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**Market Entry Strategies for Cameroonian coffee to Finnish market**

Guidelines to enter Finnish coffee market

Master's Thesis

Fall 2015

Business School

Degree programme in International Business Management

International Marketing Management



## SEINÄJOKI UNIVERSITY OF APPLIED SCIENCES

Thesis abstract

Faculty: Business School

Degree programme: Master's Degree Programme in International Business  
Management

Specialization: International Marketing Management

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Title of thesis: Market Entry Strategies to the Finnish coffee market

Supervisor: Ville-Pekka Mäkeläinen

Year: 2015

Number of pages: 86

Number of appendices: 3

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The goal of this thesis is to provide guidelines for a Cameroonian company which is planning to enter the Finnish coffee market. This study will help the company to better understand the Finnish business environment in general and the Finnish coffee market in particular in order to gain competitive advantage and therefore choose the right strategy and operations modes to enter the market.

The theoretical framework is taken from books and articles as well as from online sources through the internet and from literature. Most of the data were collected from government's agencies and authorities, online sources, meetings, publications, books as well as professionals. The thesis study is a qualitative case study, using the case company as an example, to arrive at company specific guidelines about entering a new market.

Statistics show that coffee consumption per capita in Finland was approximately 12 kilograms in 2012, approximately 3.8 cups of coffee a day (compare to 4.09 kilograms per person in the USA, or 7.35 kilograms in Sweden) which is a good opportunity for foreign company. This study is very important as it will highlight all possible advantages and obstacles within Finnish business environment as well as providing useful advices and guidelines to penetrate the Finnish coffee market successfully.

Keywords: International marketing, Market entry strategy, Finnish coffee market

## **TERMS AND ABBREVIATIONS**

UCCAO: Union of Arabica Coffee Cooperatives

NCCB: National Cocoa and Coffee Board

JV: Joint Venture

EU: European Union

GDP: Gross Domestic Product

ICT: Information and Communications Technology

MNC: Multinational Corporation

SME: Small and Medium-Size Enterprise

R&D: Research and Development

PEST Analysis: Political, Economic, Social and Technological

SWOT: Strengths, Weaknesses, Opportunity & Threats

CRM: Customer Relationship Management

## Acknowledgement

I would like to address my appreciation and gratitude to my supervisor Ville-Pekka Makelainen who helped and guided me during the writing process to make this thesis possible. I want also to thank Dr. Anne-Maria Aho for her support and advice during this Master programme. I would like also to thank Alliance Services and their managing director, Mr. Ngokeng Blaise as well as Mr. Zebaze Marius for their wonderful contribution. I extends my thank to my family who supported me during this busy time and to all those who shows sincere interest and commitment to complete this thesis.

Many thanks again to all.

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# 1 INTRODUCTION

Finland is currently one of the biggest world markets for coffee products with brands from Europe, South America, Asia and Africa presents in the Finnish markets. Finland has one of the best coffee consumption rates per inhabitant in the world as well as companies engaged in coffee roasting operations since 1904. Finnish coffee companies' offers high-quality coffee brands for consumers who appreciate a variety of flavor's sensations like espressos, light and dark roast filter coffees, and coffee beans. Many foreign coffee products and brands are sold in Finland through the two main Finnish Supermarkets chain which are Kesko Group and the S-Group as well as by some small competitors like Lidl. Therefore, this thesis will focus on entry strategy for Cameroonian coffee companies using a case company as an example, to provide guidance to enter the Finnish coffee market.

## 1.1 Thesis Background

This master thesis covers the topic on entry strategy a company can use to enter in another market especially from Cameroon to Finland. Globalization of markets is a phenomenon that has become very important and crucial in today's business as well as the rapid environment changes in international market. Companies develop new opportunities out of their national boundaries to remain competitive and gain new market shares in order to increase their profits. Coffee occupies an important place in Finns daily life and coffee break is becoming a good way for Finns to interact with another person and even to discuss business (Ojaniemi, 2010).

Studying and leaving in Finland for several years, the author who has been working for a Cameroonian based trading company called Alliance services has realized that coffee is a necessity in Finland and therefore a good business opportunity for Alliance services. Finnish coffee market has a good potential as well as Finnish consumer's buying power which is a positive aspect to take into consideration and a good opportunity to bring in Finland Cameroonian coffee which tends to be

healthier and offer a variety of tastes. Cameroonian coffee is already very popular in Central Europe and entering Finnish market will be a huge positive aspect in term of international business development for Alliances services.

## **1.2 Research objective and goal**

The objective and goal of the research is to describe the Finnish coffee market, underline the opportunities for Cameroonian coffee in the Finnish coffee sector and strategies of entry a Cameroon company could use to penetrate this lucrative market. Finally, this research will provide some useful guidance to the companies in term of expansion in the Finnish coffee market. Therefore, the following research questions will be answered.

1. How a Cameroonian company operating in the coffee business can successfully enter the Finnish market?

The research will highlight the Finnish coffee markets as well as provide guidance as well as recommendations a company could use to successfully enter the market.

2. What entry mode should be suitable to establish operations on the Finnish coffee market?

All possible market entries strategies and operations modes will be introduced and discussed and a conclusion will be made to suggest the appropriate entry mode or partnership to be used to gain operational success

3. What is the consumer behavior towards foreign brands adoption?

Another goal of this research is to study the Finnish consumer buying and consumption behavior towards foreign brand adoption especially in the coffee area.

4. Evaluation

Evaluation of the market entry guidance will be done by a professional in the field who will probably give some advices to be added to the final recommendation.

The main reason of this study is to provide guidance and useful recommendation to Cameroonian companies which want to enter Finnish coffee market. This research will study the Finnish coffee market as well as consumer's behavior in order to provide accurate recommendations and advices taking the case company as an example.

### **1.3 Outline of the thesis**

This thesis is divided into six chapters focusing each of them on a particular area and subject.

Chapter one introduces the research objectives, the case company, the subject area as well as the background of the thesis. This chapter also explains the reason behind the selection of this topic as well as the expected outcome.

Chapter two introduces the research approach, data collection, the research process which includes gathering information from professionals in Cameroon and in Finland as well as the limitation of the research.

Chapter three introduces useful strategies needed to enter a foreign market, define the concept of international marketing as well as different modes of entry available for a company. The environmental aspect as well as the international Marketing mix will also be analyzed in this chapter.

Chapter four relates to the theory part consisting of five sub-chapters dealing mainly with market entry strategies and business environment. This chapter provides analysis of different possible foreign markets entry modes to help the company choose the

most suitable entry mode as well as an overview of Finland. It also deals with one of the important aspects of this research which is consumer behavior.

Chapter five deals with recommendations and useful guidelines to the case Company on how to enter Finnish Coffee market with their products.

Chapter six is the conclusion of the thesis. This chapter will provide a short summary, a self-evaluation of the thesis and some final recommendations.

#### **1.4 The case company: Alliance Service**

Alliance Service Ltd. (previous BARET-CAM) was founded in Cameroon in 2009 by Ngokeng Blaise. There are 60 employees currently employed by the company and the headquarters is located in Yaoundé with offices in several towns in Cameroon. The case company is a trading company and specialized in importing used cars, personal care product and clothes as well as electronics products from Europe and Asia to Cameroon. The company has representatives in France, Spain and Finland.

The company's growth strategy is to become one of the leaders in personal care products, textiles, electronics and cars in Cameroon. One of the company's ambitions in terms of growth is to internationalize in order to gain new markets and therefore increase business opportunities and turnover. The company's business in the Cameroonian local market is good but the competition is growing faster where the necessity for the company to look for growth opportunities in foreign markets especially in the Finnish coffee market.

The case company targets mainly households and small companies. The company already has a portfolio of loyal customers to their product and is looking to attract more customers despite the rude competition taking place in their business area. The case company offers the following products below:

- ❖ Electronics products especially household appliances
- ❖ Personal care products including beauty lotion and cream
- ❖ Used cars
- ❖ Clothes

The case company's main sales revenue comes from clothes and personal care and their main market is the Cameroonian retail trade where the company has developed partnership with another retailers. The company's main customers are middle aged workers and the company is considering acquiring a small CRM system to increase efficiency in managing their customers.

## **2 RESEARCH METHODOLOGIES**

This chapter gives an explanation how the research was conducted. The choice of methodology approaches used to answer research problems will be discussed and justified.

### **2.1 Research Method**

Explanatory, exploratory and descriptive researches are the most used approaches when it comes to scientific research (Yin, 2003). Briefly, descriptive research refers to the type of question that is designed to get current and accurate information on a given topic using sometimes data available. Explanatory research aims to get a clear understanding on a particular problem rather than simply to describe while exploratory research which is flexible aims to better understand and clarify problems and it is used when there is limited knowledge about the research problem.

This research is mainly explorative due to the fact that the author's knowledge about Finnish coffee market is limited; therefore data and findings are collected from meetings, through interviews, online sources, emails to companies like Kesko, government authorities, observations and professionals in the coffee sector. This research could also be explanatory because factors that make good internationalization will be explained in this study. Also, this study could also be descriptive because one of the main goals of this study is to get a deep understanding of the Finnish coffee market and cho the right mode of entry into this market.

### **2.2 Data Collection**

This sub-chapter provides information about the methods used to collect data in order to respond to research questions. According to Fisher (2004), four main methods exist in terms of data collection which is documentary and observation, panels, questionnaires and interviews. Data collection methods used in this research is mainly documentation through books, online sources from companies and professionals bodies and interviews together with questionnaires to the case company officials as

well as to professionals in the coffee market in Finland like the purchase department in Kesko and the S group. The author visited the case company's office in Yaoundé Cameroon where open interview with the manager was conducted as well as the UCCAO office in Cameroon. All the interviews took place from December 2012 to January 2013 during the author visit in Cameroon.

The interviews approach was flexible with sometimes spontaneous questions and semi structured due to the fact that this way of collecting data offer the opportunity to the researcher to take away inconsistent answer with the possibility to request for clarification on insufficient responses (Fisher, 2004).

The types of data used in this research are primary and secondary data. Primary data are mainly interviews and observations while secondary data could be obtained from books, web pages, online sources such as electronic documents, government and professional's publications as well as company's internal report and publications.

All information gathered must be displayed and analyzed in an organized way to facilitate conclusions, consolidated and reduce through good reasoning, sorting and interpretation by the author in order to help draw a final conclusion. (Merriam 1998), recommend that in order to conduct a research and perform a suitable analysis, the researcher should follow the following three basics level. At the first level, data should be shown in a descriptive way after a chronological sorting. At the second level, analyses become more abstract and data categorized into themes. Finally the third and last level implies initiating theory and models. Interviews conducted in Cameroon were summarized and regrouped into particular themes which will be analyzed further with details in this study.

Therefore, theoretical review together with data from the empirical process will be used in order to analyze all useful data which was collected. This thesis final recommendation and market entry modes will be based on data obtained and analyzed from interviews as well as from secondary data.

### 2.3 Research Description Process

The author research process was directed to two main directions. The first sources of information's was the case company and the second sources of information was in Finland at the central purchasing department of the two main retailer group named Kesko and S group in order to get reliable information about the structure of distribution and retailing in Finland. Others sources of information's related to the selected country Finland was acquired through reliable and independent data sources like "Euromonitor", and Eurostat in order to search and analyze all possible factors which may affect the case company's entry strategy to the target market.

The access to payable database like "Euromonitor" was possible due to the fact that the author was granted access to this database during his internship period at IBM Brussels where he permanently use this database to make some research related to his work. Online sources from the internet related to the coffee business were also exploited as well as information's from coffee producer association and chamber of commerce in Cameroon.

During the author visit to Cameroon on December 2012, several meetings were held with the case company key managers involved in their internationalization project like the founder and manager of the company, the deputy director in charge of the coffee project and many other local experts in the production and exportation of coffee as well as workers in governments agencies and organizations related to coffee business. Interviews were organized via phone calls and questionnaires were prepared to be asked during the interview.

