Market Entry Strategies

Case: Restin entry to the United Arab Emirates

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ABSTRACT

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The thesis explores the United Arab Emirates as an export location for a future business venture for the case company Restin. As a country, the UAE offers plenty of opportunities for foreign companies. Dubai acts as a global business hub where organizations all around the world meet. Restin as a company has the potential to be successful in the type of environment that the UAE offers. Finnish quality and know-how are strong players even in a very competitive field. The findings prove that the market offers great new business opportunities for Restin. Research is mostly done by studying the UAE and its financial situation. The different aspects of a wildly different business culture are explored, and suggestions are based on the findings. From the finding, there is also a developed and suggested strategic approach for Restin. This strategy seeks to give them the tool in order to start thinking their readiness as an organization for expansion to the UAE. The results of the study show that arranging and creating lasting partnerships with the already existing native businesses within the UAE is the key factor to success in the market.

Keywords International market, competitive advantage, market potential, strategic goals, strategic planning.

Pages 50

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Tämä tutkielma on katsaus Yhdistyneisiin Arabiemiirikuntiin ja kyseisen maan tarjoamiin bisnes mahdollisuuksiin. Tutkielman antaa suomalaisperäiselle Restin nimiselle yritykselle oppaan Arabiemiirikuntiin ja siellä vallitsevaan liiketalous kulttuuriin. Lisenssi ja lakiasiat, jotka vaikuttavat kaupantekoon Arabiemiirinkuntien sisällä on myös tuotu esille. Tutkielma selvittää läpi, miten Arabiemiirikunnissa vallitseva tapa toimi eroaa Suomalisesta kulttuurista liiketalous tasolla. Restinin tarkoitus on tulevaisuudessa laajentaa markkina-aluettaan Arabiemiirikuntiin ja tämä tutkielma tarjoaa siihen erinomaiset työkalut. Opas käsittelee useita yritykselle suotuisia markkinastrategioita ja ilmaisee niiden vahvuudet sekä heikkoudet. pääsääntöisesti strategia käsittelee maata kokonaisuudessaan, mutta pääkeskittymä on asetettu Dubaihin. Dubai on Arabiemiirikuntien suurin bisneskeskittymä ja on maan kaupungeista kaikkien kansainvälisin. Löytöjen pohjalta on koottu suotuisa strategia, joka kertoo, mikä Restinin tapauksessa on paras tapa lähestyä uusia kansainvälisiämarkkinoita Suomalaisesta näkökulmasta. Useampia vaihtoehtoja on käyty läpi ja syyt, mitkä tekevät toisista vaihtoehdoista epäsuotuisia esitetään, valitun strategian ohella. Suosituksissa on myös kerätty osio Arabiemiirikunnissa toimivista tahoista, jotka ovat mahdollisia bisneskumppaneita Restinille tulevaisuudessa. Tutkimuksessa on hyödynnetty mahdollisimman ajankohtaista tietoa ja statistiikkaa Emiirikunnista. Lähteinä on käytetty pääsääntöisesti painettu, sekä lukuisia luotettavia internet lähteitä. Arabiemiirikuntia koskeva tilastotieto vastaa vuoden 2018 lukuja.

Keywords Arabiemiirikunnat, kilpailuvaltti, markkinapotentiaali, strategiset päämäärät, strateginen suunnittelu.

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1 INTRODUCTION

1.1 Background

Restin is a Finnish based company that offers a smart solution for temporary accommodation. The basic business idea is to offer the customers with modules that are rented to the operators for fixed periods of time. The duration of the rental can be as long as the project and can be extended along the extensiveness of the project. After the contract is over the modules will be returned to lessor. Alternatively, the operators can rent the modules for three to five years and move the modules into different locations according to their own need and situation. The modules also offer WC/shower, mini-kitchen, office and fridge lockers.

The modules are also usable for plenty of other applications. For example, they can be utilized in hotels, festivals, airports, port terminals, railway stations or as emergency accommodation for hospitals or crisis areas.

1.2 Research question and objective

The objective is to research the current economic situation within the United Arab Emirates. This consists of analysing the country as a whole and based on the research to narrow the focus into a specific part of the country that is the most suitable for the case company's services.

Another objective is to study the concepts of strategy and the theoretical aspects that influence international business. Understanding value and how value is created at the starting point for our understanding of strategy within a firm. The study focuses around strategy and its implementation for an organization and what are its effects, both external and internal.

The analytical side focuses on the market analysis conducted to the United Arab Emirates as a whole. The main objective is to determine key locations within the country that would suit the company's product the best. Through analysis, the report seeks to develop and suggest a proper market entry strategy for the case company. The report explores multiple different strategies that may act as alternatives or to see if they are not efficient for the company in question. The strategy will also try to answer how to tackle the market and what challenges the company might face in terms of business culture and competitions. A close look at the business field within the UAE has been being conducted and a competitor analyse has been used in order to determine the competitive advantage for the base company.

Among the suggested strategy there is an be exploration of UAE as a country and how the business culture within the country differs from others and how it is approachable to a western company. The developed strategy has taken into a count these country-specific factors and the strategy itself is built around the fact that it is suitable for the country in question.

Finally, the main objective and the official goal is to present the company with a strategy that they would be able to utilize if they find themselves wanting to expand to UAE in the future.

The research question for this thesis is: What is the most suitable market entry strategy into the United Arab Emirates for Restin?

The question is based on the company's desires for expanding to a foreign market. The question complements the objectives that are set for the research and the answers were conducted through theoretical research. Research is mainly based on a market research into the UAE. Exploring multiple different market entry strategy options and picking the most suitable one for the company and for its products.

1.3 **Research method**

When it comes to research and studies they can be either qualitative, quantitative or combination between the two. Qualitative and quantitative research methods provide different views of customer behaviour when conducting a market research. Qualitative market research provides an understanding of how or why things are the way they are. In qualitative research more, in-depth interviews are used rather than a fixed set of questions. Typically, there is a topic guide, meaning the interview flows by the respondent's own thoughts and feelings. The quantitative research method is focused on numerical data and often this involves statistical analysis. The structure of the quantitative research method is more focused on numerical data and it often involves statistical analysis.

The basic structure of quantitative research is very structured, and it involves a rather large number of questionnaires or alternatively interviews. Qualitative research can be done without a hypothesis while quantitative approach does require hypothesis right from the beginning. In other words, the qualitative methods are inductive and quantitative is deductive. In addition, the role of the researchers differs between the two presented methods. When conducting a qualitative study, the approach is so that the researchers participate and get involved with the subjects. Alternatively, in a quantitative study, the researcher acts more like an objective who simply observer's subjects without influencing them. In this study, the qualitative approach is mainly used. This is because the study is exploratory in nature and is mainly inductive, therefore, qualitative methods are the most useful. The problem facing the company is seen more as an opportunity. Due to this unstructured nature, the qualitative method is more suitable.

1.4 **Research data**

Data will be collected from multiple different reliable sources. For example, for the factual data, the study will utilize books and internet sources. Secondary data can also be collected through observation or from directly from possible first-hand experiences. The research is focused mostly on applying theories of internationalization and strategy within a firm. Theory portion is mainly conducted by studying books. The market information is found by utilizing internet sources for data that is up to date in today's world and at the time of conducting this study. There is a possibility to conduct some in-depth interviews with a couple of companies and their respective representatives. If these interviews are conducted they will be added to the analyses part of the study.

Data analysis requires reducing the gathered information to a size that is manageable for both the person who is conducting the study and for the possible reader. Therefore, developing summaries, finding patterns and applying statistical techniques will make the overflow of information more manageable. Findings aim to support the strategy developed and they are there to strengthen the created strategy. Recommendations are to act as guides and will present the final developed and suggested strategy for the case company representatives.

2 THEORETICAL ASPECTS OF INTERNATIONAL BUSINESS STRATEGY AND VALUE CREATION

When discussing international business, it is important to note that the focus is firm itself and more importantly the actions that the managers can and will make in order to be successful in the international market. The firm typically seeks to expand their profitability by expanding their trade to a foreign market. However, there are some questions that the managers need to ask from themselves before starting to expand. It is important to note that the firm as a whole is ready to tackle the new market and both challenges and opportunities it will introduce for the firm. In some cases, the slight increase in profitability might not be worth the risk that the expansion brings. Therefore, it is important to develop a certain strategy for the firm which helps them to understand and enter the new market.

A firm’s strategy can be defined as an action that the managers take in order to reach the goals that are set by the firm. For most firms, the goals are very simple and straightforward. the preeminent goal for most firms is to maximize the value of the firm for its owners and shareholders. In order to achieve these set goals, the managers need to pursue strategies that increase the profitability of the firm and its overall profit growth over a longer period of time. Of course, it is important to remember the profits are gained legally and in ethical ways.

Profitability can be measured in multiple different ways. One of the ways is to study the rate of return that the firm gets from its invested capital. This is calculated by dividing the total net profits of the firm by total invested capital. Profit growth, on the other hand, is measured by the percentage increase in net profits made over time. In simpler terms, higher profitability and a higher rate of profit growth will naturally increase the value of the firm and by doing so the returns generated by the owners and shareholders are higher.

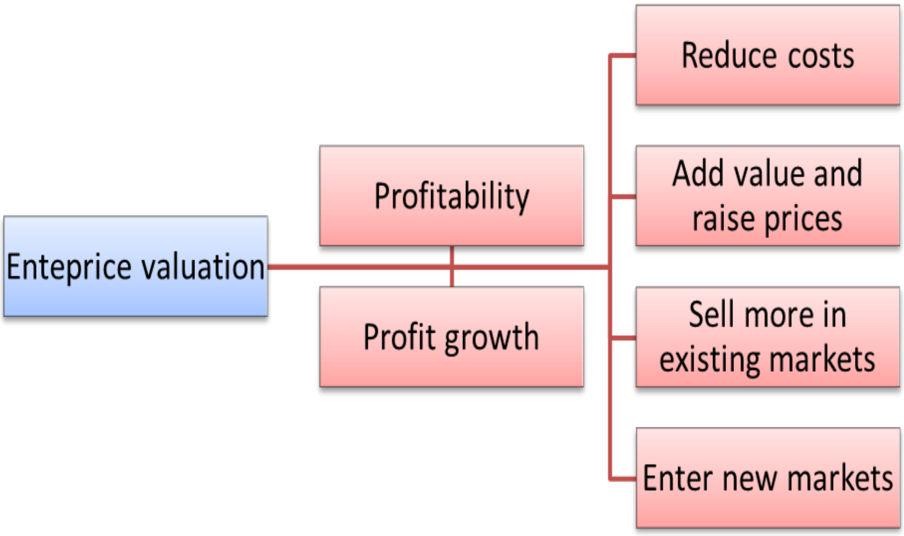


Figure 1: Enterprise valuation

In order to excel in a foreign market and increase the profitability of a firm is to create more value. The amount of value that the firm generates is measured by the difference between its costs of production and the value that customers perceive of its products. In other words, how the public sees the product is a major factor when talking about the value of a firm. In general, the more value customers hold on the firm's products, the higher the price firm can reasonably charge for their products. Although, it is important to keep in mind that the trust and value placed on the products need to be earned by utilizing ethical business practices and by offering a high-quality product for a reasonable price.

