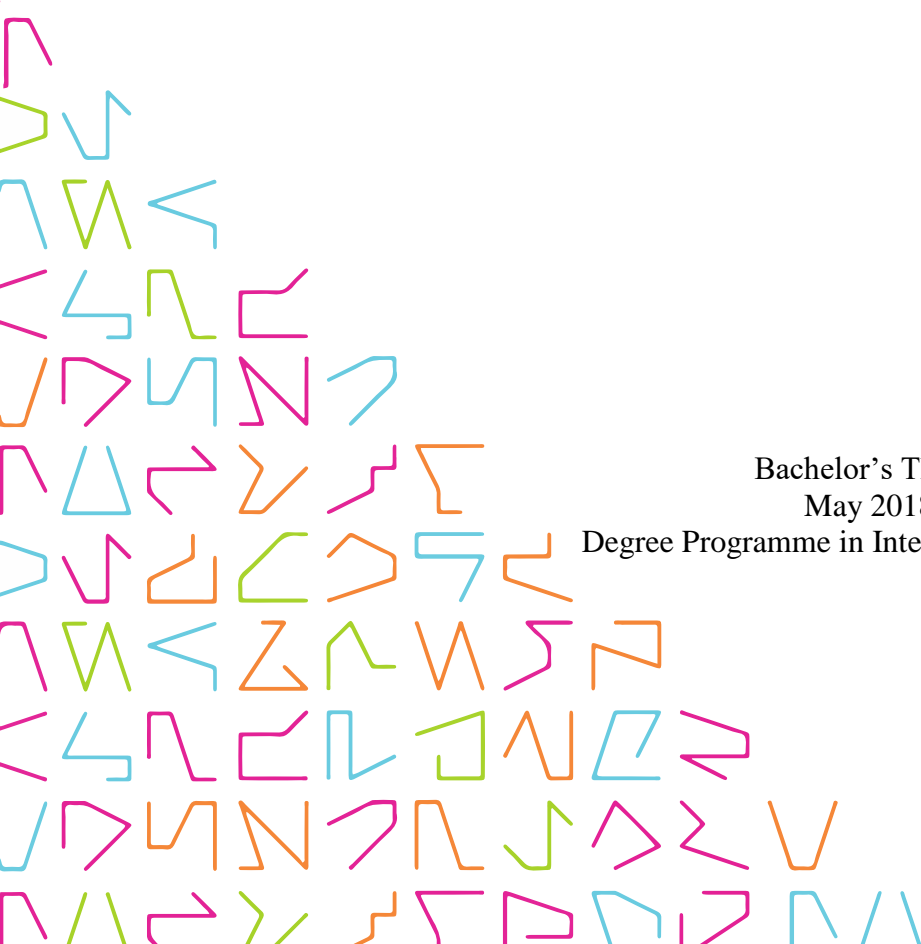


# **MARKET ENTRY TO UNITED STATES FOR WOODWORKING HOBBYIST PRODUCT**

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Bachelor's Thesis  
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## ABSTRACT

Tampereen ammattikorkeakoulu  
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Market entry to United States for woodworking hobbyist product

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The commissioner Atterossi Graphic Arts is a small print media company, whose founder invented a new product for the woodworking hobbyist community. The inventor required assistance for foreign market entry into United States as they had no experience of these activities. The focus of the thesis was to develop a market entry plan from Finland to United States for the small company's new product.

The purpose of this thesis is to develop an actionable market entry plan for the new product by researching United States macroenvironment, selecting best market entry mode, provide marketing strategy and marketing mix to formulate actionable market entry plan.

The research was gathered from secondary sources, both quantitative and qualitative data to provide detailed macroenvironment analysis of United States. Political, economic, sociocultural, technological, ecological and legal factors were studied. This macroenvironment analysis was then used as foundation for direct exporting as the selected market entry mode. Limited marketing strategy and marketing mix were formulated based on the macroenvironment and market entry mode. All factors were concluded to formulate market entry plan for direct exporting mode to provide omni channel selling distribution opportunity for the commissioner.

The end result of the thesis is the market entry plan with direct exporting as selected entry mode to provide actionable steps for the commissioner to follow. The plan provides practical approach for successful market entry as no barriers were found for either Finland exporting or United States importing as the product does not belong to any restricted international trade product categories. The customs processing is minimal as the product price is expected to fall under \$800 and be delivered via international postal services that are cleared without formal entry through US customs.

The final market entry plan was supported with marketing strategy focusing on differentiation and marketing activities via digital channels. The market entry plan resulted to have the company open own online store for the US customers, and open omnichannel selling for Amazon and eBay online platforms. The setup for these platforms was very straight forward and had no barriers.

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Keywords: market entry, plan, Finland, exporting, United States, international business

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**GLOSSARY or ABBREVIATIONS AND TERMS (choose one or other)**

GDP	Gross Domestic Product
WTO	World Trade Organisation

## INTRODUCTION

United States is the largest economic power in the world with Gross Domestic Product (GDP) of 18,7 trillion dollars (The World Bank 2016) with foreign importing consisting of 14,68% of the GDP (The World Bank 2016). It is also one of the most developed countries with high consumer disposable income level of \$44 049 (OECD 2018). This makes United States very potential for foreign expansion. The established logistical infrastructure for the current volumes of trade makes it much cheaper to export products from foreign countries. United States is the largest single exporting country for EU with 20% of total exports or 375 billion EUR (Eurostat 2018).

This is also a fantastic opportunity for Finnish companies to increase their revenues with foreign expansion. Finland exports 36% of GDP annually, that makes Finland an exporter above the world average of 28,57% (The World Bank 2016) and 7,24% of this is to United States, which makes the country the 3<sup>rd</sup> most important exporting country for Finnish businesses (The World Bank 2016). Following this example for exporting to United States, the commissioner is one to enter these markets.

Atterossi Graphics Arts, the commissioner is a print media company and is a small to medium size enterprise (SME). The company was founded in Ikaalinen Finland in 2009..

The owner has invented a tool product for woodworking hobbyist community and is applying to patent the product. The tool has been under development since 2017 January. The product belongs to a different product category than the company's' print media products and the commissioner decided to search outside help for exporting the product into United States. The first contact was with Tampere University of Applied Sciences for product development assistance and later, the exporting consulting was commissioned as a student thesis work.

The tool's specifications and details are protected by Non-Disclosure agreement between the commissioner and parties involved in the development process and are thus not discussed within the thesis. The name of the product is also protected, but called later Tool X. Furthermore, the dimensions of the product allow it to fit into a letter the size of 25 x

35,3 x 3 cm and weight of maximum 2000g, as it is important factor to consider for export logistics.

The commissioner requested full guidance for export practicalities from Finland to United States for the product as there was no previous experience from these activities. The thesis will explore this topic.

## **1.1 Purpose and research questions**

Designing a step by step market entry plan for the newly invented woodworking hobbyist product is the sole purpose of this thesis. It is an actionable step by step plan to make this product available to purchase in United States by the consumers there. The market entry plan helps the company in their foreign expansion for potential revenue increase through wider customer base. The following research questions are designed to fulfil the purpose:

1. How does a PESTEL analysis look like for United States?
2. What is the best market entry mode for the product for United States?
3. How does 4P Marketing Mix look like for United States?
4. What are the steps for the product for its United States market entry?

First of these questions is specifically about United States, and how does the country profile look like: How does a PESTEL analysis look like for United States? This secondary research analysis forms the foundation information for the next questions. The second question aims to determine the best entry method for the foreign expansion: What is the best United States market entry mode for the product? The entry mode selection lays the foundation for the foreign expansion strategy and narrows the steps down to one path. This is also a question answered with secondary data. the last question: What are the steps for the invented product for its United States Market Entry? The final question forms the step by step applicable plan for the product to enter United States markets. It lays a path that starts from Finland and ends up with the product available to purchase for United States consumers.



## **1.2 Limitations of the thesis**

The limiting factors of this thesis regard the length, time and information constraints of Bachelor's thesis. These factors limit the possibility for full review of exporting market entry for a completely new product. Competitive positioning, customer segmentation, detailed marketing plan and price related factors are very important for strategic market positioning when entering new markets, however this thesis does not discuss these factors due to the length limitations. Also, price has not been discussed with the commissioner as the product is still in development phase and exact cost calculations have been left out.

Notably, if these factors were discussed, the thesis would have required additional author to reduce workload. Full spectrum analysis into these topics was not possible in the frame of this thesis, however the thesis gives background and recommendations for these topics to be explored later.

## **1.3 Research methodology**

The development of market entry plan for the commissioner is a study of real-life problem as the commissioner has no experience of internationalization. This form of research is applied research as it aims for practical results (Krishnaswami and Stayaprasad 2010, 11).

The main research method is the desk work collection of secondary research from governmental statistics and reports, trade associations, international organizations, financial journals and newspapers. Both qualitative and quantitative secondary research data is collected to answer the research questions. The focus is to provide as much quantitative data as possible to provide comparative information. This secondary data is used as reference for each of the research questions.

This secondary data is the sole source of data for the applied research. There are several advantages for secondary data as it is easily available and cheap to collect. It is also possible to have longer reference periods. The use of secondary data also broadens the data for more generalized application. (Krishnaswami and Stayaprasad 2010, 87-88)

## 1.4 Structure of the thesis

The thesis is divided into seven chapters. The first chapter, Introduction details the background, purpose and research methods of the thesis. The second large segment is the main secondary research and analysis segment that consists of PESTEL, About the Customer, Market Entry Mode and 4P-Marketing Mix. Lastly the fourth part of Market Entry Plan and Discussion is the end product of the thesis.



FIGURE 1: Thesis plan

## **2 UNITED STATES PESTEL COUNTRY ANALYSIS**

The PESTEL analysis tool is used for detailed country analysis to bring more information for a company to determine their strategic options. The original author of the tool is unknown and there are many variations for it such as: PEST, PESTEL, PESTLE and STEEPLE. However, they all function very much the same way and aim to bring information for the following topics within a country: Political, Economic, Sociocultural, Technological, Environmental and Legal environments (Jurevicius 2013).

The Political and Legal factors overlap each other somewhat as they describe the restrictions for trade, government involvement and other regulatory factors or limitations. The Economical factor describes how well the economy is doing and where is it going by describing the companies, people and government financial information. Technological factors regard mostly the infrastructure and possibility for information relay and material transportation. It also describes to what level of technology the residents of the country are used to having. These factors are mostly factual types of information unlike the Sociocultural factors that aim to bring insight into the resident's attitudes and habits. These factors are mostly secondary source qualitative data and require more thorough analysis.

Overall the tool is a great basis for further analysis as it is used in this case. This PESTEL analysis has been aimed at narrower analysis for woodworking hobbyist industry within United States regarding the product ToolX.

### **2.1 Political Environment**

#### **2.1.1 Political- and government stability, and corruption**

The political stability in United States is stable and safe for business conduct as the country holds score of 35,6 in the Fragile States Index (FSI) and rank of 158 out of 178. For comparison, Finland has top score of 18,7 with the rank of 178 (The Fund for Peace 2017, 6).

In 2016 Donald Trump was elected for president and he is the first republican president for 8 years (BBC 2018). The trend is towards lowering taxation for corporations and increasing nationalism to bring Americans more jobs. The government is still stable and the next elections are in 2020 (Isaac 2017).

Only concern in United States would be the corruption within money laundering and secret companies in the form of corruption with the rank of 18<sup>th</sup> in Transparency International's Corruption Perceptions Index (CPI) in 2016 (Transparency International 2017). Mostly increasing inequality and not a threat to regular business conduct; this factor and the political stability are of low concern for the business.

### **2.1.2 Taxation and tax policy**

There are multiple types of taxes for businesses depending on their operations. Most basic of these is the Income Tax for general tax for all income. Along this there is slightly differing Estimated Tax option for the Income Tax. For sole proprietors and freelancers, there is Self-Employment Tax. Employment Tax is for every company with employees. Some businesses also need to look at Excise Taxation in some special cases (IRS 2018).

The taxation policy for the rates seems very high as the corporate tax is on average around 38,9%. However, with deduction adjustments it comes down to average of 18,6% (Kurtzleben 2017). There are many categories for these deductions and it is essential for any company operating in United States to look into these and the different types of taxes.

The states of United States charge sales taxes (STX) at the consumer level and these do not apply for imported merchandise (European Commission 2018).

