

Joonatan Akkanen

Key Factors for Entering the Hotel Design Market in the UK

Case dSign Vertti Kivi & Co

Helsinki Metropolia University of Applied Sciences

Bachelor of Business Administration

International Business and Logistics

Thesis

6 November 2017

Author Title	Joonatan Akkanen Key Factors for Entering the Hotel Design Markets in the UK
Number of Pages Date	65 pages + 2 appendices 6 November 2017
Degree	Bachelor of Business Administration
Degree Programme	International Business and Logistics
Specialisation Option	International Business and Logistics
Instructor	Daryl Chapman, Senior Lecturer
<p>The constantly growing tourism has made the hotel sector an interesting target for investment companies. Globally there are many untapped opportunities that Finnish interior design agencies could exploit much better. However, in many cases there are challenges that prevent a successful expansion. According to this study, the challenges can be caused by the insufficient level of design, lack of international competence among the global business development team or lack of credibility and references in the international markets.</p> <p>The purpose of this study was to identify the key factors and the targets for development for dSign Vertti Kivi & Co to support their efforts to enter the hotel design market in the UK. The study focused on comparing different kinds of strategic models to find the best one for the situation of dSign Vertti Kivi & Co. Besides that the other factors that were identified to be crucial to successfully follow through the strategy in practise were analysed during the process.</p> <p>This thesis was carried out through literature reviews and interviews. Especially the data collected through interviews provided important insights from the hotel owners who often act as buyers and choose the designers. Additionally, the second set of interviews, which focused on internationally succeeded interior design agencies brought out valuable experiences from the persons who had been in the similar position, as dSign Vertti Kivi & Co at the moment.</p> <p>As a result, the combination of direct exporting and strategic partnerships was found to be the most recommended strategic model to enter new market. It was also noted that the strategy has to be supported by the accurate team, which is internationally highly competent and aware of the macro- and micro-environment factors of the UK market. Thirdly, dSign Vertti Kivi & Co has to identify and find the ways to overcome the most common challenges of internationalisation, which are also discussed in this study.</p> <p>Finally, it was confirmed that a successful international expansion requires extremely high level of design that constantly has to improve and stay up-to-date. Any of the strategic elements have no use if the design does not meet the standards of the international hotel market.</p>	
Keywords	Interior Design, Strategy, Internationalisation, PESTLE, Five Forces, International Competence

Contents

1	Introduction	1
1.1	General Overview	1
1.2	Objectives and research question	1
2	Research Methods	3
2.1	Methodology overview	3
2.2	Data collection - primary and secondary data	3
2.2.1	Primary data	3
2.2.2	Secondary data	4
3	Case Company – dSign Vertti Kivi & Co	5
3.1	Company background and recent year performances	5
3.2	Scope of products and services	6
3.3	Service process overview	8
3.4	Company structure and personnel	10
3.5	Main customer segments	11
3.6	Main competitors	12
3.7	Future outlooks	12
4	Interior Design Market Overview	12
4.1	Nature of business	13
4.2	Different kinds of companies in the market	13
4.2.1	Interior design companies	13
4.2.2	Architect design companies	13
4.2.3	Furniture suppliers	14
4.3	Reasons to go international	14
4.4	Reasons behind the selection of the UK as the first international target market	15
5	Factors in Internationalisation	16
5.1	Internationalisation strategies	16
5.1.1	Exporting	18
5.1.2	Contractual arrangements	19
5.1.3	Joint ventures and strategic alliances	20
5.1.4	Wholly owned subsidiaries	21
5.2	Strategy supportive factors	22

5.2.1	Competitive advantage	22
5.2.2	Building credibility	24
5.2.3	Management and right people	26
5.3	Common challenges of internationalisation	31
6	Opportunities and Challenges in the UK Market	34
6.1	PESTEL analysis	35
6.1.1	Political	35
6.1.2	Economic	36
6.1.3	Social	39
6.1.4	Technological	42
6.1.5	Environmental	42
6.1.6	Legal	43
6.2	Five forces analysis	44
6.2.1	Threat of new entrants	45
6.2.2	Threat of substitutes	45
6.2.3	Bargaining power of customers	46
6.2.4	Bargaining power of suppliers	46
6.2.5	Industry rivalry	47
7	Data Analysis and Results	47
7.1	Interview 1: The decision making process of hotel investment companies	48
7.1.1	Philipp Klohr – Vice President at Cedar Capital Hotel Investments	48
7.1.2	Pirjo Ojanperä – Partner at Capman Real Estate	50
7.2	Interview 2: Internationalisation of the world’s leading design companies	53
7.2.1	Marcel Wanders - Founder of Marcel Wanders Design Studio	53
7.2.2	James Snelgar - Partner & Head of Global Business Development of YOO Design	55
8	Conclusion	55
8.1	Conclusions	58
8.2	Recommended further actions	60

References

Appendices

Appendix 1. Questions for the Global Interior Design Companies

Appendix 2. Questions for the Hotel Investors

List of Tables and Figures

Figure 1: dSign Vertti Kivi & Co's service process	8
Figure 2: Organisational structure of dSign Vertti Kivi & Co	10
Figure 3: Average revenues per available room in the major cities	16
Figure 4: The level of involvement in relation to different entry modes	18
Figure 5: Factors of credibility	24
Figure 6. Functional organisational structure.	27
Figure 7: Divisional organisation structure	28
Figure 8: International area structure	28
Figure 9: Global matrix structure	29
Figure 10: Layers of the business environment	34
Figure 11: Real consumer spending growth (%) in 2015-2018	37
Figure 12: Inflation rate growth is expected to exceed the target level in 2018	37
Figure 13: Expected affect of "hard brexit" on GDP	38
Figure 14: UK's top ten sender countries of migrants	39
Figure 15: Foreign employees on the hotel sector	40
Figure 16: The impact of terror attacks on hotel revenues in the major cities	41

1 Introduction

1.1 General Overview

The appreciation of design has recently been growing and it has become an increasingly important part of new office buildings, residencies, shopping centres and hotels. Together with increasing tourism, which attracts investors to invest in the hotel sector, this combination creates great opportunities for interior design agencies. However, the market in Finland is fairly small, which means that also the number of projects is limited, which makes the companies that are looking for growth to aim at international market.

Design is a very universal matter as there are hotels and other properties built everywhere in the world that create global demand for proficient designers. Over the course of history some Finnish architects such as Alvar Aalto and Eero Saarinen have done remarkable international careers. However, none of Finnish interior designers have been able to do that on a large scale. In other words there are numerous opportunities in the international markets that Finnish interior design agencies have not been able to exploit yet and this paper aims at providing support for dSign Vertti Kivi & Co to fulfil that gap.

1.2 Objectives and research question

This study observes internationalisation from the point of view of interior design company dSign Vertti Kivi & Co. The company has been involved in some international projects over the years; however, a total international breakthrough has not been achieved yet. The growth targets set by the company's management are high, which means that a lot of emphasis and time has to be put on forming and following the international strategy during the upcoming years to successfully reach the targets. According to the CEO Vertti Kivi, the company has chosen the UK to be their first international target market where they are systematically trying to enter.

The track record of dSign Vertti Kivi & Co, which, among many other projects, includes designs of both boutique and branded hotels, cruise ships for Royal Caribbean Cruise

Lines and a new A350 aircraft fleet for Finnair proves that the company has preconditions to succeed internationally. However, the company has to work on its operations and internationalisation strategy to be able to deliver its design to the new markets.

The target of this thesis is to analyse different strategic models how the internationalisation could be both organised and implemented. Simultaneously also other factors that are essential to successfully implement the chosen strategy such as creating competitive advantage, choosing the right employees and building credibility on the foreign markets are discussed. This study focuses on hotel design markets, because hospitality is seen as a globally growing segment (STR 2017).

The first chapters focus on giving the reader sufficient background information about the target company dSign Vertti Kivi & Co. The following chapter deals with the general market conditions and observes the level of competition. In the chapter five the discussion centres around different strategic models and touches on the most common challenges to implement them in the real life.

The chapter six analyses the primary data collected for this particular study. Marcel Wanders, who is one of the world's leading interior designers having an own design studio in the Netherlands and James Snelgar, who is the Partner of world-famous London based YOO Design agency, were interviewed. Both of these design companies have successfully completed a wide-range of projects globally and the interviews focused on their experiences of internationalisation. In addition, Philipp Klohr from Cedar Capital Partners and Pirjo Ojanperä from Capman Real Estate were interviewed to better understand the views of the buyers when they choose interior design agencies.

Therefore, the target of this thesis is to provide dSign Vertti Kivi & Co recommendations of what type of strategy to follow and what kind of other matters they have to take into consideration.

According to the subject of this thesis, the discussion is centred around the research question "What are the key factors for entering the hotel design markets of the UK". The study aims at providing many different viewpoints and as a result of this providing the best possible recommendations for dSign Vertti Kivi & Co.

2 Research Methods

2.1 Methodology overview

The methodology used in this study aims at providing a sufficient support to give the best possible suggestions for dSign Vertti Kivi & Co in implementing successful internationalisation strategy. As in the most theses, existing literature represents an important element also in this study. In order to reach a deeper understanding, additional data tailored for this exact topic is used. Therefore, this study uses both primary and secondary data.

Based on Bryman & Bell's (2015) opinion, data collection is the key point of any research project and correct research methods have to be chosen carefully. Buchanan & Bryman (2009) defines a research method as "... a tool or technique to approach for collecting and collating data".

Data collection methods can generally be divided into two groups, which are structured and less structured instruments. Questionnaires, surveys and interviews are considered structured instruments. Less structured methods are observations and semi-structured interviews that allow the researcher to keep an open mind about what he or she needs to know about the topic (Bryman & Bell, 2015). The research methods used in this study are discussed more closely below.

2.2 Data collection - primary and secondary data

2.2.1 Primary data

According to Bryman & Bell (2015), the primary data are defined as data that is collected by the researcher, who conducts the actual analysis. Therefore, it is specifically tailored for the purpose of the certain research project. Thus, the main advantage of primary data is that they are collected for the particular project at hand. This means that the data are more consistent with research questions and objectives (Ghauri & Gronhaug 2005). The primary data might be more expensive and surely more time-consuming to obtain than using secondary data sources available (Bryman & Bell 2015).

As this thesis focuses on internationalisation of the company belonging to the group of small and medium sized enterprises, it is significantly important to hear experiences from the executives of same types of companies who have been in the similar position and managed to take their business international. It is also important to study the decision-making procedures of potential clients and to hear what kind of factors they value when they choose a designer. Therefore this study uses interviews as a primary data collection method and the answers and discussions are analysed in the light of theories introduced in this thesis.

2.2.2 Secondary data

Secondary data mean data collected by some other researcher than the one who analyses the final results (Bryman & Bell 2015). The main advantages of using secondary data are enormous savings in time and money as complete studies and results are already available. The drawback is that the data are collected for another study with different objectives and the results may not perfectly fit the key problem (Ghauri & Gronhaug 2005).

This thesis uses secondary data by analysing the study that was conducted by Confederation of Finnish Industries, EK. That study was chosen as a data source because it deals with the topic of this thesis very closely as it researches the challenges and trade barriers that Finnish SME enterprises have experienced during their internationalisation efforts. The study was conducted as a questionnaire. The Hotel Performance Outlook (8/2017) by STR and The Economic Outlook (2017) by An Oxford Economics Company are used as secondary data sources as well.

In addition, the PESTEL analysis section in the chapter six uses numerous reports conducted by government instruments and authorities.

3 Case Company – dSign Vertti Kivi & Co

3.1 Company background and recent year performances

dSign Vertti Kivi & Co is an interior design company with the head office located in Helsinki, Finland. dSign is one of the largest design offices in Finland that purely focuses on interior design. The company has recently received a lot of publicity thanks to significant projects such as Finnair A350 fleet design and Tallink Megastar cruise ship (dSign 2017).

The figures showed in 2016 the company's net sales being 3907 thousand euros or approximately 3.9 million. The last year's sales revenue was 21.9 % of the net sales totalling 687 thousand euros. The equivalent net sales figure in 2015 was 3760 thousand or 3.8 million and the revenue was 922 thousand. Since 2000 the figures have remained pretty much on the same level except for small yearly fluctuations. On one hand, the business has been very stable over the past years regardless of the challenging economic situation in Finland; on the other hand there has not been significant growth in net sales (Suomen Asiakastieto 2017).

Vertti Kivi tells he founded a company called IQ Design in 1993, which was the very beginning of dSign Vertti Kivi & Co. Some years after the establishment, in 1997, Samuli Hintikka, the interior architect joined him and they started to work together with all sorts of design projects. At that time most projects were quite small offices or shops but little by little this duo was becoming more recognized in the design field. Hintikka was later also invited to become as a major partner of the company.

According to Kivi, the year 2001 was a decisive year for dSign as, Kaisa Blomstedt, one of the most famous interior designers in Finland at that time, noticed the talent of the duo. Kivi tells Blomstedt suggested him to open a new office together with her. After some consideration he decided to accept the joint venture. In 2001 the name was changed from IQ design to dSign Kaisa Blomstedt and Vertti Kivi. Most importantly, this new beginning started to bring in larger scale projects such as hotels and top-ranking restaurants, which was significantly boosting the reputation of the company and generating more and more high-profile projects.

Kaisa Blomstedt decided in 2004 to move back to her own projects and that was the official start of currently operating dSign Vertti Kivi & Co. Kivi says that later in 2010's also an interior designer Juha Rista (2011) and MsC Joonas Heinonen (2014) were invited to become co-partners and join the management board of dSign Vertti Kivi & Co. dSign Vertti Kivi & Co is now owned by its parent company Vertigo Oy, which is owned by Kivi and Hintikka. Rista and Heinonen act as the partners of dSign Vertti Kivi & Co. On a daily basis Hintikka is acting as the Head of Production and Heinonen as the Head of Sales – both report to the CEO.

3.2 Scope of products and services

dSign Vertti Kivi & Co's core competence is interior design for both private and public interiors. The company also has professionalism to perform supportive tasks that are sometimes required to carry out a successful and professionally finished design projects. Those types of tasks are, for example, brand consultancy and product design.

To be more specific the services dSign provides ranges from quick facelift projects to heavy and long-lasting projects such as new hotels. The types of projects can generally be divided in the following subsections:

- Facelift projects for existing spaces (with narrower design scope)
- Concept design projects
- Full design scope projects
- Special projects
- 3D-brochures.

Facelift projects are implemented for existing spaces that require quick refurbishment. A typical customer is, for example, a restaurant owner who wants to update the "look and feel" of the restaurant, but does not have extensive budget or opportunity to keep the restaurant closed for many days. In that type of a project the design will be changed with relatively small and cost-efficient solutions that are easy to implement without touching the structures of the designed space. The average length of these projects is between two to four months.

Concept design projects are usually designed for larger companies that want to update

or improve their brand images. Recently dSign Vertti Kivi & Co designed a new shop concept for Puustelli Keittiöt that is one of the leading kitchen suppliers in Finland. Another example comes from banking business when the brand image of Aktia was redesigned five years ago by dSign and since then around 20 of their service offices have been refurbished to match the new concept. In that type of projects the focus is, besides general look and feel, on customer flows and customer experience. Therefore, business understanding plays a key role in these projects, as usually the ultimate customer satisfaction is measured by increased profits.

The design that is created from the concept phase to the construction phase follows the process, which is described in figure number one. That is the most common project type as a successful completion of any larger scale project requires a clear process from design direction brainstorming sessions to project coordination taking place at a construction site. This will be explained phase by phase in the next chapter.

Aircraft and cruise ship designs that dSign Vertti Kivi & Co has also successfully carried out throughout the years are considered as special projects. These projects do not appear too often, but dSign Vertti Kivi & Co has know-how and experience to offer design services also for these very demanding clients.

The final service segment is 3D brochures. The end result is basically a booklet of 3D renderings that presents a future outlook of some certain space. This is a very good marketing tool, for example, for construction companies that build and sell new apartments. 3D renderings enable them to illustrate the design that their customers are going to have before the construction has even started in order to help them to sell apartments.

A special element dSign Vertti Kivi & Co is able to offer for projects is its own Space Alive concept. This concept allows to adjust the character and ambience of the space to different situations by changing lighting and moving physical elements such as space dividers. Therefore, one actual space may include three very different scenarios throughout the day, for example, from a breakfast restaurant to lunch restaurant that finally turns into a very intimate dinner restaurant.

CEO Vertti Kivi himself describes the philosophy behind any type of project as follows:

“People live in an ever-changing world and our missions is to make that world visually more interesting. Our strengths lie in providing a powerful vision and producing design that works. The first step in interior design is always to embrace the client’s ideas. This allows us to produce a harmonious design experience. As a motivational and emotional factor, interiors affect us more than we realize. We want to challenge conventional thinking and always implement new ideas.”

3.3 Service process overview

The actual design process depends on what type of project is ordered. dSign Vertti Kivi & Co tend to follow the process that will be explained below, always when possible.

When the full design package is ordered as usually happens with larger projects, the five-phase model, presented in figure number one, will be followed to complete the design. That model contains concept design phase, concept finalisation phase, schematic design phase, detailed design phase and finally the construction phase.