People are typically not ready to pay according to the value they place on a specific product. Therefore, the price that the firm ultimately charges for a good or service is less than the value placed on that good or service by the customers. This is due to the fact that customers capture some of that generated value in the form of what some economists have started to call a consumer surplus. This happens because the customer is able to choose from a larger range of alternative products or services. Most firms operate in a field that has plenty of competition from other firms. Therefore, the firm must charge a lower price than it would see as profitable in order to compete in the market. In the international market, the level of competition is understandably higher as well. Now were it a monopoly where the firm is the single or one of a very few suppliers for a given good or service, they have more power over choosing their prices. Also, it is nearly impossible to segment the market so that the degree that the firm can charge for each customer would reflect their ideal value of the product or service. This is usually referred to as a customer's reservation price by most economists. Due to these reasons generally, the value doesn’t indicate the price of the product and is typically less than the seen value of the product or service.

Michael Porter has stated that low costs and differentiation are two basic strategies for a firm when it seeks to create value and aims to attain a competitive advantage in the field it operates. According to Porter, firms that are able to create better value for their products get to enjoy superior profitability from their sales. So, in other words, a higher value means higher profits. If a firm seeks to increase its value it needs to drive down the cost structure of the business itself and they also need to differentiate themselves from the rivals in a meaningful way. This helps the consumer to seek a product that is best for their specific needs and by doing so they start to value the product that is most efficient for them. Superior value creation compared to the rival firms does not automatically require a firm to have a lowest cost structure in an industry or does it require a firm to have a product that is the most valuable in the eyes of a consumer. It is all about balancing the two. The gap between value and cost of production needs to be greater than the gap attained by competitors. The point is not to be the best but instead be the one that is able to operate steadily and survive in a long term.

International market can be brutal, and the level of competition can be much greater rather than operating in a single country. Like mentioned before, the firm has to think before choosing to expand. The risks and challenges need to be evaluated and the firm needs to ready themselves for possible organizational changes both in its operations and in its structure. In the international market by having a new exciting product may not be enough to stay relevant in the market, especially for long term. Unique products help at the beginning. However, rivals will quickly rise, and competition can become very hectic quickly and staying relevant may become impossible. Bigger firms might also simply offer to right out buy its competitors and possible rivals early on in their life cycle in order for the bigger frim to avoid them developing as a rival firm. This is especially common in the tech industry. Of course, healthy competition is always good for the firms since it encourages and sometimes forces innovation in order to stay relevant or excel among the competitors.

2.1 Strategic positioning

Following Porters notes, for a firm, it is important to be explicit about its choice of strategic emphasis regarding value creation and low costs and to configure its internal operations properly to support that strategic emphasis. When talking about the strategic position of a firm there needs to be understanding the strategy’s impact on the external environment. Each firm exists in the context of a complex political, economic, social, technological, legal, the environmental world (PESTLE). The external environment is susceptible to a constant change. Due to its nature, this environment is more complex for many organizations and can be very challenging to some. It is important to understand how this affects the organization as a whole. This, for example, could include a proper understanding of historical and environmental effect, as well as expected or potential changes in environmental variables. Most of these variables will give rise to opportunities for the firm and others will exert threats to the firm. It is very uncommon to face a situation where the firm doesn't face both opportunities and risks. Such is the nature of this environment. The range of variables is likely to be so great that for many firms it may not be possible or even realistic to identify and understand each other. For many, this might be a problem. Therefore, the need to distil out the complexity of the key environmental impacts on the firm is important.

Each organisation is made up of resources and competencies. These act also like the strategic capability of the organization. One way of thinking about the strategic capability of a firm is to think of its strengths and weaknesses. For instance, it is important to recognize where, where the firm stands on its competitive advantages or disadvantages in the market. In the end, forming a strategy is about all about being ready for the future. The aim is to form a view of the internal influences and constraints on strategic choices that are then utilized in the future for the firm's strategic choices. Often these are a combination of resources and high levels of competences in particular activities that provide advantages which competitors lack or find them difficult to imitate. Competencies are found within the firm and among the talent the firm employs. Part of any successful strategy is to be able to relocate everyone to the position that suits their skill set the best. More importantly, recognizing the hidden competences when entering a new environment is important and this is a skill that managers should poses.

2.2 Elements of international strategy

In order to create a good strategy, the company has to know what elements are involved in the development of that strategy. In its simplicity, a strategy is the way how the firm will achieve its objectives. A strategy has to consist of an integrated set of defined choices set by the organization. In general, there are five elements that the management side of the firm has to take into consideration when developing their strategy. The five mentioned levels of strategy are areas, vehicles, differentiators, stating and economic logic. From these five elements, the firm has to answer the questions that are presented by the elements. The five questions that need to be answered are the following:

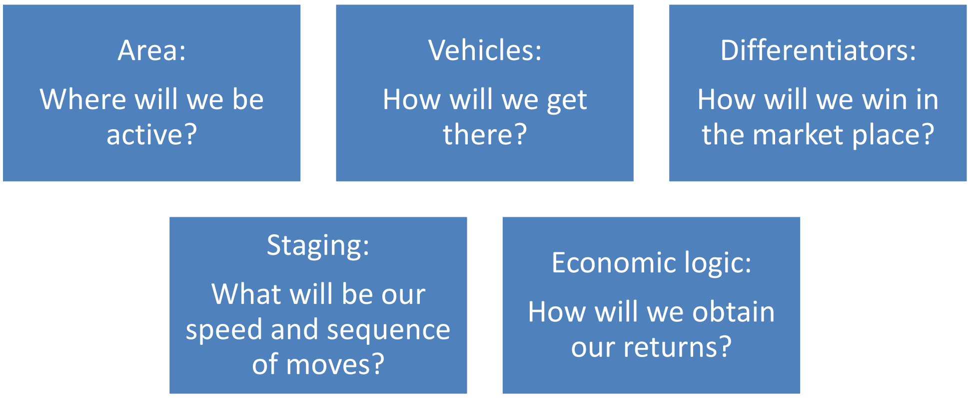


Figure 2: Elements of international strategy

Source: Adapted from Donald C. Hambrick and James W. Fredrickson, "Are You Sure You Have a Strategy?" Academy of Management Executive 19, no. 4 (2005): 51–62.

Arenas:

Arenas refer to the areas in which the firm is going to be active. The area in which the firm will operate in is determined by multiple different channels. The factors that affect the area are the firm's product, service, distribution channels, chosen market segments, technologies and geographical areas. In the end, it is wise to specify the targeted are careful. It is wise to contact the locals in the area to narrow it down even further. By knowing the targeted area through and through helps the firm to gain an understanding of the industry or geographical segments that are found within it. This by itself helps the firm to know who their competitors are and if they are already operating in the area.

Differentiators:

Every firm should seek to differentiate their products from the rest in order to gain a competitive advantage. The product should contain features and attributes that are unique to it and are not found within the competitor's products. There are multiple different dimensions in which the firm can excel from the competitors. These advantages can be seen in image, customization possibilities, technical superiority, quality, price or reliability. A great example, of a differentiation done right, would be Toyota. Toyota has done very well in the differentiation apartment. Toyota cars are often high quality, yet they are affordable for most consumers while still offering a high range of choices when it comes to models or equipment in their cars. It is important that the firm has its own identity. It is obvious that a firm that seeks to appeal to every customer or has no clear differencing factors from the rest will not be successful in the long run.

Vehicles:

Vehicles mainly refer to the mean of which the company decides to take when it comes to transporting their good to the targeted area. It also consists of any type of transport, both in the sea or air. In some cases, the company may want to establish themselves in the new market by utilizing the local area for construction. This would eliminate the need for transport when it comes to moving parts or goods. The firm would simply move staff and the know-how to the destination. Once they are there they may start the manufacturing process locally. Of course, this is something that is done depending on the product and if there are even available possibilities for local manufacturing. Often it is wise and necessary to utilize a third party for the transporting of goods.

Staging and Pacing:

Staging and pacing have mostly to do with the timing and speed of which the strategy is done. This is tied to the resources that are available for the firm. The resources that will affect the pace of the strategy are available to cash, human capital and the knowledge that the firm holds. The company has to know when it is the best time and if the firm is ready for going international. If the move to an international market is not urgent it should be examined carefully before committing to anything which the firm may not be able to back away from after they have made their first move. Very few firms have the resources available right away for a large change. Therefore, the decision should be something that is made after a long examination of the new market and the change should be well paced and not rushed. In some cases, there are opportunities that present themselves during times that are very short. In these cases, while it may be profitable to take advantage of these opportunities at the time it may be proven to be an unwise choice in a long run. New opportunities will also always present themselves so, therefore, rushing into the first available one is never recommended.

Economic Logic:

The most interesting question for the most firm is that how they will earn a profit in the new market will. Economic logic refers to just that. The basic desire for a firm is to generate a positive return over and above what it has spent in the foreign market. For most firm, the target is to meet all fixed, variable and financing costs that are generated by the new market. So basically, make more than you have spent. However, in reality, reaching this goal is never so simple. Plenty of firms fail to perceive that at the beginning stages of expanding the firm will very likely make loses. However, this does not mean that the expansion was a failure. Of course, the required capital is larger in the beginning since the firm is still in the establishment phase in the new market. The more realistic objective would be beneficial in order to minimize your loses and then seek to improve once the firm has managed to establish itself to the new chosen market.