### **2.1.3 Bureaucracy, competition regulation and freedom of press**

It is easy to conduct business in United States as the country stands 8<sup>th</sup> on the World Bank's Ease of doing business index and for comparison, Finland comes at 12<sup>th</sup> (The World Bank 2016). This low level of bureaucracy is a benefit for businesses.

The regulatory authority for competition is the Federal Trade Commission's (FTC) Bureau of Competition and they mainly regulate competition on price fixing, group boycotts, exclusive dealing contracts and trade association rules (Federal Trade Commission 2017). These are of low importance for small businesses as their business operations don't have very large impacts.

Freedom of press is one of the worst factors in United States and has been on decline after the election of Donald Trump who has deemed journalists the "enemy of the American people". White House has also tried to block access for media outlets to cover news stories (Reporters Without Borders 2018). United States is currently 45<sup>th</sup> on the 2017 World Press Freedom index and Finland is 4<sup>th</sup> for comparison (Reporters Without Borders 2018). However, this doesn't concern most businesses and in this case, it is of low importance.

#### **2.1.4 Global trade restrictions, import restrictions and tariffs**

World Trade Organization (WTO) is the responsible authority for agreements about trade restrictions. These concern the transportation of certain hazardous or illegal materials and products. There are also restrictions on trade tariffs and general trading rules for non-discrimination (World Trade Organization 2017). The product at hand does not fall under these restricted materials or products.

Also, there are no commodities under absolute quotas for importing. However, if this were the case, there are three types of quotas for imports. The absolute quota limits the total number of imported good, tariff-rate quota raises the import tariff after higher quantity of imports and lastly the tariff-preference levels works similarly, but only permits a specific quantity (U.S. Customs and Border Protection 2017).

Lastly, very important factor to consider are the tariffs. According to the EU, the product falls under EU Import Export Code 8460390020 and has 4,4% Free On Board (FOB) value Tariff for US Most Favourable Nation duty (MFNduty) (European Commission 2018). This is very important to know for businesses as it directly impacts product pricing and profits.

### **2.1.5 Industry regulations and government involvement in trade unions and agreements**

There are several laws regarding industry and businesses. The most important of these are the Consumer Product Safety Act (CPSA) and Consumer Product Improvement Safety Act (CPSIA). The authority enforcing these is the Consumer Product Safety Commission (CPSC) (Vermeulen 2017). Currently the product falls under the non-regulated products and has to follow CPSA SEC.7 [15 U.S.C §2056] standards. These give the general instructions regarding performance, instructions and warnings (United States Consumer Product Safety Commission 2011).

The main authority for regulatory authorities in United States is the government as roughly since 1950s the unionization of United States has been on decline. Most of the functions from these trade unions is regulated by laws such as the National Labor Relations Act (NLRA) and its improvements: Landrum-Griffin Act and Taft-Hartley Act (The Gale Group 2008). These laws regulate the unions very tightly and only 11% of public sector and 7% of private sector belonged to a union in 2013 (MIT OpenCourseWare 2017).

## **2.2 Economic Environment**

### **2.2.1 Population, GDP and unemployment**

As of 2018 the population of United States is 323 million and it is the 3<sup>rd</sup> largest country after India with 1 324 million and China 1378 million population (The World Bank 2016). However, the Gross Domestic Product (GDP) of United States is largest in the world with \$ 18,56 trillion and China comes 2<sup>nd</sup> with \$ 11,19 trillion and Japan 3<sup>rd</sup> with \$ 4,93 trillion (The World Bank 2016). The 2018 April unemployment level was 3,9% or 6,3 million people. However, there were 95,7 million people not counted in the labour force (Bureau of Labor Statistics 2018).

These factors are beneficial for the businesses operating in United States due to market size and opportunities.

### **2.2.2 Inflation, interest rates and price fluctuations**

Inflation level of United States was at 1,26% in 2016 and in 2015 it was 0,19%, that is the second lowest compared to the economic crisis of 2009 with -0,35% inflation. However, the inflation level does not differ much from the global average (The World Bank 2016). This is a healthy inflation level and the consumer purchasing power remains steady (Investopedia 2018). However, the interest rates set by Federal Reserve (FED) are very low at 1,25% to 1,5%. The government has also set a goal for 2018 to raise the rates 3 times (Wearden and Fletcher 2017).

This might have some effect on prices in the future as the price for money raises. But currently the prices follow inflation as expected and have been rising steadily by 0-2,5% yearly. This was also the case for 2016-2017 when the Consumer Price Index (CPI) all items category rose by 2,2% (Bureau of Labor Statistics 2018).

It remains yet to be seen what the FED interest raises will actually cause, but currently the inflation is very steady and prices are raising as expected, even if the interest rates are on the lower side.

### **2.2.3 Globalisation and exchange rates**

Ranked 27<sup>th</sup> on the 2017 KOF Index of Globalization, United States is quite globalized country with score of 79,7. Finland was ranked 12<sup>th</sup> with score of 86,3 and top rank was held by Netherlands with 92,84. The lower score comes partly out of the Economic Globalization as United States was ranked 54<sup>th</sup> there. (KOF Swiss Economic Institute 2017).

Trade barriers and tariffs were the largest effect, that most EU countries don't have due to trade agreements between more countries. However, this matter does not pose much concern for a business.

Unlike the exchange rates that directly impact revenues. On 6.11.2017 the exchange of 1 € to US dollar (USD) was \$1,158. The value of the Euro has been raising from all-time low of 16.12.2017 exchange of EUR to USD \$1,045 (-9,76%) when they were almost equal merely 12 months ago. The recent Euro value drop started from 30.3.2014 EUR to

USD exchange value of \$1,386 (+16,45%), and has been quite volatile ever since (XE.COM INC 2018). This is one very important factor for monitoring when pricing products for United States markets.

#### **2.2.4 Economic growth, business cycle, stock markets, trade flows and patterns**

United States Annual GDP % growth rate was steady, even if lower than previous years with 1,61% in 2016 comparing to 2,59% in 2015 and 2,37% in 2014. There was a slight drop in 2013 with 1,67% from 2012 at 2,22%. There is not much variation from the global numbers that have also been quite steady: 2,43% in 2016, 2,73% in 2015, 2,83% in 2014, 2,60% in 2013 and 2,43% in 2012 (The World Bank 2016). Overall the growth is at a normal level compared to the 2009 financial crisis for example.

The steady growth of United States is expected to continue throughout 2018 and 2019 as consumption and investment growth is supported by strong business and consumer confidence. This growth partly comes from introduction of the lower corporate and personal income taxation. Notably in some areas the housing prices have gone past the financial crisis levels and stronger regulatory oversight reduces vulnerabilities for next crisis. (OECD 2017)

More interesting matter for businesses, the current United States business cycle is at expansion as the GDP % growth rates have been at a healthy 2-3% (Amadeo, Where Are We in the Current Business Cycle 2017). As of 2017 the growth was 1,2% in Q1, 3,1% in Q2 and 3% in Q3. The latest GDP growth came from gross private domestic investments (Bureau of Economic Analysis 2018). During the expansion cycle, consumers and businesses invest and purchase more as the economy is growing. During this period, they have more money to allocate into non-essential goods such as entertainment and services (Amadeo, What is the Business Cycle? 2018). This is very beneficial time for businesses.

As evidence from the expansion cycle, the US is experiencing growth on stocks. In November 2017, nearly all indexes were on the growing side compared to 1 year before. For example, the NASDAQ Transportation IX was up by +12,98% in transportation industry and S&P 500 Index by +11,81%, which is a general overview index of all industries. Dow Jones Indus. Avg. was up by +16,04% that follows the best of different industries and



finally NASDAQ Computer Index up by +26,43% in computer industry (Bloomberg 2018).

These indexes have been on the raise partly due to the US senate corporation tax reduction plans, even if the senate decided to delay the planned 20% corporation tax (Kapur and Wasson 2017). The tax bill would be delayed until 2019 and many indexes fell from 0,3-1% on 10.11.2017 (Ponczek 2017).

Lastly as a large economy with large trade flows, the United States was 1<sup>st</sup> in both merchandise and commercial Service imports and 2<sup>nd</sup> in merchandise and 1<sup>st</sup> in commercial service exports in World Trade Organizations trade flow country listings. US was in -2,6% trade deficit in 2016 as there were more imports than exports. This is normal for expansion business cycle (World Trade Organization 2017).

Largest export and import products in merchandise were manufactures with 74,8% in both categories. For services, the other commercial services were 56,6% of exports and 52,8% of imports. Largest product categories were of cars, petroleum, computers, medicals and car parts. Top merchandise import countries were China at 21,4%, EU (28) at 18,9%, Mexico at 13,2%, Canada at 12,6%, Japan at 6% and other at 27,9% (World Trade Organization 2017).

The expansion business cycle and almost booming stock market tells of a great time to do business. For a foreign business aiming to export products into United States, the large trade flows aid in terms of established logistical services and infrastructure that must handle all of the flows.

### **2.2.5 Consumer spending habits, cost of living and consumer disposable income**

Overall the United States consumers are spending more on online shopping and going after a price, instead of premium quality to satisfy their needs. In 2016 the annual average spending per consumer was \$ 57 311 (Amadeo, Consumer Spending Trends and Current Statistics 2018). Of this amount, the average consumer spent 36% on goods of which durable goods 13% and non-durable goods 22%. The spending on Services 65% of which

housing 18% and health care 17%. Other services were 9% and they didn't include recreation, transportation, hotels, restaurants and finance (Amadeo, Personal Consumption Expenditures, Statistics, and Why It's Important 2018). Also, according to McKinsey in 2016 the consumers valued their preferred brand, but were alright to trade down for lower price than previously (Magni, Martinex and Motiwala 2016). This gives better opportunity for unknown businesses.

Continuing with costs, United States ranks 25th globally in Cost of Living index with 72,95 points. Finland is 19th with 81,70. With rent added comparison, US is 22nd with 56,35 and Finland 21nd with 56,63. Without the added rent US is -11% less expensive than Finland and with the rent adjusted index, US is -0,5% less expensive (Numbeo 2018). However, there are large variations between areas in US ranging between +/-40% (Numbeo 2018). The cost difference is mainly caused by the large variation in housing and renting prices. This is one important factor for consideration when targeting specific markets and customers.

Moving on to income; in the Organisation for Economic Co-operation and Development (OECD) household net adjusted disposable income, US is 1st with \$ 44 049 per household and Finland is 13th with \$ 29 374 by -33,3% less than United States (OECD 2018). With the added lower cost of living the average US citizen has more income to spend than Finnish citizen on non-essential purchases such as entertainment, leisure products and services. There has been a steady raise for generations as another metric, FRED's real disposable personal income per capita was \$ 38 988 in 2016 and in 1996 just 20 years ago it was \$ 27 719, less by -28,9% (Federal Reserve Bank of ST.Louis 2018).

### **2.2.6 Monetary policies and fiscal policies**

The Federal Reserve (FED) sets the monetary policies in US and currently their goals are: 1. Maximum employment, 2. Stable prices and 3. Moderate long-term interest rates. These goals are progressed by manipulating the short-term interest rates and US Dollar supply to the markets. The ongoing policy is to have low interest rates and this affects the cost of money, credits and revenues from investments. The Fed is about to raise the interests in the following year of 2018 (The Federal Reserve 2018, 21). The FED's plans often affect the economy and is good to follow for any businesses.

Fiscal policies are set by the United States government that is currently at a deficit due to expansionary fiscal policy. This is a policy when the government spends more than it receives in taxes. The tax manipulation is the tool that determines the fiscal policy and in 2016 the future projection is of deficit and growing debt. The government deficit was -3,1% and expectation for 2017 is -3,4% (Federal Reserve Bank of St.Louis 2016). The changes in government fiscal policies mainly change the purchasing power of some group as tax cuts and increases affect income most of the time.

## **2.3 Sociocultural Environment**

### **2.3.1 Population demographics, education level, and safety**

Total population estimate was 325 719 178 as of 2017 and of this 6,2% fall under age of 5, 22,8% under 18, 62% between 19-64 and 15,2% 65 and over. Gender division is 50,8% female and 49,2% male with varied mix of races with: 61,3% of white, 17,8% of Hispanic or Latino, 13,3% of black or African, 5,7% of Asian, 1,3% of American Indian or Native Alaskan, 0,2% of Native Hawaiian or other similar and 2,6% of two or more race origins (United States Census Bureau 2017).

