



# **Expansion of a Lithuanian Textile Manufacturer into the Finnish Market**

(Case Study Skinija)

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Abstract:	
<p>In Finland there is a great demand in textile and clothing sector but unfortunately local production has been seen declining at fast pace from last few years. Leading to room for exports from other countries. Thus this thesis represents market entry through export for Skinija, a textile and clothing company from Lithuania, in Finland. The main objective of the thesis is to research the source and the target market and thus propose a best entry mode strategy for Skinija in Finland. It also analysis the competitors and their strategy. To analyze the macro and the micro environment of Finnish textile market PEST and Porter's Five forces analysis are made respectively. The methods used are deductive and observational in nature where both qualitative and quantitative research methods are used to support the work undertaken. The data is extracted from books, electronic resources, journals and various articles. The results derived are a mutual benefit to the author and the company Skinija as the report will serve the academic writing need of the author and also will be presented finally to the company's officials for practical consideration of their future business expansion in Finland. In this research work it is recommended to expand Skinija's products in Finnish market at gradual and slow pace. It is implied that there are lot of competitors in the market both locally and globally. Furthermore various distributors, agents and retailers in Finland are also discussed in the work undertaken. All in all the thesis is a summary of the how Skinija a textile company from Lithuania can enter Finnish market efficiently and effectively keeping in mind the micro, macro environment of Finland, its competitors and the big players like retailers, agents and distributors in Finland.</p>	
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# 1 INTRODUCTION

## 1.1 Background of the study

According to a survey made by FINATEX (Federation of the Finnish textile and clothing industry) 20 % of the respondents had purchased women's clothing online and about 15 % had purchased children's clothing online. It has been estimated that electronic commerce, within the textile industry, will increase to more than 1.4 million Euros in 2016. FINATEX (Federation of the Finnish textile and clothing industry) is the organization whose main aim is to improve trading in textile and clothing industry for Finland. It strives at generating new businesses, innovation of products and conduct smooth trading in this sector. It is a member of confederation of Finnish industries (EK) through Kulutustavararyhmä ry which aims also at promoting training, education, research and development projects in the areas of labour market and industrial policy issues relating both with Finland and other EU countries.(see Anna-Stina Sandfors 2011, p 2)

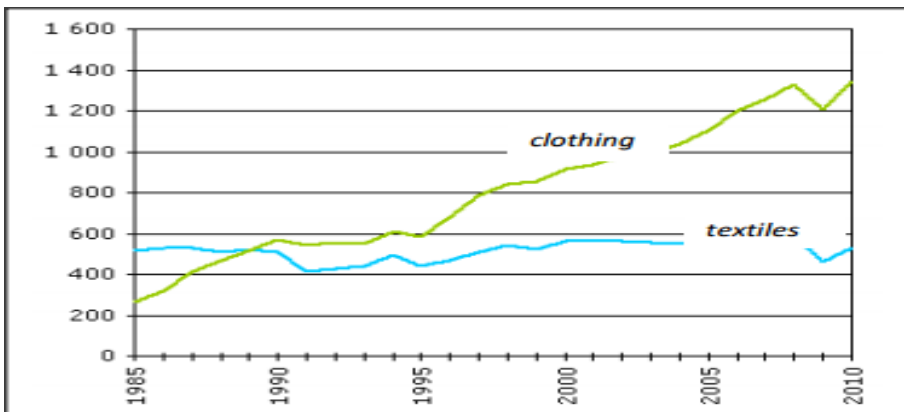


Figure 1 Import of textile and clothing (million euros), 1985, 2010 (Finatex/National center of statistics)

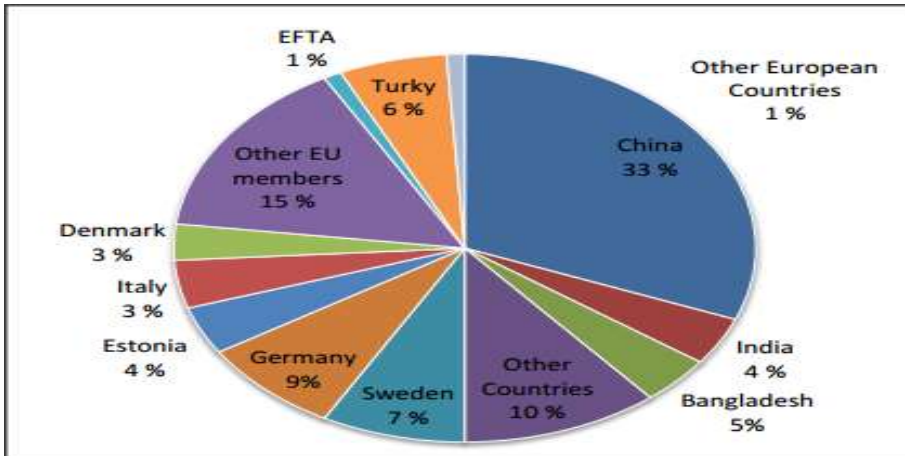


Figure 2 Import of textile and clothing (total 2129 million euros), 2011 (Finatex/National center of statistics)

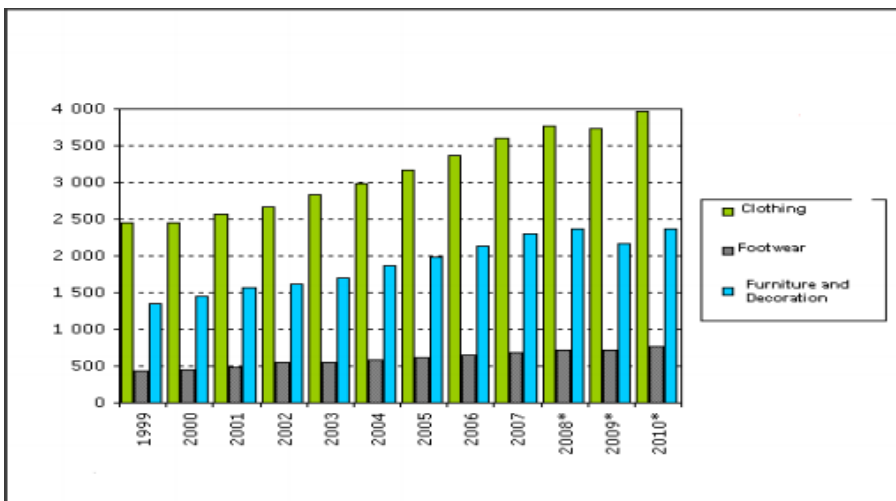


Figure 3 Consumption of textile and clothing (million euros) 1999-2010 ( Finatex/National center of statistics)

The common point in discussing the above mentioned statement is to justify the relevance of the topic chosen for research through this thesis. There is a great scope for expansion of textile industry in Finland. This is due to the fact that there has been continuous demand in textile and clothing industry. The high production rates of items in Finland has always demanded for more and more imports from other countries at less and affordable prices for product consumption.

To know deeper into this matter Arcada, University of applied sciences took part in most exciting EkoTekNord 2012-Cooperation with Industry development project that was held in Kaunas Lithuania from 16th to 28th April 2012. The project's experience was to enable Baltic and Nordic companies to share an opportunity to build specialized educational and corporate networks, share



business experiences and explore new ways for cooperation to find solutions to their demanded queries. The author was actively involved in the project. The author researched for a textile company called Skinija and researched about their internationalization to Nordic market especially to Latvia.

The thesis written here now is the next step taken further to the same topic researched under EkoTekNord 2012 development project in Lithuania but with the difference of their expansion to Finland this time. The research is important in benefit for the company and in the best interest of the author as during the research program the company was willing for expansion to Finland but they were scared for the initiation. The reasons being

- They lack modern technology and young dynamic workers
- They also lacked enough financial resources as they were struck by crisis in past badly
- Language barrier being the biggest hindrance

It could be a great research both for the author and the company-Skinija and might result in mutual benefit. Apart from just writing the thesis document for the author's academic purpose, the thesis might be considered a practical move to expansion in Finland by Skinija. Thus if considered practically it might bring huge benefits to the company.

## **1.2 Participants**

Initially during the research program- ``EkoTekNord ``Development Project on Cooperation with Industry in Kaunas from 16th to 28th April 2012`` there were in total participants from five different countries including Shivani Mohindroo (Finland), Mantas Seilius (Lithuania), Mikus Mikelsons (Latvia), Anders Faedder (Denmark), Stephan B. Boesen (Denmark) for planning the company's expansion to Latvia. In this thesis however the work is now being dragged further individually by the author for their real expansion to Finland.





## **1.3 About the Company**











SKINIJA has been started in 1995 in Kaunas. Its main activity is the manufacture of socks for men and socks and tights for women and children. Production is made in its own premises in Kaunas in an area of about 4000 sq. m. Approximately 50% selling is done in the name of SKINIJA’s trademark, and the rest is manufactured for various other European clients and partners. SKINIJA creates and presents its original spring/summer and autumn/winter collections twice a year. Recently, after getting hit by the biggest financial crisis Skinija spitted its production and sales department. Its production is now done under Disoksa and then finally the products are sent to the SKINIJA where they are further sent to big retailers and suppliers for selling the products. It sells its socks under its own recognized name but also has agreed to sell under the name of big brands. It practices B2B and B2C type of chain model currently in local market. It has in total the workforce of 200 employees. Sales of SKINIJA in 2004 exceeded 12 million Litas (EUR 3.5 million) and have reached 16 million litas (EUR 4.6 million) during 2005. It is planned that during 2006 sales should further grow by at least 15%. About 30% of products are sold in Lithuania, and 70% are exported, mainly to Scandinavian countries, Belgium and Russia. And now Skinija, one of the oldest socks manufacturers from Lithuania is keenly interested to commence their internationalization process and thereby extend their sales to a foreign market.

### 1.3.1 Product Classification

Skinija produces socks, tights, legwarmers and leggings for new-born, children, ladies and men. The products range from fine to heavy socks, classic and fashionable to casual outdoor, army, sport and technical socks. They also have OEKO-TEX standard 100 for their products.

*Table 1 Classification of Skinija’s Products*

<b>Classification into categories</b>	<b>Classic</b>	<b>Business Class</b>	<b>Fashion and Style</b>	<b>Leisure</b>	<b>Babies</b>	<b>Special Construction</b>	<b>Amateurs and Professionals</b>
<b>Men</b>							

<b>Women</b>							
<b>Children</b>							
<b>Youth</b>							
<b>Ergonomic</b>							

### 1.3.2 Materials and the machinery used

The products are knitted from highest quality natural raw materials such as combed, mercerized cotton, modal, bamboo, linen, silk, angora wool or wool mix. Also certified products supplied from reliable suppliers use different yarns like coolmax, thermocol, polypropylene, polycolone etc. The machines being used are modernized like San Giacomo 6CUS & Fantazia, Lonati, Matec Silver, Busi, Nagata Gauges from 3 to 18 and needles 48; 60; 84; 96; 112; 120; 132; 144; 156; 168; 176; 200 and Sewing machines like Rosso, Conti, MAUZER LOCK, Textima, JUKI.

### 1.4 Objectives

The main objective of the thesis is to research the Finnish textile and clothing market and to find best possible solutions for Skinija's products to enter Finnish market. The objective in the thesis would be to draw a guideline of how Skinija's products can enter the Finnish market with maximum profit and minimum expenditure. The focus is mainly on knowing the Finnish textile market and what type of products best suits the market for achieving higher degree of satisfaction for Finnish customers. Also description about what all things to keep in mind about product characteristics is done during the work by the author. Tools like competitor analysis tools, SWOT analysis tools and porter's five forces analysis are used for making up best entry decisions for Skinija in Finnish market. Furthermore for Skinija's internationalization best export entry modes have been explored during this thesis work. Also emphasis is made on knowing best possible sales

and distribution channels for Skinija in Finland. To have better know how of the target market and its operations competitor analysis is also done so that Skinija knows about its current and potential competitors and their strategy in Finland.

## **1.5 Research Questions**

The strategy for finding answers to research questions is divided into two broad categories primary and secondary research which are further subdivided into further questions to be resolved during the work. Wherein primary research questions will be explored in detail and secondary question will not be emphasized to greater extent during this work.

Primary Research: It deals with the following questions

1. What are the best possible Distribution and sales channels for Skinija in Finland and how they can be reached?
2. Who are the current Competitors in the local and foreign market?
3. Skinija's products though being very popular in local market but now it needs to know what product characteristics can make a difference for Skinija in Finnish market?
4. Macro and Micro environment analysis of Finland and how it can help Skinija to do business in Finland?
5. What can be the best Entry mode strategy and distribution form for Skinija in Finland?

Secondary Research: It deals with the following questions

1. Competitor Analysis and their strategy of selling in Finland?

## **1.6 Research Significance**

Skinija is a great hit for its quality and latest design textile products in Kaunas, Lithuania. Now it is thinking to expand its business worldwide quoted by CEO of the company, Rudgalvis Kestutis during personal interview with the author. As a result the author decided to research about how Skinija's product can smoothly enter the Finnish market. Thus this dissertation aims to analyse the best entry mode strategy for Skinija in Finland and to analyse its competitors and their

strategy. Finally work will be presented to the company's officials for consideration and if Skinja finds it profitable then they might consider following it up in coming few years.

## 1.7 Limitations

A deep investigation is done by the author regarding the subject taken under this thesis. This is very precisely shown by supporting the text quantitatively and qualitatively wherever needed. There are still some limitations that are described as under:

- Although author has collected numerical data by interviewing the Company's officials personally in his research during EkoNord programme, but still the numerical figures that were collected might be out-dated. This is because it is a small company heavily struck by crisis in past which lacks financial resources and modern IT techniques to mark its presence on internet.
- The main focus will be on distribution channels rather than detailed investment plan
- The scope of the thesis is purposely limited to entry mode strategy exploration, distribution and finding competitors strategy in the market. Though there is far more to go with this topic like investigating customer and product segmentation, marketing plan, promotion strategy etc.
- Company might not be interested in expansion to Finland immediately and might take years to make up their decision
- Skinija is a small sized company so production in huge amounts if demanded can be challenging in future
- When talked personally the company owner was not sure whether he wants to mark his brand presence or not so the thesis will assume that brand name is not retained while selling
- The case used is only an example for selling few kinds of their products rather than their whole range of products

## 1.8 Structure of the study

The thesis structure is divided into the following chapters:

**Chapter1.** Introduction: This chapter gives an idea about the background of the study being conducted by the author, its participants in past and present, a brief about the Skinija company's products and technology used by the firm. It also states about the basic objectives and significance of the research being conducted. It very clearly defines the research questions being taken during the study and limitations of the work done.