Once the five elements of the strategy are in line and they are mutually reinforcing the firm they are in a situation in which they should be performing well. This implies that the strategy has, of course, been implemented well. So ultimately it is up to the management and how well things have been studied beforehand.

2.3 Levels of international strategy

Whenever a business is thinking of expanding their market abroad they need to think of the scale of that expansion. In other words, the company has to think of the level of their international strategy approach.

There are mainly three viable levels of international strategy that are used in today’s business world. These levels are the following:

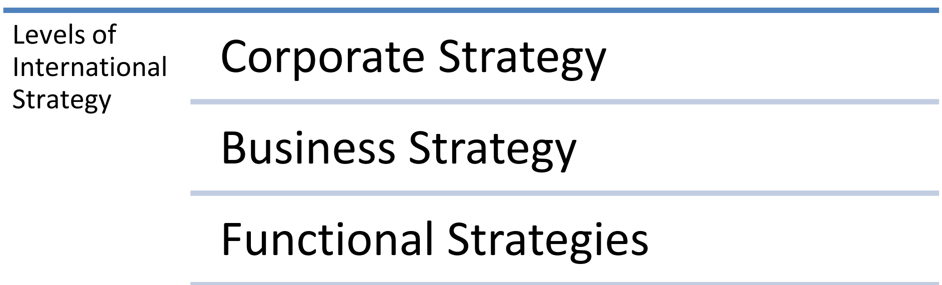


Figure 3: Levels of international strategy. Source: MBA Knowledge Base (mbaknol, 2017)

The corporate strategy defines the specific field or domain that the business operates in. For example, Apple focuses on making electronic devices such as phones, tablets or televisions. However, they don’t make household appliances such as dishwashers or refrigerators. For companies, it is important to find their own division within each given field. By doing so they can focus on a specific product and not expand into areas that are not profitable for them.

The single Business Strategy:

When the business in utilizing a single business strategy it relies on a single product or service for all of its revenue. When doing so the benefits are obvious. The best advantage for the firm is that it can concentrate all of its recourse and energy into a single product. Meaning that expertise is the highest when it comes to that singular product. However, the downside for the single business strategy is that because you only have the single product the competition you face is tougher. It is possible that other business may offer a similar product for a better price or that through innovation your product may become obsolete. therefore, it is important that the firm tries to remain ahead of the curve, so they can be the ones who are innovating.

Related Diversification:

Related diversification is by far the most common corporate strategy that is used by most firms. In this strategy, the firm seeks to operate in multiple different fields of business at the same time. These fields are still related to each other and often share the same industries and markets. The goal and the major advantage of this strategy are that it does not depend solely on a singular product or service. This helps to make the business less vulnerable to competition and other economic threats. It also makes it simpler to operate in multiple markets simultaneously or to switch markets entirely in needed. The company’s revenue is also not tied into a single market, so it avoids the risks of getting stuck into a bad slope.

Unrelated Diversification:

The third option for corporate strategy is to do business in completely unrelated fields. For example, a logistics company that has its main expertise lay in transporting goods can still own a firm that produces a beer that is then sold in a supermarket. It essentially acts as a side business but on a larger scale. This corporate strategy is typically utilized by larger corporations which have existing business within multiple different fields. Nowadays this corporate strategy is not seen as very viable or popular due to the lack of potential synergies across the business since in the end, they are indeed fundamentally unrelated. This creates a lack of communication and sustain so the business does not enhance each other in any meaningful way. In some cases, they may even be harmful to one another. For example, one business area might be doing well however, another area is not and in order to cope with this the firm delegates resources to that failing area in order to minimize loses or in order to try and salvage it.

Business Strategy deals with the specific business subsidiaries or operating units that are found within the firm. The main question business strategy asks and seeks the answer to is ''How should we compete in the market we have chosen to enter?''. There are three points that the business can utilize in order to answer this question. The question is even more valid when the firm is intending to expand their markets abroad.

Differentiation:

The point in differentiation strategy is quite simple. It simply seeks to establish and maintain the image it has set for its product or service. It aims to be unique within the market in order to differentiate itself from the competition. This can be done by focusing on the quality, price and usefulness of the product. Maintaining a good image for the customers helps to build trust between them and the organization.

Overall Cost leadership:

The overall cost leadership is something that is very desirable for most firms because it focuses on achieving highly efficient operating procedures while also maintaining low cost compared to the competitors. The idea is that because the firm is able to produce for a reduced price it can also sell its products at a lesser price. By doing so they have a larger market appeal while still maintaining the quality since there is no real difference in the manufacturing itself, it is just done more efficiently thanks to the management. Of course, this is something that does not always work, and it is mostly tied to the management of the firm. Another downside is that although the sales numbers can be high the profitability of the firm itself may be low due to the lower profit gained from a single unit.

Focus:

A focus strategy is exactly what the name implies. When the firm targets a specific area and a specific customer they are utilizing focus strategy. For example, targeting an area within a city that has a lot of tourism is a smart move for a firm that operates in the accommodation business. Basically, the firm already has decided what type of customer they want to approach and in what area these customers are found in. This enables the firm to make certain and specific products for that given are and for that targeted customer group. This makes it so that the customers are getting a product that is tailored for them.

Functional Strategies:

When discussing functional strategies the firm attempts to answer questions that are related to functions that are inside the organization and how the international strategy and expansion will affect them. Functions inside the firm such as finance, marketing, operations, HR and R&D. The firm has to make sure that they are able to manage these functions consistently along their international strategies.

3 ANALYSIS OF FOREIGN MARKETS AND ENTRY STRATEGIES

Foreign markets are the markets that are outside of a company's own country. For example, if the native country for a given company is Finland then Sweden is considered a foreign country. The foreign market is the same but in a business sense. When a company is considering entering a new market it needs to take into consideration plenty of specific aspects that the new market may introduce. Expanding and selling in foreign markets involves dealing with different languages, cultures, laws, regulations, rules and other specific requirements. Companies that are seeking the possibilities of entering a new market need to study and conduct careful research of the potential chosen market and develop a market entry strategy for that market. Exporting goods is the most widely used method of conducting business with a foreign nation. However, it should be considered as the first step in your market entry. Establishing a position and business presence is the goal and the necessary step for successful market entry. In order to achieve the most effective market position possible, it is wise to hire a foreign sales agent, at least in the beginning. Sales agents typically have a better understanding of the local markets and customs. They have a wider view of the local context of the country's political situation and culture in general.

3.1 Evaluation of alternative foreign markets

In today's world globalization is a must for most businesses. Many businesses are forced to deal in the constantly evolving global marketplace. However, the global market offers enormous growth and change to increase profits significantly. Due to the fact that the overseas market offers so many possibilities for constant growth, it brings many new businesses into the market. However, many of these businesses fail due to them either entering the market with unrealistic expectations are they are simply overwhelmed with the market and the challenges it provides. Although, in today's world it is getting more difficult to be truly unique due to the constantly rising number of similar products and services. Even if you do have a unique product that sells like hotcakes other business will quickly rise to copy or deliver a slightly modified product of their own. However, the ways of standing out are maintaining the quality of the products and focusing on the service side of the business. Even businesses that focus solely on the product sales wither in the end if their customer service is not up to the standards and beyond. Customers are ready to pay for a good and professional service. This is because more often than not a business should focus on selling the experience rather than simply a singular product. This signals to the customers that the company itself is also high quality and not just the products it offers.

The most important part of any foreign market entry plan is to know if you are global ready. You might already have a product that is tested and proven to be working just as intended and you might already have established the product in the native market. However, this does not necessarily mean that the products would do well overseas as well. This is why knowing your business is just as important as the product itself.

Analysing one's business is relevant in order to make sure that you have the best operating structure and process in place for your business. The businesses goals in the native country should reflect those that are set in the native country. Goals need to clear and realistic, so they are achievable. Especially, when dealing with a foreign market it is better to be surprised by one's success rather than disappointed. Therefore, relevant and realistic goals are the best way to go. They also act as better motivators since not everyone within the organization might have the same expectations for the new business opportunities. It is also a must that the company in itself is aware and wanting to expand. Meaning that the employees are on the board for the expansion. Entering a new marker usually means that the business itself expands and that mean organizational changes will take place. This may worry some of the employees. This is why they need to be coached throughout the process. As mentioned before, some employees may see the expansion as a threat to their current position or they do not like the idea of the company expanding because the new market doesn't automatically equal more profits. In the worst case, it may drive the company to high debt or even to bankruptcy. Having everyone in an equal footing is important in the road to success.

Next step is to know your competitors. Nowadays it is very rare to find a market that does not have any significant competitors. Knowing your competitors is also important when it comes to pricing your product. If the local business offers the same type of products already but for better a price the local people may not be very eager to switch to a foreign product. Many native products also hold plenty of familiarity with the locals already. Therefore, it is important to differentiate yourself from the competition early on. Knowing your competitors may also offer business venture opportunities in some cases. They also prove am inside into the local way of doing business. As a foreign entry, you may be able to bring a different perspective that may be a more suitable way of conducting business within the market.

Understanding the challenges and possible risk that the new market will likely offer is important to keep in mind when planning a market entry into a foreign market. One of the first challenges you will face when conducting business in a new market is the culture. For example, doing business in an Arabic country differentiates significantly from the way business is handled in Finland. Being culturally aware and able to adapt your company's behaviour to the country's customs that you are doing business with will maximize opportunities but more importantly, it helps you to avoid possible misunderstanding which is caused by cultural differences.

Aspects that should be taken into consideration when talking about culture:

Gaining the understanding of the language, religion, ethical standards and business practices for the chosen market. Understanding the language is important in order to avoid misunderstandings. Although, English is often used as the universal business language not everyone uses it. It also gives a better impression if you are able to conduct business in the country's native language. Religion also has major effects on the way in which business is done. This is especially true in many Arabic countries. These will no doubt have affected your business as well. Therefore, it is important to remain respectful and understanding their way of life. Ethical standards also differ from nation to nation. Therefore, knowing your associates and preparing for business encounters beforehand is important. Different business standards are something that should be considered as well. Such as what is the standard quality that is expected and how the business itself is conducted. In many more conservative countries face to face meetings are a must. In places, the time of a day also has an effect.