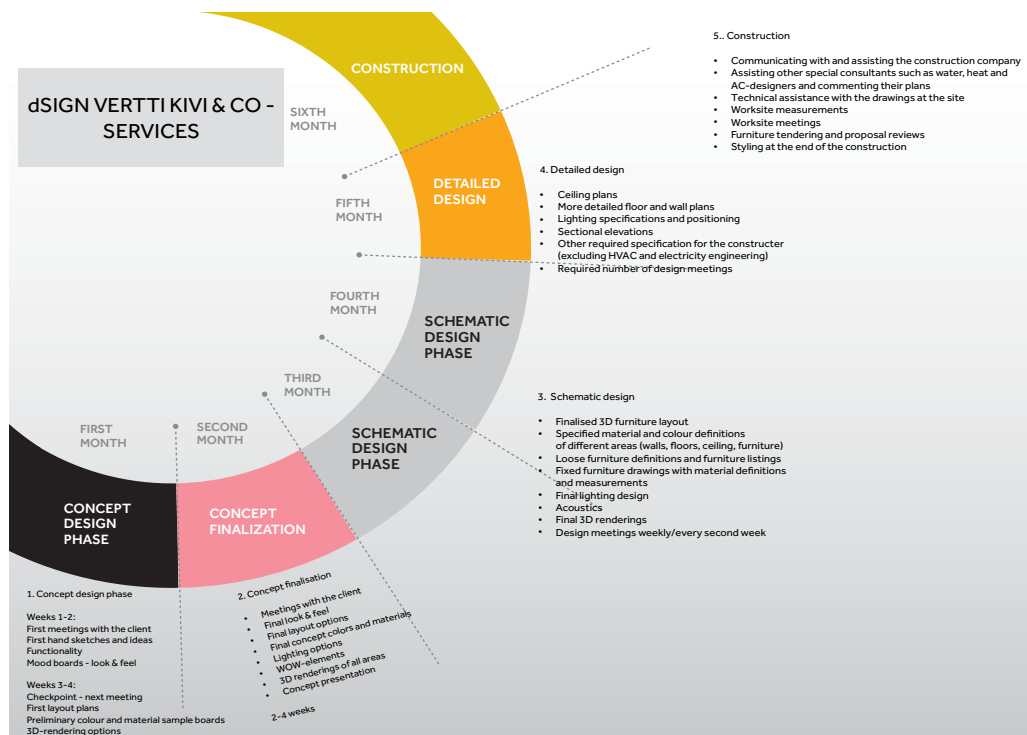


Figure 1. dSign Vertti Kivi & Co’s service process (dSign 2017).

The concept design phase is usually a more general phase mainly focused on brainstorming, hand sketches and 3D renderings. Samuli Hintikka, a partner of dSign Vertti Kivi & Co describes, this is a crucial phase in order to become acquainted with the client and the project, which always makes this phase a learning process for the project team. The early design direction is presented in this phase and the goal is to find satisfying “look and feel” in close co-operation with the client. Once the client has approved the design direction the project can be taken to the next phase.

During the concept finalisation phase the designers give initial options for colours, materials, furniture and lighting that could match the designed concept. However, nothing definite is usually decided. Hintikka also notes that the tangible end results of this phase are hand-sketches, material boards and 3D renderings that seal the approved concept.

During the next, schematic design phase the process shifts to deeper level. The final decisions about finalised layout plans, colours, materials, fixed and loose pieces of furniture, lighting and other fixtures are made gradually with the clients. This stage together with the detailed design stage is usually the longest as these choices are extremely crucial for the project and very personal things for the clients. Thus they want to spend a lot of time making the right solutions together with the designers.

In the detailed design phase the designers draw detailed drawings based on the outcome of the earlier stages. These drawings are very important because they act as guidelines for a construction company, including measurements and elevations that enable constructors to carry out the whole construction. This stage typically overlaps with the schematic design phase.

As the project approaches its end and the construction starts dSign’s role will turn into more supportive. During that phase the project manager attends the meetings at the site to make sure the vision of the designers is met by the constructors and other special designers. Decorative elements and other accessories are usually decided during the construction phase to guarantee a well-finished outcome. As Hintikka puts it: “The main purpose of this stage is to help our clients to finish the space as planned and have a desired outcome when celebrating the opening.”

Sometimes the project covers all the stages from the early design direction workshops to the construction phase. It is also possible a client also wants to start only with concept design and to order that service at first. The same design phases and tasks are more exclusively illustrated in figure number one above.

3.4 Company structure and personnel

Currently dSign Vertti Kivi & Co employs 24 persons. As the figure two, organisational structure below presents, Vertti Kivi acts as the CEO and the Head of Design of the company who is assisted by executive assistant, Saara Salo. Samuli Hintikka, holds the position of the Head of Production. Out of these 24 employees 20 persons are designers forming three design teams. The project managers of the teams are Samuli Hintikka, Taina Lahenne and Juha Rista. dSign Vertti Kivi & Co also have an in-house brand and clothing designer, Miina Karske, and graphic designer, Tapio Haapanen. Three people are working in the business development team taking care of domestic and international sales, led by Joonas Heinonen (dSign 2017).

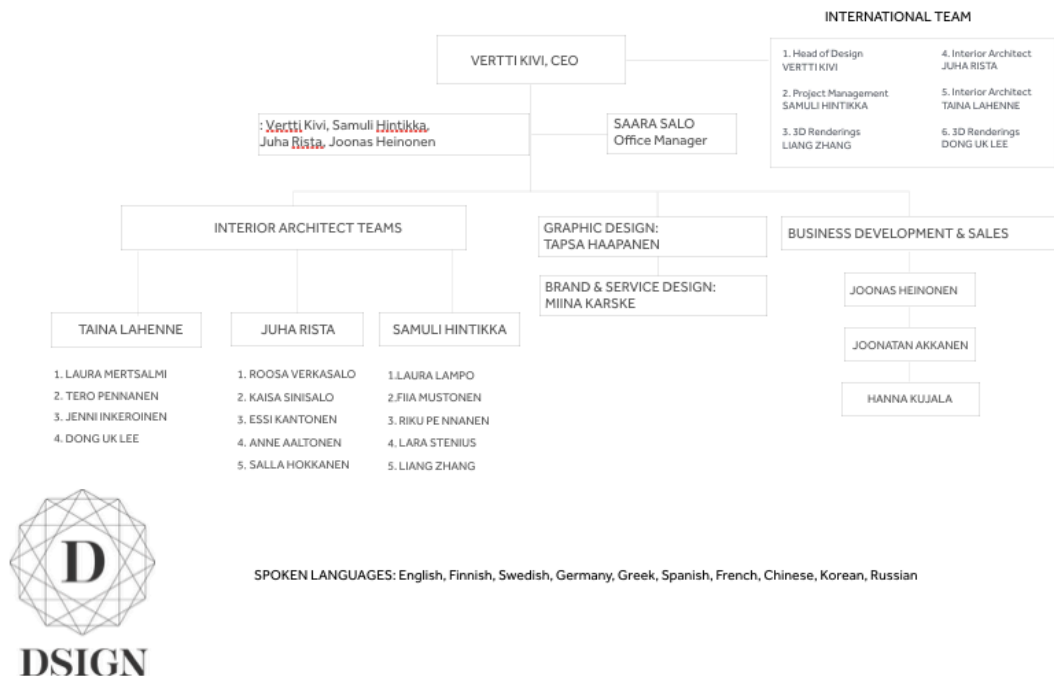


Figure 2. Organisational structure of dSign Vertti Kivi & Co (dSign 2017).

3.5 Main customer segments

The customer base has become very wide in Finland over the past twenty years. It includes large corporations, shopping centre operators, hotel owners and retail chains. Domestically it is relevant to say dSign Vertti Kivi & Co do all kinds of projects from private homes to corporate headquarters in Finland.

The aim is more outlined internationally, as the focus is mainly on hospitality and cruise ship segments. Therefore, potential clients on the international market are hotel owners and investors as well as cruise ship operators. Based on the author's experience on working with hotel projects, it is remarkable to emphasise that in the hotel industry the main customers are especially the hotel owners or operators not the actual hotel brands such as Hilton or Marriott. Against the general assumption the actual brands do not have that much power in selecting the designer, but they do want to ensure the design will match the brand the hotel company has brought into a hotel. The party who makes the final decisions regarding the designer depends on the type of the contract that prevails between the brand, the operator and the owner. These different scenarios will be discussed more exclusively in the chapter seven that includes the interview with Pirjo Ojanperä. The situation is different with the cruise ships as cruise ship operators also own their boats and the decisions come purely from their sides.

To give a clearer picture of the types of the projects dSign Vertti Kivi & Co has recently been dealing with, here is the list of the latest top references and customers:

- Tallink Megastar Cruise Ship, Tallinn, 2017
- Ainoa Shopping Centre, Espoo, 2016
- Hilton Tallinn Park, Tallinn, 2016
- Fazer Headquarters, Helsinki, 2016
- Varma Headquarters, Helsinki, 2016
- Finnair A350 XWB, Helsinki, 2015
- Posti Headquarters, Helsinki, 2015
- Citycon Iso-Omena extension, Espoo, 2015 –
- Tapiola Golf Clubhouse, Espoo, 2015

(dSign 2016).

3.6 Main competitors

The main competitors in Finland are interior design companies Gullstén & Inkinen, Puroplan and Carola Rytsölä that also focus on high-end experimental spaces. Kohina Oy have also showed upbeat performances during the last years and has become a worthy competitor. There is a company called Workspace on the office design field that mainly focus on designing office and negotiation spaces. They can be considered as a strong competitor in that field due to their team's ability also to conduct studies about ergonomics, job satisfaction and other factors companies' management board might find interesting when planning an office refurbishment or move.

Internationally there are a very large number of different kinds of interior design offices. Some of the most recognized ones are STARCK Design, Marcel Wanders Design Studio, Tihany Design, YOO Design and Foster + Partners. In the beginning of internationalisation process dSign Vertti Kivi & Co will probably not be primarily competing with these names but with smaller offices within the UK.

3.7 Future outlooks

The foothold of dSign Vertti Kivi & Co in Finland is very strong. According to Vertti Kivi, the company is often considered as one of the leading design agencies in Finland. He tells the main future goal is to grow internationally, taking simultaneously care the market share in Finland remains at least the same. He believes the major growth has to come through international market as the size of Finnish market and the number of projects are limited. "The long-term vision for dSign Vertti Kivi & Co is to open 1-3 offices globally during the next five to ten years", Kivi stated.

4 Interior Design Market Overview

This section focuses on observing the situation in the interior design market in Finland and surveying briefly the most significant players nationally and internationally. This chapter also covers the reasons why a Finnish based interior design company tries to become international. The reasons why dSign Vertti Kivi & Co sees the UK market being a potential one to enter will be discussed.

4.1 Nature of business

The nature of business is very project orientated in the field of interior design, which already sets some challenges to decide where to start the internationalisation. The design suppliers are usually chosen project by project. On average, one design project lasts from one year to three. The designers work very intensively in the beginning of the projects to find the right concept and give a lot of different options to the client. At the later stages of the project the work happens in intervals: After any important design choice is made other special designers and construction company have to review and approve the plans that always take some time and cause a small break. Thus one project does not guarantee continuous work for numerous employees in one location for many years.

The optimal situation would be to build a long-lasting business relationship with some hotel owner or investor to find links to new possible projects all the time. This does not solve the problem when and where to open an office as these people usually tend to develop their projects not only in one country, but everywhere around the world wherever they can make the most extensive profits. Therefore, finding a good number of projects in one particular location is a very challenging task and requires plenty of valid contact persons.

4.2 Different kinds of companies in the market

4.2.1 Interior design companies

This category contains companies that purely focus on the interiors of buildings. These companies are usually experts at creating spaces that arise feelings and create experiences. They are usually the toughest and the worthiest competitors against each others.

4.2.2 Architect design companies

Traditional architecture companies are one group of competitors. They mainly focus on exteriors, but some of these companies also try to enter interior design field. The level of design is usually much more simple and straightforward compared to interior design

companies; they are, however, able to compete with price. They can sometimes give a total price for both exteriors and interiors that might be slightly cheaper than hiring a separate company to do the interior design. Nevertheless, the most common practise nowadays is to hire these two professionals, the designer and the architect, separately.

4.2.3 Furniture suppliers

Furniture suppliers are the last group of competitors that try to sell their furniture to different kinds of design projects. Some of these companies also do very primitive design, as a part of their marketing strategy if the client is committed to buy the furniture from that certain supplier. They can, for example, provide free layout plans or material charts for the clients that have agreed to buy their products.

4.3 Reasons to go international

All these three types of companies, mentioned in the previous chapter strive for projects of a high standard in which the customer experience and innovativeness play a major role. The number of that type of projects in Finland is fairly limited in relation to the number of companies competing of them. Some of the most important project types for a company like dSign are hotels, high-end restaurants, shopping centres and headquarters. There are also smaller projects that support the business but these are not the projects that can dramatically increase or decrease the net sales. International expansion is therefore crucial to grow the size of business.

Internationalisation is a necessity to dSign Vertti Kivi & Co to achieve the future growth goals. That is because the company has already been involved in most of the major projects in Finland during the past five years thus it is difficult to increase the market share only by winning more domestic projects. Significant growth in the domestic market would require a dramatic increase in larger scale projects in Finland. That is fairly an unsure scenario and would take a lot of time. Therefore Vertti Kivi believes that heading to international market is a much better and faster way to grow.

4.4 Reasons behind the selection of the UK as the first international target market

Market selection is always an extremely crucial part and the first step of going international. There are a few clear reasons why dSign Vertti Kivi & Co have chosen the UK market being the one where they aim at opening the first international office setting.

Among the design companies London has always been a very highly recognized and competed market, which makes it interesting, Vertti Kivi says. He also adds that having a successful start in this challenging market will give a lot of credibility for entering other markets for further expansion.

Another remarkable reason is that dSign have already executed a market research for the UK area and found out there are a good number of possible new clients. According to Kivi, occasional meetings with the persons found during the market research, who are mainly the design executives of hotel brands or hotel owners, have shown the level of design is on the required level to compete with the local companies. It proves that there is a demand also for other than traditional English design although there are still other challenges to overcome before a successful market entry is possible. These challenges are discussed in the chapter five.

London is also the location for the headquarters of many significant property investment companies owning a wide number of hotels around the UK. Most of these companies such as Blackstone have a wide range of investments around the Europe as well although the headquarters are located in London where the decisions are made. They are therefore excellent contacts as they can also provide a way to other international market later on. In addition, according to statistics presented in figure three by STR (2017), the average revenue per available room (RevPAR) in London is relatively high and it has been recently growing despite of terror attacks taken place in London. This refers to solid hotel markets and, thanks to positive figures, also growth in the number of new hotels planned can be expected.

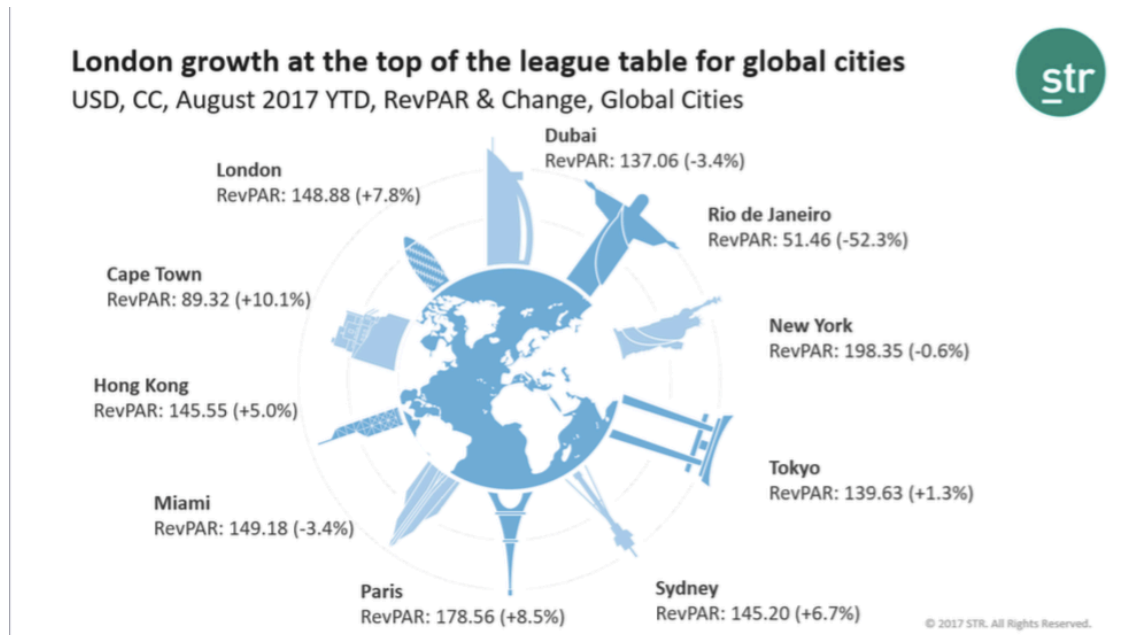


Figure 3: Average revenues per available room in the major cities (STR 2017).