**Chapter2.** Theoretical Framework: In this theoretical part of the study is taken where citations are taken from great works of renowned authors, journals, electronic sources etc. It deals with describing various research methods and how market research is made from scratch. It also states importance and processes involved in this process. Tools like Competitor analysis, swot analysis and porter's five forces are discussed as well in this work. Furthermore it also gives idea about marketing and its processes and how firm enters new market by choosing the right entry mode strategies and what all factors determine its strategy. This chapter also describes about internationalization and how firms choose to go for it during their expansion in foreign market.

**Chapter3.** Finland and Lithuania doing Business: This describes in detail about how business partners can conduct business which in this case are Lithuania and Finland. It tells in brief about both countries and how macro and micro environment of Finland can help shape decisions for doing business for Skinija in foreign market. It also specifically explores the target Finnish textile and clothing market which is the main area of interest for Skinija to do business in Finland.

**Chapter4.** Skinija Entering Finnish Market: In this section detailed discussion about export entry modes for skinija are taken and recommendations are made accordingly. It also describes about the distribution mode, retailers, agents and companies in Finnish market which can interest Skinija. Finally skinija's product characteristics are discussed which can help them to stand out of crowd and prove to be great hit in the Finnish market. Lastly SWOT analysis and the competitor analysis are made for Skinija's products in Finnish market.

**Chapter 5.** Findings and conclusion: This section states finally the findings of the thesis being undertaken. It suggests that Skinija being small sized company needs to mark its presence in Finland by taking slow and gradual steps towards expansion through exports. The section also

suggests that the scope of the research is limited in the thesis at present and needs further research in other aspects like: proper investment plan promotion activities, marketing plan etc. in future.

## **2. THEORETICAL FRAMEWORK**

### **2.1 Research methodology**

#### **2.1.1 Research Method**

There are mainly four research approaches which are discussed as under:

- **Quantitative research:** It is usually associated with positivist/post positivist paradigm which converts data into numerical form to have statistical calculations at the end and finally reach conclusions. The process being used in the thesis is based on hypotheses. Various instruments and materials are used that have clearly defined plan of action. Statistical analysis is made accordingly and helps researcher find complex casual relationships between the variables chosen to experiment. The final end result from this type of research would be some P value (statistical numeric value).
- **Qualitative Research:** It is associated with social constructivist paradigm which emphasize on socially constructed nature of reality. The process is inductive which means a theory is developed by looking for a pattern of meaning on the data already been collected. This is a move taken from specific to general and is also called as bottom up approach. But some also use deductive approach in their method. The approach is very methodical but very flexible than quantitative approach and does not need the end result to be presented statistically in numeric form. The data is collected in textual form on basis of observation, interaction with participants, in depth interviews, focus groups. The approach is flexible in nature and allows researcher to adapt the process midway, deciding to address more additional issues or dropping questions to be explored which they consider later as inappropriate for their research study. The approach involves smaller number of people and great flexibility as it is quite time consuming and labour intensive.

- Pragmatic Approach to research (mixed methods): They make use of both the above mentioned techniques for research. They result in triangulation which has its own advantages as stated under
  - i) Various data sources usage called as data triangulation
  - ii) Use of different researchers called as investigator triangulation
  - iii) Multiple perspectives used to interpret results known as theory triangulation
  - iv) Multiple methods to study research problem known as methodological triangulation
- Emancipatory approach also known as advocacy or participatory approach: It involves informal interaction or living with researchers. The result is reported in personal terms and may sometimes not be objective. (Alzheimer Europe Report, 2009)

KVALE (1983, p.174) defines the qualitative research interview as "an interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena". Collecting these descriptions can be done in several ways, of which face-to-face interviews are the most common. (Raymond OPDENAKKER, The strategic momentum in virtual teams, 2006)

In the thesis the reasoning in research is deductive in nature where the general concept of expansion of Skinija in Nordic market is narrowed down to finding the right potential path for Skinija to spread its roots in Finnish market. Pragmatic approach is used to explain most of the discussions taken up in the thesis.

Research method being used in the thesis is the Observational research method (like case study) which is a mixture of both qualitative and quantitative methods. The basis of the thesis are drawn from the research already being made during EkoNord programme in which qualitative research using interview was used as the main method for research. During the programme the author gained practical experience and insights of the Skinija Company. The views, beliefs and the willingness of Skinija company's leaders were identified during personal sessions at the company premises in Kaunas, Lithuania. According to Paul Gill interviews can be considered as structured or unstructured. During the discussions made at Skinija mainly unstructured open ended questions were taken up in the meetings which do not have any specific theories and flow. In addition, data has been also collected through discussions with Skinija's personal business advisors. Another main source of data being collected is from articles, books and official websites.

An overview of research methodology is presented below:



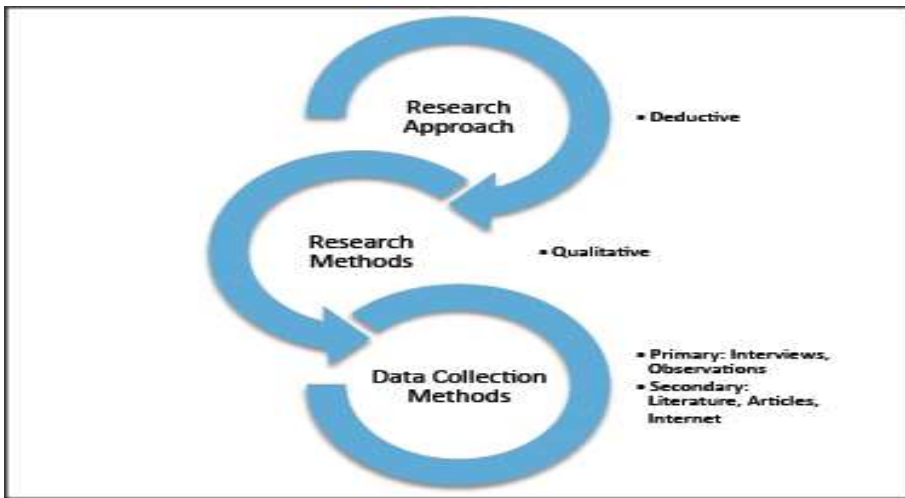


Figure 4 Research Methodology

## 2.2 Market Research

### 2.2.1 The importance of market research

The main discussion made here in the thesis is to understand the textile and clothing industry of Finland and how Skinija can take advantage from its expansion in Finland.

Marketing research: According to Hague, N (2013), “market research is the systematic collection, analysis and interpretation of information relevant to marketing decisions.” It enables a new business to reduce risks, determine threats and opportunities based on which decisions can be made in future. Market research is all about collecting information which helps businesses to create competitive strategies. The more accurate the information, the better are the strategies. (Hague, N 2013 et al) The process of market research can be broken down into two categories: primary research and secondary research. Primary research is usually new research, carrying out to answer specific questions. It can be displayed in the form of surveys, interviews, questionnaires, or simply a conversation with customers or competitors (Hague, N 2013 et al) Secondary research is also called as desk research. The information collected through libraries,

internet, trade or industry organizations, chambers of commerce, or private research companies is secondary information. (Hague, N 2013 et al)

### 2.2.3 Competitor analysis

Kotler (2011, 14th edition, pp 528-535) states that "competition includes all the actual and potential rival offerings and substitutes that a buyer might consider". Thus in today's competitive world firms need to be forward looking for identifying both their current and potential competitors and their upcoming moves in future. If correctly said competitor myopia can drive firms out of business. Competitor myopia means to ignore or to underestimate the threats posed by potential competitors and focussing only on current competitors. So to avoid such situations competitor analysis needs to be done on an on-going basis.

### 2.2.4 SWOT analysis

"SWOT analysis helps managers to select an appropriate strategy that matches their firm's resources and capabilities to the environment in which they operate (see Johnson et al., 2009)." It is a technique to analyse the internal and external environments of an organization by assessing the strengths, weaknesses, opportunities and threats (SWOT). SWOT analysis entails a distillation of the findings of an internal and external audit that draws attention, from a strategic perspective, to the critical organisational strengths and weaknesses and the opportunities and threats facing the organisation. (Kotler and Armstrong, 2011, pp53-54).



Figure 5 SWOT Analysis (Kotler and Armstrong, 2011).

The completion of the SWOT analysis decides which market segments offer the best opportunities for the life cycle of the product or service.



Figure 6 Outcome of SWOT Analysis (free management e-books, 2013)

The analysis identifies internal and external factors of the company and its output determines which actions to be taken to accomplish the objectives. Preventing factors that might be harmful to the company’s business is also a huge positive impact SWOT can bring. (Babette, B & Craig, F 2013)

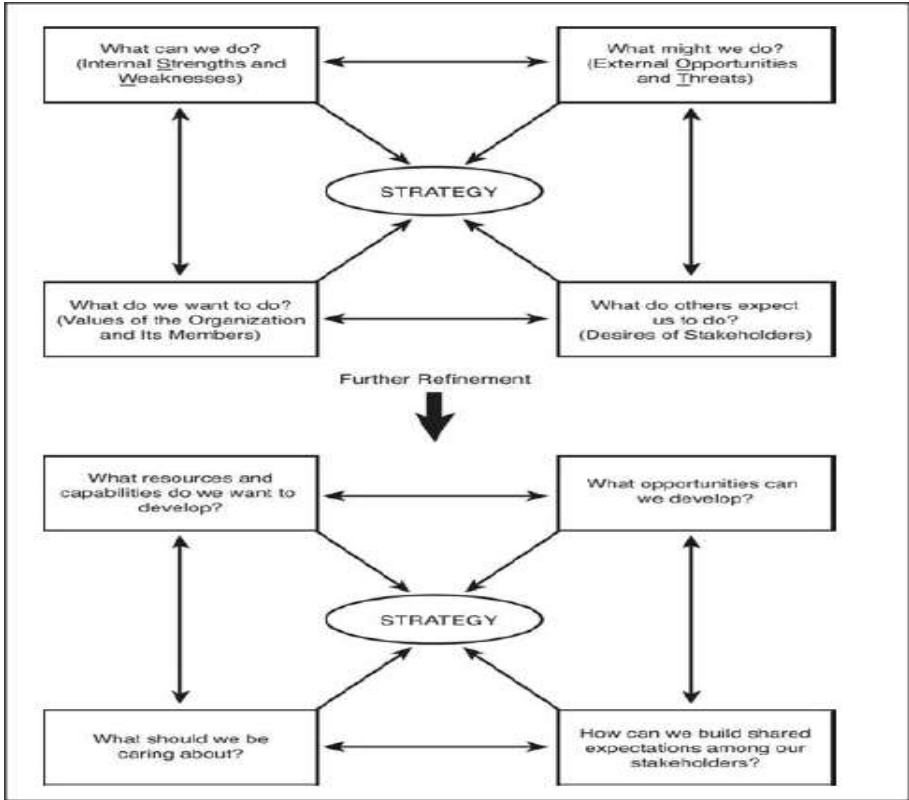


Figure 7 Generic SWOT analysis: key questions that guide strategic choice. (Babette, B & Craig, F 2013)

The four factors can be defined in the below table as follows:

*Table 2 Four factors of SWOT analysis (Babette, B & Craig, F 2013)*

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Competitive advantages of the company</li> <li>• Capabilities and resources to achieve performance objectives</li> <li>• Enable the company to satisfy its customers.</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Limitations, faults, defects that prevent the company to achieve goals.</li> <li>• Competitive disadvantages compared to its competitors.</li> <li>• Need to be minimized as much as possible.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Any prospective situation in the external environment that support the company's product or service and helps enhance its competitive position</li> <li>• Help convert weaknesses to strengths, and leverage capabilities.</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Any unfavorable situation in the external environment that currently or potentially damages or threatens the company's business</li> <li>• Threats can turn strengths into weaknesses, and demotivate the company's managers.</li> </ul>

### 2.2.5 Porter's Five Forces

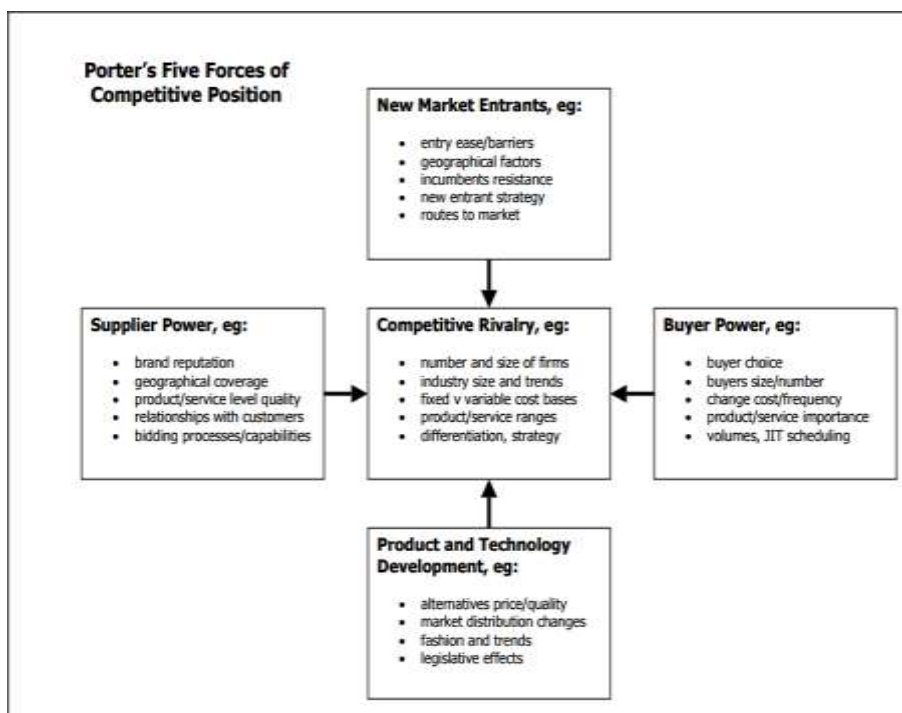
This model is used for assessing and analysing the competitive strength and position of the business. In this dynamic world of business today every business needs to have reasonable level of understanding of their competitors including not only just their current competitors in the market but also their upcoming potential competitors in future. Porter's analysis helps companies to have a model in hand that tell the competitive activities in market and make them aware of the facts that any business needs to learn before progressing further. This method defines market accurately stating clearly the market needs and opportunities. The key to the technique are competitive rivalry, new entrant's threat, threat of substitutes, bargaining power of suppliers, bargaining power of customers.