Knowing your customers and business contacts well. Establishing partnership early on is important for your business's success. Not only will the local partners provide free advertisement via word of mount and goodwill but more importantly it helps you to make roots to the target country. When it comes to knowing the customer, it is important to know who your target customer is. When considering the target customer, it is important to remember the country-specific aspects when it comes to the local people living in it. Cultural differences play a major role in the way how people act and behave in different countries. Once again adapting to the local customs helps you to gather goodwill among the people.

Trying to understand how the culture shapes the attitudes that are made towards the goods or service. In some cases, certain products may be seen as offensive in some cultures or otherwise, unpleasant. For this reason, avoiding generalising is something that the company should try to avoid. Most countries are very diverse and wide range of cultural nuances that should be taken into consideration.

In short, being culturally aware and adapting the company's behaviour can help them to maximize the presented opportunities and helps to avoid misunderstanding which often arises from cultural differences.

The political environment of the market your business is considering entering may offer new challenges to your business. Therefore, knowing the environment well in which you are going to be doing business in is a must. It will also help you avoid any legal trouble you may run into. Questions you should seek an answer to are the following:

- The stability of the market politically and economically
- The government or international enforced trade embargoes
- Possible international legal conventions, like trade sanctions and recognition of personal property rights

In today's global economy markets have varying legal and regulatory systems that differ from region to region. Differences in both contract law and intellectual property laws. Protection lawns are often tricky and that is why learning the legal intricacies in the target country is necessary for businesses seeking to enter the foreign market. The best approach is to utilize local consultant who is able to advise your business on law matters. This is needed because, there may be some legal issues that affect your export operations, and, in some cases, there are laws set in place which protect local industries against your foreign product. There are also particular standards, specification, labelling and packaging requirements that need to be taken into consideration. The can differ from country to country. Some products may be subject to the domestic laws that may lead to safety violation and trade disputes. Therefore, familiarising yourself with the requirements of the chosen export destination is important. This is especially true in the middle east where the nations have very strict laws when it comes to accepting foreign goods.

How to avoid disputes and how to deal with them:

- Defined contract terms with all involved parties. Clearly highlighted rights and obligations for each key party's involved.
- All contracts need to specify dispute resolution procedures and with the intention of litigation or arbitration as the last option.
- Deciding which language version of the legal contract is to prevail if the case of a discrepancy.

The export contract should cover the following:

- A detailed description of the goods that are sold. This helps to avoid disputed that may occur between the exporter and importer. This also helps with the correct classification for the customs.
- The price of the products. The per-unit cost needs to be clearly expressed.
- Allocation of responsibilities for freight and insurance.
- Packing information for the customs but more importantly for the buyers. These include the number of units, weight and dimensions. These are important when considering transport and storing the products as well.
- The terms of payment that are typically agreed during negotiation. In order to avoid misunderstandings, written contracts are often a must.
    - Choosing the correct law. What this means is that under which law the possible disputes fall in and which parties are involved in the dispute.

The term may differ from case to case but none the less all trading terms within the contract should be explicit and relate to the internationally accepted incoterms rules.

Exporting will always bring along additional expenditures for your business while simultaneously raises the risks associated with differentiating exchange rate fluctuations, non-payment from suppliers and customers, and the unfortunate occasional bribery and corruption. Confirm the financial standing of all the companies you have dealings with while doing business abroad. Confirming the financial standing can be done by asking to see financial documents. For example, bank statements, debt records or government grants and subsidies.

3.2 Assessment of costs, revenues and risks

Newmarket will offer new opportunities, but it will also bring new challenges in a form of new costs. One of the major concerns when entering a new market is the already existing competition and if the product is easily duplicated competitors may arise. The company has to determine if the current financial stability will support the expansion.

Expansion costs can be either one-time purchases or contract based. One-time purchases, such as new necessary machinery or the location itself, premises and the rent for those facilities will require capital from the company at the start. More short-term expenses come in a form of marketing, staff and recruitment training. It is vital to calculate and make estimates of these expenses beforehand, so the company can study whatever it has the necessary finances for the expansion. In the beginning, it is very unlikely that the company will start to make a profit right away. It is more realistic and important to determine when the company will break even before it can start to make a profit.

Having a new operation abroad will bring new operating costs for the company. While it is difficult to calculate the actual costs before the expansion itself there should still be an estimation of the costs. It is better to go under budget rather than over budget. Operating costs include staff, supplies, increased rent, utilities and machinery and possible maintenance. It is also worth mentioning that since the company is dealing with another country the prices will be determined by that country's standards. The company has to calculate the figures from these new operating costs. Once that is done they can determine their potential profit margins per unit and a total gross of their profits. The numbers are based on the company's two sales and revenue figures.

For new firms, it is a pleasant surprise when the number of new orders increases plentifully when entering a new market. However, the increase often extends to the rise of expenses as well. The company has to pay for all the materials and staff that they do not directly employ in their home country. This will, of course, lead to a raised expenses so it is vital that the company is aware of the expenses. An expansion is always costly, and it may require the company to take out a loan or negotiate an agreement with a local firm in the target country for a cooperation agreement.

Once the company has calculated the start-up costs and the extra operating costs it can choose if the expansion is the right course of action to take. Meaning that the firm has conducted that they have the potential to make sales and volumes that are large enough for them to make an actual profit. In the end, it is not enough to make your own money back but rather the objective is to make a decent profit because more than likely once the company has gotten a foothold in the new market it will present more opportunities that were not available at the start.

3.3 Ways of entering an international market

Having the correct approach to the market is the most important factor when evaluating if your company is ready to go global. It is vital to have a clear market entry strategy in place that sets out how your products get delivered to your target market and finally to the desired customer.
When you sell directly to the customer you eliminate the middlemen which in some cases makes it easier and by doing so you may save money. However, in many cases, it is wiser to utilize the local knowledge of the targeted country. Meaning utilizing sales agents and representatives to ease you into the market. In the future once, the business has established itself into the market it can grow into a self-sufficient one. However, as stated at the beginning it is easier to use the existing know-how of the already existing market. It also helps the business to adapt to the different environment and business culture more flexible. This is called an indirect strategy. In it, you don’t directly sell to the end users. Instead, your exports are handled through intermediaries like the mentioned agents and trading companies.

Other benefits you get from a local representative are also the following:

- Providing information about the existing market
- Acting or appointing sales representatives for the country
- Devising promotional strategies within the country
- Helping to organise shipping in the importing country
- Handling the export documentation in the importing country
- Support services for distribution, warehousing, shipping, billing and insurance.

After the company has managed to create a presence in the country they can start to expand within it. Meaning if the expanding has been successful, the local reception has been positive, and the company has started to generate profit it is time to start thinking of establishing a more direct strategy. Having more direct channel to your customers gives you many new opportunities and higher change for profit. Obviously, this requires that the company had adopted the customs of the country and is able to operate independently.

When you sell directly to the end-users, you will have more responsibilities. These responsibilities are the following:

- Conducting market research
- Handling marketing and advertising locally
- Distribution channels
- Owning or alternatively renting warehouses
- Having an efficient delivery system in place for the product
- Direct customer and after-sales services (customer support for the local language)
- Conducting sales orders and billing within the legal boundaries of the country
- Having the possibility to manufacture the product in the target country

The positives that direct strategies offer are immense. However, they come with the added risks and require the knowledge and experience that you are able to be successful in the market. Therefore, it is financially safer to start with indirect strategy, so you can get customers to the new market especially when the cultural difference is so huge. In the future, there is always the possibility to expand if the company has the desire and know-how for it.

Another way of conducting business is to exercise countertrade. Basically, in countertrade is a form of exporting where goods or services are directly paid for in full, or in part with other goods and services in exchange. While not very profitable to conduct in this type of business environment it is something to be considered in parts of your business. For example, it could be under consideration that the product is delivered in parts to the target country and the actual building manufacturing side is handled in the imported end. However, due to the state of the global environment doing business this way is not advisable. In certain crisis situations, this may be an option or places where offered goods exceed the money gained and prove to be more profitable. For example, if there was a change to cut manufacturing costs in some way.

Online selling has become one of the major ways people sell their products. Having an online presence will not only act as good marketing it gives plenty of visibility to the company even before you have had any business done in the target country. Potential customers may also find you without you having to seek them out and if you offer contact information on your website they can contact you view it.

There are multiple different ways to handle selling via online. For example, you can:

- Set up your website so that it is available in the export destination country which naturally should allow for online ordering. Thesis typical business-to-customer (B2C) approach for the most online store but can easily be utilized for larger quantities of products as well.

- Another way to sell via online is to utilize already existing site. These eCommerce sites act as your customers (B2B) and they will handle the marketing, sales and distribution. Essentially this is very similar to indirect exporting that was mentioned earlier.
- Establish a presence in one of the major global eCommerce sites which allow you to sell your products via their site (B2C) for a fee. In exchange, they handle the online advertising and handling the online side of ordering.
- The fourth option is to sell your product via a third-party store
  or online marketplace (B2B2C). This is often the worst choice for major businesses and is more suitable for a private person. This is because these sites don't offer any advertisement or few or no other significant benefits for the seller itself.

No matter which online method you see as the most suitable one for your business it is necessary to have some type of presence online nowadays. Online marketing has proven to be very effective and the amount of people you are able to reach via online platforms is immense. Customers are also able to share and read a review that is written about the company and from the products or services it provides. This information is also vital for the possible improvements the company can conduct to its services. Essentially it is free advice if a customer provides you with a problem or a possible are that may require improvement within the service or product. Allowing customer feedback via online is also important to have in order to uphold positive customer experience. It also provides a positive message to the customers and shows that the company licences to feedback. A glowing recommendation from people is also always a good advertisement for your products. Especially if done by a person in a high position or are celebrities in their associated countries. It is worth mentioning that in today's world it is seen as very trendy to have a well-established online presence, which is the reason why so many companies are putting so much effort into it.

Contractual entry modes

A company has the chance to use a variety of different contracts the likes of licensing or franchising.

Licensing makes it so that a company that owns the intangible property (trademark) is able to grant the rights to use that property to another party for a specified period of time. Profits are gained in the form of royalties. Royalties are typically a percentage of each completed sale done by the licensed company.

Pros:

Cost-efficient
The amount of money you need to invest in the beginning when entering the market is significantly reduced. The reduced cost is gained from manufacturing cost, packaging, patenting, marketing and sales. Although, because the company is essentially delegating these tasks to the specific market it reduces the total profit generated by the company as a whole.