According to Top Hotel Projects, which is a data engine, following the number and the phase of hotel projects around the globe shows that on 16 August 2017 there were 234 hotel projects in progress in the UK. Roughly half of these projects were already under construction or in the pre-opening phase indicating that the designer had already been chosen. There were still 113 projects under vision planning, pre-planning or planning phases when the designer selection and tendering is usually carried out (Top Hotel Projects 2017).

As Vertti Kivi states, these facts and the executed market research have proven there are a lot of opportunities in the hotel market that has lead to the decision to choose the UK as a target market.

5 Factors in Internationalisation

5.1 Internationalisation strategies

Choosing the right strategy according to the company's targets and the degree of commitment is a major cornerstone when planning to go international. It is very difficult to start to achieve a global expansion without a persevering strategic model, as all the resources involved in this challenging process have to know their roles and clear guidelines to follow (Johnson et al. 2017). As Doole, Lowe & Kenyon (2015: 225) put it: "For

the majority of companies, the most significant international marketing decision they are likely to take is how they should enter new markets, and how they will maintain and build their involvement in existing markets to increase their international competitiveness.”

The international entry modes are often divided into four main segments: exporting, contractual arrangements, joint ventures and wholly owned subsidiaries. These four models are observed more closely over next chapters (Johnson, et al. 2017).

The firm’s objectives and attitudes besides the confidence in the capability of its managers to operate in foreign countries significantly affect the initial market entry decision. Once the decision to expand to the new market has been made the company needs to analyse a number of criteria before choosing a potentially successful method for entering the market. These factors are considered as follows:

- The company objectives and expectations relating to the size and value of anticipated business
- The size and financial resources of the company
- Its existing foreign market involvement
- The skills, abilities and attitudes of the company management towards international marketing
- The nature and power of the competition within the market
- The nature of existing and anticipated tariff and non-tariff barriers, and other country specific constraints, such as legal and infrastructure limitations
- The nature of the product itself, particularly any areas of competitive advantage, such as trademark or patent protection
- The timing of the move in relation to the market and competitive situation.

(Doole, Lowe, Kenyon 2015).

In addition to the factors mentioned above, a company has to determine what the level of involvement they want to carry is while entering new market. The level of involvement in relation to different market entry modes is shown in figure four below. The modes on top of the list have the highest level of involvement, whereas the ones at the bottom have the lowest.



Figure 4. The level of involvement in relation to different entry modes (Doole et al. 2016).

From dSign Vertti Kivi & Co's perspective the question of involvement is the most significant question at the moment. The question is whether to first open the sales office to support the sales process by giving a local image or alternatively wait until the first projects start. The recommendation relating to this will be given in the conclusion chapter eight.

5.1.1 Exporting

This entry mode can be divided in two main types of exporting: 1) Indirect exporting and 2) Direct exporting (Johansson 2006).

Indirect exporting is a practice by which a company is selling its product or services through the domestic intermediary (Wild J & Wild K 2012). The advantages of this model are low entry cost and low financial risk. It usually neither requires additional staff to be hired. Therefore this is a relatively fast strategy to implement. There are also numerous disadvantages. The most crucial ones are low profitability of transactions and the fact that there will be a full dependence on the domestic intermediary. This also prevents the company to gain international experience and market information about the target market (Horská et al. 2014).

The identity and the story behind the company are very important for the interior design companies. As design is usually a very personal matter for both the client and the de-

signer, it is very important to have a personal contact with the potential buyer as James Snelgar from YOO Design confirms on his interview treated in the chapter seven. The individuals who can message the desired brand image and the identity of the company are the only ones who work in that environment daily. Selling interior design also requires a lot of knowledge about the design style and direction the company is representing. Indirect exporting would be very challenging to use as an entry strategy in the field of interior design business.

As Wild J & Wild K (2012) state, direct exporting stands for the practice by which the company sells its products directly to buyers in a target market. It can be carried out through a foreign agent or a foreign distributor or alternatively having a representative office at the market (Johansson 2006). The first two options may cause similar challenges as there are in indirect selling because the person representing the company is a person outside the core of the enterprise. The representative office instead provides an opportunity to physical local presence in the target market and a direct contact with foreign customers. The personal contact with potential foreign customers is a very remarkable benefit in this model. Market knowledge and international experience is gained simultaneously and there is a permanent possibility to respond to foreign market signals (Horská et al. 2014).

5.1.2 Contractual arrangements

Two main forms of contractual arrangements are licencing and franchising. In licencing the company that owns intangible property (acting as a licensor) grants another firm (acting as a licensee) the right to use that property for a specified period of time (Wild J & Wild K 2006). Based on the generated sales profits by the licensee, the licensor usually receives royalty payments (Doole et al. 2016).

Wild J & Wild K (2006) write that franchising is a form of contractual agreement in which one company (acting as a franchiser) supplies another (a franchisee) with intangible property and other assistance such as concept framework. Franchising contracts usually last over an extended period. It is a fast way to expand operations around the globe but mainly works among large and highly recognised brands as that is the most important single item the franchisees look for.

Licensing is commonly used for patents, copyrights, trademarks and brand names whereas franchising is primarily used in service industries such as lodging and restau-

rants. The franchiser usually gives the franchisee strict guidelines on product quality, management procedures and marketing promotions (Wild J & Wild K 2006).

Either of these two entry modes cannot genuinely fit interior design companies' purposes as all the design projects are unique and it is very difficult to licence or franchise creativeness and unique design styles. In some singular cases it could be possible for a very highly recognized design agency to act as a licensee and grant its brand name to another smaller design agency that meets its design quality criteria.

5.1.3 Joint ventures and strategic alliances

Joint ventures are jointly owned companies where an international investor shares assets, equity and risk with a local partner (Johnson et al. 2017). In practise it usually means that a company that looks for the international expansion comprises another company with a local agency.

The advantages of this approach are that resource and financial commitments are limited compared to full ownership and also financial and political risks are reduced (Johnson et al. 2017). A foreign company can also benefit from a local partner's knowledge of customers' needs and the market itself. Through successful joint venture both companies can also access to each other's contact and client networks (Wild J & Wild K 2006).

In some market the government even requires non-domestic companies to share the ownership with a local company to enter the market. In addition, this entry mode helps companies to build more local image that is often very significant in the field of design (Wild J & Wild K 2006; Horská et al. 2014).

Possible disadvantages of joint ventures are caused most commonly by conflicts between the companies involved in the arrangement. The conflicts often arise from different opinions how future investments, profits and earning are to be shared. Disagreements may also occur when the companies evolve and the targets and the future visions change (Doole et al. 2016; Wild J & Wild K 2006). It may be noticed at some point that a joint venture does not serve the parties the same way it did in the beginning. Besides the unlike event of joint venture-breaking conflicts, companies may also find that type of associations risky for their business, as they are worried about losing

control of technological or other expertise that may have given them a competitive advantage before (Johnson et al. 2017).

The idea and purpose of strategic alliances are similar as with joint ventures. In strategic alliances two or more entities agree to co-operate but do not create a separate jointly owned company. Like joint ventures strategic alliances can also be formed for relatively short periods or for many years depending on participants. These alliances can be formed between a company and its buyers, suppliers or even competitors (Wild J, Wild K 2012).

Wild J & Wild K (2012) also name three main advantages these strategic alliances can offer. The first one is that they allow companies to share the costs and risks of international investment projects. Secondly, companies tend to use strategic alliances to tap into competitors' strengths to widen the range of services they are able to offer. Thirdly, strategic alliances are another decent way to reach more "local" image on the market.

As a conclusion there are two main reasons companies favour joint ventures and strategic alliances. The first one is to lower financial risks because this model does not require as extensive investments as wholly owned subsidiaries. The second basis for starting joint ventures is an aim to learn more about foreign market.

In the best scenario these two types of partnerships can be very successful win-win situations for all the companies involved. In order to increase a chance for successful co-operation a careful partner selection process has to be carried out before any collaboration starts.

5.1.4 Wholly owned subsidiaries

Wholly owned subsidiaries include both greenfield and brownfield investments. Greenfield investment means setting up entirely new operations into the target market, whereas brownfield investments refer to the situation in which a company acquires a local existing firm. This entry mode has the advantage of giving the company strong control over technologies and all the operations (Johnson et al. 2017). Horská et al. (2014) additionally state that this entry mode can potentially generate the highest profits for a company if the investment becomes successful.

According to Johnson et al. (2017) the main disadvantage in this model is the substantial commitment of resources and costs that increase the risk compared to any other entry modes. Wild J & Wild K (2012) notes that a parent company can reduce this risk by gaining a better understanding of consumers prior to entering the target market.

5.2 Strategy supportive factors

This section deals with the other factors that are seen important to successfully enter new market. These factors support the chosen strategy and enable dSign Vertti Kivi & Co to take the expansion plans from the strategic level to practical.

5.2.1 Competitive advantage

The theory of competitive advantage is originally introduced by American academic Michael E. Porter. In his book *Competition in Global Industries* (1986) he defines the competitive advantage as follows:

“ Competitive advantage is a function of either providing comparable buyer value more efficiently than competitors (low cost), or performing activities at comparable cost but in unique ways that create more buyer value than competitors and, hence command a premium price (differentiation)”.

In other words you either win by being cheaper or being different from other competitors in the market.

When analysing the theory of competitive advantage from the point of view of dSign Vertti Kivi & Co and mirroring it to the discussions with CEO Vertti Kivi and Marcel Wanders, the Dutch leading designer in the world, it seems to be very clear that to be on the very top of the design world the only way of competitive advantage is to differentiate. In practise it means to create designs that have not been seen before or designs that nobody else is able to do. That makes the difference between good and top-level designers.

According to Vertti Kivi, the competitive advantage of dSign Vertti Kivi & Co has to arise from outstanding design that is better than local competitors are able to create and from the elements that are not too typical in the market in the UK. Kivi noted that there are, numerous companies in the UK market, for example, that do not design interior lightings in-house. Lighting design has instead been something for dSign for which the company has been very highly recognised over the past years. The company is also known for its ability to create extremely experimental spaces such as the new Hilton hotel in the downtown of Tallinn that signals design inspired by Italian characters with Nordic elements such as Finnair A350 cabins filled with fresh tones. dSign Vertti Kivi & Co has its own Space Alive concept that was introduced in the chapter 3.2. It can provide significant competitive advantage at any market. These three factors together create a certain kind of brand identity to the company, which can be used as a strong competitive advantage for dSign Vertti Kivi & Co.

Vertti Kivi also noted that implementing extremely sophisticated and special design that separates from others also requires clients that are willing to invest large amounts of money in interiors. That is why it may require some number of more basic projects at first to reach the foothold at the market and have an opportunity to discuss with the clients who are likely to invest more money in design. In these average level projects the price is usually a highly determining factor and it is probable the competitive advantage has to come from lower price and less groundbreaking design.

The point of view of Marcel Wanders, who was also interviewed for this thesis, is slightly different. Most likely it is due to strong market position and high recognition on the world market: During our interview he only emphasised the importance of differentiation in design – not in price. Wanders stated that when he does different kinds of design projects than nobody else and does them very well he believes he will be recognised for his works and the clients seeking for high-quality design will come directly to him.

According to Joonas Heinonen, the Head of Business Development in dSign Vertti Kivi & Co, such clients who approach you directly are also usually the clients, for whom money is not the issue and that is why the ability to differentiate from others is the most important factor when choosing a designer.

5.2.2 Building credibility

Oxford Dictionaries (2016) defines credibility as “the quality of being trusted and believed in”. In international sales credibility and trust play a key role especially when a company is not familiar with the client who is in charge of the buying decision.

This study observes the factors of credibility through this figure created by the author. It is based on the interviews and international sales experience of Vertti Kivi (CEO) and James Snelgar (Head of Global Business development in YOO Design). A marketing book named Global Marketing (Johansson 2006) and Harvard Business Review’s article The Decision of Trust (Hurley 2006) have been used as sources of the figure as well.

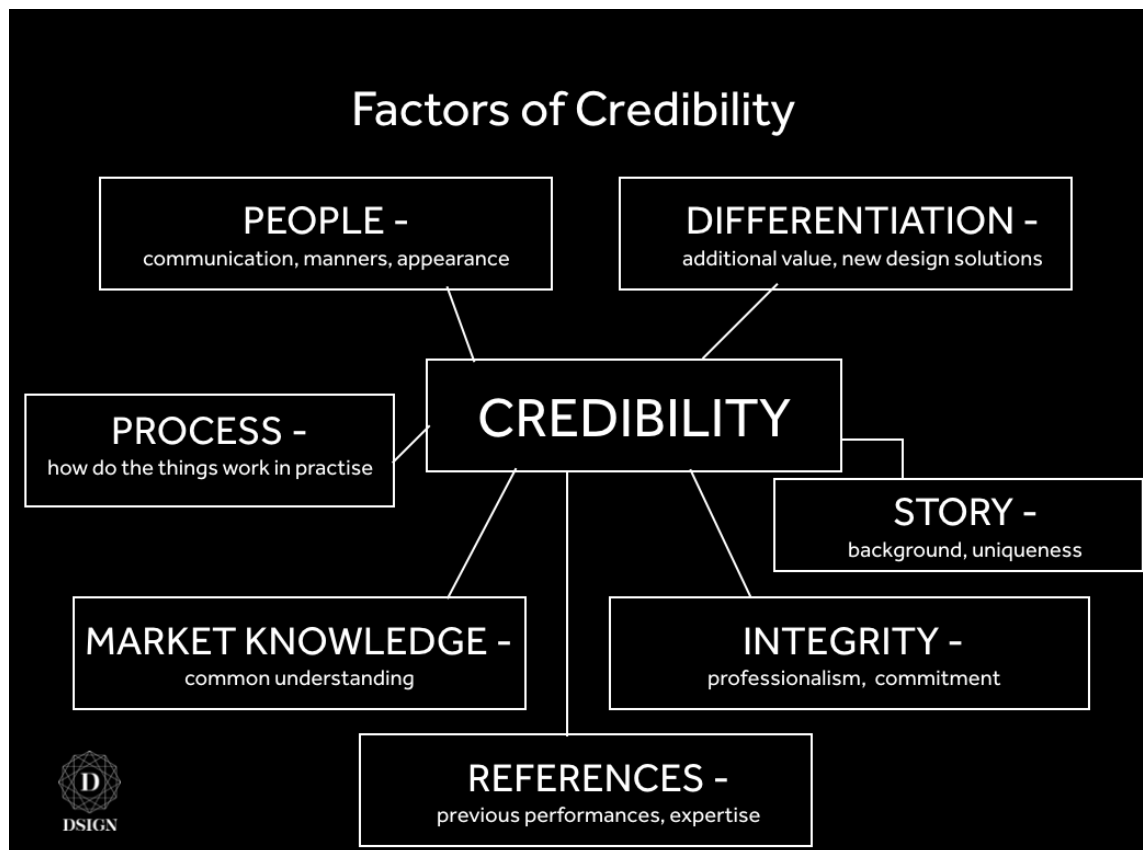


Figure 5. Factors of credibility.

Starting from left to right the first factor to be paid attention to is people. This section includes the attributes that are important in face-to-face encounters such as communication skills, polite manners and reliable appearance. As Hurley (2006) writes trust is a relational concept and that is why good communication is critical. According to him,

open and honest communication tends to support the decision to trust, whereas poor communication creates suspicion.

The second factor of building credibility is differentiation that was already quite extensively discussed in the previous chapter in the Porter's theory. The main point here is that being credible has to include something special to be offered that creates additional value to the client and makes the company change the supplier from a local one to a foreign one.

The third point that affects the credibility of the company is the story behind it. According to Kivi, design is closely bounded to emotions thus the decisions on the designers are usually a combination of sense and emotions. Depending on the person making the decision, emotions might sometimes play even a larger role. It is therefore significant for a design company to have an interesting and unforgettable story that is part of the identity the company wants to represent. Furthermore, the identity can later turn into competitive advantage as discussed in the previous chapter 5.2.1. Alexis Scobie (2016) gives an example in her article:

“Perhaps one of the greatest and most renowned business storytellers was Steve Jobs. Jobs was highly acclaimed for his keynote speeches, and for making Apple products relatable to consumers. Legend has it that Jobs told the team who designed the iPod that it had to fit in the pocket of his jeans; he was already thinking about the coolness factor of pulling it out of his back pocket when he unveiled it on stage.”

This is an example how Apple was able to strengthen its brand awareness by building down-to-earth stories that consumers could relate to.

Fourthly it is important to have integrity in everything a firm does. Showing integrity messages professionalism and committed attitude. It means potential customers must be met regularly to maintain the connection and to show them the representative is genuinely interested. When a client decides to buy, the delivery has to be first-class and the service provider has to make sure nothing is underdelivered. Trustees who say one thing but do another lack integrity. The result is distrust (Hurley 2016).