The main reason the author choose this approach to conduct open interviews instead of sending question by email is due to the low penetration of the internet in Cameroon especially in rural area because many people don't often answer to emails and also open interview gives the opportunity to expose covered questions during a conversation.

This approach was very successful because it helps the author to gather more information compared to what he would have been able to collect if the questions were sent by emails to the respondents and it also provide a good, flexible and open approach to the author during the interview. The author conducted nine interviews during his visit to Cameroon. Three interviews were conducted by phone and six were face to face interviews in the case company office with a length between fifteen to twenty minutes. Interviews were recorded and written notes were taken by the author during interviews and later on retrieved into particular themes.

In Finland, the author visited several times retailing shop "Prisma" as well as the "K City Market" shop located in the city of Kerava in Finland which belong respectively to the two main retailing chain in Finland named the S group and Kesko group in order to interview the shop managers. E-mails were also send to the S group and Kesko group to seek appointment with those involved in the central purchasing operations in these companies and questionnaires were prepared by the author to be asked during interviews or by emails.

Interviews conducted in Cameroon were semi structured due to the fact that participants have different backgrounds and expertise. Therefore questionnaires were changed and adapted to each respondent. Therefore the author decided to interview in each organization only participants that he believed possessed special insight related to coffee business. Interviews with the case company's director and all employees involved with the coffee project were easy to organize because the author was working with the company.

At the beginning of the interview as well as phone calls related to this research with various stakeholders, the author always introduced himself and explained the reason for the meetings to avoid some suspicions as it is always the case in Africa .The author held preliminary meetings with the chairman and founder of the case company Mr. Ngokeng Blaise and the deputy manager Mr. Marius Zebaze after his arrival in Cameroon. Prior to this meeting, some discussion took place by phone communication related to the coffee business and this research work.

Some questionnaires were prepared by the author to be asked to the case company chairman regarding their internationalization process.

During the meeting, the author introduces the Finnish coffee market in form of a presentation to the chairman and his deputy where the author presented the opportunities and benefits the company could gain in the Finnish lucrative coffee market. The chairman explains the reason why the company should internationalize and point out their strength and weaknesses related to this coffee project as well as the competitive advantage the company could gain financially if they succeed to enter Finnish coffee market successfully. The case company's chairman and his deputy raised several useful questions related to the coffee business market in Finland which were correctly answered by the author who did some preliminary research concerning the coffee market in Finland and also spoke to some employees in the two main retailer's shops in Finland named "Prisma" and "K City Market".

Some specifics and important questions related to the coffee industry in Finland as well as customer's behavior in the target market which require some experience and knowledge about the coffee market trends in Finland where raised by the chairman of the case company. Answers to the case company's chairman questions were provided after an interview with experts from the two main retailers group in Finland named S group and kesko. As presented in Appendices 1 and 2.

The author visited during his stay in Cameroon government agency in charge of coffee the National Coffee and Cocoa Board (NCCB) and arranges meetings with one local representative of farmers to discuss the coffee production trends in Cameroon in order to find out if the case company will be able to supply the Finnish market in quality and quantity. Despite the fact that Cameroon remains one of the world biggest coffee producers, some decline in Cameroonian coffee production is variously attributed to the predominance of aging coffee plants, disease and to extensive smuggling of Arabica coffee into neighboring Nigeria (agritrade, [ref.30<sup>th</sup> January, 2012]).

## **2.4 Research Limitations**

The author of this research faced some difficulties gathering information's from companies due to the fact that some experts did not answer to all questions provided or answered partially to questions. The lack of computerized system in organizations in Cameroon makes it difficult to access information easily which makes data most often difficult to obtain. One of the main obstacles of this research will probably come from the fact that accurate data regarding coffee statistics as well as others related information's are not always available in Cameroon due to lowest penetration of computerized system in the country. Therefore some data provided in this research has been estimated.

Despite all these constraints, the author created contacts with workers involve in the coffee sector in those companies because the author believes that these companies provide accurate information's as well as current trends in this business area. The research was limited due to the fact that it focuses mainly on key points like for example the structure of distribution and retailing in Finland as well as changes in consumer behavior.

### **3 LITERATURE REVIEW – MARKET ENTRY STRATEGY**

This chapter will provide useful strategies needed to enter a foreign market, define the concept of international marketing as well as different modes of entry available for a company. The environmental aspect which is very important in internationalization as well as the Marketing mix will also be analyzed in this chapter.

Chapter 3.1 will define internationalization process and would explain the reason which encourages companies to look for opportunities abroad.

Chapter 3.2 will provide a broad understanding of different entry strategies a company could use to enter a new market.

Chapter 3.3 all possible entry modes are explained in detail to get a good understanding of each option available for the case company.

Chapter 3.4 will deal with environmental analysis. When entering a new market, a company must pay attention to controllable and uncontrollable elements which are very important factors to succeed in a foreign market. PEST and SWOT analysis will also be conducted in this chapter.

Chapter 3.5 will deal with the Marketing Mix theory which is a very important aspect in marketing and plays an important role when it comes to internationalization of business because it is important to know if it will be standardized or adapted to the new market. The structure of distribution will also be discussed in this chapter.

### 3.1 Definition

Johansson & Vahlne define the internationalization of a company like a process where the company progressively increases international engagement. (Johansson & Vahlne, 1977). Internationalization brings the firm to get involve in international operations. Usually there are many factors which affect the company's decision to export which could be divided into two categories proactive and reactive also called push and pull factors (Mäkeläinen lectures, 2010). These factors motivating companies in going international are:

**Profits and growth goals.** Profits are the most important proactive motivation for international business especially for SME Company like Alliances Services where short term profit maybe especially important.

**Competitive pressure.** Reactive motivation influences firm to respond to environmental changes and pressure due to the fact that a firm could be afraid to lose domestic market share to competing firm engaged in international business activities where economies of scale is possible.

**Small and saturated domestic market.** When a market become too small with many competitors and less opportunities, a firm may be pushed into exporting in order to gain new market share and remain competitive.

**New business opportunities.** Firms going to foreign markets are looking for new opportunities to sell their products and attract new customers and establish new partnerships. This could be positive if the company is capable to secure resources necessary to respond to the opportunities.

**Cost and Labor advantage.** Some countries have the advantage to have skilled worker in some particular area which attracts foreign company to come and invest. A

firm may decide to go international to look for cheap and skilled labor in some countries like India in the IT and carpet weaving industry.

**Tax advantages.** Firms involved in international business receives some tax and materials incentives while the establish business in the host country. Counties like Mauritius offer tax advantages to foreign company to establish their headquarter and manufacturing facilities in the country. All such advantages has a business impact on those firms because it's allow them to make economies of scales, reduce the price of their product and therefore gain competitive advantages on competitors.

**Managerial ambitions.** Managers with good international background are international minded and keen to export activities in order to increase sales and revenue. Going abroad is also an opportunity to build the firm image outside the national boundary which can result in generating revenue and profit in the future.

After having a reason to internationalize, firms should adopt the right strategies to enter into new markets to avoid failure.

### **3.2 Strategies for entering new Market**

Kotler define International marketing as “marketing carried on across national boundaries”. It is different from domestic market due to the fact that exchanges takes place outside national frontiers therefore involving new markets where consumers and buyers may have different cultures, tastes, behaviors and needs. According to David Arnold, “Even more than in startup situation, evolutionary thinking is vital when entering and developing international markets”. It is clear that penetrating and developing a new market is difficult one due to the fact the firm may have little or no knowledge about the market.

All these elements including regulations, structure of retailing, culture which is an important element to consider by a company when going abroad, local rules and taxation make the entry in a new market a difficult task, therefore a detailed analysis need to be done in order to avoid failure. The main question here is how to enter a new

market with minimal risk? A good framework needs to be designed by the company to deal with the market entry strategy successfully.

Some key questions need to be answered by companies regarding internationalization. Do we understand the target market? Do we have the product consumer's need in our target market? How do we penetrate our target market without any major risks? In others words, companies should get a deep understanding concerning the market, potential competitors and the customers to whom they will provide products or services as well as establishing a clear international marketing plan (Johansson & Vahlne, 1977). This means that the company defines their

- ❖ Product strategy: with what kind of sales objects it is going to internationalize?
- ❖ Market strategy: to which markets it is going to sell the sales objects?
- ❖ Operation strategy: with what kind of operation mode it is going to deliver sales objects to target markets?

By giving an appropriate answer to these three issues the company then defines its strategy related to product, market and operation (Mäkeläinen courses, 2010).

The first question means that the company needs to develop the appropriate value proposition. Therefore a key decision to be taken by the company management will be either to offer a distinctive value proposition or to do the same as competitors. The product need to be differentiated and attractive taking into account the local market specificities.

The second question implies choosing the right market and applying the right strategy to sell the products. A good market choice would help to avoid unnecessary waste of time, effort and surely money. The level of risks and rewards should be measured to avoid uncertainties. The company should establish a set of decisions criteria to choose the target market which could include the growth, distribu-

tion system, the market size, the supply chain, local regulations and taxations as well as cultural differences.

The last question refers to the operational mode the company will choose to deliver their product to the target market. The company needs to develop a reliable and cost-effective operation strategy in order to make the product available to the target market.

Decision to internationalize should have relevant economic factors that it would be profitable to the company. This should also involve total commitment from the management which is very important due to the fact that embarking on international marketing requires huge resources in terms of finance and human resources as well as the capacity to remain present in target market as long as return on investment is realized. (Cateora, Gilly and Graham, 2009). After successfully designing the right market entry strategy, a firm must choose the appropriate entry mode to succeed in the target market.

### **3.3 Market Entry Modes**

Once the company has finished choosing the target market, the following task is to make a decision concerning the appropriate entry methods. The company needs to make a choice either to deal directly with the buyers or to sell products indirectly through intermediaries. There are several entry modes available, but the company should be careful when deciding which entry mode to choose because each possibility presents positive and negative aspects. The following options related to market entry modes are indirect exporting, direct exporting, licensing, franchising, joint ventures, own subsidiary, liaison office, and special mode.

### 3.3.1 Licensing

This method is one good way to enter a foreign market. It is a contractual agreement whereby the licensor offers something of value to the licensee in exchange for certain performance and payments from the licensee (Mäkeläinen courses, 2010). Licensing is where an organization or a firm the licensor asks for the payment of fee or royalty to another firm or organization, the licensee for the use of his brand, technology or expertise (Marketingteacher.com). It was considered at some point like a quickest way to enter another market especially in central planned economies.

Licensing method minimizes expenses as well as skips all distribution costs. The major problem of licensing is related to the control the licensor has over the licensee due the absence of direct commitment from the licensor who gives the license. Therefore, it is possible that after the licensee acquired sufficient know-how, he may start to act independently and takes all the market from the licensor (Lambin, 2012). This method has positives and negatives aspects.

Positive aspects of licensing are:

- ❖ Licensing modes offer the licensor low investment
- ❖ Licensing modes offers little financial risk to the licensor
- ❖ Possibility to investigate the foreign market by the licensor
- ❖ Interesting for small company that lacks resources

Negative aspects are:

- ❖ Both Licensor and Licensee have limited market opportunities due to the licensing agreements.
- ❖ Licensee may compete with licensor in the future
- ❖ Risk of expensive litigation between licensor and licensee may arise
- ❖ Risk of lack of commitment from licensee

### **3.3.2 Liaison Office**

Liaison office is often an office opened by a company to investigate and understand the market opportunity in a foreign market (Terpstra, 2001). All fee needed to run the liaison office is provided by the parent company. Liaison office's main goals are to establish contact with local market, collect useful information related to the product which the parent company intends to export to the target market, perform market research, collect inform related to local regulation, promote the parent company image and product, acts as a communication channel between the parent company and its present or future customers in the target market.

Liaison office helps the parent company to better understand the foreign market realities in order to setup appropriate market entries strategies according to the information obtained from the liaison office.

Liaison office may develop partnerships and business channels but often all business transactions are managed by the parent company especially issuing invoice. In general, liaison offices are not considered as foreign investments.

