinoille meno muotoa yritys käyttää USAn markkinoilla?

- |   |   |
|---|---|
| <input type="checkbox"/> Vienti kotimaisen välittäjän kautta        | <input type="checkbox"/> Lisensointi                |
| <input type="checkbox"/> Vienti ulkomaisen välittäjän kautta        | <input type="checkbox"/> Franchising                |
| <input type="checkbox"/> Vienti yhteistyönä muiden yritysten kanssa | <input type="checkbox"/> Yhteisyritys               |
| <input type="checkbox"/> Sopimusvalmistus                           | <input type="checkbox"/> Matkusteleva myyntihenkilö |
|   | <input type="checkbox"/> Muu, mikä? _____           |

## 9. Kuinka paljon seuraavat tekijät vaikuttivat Yhdysvaltain markkinoille menomuodon valintaan? (1=Ei yhtään, 2= Jonkin verran, 3=Neutraali, 4=Melko paljon, 5=Erittäin paljon)

Strateginen sitoutumisaste markkinoille (esim. pitkäaikainen suunnitelma pysyä markkinoilla)..... 1 2 3 4 5

Tuotto-odotukset..... 1 2 3 4 5

Riskit..... 1 2 3 4 5

Yhtiön koko..... 1 2 3 4 5

Tuote/palvelut..... 1 2 3 4 5

USAn markkinoiden koko..... 1 2 3 4 5

Kaupan esteet (mm. tulli, tuontimääräykset)..... 1 2 3 4 5

Kilpailu..... 1 2 3 4 5

Jälleenmyyjien määrä markkinoilla..... 1 2 3 4 5

Sosiokulttuuriset tekijät..... 1 2 3 4 5

Kansainvälisen kokemuksen määrä..... 1 2 3 4 5

Kysynnän epävarmuus..... 1 2 3 4 5

Kulut..... 1 2 3 4 5

## HAASTEET

### 10. Kuinka paljon yritys kohtasi seuraavia haasteita pyrkiessään

**Yhdysvaltain markkinoille?** (1=Ei yhtään, 2= Jonkin verran, 3=Neutraali, 4=Melko paljon, 5=Erittäin paljon)

Markkinatiedon puute.....	1	2	3	4	5
Resurssien puute.....	1	2	3	4	5
Haaste sopeuttaa organisaation kulttuuri kohti kansainvälisyyttä.....	1	2	3	4	5
Psykologinen etäisyys asiakkaisiin.....	1	2	3	4	5
Kilpailu markkinoilla.....	1	2	3	4	5
Vaikeus löytää välittäjiä ja kumppaneita.....	1	2	3	4	5
Lainsäädösten vaikeus.....	1	2	3	4	5
Laatustandardien erilaisuus.....	1	2	3	4	5
Kulttuurin erilaisuus.....	1	2	3	4	5
Asiakkaiden epävakaa kysyntä.....	1	2	3	4	5
Laaja geographinen alue.....	1	2	3	4	5

### 11. Onko yritys ollut tyytyväinen markkinoille meno muodon valintaan?

Tyytyväisyys aste

- ☐ 1=Ei ollenkaan
- ☐ 2= Jonkin verran
- ☐ 3=Neutraali
- ☐ 4=Melko paljon
- ☐ 5=Erittäin paljon

### 12. Pyysikö yritys ulkopuolista apua markkinoille menoon? Mihin apua tarvittiin?

- ☐ Yritys ei tarvinnut ulkopuolista apua Yhdysvaltain markkinoille menoon.
- ☐ rahoitus
- ☐ tuotte kehitys
- ☐ markkinointi tietoutta
- ☐ verkostoitumiseet
- ☐ johonkin muuhun, mihin? .....

### 13. Kuka oli ulkopuolisen avun tarjoaja? .....

## AVOIMET KYSYMYKSET

### 14. Mitkä ovat mielestänne *avainhaasteet* Yhdysvaltain markkinoilla tulevaisuudessa? .....

### 15. Mitkä ovat mielestänne *avainmahdollisuudet* Yhdysvaltain markkinoilla tulevaisuudessa? .....