References are even a more crucial way to prove professionalism. They are very concrete displays what the actual design abilities of the company are. Hurley (2016) states: “A customer will not trust a firm that has not demonstrated a consistent ability to meet his or her needs”. He also adds other factors of trust or credibility have little meaning if the trustee is incompetent. This is also something that all the results of the interviews conducted for this study supports.

The sixth factor is market knowledge. In order to be credible the person who is representing a company has to understand local people and also to have some kind of picture what the market conditions are. According to Johansson (2006), there are four external influences affecting a local buyer’s behaviour: culture, economics, technology and politics. In order to be well prepared to give a credible impression to clients it is important to be aware of these four matters. That is why this study also observes the market conditions in the UK through the PESTLE and Five Forces analyses in the later chapters.

Finally, the process has an important role. According to Kivi, that is something most clients are concerned about when they consider purchasing services from a company that is not local. The clients are especially doubtful how a foreign design company can handle the construction phase, as there are numerous issues to be solved every week. Therefore it is significant to have a process that presents a practical and plausible way to take care of the projects from the beginning until the design is completely finished.

5.2.3 Management and right people

When considering to become international it is also important that the management and organisational structure are ready for the chance. As Wild J & Wild K (2012) put it: “If a company’s organizational structure is appropriate for its strategic plans, it will be more effective in working towards its goals”.

When the business becomes more extensive the company has to determine whether decision making will be centralised or decentralised in the organisation. The term centralisation refers to the degree on which decision making is concentrated at a single point in the organisation, such as headquarters (Robbins et al. 2017). If the degree is high the decision making process is called centralised; if it is low the decision making model is decentralised. In a decentralised organisation actions can be taken more

quickly to solve problems, more people provide input into decisions and the employees are less likely to feel alienated from those who make decisions (Robbins et al. 2017).

The figures below show some examples of different structures how international companies can be managed (Devaney 2017). When the company starts to grow this is something that has to be defined. As the figures below present the company's operations can be led through functional structure, certain divisional structures or matrix structure. In the functional structure the company is divided according to the organisation's primary specialist roles such as production, research and sales. Each section have usually their own directors and the CEO is in charge of all individual departments (Johnson et al. 2017).

In the divisional structures the company is built up of separate divisions on the basis of products, services or geographical location that are managed locally. The matrix structure combines different structural dimensions simultaneously. It can for example combine product divisions and functional specialisms as in figure number nine. As a result the company will have a separate marketing department for the electronics division (Johnson et al. 2017).

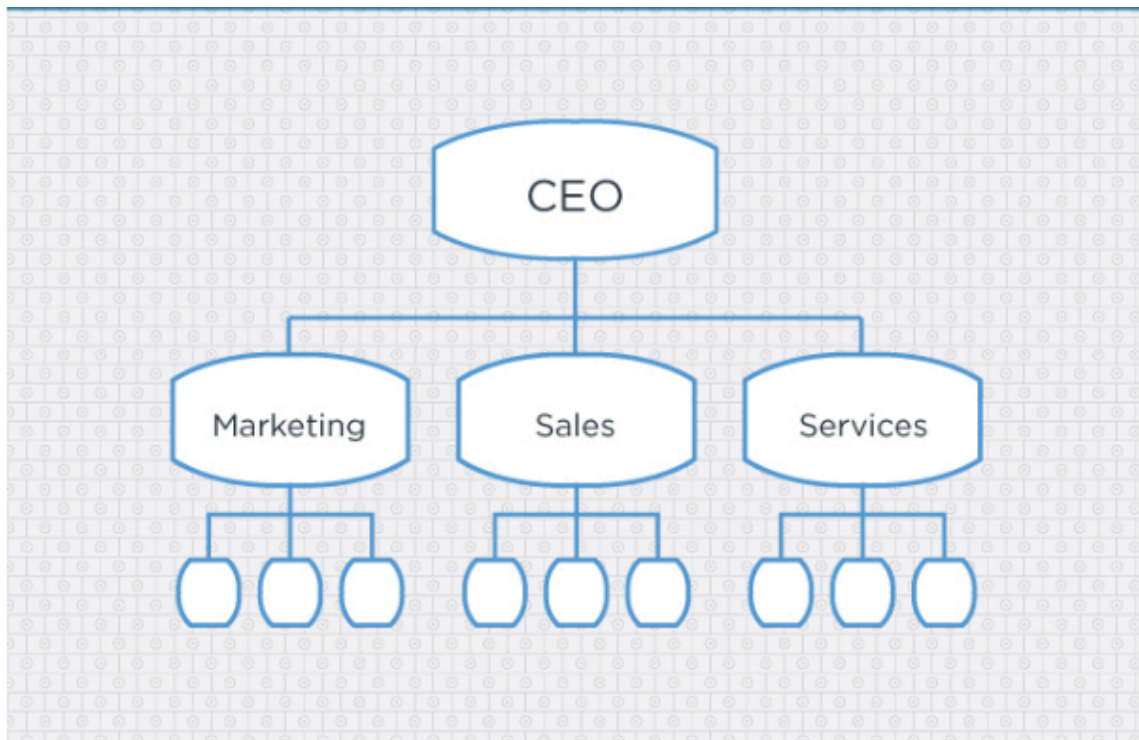


Figure 6. Functional organisational structure (Devaney 2017).

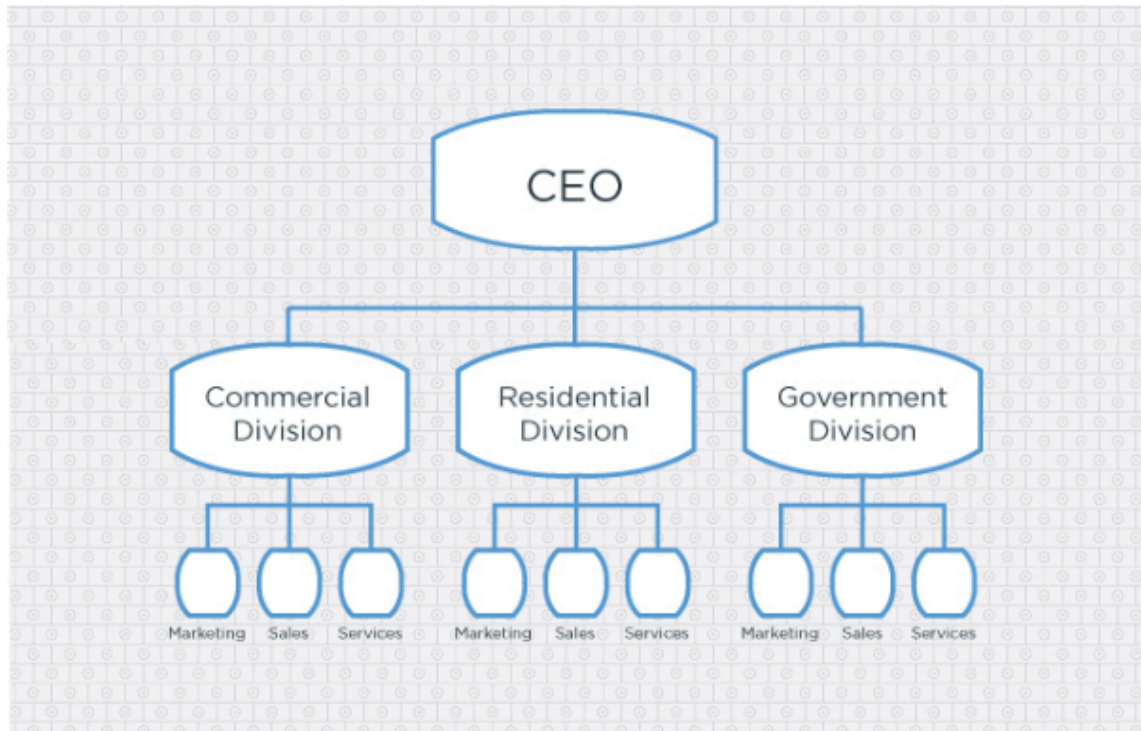


Figure 7. Divisional structure: Market-based organisational structure (Devaney 2017).

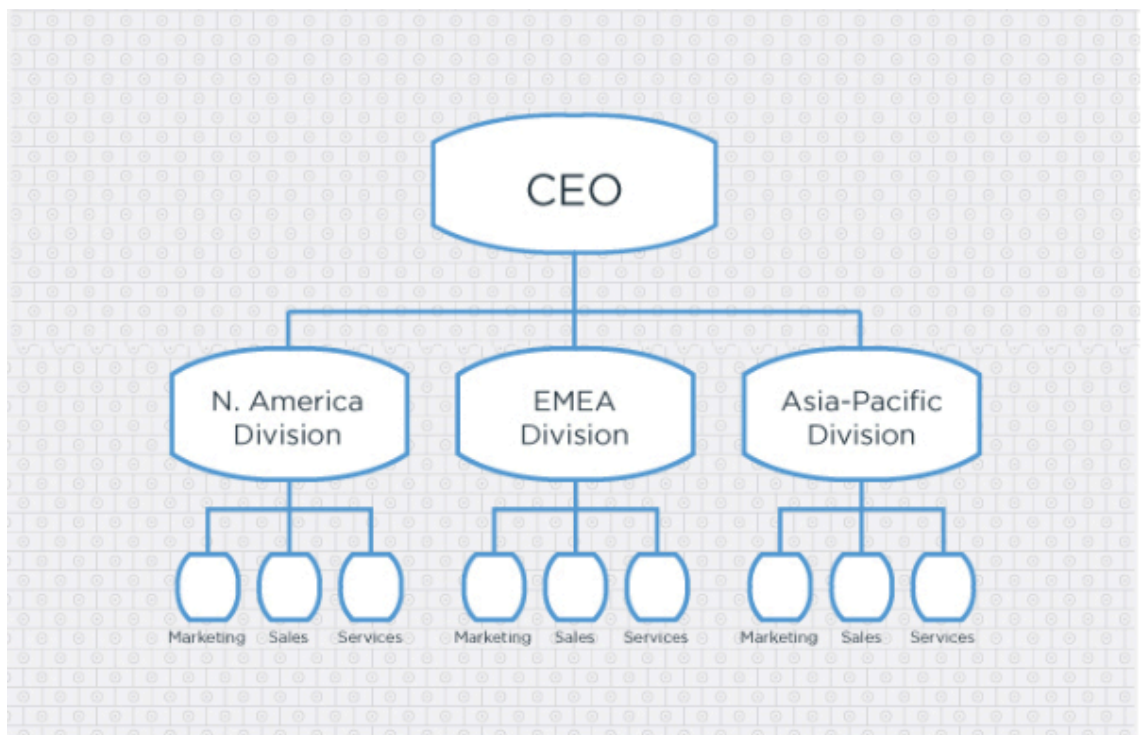


Figure 8. Divisional structure: International area structure (Devaney 2017).

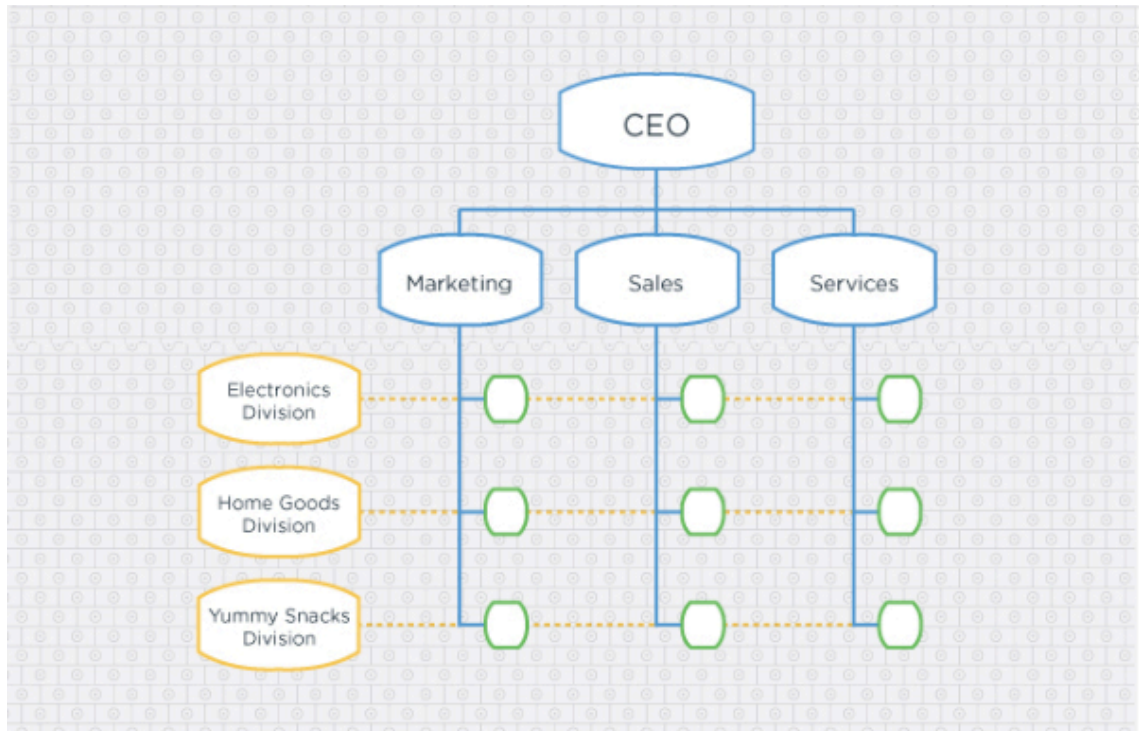


Figure 9. Global matrix (Devaney 2017).

These are types of questions that become topical on the later stage if the market entry has been successful. It is important the management knows how to act if the expansion happens already during the stage when the market entry strategy is planned.

When moving from theoretical framework towards more practical side of the strategy execution, one element that cannot be underestimated is an eager and well-functioning team. The interviews with Vertti Kivi show that building a right team and choosing right persons with sufficient international competences is something he really emphasizes and believes in. He says that he likes to put a lot of time on thinking what the best combinations are to form a “winning team”, as he puts it.

Jeff Immelt, the chief executive of the giant US company General Electric (GE), discusses the internationalisation of GE in the article of the BBC Business. When he took over his position over a decade ago, some 70 % of its operations were in the USA. When the article was published in 2015 the company was operating already in 160 countries around the globe with over a half of its revenues coming from overseas.

When he was asked what the main reason behind this positive turnaround was he also strongly focused on the eagerness and determination of himself and his team to take

the operations global by saying: “I sit in my office every day and say I’ve got to have higher market share in China than I have in the United States”. He continued: “I’ve got to win Brazil, I’ve got to win Africa. There’s no choice. I’ve got to, I’ve got to win those countries” (BBC 2015).

Internationally successful Finnish entrepreneurs Saku Tuominen and Risto Kuulasmaa, both known for their international careers in media business, published a book called *Matkanopas* (ie Guide for Journeys) in 2011 covering the international success of Finnish businesses. For the book they interviewed 47 influential Finnish persons who had successfully taken their business abroad.

The main message of the book is that to be able to succeed internationally one has to be better and more interesting than local competitors. Without that factor it is very difficult to make any kind of international breakthrough despite of how good the strategy is. Many interviewees stated that one also has to be aware of the level of the competition that exists in global market. It is not sufficient to be good, as there are plenty of others who are good as well. The idea, product or service have to be something that clearly stand out (*Matkanopas* 2011).

Secondly, many interviewees noted that Finnish companies very often tend to diminish the product or service they have and that is why some companies are shy to market and sell their products at the extent the international markets would require. That way companies set obstacles for themselves before even trying to do anything by not being courageous enough to aim at foreign markets. In the same book, *Matkanopas* (2011), Hanna Sarén, an internationally known Finnish fashion designer, gives an example: “Swedish fashion designers walk into the hottest fashion stores and shopping centres of London and New York with ice-hockey bags on their shoulders and say, there you have jeans cool as hell – buy these. We (Finns) organise fashion shows at embassies. Impudence and courage is on completely another level”.

Anssi Vanjoki, the former Head of Nokia mobile business also notes: “Probably the most important advice I can give for the companies dreaming of internationalisation is that you have to be courageous and active. That can take you far. He thinks the most important thing is as casual as to be eager. Everything is based on that”.

Finally, there is no substitute to work. The author of Matkanopas (2011), Mr. Tuominen describes the path to the international success as follows: "I have followed many internationalised persons up close and seen the amount of work and sacrifices. At the same time when I see the glamour, I see security checks, layovers, cancelled flights, nights at hotels, in which the air-conditioning is not working or works too well. I see jet lags, I see constant tiredness".

In conclusion it is safe to say that it does not matter how strategically excellent an internationalisation model is, if the persons carrying it out are not perfectly committed, hard-working, capable and eager to push a company to a new market. The individuals in the team have to have the state of mind that international breakthrough requires, which is the combination of the qualities treated above.

5.3 Common challenges of internationalisation

The challenges of going international vary from structural trade barriers to practical challenges such as finding the right people in foreign market. Depending on the size and the budget allocated for internationalisation different companies have various challenges. That is why also attitudes towards problems vary company by company. The major identified challenges from dSign Vertti Kivi & Co's viewpoint and suggestions to overcome them are discussed below.