### **3.3.3 Joint Venture**

A JV (Join Venture) or a strategic alliance is a partnership between two or more parties (Mäkeläinen courses, 2010). A JV may result in the creation of a third firm. A JV allows the international firm to better monitor operations as well as access to the host market knowledge. JV is very popular in international management due to the fact that it helps to avoid problems related to control and facilitate the foreign company to easily integrate in a new environment ( Lambin, 2012). There are many common goals in a JV: market entry, risk reward sharing, technology sharing and joint product development, conforming to government regulation as well as

political connections and distribution channel access depending on relationships (quickmba.com). JV alliance seems to be profitable when:

- ❖ Resources, size and market share of the partners are small compared to the industry's leaders.
- ❖ Partners are able to learn from each other while limiting access to their own proprietary skills.
- ❖ Partners strategic goal converge while their competitive goals diverge.

Other important facts to take into considerations in JV include ownership, pricing, transfer of technology, control, agreement length, local company resources and skills as well as government policies (quickmba.com [ref.10<sup>th</sup> May, 2014]).

Potentials conflicts may include:

- ❖ Cultural differences
- ❖ clash over asymmetric new investments
- ❖ suspicion over proprietary knowledge
- ❖ absence of support from parent firm
- ❖ agreement on how to end the relationship

JV may create conflicting relationships among the partners in several situations. Partners may want to maximize their personal competitive position and the profit generated from the JV. JV encourages sharing resources but each firm may want to develop and protect their own proprietary resources. Each company may attempt to have total control despite the fact that a Joint Venture is controlled through coordination and negotiations processes (quickmba.com).

JV can be either a contractual non-equity joint venture or an equity joint venture.

- ❖ In a contractual joint venture, no joint enterprise is formed. The companies form a partnership to share the cost of investment, the risks and the long term profits
- ❖ In equity joint venture a new company is created in which foreign and local investors share ownership and control (Mäkeläinen courses, 2010).

Many firms find that it is a good way to speed market when having partners in the host country. A recent example to explore Chinese market is the establishment of a 50-50 percent joint venture named LiuGong Metso Construction Equipment between Metso Group a Finnish global provider of mining and construction technology and Chinese Guangxi LiuGong Group co. This new JV company to be launched in half 2014 will associate Metso's know-how technology in screening machine and LiuGong extensive distribution resources (finlandtimes.fi, [ref.18<sup>th</sup> February, 2014]).

### **3.3.4 Wholly Owned Subsidiary**

A firm which plan to have full control of his business abroad may decide to acquire an existing company in the host country or set up a new company abroad in a country where wholly owned subsidiaries are authorized. Taking over a firm in the host country favorize entry in the country with the advantages of local connections and distributions networks but requires huge investments and high risks level. The main positive aspect here is the full control of the subsidiary and the easy integration between the parent company and the subsidiary in term of operations and management.

A wholly owned subsidiary gives opportunities for companies to diversify and manage risk. Diversification allows the company to invest in various sectors in such a way that if one company is facing sales drop, the other company in the same group may still keep the business running. For example a computer compa-

ny may decide to get into anti-virus and the Internet business and either buy or set up a new wholly owned subsidiary for each of these new businesses. Losses resulting from the bankruptcy of one subsidiary may not necessary closed down the parent company (education-portal.com).

A wholly owned subsidiary also helps the parent company to minimize the exposure and sometimes creating a foreign subsidiary allows the parent company to receive tax reduction in the host country from the government. Other advantages of creating wholly owned subsidiaries include vertical integration of supply chain. The parent company may use the resources from the subsidiary for further investments to generate more cash flow.

The creation of a wholly owned subsidiary may have some disadvantages like more taxes due to the use of separate business entities as well as lack of focus of the parent company on their core product due to diversification. Cultural difference issues may arise when integrating workers between the parent company and his subsidiary. A conflict of interest may arise between the parent company and the subsidiary. For example a car manufacturing company may like to acquire car parts below the normal price from his own subsidiary which may goes against the subsidiary business interests (education-portal.com [ref.10<sup>th</sup> May, 2014]).

### **3.3.5 Exporting**

Exporting is the marketing and direct sale of goods produced domestically in another country. It is the simplest and easiest way to international expansion (Lambin, 2012). It requires little investment and a possibility to access the market as well as exit from the market without any constraints. Costs related to exporting are usually marketing expenses. Exporting is the main way used by SME's to compete in the international market. MNC's use exporting as well to sell their products. Exporting usually involves exporter, importer, transport provider and government. Since exporting did not require goods to be produced in foreign country, no in-

vestment is required. (quickmba.com [ref.10<sup>th</sup> May, 2014]). A good exporting strategy would require the firm to have representation in the foreign market.

They are two types of exporting: indirect exporting and direct exporting.

#### ❖ Indirect Exporting

It is easier and simpler without any special expertise or huge investment. Indirect exporting offers the lowest level of risk and less control. Products are taken internationally by others (Lambin, 2012). Time is saved and effort reduced due to the fact that the merchant exporter handle all duties related to sales and credits risk (scribd.com [ref.10<sup>th</sup> May, 2014]). There is no need to spend money on marketing and advertisement abroad. Agents in the foreign market who receives the goods will promote, sell and distribute the products.

Agents could be exports merchants, who buy and resell the goods to make profits, international companies which use the products in their daily operations, export commissions agents who purchase products for their customers abroad and manufacturer's export agents who promote, distribute and sell on the behalf of the manufacturer usually for a commission.

There are some disadvantages with indirect exporting like the loss of international business if the exporter's agents don't want to continue the contract, paid of commission to agents, no experience on transaction and sometimes loss of control over the marketing mix when using exporting agents. It may happen that the middleman, especially agent paid on a commission basis is not proactive which may affect the sales. It may be also difficult to find middleman for all available markets.

#### ❖ Direct exporting

The company handles itself the exporting operations instead of delegating the task to someone outside the firm (Lambin, 2012). Someone inside the company is assigned the task or depending on the firm sales and turnover a department is created to handle exporting activities like billing, credit and shipping. Direct exporting may consist also to choose someone inside the company to travel internationally and book orders. Direct exporting has become easier and popular due to the internet.

Direct exporting has several advantages like great control over product, marketing and sales, increase in turnover, good market information on customer's requirements and development of expertise and skills in international business.

Direct exporting has also some disadvantages like huge financial investment, good managerial ability as well as more employees, high distribution cost and more risks (scribd.com [ref.10<sup>th</sup> May, 2014]).

### **3.3.6 Franchising**

Franchising is considered to be also similar to licensing but in franchising, the franchisor has more power and control than in licensing (Lambin, 2007). Franchising allows independent organization or business owners named franchise run their business by using the parent company trademarks, brands, product reputations, know-how and pay in return fees or royalties. Franchisor often offers continuous support due to the fact that franchising agreement is sometimes longer. Employee training, quality assurance programme, advertising, equipment are usually offers by the franchisor to support the franchise operates their business like the franchi-

sor. Franchising agreements sometimes also include trade secrets and design. Franchising has many advantages and disadvantages (scribd.com [ref.17<sup>th</sup> May, 2014]).

Franchising advantages include:

- ❖ Franchising allows the franchisor to minimize their risk and investment when getting into global market.
- ❖ Franchisor can acquire useful information in foreign market like the culture, customers and business environment to develop future opportunities.
- ❖ Franchisor acquires advantages in research and development at almost no cost.
- ❖ The risk of product failure from the franchisor can be avoided.

Franchising disadvantages include:

- ❖ There is a risk to lost trade secret
- ❖ Maintaining product quality and reputation belong to the franchisor and the franchisee together.
- ❖ It may be difficult for the franchisor to control the franchisee
- ❖ Sharing useful know-how and knowledge may increase the risk to see the franchisee become a competitor in future.

One of the most important decisions to do in franchising is to avoid sharing key know-how with any franchisee if that know-how or expertise is treated as vital for the firm.

### **3.4 Environmental Analysis**

International marketing is the performance of business activities that direct the flow of a company's good and services to consumers or users in more than one nation for a profit according to (Cateora and Ghauri, 2009).

Cateora and Ghaury consider international marketing in the absence of global marketing. Going to international marketing involve some risks which can be controllable and at some point are not controllable.

The management of a company may face some factors in foreign environment which may be controllable or not. There are many factors and uncertainties which are uncontrollable when entering new markets which may be difficult to challenge like restrictions to protect local firms, tax on imported goods, differences in market characteristics, trade barriers, cultural differences and language skills (scribd.com [ref.17<sup>th</sup> May, 2014]).

Some controllable elements like the marketing mix (product, price, place and distribution) may help the company to challenge uncertainties and generate positive revenues. Domestic political decisions and domestic economic climate as well as Cultural, political and economic climates which can change dramatically in the investing country are elements to be taken into account in international marketing.

The key to successful international marketing is adaptation to the environmental differences from one market to another as well as a design of a good framework for cross – cultural analysis (Mäkeläinen courses, 2010). Self-reference Criterion which is an unconscious reference to one's own cultural values, experiences, and knowledge as a basis for decisions as well as Ethnocentrism which is the notion that one's own culture or company knows best how to do things are some of the main obstacles to succeed in international marketing. To succeed in foreign market and takes advantages on controllable and uncontrollable factors, it is necessary to adopt a marketing plan according to the country, area or regions a firm is considering investment.

Ghuri and Cateora proposed a diagram in which they show all aspects especially the environmental aspect to take into consideration when entering a foreign market. As we can see from the international marketing task diagram below from Cateora and Ghauri, the inside layer of the diagram shows controllable factors like the firm characteristics with the marketing mix, the second layer shows the domestic environment with his uncontrollable elements which may affect internationalization.

The outer layer shows uncontrollable elements in foreign markets which could affect the firm internationalization process as well. A successful marketer will try to balance the controllable and uncontrollable elements in a given market to get a positive outcome from both. The interaction of controllable and uncontrollable factors is one of the most important key performance indicators to the firm positive or negative result.

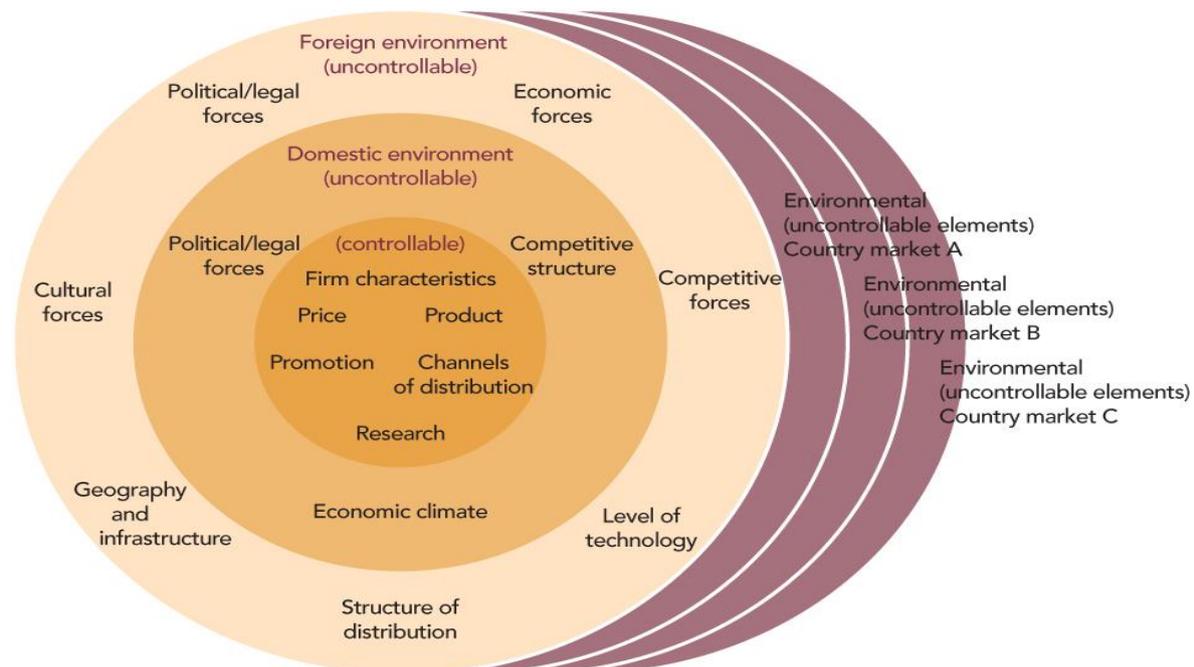


Figure 1. The International Marketing Task (Graham, Gilly and Cateora, 2009, 11) [17th May 2014]

### 3. 4.1 Controllable Elements and marketing mix

The company's management will have to make appropriate decision regarding controllable elements. The company has the ability to control and design the appropriate marketing mix elements that means price, product, and place with the freedom to choose any distribution channel or promotion methods (scribd.com [ref.17<sup>th</sup> May, 2014]). Research is also an important factor controllable by the firm which can be used to get useful information on competitors, customers and the target market. The firm and their marketers manage and coordinate controllable factors to develop an overall marketing strategy to reach their target.

