SALES CHANNEL STRATEGY FOR DOMESTIC AND INTERNATIONAL EXPANSION
Case: Company Z

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Abstract

The main purpose of this research was to develop a sales channel strategy for both domestic and international expansion in the viewpoint of Company Z. Additionally identify the trends of the Mp3 player market. Company Z is a distributor of consumer electronic lifestyle products. The study focused on finding out the most meaningful retail channels in consumer electronic sector for the company to pursue. The research concentrated on following countries: Finland, Sweden, Norway, Denmark, Estonia, Latvia and Lithuania.

Finding out the most potential channels and the specific trends for the Mp3 player market was studied with the help of a survey method. Data was collected through a questionnaire which was whether send by an email or implemented as a structured phone interview. Altogether 34 responses were recorded; the highest response rates were in Finland and Estonia. Secondary data was used to gather information of economic situation as well as the specific players in those markets.

Results indicate which the most potential countries to pursue are. Additionally the most potential channels in all of the countries studied were identified. In sales demand 2008, the most the lucrative product categories in Mp3 player accessories market were identified. Results are confidential.

Keywords
Internationalization, sales channel strategy, consumer electronics, Ipod&Mp3 player market, potential customers

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Tiivistelmä

Tutkimuksen kohteena oli kehittää myyntikanavastrategia kansallisista sekä kansainvälistä laajentumista varten Yritys Z:n näkökulmasta. Yritys Z on life-style kulutuselektroniikan jälleenmyyjä. Tutkimus keskittyi löytämään potentiaalisimmat vähittäismyyntikanavat kulutuselektroniikka sektorilla useissa Pohjois-Euroopan maissa. Tutkimuksessa olivat mukana seuraavat maat: Suomi, Ruotsi, Norja, Tanska, Viro, Latvia ja Liettua.

Potentiaalisia kanavia sekä Mp3 markkinoiden trendejä tutkittiin survey-tutkimuksen avulla. Tiedon keräämiseen käytettiin kyselylomaketta, joka lähetettiin joko sähköpostilla vastaajille tai toteutettiin strukturoituna puhelinhaastatteluna. Yhteensä 34 vastausta saatiin kerättyä. Korkein vastausprosentti oli Suomessa sekä Virossa. Tietoa kulutuselektroniikka markkinatilanteesta sekä markkinoiden rakenteesta tutkittavissa maissa saatiin olemassa olevista tietolähteistä.

Tutkimuksen tuloksista käy ilmi, että mitkä Pohjois-Euroopan maista ovat kaikkein potentiaalisimpia aloittaa kansainvälistyminen. Lisäksi kaikkien tutkittujen maiden kohdalla identifioitiin yksittäiset potentiaaliset kanavat. Mp3-soitin lisävarusteista identifioitiin kannattavimmat tuoteryhmät myynnin näkökulmasta vuonna 2008. Tulokset ovat luottamuksellisia.

Avainsanat (asiasanat)
Kansainvälistyminen, myyntikanavastrategia, kulutuselektroniikka, iPod& Mp3 soitin markkinat, potentiaaliset asiakkaat

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1. INTRODUCTION

Internalization is a good way to increase market share and profit when the domestic market does not offer considerable growth possibilities. Globalization is an existing fact in today's business life and to survive in this global environment it is necessary to compete internationally. Without any international focus it is difficult for a company to succeed and grow in the demanding global markets. Bradley (2001) sees that companies that do not compete in international markets often discover that they face competition not just from agile internationally orientated domestics firms but also from aggressive foreign competitors seeking to expand abroad. Therefore, the firm competes, in a global market place. (Bradley 2001, Preface)

A domestic company already operating internationally called Company Z, distributor of consumer electronics lifestyle products, wished to expand its operations into new international markets.

The subject for this thesis is particularly relevant of today's business environment. The subject for this thesis was given to me by the company that wanted to explore growth opportunities in the Northern European countries. I was interested in this research, because discovering the correct and meaningful consumer electronic retail channels and identifying the latest trends in the Northern European iPod/MP3 player markets would have a positive impact on the company's future operations and its growth opportunities. Additionally interesting and challenging for me was the international aspect involved as it explores market opportunities in the Northern European countries.