- **Supplier power:** Here it is assessed that how easy it is to drive up price which is driven by number of factors like: number of suppliers, uniqueness of products and services, strength and control, cost of switching from one to other etc. If one has fewer supplier choices the strength lies more on the supplier side.
- **Buyer power:** Here it is assessed that how easy it is for buyers to drive price down which is also driven by factors like: number of buyers, importance of each buyer to the business, cost of switching incurred etc.
- **Competitive rivalry:** The strength is decided on the fact that how many competitors are prevailing in the market. If the products offered by competitors are equally good and

attractive then it might be difficult to hold on buyers and suppliers for long. But if there are fewer competitors then the tremendous strength lies in one's hand.

- Threat of substitution: It states that if the service provided by the business is easily replicable by some alternative then it weakens the power of the business.
- Threat of new entry: Power is also affected by the threat of new businesses entering into one's scope of business. The new competitors can easily enter if there is little cost and little time required to enter, if there is few economics of scale, if there's little protection for key products and technologies etc. If there is strong and durable barrier protecting others to enter competitively then the strength is preserved for the business.(see mind tools,1996)

(PORTER, M. E., 1998)



**Figure 8 Porter's Five Forces of Competitive Position (Competitive Strategy Techniques for Analyzing Industries and Competitors by Michael E. Porter)**

The stronger the five forces are, the rationale behind the model is that the earnings potential of the market decreases.

## **2.4 Internationalization**

### **2.4.1 Internationalization**

Internationalization is a process of gradual increase of a company in their international involvement. According to Richard Ishida, W3C, Susan K. Miller and Boeing (2005) Internationalization typically entails:

- Designing and developing in such a manner those barriers to localization and international deployment are removed. This can be done by using Unicode, legacy character encodings usage etc.
- Using those features that may not have been used until localization occurs.
- Enable code that supports local, regional language and respects culturally related preferences. Example includes date time formats etc.
- Separating localizable elements from source code

### **2.4.2 Reasons for Internationalization**

The root cause for companies to internationalize is to make money and increase company's economy's scale. Internationalization occurs along with the expansion on its R&D, production, selling and other business activities into foreign markets of the firms. (Hollensen 2007, p 41)

In today's market economy every other company wants to go international as they are not contented in doing business in the local market only. They are curious for high profit, bigger scale, new technology, low costs etc. However many enterprises have multiple motives for their internationalisation, however, one motive is usually the primary and the rest are secondary motives. (Albaum et al, 1994)

Hollensen (2007, p 41) has divided internationalization motives into two broad categories as proactive and reactive motives where the proactive motives derives from inside of the firm's activities and reactive motives are viewed as domestic push and international pull. Proactive motives are described as stimuli that create a firm-initiated strategic change and reactive motives

as a set of reasons that influence the enterprise to respond and adapt to changes imposed by the outside environment. (Hollensen 2007, p 42)

**Table 3 Proactive and Reactive motives (see Hollensen 2007 4th Edition, p 41)**

Proactive motives	Reactive motives
<ul style="list-style-type: none"> <li>• Profit and growth goals</li> <li>• Managerial urge</li> <li>• Technology competence or unique product</li> <li>• Foreign market opportunities or market information</li> <li>• Economies of scale</li> <li>• Tax benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive pressures</li> <li>• Domestic market : small and saturated</li> <li>• Overproduction or excess capacity</li> <li>• Unsolicited foreign orders</li> <li>• Extend sales of seasonal products</li> </ul>

## 2.5 Entering new Market

International market selection (IMS) process depends on the size of the firm and on different criteria as discussed as follows:

According to (see Hollensen 2007, p 244), the IMS of SMEs is based on the following criteria:

- Low ``psychic`` distance: It is the difficulty which is faced by many firms in acquiring information about the market. Psychic distance is difference in language, culture etc.
- Low ``cultural`` distance: It is the difference which is culturally visible between the home and the foreign market
- Low ``geographic`` distance

There are many potential determinants of the firm’s choice of the foreign market which is displayed in the following figure



Figure 9 Potential determinant of the firm's choice of foreign markets (Hollensen 2007 p 245)

## 2.6 Entry mode

As there is no best way to choose the right entry mode for a company so one needs to decide on the right entry mode by analysing particular situation of the company and the environment of the target market. The author here discusses the ways in which one can decide on how to select the most appropriate entry mode for their business and which factors dominate in choosing it.

### 2.6.1 Choosing the right entry mode

Root (1994) identified three rules for selecting the entry modes discussed as under:

- Native rule: By this rule the firm uses the same entry mode for entering into all foreign markets ignoring the heterogeneity of individual foreign market.
- Pragmatic rule: In this firm chooses workable entry mode for each foreign market the firm wants to enter. The firm who is just starting doing international business prefers to follow the pragmatic rule, choose a low-risk entry mode which is workable although may not be the best entry mode.



- Strategy rule: In this the firm investigates and compares different alternatives properly and find the most viable entry mode. An application of this decision rule would be to choose the entry mode that maximizes the profit contribution over the strategic planning period subject to the availability of company resources, risk and non-profit objectives. (Hollensen 2007, pp 295-296)

## 2.6.2 Factors influencing the choice of entry mode

There are four main factors that influence the entry mode decision:

- Internal factors: They include the company size, product type and international experience.
- External factors: They are the sociocultural distance, country risks, market size and competition.
- Desired mode characteristics: They are the major ones affecting the choice of decision including the risk adverse, flexibility and control.
- Transaction-specific behaviour: It includes transaction cost approach and tactic nature of know how. Hollensen (2007) described it succinctly: ‘If the transaction costs through an importer or agent are higher than the control cost through an internal hierarchical system, then the firm should seek internalization of activities’’. (Hollensen 2007, pp 297-302)

Factors influencing the choice of entry mode			
<b>Internal factors:</b> 1. Firm size 2. International experience 3. Product	<b>External factors:</b> 1. Sociocultural distance 2. Country risk 3. Market size and growth 4. Trade barriers	<b>Desired mode characteristics:</b> 1. Risk averse 2. Control 3. Flexibility	<b>Transaction-specific factors:</b> 1. Transaction cost approach 2. Tacit nature of know-how

Figure 10 Choice of entry mode deciding factors (see Hollensen 2007, p 297)

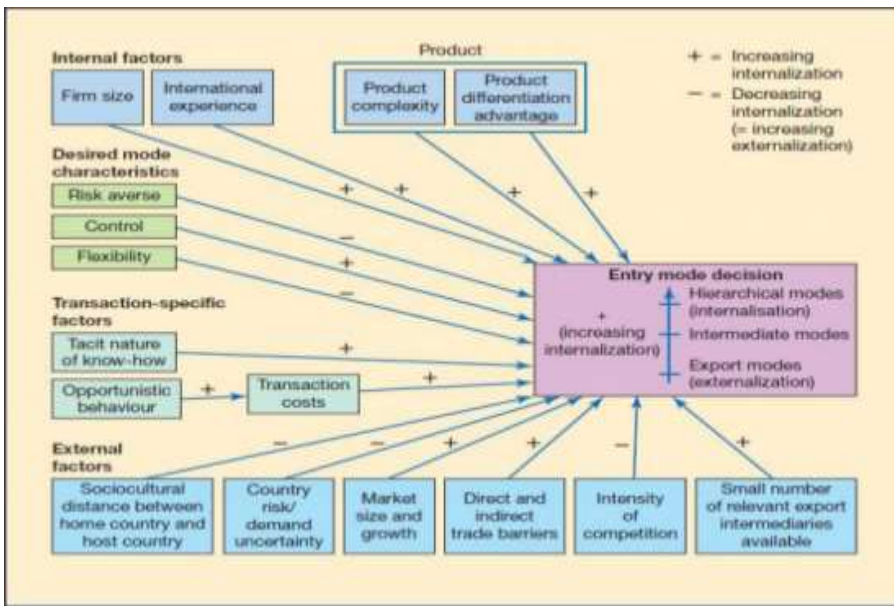


Figure 11 Factors influencing the choice of entry mode (Hollensen 2007, p 298)

### 2.6.3 Options of different Entry Modes

Albaum and Duerr (2008) described that, a market entry strategy consists of an entry mode and a marketing plan. Here in this section the author has well described the entry modes for the firm. The market entry mode is an institutional arrangement necessary for the entry of a company's products, technology, and human and financial capital into a foreign country/market.

The most popular entry mode is export entry mode that is seen undergone by many firms now days when they think of internationalization. Albaum and Duerr (2008) have divided entry modes into export and non-export entry modes.

The firms have lowest control, risk and highest flexibility by export entry modes. According to Hollensen's (2007) theory, export entry modes occur when the firms manufacture the products in domestic market or a third country and then transfer to the foreign market with direct or indirect ways.

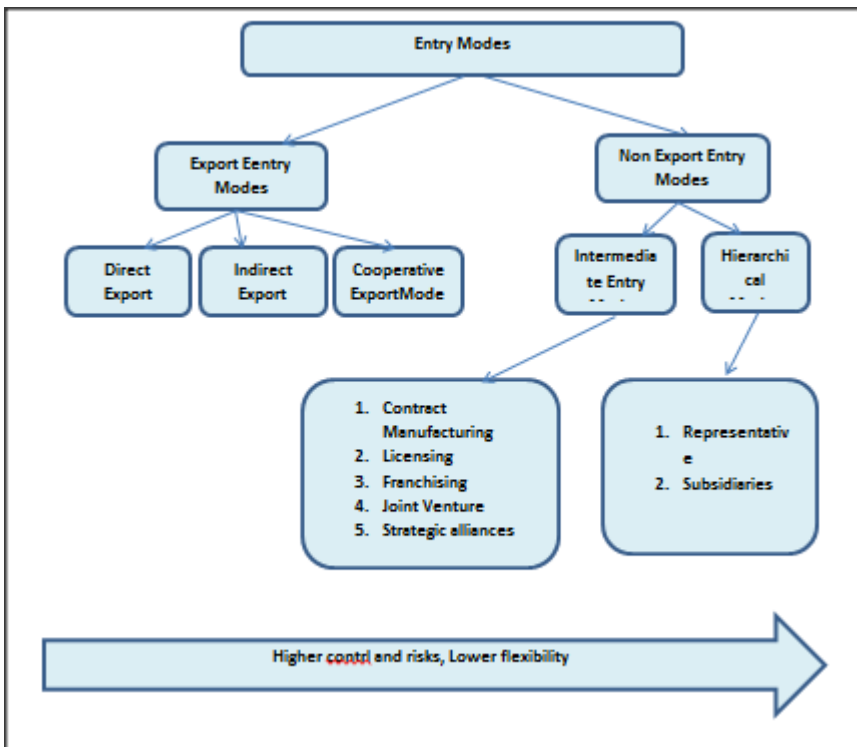


Figure 12 Entry Modes (self-modified, see Hollensen 2007)

a. Export

According to Hollensen(2007, p 350-367) the export entry modes can be divided into three types as under:

- Direct: In this as the name implies the firm itself takes care of the sales and hence deals with the importers and buyers directly. This can be done by various ways like finding distributors, agents in local foreign market. As it is clear that in this entry mode the firm exactly knows with whom and how the buyers are contacted thus the firm itself is responsible for market research.
- Indirect: This method is good for those who are SME's and wants to test their products in a new market. In this the company does not do the exporting by itself instead uses a domestic company who has great experience in the foreign market to commence the business required. It may include export buying agent, broker, export Management Company, trading company and piggyback. In this whole process the firm will have no control over exports and thus have no direct relationship with their customers. However the firm enjoys least risk and low cost expenditure.
- Cooperative: This is the entry mode where a small firm meets a large buyer thus work is done cooperatively. They both share risks etc.

## b. Intermediate entry modes

The intermediate entry modes shares the control and risk with cooperate firms whereas hierarchical have highest degree of control and risk and flexibility is the lowest amongst all.

This type of entry mode involves contract manufacturing, licencing, franchising, joint venture and strategic alliances. In intermediate entry modes, firms share risks with another firm such as a licensee, franchisee, venture or alliance in the foreign market.

- Contract manufacturing: It is manufacturing process outsourced abroad in the foreign market. As the products are produced near to the foreign market so it takes less cost to reach the customers.
- Licencing: The licensor gives the right to licence his technology, trademark, design etc to the company in the foreign country. The licensor's income comes from the licensee; the licensee pays some fees such as initial payment, annual minimum, annual percentage fee and additional fees.
- Franchising: The franchisor lets the franchisee run the business in the local country of the franchisee. So he is allowed to use his copyright, design, patents etc
- Joint Venture: Joint venture was defined by Albaum&Duerr as firms from different countries, at least one local, established a new company to manufacture products or provide services on a joint basis. (Albaum&Duerr 2008) Normally, the partners will share ownership and equity (sometimes not); it depends on how the contract was made.
- Strategic Alliance: It is also type of partnership between persons with a difference that they do not commit equity or invest in the alliance. (Hollensen 2007, 368ff)

## c. Hierarchical entry modes:

The firm that completely owns and controls the foreign entry mode in hierarchical entry modes can be further divided into:

- Domestic based sales representative: Employee of the firm who travels abroad for taking the responsibility of the sales.
- Foreign sales and production subsidiary: It is the transfer of the sales and products directly to the foreign country. This is used when there is big local demand of the product.
- Acquisition or Greenfield: Firm that buys existing firm or a part of the ownership in the foreign market. They are of four types which are discussed further in the table below. (Hollensen 2007, 397-406)

Table 4 Acquisition Forms (Hollensen 2004)

<i>Acquisition forms</i>	<i>Description</i>
<b>Horizontal</b>	Similar product lines and markets between acquired and acquiring firms
<b>Vertical</b>	The acquired firm supplies for or becomes a customer of the acquiring firm
<b>Concentric</b>	The acquired and acquiring firms could have same or different markets and technology
<b>Conglomerate</b>	The acquired and acquiring firms are totally different firms

### 3. FINLAND AND LITHUANIA DOING BUSINESS

In this chapter the author has focussed on the business characteristics of Finland and Lithuania and shown how they can operate their business smoothly. The author has put in front the economical factor of both the countries and how they can best utilize the situations to make profits and serve the customers in textile and clothing industry. To support the facts discussed, PESTEL analysis tool is used for both the countries. Finally the data collected through interviews with the respective people is presented to show the significance of the research work.