Low risk
When a company accepts the licensing agreement they will from then on handle the distribution within the country's market. The company that licenses the product from your company will also far more familiar with the market or industry and therefore, they possess a better chance of successfully selling the product.

Advanced payment
Often when licensing is chosen as the method of market entry there are payments that are conducted even before anything has been sold. These payments are often due to licensing agreements mandating them or due to the copyright. They also act as a promise of successful future sales. However, these agreements are very situation specific and in order to build trust between the parties the contracts should reflect each side desires and needs.

Long-term contracts
If royalty route is chosen, the agreements are usually for a longer period of time. This means that the royalty payments are also continuous. Once again depending on the contract what type of royalties are paid. For example, the payment can be based on the amount that the licensed company has managed to sell. This is often the case when dealing with smaller or medium-sized companies. On the other hand, payment can simply be time specific and the licensed partner is essentially paying for the right to sell the product. This method is usually utilized by pick franchises. Bonuses can be given if goals are met or exceeded.

Cons:

Losing control

Due to the fact that you minimize the control of your product when choosing this method presents the possibility of losing control of the product. Often the company does not have any control over the packaging, distribution, cost, sales or marketing since those are left to the hand of the licensed company. Of course, it is possible to admin more control to the foreign country but at that point, it is wise to start thinking if licensing is truly the best option for the company.

You may not receive payment
The product may prove to not be successful and sales poorly. If this is the case, there won't be any royalties either. In many situations, the owner company is also the one who is responsible for the licensed ones. Meaning that if a single unit is not delivering their promises or they get negative feedback from the customers all the blame is still on the company as a singular unit.

It takes time
Depending on the contract it may take a while before any royalties are received. Most companies pay royalties either monthly or quarterly. If the company generates royalties quarterly it means that royalties are paid only four times in one business year. If the company has plenty of expenses that are paid monthly, this might not be the best option for them. Another factor to consider is the fact that if sales are poor during one quarter the payment may be moved to the next one.

Before jumping into licensing there are a lot of areas the company needs to think about. In many cases, the pros easily outweigh the cons but in others, they do not. The best advice is to really get to know your possible partners beforehand. Having multiple candidates and choosing the right one is the key to a successful partnership. Just like with everything it is necessary to study and learn about the target country in advance, so it is easier to differentiate poor choices from the promising ones. It is, therefore, best to choose a partner who already has existing and proven knowledge/success in dealing within the market. If they possess the knowledge their promised are more trustworthy and are more likely to deliver on those promises. So once again do not be afraid to ask for proof of the company's previous activities.

Franchising

In franchising, the owner of the business (The franchiser) provides the right to market and distribute the product or service to independent contractors (the franchisees). In action, this means that from that point on the businesses name is used by the franchisee. This is done for a pre-determined period of time in which the franchisee has the operation rights.

Pros:

Established brand and customer base
This is probably the most major advantage that franchising has to offer. There is usually an already established customer base and the brand has already managed to gain some recognition. There is already customer loyalty in place and the strength of the brand may give it an edge when exploring a new market.

Support in Marketing
Franchises typically offer support to their units around the world in term of marketing and possible national campaigns. Marketing is often prepared to be shared as well. However, local marketing is usually the responsibility of the country-specific team. Keep in mind that all of this is dependent on the way the companies delegate their work and the way they approach marketing in general. In other words, it is very situational.

Financial assistance
It is important to give financial aid to the franchise. This is especially true during the beginning stages. it ensures that the unit gets on its legs and is able to work independently. Financial aid main becomes a factor during quarters that prove to not generate as much profit. In some cases, the support is a must if the franchiser wises the business to survive. Aid can be given in a form of training as well. Training can be given to both the working or managerial level. Technical training is typically the most widely used form of training. This is mostly due to the constantly improving technology which offers new ways of working in most fields.

Risk reduction
The reduced risk is fairly obvious. For the help and support in both financial and training wise the franchisee is in a very low-risk situation. However, for the franchising side, the risks may be higher.
You are your own boss
While you still have to report to the owner of the franchise in the ground and unit level you get to operate independently. Business is still a business and it needs to be run like one.

Cons:

Initial franchise fee costs
The way some franchises operate is so that if you wish to become a franchisee you are required to buy rights to the franchise for your local market. This is often costlier than starting your own business, but it becomes with the previously discussed benefits. It is worth

mentioning that not all franchises operate in this manner. Mostly larger franchises utilize this method of franchising.

Additional payments

For as long as your business is in a franchise, you are required to pay some percentage of the gross that you have generated back to the franchisor. Some franchises may also place fees on their marketing material and require you to pay for advertisement. However, often the local franchisee gets to plan their own marketing campaigns for the market area, but they need to request the advertisement funds from the franchiser.

Limitations to creativity

When you become a franchisee you also need to adhere to the standards of the franchise. This decreases creativity and flexibility when it comes to the way you can conduct business or customize your own unit to your liking. Working hours and the way the work is done is usually standardised as well, leaving very little room for personalizing.

Expectations

If you choose the franchise path instead of pursuing your own business, it is still not guaranteed to be successful. Like with any business many risks are still present. Plenty is also dependent on the success of the franchisor itself. Individual units are typically also performing poorly is the organization as a whole is doing so as well. Same goes with the reputation on the organization. Franchising contracts can also be proven to be tricky if you desire to exit the business.

Before making a decision to buy yourself into a franchise operation it is important to weigh the pros and cons carefully. Doing your research and contacting consultants is the best approach. The desires of the franchise may not reflect the ones you have, and their goals may be very different.

Investment entry modes

When choosing an investment entry mode, the first choice is typically a joint venture. A joint venture is when two different companies are created, and they are jointly owned by two or more independent parties to pursue an objective. In a joint venture, each party involved maintains their separate business entities. Meaning that each party is responsible for their own debts. The profit that is generated is shared between the parties depending on the terms of the agreement.

Pros:

- Usually joint ventures are temporary arrangements between the companies.
- Both parties gain access to additional resources since they are likely to share their assets while working towards a mutual goal.
- It offers the change for projects and opportunities which may have not been possible before due to the increase in finances and staff.
- Risks and cost are shared.
- Possibility for financial growth increases and new opportunities become available.

Cons:

- Two different companies may differ from each other immensely in terms of working arrangements, workplace culture or management styles.
- One of the parties may make more mistakes or poor tactical the decision which will harm both parties and paint them in a negative light.
- The importance of the project may not be universally shared between the two companies.

In many ways, the joint venture offers many possibilities. However, it is important to make sure that both parties have the same goal and are just as committed to reaching that goal. If one side lacks commitment the other will suffer in their expense. Join venture is, however, very desirable choice when seeking to export a product to completely foreign market. The wisest choice is to make a joint venture with a target market native company that takes interest in your business. Establishing a partnership will ensure that you gain a partner who already has existing knowledge of the local customs and how the market functions. In many ways, they work as agents but just on a larger scale.

Strategic alliances

In a strategic alliance, two or possibly more parties cooperate in order achieve a strategic goal. Depending on the situation alliances can be formed between a company and its suppliers, customers or in some cases with its competitors. The alliances can be conducted for a short, medium or for a long-term period depending heavily on all parties' desires.

Pros:

The offered benefits of a strategic alliance are similar to that of a joint venture. The most major factor is the shared costs. Every party is also bringing their own strengths and resources which will be available to be utilized by all the members of the alliance. Everyone member might also offer a unique skill that the others do not possess in the first place and by doing so they become a vital part of the alliance. In a well-functioning alliance, all of the members should be dependent on each other.

Cons:

When multiple parties are involved, the change for additional risks and conflict between the said parties may increase. This may lead to very unexpected situations where you may end up assisting the competitors in the long run by creating alliances with the existing competitors in the first place. Not to mention when more than two parties are involved it becomes less and less likely that they all share the same goals and desires for the future.

The strategic alliance is a valid option when everyone within the alliance are equals and are all benefiting the alliance as a whole. A strategic alliance can help to improve current operations and it may change the completive environment by eliminating possible competitors by making them allies. The way to enter into a strategic alliance is fairly simple since they can do for a very short period of time. Exiting from the alliance is also just as simple. Strategic alliances have a very strong position when it comes to set standards to the field they operate in. For example, when smart television had yet to take over the market Sony and Panasonic announced that they would be working together in order to produce a new generation of television and nowadays smart televisions are the standard for any television manufacturer.

Wholly owned subsidiaries

A wholly owned subsidiary is a company that is owned completely owned by a single parent company. This means that the company is controlled by the mentioned single parent company as well.

Pros:

The pros are quite obvious in the case of wholly owned subsidiaries. The parent company has full control over the daily activities and operations in its markets overseas.

Cons:

When utilizing the wholly owned subsidiary method it requires substantial resources from the parent company. This means that the risk levels are very high. In some countries, due to licensing regulations, it is very difficult or in some cases impossible to set up a wholly owned subsidiary.

Because of the rise in both risk and resources needed this method is not very desirable for most instances. Regulation and trademarking make it somewhat unappealing to many businesses as well. the extra pyrography and the increase in the financial side is more often than not worth the effort.