To sum up, the main purpose for this thesis is to identify the most appropriate retail channels in the CE markets in the Northern European countries, which will serve as a basis for expansion strategy of Company Z. The ultimate goal for this report is to help the company to plan its operations according to the identified "trends" and to discover the correct and efficient channels to distribute consumer electronic lifestyle products both in domestic and international markets.

2. BACKGROUND INFORMATION OF THE PROJECT

2.1 General Information

Company Z is a distributor of consumer electronic products. The company distributes cutting-edge audio and lifestyle products as well as related accessories. The company was established a few years ago by different professionals from ICT field.

Company Z focuses on servicing different retailers as well as generalists that value high quality and uniqueness of Company Z's offering. The company covers a large customer base in Finland. The company customers' consists of consumer electronics retailers, specialized retailers and e-tailers.

2.2 Products

The company focuses on different vendors that provide accessories for iPods. Products are high quality and cutting edge technology. No further information about the vendors will be published.

3. INTERNATIONAL EXPANSION STRATEGIES

The firm contemplating an internationalization strategy faces two decisions, therefore:

1. Which market to enter, the market choice question and
2. How the firm should enter the markets chosen, the market entry question

(Bradley 2002, 237)

Identifying the right markets which to enter is important for multiple reasons. Firstly, it can be major determinant of success or failure, especially in the early stages of internationalization. Generally, the choice of a wrong market often creates unnecessary type of costs. There are two different types of costs associated: the actual cost of entering the wrong market and the opportunity cost e.g. missed opportunities elsewhere because of the wrong market choice. Secondly, it influences the nature of foreign marketing programmes and firm's ability to coordinate foreign operations. Therefore, the choice of the right markets is crucial for the company's future. (Bradley 2002, 14, Hollensen 2004, 218)

Additionally, the market entry question has to be considered as well. It is important to identify the most appropriate entry mode. Market entry mode depends largely on the company's objectives and goals concerning internationalization. (Bradley 2002, 14)

The purpose of this thesis is to provide some background information which of the Northern European Countries would be the most appropriate to pursue and deliver recommendations of the specific channels in those countries. In this chapter the process of international market segmentation, the choice of the entry mode and Uppsala internationalization strategy are described and related on this specific research.

3.1 International Market Segmentation

Segmentation is a very prominent step in internationalization. It will support obtaining the right direction and focus. Next paragraphs will shortly describe the process of segmenting the markets.

3.1.1 Defining the criteria

The first step for international market segmentation is to define the criteria for selection of the markets. In general, the criteria for effective segmentation are measurability, accessibility, substantiality/profitability and actionability.

> "*Measurability*: the degree to which the size and purchasing power of resulting segments can be measured;
>
> *Accessibility*: The degree to which the resulting segments can be effectively reached and served;
>
> *Substantiality/profitability*: the degree to which segments are sufficiently large and/or profitable;
>
> *Actionability:* the degree to which the organization has sufficient resources to formulate effective marketing programmes and make 'things happen'" (Hollensen 2004, 221)

When there is a high degree of measurability and accessibility it indicates more general characteristics as criteria. For example, segmentation can be done basis of geography, demography, economy, psychic/geographic distance, market similarity, economic development etc. For example economic development would be valid as criteria as it is usually associated with rising incomes, increase in purchasing power, industrialization etc. In this research different measures of income and stability of currency would be noteworthy factors to consider since those are used explaining the import demand for consumer products. (Bradley 2002, 151 Hollensen 2004, 230)

When there is a low degree of measurably, accessibility and actionability more specific characteristics are used as criteria such as cultural characteristics, lifestyles, attitudes etc. Those characteristics are more or less immeasurable and therefore, it is impossible to measure those similarly as e.g. demography. It is more challenging to segment the markets with these specific characteristics than the general ones. (Hollensen 2004, 230)

Bradley points out that it is difficult for a manager to choose which of the variables are the most appropriate, given the wide range of variables that are used to segment international markets. Therefore, a large set of variables is often used in an attempt to avoid making mistakes. (Bradley 2002, 151)

3.1.2 Developing and choosing segments

After the criteria have been chosen, the next step is to develop the appropriate segments. Third step is to narrow down the list of countries by screening e.g. macroeconomic factors such as GDP and choose the most potential segments.