The Confederation of Finnish Industries, EK conducted a study for Finnish small and medium sized enterprises about internationalisation and trade barriers in 2016. In all, 614 enterprises attended the study out of which 426 were companies actively looking for international opportunities and thus belonging to the target group of the study. These companies were asked to evaluate their strengths and weaknesses in internationalisation and also to name the main trade barriers they had experienced.

The most predominant weakness 46 % of the companies identified was the lack of knowledge about regulations and the lack of contacts to public servants. Secondly, 41 % of the participants found international funding competence to be one of their weaknesses. Other remarkable weaknesses companies identified, valid to bring out were acquisition of new customers (30 %), finding and managing customers (29 %), lack of abilities to invoke digitalisation (29 %), price of product (26 %), entering important

networks (25 %), lack of sales competence (21 %) and acquiring reference projects (20 %) (EK 2016).

In addition, the main trade barriers were listed as follows:

1. Technical trade barriers such as standards, technical regulations, certificates, quality check requirements and test requirements – 18 % of respondents
2. Customs and commerce proceedings – 13 % of respondents
3. High and/or discriminating import/export customs duties and other payments – 11 % of respondents.

Vertti Kivi stated, when comparing these results to the situation of dSign Vertti Kivi & Co challenges do not usually arise from trade barriers, as dSign do not sell any certain tangible product. Challenges rather come from other issues fairly similar to the ones that were also found in the study by EK of other companies. The main challenges from dSign Vertti Kivi & Co's point of view are discussed below.

The first major challenge is that companies, which try to enter new market, are usually very unknown among foreign clients. Kivi also admitted, finding the first clients and especially right people inside those companies require a lot of groundwork and research. That is a very time-consuming phase, which must be noticed when planning the strategy. Failing this stage might lead to failing the whole market entry. According to Kivi, numerous meetings with the key persons found are needed to find out better how the local organisations work and what value chains are. Also James Snelgar highlighted during the interview the importance of frequent visits and keeping in contact with the key persons.

Secondly, lack of trust among buyers is a very common challenge especially for smaller companies that have not proven international track record. Based on the author's experience, it is difficult to prove the service process and delivery working seamlessly without any reference projects on that specific market a company is targeting to. For example, the schedule of construction projects is usually very tight and delays in delivery can cause large financial losses. Ensuring a very consistent and well-prepared sales, as well as, project management processes might tackle that challenge as discussed in 5.2.

According to Vertti Kivi, construction projects are very locally managed and therefore clients require local presence or a contact person at least during the construction phase. This setting creates the third challenge: How to build and show a local appearance. The most straightforward option for this would be to open a local office. If there are only a couple of projects in a certain market it is financially disadvantageous, as they alone do not generate enough work for designers. In addition, especially in the beginning of the project there are also many tasks that can be completed from Helsinki.

On the one hand, opening an office would ease the sales process, as it would be more credible for clients if dSign Vertti Kivi & Co could present a local presence (Wild J, Wild K 2012). On the other hand, the company cannot be too risk-averse to open an office. It will otherwise break down achieving the growth targets. The number and the value of the projects to enable profitable foreign office opening is something that has to be carefully calculated and discussed among the management. When the defined numbers have been achieved actions must be taken.

Furthermore, Vertti Kivi mentions sometimes distance also creates challenges for maintaining the contact with identified contact persons. According to him, a quite common situation is that during a meeting a potential customer is very much into the design and would be excited to find a common project to work with. When some time passes this connection starts to disappear and never leads to an actual project. Losing a frequent contact therefore often leads to the situation in which the buyer will not remember or does not feel like contacting a foreign design company at the time of next actual design project. According to the author's experience, the time frame to buy design is relatively short as tendering only takes one to two months. When the designer has been chosen there will usually be a long break before next potential project. These challenges can be overcome with a structural and well-allocated sales process that constantly follows the most important clients and their upcoming projects.

Fifthly, a company's organisation has to be ready for the extension and be very prepared for even more consistent way to manage customer relationships and possible projects. If the preparation for the internationalisation has not been careful enough it might call off the internationalisation project at some point.

Therefore, compared to the study presented in the beginning of this chapter, it seems that dSign Vertti Kivi & Co have similar challenges as numerous other medium-sized

companies. This comparison shows that the challenges are not unconventional but tackling these challenges require a solid strategy and an internationally competitive process and team.

6 Opportunities and Challenges in the UK Market

This chapter analyses the market situation in the UK by using two different kinds of tools: PESTEL analysis and Five Forces analysis. To complete an exclusive market analysis it is important to take a look at both micro and macro environments. PESTEL focuses on macro environmental factors such as politics that one single company cannot affect but it has to deal with it. The Five Forces analysis, observes the micro environment in which companies operate on daily basis and which they are able to affect with their own actions (Johnsson et al. 2017).

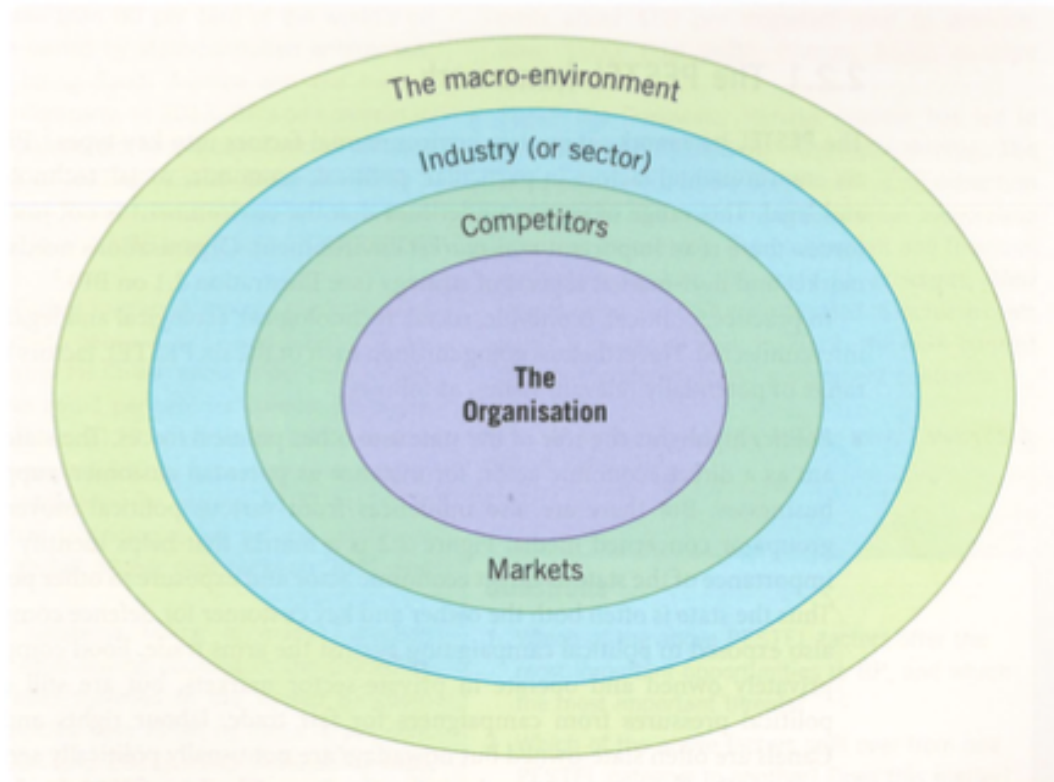


Figure 10: Layers of the business environment (Johnsson et al. 2017).

The figure ten above presents the different layers that exist in the business environment. The green and blue layers closest to the organisation, including markets, competitors and sectors form the micro environment, which is analysed with the Five Forces analysis below. The outermost layer refers to the PESTLE factors that form the

macro environment in which companies are operating on daily basis.

6.1 PESTEL analysis

The abbreviation PESTEL stands for the words: political, economic, social, technological, environmental and legal. This range of factors underlines that the environment is not just about economic forces, but there is also an important non-market environment. The PESTEL analysis focuses on those six factors and observes the conditions that companies are important to be aware of when making the decision to expand to the new market (Johnsson et al. 2017). This PESTEL analysis studies the situation in the UK.

6.1.1 Political

The United Kingdom is a unitary state under a constitutional monarchy. This means the official head of State is the monarch. For many years this person has been Queen Elizabeth II (Market Research Reports 2017). Although the “crown” is an important part of the parliament its modern role has become fairly ceremonial. The queen is considered to be the formal and symbolic Head of State. Waris Hussain (2013) describes the UK’s fairly complicated parliament system in his study as follows:

“The UK Parliament is the supreme legislative body in the UK and British overseas territories. The parliament is a bicameral assembly, with an upper house, the House of Lords and a lower house, the House of Commons. At its head is the Sovereign, Queen Elizabeth II. The House of Commons and the House of Lords are both involved in passing legislation, scrutinizing the work of the government and debating current issues. Members of the House of Lords are mostly appointed by the Queen.”

The political party or coalition that wins the most seats in a general election forms the new government that is led by its party leader who simultaneously becomes a prime minister. Since 2016 the prime minister of the UK has been Theresa May, who is the Head of Conservative Party (Hussain 2013).

The latest major political decision made in the UK was the Brexit vote on 23 June,

2016. It is estimated to have wide effects on all the PESTEL factors but it is still very unclear at which extent. It seems that there were not very detailed contingency plans in case of the Brexit coming true. The UK's decision makers are debating if they still want to follow some guidelines set together with the EU or start doing everything in their own way. However, this vote showed the United Kingdom has a considerable political influence around the world.

6.1.2 Economic

After five years of economic recession there has been a vigorous recovery since the year 2013. Still after the Brexit vote the economy has kept growing with the rate of around 2 % of the GDP. In 2017 the growth is expected to slow down with the forecast being 1,1 %. There has been a debate among international organizations whether or not the Brexit will affect the economic growth in a long run. Most likely nobody has a clear answer to that question yet. The fact is that the Brexit causes a lot of uncertainties, which may affect the economy negatively. Nevertheless, there have been positive signs of trust as both Facebook and Google decided to build their new headquarters in London even after the Brexit was announced (Santander 2017).

According to PWC's economic outlook of the UK (2017), the pound has fallen significantly since the Brexit vote, which is expected to push up import prices and decrease consumer spending power during the upcoming year as presented in figure eleven. In addition, the inflation is expected to rise above its 2 % target at least partly due to the Brexit vote. This expected change in the inflation rate and possible scenarios are more precisely presented in figure twelve. Despite the falling pound, London is still forecasted to remain the fastest growing region of the UK in 2017-2018 although the pace has been slowing down since 2015. The other regions are estimated to have more modest growth during next year; none of them is estimated to fall into recession (PWC 2017).

We expect consumer spending growth to moderate in 2017 and 2018 as higher inflation squeezes real spending power

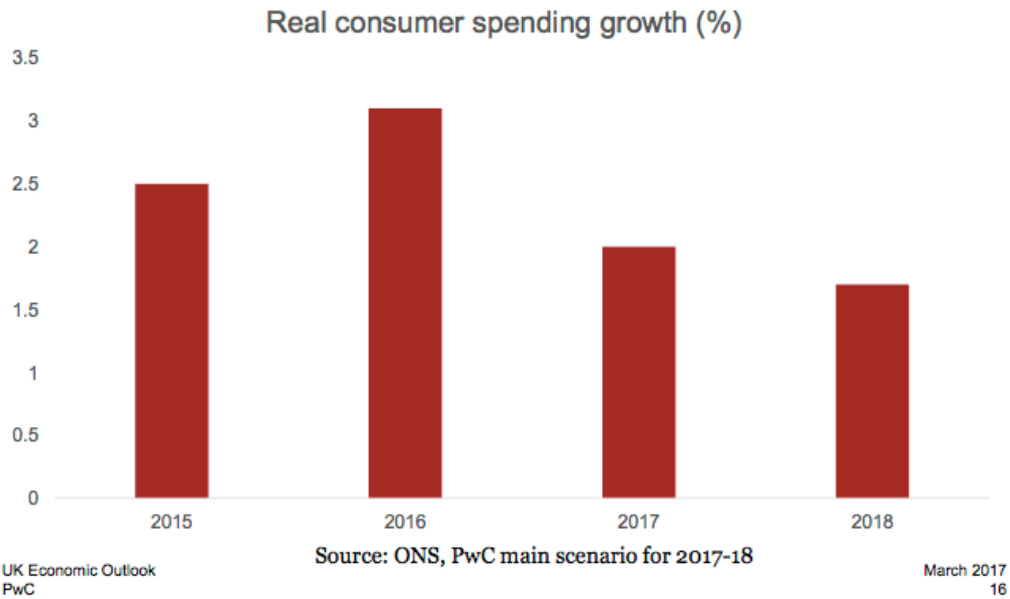


Figure 11. Real consumer spending growth (%) in 2015 – 2018 (PWC 2017).

The persistent weakness of the pound is expected to push UK inflation above target later this year

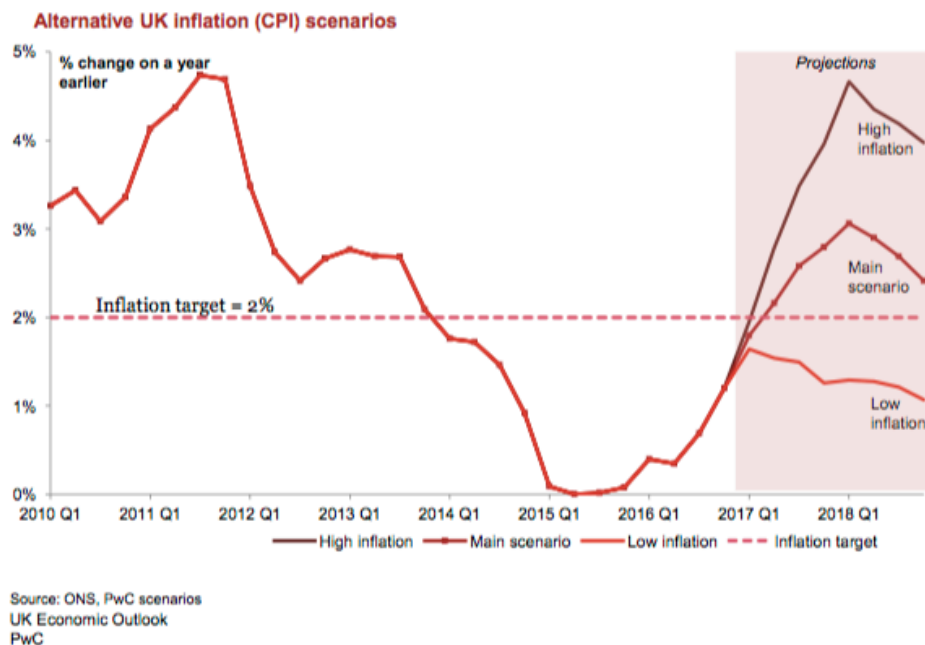


Figure 12. Inflation rate growth is expected to exceed the target level in 2018 (PWC 2017).

The Brexit also compelled David Cameron to resign as prime minister. Theresa May, the Head of Conservative Party replaced him. Differing from Cameron's politics, the new prime minister supports the complete split of the UK and the EU. However, the EU has expressed it will deny the UK's access to the single market if it is not going to maintain the freedom of movement (Santander, 2017). In case the "hard Brexit" that Theresa May is endorsing occurs it is expected to clearly decrease the recently grown GDP of the UK, as presented in the figure below.

UK most exposed to 'hard Brexit'

Impact on GDP of 'hard' Brexit*

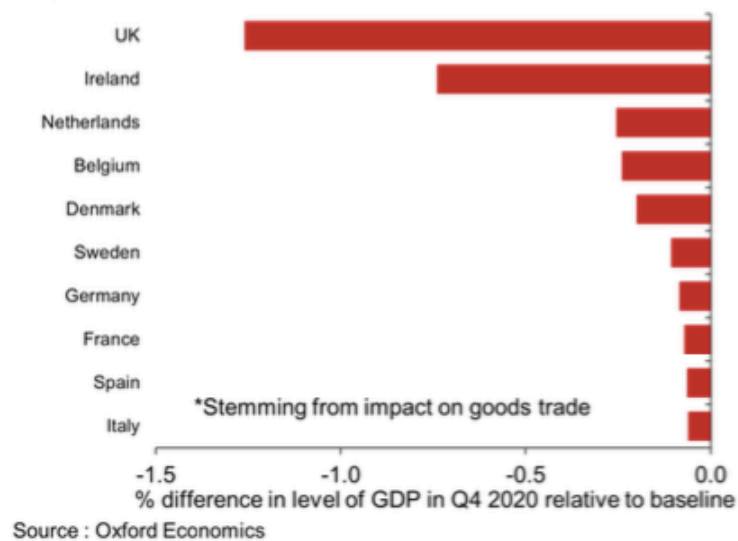


Figure 13. Expected affects of "hard brexit" on GDP (Oxford Economics 2017).