In the OECD's better life indexes education attainment of high school graduates, US is at 90,1% with rank 7 and Finland is at 87,9% with rank 10. Also, on the same list, the expected time spent for education between ages 5 and 39 is 17,1 years in US with rank 22. and 19,8 years in Finland with rank 2. Continuing with the quality of the education, the average PISA score for US was 488 with rank 25. Finland was 4th with 523 score (OECD 2018). In 2015, 88,4% had high school degree, 58,9% had some college, 42,3% had associates degree, 32,5% Bachelor's degree and 12% had advanced degree of the population over 25 years of age (Ryan and Bauman 2016). In Finland, the levels were 74,7% for high school, 34,7% for Bachelor's and 11,6% for advanced in 2016 (Tilastokeskus 2016). By looking at the mentioned numbers, it is expected that United States has quite educated population similar to Finland.

Ranked 15th at OECD Safe feeling walking alone at night received 74,1% and is more than OECD average. Though the homicide rate is 4,9 with rank 33rd and is at the very

low end. Finland had 82.9% and rank 7th with 1,4 homicides ranked at 28. Nearly all other OECD countries had 1 or less homicides per 100 000 people (OECD 2017).

### **2.3.2 Work life balance, health consciousness and attitudes towards leisure**

In the OECD better life index, work-life balance index for US comes at rank 28<sup>th</sup> with 11,4% of employees working very long hours and is at the bottom end with daily 14,4h leisure and personal care time with rank 30. Finland comes 12<sup>th</sup> with 3,9% and 15,2h at 10<sup>th</sup> (OECD 2018). The lower personal care time comes from the long working hours as 70% of US workers have more than 40h work per week and less than 15% work between 30-39h per week. In Finland, slightly less than 40% work more than 40h per week and almost 50% work between 30-39h per week (Buffie and Merling 2016)

The concern for rising obesity levels has caused a trend in healthier lifestyles in US. The importance of food sourcing for non-GMO and other healthier options is becoming more important. For example, fast food companies are required to display calories and some companies are removing questionable ingredients due to consumer pressure (ACE 2016). Even with the obesity concerns, the 2016 observed life expectancy was quite high at 81,2 for females and 76,5 for males in United States (Institute for Health Metrics and Evaluation 2016). Finland has much higher life expectancy at 84,6 for females and 78,9 for males (Institute for Health Metrics and Evaluation 2016).

Some of the health differences could be due to the leisure time activities. In 2016 the average US citizen spent their leisure activities for 2,7h TV watching and 39min for socializing and communicating. For men, the average leisure time per day was 5,5h and for women 4,8h. Only 21% of the population engaged in sports, exercise or recreation on average day (Bureau of Labor Statistics 2016).

In summary, the citizens of United States work long hours and have little leisure time, that most spend for tv watching and not very active activities.

### 2.3.3 Consumer trends and buying habits

The big consumer trends for 2018 are: Transparency in business for consumer trust building. The consumers value more what they trust. Value comparison as consumers become more intelligent with their weighing and comparing various factors related to price to find the best match for their business. Personal Health focusing as self-care and preventative health become more important for consumers. Smooth operation between online and offline as the consumers expect everything to work seamlessly through voice control and image recognition (Intel 2017).

Most US consumers buy or search something from eCommerce platforms. Though, the younger generation is more likely to actually click purchase. For example, 67% of millennials, 56% of gen X, 41% of baby boomers and 28% of seniors prefer to search and purchase from online platforms. Consumers in metropolitan areas spend more time online shopping than suburban and rural areas. Suburban consumers major concern was shipping costs and 38% of rural shoppers were concerned about online privacy.

(Big Commerce 2017, 6-11)

The share of eCommerce in 2017 accounted for 8% of total retail sales in US and total eCommerce increased by 16% from 2016 (U.S. Census Bureau 2018). It is a growing business area and very important opportunity for businesses.

Furthermore, 48% of first time product searches started at marketplaces such as Amazon, 31% started from large retailers such as Walmart, 7% from web-stores such as Nike and 12% from category specific such as hobby stores (Big Commerce 2017, 13)

With eCommerce, the most influential factors for buying are: 87% price, 80% shipping cost and speed, and 71% discount offers, and the largest issue with shopping cart abandoning was shipping costs by 66%. Also, 49% reported the lack of physical product inspection and 34% reported difficult return and long delivery estimates as limitations of online buying. (Big Commerce 2017, 23)

## **2.4 Technological Environment**

### **2.4.1 Basic infrastructure level**

The United States infrastructure level was D in 2017, that merits conditions bellow standard. This is due to the radical population increase since 1960s and the limitations with current infrastructure design. These conditions cause bottlenecks from airports and road traffic, that slows down movement and economy. For example, 20% of all aviation departures and arrivals are delayed. In comparison, US has poorer bridges, old drinking and waste water systems, and investment for infrastructure twice less than other developed countries. (McBride 2018)

Moreover, the upcoming fast speed cellular networks such as 5G, require much improvement at rural area infrastructure as they struggle to have reliable and fast internet. Also, 25% of Americans live in low subscription neighbourhoods, where less than 40% have access to broadband. Only 20% live in high subscription areas with over 80% coverage. (McBride 2018)

Internationally US was ranked 12<sup>th</sup> in World Economic Forum Global Competitiveness Index's infrastructure with score of 5,82 and for comparison, Finland was 19<sup>th</sup> with score of 5,60 (Forum 2014). In World Bank infrastructure listing, United States was ranked 8<sup>th</sup> with score of 4,15 on infrastructure level and for comparison Finland was 16<sup>th</sup> with score of 4,01 (World Bank 2016)

### **2.4.2 R&D, Innovation and Access to Newest Technology**

The 2015 private and public R&D spending of US GDP % was 2,79% and was 9<sup>th</sup> in the world, for comparison Finland's spending was 2,9% and it was 7<sup>th</sup> in the world (The World Bank 2015). However, in 2015 US spent around \$499 billion in R&D which is the largest amount any country has ever spent on it, and 23% of this was from federally sponsored funds and 69% from business sector (American Institute of Physics 2016).

United States was ranked 4<sup>th</sup> in the Global Innovation Index in 2017 with score of 61,4 and for comparison Finland was 8<sup>th</sup> with score of 58,49. Switzerland was 1<sup>st</sup> with score

of 67,69. Out of the indexed metrics US comes top at University Rankings, venture capital deals, citable documents, computer software spending and IP receipts. Also, the quality of innovation is better in US than any other country. (Cornell University and World Intellectual Property Organization 2017)

Availability of latest technologies is among the top as United States is ranked 2<sup>nd</sup> with score of 6,5 in WEF Networked Readiness Index's sub category "Availability of latest technologies". However, Norway, Sweden and United Kingdom received the same score and are at the same level. Only Finland received better score of 6,6 and was ranked 1<sup>st</sup>. (World Economic Forum 2016)

### **2.4.3 Communication and Internet Infrastructure, and Social Networking**

There are internet carriers in United States that have fast internet connection with 4G LTE mobile networks at speeds of 21,13 Mbps download down to 15,39 Mbps download. The coverage for 4G is supported at nearly all areas of US, where at least one of the four major carriers provide services. Overall, United States is ranked 44<sup>th</sup> in the world for mobile networks. (Ookla 2017)

The fixed broadband connections are much faster at average 64,17 Mbps download speeds ranging from 69,58 Mbps down to 14,91 Mbps between 7 carrier companies. United States is ranked at 15<sup>th</sup> for fixed broadband internet connection, however some companies are struggling to provide consistent speeds depending on the region. (Ookla 2017)

In 2017 Q2, the number of Wireless mobile broadband subscriptions per 100 capita in United States was 128,6 and for comparison, Finland had 145,4 subscriptions (OECD 2017). Also notable was the 2015 household fixed broadband internet access level that was at 73,4% of all households and for comparison, Finland had 94,4% of all households in 2017 (OECD 2017). With these numbers, it is expected that most United States citizens have access to internet similar to Finland.

For radio, United States uses mostly AM frequencies between 535 to 1065 kHz and for TV broadcasting there are frequencies from 540 MHz to 669 MHz (U.S. Department of Commerce 2003)

The social media usage of US adults in 2016 was 69% for at least one social media site. There was variation between ages as 88% of 18 to 29-year olds used at least one social media site. 78% out of 30 to 49-year olds, 64% out of 50 to 64-year olds and 37% out of +65-year olds. The gender division was 73% of women and 65% of men used at least one site. There was difference between areas as 59% of rural, 69% of suburban and 75% of urban areas used at least one site. (Pew Research Center 2018)

The most popular social media platform in 2018 was YouTube with 73% adults using. Other platform usage was 68% for Facebook, 35% for Instagram, 29% for Pinterest, 27% for Snapchat, 25% for LinkedIn, 24% for Twitter and 22% for WhatsApp. (Pew Research Center 2018)

## **2.5 Ecological Environment**

### **2.5.1 Corporate Social Responsibility and Environmental restrictions imposed by the Government**

The US Department of State has the Responsible (RBC) team for Corporate Social Responsibility (CSR) overseeing and they have launched the National Action Plan on Responsible Business Conduct in 2016, and it reflects governmental commitment for human right promotion and corruption fighting (U.S. Department of State 2018). There are five categories within this plan and they are: Leading by Example, Collaborating with Stakeholders, Facilitating RBC by Companies, Recognizing Positive Performance and Providing Access to Remedy (U.S. Department of State 2016). These CSR guidelines are targeted towards businesses operating and located within United States and provide good CSR starting guide for US.

The Environmental Protection Agency (EPA) is the main governing ecological authority for United States, and currently there are no strict environmental laws for the targeted business area. However, companies operating in United States must follow the following



10 regulations: The Clean Air Act and The Clean Water Act, The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), The Emergency Planning & Community Right-to-Know Act (EPCRA), The Endangered Species Act, Federal Insecticide, Fungicide & Rodenticide Act (FIFRA), The National Environmental Policy Act (NEPA), The National Environmental Policy Act (NEPA), The Occupational Safety & Health Act (OSHA), The Pollution Prevention Act, The Resource Conservation and Recovery Act (RCRA), The Safe Drinking Water Act (SDWA), The Superfund Amendments and Reauthorizations Act (SARA) and The Toxic Substances Control Act (TSCA). (Thomson Reuters 2018)

### **2.5.2 Ethical Sourcing, Sustainable Resources and Transportation**

In 2015, 56% of respondents said that they would stop buying products if they thought some brand was unethical, and 35% even said that they would stop buying even if there were no substitutes for the products (Mintel 2015). Ethical sourcing is important to United States citizens. On Global Scale in 2014, the US citizens are more ethical than Europeans as 42% of North Americans would pay more for socially responsible companies, and 40% of Europeans (The Nielsen Company 2014).

Out of total energy, 17,1% was produced with sustainable renewable energy forms in 2017, and 7,5% was of hydropower, 7,5% was of wind power, 1,6% was of biomass, 1,3% was of solar power and 0,4% was of geothermal power. Fossil fuels accounted for 62,7% and Nuclear 20%. (U.S. Energy Information Administration 2017)

In 2017, United States came at 31<sup>st</sup> in the Economist Food Sustainability Index for Sustainable Agriculture with score of 56,13 and is just behind China and Nigeria. Top places were held by Italy with 72,96 score and South Korea with 71,71 score. (The Economist Newspaper 2017)

Continuing with sustainability, US was ranked 25<sup>th</sup> with score of 72,7 in United Nations (UN) Sustainable Development Goal (SDG) index of 2016, and for comparison, Finland was ranked 4<sup>th</sup> with score of 81,0 (United Nations 2016).

Traveling in 2014 was mostly done by car, as 70% of all trips were driven and 23% were by air travel. Out of working people, only 3,3 commuted to work by walking or biking. Reasons for transportation were: 30% for social or recreational, 19% for work, 16% for other family or personal errands, 15% for shopping, 6% for work related business, 6% for school or church and 9% for other commuting. (Bureau of Transportation Statistics 2016)

## **2.6 Legal Environment**

### **2.6.1 Legal System, Anti-Trust Law and Health and Safety Regulations**

The legal system in United States is Common Law, and it is very similar to that of United Kingdom. Laws are set by both legislators as statutes and from law cases. The main difference to the Civil Law, that Finland uses for example is the court process, where civil law defines what can be brought to court, but in Common Law this regulation does not exist. (Investopedia 2018)

In the United States Common Law system, the legislators' statutes are formed by the Congress by enacting federal laws. The second way for a law to pass is through court in case by case bases. The result of the lawsuit case may end up changing the law and the next lawsuit cases can use this result as reference. This is the basic process for case law. (Thomson Reuters 2018)

Competition regulatory law Sherman Act of 1890 oversees the non-monopolization of businesses and prohibits cartel actions such as price fixing, market dividing and rigged bidding. The purpose of the law is to prohibit unreasonable trade restraints (Federal Trade Commission 2018)

The authority for health regulations is the U.S. Department of Health & Human Services (HHS) that oversees the Affordable Healthcare Act. The HSS oversees several other regulations for patient protection, private information protection with The HIPAA Privacy Rule (U.S. Department of Health & Human Services 2015) and regulation of human based research (U.S. Department of Health & Human Services 2015).