In my research when recommending the most appropriate countries and channels my decisions will be based on both secondary and primary information. Criteria for first recommending the countries will be based on secondary information mainly of the economic situation and market potential, especially in the consumer electronics sector, buying power and psychic distance. With the help of primary information the specific channels within the countries are recommended.

3.2 Mode of an Entry & Sales Channel Strategy

Exporting is the most common entry mode for an initial entry for international markets. Export modes have low control, low risk and high flexibility. Therefore, exporting does not require as much commitment as some other market entry modes. In this case, the mode of an entry will be exporting to the potential countries, as it includes lower risk and commitment.

The more distant the market in terms of business distance, the more likely is the firm to adopt an opportunistic exporting mode of market entry and the less likely it is to invest in these markets. Risk and lack of knowledge of such markets will increase the business distance involved. However, in this research the markets are approximate in terms of business distance, yet Latvia and Lithuania slightly less approximate. (Hollensen 280-284)

The purpose of the thesis is to search for sales channels for Company Z, especially channels that sell directly to end customers. Therefore, it implies that indirect sales channels are used.

> *"Indirect sales channel means that the independent channel intermediaries located in the target market are used. Such a channel can have either a first tier structure or a second tier structure. The first tier structure refers to the use of resellers or retailers selling directly to end customer, whereas the second tier refers to the existence of an additional level, the distributors, between the sales subsidiary and the resellers or retailers"* (Gabrielsson 1999, 76-77)

In the view point of Company Z, indirect sales channels with first tier structure are used. As mentioned earlier, this means using retailers and resellers located in the target markets. In the viewpoint of Company Z vendors' second tier structure is utilized as Company Z operates as a distributor between the manufacturer and retailer.

3.3 Internalisation Strategy: Uppsala Model

Internationalization strategy of Company Z will be based on the Uppsala Model of internationalization. One of the basic assumptions of the model is that, first; companies appeared to begin internationalization in fairly nearby markets and only gradually penetrated more far-flung markets. The choice is often limited to the small and medium enterprises to neighbouring countries, since low geographic distance is likely to reflect cultural similarity, more knowledge about foreign markets and greater ease in obtaining information. Internationalization to those markets which are easily understandable is done usually first. Secondly, it appeared that companies entered new markets through exports. (Hollensen 2004, 53 & 219)

This research concentrates on the nearby markets and new markets will be entered through exports; therefore it can be assumed that Uppsala model is most likely be the internationalization strategy used by Company Z. In the following table there are further implications of the Uppsala Model. (Hollensen 2004, 53 & 219)

TABLE 1. Uppsala Internationalization Model

Unit of analysis	The firm
Basic Assumption about firms' behaviour	The model is based on behavioural theories and an incremental decision making process with little influence from competitive market factors. It is based on gradual learning by doing process.
Explanatory variables affecting the development process	The firm's knowledge/market commitment Psychic distance between the home country and the firm's international markets
Normative implications for international marketers	Additional market commitment should be made in a small incremental steps: - Choose new geographic markets with small psychic distance from existing markets - Choose an "entry mode" with few marginal risks

(Source: Hollensen 2004, 76)

4. MARKET SITUATION

The competitive environment in the consumer electronics sector is intense. Competition is intensifying as more and more retailers try to cash in on the rising demand for digital products with broader product selections, expanded service and special offers. Growing demand for flat-panel televisions, MP3 players and other digital products is driving radical change across the consumer electronics industry. The long term prospects for the industry are optimistic.

In this chapter there is general information of the markets in Norway, Finland, Sweden, Denmark, Estonia, Latvia and Lithuania. Information is generally about the economic situation and the industry outlook of the consumer electronics market in the countries. This information consists completely of secondary data. Information was partly limited, especially of the Baltic Countries, since it was whether nonexistent, outdated, unreliable or required a fee.