Being able to control those factors gives the company the opportunity to develop a good business policy to reach their target taking into consideration controllable elements like price, product, place, promotion and distribution. Some of the controllable factors are controlled by management not marketers like the lines of business with goods and services category, corporate culture, and strategic planning. Marketers take charge of controllable factors like the selection of target market, market segmentation, performance measurement and marketing objectives.

To succeed in the sale of a product or a service, four elements combined together are necessary important which are product, place, price and promotion. All of these elements are somehow interdependent. Marketing mix is a way of setting up and designing marketing strategies and one of the most significant approaches in marketing management. It is important for marketers to get a deep knowledge of the consumers as well as the target market when implementing marketing mix strategies. Marketers need to know consumers' desires, preferences and tastes in the target market in order to supply the right product in the right place at the right price ( Cateora, Graham and Gilly, 2007).

Marketers can easily control the four marketing mix elements which are subject to the internal and external constraints of the marketing environment (netmba.com [ref.31<sup>th</sup> May, 2014]). According to Kotler (2006), "a marketing mix is the mixture of

controllable marketing variables that the firm uses to pursue the sought level of sales in the target market". These variables can be best controlled by marketers to best satisfy customers in the target market (quickmba.com [ref.31<sup>th</sup> May, 2014]). Marketing mix most significant variable seems to be product supported by the others variables which are price, place and distribution. Marketing mix is the foundation of an organization marketing structure due to the fact it is the basis of the firm profitable marketing strategies.

### ❖ **Product**

Product is the tangible or physical product as well as services proposed to customers. Product being the items that brings revenue to the firm need careful considerations especially its design, packaging, and features. There are some key questions that firm should ask themselves when launching new products in the market like who is the product intended at? What advantages will the customers get from the product and what are consumer's expectations? How is the new product position compared to the competition? How does the firm plan to position the product on the market? (Learn marketing.net [ref.31<sup>th</sup> May, 2014]).

Answering these questions will definitely help the firm in terms of packaging and design. With globalization, firms are facing tough challenge in term of competition, therefore a good product strategy to meet customer expectations is a key to success. Kotler suggested that a product should be viewed on three levels which are

- ❖ Core product which focuses on the main profit a customer get from buying a product.
- ❖ Actual product with a strategy consisting to add branding, features in orders to gain a competitive advantages over competitors.
- ❖ Augmented product consisting to search and prospect any intangible advantages to be offered in order to surpass competitor like after sales services, warranties as well as free delivery.

Product could have multi-dimensional feature and the sum of its features determines the bundle of satisfactions received by customer according to Cateora, Graham and Gilly. Main components like packaging components, core components and support services components provides a clear overview to get an idea related to the entrance of products in a new market.

- ❖ Packaging component. This component focused on how the product will be designed and all others packaging features. Packaging is the process of designing and fabricating the container of a product (Kotler and Keller, 2012 pp. 367-371). According to Kotler and Keller, Packaging could be divided into primary package, secondary package and shipping package. This is a very important aspect of a product in order to gain consumer attention. A firm may look at the target market and find out which additional features to add to the product to gain competitive advantages over competitors. Packaging appearance is therefore very important because attractive packaging attracts customer attention and a bad packaging may cause rejection from buyers.
- ❖ Core component. Product design and features are essential to capture consumer's interest on a product. Packaging of the same product may differ from one country to another due to local legislation of local culture and habits. A product taste, flavor and color may differ from one country to another to reflect the local habits. Attractive packaging design could simplify sales promotions.
- ❖ Support services component. This component is related to warranties, after sales services, repairing, and maintenance and spare parts supplies. Maintaining a good and reliable after sales service helps to keep and ensure customer loyalty. These components should be taken seriously by firms and marketers especially when doing business depending on the business sec-

tors like automobiles with developing countries (Cateora, Graham and Gilly, 2009, 348-352).

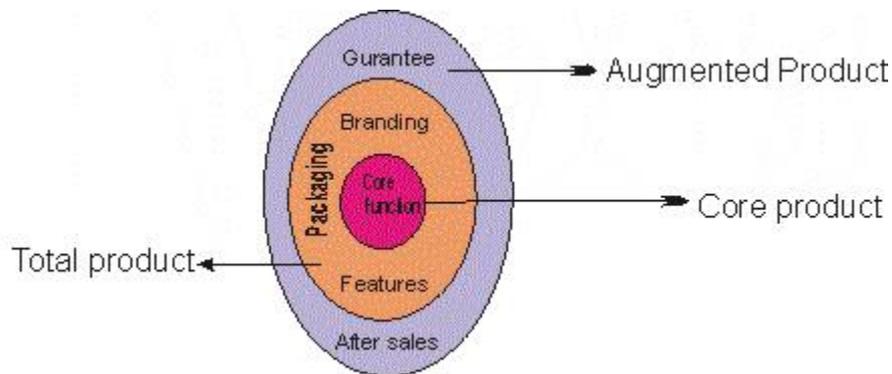


Figure 2 Three view of products levels (<http://www.learnmarketing.net/product.htm> [ref.31<sup>th</sup> May, 2014]).

### ❖ Place

Place, also describe as distribution contains all the activities undertaken by a firm in order to make their product available for their customers at convenient place. Place element is important due to the fact that it is about where the product is made, the storage and how the product is transported to the customer to the right place at the right time without damage or loss (Learn marketing.net [ref.14<sup>th</sup> June, 2014]).

Physical distribution is one of the main challenges in logistics. Physical distribution contains activities like transportation, warehousing and inventory until the final goods or services are delivered to the consumers (Helsen & Kotabe 2001, 514). Physical distribution of products could be done using distribution channels which could include variables like

- Logistics including warehousing, transportation and inventory control to facilitate access to the product for customer easily.

- Criteria for evaluating distributors in order to select the right distributor
- Distribution channels available for distribution such as distributors and intermediaries, retailers and direct distribution.
- Channels motivation such as distributor's bonus and margins (quickm-ba.com [ref.14<sup>th</sup> June, 2014]).

Marketing manager need to choose the most convenient distribution channel in order to make the product available to the customer at a lower expense because efficient and effective distribution could help the firm to meet their business targets. It is advisable that many distribution points are necessary for mass consumption products like sugar and bread but for other products like PC and electronics selective distribution channels through accredited dealers are acceptable.

According to quickMBA.com, the services of retailers, wholesalers and other intermediaries are important when it comes to extensive distribution. The choice of the distribution mode or system is the company free decision and depend on the company target and ambition as well as product and customers. Therefore several factors should be taken into consideration including price and cost, order quantity and frequency, movement of goods and physical properties.

### ❖ Pricing

Price is considering being one of the most critical elements of the marketing mix. It is the amount charged for a service or a product. Fixing the price of a product or a service is a very challenging task due to the fact that it most reflects supply and demand relationship as well as other important factors. Pricing should take into account other factors like fixed and variables costs, competition, company objectives, target group and consumer's willingness to pay, government restrictions and proposed positioning strategies (learnmarketing.com [ref.15<sup>th</sup> June, 2014]).

Pricing decisions should take also into account variables like

- **Pricing policies and strategies** involving skimming and penetration pricing in order to capture large number of buyers. Pricing policies may have direct influence on the firm turnover and profit. The product price on the market may need also periodical review and adjustment. Pricing strategies could include penetration pricing, optional pricing, premium pricing, competition pricing, value pricing, bundle pricing and skimming pricing (learnmarketing.com [ref.15<sup>th</sup> June, 2014]).
- **Discounts and other price reduction policies** offered in order to capture market and create awareness on the firm product as well as to face competition. It includes cash and early payments discounts, volume discounts and wholesale pricing (netmba.com [ref.15<sup>th</sup> June, 2014]).
- **Government restrictions and regulations** are important variables which firms should take into account when deciding on product price especially in a foreign market. In some countries, there are regulation and price limit on certain products that all firms must follow and a breach in the regulation may lead to lawsuit or fines (quickmba.com [ref.14<sup>th</sup> June, 2014]).
- **Price** charged for a service or a product should be **flexible** according to the market situation. If for example the price of raw material fails down or the production cost decrease then the firm should be able to reflect these changes on the product in order to motivate customers to purchase the product and gain competitive advantage on the market (netmba.com [ref.15<sup>th</sup> June, 2014]).

- **Terms of delivery and terms of credit sales.** These variables are important due to the fact that they affect final price of a product or services. Purchases made by a customer without paying at the time of purchase may result in an additional fee due to the late payment. The term of delivery specifies some conditions related to the carrier, routing, freight charges in a sales contract could have an impact on the final price.
- **Level of income.** This variable is very important when it comes to the price of a product. In Finland coffee price are high compare to some another European country due to the high level of income.

From the international point of view, there are several factors that a firm needs to take into account when deciding on the price of their product or services especially when entering into a new market. Price of a product or a service cannot be kept at the same level worldwide. Factors affecting pricing in foreign countries may include market size, regulations, cultural difference, distribution, cost of production, trade cycle, brand image, marketing objectives of a company, consumer profile, price elasticity and exchange rate (2mba.in [ref.15<sup>th</sup> June, 2014]).

### ❖ Promotion

Promotion is the persuasive communication about the product offered by the manufacturer to the customer (kalyan-city.blogspot.com [ref.12<sup>th</sup> April, 2015]). According to Kotler and Armstrong “promotion refers to activities which communicate the benefits and advantages of a product to the target customers in order to persuade them to buy it” (Armstrong & Kotler 2005, P. 50)

Promotion activities refers to the different aspects of marketing communication in order to communicate information about the product, its advantages and benefits

with the goal of generating a customer positive response. Marketing communication and promotion decisions involve advertising, public relations, media type, promotional strategy (push, pull), sales promotions, personal selling and sales force. Others promotional strategies include social media, internet marketing and sponsorship through events and sports. Promotional activities have become essential for large scale marketing especially for challenging market competition effectively.

Advertising increases consumer's awareness about a product. Personal selling is increasing to become one of the most important among the marketers due to the fact that it involves direct contact with the consumers. In addition to advertising and personal selling, a manufactures may use other sales promotions techniques at the consumer level and at the dealer level (kalyan-city.blogspot.com [ref.12<sup>th</sup> April, 2015]).

At the consumer level, the techniques include displays, exhibitions, discounts coupons, small gifts and free samples, contests, cash refund offers. It is also useful to provide after sales services for promoting sales of durable goods in order to increase customer satisfaction. In order to attract new customer, face competition and increase sales, support distribution channels and brand's names companies nowadays spend millions of dollars in different promotions activities (kalyan-city.blogspot.com [ref.12<sup>th</sup> April, 2015]). Promotions activities are varied in nature and are essential in order to establish strong and useful relationship with customers.