Lastly there are no special regulations as the product does not require a General Certificate of Conformity (GCC) for general use as it does not belong to any of the product categories, that require certificates (United States Consumer Product Safety Commission 2014).

### **2.6.2 Customs Regulations**

The United States customs collects a percentage duty rate on imports and for these the physical dimensions of the products do not matter, but the purchasing price at the foreign country. The Harmonized Tariff System (HTS) is used to list all customs duties. (U.S Customs and Border Protection 2017)

Some items have increased customs duties by 100% from specific countries, and some animal products from Finland belong under this increase for example. The restricted items include automotive, alcohol, Cuban made products, firearms and military items, fruits and vegetables, pets, food, fish and wildlife, plants and seeds, game and hunting trophies, cultural artefacts and property, medication and some other minor categories. All of these have some special regulations such as the cars with fuel-emission requirements. The Product X does not belong to any of these categories. (U.S. Customs and Border Protection 2017)

Beneficial for foreign exporters, the eCommerce purchases less than \$2000 value do not require a formal entry. Even more beneficial are the less than \$800 valued parcels that clear even faster and if customs duties were to be applied, they would be handled by the importer or receiver of goods. These easier customs clearances are conducted by using national postal service parcels and letters. Notably, the customs require CN 22 or CN 23 form to be filled on the outside of the parcel or letter. However, if the value of the import is more than \$2,500, the formal export procedures need to be followed (U.S Customs and Border Protection 2017)

### **2.6.3 Consumer Protection, E-Commerce and Information Law**

United States State law regulates online purchases and protects the customers with varied regulations on cancellations of contracts and refunds. Some states have no legal right for contract cancellation and some states have regulation for full refund within 20 days of purchase if the product is returned. Special regulations apply for delivery times. (Hammoc, Inc. 2015)

There is also a Federal Trade Commissions' Cooling-Off Rule, that gives buyers 3 days' time to cancel sale for over \$25 purchases at home and over \$130 out of home purchase, such as internet purchases (Federal Trade Comission 2015).

Several other legislations protect consumer for example: Fair Credit Billing Act protects consumers online purchases if made with credit card (USC 1986). The Federal Trade Commission's Telemarketing Sales Rule (TSR) regulates the way businesses may do telemarketing and generally the businesses can call anyone if they have done previous business, for example a sale, but special regulations must be followed if the customer belongs to the National Do Not Call Registry (Federal Trade Comission 2016).

Also enforced by the FTC, is the International Consumer Protection, but this protection is much lower than the domestic protection (Federal Trade Comission 2013).

Other important protection act is the Freedom of Information Act (FOIA), that gives US citizens the right to request any data stored on them from the government, but some exceptions apply for personal privacy, national security and law enforcement (United States Department of Justice 2017). The second important protection act regarding information is the Privacy Act of 1974, that is similar to the FOIA and regards the collection, maintenance, use and dissemination of individual information for federal agencies, and this law mainly prohibits the use of information without the individuals consent for that use (The United States Department of Justice 2015).

#### **2.6.4 Trademark Law, Copyright, Patents and Intellectual Property Law**

The United States Patent and Trademark Office (USPTO) is the governing authority for trademark registration and generally, there are two types: ® registered and ™ unregistered. Furthermore, the trademark can be registered federally for whole US or state-registered for individual states. The federal register provides wider protection and is only available for businesses operating internationally or in other states. (Shopify 2018).

The Copyright Act of 1976 protects the original creator of books, manuscripts, magazines, articles, poetry, plays, choreography, music, lyrics, songs, compositions, sound recording, maps, drawings, sketches, paintings, photographs, sculpture, art reproduction, films, movies, shows, cartoons, architecture, designs, blueprints and computer software. The act also has a "Fair use" section for news covering and specific free use of the original content. (U.S Copyright Office 2016)

Intellectual property regulations is handled by the United States Patent and Trademark Office (USPTO) has IP Policy areas for both domestic and international: patents, trademarks, copyrights and trade secret policies. (The United States Patent and Trademark Office 2018)

### **3 ABOUT THE CUSTOMER**

The definition of exact target customer is difficult without thorough research as the product is new and the company has no prior experience with it. Ideally the customer would be the one who fits the function of the product. The woodworking hobbyist community and amateur woodworkers are wide customer segment and there are several sub segments.

The sub segments would narrow the customer research, but with the NDA agreement, it could give away too much information and very general and brief approach is taken.

The wider customer category of active woodworking hobbyists is at least 5,5 million in United States and of this segment, the typical amateur woodworker is 50 to 55 years old male, who is educated and married homeowner (Target Market 2006).

There data on woodworking hobbyist community is not up to date and hard to collect, thus without thorough research, it is quite hard to understand the customer. By following the 2006 statistics, there is at least one broad starting point for marketing activities.

## 4 MARKET ENTRY MODE SELECTION

There are several reasons for internationalization and they can be separated into two categories: proactive and reactive stimuli. The proactive stimuli are opportunities that the company has identified and wants to take advantage of. These reasons can be: opportunity for profits, unique product or superior technology in foreign market, exclusive information about a market factor, economies of scale or just the pure size of the market. The reactive stimuli are reasons that force the company to expand internationally and the reasons for this can be: competition, too much production, declining market demand at current markets, excess capacity, saturation at current markets or proximity to customers and ports (Czinkota and Ronkainen 2010, 279).



FIGURE 2: Exhibit 11.12 A Classification of foreign market entry strategies based on levels of control, resource commitment, flexibility and risk. Modified (Cavusgil, Knight and Riesenberger 2017, 339)

After the reasons for internationalization or foreign expansion have been identified, it is a matter of mode or strategy for the foreign market entry. There are several different types of entry modes and the major differences are between risk, control, profits and resource commitment as portrayed in the FIGURE 2. Some of the modes require little investment and are of little risk, but may offer lower profits than higher risk and investment modes as presented in the figure.

These entry modes can be divided into two categories of nonequity-based modes of entry and equity based modes of entry. The nonequity based modes are as follows: indirect and direct exporting, subcontracting, countertrade, franchising, contract manufacturing, management contract and contract manufacturing. The equity-based modes are as follows: joint venture, strategic alliance, merger and acquisition, and wholly owned subsidiary (Ball, et al. 2010, 447).

The reason identified for foreign expansion is that of proactive stimuli in the form of market size and unique technology advantage. This cause of foreign expansion is much more successful than the reactive counterpart (Czinkota and Ronkainen 2010, 281). These reasons are very correct as the United States is the largest economy in the world as found out in the PESTEL analysis. The unique technology advantage is protected by patent and is also a correct reason. Also, due to the commissioner's wishes and convenience, this thesis will only discuss the exporting and licensing modes. The rest of the modes were not relevant at this case and are thus not discussed.



#### 4.1 Direct exporting

Exporting in general refers to a market entry mode where the company produces products or services at one country, usually being the domestic market area and Finland in this case. Then the company sells the products and distributes them to foreign intermediaries or buyers in the foreign markets (Cavusgil, Knight and Riesenberger 2017, 376), United States in this case. This is called Direct Exporting where the company itself handles the production, sales and distribution up to the foreign markets. Within the foreign market the product can go to the consumer, business or government for further distribution (Cavusgil, Knight and Riesenberger 2017, 379).

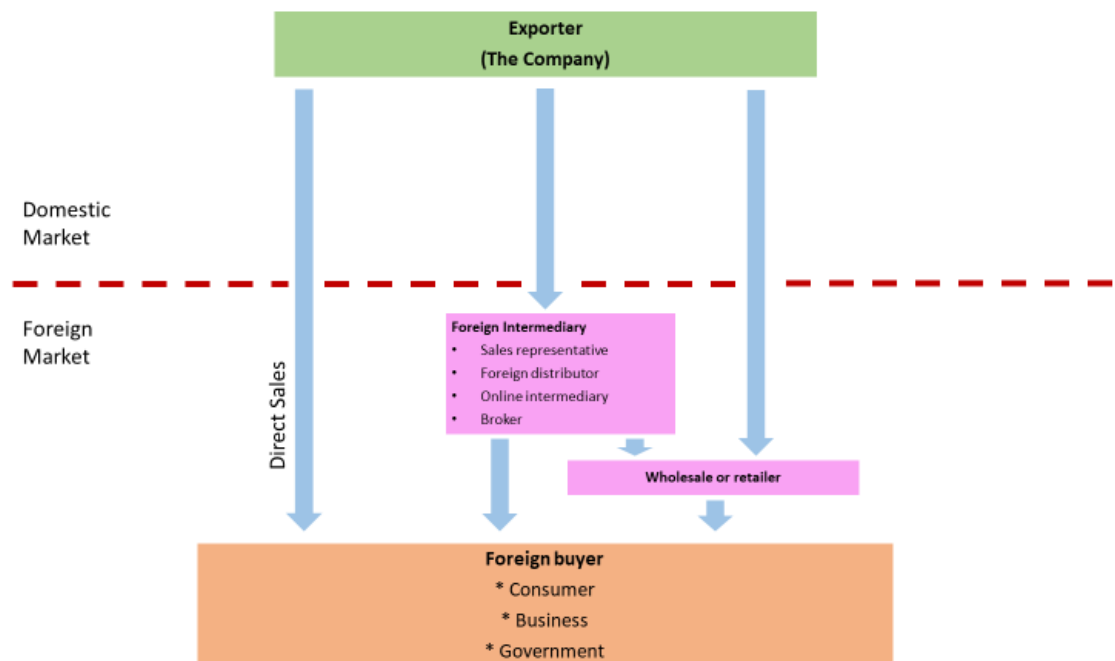


FIGURE 3: Alternative organizational arrangements for exporting. Modified (Cavusgil, Knight and Riesenberger 2017)

Direct Exporting in the forms by direct sales, foreign intermediaries and wholesale or retail as portrayed in the FIGURE 3 example are the primary forms for direct exporting. Other options include the foreign intermediaries such as Amazon as online selling platform, sales broker that takes cut from sold product price. Foreign distributors work similarly, but have their own channels for selling. There is minimal risk and it is easy to withdraw from the markets in case the products or services do not sell as planned (Cavusgil, Knight and Riesenberger 2017, 376). For the business at hand, this is one very beneficial

fact as the product is new and untested even in Finnish markets. There are several other benefits to direct exporting.

### **Direct exporting advantages and disadvantages**

There are several advantages and disadvantages to direct exporting. Most of the advantages regard the minimal risk and increased market area. The largest disadvantage is the exchange and tariff volatility. Currently the US dollar exchange rates are beneficial and could be considered as an advantage, but that might change in the future. Both of the factors are listed on FIGURE 4.

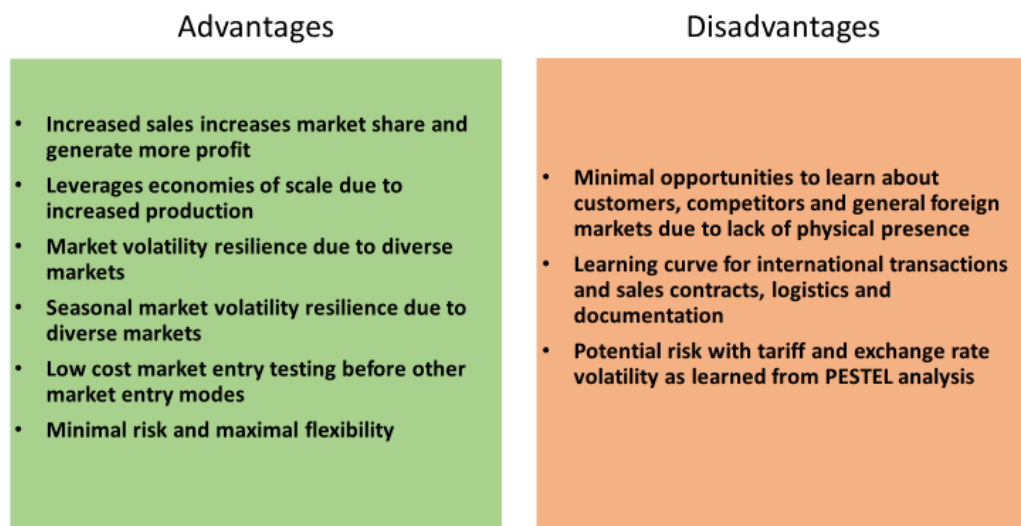


FIGURE 4: Advantages and disadvantages of direct exporting. Modified (Ball, et al. 2010, 377-378)

The most meaningful advantage is the low-cost market entry testing as the business and its product is new to both Finnish and foreign markets, portrayed in FIGURE 4. This is one of the main reasons why direct exporting is potentially the best approach compared to alternatives: indirect exporting and licencing.