Consumer Electronics Market Definition by Datamonitor:

"The consumer electronics market consists of the total revenues generated through the sale of audio, video, and games console products designed primarily for domestic use. The audio sector consists of hifi systems, cassette, CD, Minidisc and MP3 recorders and players, personal stereos, and radios. The video sector consists of flat-panel television sets, videocassette and DVD players and recorders, camcorders, digital cameras, and set-top boxes. Games consoles consist of all hand-held and plug-in consoles." (Datamonitor 2007)

3.1 Finland

3.2.1 Outlook

Finland experienced extremely high growth rates in 2006 and the economy is showing clear signs of strength. In 2006, GDP growth reached a level of 5.3 percent. However, growth is expected to will slow down during the next couple of years to a more commonplace level. Economist Intelligence Unit estimated GDP growth to be 2.7% in 2007 which will be followed by slight deceleration to 2.5% in 2008. (HSH 2007)

Finnish consumers expressed high confidence in the economy as a whole in 2007, though households suffered from increased interest rates in the previous year. Finland had the lowest rate of inflation among the Eurozone* states for the third successive year in 2006. Inflation was at level 1.3 percent, based on the national consumer price index. Inflation was boosted by the rise in housing costs, including prices, interest and rent, as well as fuel prices in early 2006. In January 2008, the inflation rate was already at level 3,8%. (HSH 2007, Tilastokeskus 2008)

** Eurozone refers to the European Union member states that have adopted the Euro currency union.*

3.2.2 Consumer Electronics market Outlook

The outlook for consumer electronics industry is optimistic. Starting year of 2007 was very positive; sales increased nearly 31 % compared to first quarter of 2006. Sales of flat panel TV's and digital boxes have been the engine of consumer electronics market. Sales of flat panel TV's and digital boxes doubled 2007. Also the sales of MP3 players have still been increasing 10%. Sales of computers increased over 8% and smart phones 12% compared to previous year. Household electronics retailers sold approximately 115 000 units of computers and 1.360.000 units of phones (proportion of smart phones 277.000 units) during January to September 2007.The strong sales boom in digital TV's will have an positive impact on the sales of information technology products like computers etc. in the near future. Household electronics retailers have established their position as natural purchase location of consumer electronics. (KOTEK 2007)

3.2.3 E-Commerce

E-commerce in Finland has experienced high growth during recent years as it has in the other Nordic retail markets. Online retailing grew by an impressive 242 percent between 2000 and 2005, and by almost 22 percent during 2006. Market forecasts predict a bright future for Finnish e-commerce. (HSH 2007)

3.2.4 Major Players

The Finnish retail market is relatively small and dominated by a few companies. There are only a few major foreign players and most of them originate from other Nordic countries. In general retail S-Group and Kesko are the market leaders, essentially organised as cooperatives. In specialized consumer electronics retail, there are a few major chains. Gigantti, Markantalo, Expert, Tekniset, Musta Pörssi- and ONOFF chains are responsible for the consumer electronics retail in Finland. Gigantti and Markantalo’s combined market share was 15-20% in the whole consumer electronics retail market in 2004 according to DSG International plc. (Kilpailuvirasto 2006)

3.2 Sweden

3.2.1 Outlook

In 2006 the Swedish economy grew more than at any time since1970. GDP growth reached 4.4 percent and is expected to remain high for the next two years as well. GDP per capita was $32,200 measured in purchasing power parity (2006 est.) holding the 18th position in the world. In 2007 GDP was expected to reach 3.6-4% percent, dropping slightly to an estimated 3% in 2008. The main reasons for Sweden’s strong performance are strong domestic demand, high productivity growth, growing investments and exports. (HSH 2007, CIA 2007)

Purchasing power is expected to increase due to rising employment, tax cuts, sharp wage increases, rising house prices and strong stock market. According to HSH Swedish households have never been as optimistic as 2006-2007 about the economic situation in Sweden or their own financial circumstances. However, interest rate increases will impose heavier burdens in form of interest payments on households during 2008 and 2009. Interest rate increases is likely to put pressure on disposable incomes. (HSH 2007)

3.2.2 Outlook Consumer Electronics Retail

Market value of consumer electronics increased by 8,3% in 2006 to reach a value of 1,3 billion dollar according to Datamonitor 2007. In the fourth quarter of 2006, disposable income reached an all-time high in 2006, because of this overall positive economic trend and their increased spending power; Swedes are now more willing to spend money on electronic products. Swedes are very fond of new technological products and like to buy new things to show their economic status. Products such as flat-screen TVs, new iPods and mobile phones etc. have all become important “social markers” in this sense. According to Datamonitor, in 2011, the Swedish consumer electronics market is forecast to have a value of $1.8 billion, an increase of 38.8% since 2006. Sweden holds a 2.4% share of the European consumer electronics market. (Euromonitor 2007, Datamonitor 2007)