Promotional mix is the specific blend of advertising, sales promotion, public relation, personal selling and direct marketing tools that the company uses to persuasively communicate customer value and build customer relationship (Kotler and Armstrong, 12<sup>th</sup> edition). Promotion mix includes variables like:

- **Personal selling.** It is the oral and face to face presentation made by individual salesperson. According to Kotler, personal selling is a face to face in-

teraction with one or more perspective purchasers for the purpose of making presentations, answering questions and procuring orders. It helps the customer to better understand the product in detail and can persuade the customer to buy the product. It is an important factor in creating sales volume. There are many objectives of persons selling like to capture and retain market share, attract and retain new customers, secure and retain existing customers, increase sales volumes to maximize profitability, to keep customers aware on changes related to the product or prices (netmba.com [ref.12<sup>th</sup> April, 2015]).

- **Advertising and publicity.** Advertising provides information and guidance to consumers. It also helps to promote brand names and motivate customers to buy a product. According to Kotler and Armstrong “Advertising represents any paid form of no personal presentation and promotion of ideas, goods, or services by an identified sponsor”. It is important to set up clear objectives and decisions when planning advertising like developing advertising strategy by choosing appropriate messages and media, preparing advertising budget, setting up clear objectives and evaluating advertising campaigns. Global advertising expenditures is increasing worldwide from 486.1 billion \$ in 2011 to 545.25 in 2014 and eMarketer expected it to grow to 667.65 by 2018 (statista.com [ref.12<sup>th</sup> April, 2015]).
- **Public Relations.** According to Kotler, one of the major challenges today is getting people’s attention in order to position a brand in their mind. Public relation is a valuable tool which is playing a key role within the marketing mix to promote and maintain brands. Public relation is the practice of managing the flow of information between an organization and its publics (Cateora, 2009).
- **Display of goods for sales promotions.** Goods can be display on shelves to increase awareness in order to attract customers. Sales promotions are

activities launched by firms to promote and increase sales of a product or services. It is an important component of a firm's overall marketing strategy along with personal selling, advertising and public relations. Sales promotion provides extra incentives to potential buyers in order to support a particular brand (netmba.com [ref. 12<sup>th</sup> April, 2015]).

The product life cycle is an area where promotion techniques can be applied. The product's life cycle can be divided into several stages like the introduction stage, the growth stage, the maturity stage and the decline stage (netmba.com [ref. 12<sup>th</sup> April, 2015]).

**Introduction phase.** Sales are low until consumers become aware of the product and their benefits. Advertising costs are high due to the money spent to rapidly capture customer's attention through media like TV, newspapers, social media and radio. The main idea in this phase is not to make huge profit but to build a primary demand for the product and target early adopters.

**Growth phase.** In this phase, the result of a good promotion campaign is a rapid revenue growth. Sales increase due to the fact that customers are becoming aware of the product and expanding distribution is a good solution here to target additional market segments. The objective here is to capture customer's confidence and increase sales volume.

**Maturity phase.** This is the most profitable phase. Advertising costs are reduced because of the awareness of the product among customers. Market share is reduced due to competition which may also result in a product differentiation problem. Sales promotion strategies may be launched in order to face competition and attract customers. The main goal here is to maintain market share and extend product life cycle.

**Decline phase.** At this stage, sales decline due to several factors like the change in customer's taste, market saturation, and the product becoming technologically

obsolete. If the product has developed brand loyalty, the profitability may be maintained longer (netmba.com [ref.12<sup>th</sup> April, 2015]).

### **3.4.2 Uncontrollable Elements**

Uncontrollable elements are factors which are external to the company and out of their control. They affect the firm who need to permanently monitor them and take them into account when designing a business plan or a marketing strategy. Uncontrollable factors in international marketing include cultural forces, structure of distribution, politic and legal forces, and level of technology, competitive force, economic climate, consumers, and independent media.

To succeed in international marketing, the firm should redesign its strategy to adapt and anticipate to any obstacle or uncontrollable elements which could affect its surrounding environment. A maximum of flexibility is also important to be able to react and adjust positively to future changes (scribd.com [ref.17<sup>th</sup> May, 2014]).

Market assessment is very important step to elaborate a good and successful international marketing strategy. Market assessment tool like SWOT and PEST analysis provide useful information related to internal and external environment, political, social, legal and cultural environment as well as competitive business environments information's (netmba.com [ref.24<sup>th</sup> May, 2014]).

### **3.4.3 PEST Analysis**

PEST analysis is a market assessment tool which helps to better understand and analyse the external macro-environment that affects organizations. PEST refers to Political, Economic, Social and Technological factors related to the external macro environment. It often happens that some external factors that affect organization's performance are beyond their control and could become a threat for the organization. It is also possible that some changes in the external environment may repre-

sent opportunities for the organization. PEST analysis is usually assessed on a country basis due to the fact that macro environment factors changes and depend on countries (netmba.com [ref.24<sup>th</sup> May, 2014]).

- ❖ **Political factors** refer to management of operation by the firm with respect to regulations and formal or informal laws and may include tax policy, government regulations and employment regulations.
- ❖ **Economic analysis** is the foundation to understand the target market in order to develop good business strategy and may include economic growth, interest rate, inflation rate, unemployment rate, labor cost and exchange rate.
- ❖ **Social factors** analyses and studies the cultural and demographic aspects of the macro environment population and may include growth rate, cultures, and age distribution as well as career attitudes.
- ❖ **Technological factors** play an important role and could lead to the reduction of barriers to entry as well as impact outsourcing decisions. It may include automation, technology incentive, recent technological development, impact on value chain structure and R&D activities (quickmba.com [ref.24<sup>th</sup> May, 2014]).

#### 3.4.4 SWOT Analysis

SWOT analysis is one of the most popular and recognized framework for giving an evaluation both internally (strengths and weaknesses) and externally (opportunities and threats) for a particular environment. It helps to provide market information, strategy formulation as well as to analyze competition on a market.

❖ **Internal environment's analysis** could help the firm to evaluate hidden and possible strengths and weaknesses across the firm in areas like brand awareness, firm image and culture, market share, financial resources, operational efficiency and capacity, organizational structure as well as exclusive contracts. Internal factors belonging to the organization are compiled together as a list of strengths and weaknesses (netmba.com [ref.24<sup>th</sup> May, 2014]).

❖ **External analysis** refers to opportunities and threats. Opportunities are the possibilities arising for the firm in case of new development or changes influencing external environment. It can provide opportunities for profit and growth. Some opportunities may consist of the arrival of new technology, changes in laws and regulations, removal of international trade barriers and unfulfilled customers need.

Some evolutions in the business environment as well as changes in external environment could lead to a threat for the organization and trigger inefficiencies in firm's operations.

Some threats may include new laws and regulations, changes in consumer behavior, appearance of substitute products and expanded trade barriers (quickmba.com [ref.24<sup>th</sup> May, 2014]).

PEST and SWOT analysis refers to strategic management tool which helps organization to study the environment in order to take right decision to avoid costly errors. PEST outcome could be very good sources of information to organization when conducting SWOT analysis due to the fact that all information's obtained during PEST analysis may be considered as opportunities or threats during SWOT analysis.

## 4 COFFEE BUSINESSES AND FINLAND OVERVIEW

Coffee is a seed inside the fruit of a coffee tree known as a coffee cherry which usually has two beans. Coffee grows in warm, humid climates at altitudes up to 6,000 feet above sea level. It is the second most traded commodity in the world after oil (indigocoffee.com [ref.13<sup>th</sup> April, 2015]). The two species of coffee are Arabica and Robusta. Robusta has a bitter flavor and 50% more caffeine and this is the reason why consumers prefers Arabica because it has also very good taste. Arabica taste and flavor are far superior to Robusta and this is the reason why Arabica is expensive due to their quality, difficulty to cultivate and limited availability.

The terroir where the coffee is harvested plays a key role in the taste due to factors like climate, humidity, soil and elevation. Coffee names depend on the region in which there are grown like Costa Rica Tarrazu or Ethiopian Limu. Coffee is graded by quality based on factors like color, size, uniformity and number of imperfections in a one pound sample (indigocoffee.com [ref.13<sup>th</sup> April, 2015]).

Worldwide consumption of coffee is more than 500 billion cups of coffee every year in which 14 billion are Italian espresso coffee followed by specialty coffees such as Cappuccino and latte. Coffee is grown in over 50 countries in Africa, Asia, South and Central America and the Caribbean with Americas alone having 67% of the world production (businessinsider.com [ref.13<sup>th</sup> April, 2015]).

Top coffee producers are Brazil, Columbia, Vietnam, Ethiopia, and Indonesia with 25 million people's worldwide working in the coffee industry. Brazil and Columbia together represent 40 % of the world production an produces mainly Arabica while countries like Vietnam produces low quality Robusta. Global production for the period 2014/2015 is now forecast to be around 150 million bags (itbhdg.com

[ref.13<sup>th</sup> April, 2015]). Coffee provides a livelihood for more than 100 million people in coffee-producing countries.

**The Coffee market.** The global coffee market was worth around 100 Billion \$ in 2013 and it is the second commodity in the world after crude oil (businessinsider.com [ref.13<sup>th</sup> April, 2015]). The “fair trade coffee” rules was instituted to promote a direct relationship between the coffee importer and the grower and also to provide growers who are mainly from poor developing countries with better working conditions and high financial return during business transactions. The global retail coffee markets are controlled by giants like Nestle, Kraft, Proctor & Gamble, Sara Lee and Tchibo which purchase half of the world’s annual production of coffee. Coffee-producing countries earned around 24 Billion \$ in 2013 from coffee export (fairtrade.net [ref.13<sup>th</sup> April, 2015]).

There is a real growth of demand coming from emerging countries like China, India, Brazil, Russia and South America. The USA and the European Union are the bigger importer of coffee as well as Finland due to the fact that coffee cannot be grown in Finland because of the weather. The figure below shows the coffee production for the 2012-2013 crop years

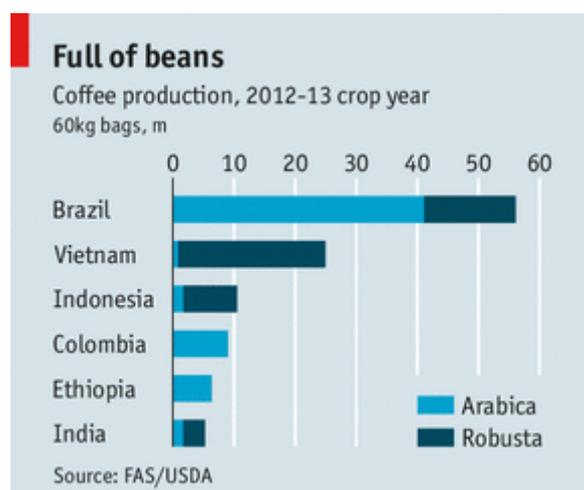
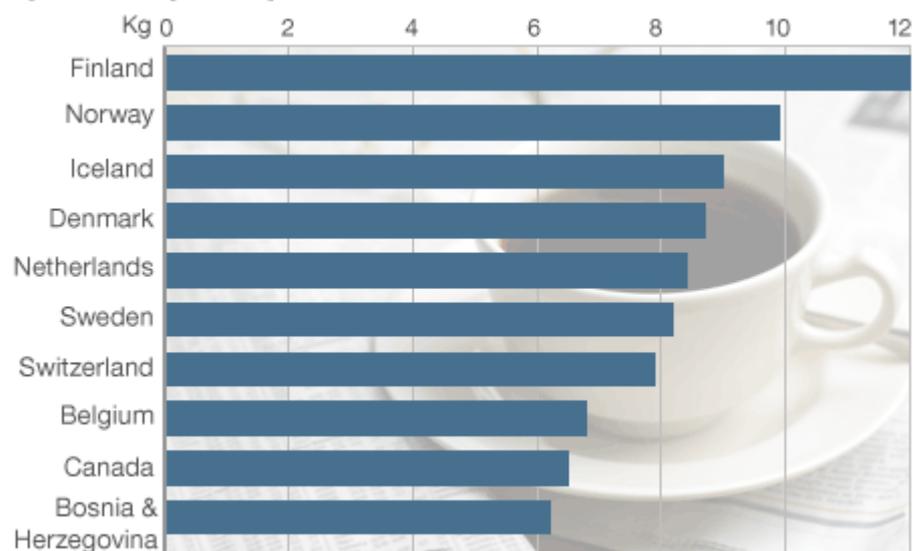


Figure 3 Top coffee producer 2012- 2013 (<http://www.economist.com/> [ref.13<sup>th</sup> April, 2015])

**Coffee consumption.** The growth rate of coffee shops is around 7 % annually worldwide. An estimated two billion cups of coffee are drunk every day in the world. Consumption growth has been significant in the last decade in emerging countries as well as in producing countries. Starbucks, Dunkin Donuts, Tim Hortons, Costa Coffee, and Mc Café are the five largest coffee shop chains in the world. It is important to know that Finnish are among the biggest coffee consumers in the world with an average of 12 kg of coffee per capita per year.