Traditionally exporters have chosen just one option from the different Direct Export modes, but as found out in the chapter 3.3.3, consumers start their shopping from online platforms, but may end up buying from different one (Big Commerce 2017). For this reason, it is best to start from one and expand to other modes if Direct Exporting is chosen.

For example, the company website and online store for directly to foreign consumers. eBay and Amazon online store as online foreign intermediary that distributes to foreign consumers and lastly retail store like Home Depot as retailer. This way the consumers can find the product from many platforms as they were expecting.

## 4.2 Indirect exporting

When a company decides to use as little effort for foreign expansion, they can choose Indirect Exporting. The company can use a Domestic Intermediary that handles all of the exporting by finding foreign buyers, handling logistics and finances (Cavusgil, Knight and Riesenberger 2017, 378). However, this form brings only very little experience from the foreign markets and companies often change to direct exporting after a while (Ball, et al. 2010, 448).



FIGURE 5: Exhibit 13.2 Alternative organizational arrangements for exporting. Modified (Cavusgil, Knight and Riesenberger 2017)

The FIGURE 5 gives insight into the different forms of Indirect Exporting. The main difference to Direct exporting is that the company does not cross the Domestic and Foreign market border. Along these Intermediaries, there is the option of Exporter's own staff domestic staff in co-operation with company owned subsidiary in foreign markets.

This option is not discussed as it is one form of Direct Investment entry mode. It is considered exporting as the subsidiary usually only handles foreign market research, marketing, sales and customer support, but not manufacturing (Cavusgil, Knight and Riesenberger 2017, 379)

### **Indirect exporting advantages and disadvantages**

There are not many differences in terms of advantages or disadvantages between Direct and Indirect Exporting. Indirect Exporting retains most of the attributes the Disadvantages mainly concern the potential higher cost and the lack of market learning opportunities. The FIGURE 6 describes all factors.

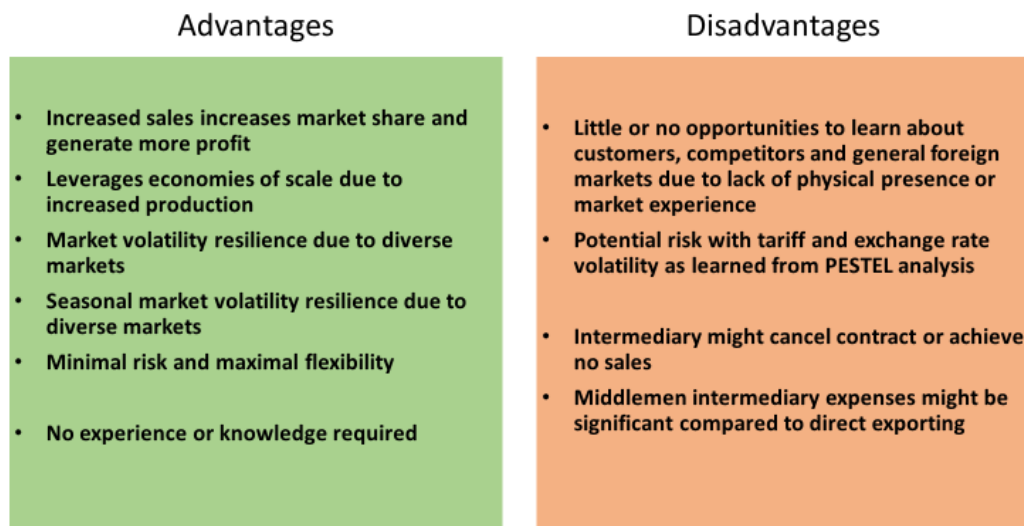


FIGURE 6: Advantages and disadvantages of indirect exporting. Modified (Cavusgil, Knight and Riesenberger 2017, 337-378)

The best advantage out of these is the no experience or knowledge requirements as discussed in FIGURE 6. This is for the simple fact, that the company has no experience with the product category or other internationalization activities. It could get a straight forward quote from some domestic intermediary and decide if exporting is a profitable option. However, as a disadvantage the intermediaries could end up adding costs instead of profits if the service is too costly and does not generate sales.

Continuing with the Omni-Channel selling method, the company could use indirect exporting for foreign intermediary, wholesale and retail channels as they require some

knowledge before implementation. This way it could achieve benefits from both Direct and Indirect Exporting.

### 4.3 Licencing

Slightly different approach for internationalization, the licencing of an intellectual property right is one option. Licencing is an arrangement with one or more parties to allow them use Intellectual property for a temporary period or a given quantity for a fixed price or most commonly; royalties payed periodically on percentage of sales under that specific licence (Cavusgil, Knight and Riesenberger 2017, 440). Licencing does not work for all companies as it requires Intellectual Property assets. In this case it is a viable option as the new product is expected to be patented and that patent could be used for Licencing.

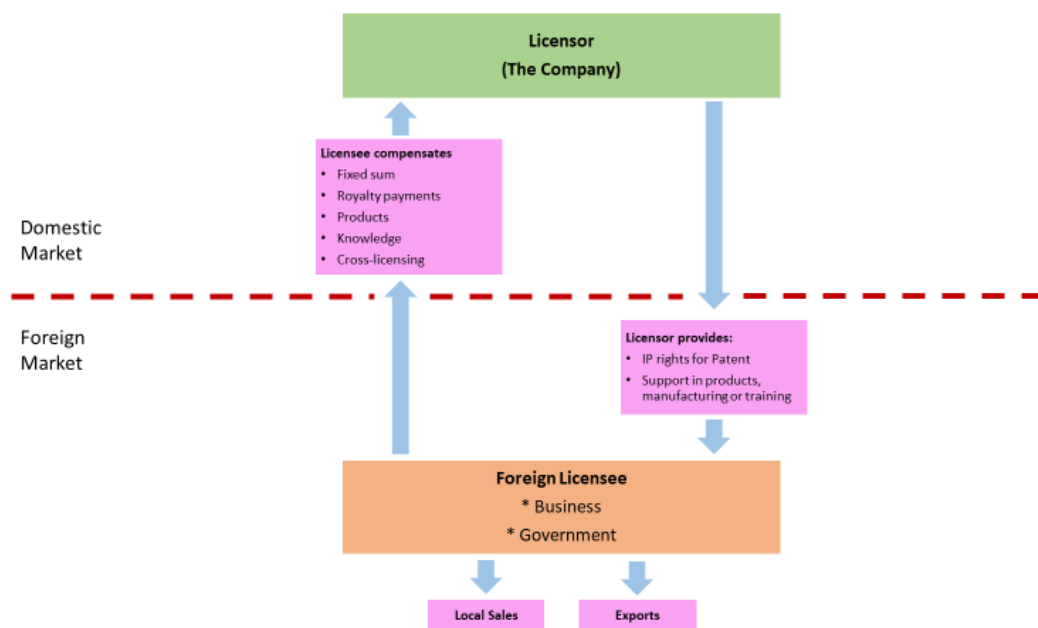


FIGURE 7: Exhibit 15.1 A classification of licencing organisation. Modified (Cavusgil, Knight and Riesenberger 2017, 442)

The FIGURE 7 displays the structure for Licencing market entry. In this case the company could License the patent for a fixed period with the IP rights for Patent example in the figure, and provide information on manufacturing and usage of the patent. The setup could be of fixed payment for the licensor and further sales based on the patent would bring royalties for the licensor. The Licencing contract could describe the boundaries for

what the Licensee can use the patent. For example, the figures' example of local sales or further exporting.

### **Licencing advantages and disadvantages**

Compared to the other modes, licencing is very passive and easy entry mode. This is the main advantage as it requires little attention or risk. However, the lack of control and lower potential profits are the main disadvantage.

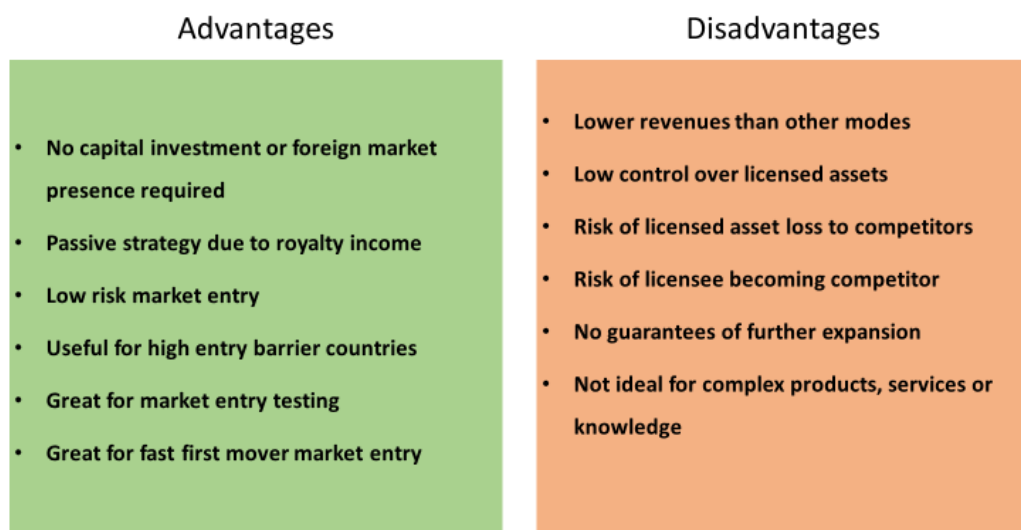


FIGURE 8: Advantages and disadvantages of licencing market entry. Modified (Cavusgil, Knight and Riesenberger 2017, 445)

Even if the Licensing would be a passive mode of entry and easy to manage on the paper, the Licensor must take care of overseeing the Licensee for proper sales and product quality standards. If for one reason or another there are no sales, the entry mode will have failed completely and there might be an agreement to not sell the product as competitor for a period, so it might cripple the foreign expansion for the licensed period.

Another problem caused by the foreign Licensor is the potential loss of reputation. If the licensed end product is of bad quality, this can seriously decrement further sales from the same brand of products (Cavusgil, Knight and Riesenberger 2017, 446). This is very serious issue to be considered if the Licensor does not meet the product quality standards or does other dubious activities to harm the reputation of the Licensor.

Lastly especially considering the current product at hand considered for Licencing, is the relatively newlines. Since the Licensed product would be completely new without any established measures of performance, even in the domestic markets; the might not be any willing parties to License the product for their use.

#### 4.4 Market Entry Mode Comparison

There are several factors to consider for selection of the best foreign market entry. The commissioner's main goals were: low cost and low effort. These are the two guiding principles for entry mode selection. These principles are cross-referenced with the advantages and disadvantages identified for the 3 considered market entry modes to answer several market entry questions from several factors listed in FIGURE 9.

Entry Modes	Does the entry match the profitability, market share or competitive goals and objectives of the company?	Does the mode match the desired level of control?	Does the company have the resources and capabilities for the entry mode?	Is the risk level of the entry mode suitable?	Product or service offered
Direct Exporting	Yes	Yes	Yes	Yes	The product itself
Indirect Exporting	Yes	Yes	Possibly No	Yes	The product itself
Licensing	Nearly	Nearly	Yes	Yes	Patent

FIGURE 9: Entry mode matrix evaluation chart based on questions that managers should ask themselves for market entry selection. Modified (Cavusgil, Knight and Riesenberger 2017)

The three market entries were evaluated in the FIGURE 9, and it is clear that direct exporting is the best option. The main reason for this is the fact that it is low cost and low risk. Also, the company retains control over the whole process. It has more setup effort as logistics and some form of sales channel must be formed. The commissioner planned to open an online store in any case, so this brings the setup effort down quite much. Direct

Exporting could be setup along this. This is one reason why the effort is on the same level as with Indirect Exporting.