Strong economy gives boost to consumer electronics market. Demand from Swedish consumers had grown strongly in the past few years according to Henrik Bjönnes, El-Gigantens managing director in Sweden. He has identified flat-screen televisions, stereo music systems and mobile telephones as three key areas of growth. Sales of flat-screen televisions have increased rapidly in Sweden and accounted together with computers for a large share of the value sales of in-home consumer electronics. Video product sales generate 70.1% of the Swedish consumer electronics market's value. Large multinational electronics companies dominate the Swedish consumer electronics market such as the global market leaders Sony, Samsung and Philips. Apple has the leading position with its iPod in MP3 Players. (ISA 2006, Euromonitor 2007, Datamonitor 2007)

3.2.3 E-Commerce

Swedish electronic commerce continues to grow rapidly. Sweden has a strong e-commerce sector with both pure e-retailers and traditional retailers that have started to trade on the internet. The number of all Internet users who bought goods or services online in the first half of 2005 increased to 65%, from 50% in the first half of 2004.According to Economist Intelligence Unit report 2006, Sweden is holding the 4th place in the world for e-commerce. Mail order companies with long experience and good distribution solutions are among those that have been most successful in e-commerce. (HSH 2007, Global Tech Forum 2006, Oresund 2006)

3.2.4 Major Players

There are only a few large players in each retail sector, which makes the market highly concentrated. Additionally, because of the small size of the market, possibilities for expansion and growth are limited. Several large retailers from Sweden have expanded their business to foreign countries as a result. (HSH 2007, Datamonitor)

The largest players in the consumer electronics sector in Sweden are El Giganten, Euronics, Expert, Misco, Onoff, PC City and Siba. El Giganten is the market leader with its 17% market share. It increased its sales by 20 percent in Sweden in 2006 and is now the country's largest electronics retailer with 1,200 employees. The company is going to invest heavily building new stores in 25 new locations across Sweden. This will increase El-Giganten's business in Sweden by 70 percent, taking its number of store locations from 37 to 62. (ISA 2006)

3.3 Norway

3.3.1 Outlook

The Norwegian economic boom maintained momentum into 2007. Private consumption is estimated to slow down during 2007- 2008 due to higher interest rates and tax increases. Real GPD is to forecast to grow 2.2% in 2008. (FinPro 2006, HSH 2007, EUI)

With an overall population of 4.6 million the Norwegian market is relatively small, but is one of the world's richest countries in per capita, $47,800 (2006 est.), which makes Norwegians among the wealthiest people in the world, with GDP per head being close to that of the US. Norway has a very strong economy and a high buying power. Recent strong economic performance has been driven by increasing oil and gas prices, low interest rates, and an increase in private consumption according to Norway's budget 2007. (FinPro 2006, Commerce Canada 2005, HSH 2007, EUI 2006)

High GDP per head is translated into high personal disposable incomes. High disposable income means that Norwegians increasingly purchase high-quality, premium-brand products. Norwegians are as a general rule highly fashion-conscious and with the majority of Norwegians living in urbanised areas. (Economist Intelligence Unit 2006)

3.3.2 Consumer Electronic market Outlook

The Norwegian ICT market is in a high growth period, and is expected to remain so for several years. After a few relatively slow years, some ICT market segments now experience growth rates of 15%, according to Statistics Norway. For example, consumer electronics is increasingly popular. High sales of PCs, HDTV's, portable music and digital cameras drive the consumer electronics market. This growth period is expected to last at least until 2009. Sales of video equipment were the most attractive sector in 2006, generating 66.4% of the market value. The Norwegian consumer electronics market grew by 6.2% in 2006 to reach a value of $925.5 million. The performance of the market is forecast to accelerate. In 2011, it is estimated that consumer electronics market value will increase to 1,268.5 million, which accounts 37,1% growth since 2006. Norway accounts for 1.7% of the European consumer electronics market's value. (Datamonitor 2007, Economist Intelligence Unit 2006)