#### 3.1 Lithuania

The author discusses few important facts about the country which is stated as below:

- Geographic location: The geographical location plays an important role in export.



Figure 13 Lithuania Map (Worldatlas/Europe/Lithuania)

The republic of Lithuania is situated in Northern Europe on the south eastern shore of the Baltic Sea. It is largest of three Baltic States apart from Latvia and Estonia. Lithuania shares its borders with Latvia in the north (558 km), Belarus in the southeast (653 km), Poland and the Kaliningrad Region of the Russian Federation in the south-west (104 km and 249 km, respectively). To the west of the Baltic Sea lie Sweden and Denmark.

**Table 5 Lithuania Facts (Business guide Lithuania 2014,edited 2015)**

Country facts	
Capital	Vilnius
Area	65,300 km <sup>2</sup>
Population	3 million
Language	Lithuanian
Dominant languages	English, Russian, German, Polish
Currency	Litas (LTL)

Source: Statistics Lithuania

Population of Lithuania is 3 million out of which 84.1% are ethnic lituanianians, 6.6% are poles, 5.8 % are Russians and 3.5 % are others. Its largest city is Vilnius and others being Kaunus and Klaipeda. The official and most commonly spoken language is Lithuanian. It is one of only two living languages (the other one being Latvian) of the Baltic branch of the Indo-European language family. About 92% of the population speak one foreign language (English, Russian, German or Polish) and more than 50% speak two foreign languages (PWC Business guide Lithuania 2014).

- Politics: It is independent democratic parliamentary republic where supreme legislative power is held by seimas (parliament). Lithuania became a full member of the European Union on 1 May 2004. On 29 March 2004 Lithuania joined NATO and on 21 December 2007 it became a fully-fledged member of the Schengen Area.
- Economic environment: Its economy is growing with decrease in inflation and also narrowing deficit in budget suggests Lithuania to adopt euro in 2015 soon.



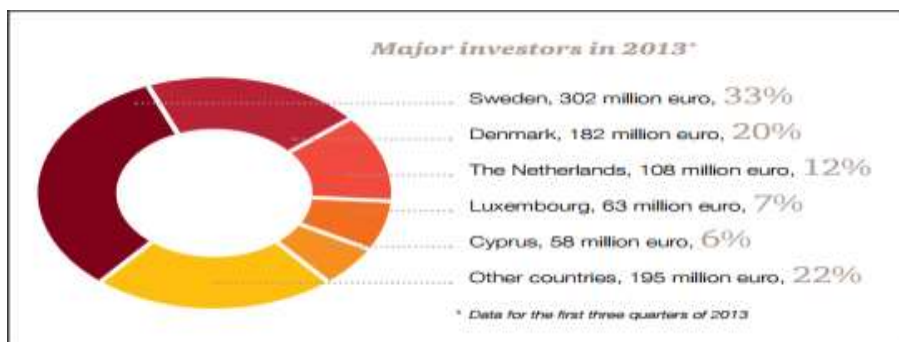
**Figure 14 Lithuania GDP recovery continues (pwc, Business guide Lithuania 2014,edited 2015)**

Lithuania expects to adopt euro in 2015.

**Table 6 Macroeconomic Indicators Lithuania 2009-2014 (pwc, Business guide Lithuania 2014, edited 2015)**

The main macroeconomic indicators for 2009-2014						
	2009	2010	2011	2012	2013	2014*
Nominal GDP (billion euro)	26.7	27.7	31	32.9	34.6	36.5
GDP growth rate, %	-14.9	1.6	6.1	3.7	3.2	3.4
Average annual inflation rate, %	4.2	1.2	4.1	3.2	1.2	1.6
Unemployment rate, %	13.8	17.8	15.4	13.4	11.8	10.5

\* Forecast



**Figure 15 Major investors in 2013 (pwc, Business Guide Lithuania 2014, edited 2015)**

Kaunas has become an increasingly popular destination for investment for many companies. This is due to favourable geographical location, convenient infrastructure, strong R&D base, skilled labour force. It is city of young people having largest number of students (34000 approx.). The County generates 19.6 % of total GDP in Lithuania with about LTL 37,400 (EUR 10,832) nominal GDP per capita. Kaunas is mainly focussing on the development of technologies and innovation.

- **Ease of doing business:** It is very business friendly country with its ranks 17th among the as world’s most business friendly countries.
- **Free economic zones (FEZ):** It is a territory established for economic commercial and financial activities where companies enjoy preferred economic and legal conditions. There are two FEZ in Lithuania with one is Kaunas and other in Klaipeda.
- **VAT:** Value added tax information is summarized in the following figure



Figure 16 VAT in Lithuania (pwc, Business Guide Lithuania 2014, edited 2015)

## 3.2 Finland as a Target Market

In this section the author will bring forward facts about Finland. Firstly the general review about Finland is presented and then finally deep pest analysis is done which will surely help in doing business to Skinija.

### 3.2.1 General Facts about Finland

The full name of the country is Republic of Finland (in Finnish language called as Suomi) located in Fennoscandian region of Northern Europe. It's a Nordic country surrounded by Russia to east, Norway to north, Sweden to west and Baltic Sea to the south with Estonia across the gulf of Finland. This is shown pictorially in the figure below.



Figure 17 European view Finland map (operation world 2014)

The general data about Finland is described in the following table



**Table 7 General data of Finland (see Tianyu Xu-thesiswork, 2014)**

<b>Full Name</b>	<b>Republic of Finland</b>
<b>Population</b>	5.414 million (2012)
<b>Capital City</b>	Helsinki
<b>Total Area</b>	338.424 Square kilometers
<b>Main Spoken Languages</b>	Finnish, Swedish
<b>Major Religion</b>	Christianity
<b>Unemployment Rate</b>	9.5% (2014)
<b>Inflation Rate</b>	1.1% (2014)
<b>GDP</b>	\$ 247.5 billion (2012)
<b>GNI Per Capital</b>	\$ 46,490 (2012)
<b>GDP Grow Rate</b>	-0.3% (2012)
<b>School Enrollment</b>	99% (2011)
<b>Improved water source</b>	100% (2014)
<b>Corruption Control</b>	98% (2010)

The official languages are Finnish and Swedish in Finland. The currency used is Euro since year 1999 when Finland joined Eurozone. Helsinki is the largest city located in the south of Finland and is the current capital city. The internal map of Finland is shown below in figure



**Figure 18 The map of Finland (Atlas-Finland, Infoplease, 2000-2016)**

### **3.2.2 Macro environment of Finland-PESTEL Analysis**

PESTEL Analysis of Finland describes briefly about political, economic, social, technological, environmental and legal factors in the external environment of the country. It influences the firm’s entry strategy making. It helps to understand the factors that influence the choice of entry model for any business in the target market so it must be done always before entering a new market.

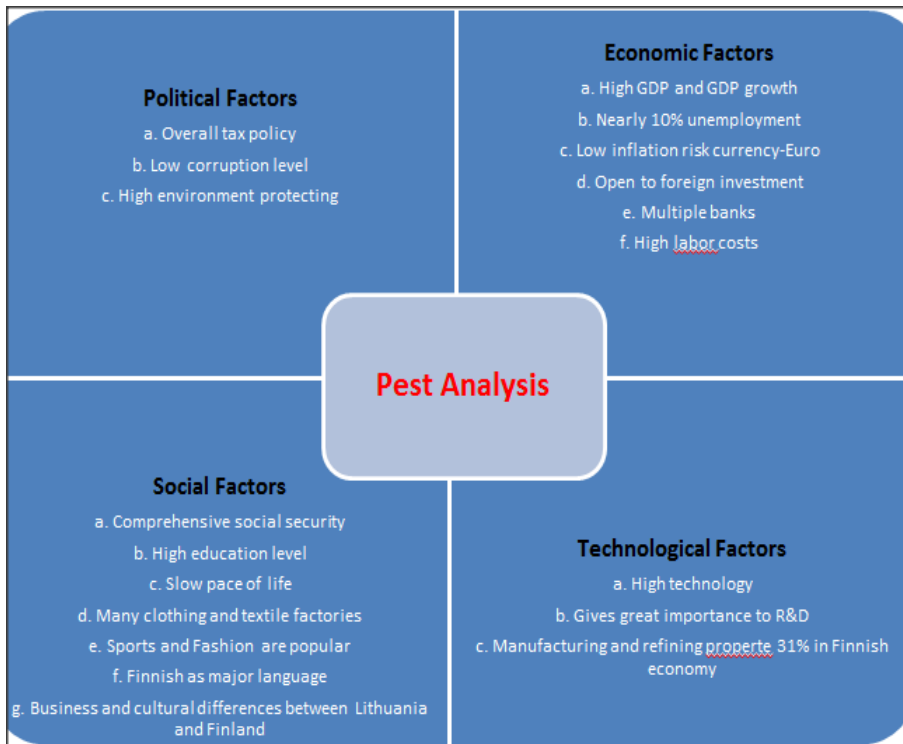


Figure 19 Pest analysis of Finland( self-built diagram)

- Political environment  
Tax policy of the government is very important factor for any firm to decide whether to go abroad or not for business. The table below shows the tax data about Finland.

Table 8 Tax rates of Finland (Wikipedia, 2009)

Taxes	%
Income Tax	30.5
Standard VAT rate	24(with two reduced rate schemes also)
Withholding tax rate	35%(exceptions under special conditions)
Corporate income tax	20(lowered from 24.5 to 20 in January 2014)

The tax policy in Finland is very strict with high rate of 30.5%. Standard VAT is 24 % but Vat depends on the type of product in business. However due to current economy changes in Finland

the corporate tax is reduced to 20% at the beginning of 2014. As there is high government stability in Finland so country risk is low.

- Economic environment

Finland's GDP per capita is highest in the world offering its residents high living standards and relatively equitable wealth. Its GDP has seen growth from 256.85 billion in 2012 to 269.27 in 2013 and 272.65 in 2014. It is often cited as a model for its economic performance and innovative success though it being recovering from crisis still. It uses Euro as currency so stability of the country is high and inflation rate is considerably low. Apart from 300 other domestic banks it has three big payers in banking industry named as Nordea, Sampoo Pankki and OP. The labour cost is higher as compared to other countries of the world so that is the very reason that many less firms opt for production in the domestic market. But because the consumer has good incomes therefore the purchasing power of the customers is higher here.

- Social Environment

There are many reasons because of what foreigners prefer to start business in Finland amongst those one being high social security of the entrepreneur in Finland. There are varied pension insurance services for self-employees, unemployment security etc. The education level of Finland is also high. Sports and fashion is very important to Finnish people.

### **3.2.3 Finnish Textile Industry-Demand**

Finland is amongst most competitive countries of the world having an advanced, industrial, modern and open economy with GDP per capita as € 34,900. The textile and clothing manufacturers though have been noticed to be diminishing in Finland as electronic commerce is growing. (Anna-Stina Sandfors 2012, the Textile and Clothing Sector: Business Opportunities in Finland.)

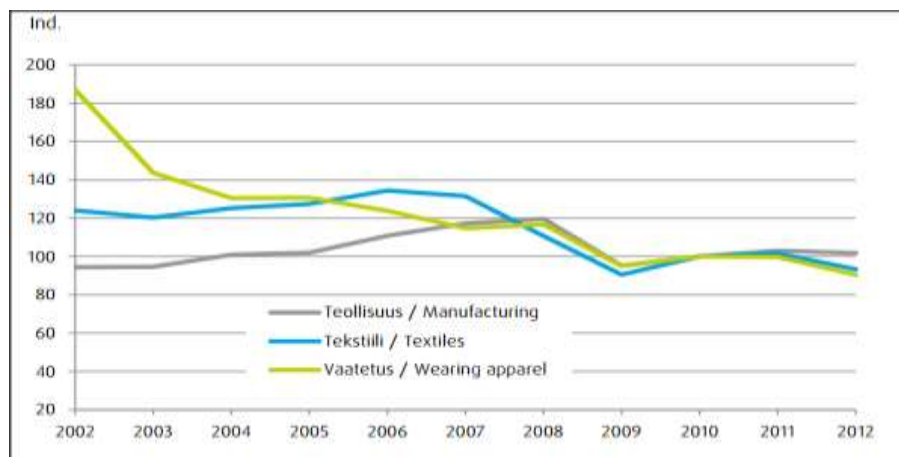
A survey made by FINATEX (Finatex-Federation of the Finnish textile and clothing industry, 2012) says that 20% of the sample purchases women's and 15% children's clothing online. It is estimated that there will be extensive increase of more than 1.4 million euros by the year 2016 in textile sector. (DOCPLAYER 2013 Tilastotietoa, TEKSTIILI- JA VAATETUSTEOLLISUUS, FINATEX, Federation of the Finnish textile and clothing industry).