In comparison Indirect Export requires a little less effort than Direct Exporting as the Domestic Intermediary would handle mostly or completely handle marketing, sales and logistics. However, the cost for such Intermediary could turn out to be too high. Also, the company would not learn much from this Mode for other country market entries or new products.

The third option of Licensing is the least costly and most effortless on the surface and would turn out to be a great option. However, as discussed before, there might not be willing Licensors and it would be hard for the company to monitor what the Licensor does in terms of quality control and brand image. They might end up not even getting enough sales and the License could lock the asset for a period.

Out of the three the Direct Exporting best suits the commissioner's goals of low cost and low effort due to the planned online store idea. The added logistics and possible online marketing does not pose as much effort requirement as the other two market entry modes. It is also the best mode for future as it is totally in the company's control, if it decides to retreat from the markets or expand in other forms. The learned experience will also benefit further market entries in other countries or with new products.

#### **4.5 Market Entry Mode Summary**

After careful consideration and comparison, the Direct Exporting mode would seem to be the best fit for foreign Market Entry. This form had the advantage of going along with the commissioner's goals whilst also allowing the company get experience for further expansion and new product entries. It brings control and opportunity for future. The last chapter will discuss the practicalities of this form of market entry in terms of permits, logistics and other practicalities for a solidly structured Market Entry Plan to follow. However, before that there needs to be a little consideration for marketing in the form of international Marketing Mix.



## **5 INTERNATIONAL MARKETING**

The market entry mode is the method for how the product is set available for customers to purchase, but this alone does not guarantee that the product will be sold. Marketing activities are the actions for increasing the chance of this purchasing activity. International Marketing has its own differences compared to just Domestic Marketing.

In its core, International Marketing in the current case is the activity of communicating offers across national borders to stakeholders for whom the offerings bring value (Czinkota and Ronkainen 2010, 4). What makes it different from Domestic Marketing is the macroenvironment that has its different factors such as regulations, laws, culture, and they affect the nature of the marketing similarly as they affect Market Entry (Czinkota and Ronkainen 2010, 5). These factors were mainly identified in the PESTEL analysis in the second chapter of this thesis.

### **5.1 Marketing strategy**

For marketing to work effectively it needs a good strategy fit for the company's goals, resources and competences. This marketing strategy is formed by identifying three steps: the purpose of the company, core strategy and competitive positioning (Hooley, Piercy and Nicoulaud 2012, 32). One large area of weakness for the strategy formulation for this thesis is the lack of proper competitor analysis and segmentation analysis. These two factors were left out due to thesis work length restrictions, and will remain relatively unknown factors throughout the marketing chapter. However, this should not matter as much for the market entry as better marketing strategy can be devised after the initial goal of getting the product for sale in US has been achieved.

#### **5.1.1 Mission Statement**

The purpose of the company is defined by answering in what business does the company want to be in and where it wants to be in it (Hooley, Piercy and Nicoulaud 2012, 28). Currently these are fairly easy answers, as the company is in no business with its new product and wants to be in woodworking hobbyist tools business in United States. To

further define this purpose, it is beneficial to form a mission statement and it can be formed by answering: what is the strategic intent of the company, what are the values of the organisation, what are the distinctive competencies of the organisation and what is the market definition? (Hooley, Piercy and Nicoulaud 2012, 30-31). With a new product, the mission statement might change overtime, but currently it would go as follows:

“The commissioner will bring the unique Tool X product to United States markets, for it sees an opportunity to bring high Finnish quality and new patented technology for the US woodworking hobbyist consumers”

In this case the purpose and the market definition are the same as both discuss United States for its large markets. The specifying factor at the end for the market definition is the addition of targeting the US woodworking hobbyist consumers as this segment best matches the function of the product. Continuing with company values, the main value of the company is of Finnish make and of quality. These both come up in the statement. This is partly supportive for the lack of competencies as the new product does not have any experience in business activities behind it, but the new soon to be patented technology brings one unique competence to the table. This is a good mission statement for its clarity, to continue with core strategy.

### **5.1.2 Core strategy**

The core strategy defines the company’s objectives and describes strategies on how the company achieves these objectives. For this, the company’s resources, served markets, competitors, key factors for success, and marketing objectives need to be defined (Hooley, Piercy and Nicoulaud 2012, 33-41). This is again fairly restricted discussion, as the company has not many resources nor competences, and as stated previously, the segmentation and competitor environment is not described in this thesis. With these factors left out, the key factors for success and marketing objectives are the most important questions for the core strategy formulation.

The key resource for the company to utilize is the technology under the patent application as previously mentioned. This is the only significant resource as the commissioner stated:

that the market entry and marketing activities have very minimal if any resources available. This minimal approach brings constraints, but has clear boundaries. The served markets closely relate to the segmentation and in this case, they are described very broadly due to the lack of thorough research. The narrowest segment definition is the woodworking hobbyist consumers in United States. This definition does not bring any insight into many demographic factors of the target group such as: age, income, gender, area and such factors. It is one of the largest limitations of the thesis in the international marketing part.

By leaving out the other limiting factor, the competitor analysis it is impossible to properly assess the threats and opportunities with SWOT analysis to properly determine the factors for success. In this case however, with limited knowledge, by reflecting on the mission statement and the low resource constraints, the factors for success are: to provide Finnish quality and unique technology, leverage omnichannel distribution platforms for customer expectation fulfilling and do as much marketing activities in house as possible for lower cost.

These are the factors identifiable for greatest leverage with the least effort that are the characteristics of key factors (Hooley, Piercy and Nicoulaud 2012, 39). These factors bring greatest leverage with least effort, as the product itself is already built with the Finnish quality values in mind and the Market entry is selected for low cost distribution channels and there is no budget for big marketing campaigns.

The last question to answer for core strategy are the marketing objectives for short and long-term goals. However, the product is so new that it is not very feasible to discuss the long-term goals as they might change immediately when the marketing activities start. Thus, this thesis will only discuss about the short-term goals. Currently these follow the commissioner's wishes for entering United States markets and to achieve this, the product must be set available for sale for US consumers and brought to their attention through expanding marketing activities. These are the two short term goals identified. Expanding marketing activities are defined as attracting new customers for a product and in this case by targeting customers in new geographical area (Hooley, Piercy and Nicoulaud 2012, 40).

In conclusion, the core strategy is to have the company start sales at US and focus marketing on woodworking hobbyist consumers in United States with the key factors of Finnish quality and patented technology uniqueness driving the marketing activities in multiple distribution platforms. The core strategy identified is very similar to the mission statement due to the lack of proper segmentation and competitive analysis. The last step remaining is the identification of the best possible competitive positioning option with the limited information.

### **5.1.3 Competitive positioning**

With the current market environment being extremely competitive, it is vital for companies to assess their focus for competitive positioning. It is a way to influence the customers by designing a company's offerings and image to best occupy a meaningful and distinct space in the customers mind (P. C. Kotler 1997).

There are two approaches for this and they both act in between the balance of price and quality. The Cost Leadership positioning aims to lower all of the costs to compete with the aggressive pursuit of economies of scale in close proximity of the competitors with their products for better margins at lower prices. This form of positioning favours high volume or high market share businesses. (Hooley, Piercy and Nicoulaud 2012, 44)

It is however quite impossible to strive for cost leadership when the company's values and core strategy relies heavily in quality that is usually much costlier than lower quality with same functions. The second option; Differentiation works much better as it strives to create uniqueness in the market. Either with design, style, product feature, price or image, the company can design the product to stand out with these factors. (Hooley, Piercy and Nicoulaud 2012)

For the product at hand; quality, product feature and price are the key factors for proper differentiation. These should be the focus areas for competitive positioning to attain differentiation from competition. With these focus areas selected, the marketing strategy can be concluded for implementation.

#### 5.1.4 Implementation of the strategy

The implementation of the strategy generally refers to the actions to take to fulfil the set mission statement, core strategy and competitive positioning. To achieve this, three elements are required: marketing mix, organisation and control (Hooley, Piercy and Nicoulaud 2012, 45). However, in this case the organisation and control parts are left out as they are not in the scope of this thesis. The organisation element describes what the marketing department or personnel need to do in order to achieve the goals of the marketing strategy (Hooley, Piercy and Nicoulaud 2012, 46). This part is not required for the market entry part as the company needs to determine these factors based on the suggested action plan. Factors such as hiring new personnel or outsourcing the activities. The third element, control are the actions taken for monitoring the success of the marketing activities by the marketing organisation (Hooley, Piercy and Nicoulaud 2012, 48). This part is also left out due to not being included in the scope of the market entry. The marketing mix, however is included as it helps to determine four factors for the market entry: the product, price, promotion and distribution (Hooley, Piercy and Nicoulaud 2012, 45).

The marketing mix is sometimes referred as 4P marketing mix with distribution as place and sometimes as extended 7P marketing mix with the addition of people, process and physical evidence (Professional Academy 2018). The marketing strategy gives a framework for these specific marketing actions to be determined in the marketing mix for this particular market entry case. The PESTEL macroenvironment analysis is used for base information to determine best actions for the strategy and was thus required to be done first. With both the PESTEL and marketing strategy parts properly determined, the Marketing mix can be devised next.

## 5.2 4P Marketing Mix

The 4P marketing mix consists of product, price, place and promotion factors. These are different factors of successful marketing that can be used in marketing activities. They are often portrayed in the example of FIGURE 10. For this thesis, the 4P marketing mix is used to give additional details for the Market entry plan.



FIGURE 10: 4P marketing mix. Modified (Mindtools 2018)

### 5.2.1 Product

The way product is described for customers is a tangible or intangible bundle of benefits. This is the core of the product strategy, the benefits of the product. The outer layer including quality, aesthetics, packaging and brand name are the specific attributes that fulfil this core benefit of the product. (Czinkota and Ronkainen 2010, 318)

Another way of putting it nicely is that the consumers buy the benefit that the product brings into their lives. It is a solution to a problem or a way to satisfy their needs. (Hooley, Piercy and Nicoulaud 2012, 294). In this case the products core benefit and solution to a

problem is the satisfaction of improving their woodworking hobby creation process. Essentially, they are buying the enjoyment and ease of use that the product will bring. This is the core product strategy.

To achieve this with the core strategy in mind for best fulfilment of the core benefit to the customer, the quality, aesthetics, brand name and packaging must follow the differentiation and pricing targets set previously.

For the quality this means that the product must be of the highest quality possible with given resources. Metal and smooth operation are vital for the product to stand out from others. This is currently implemented and should be researched for better application of quality.

For the aesthetics the product must reflect the quality by standing out as an object of desire. To achieve this, the refinement of the metal material in details must be carefully thought. The product needs to be able to be displayed openly. Smooth and rounded edges bring high aesthetic standard to the product.

The brand name having already decided it is up to the commissioner to have it reflect the perceived quality of the rest of the product to unify the attributes for best serving the core benefits.

Lastly the packaging itself must be well thought out. Cheap packaging can ruin otherwise great product strategy as the consumers get wrong idea in case the quality standards are expected to be high. For this case the best approach for product packaging is to have some sort of wood element to balance with metal construction. Another option would be to mimic large phone companies with their flagship models of stylish white hard cardboard boxes.

### **5.2.2 Price**

When there are many unknowns and not much experience from the product even at domestic markets, it is best to approach the price with cost pricing. It is a basic calculation of adding every cost starting from the manufacturing up to the delivery to the customer.

Production costs are defined from the material costs and order amounts. When the product becomes more successful and demand raises, the production costs are expected to raise due to economies of scale effect. This way there is a possibility for higher profit margins with the same end price for customers.

Marketing costs were very minimal as there was minimal budget for the initial market entry. This can be calculated by adding the hourly rate of the personnel responsible for the marketing of the product.

Tariffs were given as found out from the chapter 3.1.4 to be 4,4% to USA

After all of these costs are calculated, the profit margins can be determined. They must be high enough to cover all of the other activities around the product to keep the company profitable.

Lastly when all of the costs it is time to add the tax if applicable. With exporting as the selected market entry mode, they are usually payed to domestic markets However, Finland does not collect export taxes (Verohallinto 2017).

The final price for the customers is determined from these values. To reflect the quality and price differentiation, it must be high enough to have that price related value effect.

### **5.2.3 Place**

The goal for distribution was e-commerce from the start as requested by the commissioner. This leaves many options out for the place. The market-mix place aims to answer where the buyers look for the product and what kind of place is it. It also answers how to access this place and how to get the product visible there. It also aims to compare differences between competitors for taking them into account. (Mindtools n.d.)