3.3.3 E-Commerce

Norwegian consumers' demand for e-commerce is high. Online purchases are increasingly common, largely due to widespread broadband Internet access throughout the country. For example; the major online electronics retail stores report higher revenues. One of the largest retailers, Komplett, reported a 25% increase in revenues in 2005, mostly generated online. Ever more suppliers of products and services use the Internet as a sales channel. Some of Norway's leading retailers are incorporating the internet into their marketing strategies. For example Elkjøp have a substantial website that provide customers with the opportunity to window shop and buy. Internet is having a major impact on retailing as it provides companies with a competitive advantage. Books, travel, IT equipment and clothing are still the best-selling products on the Internet, while films, tickets and books have the highest growth rates. (Commerce Canada 2005, Euromonitor 2006)

3.3.4 Major Players

Retailing in Norway is characterised by an increasing concentration with the focus on economies of scale, more efficient operations, consolidations of concepts and international growth. This has led to increased efficiency and growing number of concepts on the market. (HSH 2007)

The major players in the consumer electronic segment in Norway are Elkjøp, Expert, Elprice, Euronics and Spaceworld, which most of them are also international players with operations in multiple European countries. The consumer electronic retail market is fairly consolidated and dominated by few large retail chains, but a few small and medium-sized players have retained some market share. Most consumer goods are imported as few local companies are involved in consumer goods manufacturing. (Commerce Canada 2005, Economist Intelligence Unit 2006, Finpro 2006,)

3.4 Denmark

3.4.1 Outlook

Denmark's economic outlook remains stable and positive. Unemployment is falling, inflation is low and consumer optimism is high. After two years of exceptionally strong growth in 2005-06, GDP growth was predicted to slow gradually from 2.8% in 2006 to 2.1% in 2007. The GDP measured in purchasing power parity was $ 196.1 billion in 2006. GDP per capita was $ 36,128 which is approximately $10 000 smaller than in Norway, is keeping the 6th place in the world. Economic growth is expected to stay strong in future years, albeit at a slightly lower rate than in year 2006.
(Wikipedia 2007; Economy of Denmark, Economist 2007)

Denmark has a very favourable geographical situation in Europe. It is politically and economically stable, purchasing power is strong and workforce is highly educated and internationally orientated. With a modern market economy, a stable currency and an extensive welfare state, the Danish enjoy living standards topped by few other nations. With an overall population of approximately 5,4 million the Danish market is a small market however it offers open and flexible economy for business. Generally Denmark is attractive market area for innovative, high technology or design products. (Finpro 2006, Wikipedia 2007; Economy of Denmark)

3.4.2 Outlook of Consumer Electronics market

According to Datamonitor 2007, the market value for consumer electronics grew by 14,7 % in 2006 to reach a value of 1,432.5 million US dollars. Market value forecast in 2011 is to have an increase of 46.9%, reaching 2,104 million dollars since 2006. As most of the Nordic countries the sales of video equipment form the most lucrative segment, generating 70.2% of the market's value, equivalent total revenues of $1,005.8 million. In comparison, sales of audio equipment generated revenues of $341.7 million in 2006, equating to 33% of the market's aggregate revenues. Denmark generates 2.7% of the European consumer electronics market value. (Datamonitor 2007)

3.4.3 Biggest Players

The general retail trade of Denmark is highly concentrated. There are only a few players in the market, in which the most significant ones are Dansk Supermarked and Coop Danmark. It is becoming increasingly difficult for smaller retailers to compete against larger players in the market. The competition in the general retail market has been light which is seen as higher prices than in other EU-countries. (Finpro)

The biggest players in the consumer electronics market are El Giganten, Expert, Merlin, Computer City, A/S El-Salg and FONA. Most of the players are international consumer electronics chains.