According to medical source at the Harvard School of Public Health, coffee consumption may have potential benefits but more research need to be done. Coffee consumption may protect against diseases like diabetes type 2, Parkinson's disease, liver cancer and liver cirrhosis as well as cardiovascular disease (hsph.harvard.edu [ref.13<sup>th</sup> April, 2015]).The figure below shows a chart ranking the top countries in coffee consumption per capita in 2013.

#### Top annual per capita coffee-drinkers



Source: Chartsbin

Figure 4 Top annual per capita coffee drinkers 2013 (<http://www.cursor.com> [ref.13<sup>th</sup> April, 2015]).

#### 4.1 Finnish Coffee Market.

In 2014, Finland has an estimated population of 5.4 million. 15.8% of the population is less than 15 years old which means that 84.2% representing around 4.5 million people are potential coffee drinkers. Coffee exporting alone represents today around \$ 20 billion dollars industry worldwide mostly consumed by industrialized countries while being produced by the world underclass (Eric Goldschein, Business insider [Ref.14 November, 2011]). Finns are among one of the biggest coffee consuming countries in the world with “Juhla Mokka” being one of the most popular coffee brands in the country. Majority of Finns prefer light roasted type, which accounts for 94 per cent of total coffee consumption. However, dark roasted coffee is gradually growing in popularity. It is important to note that Finland importation of roasted coffee increased quite sharply to 7.3 million kilos in 2011, compare to 2009 where the corresponding figure was 5.2 million kilos.

The coffee was mostly imported from the Netherlands (Helsinki Sanomat, [ref.28<sup>th</sup> March, 2011]). Finland’s two largest coffee roasting houses are Gustav Paulig Oy Ab accounting for 51% off-trade value sales in 2012 and Meira ranked second with 16% of value sales in 2012 and some small players. Despite the fact that Finland’s largest roasting houses Paulig and Meira have increased their prices several times since 2010 due to the world market where the price of coffee has more than doubled since the early summer of 2010, Finns consumption of coffee are still significant.

Finland drinks the most coffee per capita in the world. In these current trends, consumption of coffee will continue to grow especially the demand of Arabica coffee which is particularly popular in Finland will outstrip supply. Therefore market potentials for coffee products are immense in Finland due to the high consumption per capita and the good stability of Finnish economy at this difficult moment in Europe.

Major coffee suppliers like Brazil and Columbia are facing difficulties like unpredictable weather conditions and their harvest in 2012/2013 is expected to be mediocre at best in terms of quality and output. This situation affects coffee reserves which are already at their lowest level in decades as well as major companies like Paulig and Meira who need these coffees harvest to run their business. Therefore, this situation could be a good opportunity to Cameroonian coffee to enter the market, adapt and position themselves among others brands.

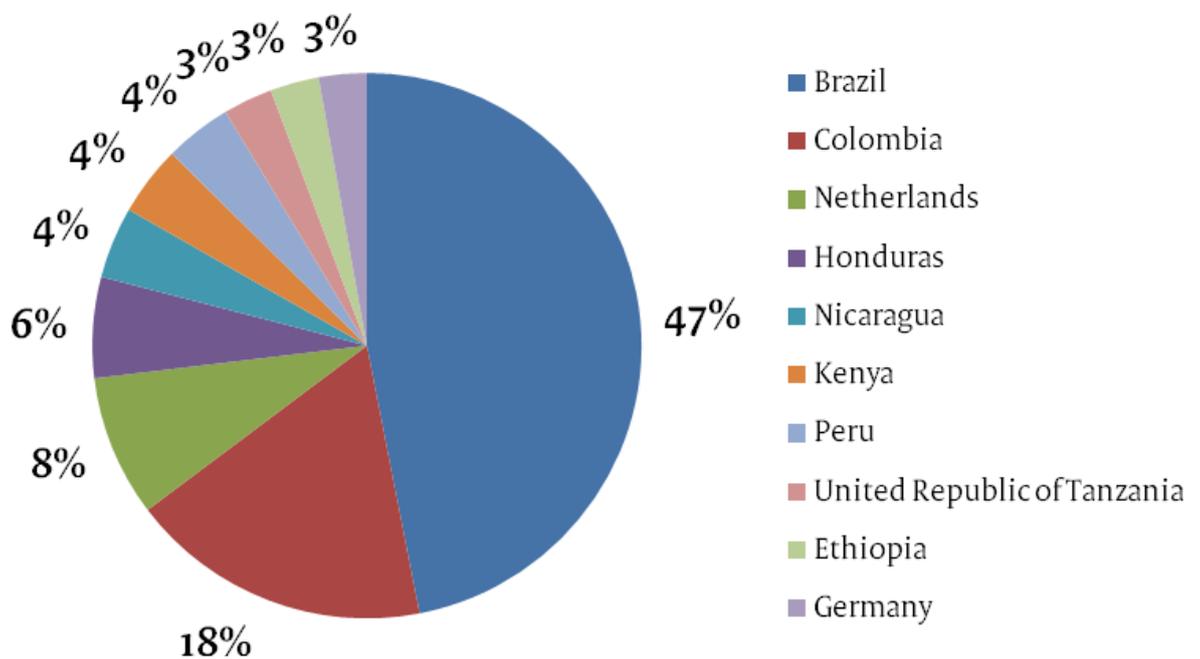


Figure 5 Supplying countries of coffee and coffee products to Finland (<http://finnpartnership.fi/> [ref.14<sup>th</sup> November, 2015])

Finnish economy openness to foreign trade and investment as well as a sound regulatory environment, productivity growth and minimal barriers to trade make Finland a favorable country to enter and invest for companies with expansions goals. Coffee business is among others sectors, one of the best businesses to invest in.

Due to the rising of coffee demand in Finland as well as the consumption habits, an average increase of 2 million kilos in terms of importation is necessary to satisfy the consumption level as well as to maintain the price at a reasonable level. Therefore, the entry of new companies as well as new coffee flavors could make a major contribution especially in term of diversification of products and sources of supply in the Finnish coffee market. This will also provide good opportunities for Cameroonian companies to develop their potential in the Finnish coffee market and prospects for further expansions to other business areas they operates in.

#### **4.2 Market Opportunities**

Finland has one of the highest individual coffee consumption levels in the world as every Finns consumes an average of 12 kg of coffee every year. Therefore, Finland is an interesting export market for coffee. Market opportunity is growing for new coffee product due to the fact the Finnish coffee culture is gradually changing. Many coffee consumers in Finland are gradually influenced by a growing number of international coffee brand and the younger generations are especially open to these influences. The market opportunity for coffee is huge due to the fact that coffee has gained an important role in the Finnish society that's why Finland is the only country where coffee break are statutory (Ojaniemi, 2010).

According to the Finnish Restaurant guide, there are enormous coffee shops in Finland with around 350 cafes only in Helsinki selling ordinary coffee which means that the choice of suppliers and taste would be large as well. Therefore, there is a very good opportunity for new entrants in the Finnish coffee market.

#### **4.3 Key players and Competition**

The Finnish coffee market is dominated by some key players listed below.

**Paulig Group.** Paulig coffee is the market leader in Finland, the Baltics and Russia and occupies the second position in the supply of roasted coffee and operating in 15 countries. Gustav Paulig AB which is a Finnish family business of cocoa and coffee was founded in 1876 by a German Gustav Paulig who arrived in Finland from Lubeck in Germany. Paulig group's turnover was 867 million euro in 2014 and employs around 2000 employees. The turnover came from markets like Nordic countries (58%), the UK (8%), the Baltics (6%), Russia (6%) and Central Europe (21%). Coffee sales account for 13 % of the Paulig group total sales. The group is specialized in the food industry with key sectors like coffee, world food and flavoring, snack and natural healthy food. Paulig Group is the owner of strong brands like Paulig, Santa Maria and Risenta. Paulig Group's biggest coffee brands are Juhla Mokka, Paulig President, Paulig Classic, Paulig Mundo, and Espressos. Paulig delivers around 4000 coffee machines a year producing more than one million cups of coffee a year (pauligroup.com/coffee/ ([ref.26<sup>th</sup> April, 2015])). Below are some of Paulig's main coffee products.



Picture 1: Paulig coffee brand product (<http://www.paulig.fi/tuotteet> [ref.26<sup>th</sup> April, 2015]).

**Meira.** It is a Finnish company founded in 1914 and based in Helsinki. Meira Oy produces and markets coffee brands and spices in Finland and the Baltics region with a subsidiary in Estonia. It is now owned by the Italian beverage group Massimo Zanetti, one of Europe's biggest coffee producers and distributors with operations in more than one hundred countries. In 2013, Meira Oy's turnover was around 88 million euro with around 170 employees (meira.fi/fi/yritys [ref.26<sup>th</sup> April, 2015]).



Pictures 2: Meira coffee brand product (<http://meira.fi/fi/kahvi> [ref.26<sup>th</sup> April, 2015])

**Robert Paulig.** He is a distant cousin of Gustave Paulig who is one of the players in the Finnish coffee market. The company started up in 1987 with a roaster and café in Helsinki and offers wide range of coffee product including filter coffees, Horeca coffees and low acidity coffees called watsa coffees. Another product include flavoured coffee, espressos coffee and moomin coffee. Robert Paulig business was acquired in 2014 by Paulig Oy except the Robert's coffee café business ([robertpaulig.fi/en/](http://robertpaulig.fi/en/) [ref.26<sup>th</sup> April, 2015]). Below are some of Robert's Paulig main coffee products.



Pictures 3: Robert Paulig coffee brand product (<http://robertpaulig.fi/en/> [ref.26<sup>th</sup> April, 2015])

**Others players.** Besides the coffee produces in Finnish roasters, coffee are imported from abroad. Some brands are Ljöfbergs from Sweden as well as different

brands from South America, Europe, Asia and Africa (foodie.fi [ref.26<sup>th</sup> April, 2015]). Below are some coffee products imported by Kesko group and S-group.



Pictures 4: Foreign coffee brand products (<https://www.foodie.fi/products> [ref.26<sup>th</sup> April, 2015])

**Competition.** The Finnish coffee market is dominated by major players and roasters like Paulig and Meira with more than 50% share of the market. However, coffee imported from countries like Ethiopia, Kenya and South America are trying to gain some market share. The competition and rivalry is also important in coffee's store where the main coffee retailers chain are Coffee house owned by the Finnish S-Group, Robert's coffee founded by Paulig and the Swedish Wayne's coffee. Starbuck is also present. Due to the high consumption level of coffee by Finns, the opening of new coffee chain in Finland is always possible.

#### 4.4 Consumer's Behavior

According to Kotler and Keller (2012) consumer buying behavior is the study of the way of buying and disposing of goods, services, ideas or experiences by the individuals, organizations and groups in order to satisfy their needs and wants. The decision by a consumer to buy a particular product are influenced by several factors which is subject to continual change over time due to the customers taste, requirements regarding the product as well as their physical and psychological needs. Kotler and Keller states that consumers usually pass through five stages which are problem recognition, information search, evaluation of alternatives, purchase decision and post-purchase decision.