The table below shows important figures on textiles and clothing in the year 2012

**Table 9 Textiles and clothing in the year 2012 (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)**

	M€	Muutos/change 2011-12, %
<b>TUOTANTO / PRODUCTION</b>		
Bruttoarvo / <i>Gross value</i>	722E	0,8
Jalostusarvo / <i>Value added</i>	288E	-1,5
Investoinnit / <i>Investments</i>	8E	-30,6
<b>ULKOMAANKAUPPA / FOREIGN TRADE</b>		
Vienti / <i>Exports</i>	582	3,0
Tuonti / <i>Imports</i>	2 058	-4,0
<b>TYÖVOIMA / LABOUR FORCE</b>		
Toimipaikkoja / <i>Establishments</i>	1 889E	-0,1
Henkilöstön määrä / <i>Personnel (-11)</i>	5 096	-4,4
Palkat, palkkiot, eläke- ym. sivukulut / <i>Wages and other compensations</i>	210E	-1,4

The volume index of industrial production is shown as under:



**Figure 20 Volume index of industrial production (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)**

**Table 10 Industrial Production (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)**

	Tekstiili / Textiles	Vaatetus / Wearing apparel	Teollisuus / Manufacturing
2002	124,0	187,0	94,4
2003	120,3	143,7	94,6
2004	125,2	130,5	100,9
2005	127,4	130,6	102,0
2006	134,4	123,8	110,8
2007	131,5	114,7	117,3
2008	110,7	116,7	119,6
2009	90,5	95,1	95,2
2010	100,0	100,0	100,0
2011	101,6	99,7	103,0
2012	93,3	90,5	101,8
2013E	85,8	85,3	96,9

Investments in textile and clothing industry have been decreasing since past years and this is well shown in the below added figure:

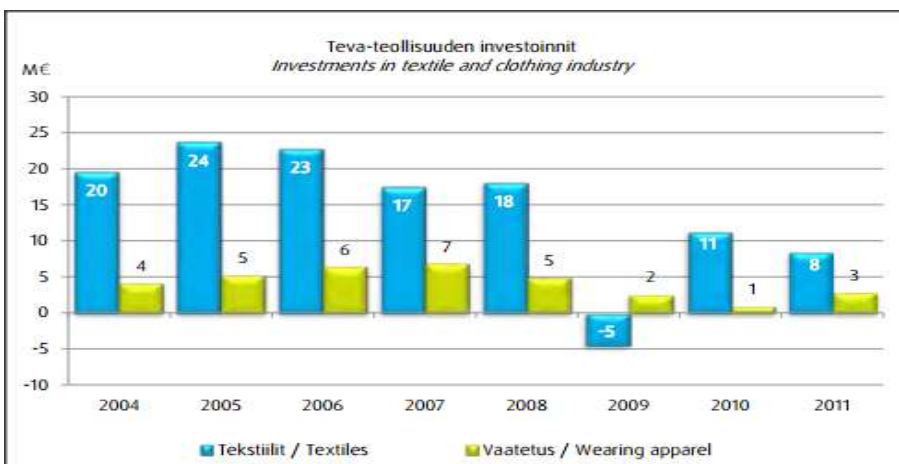


Figure 21 Investments in textile and clothing industry (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)

Table 11 Investments in textile and clothing industry (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)

	2009	2010	2011	2012E
Tekstiilien valmistus / Manufacture of textiles	-5	11	8	6
Vaatteiden valmistus / Manufacture of wearing apparel	2	1	3	2
Teollisuus / Manufacturing	2 520	2 066	2 193	2 293
Teva-teollisuuden osuus teollisuuden investoinneista / Textile and clothing industry's share of industrial investments, %	-0,1	0,6	0,5	0,3

While Finland has been seeing decline in production in textile sector, other EU countries report on textile production is stated as under:

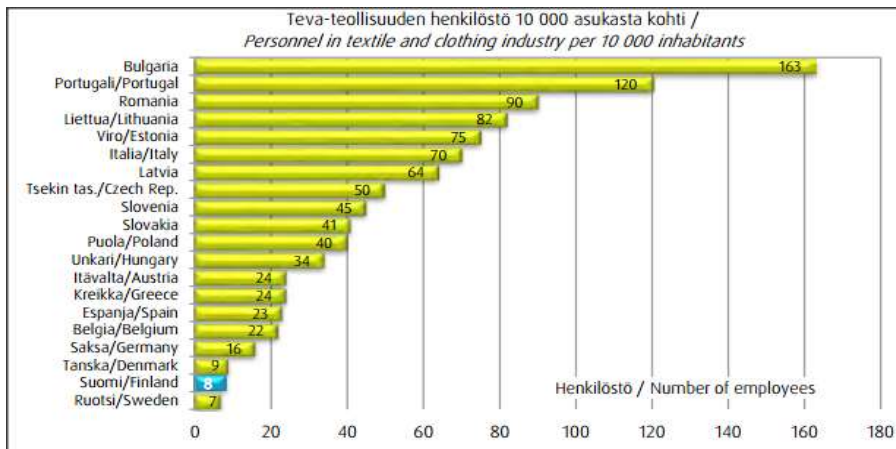


Figure 22 Other EU countries report on textile production (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)

Table 12 Other EU countries report on textile production (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)

	Henkilöstö	Liikevaihto		Teollisuuden volyyymi-ind.	
	Personel	Turnover		Volume index of industry	
	Henkilöä	M €	€/Hlö	2010 = 100	
	Persons		€/Person	Tekstiili	Vaatetus
				Textile	Clothing
Italia / Italy	423 344	51 090	120 682	86,2	85,9
Ranska / France	86 831	23 409	269 593	96,4	100,9
Saksa / Germany	128 044	21 855	170 684	92,8	89,2
Iso-Britannia / UK	85 208	9 845	115 541	91,8	104,0
Espanja / Spain	105 710	9 370	88 639	93,6	84,2
Portugali / Portugal	123 464	5 781	46 823	81,7	92,7
Belgia / Belgium	24 530	5 583	227 599	88,5	86,9
Puola / Poland	153 625	4 249	27 658	119,9	109,7
Itävalta / Austria	19 875	3 307	166 390	94,2	78,0
Romania	192 345	3 227	16 777	112,1	100,7
Alankomaat / Netherlands	15 666	3 155	201 392	100,5	96,4
Tsekin tas. / Czech Rep.	52 012	2 523	48 508	101,4	90,9
Kreikka / Greece	27 560	1 592	57 765	62,7	69,8
Bulgaria	119 544	1 439	12 037	87,9	94,3
Tanska / Denmark	4 734	1 050	221 800	93,3	86,3
Ruotsi / Sweden	6 530	1 044	159 877	..	..
<b>Suomi / Finland</b>	<b>4 543</b>	<b>800</b>	<b>176 095</b>	<b>94,5</b>	<b>90,5</b>
Unkari / Hungary	33 513	689	20 559	136,6	97,4
Slovakia	22 179	669	30 164	..	..
Liettua / Lithuania	26 498	646	24 379	138,1	118,3
Slovenia	9 268	581	62 689	..	..
Viro / Estonia	10 012	405	40 451	108,8	112,2
Latvia	13 196	278	21 067	108,1	127,7
Irlanti / Ireland	2 312	202	87 370	67,1	61,7
Malta	826	72	87 167	..	..
<b>EU 27</b>	<b>1 692 458</b>	<b>152 912</b>	<b>90 349</b>	<b>92,1</b>	<b>90,3</b>

Import of textile and clothing totals 2129 million euros in 2011 (FINATEX/ National center of statistics) and is shown as under

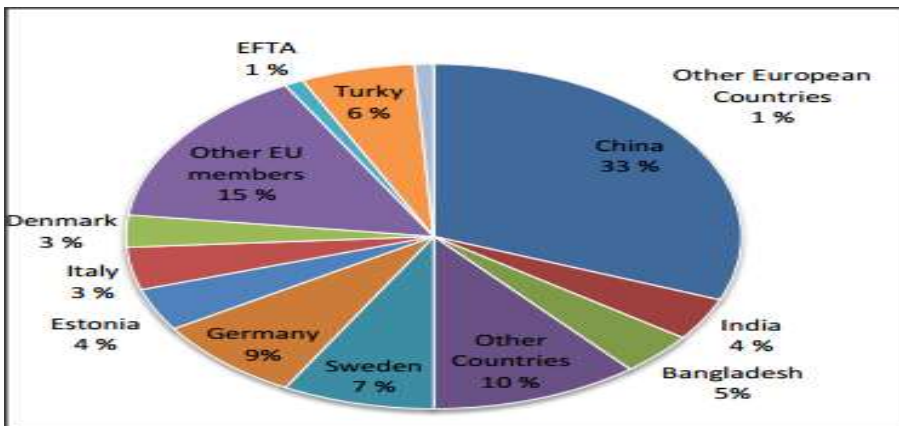


Figure 23 Import of textile and clothing (total 2129 million euros), 2011 (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)

### 3.2.4 Finnish Textile industry Porter’s Five Forces Analysis- Micro Environment of Finland

In the discussion below the author will analyse the porter’s five forces in regard with the textile industry of Finland. This gives an idea to the author about the micro environment in Finland. The author analysed the Finnish market taking into account its basic products and the sports socks which Skinija specializes in manufacturing.

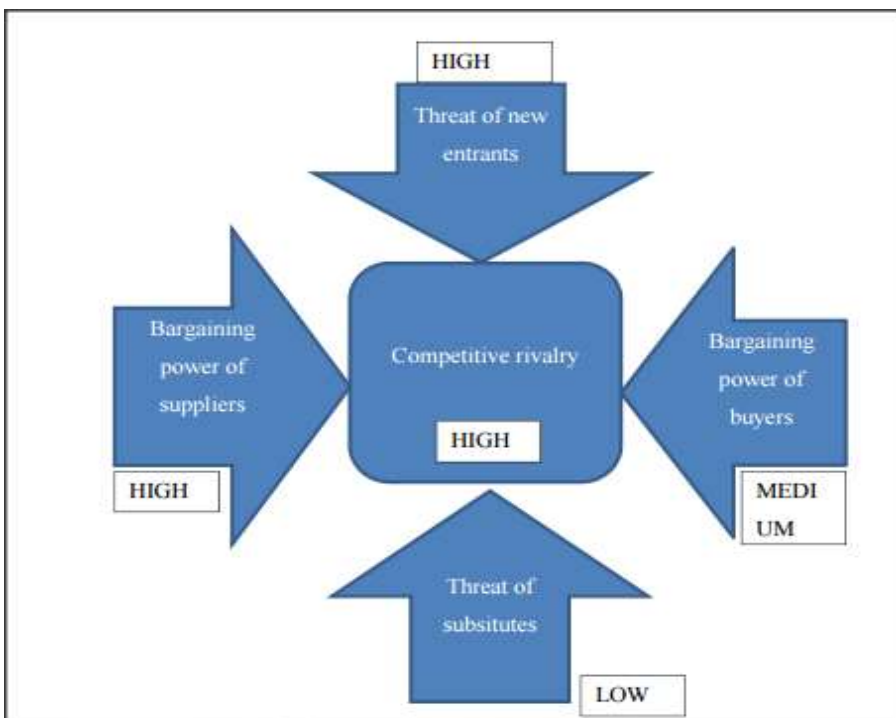


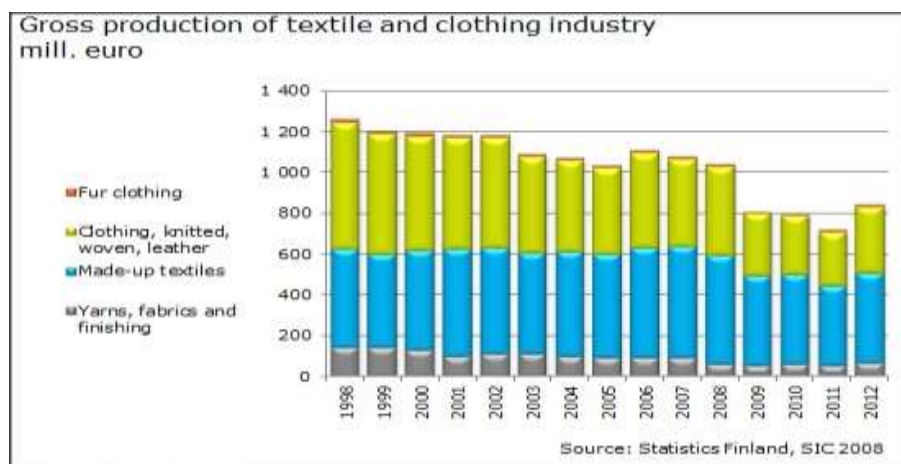
Figure 24 Porter’s Five Forces analysis in the Finnish textile industry market (Self modified)

As it is very well shown in the figure above that the bargaining power of suppliers in Finland is very high and this is because of the fact that the consumer market is huge in this country. People here in Finland like to buy and that too quality stuff.

The bargaining power of buyers is medium even though they have capacity to buy. Suppliers are large so consumers have a choice to buy from many suppliers which increases the power of buyers here in Finland.

There is a big threat of new entrants as Finnish market has some standards that can never be compromised because of which it sometimes is a barrier for some investors. But as the foreign investment is highly valued and supported thus encouraging the new entrants in Finnish market. Also new entrants have high chance of making attractive profits with low risks and costs involved in their business. Thus many new entrants try to enter the market every now and then.

The threat of substitutes is low in Finnish market. The possible alternative to import is production in the local market. It has been reported from statistics Finland that there has been decrease in local production and increase in imports. This is shown in the figure below



**Figure 25 Gross Production of textile and clothing industry (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)**

The production of textile and clothing is shown in the below figure to be only 1% which is very low. Also there have been not huge differences shown in the Finnish textile trends also shown in figure.



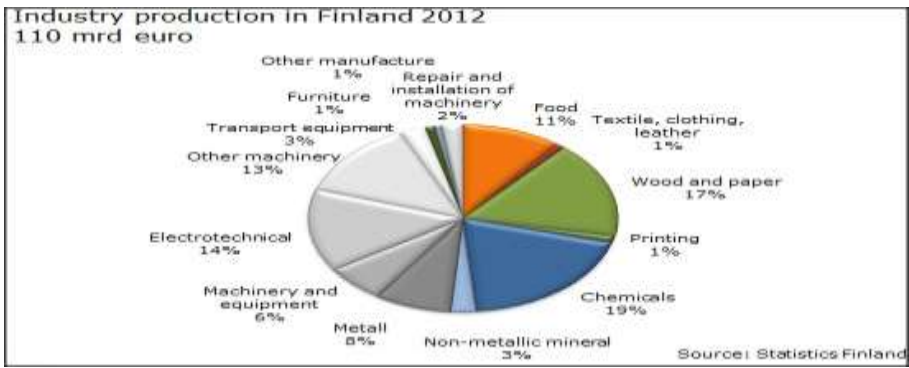


Figure 26 Industry Production in Finland 2012 (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)

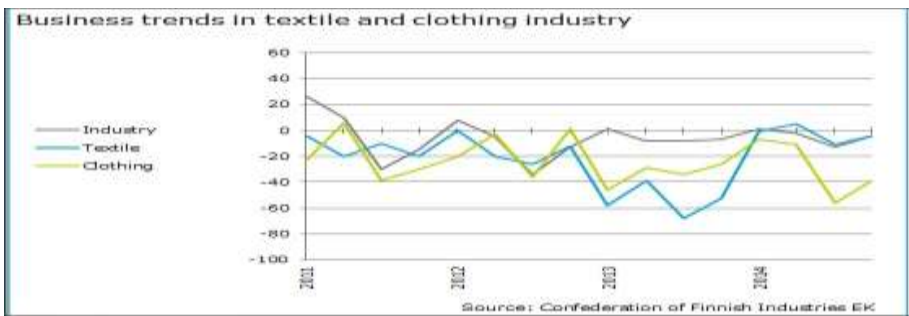


Figure 27 Business Trends in Textile and Clothing industry (see Docplayer, 2013, Tilastotietoa Textili ja Vaatetusteollisuudesta-textile and clothing industry statistics)

The competitive rivalry is high not only from the local competitors but also foreign competitors.