3.5 Estonia

3.5.1 Economic Outlook

Estonia is a rather small country, population of 1.4 million people. The country has a vital location at the crossroads of East and West, which is regarded as an important asset. Estonia has a high-income, modern market economy with increasing ties to the West. It joined to the European Union in 2004. After accession to EU the interest of foreign investors towards Estonia has raised significantly and also the investments of local entrepreneurs have increased. (Wikipedia; Economy of Estonia 2007)

During recent years the Estonian economy has continued to grow. Gross national product in Estonia has strongly accumulated during this present decade. GDP (PPP) was estimated to be $26.85 billion in 2006. In year 2006 GNT grew 11,4% compared to previous year, in comparison, the objective of the Ministry of Currency was 8.2 %. The growth of private consuming, investments and retail trade has accelerated the economic growth, however it is estimated that GDP growth will slow down during 2008. GDP (PPP) per capita was at $21,860 in 2006, the highest of the Baltic States. (Spiridovitsh 2007, Wikipedia 2007; Economy of Estonia)

Strong constant economic growth, low taxes, good infrastructure are regarded as positive characteristics of the Estonian market. Decreased corruption is also a positive sign in Estonia's economic development. According to Transparency International's survey, Estonia holds 24th position of 163 countries (2006). 1st position is the least corrupted. In contrast, negative characteristics of the market include lower workforce productivity than average European countries and the price level is increasing. Although the annual GDP growth rate in 2006 amounted 11.4%, there have been serious concerns about possible overheating syndromes of the booming economy. A number of the main economic indicators (e.g. inflation at the 4.5%, significantly negative trade balance and private credit level) partly support this opinion. (Spiridovitsh 2007, Wikipedia2007; Estonia& Economy of Estonia)

3.7.4 Outlook of the general retail industry

In 2006 turnover of retail trade increased 19% from the previous year. There is a concentration in retail trade sector - Five of the largest chains has control of 86% of the whole market. Growth of retail trade has been fast. The average area of the stores has increased and the amount of the stores decreased. Competition is intensifying between small stores and to stay in the competition they have to decrease their product portfolio and specialize into certain products. In 2006 the highest growth readings were in the sales of consumption items like household machines, shoes and cloths. No specific figures about the consumer electronics sector were found. (Spiridovitsh 2007)

3.7.5. Biggest players

The biggest players in consumer electronics sector are Expert, Euronics Elektroniika, ONOFF, K-arvutidsalong and Datagate OÜ. In Apple/PC retail the major player in Estonia is IM Arvutid.

3.6 Latvia

3.6.1 Economic Information

Though Latvia's population of 2.3 million makes for a relatively small market, its central position in the middle of the Baltic's and as a significant passage through country supports its objective to achieve economic growth and draw foreign investments into the country. (Wikipedia 2007: Economy of Latvia)

The economic growth remains strong in Latvia. It has had a high GDP growth since 2000. In 2006 Gross National Product grew unprecedented 11,9 %, which was the highest in the EU countries. Estimated GDP measured in purchasing power parity was $16,000 per head in 2006. Alongside with a high GDP also the other economic indicators have moved up, which explains the high inflation of 6,2%, growth in the purchasing power, crediting boom and attraction of foreign investments. Private consumption increased 19,8%. (Spiridovitsh 2007, Wikipedia 2007: Economy of Latvia)

Overheating of the market is regarded as a one of negative characteristic of the market. The fast growing economy is regarded as a possible economic bubble, because it is driven mostly by growth of domestic consumption, financed by a serious increase of private debt, as well as a negative foreign trade balance. In Latvia as a consequence for overheating of the markets, inflation rate is high, salaries are increasing faster than the productivity of work, large trade deficit and current balance occurs. Additionally proportion of grey economy is still significant- 6th most corrupted country in the EU in 2006- world widely keeping the position of 49 of 163 according to Transparency International. (Spiridovitsh 2007, Wikipedia: Latvia& Economy of Latvia)

3.7.4 Consumer Electronics Outlook

Latvia's retail trade has been increasing in double digits for the last 7 years. In year 2006, the turnover increased 21,3%. Proportion of retail trade and wholesale trade was 20,9% of the GNP. Crediting boom and the rise in the level of income has boosted a private consumption. Generally, growth in a standard of living, improvements in the distribution network, foreign investments and a consumption credit has driven the retail trade forward. However, on average Latvia is still one of the poorest countries in the EU, with the average price level for most consumer goods, like electronics, higher than that of the more developed EU markets. Because of the small size of the market and lack of direct supplies prices for many electronic consumer goods in Latvia are 20%-40% more expensive than in other European Countries. Nevertheless, the market demand is growing fast. LCD and plasma TV's are increasingly popular because of the increased accessibility and availability of consumer loans. (Spiridovitsh 2007, Biezaitis 2006)