Therefore, it is particularly important for marketers to take a great attention to all these stages in order to better understand their customers' needs and how to better satisfy those needs. Kotler also identify the fact that consumer behavior involves mental activity, emotional and physical use by consumers during selection and purchase of product and services to satisfy their needs.

Several factors including external factors like cultural and sub-cultural group, references group and family, level of income as well as internal factors like motivation, perception, feelings, thoughts, social classes and character could affect consumer decision to buy a product (Lambin 2007). Finns drink around 4 to 5 cup of coffee per day (Ojaniemi 2010). Finns like strong coffee like many others Scandinavian countries that's why decaffeinated coffee is absent in many coffee shops. Consumers prefer to buy roasted lighter coffee. Finns consumers don't drink coffee alone it's also accompanied by a flavored sweet bun with sugar called "pulla" which is lightly baked dough with a lot of cinnamon inside and also good Finnish baked bread goes with coffee very well. Finns drink coffee throughout the day and it can be in the morning or in evening, right after the lunch or dinner and there is no specific time to take a cup of coffee.

According to a study conducted by Sundqvist and Tarkiainen (2009) in Finland found that coffee was regarded as high-involvement product and consumers were influenced to buy organic coffee regardless of the price and have positive attitude derived from environmental, ethical and health related issue.

According to a study released by YLE Radio 1 in 2012, the price of coffee has doubled in the past ten years and this can be seen with the price of a kilo of coffee in shops which has risen by five euros especially in the Helsinki area ([whatsupfinland.org/English/the-price-of-coffee-in-finland/](http://whatsupfinland.org/English/the-price-of-coffee-in-finland/) [ref.3<sup>th</sup> May, 2015]). Despite this increase in prices, consumers' behavior and buying habits hasn't change and Finland is still leading worldwide in terms of coffee consumption. Coffee consumers in Finland are loyal to the coffee roasted in Finland because they believed its respect

the Finnish tradition and quality of coffee but they are willing to buy also foreign coffee especially the younger generation who are open to taste new flavor from abroad.

#### **4.5 Finland: Overview**

Finland is a Nordic country located in Northern Europe. It is the fifth largest country in Western Europe with an area of 338,424 km<sup>2</sup> and a population of around 5.4 million inhabitants. Official's languages are Finnish spoken by 91% people and Swedish spoken by 5.4% people as well as Sami spoken by about 1700 indigenous Sami people of northern Lapland (finland.fi [ref.19<sup>th</sup> April, 2015]). It has one of the least corrupt governments in the world and the corruption level in Finland is perceived as one of the lowest in the world.

Finland has also a worldwide recognized high standard of education, social and healthcare financed by the state. The capital of Finland is Helsinki and major cities are Espoo, Vantaa, Tampere, Turku, Oulu and Vaasa. It is one of the coldest countries in the world especially during winter. The GDP per capita was \$ 40,555 in the year 2014 with GDP growth of 0% in 2014. It is a highly industrialized country, mixed economy based on services 71.9%, manufacturing and refining 25.1% as well as agriculture 2.9%.

Finnish main exports are metal products, machinery, electro technical products, wood and paper product, transport equipment and chemicals. Finnish main imports are raw materials, investment good, iron and steel, consumer goods, petroleum products, grains, textiles yarn, and fabrics as well as energy. Finland excels in ICT sector like in export of technology for mobile phone, gaming, cleantech and biotechnology as well as metal production is very important in Finland (indexmundi.com [ref.19<sup>th</sup> April, 2015]).

Table 1: Top Global Competitiveness Index 2014-2015

Innovation Top 10	
The Global Competitiveness Index 2014-2015	Global rank*
Finland	1
Switzerland	2
Israel	3
Japan	4
United States	5
Germany	6
Sweden	7
Netherlands	8
Singapore	9
Taiwan, China	10

Source: The Global Competitiveness Report 2014-2015  
 Note: \* 2014-2015 rank out of 144 economies

Finnish most important imports partners are Russia, Sweden, Germany, the Netherlands and China. Finnish banks and financial markets avoided the worst of financial global crisis due to the fact that it has been one of the best performing economies within the EU.

The Republic of Finland is situated in northern Europe and shares land with Sweden to the west, Russia to the East, Norway to the North and Estonia to its south. The Alands Islands, off the south-western coast are an autonomous province of Finland. Finland is surrounded by gulfs like the gulf of Bothnia and the gulf of Finland as well as by the Baltic sea. The below map of Finland represents the country in details



Figure 6 Map of Finland (<http://www.mapsofworld.com> / Finland [ref.19<sup>th</sup> April, 2015]).

The labor force in Finland is about 2.685 million in 2014. The service sector including banks, insurance and business services represent about 13.3% of the Finnish workforce. Public services represent 28.5%, transport and communications 9.9%,

commerce 21.3%, construction 7.1%, industry 15.5% and agriculture and forestry 4.4% (indexmundi.com [ref.19<sup>th</sup> April, 2015]). ICT sector is a growing sector in Finland with company like Nokia especially with the recent deal to buy French company Alcatel. The unemployment rate stands at 8.1% in 2014. According to the bank of Finland, FDI to Finland amounted to EUR -0.8 billion in 2013 compare to 2012 where Finland recorded a net FDI inflow of 3.2 billion (suomenpankki.fi [ref.19<sup>th</sup> April, 2015]). Culture, behavior, gender equality and communication are also very important characteristic of Finns.

**Culture.** It is one of the most important aspects to be taken into account when entering a new market. Finnish attitudes are liberal. Finnish people are in general sincere and honest. The talk less and read a lot. When a visitor commits a social breach or gaffes, it is viewed by Finns with equanimity if committed by their own countrymen and with understanding if committed by foreigners. Codes of behavior are fairly relaxed and Finns place great value on word where it is important to say little but important instead of unnecessary talks.

Cultural oriented Finns will be happy that visitors are familiar with important figures like Magnus Lingberg or Esa-pekka Salonen as well as footballers like Jari Litmanen and Sammy Hyypiä. This is due to the fact that Finns have a strong sense of national identity and that is also why they are proud that Nokia is a Finnish company and Linus Torvalds the inventor of Linux is a Finn. Sauna is a tradition in Finland which consists to take bath in a hot room and having a sauna at home is something natural to all Finns.

As mentioned earlier, drinking coffee is one of the most important aspect of Finnish culture. It is a common habit for Finns to always offer coffee to their visitors.

**Communication and dress etiquette.** Although Finnish and Swedish are the two main languages in Finland, English is widely spoken especially in businesses. Membership of the European Union as well as social demands have increased the needs to study foreign languages like French, Spanish, Russian and many others.

The concept that Finns are reserved and don't speak a lot is true but is changing with the younger generations. Finns have a special attitude to word and speech because words are taken seriously and people are accountable to what they say. According to a Finnish proverb, "Take a man by his words and a bull by its horns" ([finland.fi/public](http://finland.fi/public) [ref.19<sup>th</sup> April, 2015]).

Finns are better at listening than at talking and silence is regarded as part of communication. According to Robert Paulig, founder of Robert's Coffee "It's due to the Finnish nature because coffee is a social drink, and coffee and liquor go well together. Finns are not talkative and coffee helps" ([luxner.com/cgi-bin/view](http://luxner.com/cgi-bin/view) article [ref.19<sup>th</sup> April, 2015]). Regarding businesses, Finns are quite comfortable with email rather than requiring face to face contact and are interested in long-term relationships. Business attire is stylish and men should wear if possible dark colored business suits while women should wear conservative business suits, trousers suits or dresses ([kwintessential.co.uk/resources/global-etiquette/finland-country-profile](http://kwintessential.co.uk/resources/global-etiquette/finland-country-profile). [ref.19<sup>th</sup> April, 2015]).

**Behavior.** Talk in moderate tones and don't try to attract attention to yourself. It is not a good attitude to interrupt another person's conversation because serial conversation is the rule, always with your turn and listen to the other person. Finns always expect a courteous attitude and believe that there is a proper way to act in any circumstances. Gifts are opened when received. When visiting a Finn or if you are invited, arrive on time, bring flowers, chocolate or a good wine and remember to remove your shoes before entering the house and wait to be told where to sit.

**Gender equality.** Finland is one of the leading countries in gender equality and was one of the first countries worldwide where women acquired the right to vote and stand for election in 1906. This can be seen in the proportion of women holding high positions in politics and other areas in the society compared to other EU countries. The only problem encountered by women is the pay gap between men and women in the labor market which is even diminishing with time ([wikigender.org/index.php/Gender\\_Equality\\_in\\_Finland](http://wikigender.org/index.php/Gender_Equality_in_Finland). [ref.19<sup>th</sup> April, 2015]).

## **5 RECOMMENDATIONS TO ENTER FINNISH COFFEE MARKET**

This chapter will provide advices and steps to Cameroonian companies especially Alliance Services who are planning to enter Finnish coffee market. As mentioned earlier, a good market entry strategy is necessary in order to succeed in a new market. Therefore, most of the advices and steps are coming from market research and studies done in this study as well as from others sources like the Internet and marketing books.

Finnish coffee market is different from Africa market, therefore doing business in Finland for African companies require the understanding of many aspects that may influence the success of the business like for example the culture, regulation, the market size and the competitors. All controllable and uncontrollable factors must be study carefully and any appropriate action must be taken to ensure the success of the market entry strategy.

In addition, this chapter will provide advice and guidelines to the case company and any other African companies planning to enter Finnish coffee market taking into account current realities, facts, government regulations and rules as well as any latest development regarding the coffee business sector.

Distribution channel and partnership are very important in Finnish coffee market due to the small number of players and it is very important and crucial to choose the appropriate channel of distribution. It is also important to find some currents facts about the market entry strategy used by successful foreign competitors in

order to choose the right entry mode. Flexibility in consumer behavior and in Finland's distribution channel allows a variety of market entry strategies. Representatives and distributors are common method employed for initial market entry in Finland ([export.gov/finland/build/groups/public](http://export.gov/finland/build/groups/public) [ref.25<sup>th</sup> October, 2015]).

To enter into the Finnish coffee market, there are several entry modes that the case company should consider like JV, exporting, licensing, liaison office, local representatives, agents and distributors. The author recommends the case company to apply the exporting entry mode due to the fact that it has several benefits like reduce risk and investment and improve the speed of entry. Due to the fact that Alliance service is a medium-size company, this entry mode will reduce expenses, increase net income and create a direct relationship with their business partners. The author also suggested that the case company export roasted and packaged coffee.

### **5.1 Local representatives**

This direct strategy involves representatives to promote their company's product without taking any title to the product. The case company could be confident with local representative because they are marketers who know the market, the norms, the local culture and customs. A native from Finland selling products in Finland will be better inform about local conditions than someone from a foreign country and they are also a very good source of information.

### **5.2 Establishments of Partnership with Agents and distributors**

Finland is small market of five millions and four hundreds thousands inhabitants but distances are long. The market is dominated by two powerful retailers which are S Group and K group. The author recommends the case company to collaborate with these two groups for the distribution of their product due to their excellent distribution channels and sales network coverage in the whole Finland. This

should also be followed by a strong promotion effort to introduce the product to Finnish consumers.

### **5.3 Operating plan to enter Finnish Market**

**Representative office.** Alliance Services could also open a representative office in Finland where the company could work together with local representatives of their product. This office will also help to find and discuss with new potential clients, collaborate with the two major distributors Kesko group and the S group as well as solving complaints from customers related to their products.

The author suggests that Alliance service office should be located in Helsinki, Vantaa or Espoo area due to the fact that many businesses are located in those areas and it is easy to meet potential business partners as well as administration offices. The cost for running office in this area may be high but a good market entry strategy followed by sales and good return on investment could easily cover those costs.

**Price strategy.** Price will play an important and crucial role for Alliance Service when entering Finnish market. Alliance Service will have to determine which price for their product taking into account competitors and market price. Certification will also play an important role here due to the fact that in Finnish coffee market, different labels and groups like non-certified, organic certified, Fairtrade certified coffee have impact on final price and on consumer behavior.