4 UNITED ARAB EMIRATES

4.1 Market analysis

Table 1: Key info of UAE

The following table provides the basic key information about the UAE as a country:

Area	83,600 square kilometres
Currency	United Arab Emirates dirham (1€ = 3,89 AED)
Location	Situated in the Middle East/Southwest Asia, bordering the Gulf of Oman and the Persian Gulf, between Oman and Saudi Arabia.
Capital	Abu Dhabi

Head of State	President Khalifa bin Zayed Al Nahyan
Prime minister	Mohammed bin Rashid Al Maktoum

(Source: dubaifigure, dsc 2018)

4.2 Economic data

Table 2: Economic info of UAE

								Source
Central bank	Central Bank of the United Arab Emirates							Bank for International Settlements
International Reserves	USD 93.7 billion (2015) International Monetary Fund (IMF), data retrieved January 2017							IMF / International Financial Statistics
Gross Domestic Product - GDP	USD 407.6 billion (2017, estimate)							IMF World Economic Outlook 2016
GDP (Purchasing Power Parity)	Intl$ 698.5 billion (2017, estimate)							IMF World Economic Outlook 2016
Real GDP growth	2006	2007	2008	2009	2010	2011	2012	IMF World Economic Outlook 2016
	9.8%	3.2%	3.2%	-5.2%	1.6%	4.9%	7.1%	
	2013	2014	2015*	2016*	2017*			
	4.7%	3.1%	4%	2.3%	2.5%			
GDP per capita - current prices	USD 40,197.9 (2017, estimate)							IMF World Economic Outlook 2016
GDP per capita - PPP	Intl$ 68,895.1 (2017, estimate)							IMF World Economic Outlook 2016
GDP (PPP) - share of world total	1980	1990	2000	2010	2017*			IMF World Economic Outlook 2016
	0.59%	0.49%	0.53%	0.54%	0.6%			

**Estimate*

GDP - composition by sector	• agriculture: 0.7% • industry: 44.6% • services: 54.7% (2016 estimate)	CIA World Factbook / GDP - composition by sector
Gross domestic expenditure on R&D; (% of GDP)	N/A	OECD / Gross domestic expenditure on R&D

Inflation	2013	2014	2015*	2016*	2017*	IMF World Economic Outlook 2016
	1.1%	2.3%	4.1%	3.6%	3.1%	

*Estimate

Unemployment rate	2013	2014	2015	2016	2017	IMF World Economic Outlook 2016
	N/A	N/A	N/A	N/A	N/A	

*Estimate

Public deficit (General government net lending/borrowing as a % of GDP)	2013	2014	2015*	2016*	2017*	IMF World Economic Outlook 2016
	10.4%	5%	-2.1%	-3.9%	-1.9%	

*Estimate

Government bond ratings	Standard & Poor's: AA Moody's: Aa2 Standard & Poor's / Moody's (Updated January 2017)	Moody's Standard & Poor's

Market value of publicly traded shares	2013	2014	2015	World Bank / Market capitalization
	USD 180.3 billion	USD 201.6 billion	USD 195.9 billion	

Largest companies	Etisalat, Emirates NBD, First Gulf Bank, National Bank of Abu Dhabi, Abu Dhabi Commercial Bank, Emaar Properties, DP World, Dubai Islamic Bank, Mashreq Bank, Union National Bank, Abu Dhabi Islamic Bank, TAQA, Emirates Integrated Telecom, Aldar Properties, Damac Properties.	Forbes Global 2000

Dubai´s World Expo 2020 is expected to bring over 3 billion USD of construction contracts alone this year. This will provide a great boost to the economy. The UAE is currently witnessing a dynamic and sustainable dynamic growth that is strengthened by its regular efforts to fortify the business industry, increase investments and create a new vibrant and diverse private sector.

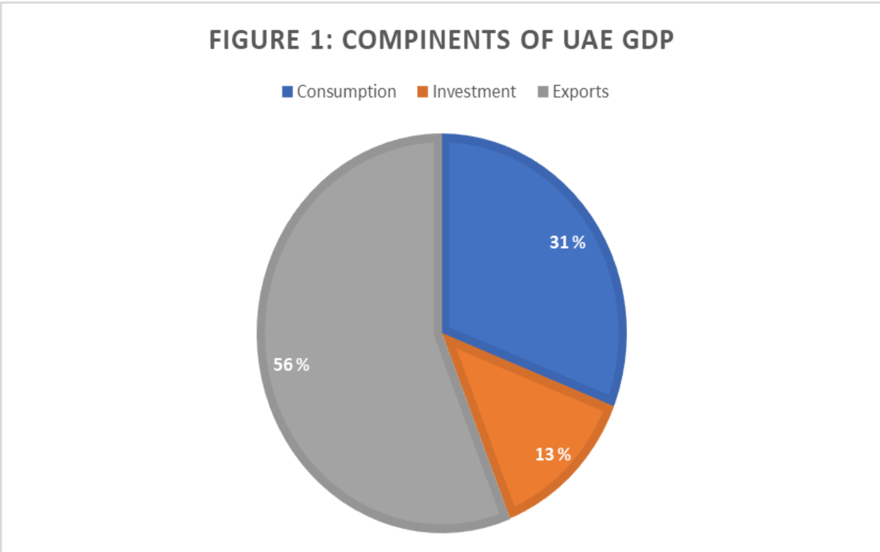
The UAE´s governments strategy of creating a more diverse economy by relying less on oil incomes and investing more in the country´s infrastructure and business opportunities makes trade an important asset to the country´s economy.

Furthermore, the oil markets late slowdown has slightly slowed down the growth of the UAE economy. However, the current oil recovery in the worldwide oil market is expected to lift current economic growth. Growth is expected to be around 3.5 to 4 percentage this year (2018) according to the UAE´s minister of Economy. The UAE economy´s high revenues have allowed the government focus and social and economic development of the country´s industries and infrastructure.

Despite the constant changes in oil prices and economic recession and country has managed to maintain its stable and appealing economic environment mostly due to its powerful financial reserves and wealth, continuous development of the infrastructure and constant new worldwide project that help shed the light on the city and attract more investments. In 2014 alone, the United Arab Emirates imported around 213 Billion US dollars.

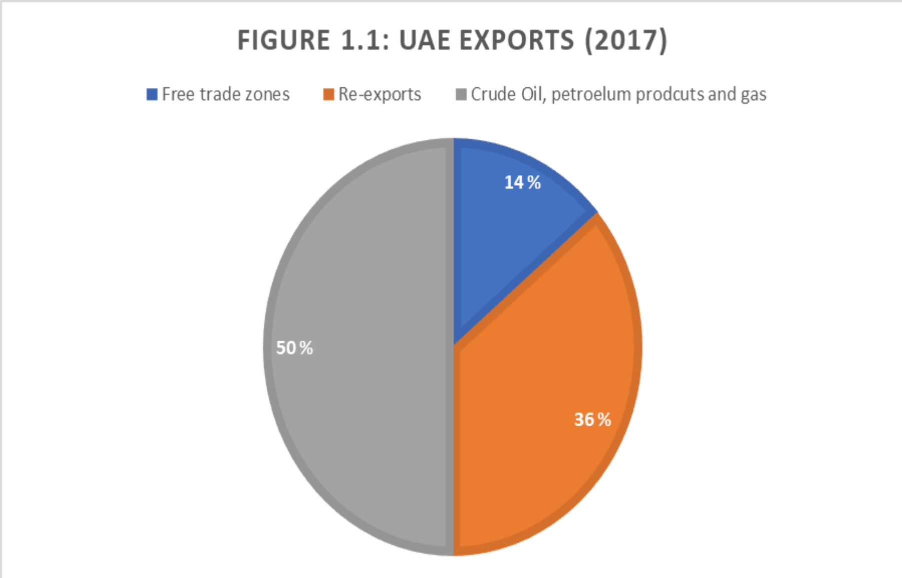
4.3 **Market structure**

As a country UAE acts as the number one for resorts and lodgings. When it comes to competitiveness in the national level the UAE is ranked as 31st among 134 countries according to the World Economic Forum. The UAE is also the fifth largest oil producing nation in the world.



Source: Dubai Chamber of Commerce and Ministry of Finance (Uppal, 2017)

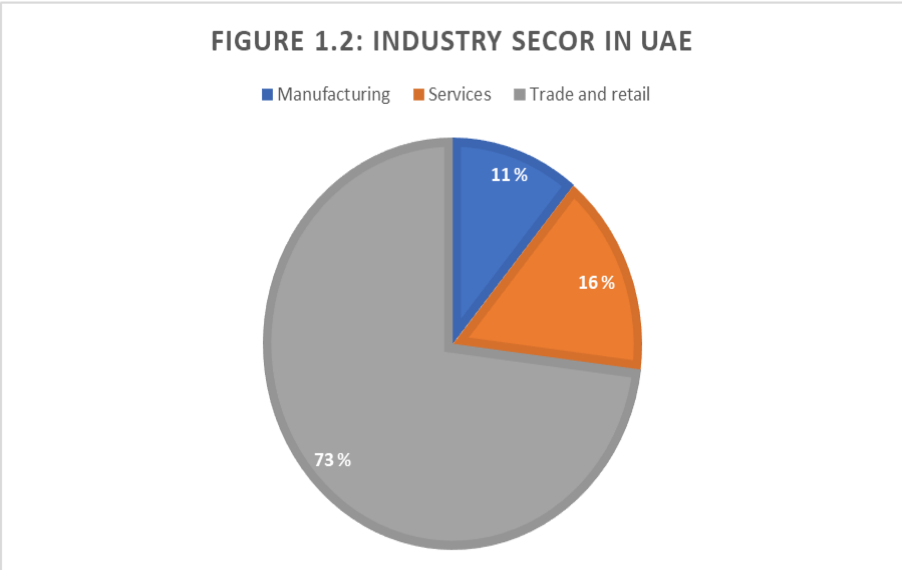
Figure 1: Compinents of UAE GDP



Source: Dubai Chamber of Commerce and Ministry of Finance (Uppal, 2017)

Figure 2: UAE exports (2017)

The largest growth in business opportunities are present in the economic growth areas. Small and medium-sized businesses are experiencing the largest growth in terms of gained capital overall organizational growth.



Source: Dun and Bradstreet (Alp, 2017)

Figure 3: Industry sector in UAE

4.4 **PESTLE – analysis (UAE)**

Political

The political environment within the UAE is very stable. This is enough to attract most organizations that are looking to expand their business. All of the seven emirates have their own individual governmental organizations. This allows them to be more flexible when managing the emirates within the country. However, one negative aspect is that from time to time the UAE has gotten into political conflicts with the surrounding countries. These disputes have usually been about the oil reserves or land. However, they have mostly positive trade relations with most western countries.

Economical

The UAE has very high GDP per capita like seen in the graph. Unemployment is very low within the UAE due to constant construction work, it is worth mention that locals are often used for construction type of projects. The UAE also receives a lot of money from foreign direct investments. Most international business ventures are focused on Dubai.

Social

Typically, most inhabitants of the UAE have very comfortable lifestyles due to most of them having a decently paying jobs. This is especially true when it comes to Dubai. Thanks to globalization there are is a healthy mix of different cultures that are present within the UAE. Religion plays an important role in the UAE and it has clear effects on society. Religion will, therefore, be something that needs to be taken into consideration when doing business as well.