## 4 SKINIJA ENTERING FINNISH MARKET

### 4.1 Entry mode

In previous chapters the author has well presented the macro and micro environment of Finland and also market analysis is done effectively. The Swot analysis was done at the EKO-Nord programme premises during personal interview with the CEO of the company. In this section of the thesis author would like to discuss the best possible entry mode for Skinija in Finland.

For knowing the best possible methods for Skinija’s entry in Finnish market an interview was conducted directly with Rudgalvis Kestutis, the current CEO of the company. He mentioned about their interest for expansion to other big EU countries where they can make huge profits. But he also explained in detail that because Skinija has been hit by financial crisis in past years so they fear of more debts on their shoulders. Also their limited knowledge of the foreign market and their

language and culture segregates them for thinking of expansion. In short he mentioned in the meeting that they are interested in investing in new markets keeping their production centre in Kaunas, Lithuania only. Therefore they showed interest in exporting their products to foreign market which was a great inspiration for the author to conduct research during this thesis. They also mentioned to consider the results if the proposed business seems to bring them profitable business.

There was another long interview conducted with the product owner/manager Jolanta Stotnaite and the sales department of Skinija during the visit to Skinija sales and production firm during the premises at Eko-Nord development program. During this meeting long informal discussion was made about the product type, the quality and the machinery used for production. Also sales department was questioned about their current sales and marketing strategy in local and foreign market. Also their preferences were asked by the author for future sales and internationalization in Finland.

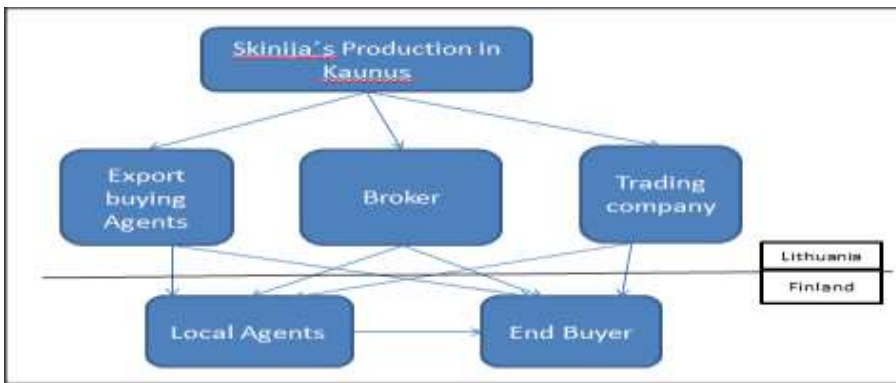
They also mentioned about the fact that the main aim of the company is to generate profits giving high quality, design and modern textile products to the customers, but selling abroad under their own brand or not was not at all an issue for them.

In the following sections the best export entry mode alternatives are discussed for Skinija's products in Finnish market.

#### **4.1.1 Export entry modes for Skinija**

They are selected for the reason, that they provide low control, low risk and higher flexibility in the Finnish market.

1. Indirect Export: It involves least resource commitments and risk amongst export modes.



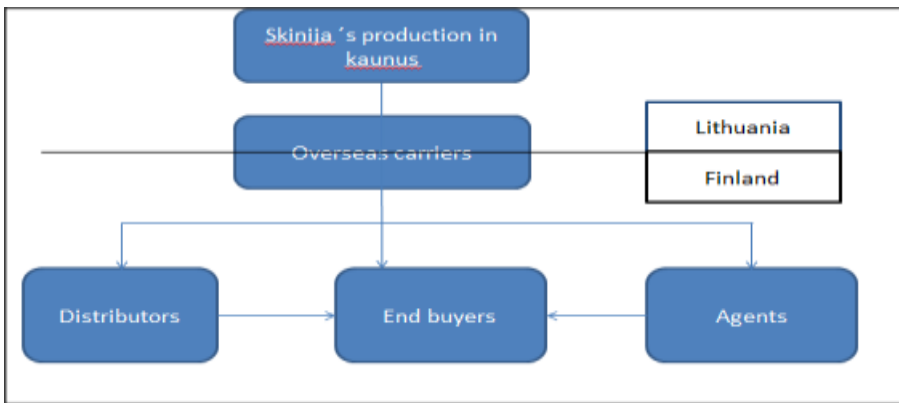
**Figure 28 Indirect-export for Skinija alternative 1(self-modified)**

The company CEO mentioned that they used indirect export as their means to enter Latvian market where the local trading company X was hired for bringing great sales and thus profits to the firm. He also mentioned the biggest drawback they faced was they could not keep track of the buyers' choice and needs. This was due to the reason that the middleman played its main role for finding the right customers for their products and Skinija did not even have a clue about who their customers were and what they could do to improve their product and services.

For these reasons they do not want to go for indirect entry mode while entering in Finland. Rather this time they prefer to have direct contact with their potential customers which might help them to improve their product and services continuously. So Skinija, this time while entering the Finnish market wants to have higher profit with great control over its sales.

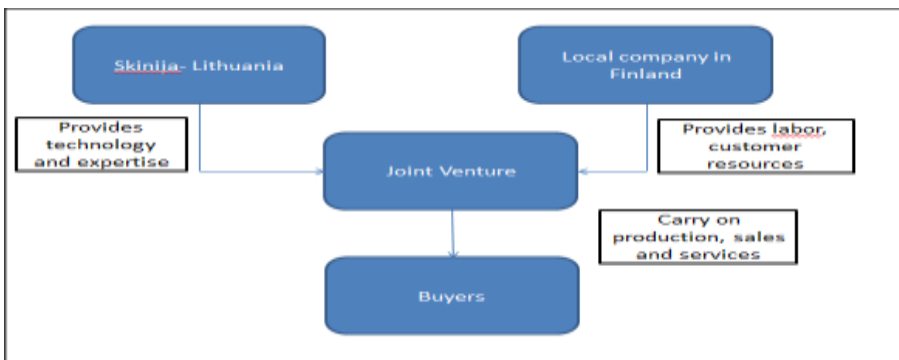
Thus author concludes that indirect entry mode is not the best possible alternative for Skinija and would be considered only if there are not any other options left.

2. Direct Export entry mode: This is more preferable option for Skinija's product entry in Finnish market as it provides more control and potential business options requiring fewer resources finally. Though it needs the company to conduct research thoroughly first before taking its first steps of expansion. Skinija needs to have direct relations with the potential Finnish customers. However along with advantages this mode provides, it also comes along with great challenges. Chosen this entry mode restricts Skinija to enter further new markets because each time they want to enter new EU market they need to invest heavily in research and resources for the foreign country.



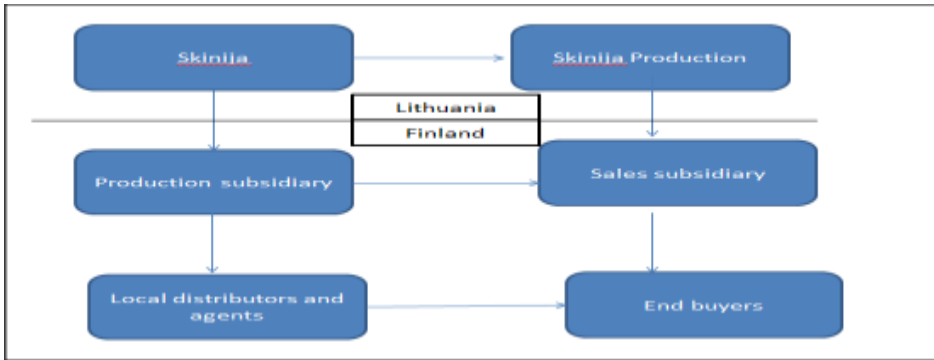
**Figure 29 Direct-export for Skinija alternative 2(self-modified)**

3. Joint venture: In this method Skinija need to transfer its production center to Finland instead of shipping its product in the foreign market. It is not at all viable and is of no interest to the CEO of the company when asked during the interview. This options not only requires more resources but also great costs and huge risks come along with it as everything needs to be built from the scratch. Also if this option was considered then it also needs a company in Finland to come in agreement as joint venture for Skinija’s operations in Finland. The figure below depicts the above discussed scenario.



**Figure 30 Joint Venture for Skinija alternative 3(Self modified)**

4. Sales and production subsidiaries: This again is an option of transferring the production unit to Finland by establishing production subsidiary there. As this is not required by Skinija being already commented by the CEO and the product manager so in depth discussion and research is not done by the author.



**Figure 31 Sales and production subsidiary alternative 4(Self modified)**

Skinija does not want to choose this alternative as they are very sceptical about too big investment, investing again in big warehouse, labour costs. It is very difficult for a new company to invest with this option in a new market until and unless they are very sure about bringing good business in future.

#### **4.1.2 Recommendations for Skinija´s entry mode**

In the previous section the author has discussed about all the possible workable options for skinija´s entry to Finland. After considering thoroughly each and every option it is been concluded that none of the options followed can be everlasting option for the firm. The firm needs a strategy where middle risk level is involved. Keeping in mind the Skinija´s CEO´s opinion of not choosing to transfer or open up a new production center in Finland the following steps needs to be followed:

- The first step can be to choose initially the indirect export mode for first few years
- Once the profits are estimated and the company is ready to take the next step then only direct option should be considered
- Once firm has fixed renowned customers and enough opportunities then it can be decided to establish joint venture.
- Opening subsidiaries can be a long term plan

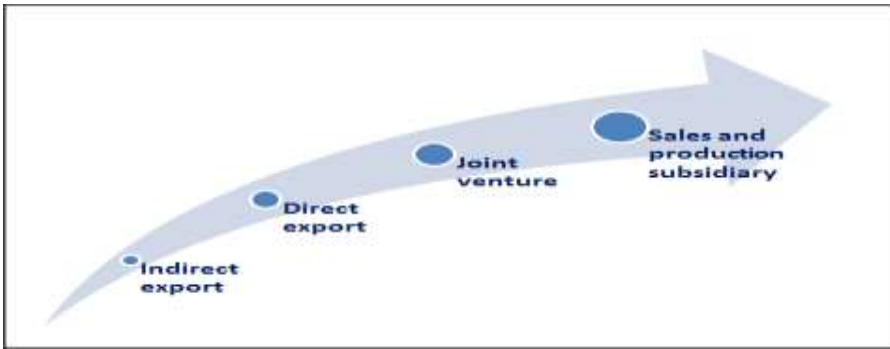


Figure 32 Skinija's timeline entering Finnish market(self-modified)

### 4.1.3 The retail sector evolution in Finland

The distribution is very integrated in Finland due to flexible consumer behaviour and thus the market strategy chosen for product distribution varies in many ways. Due to increasing economy there has been always a boost in purchasing power of the customers. However the small boutiques and businesses suffer to some extent because of the already existing big brands, hypermarkets, malls etc and their entry into already existing market is always very rigid. Another problem is limited opening hour permissions has tightened up the sales and is hindering factor in any sector.

#### Selling of products

There are various options to accomplish this mission through agent, different distributors, established wholesalers or direct selling to retail organizations. There are oligopolies in Finnish economy like everyday usage products are marketed in an integrated way by three big names Kesko, SOK (s group) and last one which controls 90 per cent of the market shares is k group. Federation of Finnish commerce is responsible for retail sector.

#### Distance selling In Finland

There are various ways in which distance selling can be practiced like direct mail, telemarketing, face to face selling, and marketing through internet, direct response adverts and catalogues. This can be done for all types of products.

The total turnover of direct selling was 239 USD million in 2013 which was 1 per cent more than the previous year. There is a specialized enterprise called Finnish direct marketing association that is responsible to conduct direct selling of products. The organization has whole list of

companies in Finland that are responsible for conducting such business. It can be viewed as <http://www.asml.fi/asml-yhteiso/jasenyritykset/>

Amongst those the big names in the market are stated as under in the following table

*Table 13 Distance selling big names in Finnish market (Santander Trade Portal, 2013)*

Finnishgift	Mail order sales, e-commerce, BtoC direct selling	Quality products: handbags, bathroom accessories, household linen, books, ready to wear clothes, tableware, decoration, kitchen utensils, jewellery etc
Hobby Hall	Mail order, e-commerce, BtoC direct selling	Sports and leisure clothes, equipment, kitchen utensils, tableware, bathroom accessories etc
Anttila	Mail order, e-commerce, BtoC direct selling	Clothing, household linen, kitchen utensils, bathroom accessories, electronics etc
Write	Mail order, e-commerce, BtoC direct selling	DIY equipment, office equipment

#### **4.1.4 Retailers**

There are mainly three largest retailers in the Finnish textile and clothing market which are the S-Group including big department stores Sokos and Prisma hypermarkets, Kesko which is including Anttila department stores and hypermarkets, K-citymarket and the Stockmann department stores. In addition to this there are also H&M, Lindex, KappAhl, Finnish Halonen, Seppälä and Moda. Apart from these there are also big names like Marimekkko and Finlayson that have their origin from Finland itself i.e. Home land firms.

#### **4.1.5 Importing Agents and Companies**

In the first type the commission agents represents products on manufacturers part or exporter and with their expertise, contacts and great knowledge of the target market, they would help enter the Skinija company's product smoothly in the market. Based on FOB price range their commission ranges up to 15%. Whole lists of agents are listed under Finnish Foreign Trade Agent's Federation known as [www.agenttiliitto.fi](http://www.agenttiliitto.fi). Also large number of importers, wholesalers and trading houses belonging to Federation of Finnish Commerce can be found at [www.kauppa.fi](http://www.kauppa.fi). (Doing business in Finland, 2016-last update)

Other option being an importing company which first buys few selected articles and sell them to the customers. It accounts for 15 % of the commission but billing is in between the supplier and the importer. There is an alternative for skinija that if the company wants to start slowly without investing in a lot of money for searching the right agent or importing firm then it is suggested by the author to exhibit the products at local tradeshow. There is a tradeshow Finnish Catwalk for clothing and habitare for home products. Here is a great chance to meet big brand names in importing companies at these fairs. Also Skinija can consider directly contacting small local stores by visiting Finland in the beginning. (Anna-Stina Sandfors. 2012. The Textile and Clothing Sector: Business Opportunities in Finland.)