As described in the chapter 3.3.3, the US based consumers look in many places to buy their products online. The best option for the company is to tap into these outlets and have their own online store as well. From the online retail side; Amazon, Walmart, Apple,



Home depot and Best Buy were the top 5 largest retailers in 2017 (Statista 2017). Out of these Amazon, Walmart, Home depot and Best Buy are the retailers where the product could be sold as Apple sells mainly their own devices. Amazon is by far the largest of these with \$52 804,88 million sales compared to the second largest Walmart with \$14 005,02 million sales. Home depot, that is more specified towards the hardware and tool markets is the best option for targeted e-commerce and it has \$5 796,46 million sales. These three options could be the best starting point for e-commerce place selection as they are the largest retail platforms.

The sales amounts are not the only key factor for selection of the place of distribution. For all of these online retailers, it is vital to know how many visitors there are for each platform. The top rankings for monthly unique visitors are: Amazon with 197 million, Walmart with 127 million, eBay with 113 million, Target 83 million and at 10th at the list comes The Home Depot with 39 million unique visitors every month (Statista 2017). These numbers bring more details into the visibility of the products as more visitors could mean more potential visitors. One factor to consider is the visitors per product category, which is not available. This could be one large issue with amazon for example if majority of the visitors were to shop clothes, but the hardware and tools category of products didn't receive any visitors. On the other hand, this is a clear advantage for the Home Depot where hardware and tools is the main category.

Lastly it is important to have a look at the different margins for each of these top online retailers as this clearly affects pricing and potential revenues if some stores have larger cut than others. This is one of the costs for selling a product through an online retailer. There are usually fixed costs for using the platform and a percentage fee per sold product and they vary quite much between retailers.

For Amazon the fixed price is \$39,99 per month and varying for product categories around 15% sales fee. The second largest by visitors, eBay has different tiers from \$0 to \$299,95 fixed fee and 10% sales fee. (Where to Sell Online 2018)

Walmart has set its supplier sales fees for Tools & Home Improvement products to 15% (Walmart ei pvm). The Home Depot pricing for suppliers has not been disclosed and this might individually set up per supplier. Also, to note that selling on these different retailer's online stores brings rules for different platforms to consider. One of these is the

price of the products that the platform has rules for. For example, in Europe, Amazon used to have a “lowest price” policy for suppliers that forced suppliers to have lowest price in Amazon if they were selling on other online retail stores as well (BBC 2013). But it is possible to sell at different platforms.

By comparing all of the platforms it would be good to start from Amazon and eBay as they have the most visibility and relatively low prices for new products. Along these it is good to also have very own online store for the company due to the 10-15% sales fees that the large retail stores have.

#### **5.2.4 Promotion**

The marketing mix promotion refers to the communicative actions for bringing out the best aspects of the product for the targeted customers (Kotler and Armstrong 2016, 78). These are the aspects previously mentioned in the product section of the marketing mix; quality and differentiative technology. The promotional actions aim to emphasise these.

To best define these actions, there are several questions to be answered for marketing mix promotion, and they regard about where, when and how to promote the product for the target market. What are the other aspects to consider, such as seasonality, timing and competition. (Mindtools n.d.).

These questions are narrowed down by taking into account the minimal monetary and staff resources and the lack of physical store presence as defined in the marketing mix place. The main selling channel is through online selling. The promotion needs to be aligned with that part of the mix. Thus, the marketing actions are going to be digital marketing.

The modern digital marketing is about creating a community around the brand and interacting directly with the customers instead of using intermediaries with catalogues, direct mailing, telemarketing and advertising. Social media marketing being the largest fastest growing channel for promotion due to fast and easy access to internet and social media. (Kotler and Armstrong 2016, 535)

Social media marketing through top channels is going to be the answer to the where question for the promotion mix. In US these channels are Facebook with 68% of adults using, Instagram with 28% adults using and Pinterest with 26% of adults using as described in the chapter 3.4.3 (Pew Research Center 2018). Other channels to consider are Web Sites and Branded Web Communities such as hobbyist forums, online advertising such as google AdWords, E-mail marketing through a customer list, online videos such as YouTube channels with the aim to create viral video, blogs and similar channels (Kotler and Armstrong 2016, 540-543). In comparison to the other channels, social media can be very cost effective and should thus be the starting point as it can be just simply engaging with the product market community and staying active on the brands own channels. For a small company this can be refined while implementing this engagement.

As for the when question, it follows the where questions social media marketing guidelines by engaging with the product community. As there are no resources for big launch and marketing campaigns, the promotion starts immediately through social media channels. But answering the how is the most difficult question as it considers the brand and tone of voice for the company. These partly follow the product mix and should convey promotion in the voice of a Finnish quality and this form of branding would be very low-level form of product attribute branding (Kotler and Armstrong 2016, 276).

In conclusion the promotion should be started immediately with social media channels Facebook, Instagram and Pinterest by focusing on branding the product with Finnish quality product attribute branding.



## **6.1 Direct Exporting practicalities**

### **6.1.1 Pre-requisites for Direct exporting**

There are several steps to consider before the product can be sold to United States customers with first of them being the practicalities for direct exporting. For this step to work out as intended, several factors are required to have been taken care of before it. These include: shipping ready product, human resource required for this process and a platform from where to sell the product. This thesis does not research these factors and takes them as given factors, however some of the product dimensions and weight aspects are taken into consideration in the next chapter of 5.2 logistic setup.

### **6.1.2 Import requirements for United States**

There are several restrictions on imports to United States, but the product at hand does not belong under any of these as found out from the PESTEL analysis. The customs clearances and documental bureaucracy is also very minimal as the price of the product is expected fall under the \$2000 value, where internet purchases do not require formal entry delivered by International Postal Service, and with less than 800\$ the clearances happens even faster (U.S Customs and Border Protection 2018). To utilize this faster method, there are several key informational topics to be fulfilled for the product package.

The United States customers and Border Protection agency requires imported products to have CN22 or CN23 U.S Customs and Border Protection Declaration Form to be filled visibly outside of the product delivery package (U.S Customs and Border Protection 2018). In Finland the CN22 for deliveries valued less than 300€ and CN23 for deliveries valued over 300€, but less than 1000€; are available at Posti mail offices or electronically online and require the exporter to fill the following fields of information (Posti 2018):

1. Specific descriptive item name and amount,
2. weight of each item,
3. value of each item and total delivery value,
4. exporting tariff number.
5. country of origin,
6. Total delivery weight,
7. Total delivery value and currency,
8. Sender signature. (Posti n.d.)

The CN23 document expands from the CN22 document with several extra fields of information. Both of these documents are available as APPENDIX 1 and APPENDIX 2.

Lastly, the importer of the product, that is also the buyer is going to be responsible for the import tariff amount that is 4,4% for this product category. There are relatively low amounts of restriction factors to consider when exporting products valued less than 1000€ to United States. In this case the company needs to make sure that they have the CN22 or CN23 Declaration Form filled on the outside of the product delivery package.

### **6.1.3 Exporting permits from Finland**

Now that the United States importing factors are considered and it is possible to even consider exporting to United States, the Finland customs factors can be considered. These are easily available from the Finnish customs. There are several topics to consider for the Finland side of exporting and they are: are there any export restrictions for the given product category, are there restrictions and requirements for the country of destination, what is the commodity code, if the product is exempt from customs duties or lower tariffs in the destination country. After these topics are settled, more practical tasks are fulfilled such as: obtaining the registration ID's and declarations, declaring the products for customs, sending the product after it has been cleared by Finnish customs and requesting corrections if there were issues with exporting. These are the factors success with the step: export permits acquired from Finland. (Tulli 2018)

The exported product does not belong to any restricted goods list that are mostly dangerous weapon items, alcohol, food products, medicine, endangered animal products and other similarly categorized items (Tulli 2018). Also, there is a restriction on dual-use items, that can be used for both consumer and military purposes, and this product does not fall under this category either (Ministry of Foreign Affairs of Finland 2018).

The next step of the Finnish factors was the restrictions and requirements for the destination country. These factors were discussed in chapter 5.1.2 and were deemed non-restricting. Thus, it is possible to export to the destination country, that is United States.

Third factor was the commodity code, and it is 8460390020 as was discussed in the chapter 3.1.4. This is the EU Import Export commodity code, but is also valid for United States with the Import tariff FOB value of 4,4% (European Commission 2018). Notably if the product is valued under \$800, the tariff is not applicable and the international mail order is cleared without additional bureaucracy by the United States Customs (U.S Customs and Border Protection 2018).

Moreover, exports going directly outside EU are exempt from Finnish VAT if the seller pays the delivery or buyer pays for seller to deliver or third-party company. The seller is not exempt from the VAT if the buyer delivers the goods with their own transportation equipment. United States is outside of EU and as long as the company delivers the goods directly to the buyers, there are no VAT costs to Finland. (Verohallinto 2017)

As the expected value of the product will most likely fall under \$800, the exporting practicalities at Finland end are going to be very smooth. For postal consignments valued over 1000€, there is a requirement to fill an electronic export declaration. This is not required for less than 1000€ valued exports and only CN22 or CN23 is required to be enclosed. There are several exceptions to this limit, but the product at hand does not belong to any of these categories. (Tulli 2018)

However, if not necessary, but useful, the Finnish Customs recommend registering as exporter which provides the company with EORI number and extra code extension for exporting. The registration is free of charge and automatically adds the company information into the Finnish customs systems. (Tulli 2018)

If the company decides to register, the company needs to fill Finnish Customs Form No. 250e voluntarily for less than 5 export consignments per year and mandatorily for export consignment numbers reaching higher than the limit of 5 per year. (Tulli 2018)

After the registration process is done and the company is listed within the Finnish Customs systems, it can make the declaration processes even faster by registering for Katso ID from the Tax Administration, that provides login with Katso ID to the customs Export Declaration Service. (Tulli 2018)

In conclusion for the Finland side of Direct Export process, the company needs to register into the Finnish Customs systems with Form No. 250e. Then it is advisable to register for Katso ID from the Tax Administration for easier login into Finnish Customs Export Declaration Service. When these two procedures are completed, the company needs to Declare every export from the Export Declaration Service, as soon as it gets order for each order and include the CN22 or CN23 form visibly on the delivery package to fulfil both packaging requirements for Finland exports and United States imports for less than \$800 valued items.

## **6.2 Logistics from Finland to United States**

The distance between Finland and United States is long and this factor brings its own challenges for logistics. Time of delivery and cost are the two factors that affect the business. According to the commissioner, the product itself is going to fit into a parcel weighing less than or 2kg and letter with maximum dimensions of 25x35,3x3 cm with maximum weight of 2kg. The intended delivery service to be used is the Finnish Posti as it is readily available and handles international mail, that brought several advantages for United States customs clearance.

United States belongs to Posti payment zone 3 and has several options for delivery packaging (Posti 2018). The price for a less than 3cm thick max 2kg international letter for Economy delivery is 32,30€ and priority is 60,50€, and price for a 2kg international package for payment zone 3 is 45€ (Posti n.d.). Out of these options the less than 2kg international economy letter is more desirable option for lower costs, it is however possible to provide faster delivery for customers for convenience. These were the private individual postal deliveries with VAT included in the price that can be used as cash services by companies. Posti has different prices for contract companies.

If the company decides use Posti services for contracted companies, the delivery price for less than 3cm thick max 2kg international economy drops down to  $2 \times 13,60\text{€ per kilo} + 0,76\text{€ per item} = 27,96 \text{€ per delivery}$  (Posti 2018). This is 13% less than the cash service international letters, but Posti has both setup fees and monthly service fees for contracted companies that raise the price. When the company establishes steady orders in high enough quantity, it is advisable to consider the Posti contract services again.



The suggestion for the company is to use the 2kg International Economy Letter for all deliveries to United States. This form of delivery had the advantage of easier customs clearance at United States and is more economical for the company and its customers. The CN22 or CN23 Customs Declaration Form is required to have visibly enclosed on the product packaging.

### **6.3 Omni selling platform setup**

In its core, omni channel selling is defined as customers having options to shop across multiple channels, that include both physical store locations, mobile and computer options for different retailers and specific sites for shopping (Beck and Rygl 2015). In practice for the company, these can include channels such as: own online store, Amazon, eBay, Facebook and physical retail stores. The largest benefit for Omni channel selling is the wider visibility for customers to search products from different channels, as 48% of the searches started from different market places such as Amazon (Big Commerce 2017, 13). For this reason, the company needs to build presence within many channels as then the product will get larger visibility for audiences.