Technological

In today's business world technology is in a constant use and is dominating most fields. The UAE is no different when it comes to utilizing technology. People are wealthy and most of the population is middle-aged and therefore, using technology isn't an obstacle. The younger part of the population is very tech-savvy, just like in most western countries. Due to the massive wealth that the country holds they have the ability to purchase the latest in technology and they utilize this in their own industries. It is worth to mention once again that Dubai hosts many different business forums yearly and many of these are directly focused on technology. Often many world premieres are shown in these events.

Legal

Like mentioned before all seven emirates have their own legal systems. In general the same rules that apply to trademark and licensing are in place within the UAE. More importantly one should study the religious aspect before conducting business within the country due to the cultural effect it presents and how big of a presence religion has in people's daily lives within the UAE.

Environmental

Because of the dry and often hot climate, there may be some effect when it comes to conducting work during certain hours. For example, construction work quickly becomes very unsafe if a sandstorm happens to hit. These natural occurrences are, however, constantly monitored and are not usually surprises when they do occur. However, if you are in the air conditioner business you do have yourself a goldmine. The UAE is surrounded by few large coastal areas which allow for easier trade that happens by the sea.

4.5 **Advantages and disadvantages**

There are many advantages to a foreign firm to make it big within the United Arab Emirates. However, there are also plenty of challenges to face if one decides to pursue expansion into the market.

The overall economy of the UAE is very diverse and constantly growing. It acts as a proximity market into other Gulf markets. The UAE acts as a route to other Middle-Eastern countries. It is important for re-exporting. This also makes it easy to create bonds and trade agreements with many different organizations. This is also helped by the fact that there is no taxation personal income levels or capital gains. The United Arab Emirates is ranked as 21st in the ease of doing business just after Germany (Source: The World Bank, IBRD-IDA). The main business language is English, and it is mainly accepted as the primary way of conducting business with the bigger cities such as Dubai. Dubai itself is strategically in a very desirable location and it acts as a regional hub for most of the Middle East and North Africa and even beyond. Dubai also has the largest population within the country and acts as the main tourist attraction. The UAE is also considered by many to be the most liberal of the trade regimes that are found in the Gulf. This attracts many capital investors across many regions.

For a foreign, the UAE can be a very frustrating market to do business in at first. However, there are no real barriers of entry for anyone that are seeking to develop trade. Competition for most business fields is fierce and in recent years the market has been mostly dominated by Asian business. However, there are still plenty of traditional European and North American companies present. Another challenge may come in the form of regulatory powers or issues with the trade licenses. While business in conducted mostly in English a lot of the documentation is done in Arabic and it is still used often as the spoken language within the UAE. Therefore, having a translator or learning the local language is vital in order to avoid confusion. It is also seen as polite to know the native language when dealing with the local business.

4.6 Risk assessment

According to global edge, the United Arab Emirate is considered to be A2 (Low risk) on the business rating chart. A2 means that the business environment is very good. When available, corporate financial information is up to date and very reliable. Debt collection is reasonably efficient, and corruption is not very problematic. Institutions tend to perform efficiently and provide good results. Intercompany transactions typically run extremely smoothly in the overall stable environment. For a comparison, Finland has a rank A1 (Very low risk).

According to global edge the biggest strengths for the UAE are the following:

- Political stability
- Reasonably diversified and business-friendly economy
- The overall very liberal trade regime
- A financial hub for the surrounding regions
- Strong financial buffers (laws and personnel who protect you from unpleasant effects)

According to global edge the largest weaknesses for the UAE are the following:

- Limited flexibility when it becomes to monetary policy (mostly because of the currency peg regime)
- Lack of transparency when it comes to the quasi-public entities (Private organizations that are run by a board of directors who are appointed by the government)
- The industry is relying mostly on importing
- Highly dependent on hydrocarbon revenues in terms of fiscal performance (Deal heavily in the oil and gas industry)

4.7 SWOT – analysis (UAE)

Strengths

The biggest advantage for Emirates is its location. Especially, Dubai. Dubai is considered to be one of the most international and most important locations in today’s business world and it has acted as a hub for many successful businesses from all around the world. Dubai airport makes it so that the vast majority of the world’s population is within its reach. You are able to travel into any major country with one single flight from Dubai. This is one of the reasons for the immense economic growth that the Emirates has experienced. Emirates has globally recognized brands and has expanded into most major industries. Their airline is almost completely independent, and it does not have to rely on a third-party service provider. Another major strength is the free trade zones. This makes it relatively easy to start exporting or beginning a start-up.

Weaknesses

There are many factors that will affect your chances of being successful within the Emirates. It is almost necessary to focus on creating a network before even attempting to do business within the UAE. Knowing the local customs is also something that one has to know beforehand. trust between the parties much be gained before any business transaction can occur.

Opportunities

The export market in UAE is large. Gaining a foot hole may prove difficult at first but once you have an established business the possibilities are endless. Dubai alone acts as a home for many different businesses. Construction is something that is constantly going on within the country. New contracts for city expansion are daily occurrences. These constructions don’t limit themselves to Dubai only either. UAE is acting a host for multiple international events yearly which will prove to be valuable changes to generate interest and meet possible investors.

Threats

UAE has to deal with some natural occurrences very regularly. Sandstorm and dust storm can occur very frequently. However, for certain businesses, this can offer a unique business opportunity. Due to the nature of the nation, a high level of competition is almost a guarantee. Furthermore, knowing the local’s customs and being able to properly adapt to the local way of doing business is a must.

5 DEVELOPED STRATEGY FOR ENTERING UNITED ARAB EMIRATES

5.1 **Strategic goals**

In the beginning, it is important to set a clear goal. Know exactly what the company wants to achieve in the new market. These goals include the desired number of sales within the new market. It is important that these goals are realistic and are something that the company can actually realistically reach. The UAE is something that is very desirable for many businesses, however, choosing the right market entry strategy is the key to success. Two main routes to the market are either direct export or by establishing a physical presence on the market.

5.2 **Basic strategy**

Common entry mode options for new investors are usually either exporting, licensing, franchising, joint ventures or wholly owned subsidiaries. These entry modes differ from each other when it comes to the level's commitment, control and investment they require. At the beginning for a Finnish based company, it is wise to start with a low commitment entry mode. This would mean choosing either licensing or franchising. This is so that the company would gain the needed knowledge and experience on the market before committing to it fully. After the company has access and the know how they may gradually move into the direction of a greater levels of ownership and control. Often many investors seek to gain a market position through a partnership agreement. The downside for this method is that it makes it very difficult for the company to adapt to the terms presented by the partner. Partnership agreements are only temporally, and they outlive their usefulness after the local knowledge has been adopted by the company. Thanks to the expansion of free zones in which foreign investors can maintain fully ownership is something that is very desirable for most foreign investors.

However, due to the nature of the law. It is best to get a local agent and enter into a partnership that helps you to adapt and deal with the market.

In reality, local knowledge and networking with the locals can be easily build up even without relying on another business. This can be done in multiple ways. One of the most efficient methods is to hire local staff and utilize them as consultants. Introducing them into the company rather than the other way around. The goal is to build strong lasting partnerships that are based on true cooperation rather than something that benefits only the other party for a short period of time.

5.3 Accommodation in the UAE

The housing market in the UAE is very complex and it is constantly evolving. The overall pricing for accommodation in the UAE is somewhat reasonable although cities like Dubai do consist of some of the most luxurious hotels in the world. The Northern parts of the Emirates are fairly stable all things considered when it comes to the market. Therefore, possibly targeting them in future is something to keep in mind. However, Dubai is the business hub of the country and therefore, it is the best place to start new a new inspiring business.

According to ab (Arabian business), Dubai has the highest hotel occupancy rates in the world. The city has construction plans for more than 50,000 hotel rooms that are expected to be build up for the upcoming Expo 2020, in order to provide accommodation for the anticipated visitors (25 million) over the course of six months of the event.

Currently, Dubai has over 500 hotels and nearly 200 hotel apartments. The total amount of hotel rooms is estimated to be around 86,422 and the number for hotel apartments is 24,895 (source: dubaifigure, dsc 2018). Dubai currently has 9, hospitals and 12 more are under construction. During the second quarter of this year, Dubai International airport has had over 100,000 flights and moved passengers’ number is over 20,000,000 people (source: dubaifigure, dsc 2018). Dubai has dozens of large events all around the year such as Music festivals, sporting events, Dubai World cup, National festivals and of course, the upcoming Expo 2020.

“A major critical factor for Restin´s growth in the UAE”: Restin´s main business operations related to the sales of the smart and affordable living spaces. Mostly aimed for construction workers. The UAE is an interesting market for Restin since the country has witnessed an enormous number of construction projects in the last years. This is an opportunity since the construction industry is still partly depending on a significant number of workers and most of the workers are not locals. The UAE employs thousands of workers to finalize its luxury projects, most workers are from various countries around the world. Nevertheless, the earlier workers require accommodation and that is a significant cost to the construction companies, especially if the construction project is remote and considering other accommodation possibilities would be difficult if not expensive. Therefore, Restin solution would be great for most employers. It would also make the work more officiant since the construction workers do not have to leave from the construction site in order to get their required rest.

In this case Restin has a clear advantage since it offers affordable smart living spaces that are transportable and would fit in various number of different locations. The Finnish technology and Nordic know-how would allow Restin to be considered as a potential supplier for the living spaces especially if the marketing mix and international relations are handled properly.

However, it is necessary to study and research the construction sector in the UAE in order to reassess growth and sales possibilities in the region itself.

In Q1 2016, the UAE´s bank credit to the construction and real estate sector reached 242 billion AED in comparison with 211 billion in Q1 2015. The increase in financing construction activities and projects reflects a significant increase in the expansion of the construction sector, despite the slight expansion of the sector in 2015 due to the lower oil prices.

This is very vital information because the increase in construction activities correlates with an increase in the demands of housing and accommodation for construction workers and thereby a potential and profitable market opportunity for Restin.

5.4 **Competitive advantage**

The UAE acts as a regional trade hub and it maintains an intense international business market. Many different firms from all over Europe and North America are present within the market. Often the American organization are competing with superior technology. However, when it comes to accommodation the competition is not so imminent. The competition will mostly come from hotels and other services that offer accommodation. However, since there is an existing lack of temporary commendation this is a large advantage for the case company.

It is necessary to highlight the current number of construction workers in the UAE (14,067,538 workers in 2015) since many workers work in remote areas within the country and since working places changes, accommodation solutions are required constantly which is why if they had the chance to move the accommodation with them would beneficial.