#### **4.1.6 Distribution mode**

Finland: Distribution of Products

There are different ways in which distribution is carried out in Finland. There are many options amongst which one needs to decide which one is better for their business for their particular product distribution. In general the types of outlets are discussed as under:

- a) Department stores: There are best for businesses that deal with clothing, cosmetics, jewellery and food. The best stores practicing under this type are stockman, sokos and anttila
- b) Hypermarket: They are best suited for food industry products of different categories. They are prisma, citymarket and euromarket
- c) Supermarkets: They again are for food and also limited range of other products as s-market, k-market, valintatalo, alepa, lidl, and sale



- d) Convenience stores are the stores that focus mainly on customer convenience with extended opening hours. They are R-kioski, Siwa, ABC (gas station)
- e) General stores are the ones that gives provision of home equipment, tableware, casual clothing, cosmetics, sweets etc. They are Hong Kong, vapaa Valinta and Tarjoustalo
- f) Alcoholic Beverages are the types that do retailing in alcohol selling. In Finland there is monopoly and Alko is the only one that has the supreme power for selling to customers
- g) Specialized Stores are the ones that target customers of specialized product need or specified target behaviour of the customer. The current existing ones are Halonen, alexi 13 in clothing, andiamo, k-kenkä in footwear, akateeminen, suomalainen in bookstores and musta pörssi, markantalo, gigantti, tekniset in electronics.

#### 4.1.7 Product Characteristics

Finnish characteristics regarding textile are as under:

- Climate: There is great demand for extensive winter knitted outwears socks, sports socks, leggings etc. in Finland due to its very cold climate. So Skinija has huge chances of making profits from Finnish market with right market strategy.
- Quality: There is great need of high technology and quality for products to survive in Finnish market. If Skinija can win Finns heart by their superior quality and design which they specialize in then they can easily capture the market.
- Style: It is required for Skinija Company to have great style that matches Finns living style in their products as the company needs to deeply think for whom the products are manufactured.
- Size: The size must balance with the standard Finnish style sizes.

##### a. Fair Trade Certificates

The Finnish consumers are very particular about the ethical conditions for the products production they buy. It was estimated during 2010 survey that the products marked with fair trade certificated accounted for 93 million euros sale out of which 7.2 million euros were made from cotton products. Fair trade makes up 1% of the market sales but they are seen to grow increasingly in past years. SO it is advisable for Skinija to join some fair trade network during their initial entry

phase in Finland. Certified products are highly preferred in Finland as compared to non-certified ones.



**Figure 33 Retail value of fair trade products in Finland 2003-2010(Anna-Stina Sandfors 2012, Textile and clothing sector: Business Opportunities in Finland)**

There are many ethical certifications in Finnish market as Joutsenmerkki: [www.ymparistomerkki.fi](http://www.ymparistomerkki.fi), EU Eco label: <http://ec.europa.eu/environment/ecolabel/>, GOTS: [www.global.standard.org](http://www.global.standard.org) and Oeko-Tex: [www.oeko-tex.com/OekoTex100.PUBLIC/index.portal.asp?cls-05](http://www.oeko-tex.com/OekoTex100.PUBLIC/index.portal.asp?cls-05).

Skinja can contact fair trade certification called reilu kauppa in Finnish which is amongst the best known in Finland. They incorporate environment and social requirements for the products. (Anna-Stina Sandfors 2012, Textile and clothing sector: Business Opportunities in Finland)

b. Legislation of the textile sector

Finland according to EU norms in importing products from other parts of the world is confined to checking product safety for their consumers. It is solely the responsibility of the importers to provide safe and quality products to Finnish customers for protecting the consumer’s right. It is therefore necessary for skinija to document their compliance with legal requirements. As lack of responsibility, may result in complete withdrawal of entrance of Skinija’s products in the local market. There is a firm established to monitor safety of commercial products called as RAPEX. It is an EU surveillance network.

- Labeling: It is mandatory to label about fibre content to be indicated by official names and not abbreviations, manufacturer name, care instructions to be specified in words or symbols, country of origin, quality and size according to local market standards.
- Chemicals used: The organizations REACH regulates registration, authorization, evaluation and restriction of the chemicals used for the product in context. This is done to protect consumer health and the environment both.

### 4.1.8 SWOT analysis of Skinija in Finnish market

This analysis will help Skinija to know about its strengths and weaknesses in both domestic and international market. It is always recommended to conduct SWOT analysis before expansion into new market because by this the company knows about their products and services offered and how well they can capture the new market. The SWOT analysis for Skinija is shown in the following figure

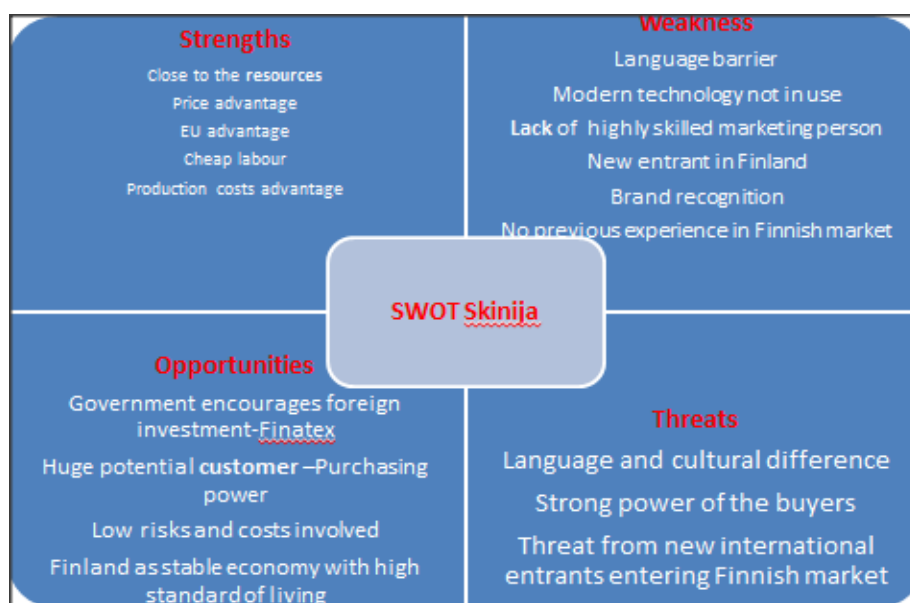


Figure 34 SWOT Analysis for Skinija (self modified)

### 4.1.9 Competitor Analysis

While expansion of Skinija’s products to Finland they need to understand their competitors effectively beforehand. It might help them to choose the right strategy to stand out from the rest of the crowd i.e. their competitors and bring maximum market share for their products. The tables added below outlines some of the advantages and disadvantages of Skinija over its competitors and vice a versa.

Table 14 Advantages and Disadvantages of Skinija’s competitors in Finnish Market

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• It is their own domestic market</li> <li>• Finnish being their native language so easy to do business with native customers</li> <li>• Common culture</li> <li>• Networking is easy for them as they know their market and the top players of relating business</li> <li>• Recognized brand name of their product</li> </ul>	<ul style="list-style-type: none"> <li>• High labour cost in Finland which results in high pricing of the products</li> <li>• Higher taxes</li> <li>• Mostly retailors and agents doing business in the market</li> <li>• Less variety in product quality and design</li> <li>• Not much experience in Textile sector</li> </ul>

Table 15 Advantages and Disadvantages of Skinija in Finnish Market

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Skinija already has experience working with European Clients in countries like: Latvia etc. and also in international markets</li> <li>• Highly cost effective products</li> <li>• Wide range of variety in design, quality and product types</li> <li>• Specializes in children products as well</li> <li>• Great working Experience in textile sector</li> <li>• Short production and delivery time</li> <li>• Ability to produce small batches</li> <li>• High technological and linguistic staff competence and work culture</li> <li>• Relatively low labour costs</li> <li>• Geographical location</li> </ul>	<ul style="list-style-type: none"> <li>• Skinija being new to the market needs to research hard about what decisions to take and which entry strategy to follow up</li> <li>• Great risks involved in decision taking</li> <li>• Market and client culture and society are unknown</li> <li>• No previous reference in the Finnish market</li> <li>• As they will be involved in exporting and not direct export in the beginning so there is no possibility to meet and share experiences about their products with clients</li> <li>• Non recognized brand name of their product</li> </ul>





Having discussed the general advantages and disadvantages in the above mentioned table now it is required to know exactly who would be the competitors in real market. And for this the author conducted deep research by contacting the directly related Skinija’s officials and some big names in Finnish market. The following theories were revealed. During the interview CEO and product manager mentioned about the following two main types of competition which Skinija faces.

1. Direct Competition: The direct competition for skinija in Finnish market is by the firms which follow the same business model and distributes similar kind of products. In Finland there are many firms which sell similar products like skinija but most of them either operate through retailers or are selling in big stores or are doing small business online. Some of them are also selling by contacting themselves in small stores or directly selling under their own brand name online on websites.

On research made by the author the biggest competitor for Skinija is SIDOSTE OY, which is listed one of the top suppliers, producers and distributors in Finland. (Textile and clothing, Europages Directory). It is based in Tampere and was established to serve Finnish customers since 1945. It also has wide range of variety. The following table lists the top few socks distributors in Finland:

Table 16 Competitors/Distributors in Finland (Finnish Fashion.net, 2013)

<p>1.Karkelonsukka Jyväskylä</p> 	<p>2.Mi-sukka Oy Mikkeli</p> 
<p>3.Pikkoset Oy Vantaa</p> 	<p>4.Romeo &amp; Julia Tampere</p> 
<p>5.Sidoste Oy Tampere</p> 	<p>6.Sukaat Espoo</p> 

<p>7.Sukkamestarit Tampere</p> 	<p>8.Sukkanet Nurmes</p> 
<p>9.TESEMA Nurmes</p> 	<p>10.Ulla</p> 

Also domestic retailers pose to be big competitors for Skinija in their product ranges. Kesko, S group, Stockmann and verkkokauppa.com (online retailers) are big names in retailing market of Finland. They are described as under:

- a) Supermarkets: The S group operates 4 distinct chains of supermarkets out of which two offer similar products as Skinija:
  - S-market: largest supermarkets with better selection of goods for sale. There are 400 shops around Finland. They generate a revenue of 49% and retail products in the private brand Rainbow, the no-frills Hyvä ostos(good purchase) and the international Coop label.S group also operates Sokos chain of department stores, ABC service stations etc.
  - Prisma: A hypermarket chain in total with 50 shops in Finland and Baltic states generating 39% of the sales revenue
- b) Stockmann
  - Lindex that is acquired by stockman in 2007, operates in 16 countries with 469 stores.
  - Seppälä acquired by stockman again in 1988 has 220 fashion stores in Finland, Russia nad other Baltic states.
- c) Kesko: It comprises Anttila, K-citymarket, Intersport Finland and Musta Pörssi which trades up to 34%
- d) Verkkokauppa: Online retail sector trading under ticker VERK at OMX NASDAQ first north
- e) Other competitors such as LIDL

During the personal interview with the CEO of the company he also mentioned about their competitors in Finland and other EU countries. He mentioned they pose biggest threat by exports from firms from Turkey, china, Vietnam and India. In terms of price these developing countries pose great threat for skinija’s products in the target market. Though, he mentioned that the biggest advantage that Lithuania has is the EU membership so they pose less product restrictions on their export and off course they meet European quality standards.

2. Indirect Competition: As Lithuania is very specialized in textile and clothing industry and mainly the economy relies on its textile exports thus the Lithuania market itself has large number of competitors which are listed in the table below.

**Table 17 Leading names in textile and clothing sector in Lithuania (Alacrastore. Leading names in textile and clothing sector in Lithuania)**

Companies located in lithuania in the Textiles - Hosiery, NEC industry		
Name	CITY State	Country
AJK PRODUCTION UAB	KLAIPEDA	LITHUANIA
COMFY SOCKS BALTIC UAB	KAUNAS	LITHUANIA
DABALTA UAB	VILNIUS	LITHUANIA
DENATEKSA, UAB	KAUNAS	LITHUANIA
DIGOKSA UAB	KAUNAS	LITHUANIA
ESKIMO SOCKS UAB	KAUNAS	LITHUANIA
FIANETA, UAB	VILNIUS	LITHUANIA
HEGOMA UAB	Grigaičiu k., Vilniaus r.	LITHUANIA
KANTA SPORT UAB	GARLIAVA	LITHUANIA
KORLEJA UAB	VILNIUS	LITHUANIA
LORITA UAB	KLAIPEDA	LITHUANIA
PARKAS UAB	KAUNAS	LITHUANIA
REKLAMOS SIUVINEJIMAS UAB	VILNIUS	LITHUANIA
SAPOR LIETUVOS - DANIJOS UAB	MARIJAMPOLE	LITHUANIA
SERKSNE UAB	KAUNAS	LITHUANIA
SKINIJA UAB	KAUNAS	LITHUANIA
SPARTA AB	VILNIUS	LITHUANIA
TADETEKS UAB	VILNIUS	LITHUANIA
TEKSMA UAB	VILNIUS	LITHUANIA
TUTA UAB	ANYKSCIAI	LITHUANIA
VEGATEKSA UAB	Garliava, Kauno r.	LITHUANIA
VILANITA UAB	VILNIUS	LITHUANIA
VIRLETA UAB	KAUNAS	LITHUANIA
WEAREX UAB	KAUNAS	LITHUANIA

The below added table also states various companies by sales results in Lithuania which are main competitors to Skinija.