As we can see from the table below, coffee prices in Finnish market differ based on quality and certification.

Table 2: coffee brand products prices ([https://www.finnpartnership.fi/\[ref.09<sup>th</sup> November, 2015\]](https://www.finnpartnership.fi/[ref.09th%20November,%202015]))

Product	Brand	Price	Photo example
Non-certified, high quality, arabica-based, ground coffee (as most coffee is ground coffee)	PAULIG - PRESIDENTTI 500g	€ 4.90 gr. (€ 9.50/kilo)	
Non-certified, medium quality coffee	MEIRA - Saludo kahvi 500g  (Meira is a Finnish company owned by the Italian company, Massimo Zanetti Beverage Group)	€ 3.90 (€ 7.70/kilo)	
Organic certified, single origin coffee	PAULIG - Colombia luomu 250g	€ 6.50 (€ 25.50/kilo)	
Organic certified, Fairtrade certified coffee	PAULIG - Mundo 500g	€ 5.90 (€ 11.80/kilo)	

\*Based on retail prices in 2013

It should also be noticed that the exchange rate between the Euro currencies used in Finland is higher than the CFA franc used in Cameroon CFA. Therefore the price will be affected.

#### 5.4 Recommendations

The author will suggest the following recommendations to companies willing to enter the Finnish coffee market.

- ❖ A preliminary research and study of the Finnish coffee market especially with the consulting of an expert who knows and understand the market and the business environment in Finland
- ❖ The case company as well as other company planning to enter the Finnish market must understand the legal requirements, the business practices as well as the cultural aspect which is very important.
- ❖ The case company should establish partnership with the main local distributor in order to enjoy large distribution network as well as large customer's potentiality.
- ❖ Setting up business relationship with local representative who knows the market in terms of promotion, sales, distribution and trends.
- ❖ Set up and build long-term relationship with local business partner and community with long term strategy in mind.
- ❖ Open a representative office and recruits employees with excellent international business and networking skills as well good knowledge of the local coffee market.
- ❖ From the marketing point of view, the case company should pay attention to the design and the packaging of their product taking into account the Finnish culture and buying behavior.

- ❖ The case company should set up a good business strategy related to price, distribution, sales and look clearly how competitors are doing.

All these recommendations are based on research conducted by the author related to entering coffee market in Finland and could vary depending on the products.

### 5.5 Evaluation of the thesis

The thesis was sent to Mr. Ngokeng Blaise the Managing Director of the case company for evaluation and appreciation. Many discussions via telephone and telecommunication tools like Viber took place between the author and the case company Executives. Mr. Ngokeng found the thesis acceptable even if the thesis did not highlighted some points like the possibility for Alliance Service to package their product in Finland.

He stated that Alliance Service will prefer to work with local agents and distributors agents especially the Kesko Group and the S Group due to their extensive domination and knowledge of the Finnish market.

Finally, Mr. Ngokeng agrees and certifies that the thesis is an excellent tool for Alliance Service due to the fact that the company has started to expand internationally and this research will be used for another market entry strategy.

From the author point of view, this thesis could be evaluated using weaknesses and strengths criteria's.

- ❖ **Strengths:** One positive aspect of this research is the useful information provided by the author due to his knowledge in international business and

also due to the fact that he has lived and work in Finland for more than twelve years. The information provided in this thesis are very important for company willing to enter the Finnish coffee market and it is also a very important tool for internationalization especially for company with no international experience. This research help the case company to understand the Finnish coffee market as well as others obligations needed to fulfill in order to succeed their entrance and gain some competitive advantage on their competitors.

- ❖ **Weaknesses and limitations.** This thesis provided useful information gathered by the author but could not cover all the others aspects like taxation, administrative authorization for example due to the limitation of the study. All others important issues needed by the case company but not covered in this study will be done separately based on the case company international strategy.

## 6 CONCLUSIONS AND SUMMARY

Internationalization is an very important process which need to be study carefully before taking further steps. Internationalization helps company to create new markets for their products and to increase their income, but before engaging in internationalization any company need to take into considerations all economic factors before entering new markets. Factors like economic, political, social and technological factors should be analyzed before taking any decision to enter a new market.

The purpose of this thesis was to provide guideline for the case company Alliance Service from Cameroon in Africa to enter Finnish coffee market with a coffee product made in Cameroon. PEST and SWOT analysis were used along with others useful information's to help the case company to succeed their market entry strategy. The author collected information and data from various sources including books, the Internet, online publications as well as personal interviews and research. The distribution channel and the consumer behavior in Finland were very important aspects of this thesis. Findings were useful here and related to marketing mix, majors competitors and players, consumer behavior as well as international market entry.

The Finnish business environment is stable both politically and economically and people love coffee in Finland. All these aspects create a strong foundation for foreign companies planning to enter the coffee business in Finland.

The case company should gathered all necessary information and conduct a market research in order to better understand the Finnish coffee market, the Finnish business environment, develop clear market entry strategy and set up business partnership with local partner to avoid failure. Coffee is an important and useful product in Finland, therefore it is important to understand consumer behavior and attitude in order to satisfy their need by customizing the product if needed.

As a result of the research conducted in this thesis, guidelines and recommendation were given by the author to the case company as well as to any other company willing to enter the Finnish coffee market.

Finally, Alliance Service is a trading company with full potential and ambition to develop and succeed into the Finnish coffee market.

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## APPENDICES

### Appendix 1

Questionnaires and insights related to the coffee market in Finland from the case company.

1. How is the current situation regarding coffee business in Finland? How is the current supply versus demand trend?
2. How is the structure of distribution and retailing of foreign product especially coffee in Finland?
3. What kind of coffee Finnish consumer prefer, Traditional or foreign coffee?
4. Who are the main competitors and actors in the coffee business in Finland?
5. How many coffee brands are currently present in the Finnish market?
6. Which kind of potential partnerships is developed by foreign companies selling coffee products to enter into the Finnish market?
7. How is the government regulation regarding coffee business in the Finnish market?
8. How much is the foreign coffee price compare to the traditional Finnish coffee?
9. How would you describe the current situation of foreign coffee brands especially from Africa in the Finnish market?
10. What do you think about Finnish consumer behavior in term of coffee consumption? Do they prefer Arabica coffee or Robusta coffee?

11. What do you think about Finnish consumer behavior trends in term of flavor?  
Do they prefer light roast filter coffee than dark roast coffee?
12. Do you think coffee consumption in Finland will continue to grow in the future?
13. How many coffee roasters companies there are in Finland?
14. Did the coffee industry in Finland have a private association, a syndicate or a public owned advisory board?
15. Are there any cultural attitudes among Finnish coffee consumers behavior towards foreign coffee brands?

## Appendix 2

The author provided answers to the above questions from the case company after making some research in Finland and consulting some expert in the Finnish coffee market in 2014 and 2015.

1. The current situation is good despite some drop in the consumption in the previous years. The supply is matching the demand trend. There is more and more foreign coffee brand entering the Finnish market.
2. The distribution is dominated by two giants which are S Group and KESKO Group. There are also some small retailer but with a very small market share.
3. Finnish consumer prefers traditional coffee roasted in Finland but foreign coffee is becoming also popular.
4. Paulig oy and Meira oy are the main competitors and actors in the Finnish coffee market.
5. There are more than twenty coffee brands present in Finland.
6. Foreign companies selling coffee in Finland have distribution partnership with the two giant S Group and Kesko in order to distribute and sell their product due to their large distribution channel in Finland.
7. Finland has excellent regulation and legal environment for business. Regulation regarding coffee business is the same like any other business. If all the necessary documents are submitted as well all necessary checking regarding the product are conducted, then it is possible to have the authorization to enter the market.
8. Supermarkets and retailers have an important influence when it comes to determine prices. Prices are also based on quality and certification. Some foreign coffee are more expensive than Finnish traditional coffee due to some factors like

foreign exchange currency rate and some traditional Finnish coffee are also expensive than foreign coffee due to quality and certification.

9. Foreign coffee from African countries like Kenya and Ethiopia are successful in Finnish market.

10. Arabica coffee is more popular than Robusta in Finland.

11. Finnish consumer prefers light roast filter coffee than dark roast coffee.

12. Coffee consumption in Finland will continue to grow in the future due to the fact that more and more people are drinking coffee despite some stagnation in the past year.

13. Paulig oy and Meira oy are the two main coffee roasters companies in Finland. There are also some small few roasters.

14. The Finnish Coffee Roaster Association and the Specialty Coffee Association of Finland,

15. Finnish coffee consumers largely prefers Finnish brand but when they believe that a foreign coffee brand is good in term of quality then they will buy it.

**Appendix 3**

Coffee Beans



The "Paulig" Girl from Paulig oy

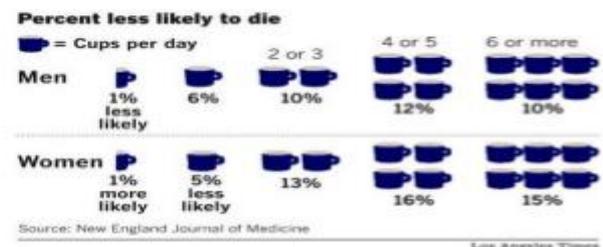


The popular “Juhla Mokka” coffee from Paulig oy



## Benefits of Coffee Consumption

- Prevent depression (3 cups/d, ↓ 15%) and increase motivation <sup>(1)</sup>
- Memory improvement <sup>(2)</sup> increase cognitive performance and remember <sup>(1)</sup>
- Reduce risk/ no effect some cancers
  - Endometrial (↓ 29%), Pancreas (-), prostate (↓20%) <sup>(5, 6)</sup>
- Decrease the risk of death  
(> 400,000 people, age 50-71, follow up 14-year)
  - heart and respiratory disease
  - stroke,
  - injuries and accidents,
  - diabetes, and infections<sup>(7)</sup>



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## SWOT Analysis template



## PEST Analysis Template

POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL
<ul style="list-style-type: none"> <li>● ecological/environmental issues</li> <li>● current legislation home market</li> <li>● future legislation</li> <li>● international legislation</li> <li>● regulatory bodies and processes</li> <li>● government policies</li> <li>● government term and change</li> <li>● trading policies</li> <li>● funding, grants and initiatives</li> <li>● home market</li> <li>● lobbying/pressure groups</li> <li>● international pressure groups</li> <li>● wars and conflicts</li> </ul>	<ul style="list-style-type: none"> <li>● home economy situation</li> <li>● home economy trends</li> <li>● overseas economies and trends</li> <li>● general taxation issues</li> <li>● taxation specific to product/services</li> <li>● seasonality/weather issues</li> <li>● market and trade cycles</li> <li>● specific industry factors</li> <li>● market routes and distribution trends</li> <li>● customer/end-user drivers</li> <li>● interest and exchange rates</li> <li>● international trade/monetary issues</li> </ul>	<ul style="list-style-type: none"> <li>● lifestyle trends</li> <li>● demographics</li> <li>● consumer attitudes and opinions</li> <li>● media views</li> <li>● law changes affecting social factors</li> <li>● brand, company, technology image</li> <li>● consumer buying patterns</li> <li>● fashion and role models</li> <li>● major events and influences</li> <li>● buying access and trends</li> <li>● ethnic/religious factors</li> <li>● advertising and publicity</li> <li>● ethical issues</li> </ul>	<ul style="list-style-type: none"> <li>● technological</li> <li>● competing technology development</li> <li>● research funding</li> <li>● associated/dependent technologies</li> <li>● replacement technology/solutions</li> <li>● maturity of technology</li> <li>● manufacturing maturity and capacity</li> <li>● information and communications</li> <li>● consumer buying mechanisms/technology</li> <li>● technology legislation</li> <li>● innovation potential</li> <li>● technology access, licensing, patents</li> <li>● intellectual property issues</li> <li>● global communications</li> </ul>

Coffee Shop in Finland