According to Santander's report (2017), there are still some downsides in the economic growth reached during the recent years. The successful growth is tempered by the fact that the growth was based on consumption rather than investment and export. In other words, it means that the growth was financed by low wages and the rise in precarious work. It is also important to note that independent workers and those who have part-time contracts are not protected by social security. Therefore, the strong macroeconomic results also hide much inequality.

In conclusion, the UK's economic situation cannot be described as very solid and stable due to the ongoing Brexit situation. It is difficult to forecast what the effects will be after the Brexit is fully official. Currently, the situation still looks fairly fine despite the Brexit vote; the atmosphere is nevertheless very precarious.

6.1.3 Social

The United Kingdom has a population of 65.6 million people, which has constantly grown since 1955 and today it is the 21st largest population in the world. The population density in the UK is 271 people per square kilometre, which is relatively high. In Finland the equivalent number is 18 people per square kilometre, considering the total land area in Finland is only fairly larger (Worldometers 2016).

The population consists of people from numerous different cultures and religions thus the UK can be described as a very diverse country. The figure below presents the UK's top sender countries of migrants (Bennett, A, 2017).

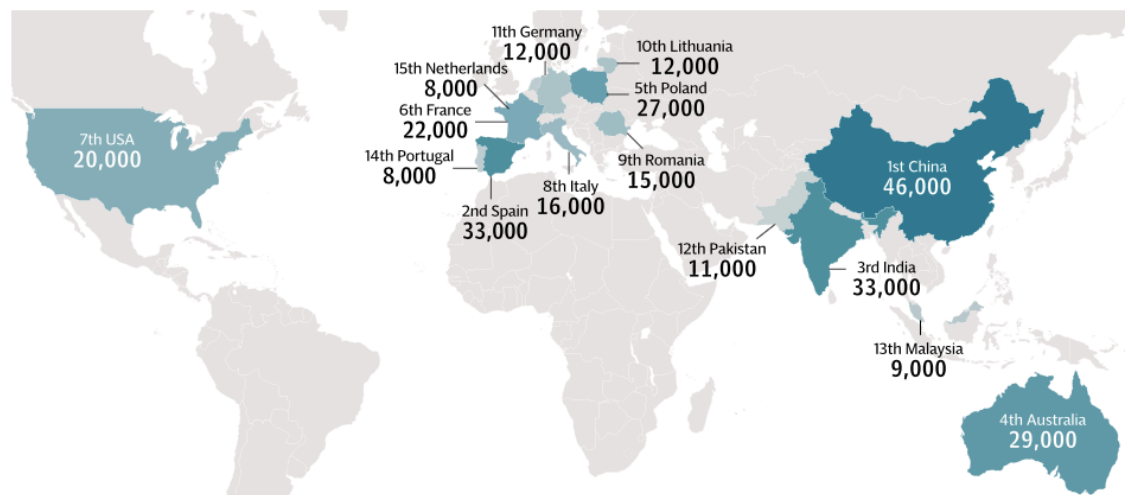
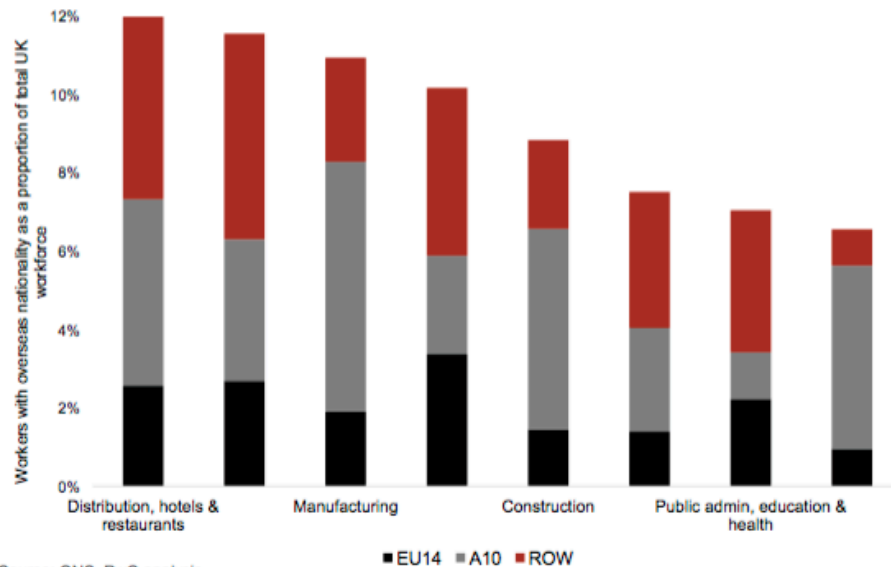


Figure 14. UK's top sender countries of migrants (Bennett 2017).

The impact of the Brexit may dramatically change the migration statistics. In cases the freedom of movement is denied there will be probably less migrants in the UK in the future. As this study deals with the hotel sector it is important to note, according to PWC's Economic Outlook of the UK (2017), the hotel sector is very vulnerable to any significant reductions in EU migration. The proportion of foreign nationals working in the hotel sector is relatively high and due to possible changes in regulations caused by the Brexit the availability of workforce may decrease. The figure number 15 presents the proportions of foreign nationalities in different fields of business with the hospitality industry being number one.

Retail, hotel and restaurant sectors could be particularly vulnerable to any significant reductions in EU migration

Foreign nationals as a proportion of the UK workforce



Source: ONS, PwC analysis
UK Economic Outlook
PwC

March 2017
19

Figure 15. Foreign employers on the hotel sector (PWC 2017).

The main concern for the UK's government is currently the impact of terrorism caused by ethnic and religious differences of minority immigrant groups. The government in the UK is constantly working to create a more "inclusive society" that focuses on finding a way to integrate minority immigrant groups to the British culture (Hussain 2013).

As figure 16 below shows, terrorist attacks have caused major impacts on hotel business in many major cities such as Brussels, Paris and Istanbul. In London the market has, however, remained very stable. The figures presents that the gross operating profit per available room (GOPPAR) in London is around €125, which is only some percentages lower than previously. This also supports dSign Vertti Kivi & Co's decision to focus on the hotel market of the UK. The stable condition can be explained by the fact that London's hotels are not perfectly depended on tourists but large amount of guests are businessmen and -women (STR 2017).

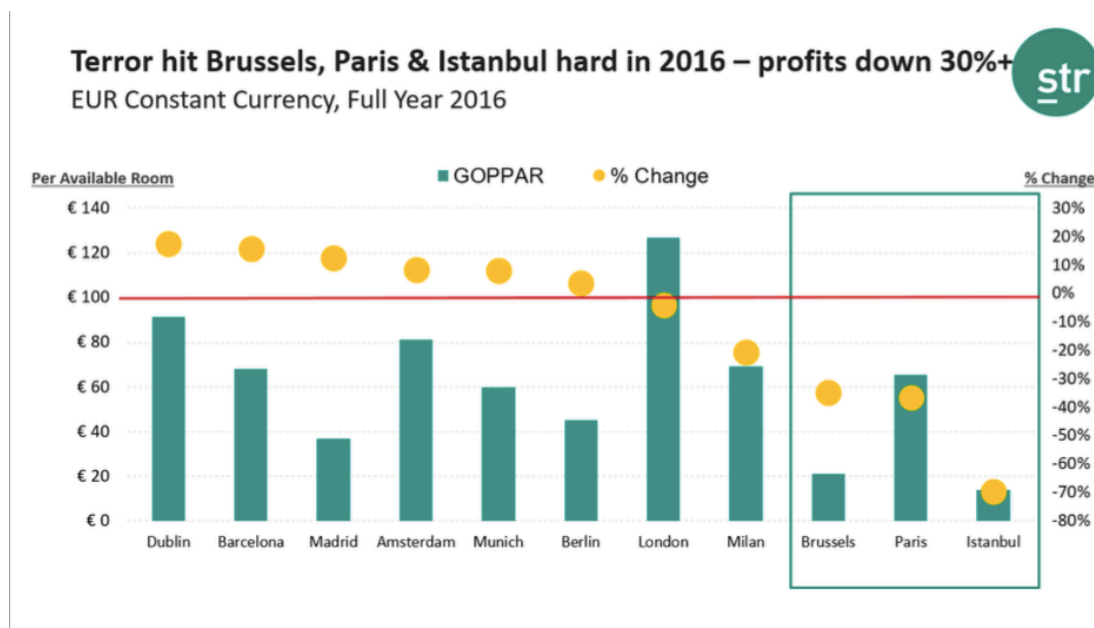


Figure 16. The impact of terror attacks on hotel revenues in the major cities (STR 2017).

Another challenge is the aging population, which is evidenced with growing median age that is 40.1 in 2017 (The Migrant Observatory 2017).

The education level in the UK is considered to be very decent, which is proved by an extremely high literature rate that is almost 100 % (Marker Research Reports 2016). Since July 2016 also the unemployment rate has been decreasing little by little. In July 2016 the rate was 4.9 % and one year after that the same rate was 4.4% (Trading Economics 2017). Santander's report (2017) notes that the unemployment has been partially contained through wage freezing and expansion of part-time work. One out of five persons under age 24 years is unemployed.

According to OECD report from the past year 2016, all the four health care systems in the UK are continuously aiming at improve the quality of care to be safer, more effective and more person-centred. The country is also trying to strengthen the quality assurance and monitoring of patients.

Despite the clear and consistent commitments to improve the health care practises the outcomes of the OECD report (2016) arise some concerns. Compared to the international benchmarks of health care quality some indicators show average or disappointing performance. The main recommendation the OECD report gives is to find better balance between a centrally-driven regulatory approach and locally-driven quality im-

provement activities. In other words, it means there should be a greater emphasis on bottom-up approaches led by patients and medical professionals (OECD 2016).

6.1.4 Technological

The United Kingdom has long traditions in technological development. The country was one of the leading countries of the Scientific Revolution in the 17th century and the Industrial Revolution in the 18th century. Since the 17th century some of the world famous theorist have been Isaac Newton, Charles Darwin, James Clerk Maxwell and Stephen Hawking (Market Research Reports 2016).

The UK is playing a crucial part in the world's aerospace industry. There are suppliers such as Rolls-Royce (aero-engine industry), BAE-Systems, which is also Pentagon's sixth largest defence supplier, and finally GKN, which act as a major supplier in Airbus projects. Another important industry in the UK is pharmaceutical, as there are two globally top five ranked companies: GlaxoSmithKline and AstraZeneca based in the UK (Marker Research Reports 2016).

In terms of innovation intensity the UK is one of the leading countries. The amounts of research and development investments are fairly similar to comparison countries such as Canada and France. They are still slightly behind the leading countries including Finland, Japan and Germany (Hussain 2009).

6.1.5 Environmental

As the UK is one of the developed countries has a high concern over environmental issues. Hussain (2009) states that the UK government has played an important role in reducing greenhouse gas emissions. Based on his statements the UK achieved its target of decreasing those emissions by 12.5 % from the level in 1990.

The UK has been part of the EU's environmental policies; now there is not a certainty at which extend the country will be going to stick with the agreed directions after the Brexit.

The report published by the Environmental Audit Committee of the House of Commons

(2016), tells: “The 7th Environment Action Program sets out EU environmental policy action to 2020. It lists nine priority objectives – including the protection of natural capital and the stimulation of a resource-efficient and low-carbon economy.”

The same report also states that the Commission is implementing a Better Regulation programme and Fitness Checks to ensure policies are still fit for the purpose (The House of Commons 2016).

Even though it is still unsure how the UK will continue implementing their environment policies after the Brexit, the Minister at DEFRA, Mr. Rory Steward, noted in the same report (2016) as follows: “We are not intending to renegotiate those directives [...] The basic structure of the competences, the basic structure of European environmental law in relation to our Department I think is very close to what we think is sensible. It is what we would intend to do in the United Kingdom.” This statement reflects that the UK still has a strong will to continue following similar environmental strategy as before.

However, the same report concludes: “Relatively little appears to have been done by way of planning in the case of the UK leaving” (The House of Commons 2016). This is something that will raise questions during upcoming years.

6.1.6 Legal

The laws of the European Union have been incorporated into UK law since the enactment of the European Communities Act 1972. The UK has therefore been part of the treaties, regulations and directives set in the EU. The UK has also been affected by the decisions of the Court of Justice of the European Union, which has the final say over disputes relating to the interpretation of EU laws (Geldards Law Firm 2017).

The day after the Brexit affects this European Communities Act 1972 is due to be repealed according to the Great Repeal Bill that proposes the UK to transpose all EU laws on to the UK statute book. This would be done to avoid a legislative black hole and ensure a controlled exit (Financial Times 2017).

In other words, after the leaving date the Treaty Principles, EU regulations and EU directives will remain in force until the UK government decides to legislate to the contra-

ry. Following the leaving date there might be gaps in the UK laws, which were previously filled by the Treaty Principles and EU Regulations unless the UK government passes legislation to fill those gaps. In addition, the Court of Justice of the European Union will stop to have a direct impact on the UK legislation (Geldards Law Firm 2017).

The article of the Financial Times (2017) notes this process through the Great Repeal Bill is considered to be one of the largest legislative projects ever undertaken in the UK, as there will be a countless amount of new laws implemented by the final Brexit date, which is targeted to be the 29th of March in 2019. “The challenge for the government’s Brexit teams is to complete the task (of exiting the EU) by 29 March, 2019, with the body of EU law growing all the time, and with the final desired outcome depending on the constantly shifting expected shape of the deal”, Daniel Greenberg, the Council for Domestic Legislation in the House of Commons, comments in the same article.

According to the Financial Times (2017), the spokesperson for Brexit department commented the current situation on the 21st of June in 2017 as follows: “We have been clear that we are a full member of the European Union until the day we leave and we will continue to respect the rights and obligations of EU membership and engage with day-to-day EU business”.

However, also in terms of legal aspect the environment seems to be going through a lot changes in the future and nobody can be sure what the final outcome will be after the final Brexit date.

6.2 Five forces analysis

The Five Forces analysis by Michael Porter observes the micro environment in which the companies operate on daily basis. This framework helps identify the attractiveness of an industry in terms of five competitive forces: threat of entry, threat of substitutes, power of buyers, power of suppliers and extent of rivalry between competitors. The essential message of the framework is that where the five forces are high, industries are not attractive to compete in (Johnsson et al. 2017). Companies can affect these factors by their own actions easier than they can affect to the factors of PESTLE.

6.2.1 Threat of new entrants

The majority of design companies have less than five employees which is why the design field is sometimes called as “cottage industry”. According to Coope et al. (2009), creating sustainable client relationships, building credibility and hiring and keeping talent are matters that are often absent or underrated in the design industry. That is fairly concerning as the other way around these are also matters that create natural barriers to new entrants when trying to enter the market.

Coope at al. (2009) notes that there are only few barriers in the design field when entering new market and talented individuals move around which causes high competition. To prevent too easy access for the agencies not meeting the common standards many design associations are constantly trying to introduce new regulations and accreditation processes in order to raise quality standars.

6.2.2 Threat of substitutes

As stated in the chapter 4.2, many achitecture offices also aim at breaking into hotel interior design market. That creates minor threat to pure interior design offices as achitecture offices start to compete of the same projects and sometimes they are able to set lower price if a client orders both achitecture planning and interior designer from the same service provider. Many buyers still like to buy these two services seperately to ensure the quality of work, as Philipp Klohr mentioned in his interview in chapter seven.

During a discussion with Vertti Kivi he noted the role of 3D computer renderings is constantly growing in interior design. He suspects that some companies may find a way to present everything through 3D renderings in the future, which can significantly cut the time used in the design process as time-consuming technical drawings can be all rendered. This alternative might give a competitive advantage for some new design agencies or at least force other companies to renew their ways of working.

6.2.3 Bargaining power of customers

It has been noticed in the UK that clients tend to be unwilling to pay a premium in contrast to other professional service firms, who are usually paid based on the value of the services instead of the costs of delivery. The decisions on design are sometimes made on middle management level, who are reluctant and doubtful to put a lot of money on design. Other professional service firms usually deal with board level in which the decision makers are less price-sensitive (Coope et al. 2009).

Clients have the power to choose among various design agencies either in the UK or abroad. The over-capacity pushes market towards the buyer's market (Coope et al. 2009). It is also important to remember what type of a project is discussed. Vertti Kivi says that the price competition is tougher on the basic level projects. Most offices are able to design at least sufficiently and there are many offices to choose among. When there is a project that requires high-quality design and the owner has recognised the importance of design the effect of price will naturally play a smaller role as the design agency options will dramatically decrease.

As a Dutch top-designer, Marcel Wanders, mentioned during his interview in chapter seven, his office does not at all focus on business development and sales but they have solid confidence the clients who have recognised the value of design come to them. In these cases the buyers are probably not price-sensitive but ready to pay significant amounts as the high quality and high brand value is what they need and what they look for.

6.2.4 Bargaining power of suppliers

Because the nature of business the design agencies do not need any certain products or raw materials to be supplied in order to create a satisfying end result. What they do need is the supply of knowledge and expertise.