Table 18 Biggest Lithuania textile and apparel sector companies by sales results, 2007 (see Lithuanian Apparel and Textile Industry Association, <http://www.latia.lt>)

Position	Company name	Sales revenue, thous. euro 2007 / 2006	Profit before taxes, thous. Euro 2007 / 2006	Main activity	Residence	CEO	
1	2	Utenos Trikotažas	39.834 / 47.287	2.252 / 1.283	Knitted fabrics	Utena	Nerijus Vilūnas
2	3	Audimas grupė	32.139 / 32.100	n/a / n/a	Clothes	Kaunas	Eglė Gruodienė
3	6	Linas grupė	18.658 / 14.700	196 / -1.300	Fabrics & sewing	Panevėžys	Martynas Jasinskis
4	5	Lelija, UAB	17.751 / 17.692	130 / 124	Clothes	Vilnius	Gėnė Zaveckienė
5	8	Audėjas, AB	16.041 / 14.447	248 / 133	Textile articles, fabrics & yarns	Vilnius	Jonas Karčiauskas
6	7	Vilnika, UAB	14.856 / 14.666	183 / 223	Textile articles	Vilnius distr.	Laima Petrauskienė
7	10	Vemitas, AB	13.058 / 14.130	706 / 1,7	Yarns	Marjampolė	Kęstutis Liubinas
8	13	Interscalit, UAB	8.849 / 6.905	5,8 / 406	Coverlets, pillows, mattresses	Šiauliai	Petras Andriūška
9	-	Litekso, AB	7.511 / 7.685	656 / 648	Textile articles	Kaunas	Virgilijus Varža
10	15	Skinija, UAB	6.632 / 6.401	n/a / n/a	Socks, tights	Kaunas	Tadas Rimkevičius
11	19	Visatex, UAB	6.267 / 6.614	39,7 / 237,8	Clothes	Visaginas	Andreas Nuchting
12	25	Omnitekso, UAB	5.941 / 3.731	737 / 33,6	Knitted fabrics	Kaunas	Audronė Pocienė
13	16	Neaustima, UAB	5.410 / 5.933	n/a / n/a	Non-woven fabrics	Šiauliai	Raimondas Lukauskas
14	20	Klasikinė tekstilė	5.257 / 5.195	n/a / n/a	Clothes, home textiles, fabrics	Kaunas	A. & R. Baumilia
15	21	Vilkma, AB	5.233 / 5.063	15,9 / 270	Clothes	Ukmergė	Acting CEO Giedrė Plačalkytė
16	17	Siūlas, Biržų AB	5.180 / 5.713	-349 / 3,8	Linen fabrics, sewed products	Biržai	Vidmantas Gražins
17	23	Kauno Baltija, AB	4.675 / 4.616	640 / 618	Upper garments	Kaunas	Raimundas Žvatkauskas
18	22	Sparta, AB	4.293 / 4.995	n/a / 87,8	Knitted fabrics, socks	Vilnius	Zenonas Janavičius
19	14	Linų audiniai, AB	3.831 / 6.428	n/a / -546	Linen fabrics	Plungė	Alvidas Vitkevičius
20	27	Pažiūtis, UAB	3.559 / 3.090	4,1 / 16,2	Footwear	Vilnius	Artūras Steikonis
21	34	Kirptė, UAB	2.956 / 1.182	207,4 / 84,9	Clothes for sport and work	Alytus	Algirdas Grabys
22	24	Dainava, AB	2.766 / 4.063	n/a / n/a	Upper garments	Alytus	Regina Morkuvienė
23	-	Rožė, UAB	2.273 / 1.520	198 / -57,9	Ladies' wear	Vilnius	Tatjana Treščenkova
24	-	Švytis, UAB	1.845 / 3.963	n/a / n/a	RE rent. Manufacture of clothes.	Tauragė	Antanas Stankus
25	30	Verpstas, AB	1.345 / 2.055	-334 / 181	Knitted fabrics	Šiauliai	Gintautas Martinaitis

## 5. CONCLUSION AND SUGGESTIONS

The author was invited to participate in Eko-Nord Development project held for Nordic expansion in 2012 for few top companies in Lithuania. The programme was a joint effort from universities and the companies. The initial idea for writing thesis emerged from this programme participation in which the author researched about current situation of Skinija and how it can internationalize its market products to Latvia and other countries. After this research the author discovered that the company officials are willing eagerly to enter other markets to cover up their past crisis and generate profits. After discussions with the company officials, the author decided to take one step ahead on behalf of Skinija to research about their possibility of expansion to Finnish market. The author has utilized his academic and professional knowledge to its best for making this research project a success. The data was collected through books, electronic resources, published



documents, company's official website and through personal interviews with the company officials.

The thesis work starts by giving the background of the study being conducted during this research. It gives a gist about the company Skinija and its current operations, its main objective of internationalization to Finnish market, research questions including primary research and secondary research and limitations to the study being undertaken. The most important question that needs to be answered is the best possible way for skinija's expansion to Finnish market through its export. For this to happen the author undertakes macro and micro environment analysis of Finland by Pestel and Porter's Five forces analysis respectively. He also unveils that export being best possible way for skinija at this moment need an entry mode that follow up a slow and gradual process. The author also considers analysing the company's competitors in Finnish market.

The theoretical framework upholds the research methodology where the author uses deductive reasoning in the process as general concept of expansion of Skinija's products is carefully narrowed down to Expansion in Finland. Observational method is used by the author in the study where a mixture of both qualitative and quantitative methods is used to support the stated texts. Furthermore internationalization a concept is discussed in detail stating the reasons and the different types of entry modes involved in the process. The author discussed the facts and business prospects of both the source and the target country.

## **5.1 Suggestions for Skinija to export to Finnish market**

Finally after going through all the methodology and the possible ways for skinija to enter Finland it is concluded that the company needs to take gradual step towards expansion. This is due to the fact that Skinija being very small scale company does not have immediate enough financial and human resources to meet up the Finnish standards. Thus they need to test the market first and then gradually choose the best strategy to expand keeping in mind all the risks involved in the steps undertaken. Thus the author concluded that Skinija has to undergo indirect export mode at the very beginning and test the market. Once they overcome their fears by making good profits then they should consider direct option. Once Skinija has earned good knowledge and experience

about the target market they opt for joint venture option. Finally in few years from now thinking in long term perspectives Skinija could also consider subsidiaries in Finland.

The author also discovered the current retail sector in Finland which is mainly the S-group including Sokos, Prisma hypermarkets, kesko including Anttila, K-city market, stockman, H&M, Lindex, Kappahl, Finnish Halonen, Seppälä, Moda. Apart from these there are also big home country companies like Marimekko, Finlayson. The swot analysis revealed the fact that apart from a lot of weaknesses that skinijs faces it still has great strengths in its product price and quality which can pose to be a great product in Finnish market. It was also found that though company poses threat form new entrants in the market it still enjoys a lot of business opportunities. The competitor analysis made during the work stated that the biggest advantage of Skinija to do business with Finland is its geographical location and it being part of EU which leverages fewer restrictions on their products for exporting to Finland. The company faces direct competition from Sidoste Oy and other big players listed in Finland like: Mi-sukka oy, Karlonsukka, Sukat espoo etc. Also domestic Retailors like supermarkrts- s market, prisma, stockman, kesko- anttila, k-citymarket etc pose to be threat for skinija´s products in Finland. Indirect completion is given by various companies in Lithuanian domestic market, biggest names being Sparta Ab, Eskimo socks etc.

## **5.2 Suggestions for Future Research**

The thesis undertaken for research by the author focuses mainly on the process of internationalization through choosing best possible entry modes for Skinija´s business in the Target market Finland. Keeping this into account other analysis are also made but the main area of focus remains mainly the same. Also competitor analysis is done efficiently so that the company exactly knows the big players in target market and its potential future. There are still many topics uncovered in the thesis that can support Skinija to practice business effectively in Finland. These include marketing plan, investment plan, promotion strategy, pricing strategy, customer and product segmentation, choosing the right target market and many others. So once Skinija accepts the research made in this thesis, further areas of research needs to be undertaken in future.

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## APPENDECIS

**Lithuania is the EU's biggest clothing supplier in the Baltic States**

In the EU market, Lithuania is the second biggest external supplier of textiles, after Estonia, among the Baltic States (Table 13). However, Lithuania is by far the biggest supplier of clothing, and hence the biggest supplier of textiles and clothing combined.

**Table 13: EU trade in textiles and clothing with the Baltic States, 2000 and 2001 (Euro mn)**

	EU exports			EU imports			EU trade balance		
	Value 2000	Value 2001	% change 2001/00	Value 2000	Value 2001	% change 2001/00	Value 2000	Value 2001	% change 2001/00
<b>Textiles</b>									
Lithuania	258.4	309.9	19.9	85.6	104.6	22.1	172.8	205.3	18.8
Estonia	153.3	163.0	6.3	108.8	115.7	6.3	44.5	47.3	6.3
Latvia	114.4	123.2	7.7	47.9	51.2	6.8	66.5	72.0	8.3
<b>Clothing</b>									
Lithuania	86.2	99.5	15.4	449.5	534.8	19.0	-363.3	-435.3	19.8
Estonia	55.5	64.1	15.6	172.9	180.2	4.2	-117.4	-116.1	-1.1
Latvia	47.9	52.9	10.5	195.9	208.8	6.6	-148.0	-155.9	5.3
<b>Textiles and clothing</b>									
Lithuania	344.6	409.4	18.8	535.1	639.4	19.5	-190.5	-230.0	20.7
Estonia	208.8	227.1	8.8	281.7	295.9	5.0	-72.9	-68.8	-5.6
Latvia	162.3	176.1	8.5	243.8	260.0	6.7	-81.5	-83.9	2.9

Source: Euratex.

Figure 35 EU Trade in textile and clothing with Baltic States 2000 and 2001 (Textile Intelligence Limited, Profile of the textile and clothing industry in Lithuania, By Robin Anson Published September 2002)

**OUTLOOK**

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<p><b>The industry has recovered from rapid decline in the early 1990s</b></p> <p><b>It has re-equipped and ensured that productivity growth has kept up with wage increases</b></p>	<p><b>STRENGTHS AND WEAKNESSES</b></p> <p>Like other sectors of the Lithuanian economy, the textile and clothing industry suffered from fairly rapid decline in the early 1990s. But since the mid-1990s it has recovered.</p> <p>The industry has managed to maintain its competitiveness in recent years by re-equipping its factories and ensuring that productivity growth has kept up with wage increases (Table 15). More than three quarters of the industry's production facilities have been modernised over the past decade.</p>
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Figure 36 Outlook (Textile Intelligence Limited, Profile of the textile and clothing industry in Lithuania, By Robin Anson Published September 2002)

### Doing Business with Finns

Meeting and greeting: It is very important aspect of doing business and is stated as under

- A firm handshake for both genders but being introduced to a group hands are shaken with the women first.
- People are addressed by title first and then their surname

Business meetings:

- Meetings need to be arranged and confirmed beforehand verbally and in writing too. The normal opening hours in winters are 08.00-16.15 and 08.00-15.15 in summers.
- Business cards are preferred at any business meetings and should be presented to everyone present in the premises
- The business presentations need to be fluent, organised and logical with smooth flow in context of the business. Finns like to come down to business straight away.
- Body gesture being very important for Finns as they like to talk directly while looking in the eyes when talking.
- Emotions show off should be avoided and conversations should not be informal to great extent.

Protocol and business customers: The appointments should be requested and schedules quite in advance. Timely appearance/punctuality in meetings is highly recommended. Using emails as means of communication is always good before calling directly.

Corruption: Rate of corruption is almost negligible in Finland and Finnish companies protect their reputation firmly. Finns do not accept packages offered in an unofficial manner. The Finns respect and like to have transparency in businesses and are interested in knowing all the details involves in the business.

Business culture: They are specific to time, value rules, quality, efficient negotiations, explicit conditions and compliance with agreements. Deliver delays or non-compliance with legislation is not at all acceptable and may lead to abrupt relationship damages in businesses.

### **Interview with the company officials (CEO, Product manager, officials at Kaunus)**

1. General Review about the company: Skinija is ranked 8,525,924 in the world (among the 30 million domains).
2. About Company: SKINIJA has been started in 1996 in Kaunas. Its main activity is the manufacture of socks for men and socks and tights for women and children. Production is made in own premises of about 4000 sq. m. Approx. 50% of it is being sold under own SKINIJA trademark, and the rest is manufactured for our various European clients and partners. SKINIJA creates and presents its original spring/summer and autumn/winter collections twice a year. Recently after getting hit by the biggest financial crisis Skinija in Kaunas split its production and sales department. Its production is now done under Disoksa and then finally the products are sent to the skinija where they are further sent to

big retailers and suppliers for selling the products. It sells its socks in Lithuania under its own recognized name but also has agreed on to sell under the name of big brands so it practices B2B and B2C type of chain. It has in total the workforce for 200 employees.

3. Activity: Sales of SKINIJA in 2004 exceeded 12 million Litas (EUR 3.5 million) and have reached 16 million Litas (EUR 4.6 million) during 2005. It is planned that during 2006 sales should further grow by at least 15%. About 30% of products are sold in Lithuania, and 70% are exported, mainly to Scandinavian countries, Belgium, Latvia, and Russia.
4. Philosophy: Work of SKINIJA is based on the attempt to improve all the time. Dimensions of Skinija are: STYLE: It tries to render this possibility when it creates products of original design and uses variety of colours.
5. Quality: The basis for quality is accurate choice of materials and continually improved technologies of production.
6. Comfort: These are the newest technologies, which guarantee the functionality of socks while skiing or hiking, playing tennis or basketball, running long distances or cycling. Specifically fit new materials absorb sweat, extrude moisture, or hold the warmth better, depending on the situation and chosen product.
7. Team: The greatest value of SKINIJA is people, employed in the company. Technologists, technicians, designers or marketing – these are the creative and experienced specialists, who create and are able to reach their goals. They are people, who prefer ideas and their implementation to hierarchical or formal structures.
8. Production: Production is made from a wide range of natural and synthetic fibres: combed and mercerized cotton, Modal and Tactel, Lycra and Coolmax, wool and silk. Italian equipment Sangiacomo, Matec and Santoni make it possible to knit the original design of socks and tights or to achieve the technical properties of ergonomic socks. Production made only when there is demand in the market i.e. MTO (Made to order) model followed.
9. Payment Strategy: Payment is accepted by PayPal (this is preferred payment method with are no extra charges incurred), Personal Cheque or Direct Bank Transfer.
10. Ergonomics: Ergonomic Professional Training, Tennis Socks Specification: A special terry knit high-heel keeps it soft and comfortable Reinforced parts of toe and heel A special construction elastic band with lycra covers feet more tightly in one place A soft terry foot SKINIJA is the first company in Lithuania that started making ergonomic sport socks for the amateurs and professionals. Socks for alpine skiing, hiking, roller-skates and ice-skates, tennis, basketball, and aerobics have already been presented by SKINIJA.



Different kinds of sports have specific zones of legs, which are loaded the most when moving intensively. Special construction of socks protects sensitive areas of shins and feet from attrition. In order to decrease attrition in these zones and to soften the knock, special thicker layer of pushy weave is used in certain areas

11. Competitors in Lithuania: International market competitors are Chinese and Turkish manufacturers offering their products at considerably lower prices.
12. Aspect of international expansion: Willing but at a slower pace because of lack of resources, modern technology equipment's, lack of knowledge and financial resources.
13. Latest strategy of doing work: Giving best possible designs and quality to customers at low prices to compete domestically and internationally in terms of quality and price.