The starting point, however should be their very own online store that caters to Finnish customers and after the previous United States and Finland import export step requirements have been met, to United States customers. As mentioned previously, the customers started their search from market places such as Amazon and continued to other places from there. Other channels can work dually as sales and promotional platforms to drive traffic to the company's own online store. It is not in this thesis scope to research the technical online store setup, but to give steps and path for optimal market entry.

Simultaneously as displayed in the Gantt chart, the company should start to set the product for sale at different channels. The first channels to begin with are Amazon and eBay, as they were the two largest online market places by visitors as mentioned previously (Statista 2017), and these are the two channels for what the basic setup is guided. Other channels such as Walmart, Target and Homedepot are suggested to be added for the Omnichannel mix, but are not included in the scope of this thesis.

### 6.3.1 Amazon

Compared to the normal Amazon seller setup, there are couple obligatory extra factors to consider for international sellers. Most importantly, the seller must be permitted to sell the product in the destination country and offer accurate details on delivery every time and provide support after the sale (Amazon Services Seller Central 2018). The permission to sell has been examined in the previous chapters and is considered fulfilled. The estimation of delivery date for the selected 2kg international letter is between 10-15 days to whole United States (Posti 2018), but according to the letter's product terms and services, Posti is not liable for delays in international deliveries (Posti 2018, 11). As for the support after delivery, this can be handled by email as it is much easier than providing phone customer service when this service is required to be done in United States language and within the business hours of the country's time zone (Amazon Services Seller Central 2018).

Other notable listed obligations regard the price, as Amazon requires every listed product price to have VAT, customs duties, excise taxes calculated to the listed prices, and provide VAT invoices if the customer requests it (Amazon Services Seller Central 2018).

However, for international seller, taxes are not required to be payed to US for using Amazon as foreign sellers are exempt from taxes, but must provide IRS form W-8BEN to Amazon and complete tax interview at Amazon. (Amazon 2018)

The IRS form is the only matter to think carefully, as less than \$800-dollar imports do not require customs duties or excise taxes to United States. The only consideration are the exchange rates and delivery price that must be listed accurately when registering products for Amazon. The exchange rates are handled with Amazon Currency Converter for Sellers (ACCS) upon payment if the seller does not setup a foreign bank account, and opts for their own domestic bank account during registration for Amazon services (Amazon 2018).

Last consideration for Amazon sellers is the return policy. Amazon requires its sellers to provide free shipping for returns, and this can end up costing a lot if there are many returns. The sellers must provide return address to the customers and comply with Amazons return policy for free shipment (Amazon 2018).

The seller setup itself for Amazon has 5 steps according and the first one is the registration into the service and selecting a plan for professional or individual seller for the service. After the registration is completed, the seller needs to list their products in four steps by selecting an already existing category or adding their own listed one. After these two steps are completed the customers can see the product from the market place and buy it. Amazon also advises the seller to have high quality pictures. Fourth stage of the process is to ship the product after orders come in. (Amazon 2018)

The setup for Amazon has many factors to consider as the international sellers are required to handle all expenses for the customer, provide market language support, provide free return shipping and assure accurate and quality delivery times. The prices for Amazon must also be calculated carefully, as Amazon takes 15% for every product sale and has monthly subscription fees. However, after these factors are considered, the registration and product listing is an easy and straight forward process.

### **6.3.2 eBay**

Another large eCommerce platform is eBay that has 168 million worldwide buyers and 190 different markets to choose from with 57% of business coming internationally (eBay 2017). The platform received third most unique visitors as discussed in chapter 4.2.3 and these facts make eBay a great platform to list products on.

Similar to Amazon, eBay has easy setup guidance that is divided into three steps of listing, shipping and getting paid. The first step is about listing the product and selecting shipping options and prices for them. The second step is to ship the product after sale has been made by customers with eBay's assistance for labels and shipping discounts. Last step of the setup is to set payment options from different selection and notably eBay recommends PayPal for this setup. (eBay 2018)

Starting with listing the products, sellers can select from auctioning or fixed price listing in eBay and out of these, the fixed price option would be best for businesses. With the fixed price option, the seller can calculate costs for optimal profit margins and it is more reliable price indicator for the buyers as well. For new sellers, eBay offers 50 monthly free listing and for store subscribers free listings go up to 2500. There are several upgrades

for these listings and most important of them is the international site visibility if the seller decides to broaden their markets. Other upgrades include multiple categories, scheduling and promotional upgrades. (eBay 2018)

As discussed previously, eBay offers store subscriptions that start from \$4,95 per month Starter to \$2,999,95 per month Enterprise. The level of the subscription increases the free fixed-price listings per month from Starter subscription 100 per month to Enterprise 100 000 per month. Another factor changing from Starter to Basic is the drop of final value fee that drops from 10% to 4-9,15%. This is the cut that eBay takes from each sale. Better subscription also drops the maximum final value fee from Starter \$750 to \$250 at Basic subscription. The seller can upgrade the subscription if the product starts to sell more and thus it is recommended to start with the Starter subscription at \$4,95 per month with 100 free listings per month at 10% final value fee. (eBay 2018)

Additional suggestions for international seller's listings are to describe the product with global sizes and specifications such as inches and pounds for US and description of the limitations of international return policy and warranties. These limitations can be about return postal coverage or warranty limitations. Also, time zone difference for customer service issues should be described along shipping times and rates for international destinations. eBay also suggest the sellers to provide multiple shipping services and accurate information about customs, duties and tax responsibilities to be described in the listing for accurate price calculations. Lastly, PayPal is recommended for international sellers with clear message about customer's responsibility for customs fees. This is very important information to list, as eBay removes negative or neutral feedback due to customs issues. (eBay 2018)

To further provide better customer service, eBay requires the seller to setup their return policy. It is recommendable to have one, but it is not necessary. The setup can include automatic return acceptance or refunding for example if the shipping cost is higher than the item, and if not, provide return address. These policies are up to the seller, but must be listed clearly for the customer to see. (eBay 2018)

After the seller has listed their product according to eBay's recommendations for international sellers, it is time to ship the product and there are several options for this. The

seller can either ship the product on their own with flat pricing for everyone or have shipping costs calculated by destination, that gives more flexibility. There is also additional possibility to have eBay handle shipping, but this might bring additional costs for the buyer. (eBay 2018)

The recommendation for export starter is to handle shipping on their own as the company can have full control over it. The logistics from Finland to United States were discussed in chapter 5.2 for the standard international economy letter via postal services.

Lastly the seller needs to setup their payment channels, and eBay recommends PayPal for all payments, but credit or debit cards are also accepted (eBay 2018). The PayPal setup will not be further discussed, as it is not in the scope of the thesis.

In conclusion, the seller is first required to register for eBay business account. Then recommended to select the Starter subscription plan and list products according to the recommended guidelines. The listing should have accurate international information on dimensions and costs related to customs and delivery with clear return policy information. Lastly the seller is recommended to setup PayPal account for payments and provide multiple options for delivery. Costs related to eBay were \$4,95 monthly subscription and 10% final value fee for eBay per item sold. Compared to Amazon, eBay has lower barriers for entry and lower costs, but offers less potential customers. However, eBay offers easier international expansion as the same product can be easily listed in other market places.

#### **6.4 Market Entry Plan Conclusion**

The plan has clear steps, and by following the regulations and formalities the company can start their exporting practices to United States. The opportunity for international market expansion has very little barriers for small companies with low valued products. This plan discussed of products valued at less than \$800, that will make the exporting much easier. However, if the company gets successful start at exporting and wants to expand their activities, it is advisable to consider larger volume shipments by increasing quantity to utilize faster delivery from foreign warehouses and lower shipping costs. These larger volumes will increase the shipment values and bring additional customs activities for the

company to consider. The costs will be the 4,4% tariff FOB value and are easily calculated for costs, but there are going to be additional documentations for larger shipments to be provided for US port authorities and government for sales taxation for example.

## 7 DISCUSSION

The purpose of the thesis was to provide solution for small company's international market entry from Finland to United States for their new product. The research material was gathered from secondary internet sources, mainly from government statistics and online retail platform sources. The entry plan was founded on United States macro environment analysis to provide detailed information to select best market entry mode and narrow marketing strategy to provide further details for the practical market entry plan.

After researching the secondary data to cover all aspects of United States macro environment, it was clear that the entry barriers for exporting were manageable for the small company. United States has fairly low entry barriers and easy possibilities for exporters from Finland. It is also country with great potential for exporting as the economy is largest in the world and growing. However, this also brings competition and one of the limitations of the thesis considered competition positioning as the thesis did not discuss this factor. Also left out from discussion was the customer segmentation that is important for successful marketing operations. These factors were left out as they could not have been studied within the length limitations of this thesis. Even if limiting in successful sales, they are not limiting the actual market entry as the company can follow the market entry plan to have their product at sale for United States customers.

The resulted market entry plan used direct exporting as entry mode, and no entry barriers were found as the customs duties and processes were minimal for products valued below \$800, that did not belong to any internationally restricted products. The customs processes are minimal as the product if the product is delivered via international postal services, that require no formal entry through US customs. The supporting differentiation marketing strategy provided guidelines to provide high quality Finnish product to the US wood-working hobbyist community with the direct exporting mode. The marketing strategy also provided distribution channels for the direct exporting entry mode. These were the company's own online store for US customers, Amazon and eBay.

The plan has been provided and the company can follow it for their international market entry. To further increase their success, the company should study the factors left out

from this thesis. They are recommended to formulate competitive positioning plan, customer segmentation targets and develop a marketing plan utilizing digital marketing platform based on these factors. After these steps are completed, they are recommended to focus on increasing their distribution channels for better omni channel selling.



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## APPENDICES

## Appendix 1. Tulliluettelo CN22

<b>CUSTOMS DECLARATION</b>		May be opened officially	<b>CN 22</b>
<b>Posti Ltd</b>		Täyttöohjeet kääntöpuolella! Anvisningar för ifyllning på fränsidan!	
<input type="checkbox"/>	Gift	<input type="checkbox"/>	Commercial sample
<input type="checkbox"/>	Documents	<input type="checkbox"/>	Other <small>Rastita oikein!/Kryssa rätt!</small>
Quantity and detailed description of contents (1)		Weight <i>in kg</i> (2)	Value and currency (3)
<i>For commercial items only</i> HS tariff number (4) and country of origin of goods (5)		Total weight <i>in kg</i> (6)	Total value (7)
		0	0
I, the undersigned, whose name and address are given on the item, certify that the particulars given in this declaration are correct and that this item does not contain any dangerous article or articles pro- hibited by legislation or by postal or customs regulations Date and sender's signature (8)			

Posti. Tulliluettelo CN22. 2018. <https://www.posti.fi/liitteet-yrityksille/muut/tulliluet-telo-cn22.pdf> (read on May 2018). Appendix 2. Tulliluettelo CN23

## Appendix 1. Tulliluettelo CN23

From		CUSTOMS DECLARATION			CN 23	
Posti Ltd		No. of item (barcode, if any)			May be opened officially	
Name		Sender's Customs reference (if any)			Important! See instructions on the back	
Business						
Street						
Postcode City						
Country						
To		Importer's reference (if any) (tax code/VAT No./importer code) (optional)				
Name		Importer's telephone/fax/e-mail (if known)				
Business						
Street						
Postcode City						
Country						
Detailed description of contents (1)		Quantity (2)	Net weight (in kg) (3)	Value (5)	For commercial items only	
					HS tariff number (7)	Country of origin of goods (8)
			Total gross weight (4)	Total value (6)	Postal charges/Fees (9)	
Category of item (10)		Commercial sample			Explanation:	
<input type="checkbox"/> Gift		<input type="checkbox"/> Returned goods			Office of origin/Date of posting	
<input type="checkbox"/> Documents		<input type="checkbox"/> Other				
Comments (11): (e.g.: goods subject to quarantine, sanitary/phytosanitary inspection or other restrictions)		I certify that the particulars given in this customs declaration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by postal or customs regulations				
Licence (12)		Certificate (13)		Invoice (14)		
No(s). of licence(s)		No(s). of certificate(s)		No. of invoice		
				Date and sender's signature (15)		

No 596 2070 AEL XXXX 11.03 1251/07

CLEAR FORM

PRINT

Posti. Tulliluettelo CN23. 2018. <https://www.posti.fi/liitteet-yrityksille/muut/tulliluetelo-cn23.pdf> (read on 2018).