According to Samuli Hintikka there has recently been hugely increasing emphasis on experience and service design. Those two factors are started to be seen essential for a top-level design office. This has also simultaneously become a challenge for the industry as the standard expectations have grown but the expertise of graduates do not meet those requirements frequently enough. Also the respondents of the study by

Coope et al. (2009) had feelings that there is an over-supply of graduates, but skill gaps between education and design agencies have still increased.

6.2.5 Industry rivalry

In many contexts London has been described as the capital of global design (New London Architecture 2017). It also means that the market is filled with various design agencies that fight for the most significant projects in the UK.

Coope et al. (2009) states many of these design agencies appear not to be proficient or interested in business development. The respondents in the study believed that despite their creative ability many such businesses are not good at managing change, lacking time or resources to devote to business development, risk management and sustainability. They also made an interesting point: "Many of the design companies are neither too small to simultaneously appropriate new clients and deliver design nor small and flexible to weather the storms".

Vertti Kivi also agrees this statement and says he is fairly surprised how a small number of design agencies implement systematic business development programs in Finland or internationally.

Although the number of competitors in the market of the UK is high, focusing on business high quality development might be a very good way to differentiate from many other companies.

7 Data Analysis and Results

This section of the thesis observes the topic with the help of interviews of other professionals. The first set of interviews are given by two directors of hotel investment companies, Pirjo Ojanperä and Philipp Klohr, who in many cases participate the process of choosing designers. The other two interviews focus on observing how world-leading design studios have succeeded in reaching their positions. Marcel Wanders and James Snelgar were interviewed for this section. The interviews with Ojanperä, Snelgar and Klohr were conducted in person while with Wanders over the phone.

Next chapters are an overview of the answers and the original questions can be found in the appendices 1.0 and 2.0.

7.1 Interview 1: The decision making process of hotel investment companies

7.1.1 Philipp Klohr – Vice President at Cedar Capital Hotel Investments

Philipp Klohr acts as the vice president in the London based hotel investment company called Cedar Capital. He is in charge of portfolio acquisitions and divestitures. When a new hotel property is bought he is usually involved in choosing a design agency for the possible development projects.

The interview was started by going through the current state of design markets in the UK. When Klohr was asked whether he feels that the competition is growing or shrinking he immediately says it is definitely growing. For example, he mentioned Tom Dixon, who had previously focused only on designing fancy pieces of furniture but started later to enter into hotel interior design market alongside with the furniture design. This shows the attractiveness of hotels for wide range designers.

The next topic in the interviews was the designer selection process. First and foremost, Mr. Klohr opens by saying “For us it is very important to know the track record of the designer”. He notes the hotel industry is relatively small and for Cedar Capital the opinions of their network and colleagues are very important, as they want to be aware of what has been designed and by which designers. He explains that they have a list of companies who they appreciate. Always when a project comes up they shortlist favourable designers from that list and invite them to give a pitch presentation. That step is the final tool to make a difference between designers. Later during the interview he noted that although they tend to ask designers to give a pitch presentation the track record is the most important single factor for foreign design agencies to build credibility among investors.

The follow-up question in a designer selection process was to list five factors in the order from the most important to the least important when they choose a designer. He found the earlier references being the most important factor and the local presence came after that. After a short consideration he put the last three factors in the order: people, price and pitch presentation.

After this answer he specified the price sits on everything. In other words, if the references and track record are excellent, the price gap of, e.g. 100 thousand pounds compared to other designers does not make a huge difference if the project is worth of 20-30 million pounds. Nevertheless, it has to be reasonable and fit into the budget frame. Mr. Klohr also explains why he set the pitch presentation as the least important factor by saying that for him it is more or less like a confirmation that a designer has understood a particular task appropriately and is able to execute but usually the track record speaks for itself.

He also noted that the local presence does not necessarily mean to have a physical office in London, but to be reachable when needed and visit the meetings and construction site every once in a while. Cedar Capital has very often used designers who are not based in the city where a hotel is developed. For example, in one of their recent projects in London they used a designer from Paris. "I do not think London based design agencies have a great advantage for London hotels", he said. Klohr thinks hotel design is such an important matter that one of the requirements of choosing a designer cannot be the person is lives in the same city. However, he also emphasised that in cases of any possible issues the designer has always to be available to help and travel to meet the project team.

The only matter he thought might cause challenges is foreign designers' lack of awareness of the local regulations. Therefore, they tend to hire a local architect company to support designers with that type of challenges. "If we hire international designer we have to have a local architect", he said.

When asked how they handle the construction phase if the interior designer is not based in the same city as the construction site, he simply said they have to agree with the designer that he or she regularly visits the site and makes sure that the design is moving to the right direction. He also stressed the importance of constant communication to keep all the parties involved in the project and informed about the latest design related decisions.

In the future he would like to see more transparency in what the designers do during process. "I always struggle a little bit with responsiveness and transparency from the companies who we work with. They seem to operate in the vacuum and only once the

project is final they come out”. The importance of regular and efficient communication with the client cannot be overemphasised.

7.1.2 Pirjo Ojanperä – Partner at Capman Real Estate

Pirjo Ojanperä has done an extensive career in the hotel business currently being the Partner at Capman Real Estate, which is the largest hotel investment company in Finland. Before joining Capman in September 2008 She worked as Regional Director of Finland for Radisson Blu. Prior to taking over the position of Regional Director at Radisson she had been holding several management level positions at Finnish hotel operator Sokotel. She had also acted as the CEO of clothing company Kuusinen Oy.

The approach of this interview was slightly different compared to the one with Philipp Klohr as this interview studied the same questions but from the point of view of a Finnish investor. It also deals with the topic how a Finnish based investor would regard to hiring a foreign design agency for its projects.

Like Klohr also Ojanperä agreed that competition in the field of interior design is constantly growing. She said this growth is boosted by an increasing tourism in many locations worldwide, which persuades investors to buy and build more hotels. Therefore that trend generates more room and more work for designers, which naturally creates more competition.

She also mentioned that customers give more pressure to owners and operators, as they are becoming more demanding in terms of quality of accommodation. “People do not accept anymore that the hotels are not in a good condition or they are not comfortable”, she noted. She continued by saying people currently want to have experiences that hotels have to be able to offer.

As the discussion shifted towards the designer selection process, Ojanperä explained that it is very often affected by the type of contract an owner does with an operator and a hotel brand. She explained that there are roughly three types of contract models: lease contract, management contract and franchise contract. Thus there are two to three parties involved in these deals. She noted it is crucial to recognise different players and their roles that are involved in hotel deals. “In this business there is a brand owner that can be, for example, Marriott, then there is an operator who could by even

you and finally there is an owner of the building who could be me“, she explained and gave a practical example of the parties who are usually involved in deals.

Ojanperä told that large international hotel brands tend to be “asset light”, which means they do not want to own large amount of properties. Therefore they look for franchise and management contracts in which the property is owned by the third party. In franchise contracts the hotel brand only brings the name and the brand standards to the hotels. Some other company takes care of the operations and the operator pays a fee to be able to have the brand. The owner will receive fixed rental fees from the operator thus this is risk-free option for the property owner.

In management contracts the hotel brand also takes over the operations. The owner will receive fees based on the hotel’s performance, thus in that type of a deal the risk is on the property owner. She also noted management contracts being something that large hotel chains are very often targeting to do as some brands might find it risky to give the operations on the hands of a third party. This is something that has not been done in Finland yet, because almost all the contracts are lease contracts between the owner and the operator, although it is very popular internationally.

The decision making process depends on the type of contract that takes place. Sometimes the decision is on the hotel brand if they also take care of the operations. However, in some cases it is on the separate operator if the brand only acts as a franchisor. Ojanperä also noted that in an international project a turnkey model is quite often applied which means that the owner of the building buys everything inside the hotel and makes a complete investment and chooses the brand later on. In this case the owner will choose the designer and this is another fairly common model internationally. Capman Real Estate acts as the owner of hotel properties, but in the Finnish business environment, where lease contracts are mostly made, it means that Capman Real Estate is basically in charge of basic renovations and not that much involved in choosing the designer as the turnkey model is rarely applied in Finland.

Next Ojanperä was asked what her future expectations were concerning interior design offices and where she would like to see improvements. At first she would like to see interior designers to better understand the business of hotel operators as well as brands and what the most important things from their points of view are. She said that the focus is often on wrong details and the end-result does not support the operator’s

performance as much as it could. As she put it: “Designers should remember that they do the design for their clients (operators), not for other architects or designers”. She noted that there are many companies trying to design hotels but very few of them really understand how they can help the operator and simultaneously design a hotel, which is a positive experience for the guests.

In practise this means that designers very often tend to forget the fact that it is also crucial to keep functionality besides the actual design in mind. For example, decreasing the time used for daily cleaning of rooms through smart design solutions will directly affect the profits hotel operators make. The design solutions have to support that aspect. However, she said that sometimes she also sees designs in which the functionality has been noticed but due to that the design looks very dull. Combining these two goals, functionality and stylish design, successfully is the key that supports the goals of the actual client. That is also something that can create competitive advantage for design agencies who are able to do that and prove they can affect the hotel’s performance positively.

Ojanperä also emphasised the importance of the designer’s ability to focus on details that make the design stand out from regular hotel design. Therefore she encourages designers to be creative in terms of WOW elements and other details that can make a hotel to stand out from competitors. “I think designing a hotel is one of the most experimental tasks that can be given to a designer”, she states and hopes that the designers would use personal solutions. She continued that those elements do not necessarily need to be anything highly expensive but some details that really make the room and stays in the guests’ minds.

“Some time ago with Lapland Hotels we had a long discussion as I suggested them to put golden reindeer horns on top of the headboards of the beds, which at first faced resistance. However after some reassurance the owner agreed to try the idea and it ended up being a success. Now the hotel brand is known for that element and they are using golden horns as the logo for the brand“. This is her example of how even a simple element can turn into a symbolic eye-catcher.

Finally Ojanperä noted that also sticking with the budget and the schedule is extremely important but found surprisingly difficult in many projects. She has witnessed situations during her career when the budget has been € 10 000 but the design plans would cost

€ 50 000 if implemented. When the designer is asked to cut down or replace some elements with less expensive ones nothing might be left and the end result is dull again. She said that it is also part of the designer's finesse to make the most out of the money available.

Ojanperä mentioned, even though the competition in interior design markets is growing, most companies are still Finnish based. Her main concern to hire an international design studio would be how the problems during the construction phase at the site can be solved if the designer is not present. She could consider hiring a foreign design studio if the designer's responsibilities were clearly divided between the interior designer and the project architect. If the architect were in charge of solving the most acute challenges during the construction, it would not be a problem although the designer would come from abroad. "The project cannot be a competition between an interior designer and architect but they need to co-operate throughout the project", she noted.

In conclusion, Ojanperä was asked the same questions as Klohr: How would she rank the five factors of choosing a designer? Her view about the order was slightly different: Price and people together are the most important factors and it was difficult to define which one is more important. The third important matter is local presence followed by earlier references and pitch presentation. Klohr noted that in multimillion projects 100 thousand pound difference in the designer's fee does not have a huge effect. However, it seems that in Finland the environment is still different as Ojanperä closed the topic by commenting: "In the Finnish environment it is just a reality that these two factors [price and people] often play the biggest role".

7.2 Interview 2: Internationalisation of the world's leading design companies

7.2.1 Marcel Wanders - Founder of Marcel Wanders Design Studio

Marcel Wanders, a Dutch based designer, is one of the leading interior and product designers in the world. He has his own interior design studio, Marcel Wanders Studio. He co-founded a very famous design label MOOOI in 2001, which designs high-quality furniture. According to Wanders, his design studio employs 50 people and last year company's net sales were around five million euros.

According to Wanders, he only has an office in the Netherlands but he does projects

everywhere in the world. He has fairly clear and simply vision of the key factors that have taken him to create design around the world: “I think the success starts with being recognised for doing something different than other people, something that is not established around the world. If you did something that is the same as other people do, they do not need you abroad. If they need you abroad, it is because you did something different than the rest. That is the reality.”

The knotted chair was something different he was able to do in the beginning of his career, which also became his international breakthrough product. In the field of interior design his first project was seven hotel suites in a hotel in Amsterdam. Although the project consisted of only seven rooms, they were special enough to be recognised and to become their breakthrough to interior design market.

Wanders was asked whether he did a lot of sales after the first interior design project. “We never did sales, people come to us for our design. We keep it very simple. They come to us, we make a contract and we start to work”, he said. According to him they do not have any sales activities because currently they do not want to grow. Enough projects come to them to generate work for the designers.

To manage all the projects abroad Wanders has very solid teams who are experienced in working internationally. Secondly, they will do projects with the local architects who support the designers with on site activities and local regulations. Thirdly, they need to be ready to travel quite a lot.

When the clients come to the studio they trust the designer. Therefore Wanders does not ponder too much how to build the credibility. He believes it exists owing to the works he has done earlier. He said: “They come to us, so they trust us. We make a project. That is what we can do well and we promise them to do something great. We just have to make sure we don’t fail their projects”.

Wanders said some clients want to work with them over and over again, whereas some other clients like to change designers. He emphasised the importance of doing projects with the same clients once they have found the right ones.

Finally, he told his main goal for the future is simply to do amazing work. Again he noted that they do not want to grow but to focus on establishing the type of work that is

outstanding. Before finishing the interview he noted: “We try to find a way to have more sophisticated language and more sophisticated clients. It is very simple in the way”.

7.2.2 James Snelgar - Partner & Head of Global Business Development of YOO Design

The final interview was conducted with James Snelgar, Partner and the Head of Global Business Development at YOO Design, which is one of the world’s leading design agencies. The agency was founded by John Hitchcox in late 1980s and today it combines six extremely talented and world-famous interior designers around the world. They are Philipp Starck, Marcel Wanders, Jade Jagger, Kelly Hoppen, Steve Leung and Sussanne Khan. Snelgar has been part of the company since the companies’ conception in 1991 and prior to that he worked with Hitchcox at the Manhattan Loft Corporation.

The company evolved from the Manhattan Loft Corporation where the initial idea was to buy empty warehouse buildings and turn them into loft apartments. Upon starting YOO they required a reference project from which to launch the business. They ended up buying a building in London that they turned into their first project designed by the ‘YOO Inspired by Starck’ brand. From the very beginning their aim has been not only to create good design but branded design that people could relate of. Their target has always been to create apartments that drive the move through brand and the unique quality of the design compared to more regular apartments offered in the same market. The word ‘branded’ is something Snelgar still emphasises to separate YOO Design from unbranded design.

The company started to evolve when a Manhattan Loft Corporation project took Hitchcox to Paris in 1990s where he quite coincidentally met with Philippe Starck who was already a very well known designer. They shared the same ‘vision’ for the future of branded residential design and decided to put joint their abilities. They started to receive very extensive developer enquires from around the world after the launch of their first YOO project in 1999.

Later they invited other influential interior designers to join the company, as not every developer or purchaser likes Starck’s design signature. Through this they widened their design offering with designers whose names were well recognised and increased the

brand value globally. According to Snelgar, YOO Design has 86 projects in 36 different countries. Alongside the strong brand value another factor that has enabled the strong worldwide expansion is their ability to take care of existing clients and conduct multiple projects with them. “Something like 60 % of our projects are repeated projects with the same partners”, he noted and stressed the importance of long-lasting relationships with the clients.

Today YOO Design has offices in London, Hong Kong and Dubai. They previously had offices in Miami and New York, but consolidated their operations back to London during the financial crisis, which caused them to lose considerable pipeline business. Snelgar stated the decision to open offices in foreign markets is always a “chicken and an egg” question between opening an office in advance to support the sales process, or waiting for the first project to start in order to finance the office.

Next the discussion moved to challenges YOO faced in the beginning of their internationalisation. Snelgar said: “I think the challenges we faced were communication and time zone issues when we worked from London”. YOO sends the teams out to projects and according to Snelgar they spend as much time locally as it is necessarily for the successful project. To begin with they did not know how much time they needed on site and how much time in London. He noted today these problems are usually tackled as the team is so experienced. A problem they still face is that the deals are usually closed with top-decision makers and when the projects start information and responsibility is passed to middle management who may not have been privy to the projects negotiation from the executive management.

He explained they take the design to “a highly-developed concept level” in their projects but a construction company must always be in charge of producing the construction drawings. YOO Design will review and redline the documents during this last phase of deliverables. This is the way in which they have been able to tackle the problem distance creates during the construction. They are also always concerned on who the construction company is. “You can have the best design in the world but unless you get the best execution it is not reflected well”, he stated. So they frequently visit the site during the construction to monitor the quality of construction to make sure that the design plans are thoroughly reflected in the building.

Another matter Snelgar emphasised many times during the interview is the importance

of building a strong relationship with their partners. He aims at the relationship to become like a friendship to increase the probability of repeat business. Also then any possible problems during the project are much easier to resolve. "There has to be an element of trust you build through relationships. We prefer more projects and less partners as once we have done a good project with one partner, there is a lot of trust. All our designers are picked, not only because of their design talents, which is naturally also significant, but also because of their ability to manage client relationships and we are very good at it. That is why we have such a high level of repeat business", he stated.