Restin´s smart living spaces are transportable and therefore, they could be transported and adjusted to fit the purpose of various different construction locations. Furthermore, the UAE´s reputation of harsh working conditions of posted workers requires an intervention from the local government and different entities in the construction sector itself. Since Restin offers comfortable and decent-sized housing solution for the construction workers, Restin´s housing boxes are an excellent solution to fix the depleting reputation of working conditions. Although, the earlier demand for such solutions depends greatly on the level of motivation of the different parties in the sector in question. Of course, there are some cultural differences when it becomes to work ethics, but the Resin solution is very likely to be preferable for most.

The UAE´s construction sector is projected to witness a large growth in 2020 due to the preparations that are made to the upcoming projects that are connected to Expo 2020.

Furthermore, one of the most critical indicators for future growth will be already mentioned the Expo 2020. Dubai Urban planners have a forecast of a mid-range population growth scenario of 4.5% per year that is estimated to reach a mid-range population level of 2.8m by 2020, the
predictions made earlier suggest a major demand for residential and commercial real estate as well as infrastructure development. This can be witnessed in the increased rate of planned construction projects.

These current and upcoming construction projects and infrastructure developments that are following the 2020 Expo present a great demand for Smart accommodation for the workers. For Restin this is something that offers a perfect opportunity and having a presence in the 2020 Expo is something that should be considered.

5.5 Marketing mix

Restin´s product offers a smart living solution for anyone that requires temporary yet innovative and efficient temporary housing. Understanding the benefit that the product offers is a critical part of the product policy itself. The core benefit gained from the product is to provide living spaces and the augmented benefit of the product is the efficient, innovative housing that is characterized by its simplistic yet efficient and complex Nordic design. Other worth mentioning benefits that Restin offers here is the possibility to have upgradable cabins with different contents and designs which are only limited by the desires of the customer.

The reliable quality of the Finnish design and strong Nordic-knowhow makes the product stands out to its competitors and portrays an image of a product of high quality. This is a key element of Restin´s marketing strategy in the region and it is the factor that provides them with the edge. The product should be positioned as a high-quality Finland-designed innovation with a strong know-how and good reputation of the country of production. In other words, be proud of the product you are presenting. Finland already has a good reputation when it comes quality and standards. Therefore, it is something that Restin should capitalize in.

6 RECOMMENDATIONS

As an export destination, the UAE offers a lot to for many businesses. However, there is plenty to be considered before making a leap of faith and diving into the new business venture head on. The main business hub is Dubai and it should also be considered as the starting point for a foreign company that seeks to conquer the market. Not only will the cultural shock be lesser since there is already plenty of existing western organization conducting business in Dubai, but it has also the best connections to the UAE as a whole.

There are three factors that should be taken under the magnifying glass when thinking of expanding to the UAE.
Firstly, the firm has to gain a decent knowledge of the region itself. The organization as a whole has to be prepared to undertake an extensive research into the way business is conducted and how the business sector functions. There needs to be a viable business plan that includes a study of the market and the conditions it has. While the competition for Restin comes mainly from hotels and other means of accommodation it does not mean that competitors may not quickly rise along once the product is in the market. The expansion eats plenty of resources from the company and therefore, seeking a loan from a Finnish partner would be advisable. There is also a possibility to seek foreign investment within the UAE since many organizations within the country are known to have picked up foreign small and medium-sized companies with a solid business plan.

A possible partner or agent is the ''TMF Group''. TMF-group is a local company located in UAE that helps foreign companies to settle and start businesses within the UAE. They offer local experts in multiple

different fields and act as a sort of guides to the new market. Typically lack of local knowledge is what kills many businesses that had plenty of potentials but never got to show it due to a single bad experience. The local agent helps the company with jurisdictional complexity, set-up time, strict compliance, geographical advantage, structuring possibilities and continuing growth. Business Insider has them rated very high and you do not have commit to anything. Asking just for any advice or direction is also useful.
email: uae@tmf-group.com

The law states that you have a local partner who holds the majority of interest and they can control the business side that operates in the UAE. This means that when starting the business your contribution does not need to as large. This means that the financial side is also handled mostly by the partner so the company that is set in Finland will make a lot of saving in comparison doing a similar export into Germany for example. However, if Restin wishes to keep 100% of the company it can ignore the local partner and establish the business in the free trade zone. However, if the business needs to be near a city this might not be a wise option. Although, since the nature of the products this is something that might be a good alternative choice. It is also mandatory to have a certain amount of investment ready in order for you to register a business in the UAE. You must be able to present to the Ministry of Commerce that you have a substantial amount of money to invest. This number differs a lot between the states and is from 10,000 euros to 50,000. However, if you decide to take the partner option they typically don’t have to pay this sum or at least they will pay a much lesser amount. Due to the culture and these reasons, it is wise to hire a local lawyer who will help you with the legal side of things. Many local agents are more often than not also knowledgeable when it becomes to the law side of the business. Partners also usually have the lawyers already in place and they are of course, willing to help the case company if partner agreement is arranged.

The best opportunities presented in Dubai for Restin are the ongoing constant construction business. There are new projects that are greenlit daily. Many hospitals also present a good opportunity for accommodation for patients and their relatives. There are dozens of events around the year which have millions of people attending them. However, the largest opportunity is the Expo 2020 that is held in Dubai in October 20, 2020. The event will have all the big players around the world and is one of the biggest events held ever. This does not offer a good business opportunity, but it is a perfect place to gain exposure and to seek investors and to expand your network. The number of tourists and expo visitors will also skyrocket during this time.

Visit the Expo: https://www.expo2020dubai.com/

With the Finnish attitude and quality, it is not difficult to gain attraction at the UAE it just requires hard work and dedication from the company. Too often good ideas die or do not get to reach their full potential due to the lack of venture. There is a solid foundation already here in Finland for Restin and it has plenty of room to grow and expand into a brand-new market. Do not wait that the investors come to you, take initiative and go to them.

7 CONCLUSION

The objective of the thesis was to seek and develop a suitable market entry strategy into the United Arab Emirates. This strategy was done by doing a qualitative study of the UAE as a country and economic data was collected by utilizing multiple different reliable sources.

In order for a firm to increase their profitability, they need to increase the number of sales. Increase in sales is achieved by expanding to a new market and gaining new customers. The most effective way of attracting new customers is to increase the value of your good or a product. Value increases once the cost of production is reduced and the price of the product is raised while maintaining sales.

When a firm is thinking of expansion, they need to answer some question about the company itself. These questions are the elements of international strategy and they help the company to decide whatever, they are ready for expansion as an organization. There are five elements of international strategy. These are an area, vehicles, differentiation, staging and economic logic.

Due to the nature of the international market, it is under constant change and therefore, the company has to prepare a level of international strategy for the new market. Such as how will the organization as a whole approach the new market and what is their overall business strategy and how will they generate revenue in the new area.

There are multiple different ways of entering each given market. There is no one singular strategy that works for every area or for each firm. Therefore, it is important to study each strategy individually and decide the best one for the firm. For the case company utilizing a strategic partnership agreement would be the most suitable choice. This is due to the cultural differences and the differentiation in the law. The law in the UAE mandates that the foreign company seeks and partner when establishing their business.

The United Arab Emirates is considered to be a very good place to conduct business for foreign companies. The UAE is considered to be an A2 country which means that it is safe and easy for new businesses to be established. Finland for comparison is A2 country. The main difficulties that businesses face are the cultural and language barriers in the UAE. However, these challenges are often put aside once the local agent has been acquired and their local knowledge helps the foreign company to establish themselves. The UAE is a very rich country both in natural resources and wealth. The market is mostly dominated by Asian and North American companies. However, European countries have a good presentation and Nordic-knowhow is held in high regard. The business language is mainly English meaning that the language barrier is not so difficult to overcome. Although, most of the documentation is done by

Arabic. Therefore, having a lawyer is something to be advised for. PESTLE and SWOT analysis for the UAE prove that the economic and political situation is very suitable for Finnish based companies and the level of corruption is pretty low.

The main hub for business in the UAE is Dubai. Dubai also has the best connections when it comes to world trade and it acts as the business hub for the whole country and for the surrounding areas of the UAE. Dubai is the number one when it comes to resorts and temporary housing. Dubai currently has over 100,000 hotels rooms and apartments. Most of these are under constant reservation. More hotels are also conducted yearly. There are literally hundreds of construction projects happening within the UAE each year. These workers are having to move around the country to the different construction sites and often they are required to stay in the premises of the site in order to maximize the working efficiency. Therefore, offering them temporary housing onsite would be ideal. Dubai also has one of the worlds busiest airports.

Expo 2020 is a major event that will bring a lot of traffic and attention to Dubai and it is an excellent place for any company that is seeking to gain exposure. The event will be full of investors and major companies from multiple different industry fields. Expo will bring plenty of tourist and expo visitors to the country and the hotels will be booked full for the six months of the expo. This offers a great business opportunity for the case company in question.

As whole the strategic goal is to establish the case company within the UAE by utilizing a local agent and by entering into a partnership with an already existing company that will then provide legal and cultural help when it comes to operating in the UAE. Due to the nature of the market is best to establish a local presence since the way business is conducted is mainly face to face and meetings and negotiations may take months. The best advice for the UAE market is to prepare for it and study the customs as well as you can and adopt the local behaviours. The strengths of the Finnish quality and know-how are already established concepts with the Arabic culture and they are held on high regard. The Finnish attitude and patients are also strong assists when dealing with the Arabic culture. It is also worth mentioning that when doing business in the business centres such as Dubai it is more than likely that many firms you deal with are either American origins or Asian companies. Having a large network is the key and the best way to attract new possible and potential customers.

It is always difficult for a company to decide to go international or not. Going international requires a lot of investment from the company both in time and money. The new market will present new challenges and potential dangers that the company may not be able to overcome. However, the opportunities are typically worth the invested effort. Therefore, conducting research beforehand is the most important aspect when planning to expand the company’s offerings to a new market. The research will offer the company with an understanding of the targeted market and the customers which are found in it. Often the targeted market in found within a country that the company is unfamiliar with beforehand. The research will also help with the understanding of the new business practices and culture in the new market. Market research is required in order to understand how the company may expand abroad and the strategy will help the company to seek the most suitable methods and routes to success in the market.

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