Snelgar prefers to market their business through PR, reference projects and recommendations coming from their now extensive portfolio almost everywhere in the world. "To maintain brand we need to be careful of knocking on other peoples doors and asking if they would you like to work with us, because they may ask 'who are you'? then the boot is on the wrong foot.", he said.

According to interviewee's experience, the best project comes directly to them. "If developers come to us then the boot is on the right foot." He said the best possible marketing is recommendations spreading through their network of established projects. "You are as good as you latest project and you are as good as what people are saying about you in the market place", he mentioned.

In closing we discussed the challenges distance creates. The most common challenge in developing business is how to keep in contact with the new possible clients that are met when marketing in foreign markets because usually a person only parachutes in, forms relationship and then comes back out again. As Mr. Snelgar put it "In most markets this is a real challenge as it requires building solid relationships, a personal relationship, but you cannot afford to keep flying to Mexico for example every other week, so you have to do the best you can, and that's the challenge." Therefore keeping in touch through emails, calls and visiting whenever you can is vital for building relationships. "The person in charge of business development has to closely attend the people he or she wants to work with in the future", he concluded.

8 Conclusion

8.1 Conclusions

First and foremost the research carried out for this project supports choosing the UK as the target market. As noted in the PESTLE analysis the hotel markets in the UK appear to be stable and has not been suffered from terror attacks like many other markets. The number of the hotel projects in the planning stage is significant as noted in the chapter 4.4 and besides that many large hotel investment companies have their headquarters based in London. These two facts signal that the UK holds a lot of opportunities for interior design companies.

The on-going Brexit situation is expected to push down the GDP in a long run, which may have an effect on the number of hotel nights sold. That may also slightly decrease the attractiveness of this market for hotel investors. However, these impacts are extremely difficult to forecast at this stage as it is still unsure at what extent the Brexit is eventually going to change policies and regulations. Even though the attractiveness of the UK market would decrease it would most likely only make the hotel investors to invest in other cities but the actual companies would still be based in London.

Based on the insights pointed out in this study the whole internationalisation process starts from building up the right team. The group of people who are in charge of international development has to be both willing and keen on to put in the significant effort that internationalisation requires. These people have to be capable of acting consistently and stay organised as internationalisation is a very long-term process. On top of that they have to own great social skills to build the trust among new international clients and create a personal connection with them. As James Snelgar noted earlier, when YOO Design is recruiting new designers one of the main criteria is how well the person can create and manage relationships.

The next step is to find the right client groups who actively work on hotel projects and who understand the value design can generate for the projects. This can be done through efficient networking and presence at the most important business events of the hotel industry. Especially in the beginning it requires a lot of meetings, which have to be conducted with the directors on the higher management level who can actually make the decision to take new designers on board. Otherwise, a lot of time can be

wasted if wrong people are met. The network of hotel investors and developers has to be wide since hotel development projects are long-term processes, which means that one owner or developer can only do limited amount of projects each year. This is also a reason why it is important to keep track on potential clients because it is crucial to ensure that the time frame when the designer is chosen will not be missed.

Out of the actual internationalisation strategies dealt with in the chapter five the combination of direct exporting and strategic partnership is recommended. Direct exporting is most likely the best way to sell the product because, as noted before, the brand identity is a key thing for creative design companies. Therefore, the persons who can reflect that identity the best are the ones who work in that environment daily and those persons have to interact with the clients. In other words, any other company, agent or somebody out of the company cannot represent the identity of dSign Vertti Kivi & Co.

For the actual design process it would be recommended to have strategic partnerships with local partners who could help during the construction phase to solve urgent issues. As Pirjo Ojanperä said, there are a lot of challenges to be solved in each project during the construction and her concern to hire a foreign design agency would be how these issues are solved if the designer is not present. On the other hand, Philipp Klohr did not regard this as a problem as long as the designer is willing to travel to the site and meetings frequently. This is clearly something that clients have different views about, as some clients find it necessarily to have an actual office locally whereas others do not. Therefore strategic partnerships in the major cities with the high-level architecture agencies would be recommended to form in order to overcome the challenge that some clients require a local representative.

However, according to interviews with buyers and internationally succeeded designers, in the end it all comes down to creating better and different design than others and taking care of the projects with perfect precision and punctuality. The quality is the best competitive advantage that design agencies can have when competing of the highly recognised projects. The factors discussed in the previous paragraphs have to be organised to enable successful selling process and to reach a contact with the client but they have no use if the design is not at the required level or if it is not creative enough. Marcel Wanders said that this is something he purely relies on; James Snelgar emphasised the importance of creating design that is so excellent that it becomes a brand and people want to relate to it. In addition, Philipp Klohr supported that by saying the track

record and ability to deliver are the most important factors when they select the designer. Pirjo Ojanperä noted that coming up with smart ideas to catch people's attention is something that draws a line between a good and excellent designer. Therefore it is safe to say that everything is based on excellent design that is supported by effective processes in sales and project management.

At this stage it is not necessarily to open a full-service office in London. The sales process can be carried out by visiting the market frequently and the major part of the design tasks can also be handled remotely and together with strategic partners as discussed before. Without a project in London an office would only create a lot of fixed costs each month. However, after the first major projects are successfully started it is important to reconsider if it were worthwhile to open an office in London to support direct exporting and later to enable bringing designers to London. When the first projects in London are started a huge emphasis has to be put on selling to ensure that the flow of new projects become constant. Otherwise after finishing the first project the situation would be the same.

The management has to analyse when the number of projects exceeds the amount that they are able to generate enough work for a few designers to be hired in London. It has to be also considered when it is more efficient to take care of the project in London than always travel between London and Helsinki. However, the management has to make that decision fairly soon after the projects are started since holding the decision too long may lead to the missed opportunity.

8.2 Recommended further actions

During the interviews Vertti Kivi mentioned that the majority of feedback they have received in the international meetings regarding their designs has been positive. The track record also shows that dSign Vertti Kivi & Co has managed to design many, very demanding projects that have been highly recognised and awarded.

In the future it is crucial to maintain the same level of design and constantly try to improve the works the agency produces. The main room for improvement can be found in the sales process and how the relationships with the clients are built and managed. Currently, it appears that the level of design is sufficient but dSign Vertti Kivi & Co does

not have enough contacts and credibility globally to make them frequently receive proposal requests and win projects.

Therefore it is recommended the management to take a look at how the sales process could be developed to find the right decision makers and track them consistently. Once these people have been found it has to be clear how the relationship is built step by step, which is a persevering process. The goal has to be to build long-term business relationships and aim at doing numerous projects with the same clients since without this element the process is not constant and the growth is difficult to achieve. Reaching a good relationship requires professional and delicate behaviour in all aspects from the first contact to invoicing process, which includes efficient communication, meeting all the deadlines and a lot of time spent with the client.

As a leading design office in Finland dSign Vertti Kivi & Co could also exploit the power of PR better. Always when new projects are completed it would be recommended to have clear procedure how the media is informed to keep the name of the company on view at all times. In addition, it would be very crucial to frequently try to catch the attention of international magazines as well, to increase the awareness in the global markets.

It is also suggested to search and sign contracts with the desired strategic partners in the major cities already in advance because it is most likely too late when a new project is under negotiation with a client. At the point of negotiation dSign Vertti Kivi & Co has to have a local partner to present if the client requests it to prove that they are also able to deal with the construction phase.

In conclusion internationalisation of dSign Vertti Kivi & Co requires enormous amount of time and effort from the executives and the project teams. Their primary task is to make sure that the design level improves constantly and that all the other elements supporting internationalisation are moving to the right direction. Further research is suggested to be carried out in the field of client relationship management and what the value chains of different hotel investment companies are. That has to be done to better understand who the right persons to build trust and relationships with are.

References

- Asiakastieto.fi. (2017). *Suomen Asiakastieto Oy*. [online] Available at: http://www.asiakastieto.fi/web/fi?gclid=EAlalQobChMI16q5yqaq1wIVb7vtCh0OYgZfEAAYASAAEgKKrPD_BwE [Accessed 16 Aug. 2017].
- BBC News. (2017). *The challenges of going global - BBC News*. [online] Available at: <http://www.bbc.com/news/business-33224596> [Accessed 26 Aug. 2017].
- BBC News. (2017). *UK sets out plan to replace EU laws*. [online] Available at: <http://www.bbc.com/news/uk-politics-39439554> [Accessed 14 Oct. 2017].
- BBC News. (2017). *United Kingdom profile - Overview - BBC News*. [online] Available at: <http://www.bbc.com/news/world-europe-18027954> [Accessed 27 Aug. 2017].
- Bennett, A. (2017). *Immigration nation: where are Britain's migrants coming from, and why?*. [online] Telegraph.co.uk. Available at: <http://www.telegraph.co.uk/news/general-election-2015/politics-blog/11622718/Immigration-nation-where-are-the-Britains-migrants-coming-from-and-why.html> [Accessed 16 Oct. 2017].
- Bryman, A. and Bell, E. (2011). *Business research methods*. New York: Oxford University Press.
- Design 2020 design industry futures. (2009). [online] Cooper, R, Evans, M, Williams, AJ, Hodgson, L, Hall, NA and Sun, Q. Available at: http://usir.salford.ac.uk/12618/1/Design2020_final.pdf [Accessed 18 Aug. 2017].
- Devaney, E. (2017). The Pros & Cons of 7 Popular Organizational Structures [Diagrams]. [Blog] Available at: <https://blog.hubspot.com/marketing/team-structure-diagrams> [Accessed 1 Nov. 2017].
- Doole, I., Lowe, R. and Kenyon, A. (2016). *International marketing strategy*. Andover, Hampshire: Cengage Learning EMEA.
- dSign Vertti Kivi & Co (2017). *dSign Vertti Kivi & Co - Organisational structure*.

dSign Vertti Kivi & Co (2017). *dSign Vertti Kivi & Co - Reference List*.

EU and UK Environmental Policy, Third Report of Session 2015-16. (2016). [online] House of Commons, Environmental Audit Committee. Available at: <https://publications.parliament.uk/pa/cm201516/cmselect/cmenvaud/537/537.pdf> [Accessed 18 Aug. 2017].

Geldards.com. (2017). *BREXIT - What's the current relationship between EU and UK law*. [online] Available at: <https://www.geldards.com/what's-the-current-relationship-between-eu-and-uk-law.aspx> [Accessed 14 Oct. 2017].

Ghauri, P & Gronhaug, K. (2010). *Research Methods in Business Studies: A Practical Guide*. Fourth Edition edn, FT-Pearson.

Goodger, D. (2017). *The Economic Outlook - Hot.E Hotel Investment Conference 2017*. London, the United Kingdom, 26-27 September 2017. London: Oxford Economics.

Greenwood, R. (2011). *The Sage handbook of organizational institutionalism*. Los Angeles [u.a.]: Sage.

Harvard Business Review. (2017). *The Decision to Trust*. [online] Available at: <https://hbr.org/2006/09/the-decision-to-trust> [Accessed 21 Aug. 2017].

Heinonen, J. (2017). Interview on *The interior design market situation in the international market*, Interviewed by Joonatan Akkanen [in person] 15 August 2017.

Hintikka, S. (2017). Interview on *The design process of dSign Vertti Kivi & Co*, Interviewed by Joonatan Akkanen [in person] 17 August 2017.

Horská, E. (2014). *International marketing*. Krakow: Wydawnictwo Episteme.

Hussein, W. (2017). *UK PESTLE ANALYSIS*. [online] Scribd. Available at: <https://www.scribd.com/doc/133398848/UK-PESTLE-ANALYSIS-Part-1-docx> [Ac-

cessed 16 Aug. 2017].

Johansson, J. (2006). *Global marketing*. Boston: McGraw-Hill Irwin.

Johnson, G., Whittington, R., Scholes, K., Angwin, D. and Regnér, P. (2017). *Exploring strategy*. 11th ed. Harlow (England): Pearson.

Kivi, V. (2017). Interview on *The history, service process and internationalisation of dSign Vertti Kivi & Co*, Interviewed by Joonatan Akkanen [in person] 5 August 2017.

Klohr, P. (2017). Interview on *Factors of choosing an interior designer*. Interviewed by Joonatan Akkanen [in person] 7 September 2017.

Market Research Reports, (2016). *United Kingdom*. [online] Market Research Reports® Inc. Available at: <https://www.marketresearchreports.com/countries/united-kingdom?page=1> [Accessed 26 Aug. 2017].

Migrants in the UK: An Overview. (2017). [online] The Migration Observatory. Available at: <http://www.migrationobservatory.ox.ac.uk/resources/briefings/migrants-in-the-uk-an-overview/> [Accessed 16 Aug. 2017].

MISC. (2017). *Why Storytelling is Important to Business | MISC*. [online] Available at: <https://miscmagazine.com/storytelling-important-business/> [Accessed 27 Aug. 2017].

OECD Reviews of Health Care Quality: United Kingdom. (2016). [online] Available at: http://www.keepeek.com/Digital-Asset-Management/oecd/social-issues-migration-health/oecd-reviews-of-health-care-quality-united-kingdom-2016_9789264239487-en#page1 [Accessed 18 Aug. 2017].

Ojanperä, P. (2017). Interview on *Factors of Choosing an Interior Designer*. Interviewed by Joonatan Akkanen [in person] 14 September 2017.

Oxford Dictionaries. (2017). *Oxford Dictionaries | The World's Most Trusted Dictionary Provider*. [online] Available at: <https://www.oxforddictionaries.com> [Accessed 18 Sep. 2017].

Porter, M. (1993). *Competition in global industries*. Boston, Mass: Harvard Business School Press.

Robbins, S., Judge, T. and Campbell, T. (2017). *Organizational behaviour*. Harlow: Pearson Education Ltd.

Rossmann, R. (2017). *Hot.E Presentation - Hotel Performance Update*. London, the United Kingdom, 26-27 September 2017. London: STR.

Santander.com. (2017). *Economic and political outline United Kingdom*. [online] Available at: <https://en.portal.santandertrade.com/analyse-markets/united-kingdom/economic-political-outline> [Accessed 28 Aug. 2017].

Snelgar, J. (2017). Interview on *Internationalisation of an Interior Design Agency*. Interviewed by Joonatan Akkanen [in person] 7 September 2017.

Team Finland kansainvälistymis- ja kaupanesteselvitys. (2016). [online] Helsinki: Elinkeinoelämän Keskusliitto. Available at: <https://ek.fi/wp-content/uploads/Kaupanesteselvitys-2016-final.pdf> [Accessed 18 Aug. 2017].

Tuominen, S. and Kuulasmaa, R. (2012). *Matkanopas*. 1st ed. Helsinki: Tammi.

UK Economic Outlook - March 2017. (2017). [online] London: PwC. Available at: <https://www.pwc.co.uk/economic-services/ukeyo/pwcukeyo-slides-final-march-2017-v2.pdf> [Accessed 30 Aug. 2017].

Wanders, M. (2017). Interview on *Internationalisation of an Interior Design Agency*. Interviewed by Joonatan Akkanen [in person] 18 August 2017.

Wild, J. and Wild, K. (2012). *International business*. Boston: Pearson.

Worldometers. (2017). *Worldometers - real time world statistics*. [online] Available at: <http://www.worldometers.info> [Accessed 16 Oct. 2017].

Questions for the Global Interior Design Companies

- 1) What is the current number of employees and the net sales of your company?
- 2) Do you have offices in some other country or countries besides the Netherlands/UK?
—> If yes, when did you decide to open the first one?
- 3) You have designed gorgeous projects around the globe. Could you please briefly explain the steps how you have reached this global success?
- 4) What would you name as three key factors for this international success?
- 5) What would you consider your international breakthrough project and how did you end up designing that one?
- 6) What type of challenges you have faced in terms of internationalisation?
- 7) In your opinion, have the projects come more from efficient sales and marketing or as a result of previous successful projects?
- 8) How large is your international development sales team?
- 9) How have you been able to build trust and credibility among the international clients?
—> Usually, as a smaller company one of the main challenges of going international is how to build strong credibility among the potential clients such as hotel owners / investors
- 10) What are your ways to maintain the contacts with the key clients?
- 11) You have had a lot of projects around the world. How do you manage the projects when there is a long distance?
- 12) What are your future dreams? Would you like to keep growing as a company?

Questions for the Hotel Investors

- 1) How do you see the current state of the UK's design markets?
—> Growing or shrinking competition
- 2) What kind of designer selection process do you use?
- 3) Do you tend to chance the design offices or try to use the same ones project after project?
- 4) How do you see the position of foreign design offices in London's market?
- 5) Have you used any foreign design agencies in your projects?
- 6) Do you see the local presence necessarily for working with you?
- 7) When choosing the design agencies, how would you rank the following factors:
 - A) Price
 - B) People
 - C) Local presence
 - D) Earlier references
 - E) Pitch presentation?
- 8) What do you see as the most important matter for a foreign design office to build credibility?
- 9) What else do you expect from a company trying to enter the market?
- 10) What are your main concerns when consider hiring an office not from the UK?
- 11) Is there something in the UK that you are missing in terms of design?
- 12) Local partner idea - local point of contact?
- 13) Future expectations for design offices? How to separate?