3.7.5 Biggest Players

Rimi Baltic and Lithuanian VP Market are the major retailers mainly focusing on general retail. However, Rimi Baltic and VP Market are also increasing presence on the home electronics segment with their expanding hypermarket formats. According to Andrejs Lidums, non-food product specialist at Rimi Baltic, electronics will play a more important role at the hypermarkets in the future, because the product group has huge development potential. (Biezaitis 2006)

> *"The consumer electronics retail market in Riga is mostly dominated by large players and is currently experiencing a shift from scattered outlets toward conglomeration within large shopping malls or department stores and specialized warehouse outlets. Online internet-based stores are also swiftly increasing their presence and importance on the market, usually offering home delivery and cheaper prices. Growing PC and internet penetration is sure to even further increase the importance of online stores in years to come."(Biezaitis 2006)*

The largest importers and distributors of home electronics in Latvia are locally-owned companies with their own extensive retail chains. The top three include Elkor, RD Elektroniks and Tehnoland.

> *"It's actually quite hard to get a clear idea of how the market is performing, because the biggest players do not share any figures on models or brands which they sell," says the GNT product marketing manager" (Biezaitis 2006)*

3.7 Lithuania

3.7.1 Outlook

Lithuania has got a central position in the area of the Eastern Sea, which makes it good passing through and market place in the Eastern Europe. The Lithuanian economy today is based on capitalist free market principles. The country has enjoyed high growth rates in the last decade as it entered the European Union together with the other Baltic States in May 2004. Prior to joining the EU, Lithuania had the highest economic growth rate amongst all candidate and member countries. GDP growth rate has been steadily increasing, reaching to 8% in the second quarter of 2007. Growth in GDP has reflected impressive economic development. In year 2006 the GDP was– 23,7 mrd EUR and per capita 6959 EUR. Lithuania is also a member of the World Trade Organization. (Spiridovitsh 2007, Wikipedia)

Strong economic growth is one of the positive characteristics of Lithuanian market at the moment. Economic growth is mainly supported by the increase in private consumption and investments which will maintain the intense growth also in the forthcoming years. Income level for households increased due to raise in salaries and on the other hand due to increase in employment. Average net wage/month was 1306,70 Litis which accounts approximately 378,45 euros (2007 Q1) (Spiridovitsh 2007)

However some concerns appear; unstable political situation, grey economy, undeveloped logistics, difficulty to find a right negotiation partner, slow and unpredictable decision making and corruption are seen as negative characteristics of the market. (Spiridovitsh 2007)

3.7.4 Outlook of the general retail industry

In Lithuania there is a high level demand of consumption items which causes the need for imports to remain high. Retail trade has been increasing in double digits for the last years. In year 2006 the turnover of the retail trade was approximately about 7,76 billiard euros, which increased 14,1 % from the previous year. About 60% of the retail trade is possession of retail chains. Structural change appeared clearly in the growth figures. Larger companies are increasing their sales and revenue when small and medium sized stores sales have decreased in double digits. No specific information was found on consumer electronics. (Spiridovitsh, 2007 Lithuania)

3.7.5 Major Players

The major players in general retail in Lithuania are Maxima LT and Rimi Lietuva. IKI and Norfa are smaller players in general retail. In consumer electronics sector, perhaps the largest player is UAB BMS Megapolis. Other players include the Euronics chain, which operates in Lithuania under the name Avitelos prekyba. Additionally there are Elektromarktas, Topo Centras, Fortakas, Komvista and Akmila. In Apple/PC the main players are iDeal, BMS Megapolis, Media City and Res IT. No information about the sales or market shares of the companies was found.

Short descriptions of the major players can be found in appendices and as well as the market structure of consumer electronics markets in the specific countries. In APPENDIX 6. there are descriptions of the major players s and in APPENDIX 5. the structure of consumer electronics market can be found.

4. RESEARCH DESIGN

This research is a descriptive research. It has mainly an deductive approach, however some inductive features are found as well. This research has a survey strategy and the design is cross sectional, a one shot study with a prospective reference period. The data collected for the research includes both primary and secondary information. The research process is presented in the FIGURE 1. and explained more specifically in this chapter.

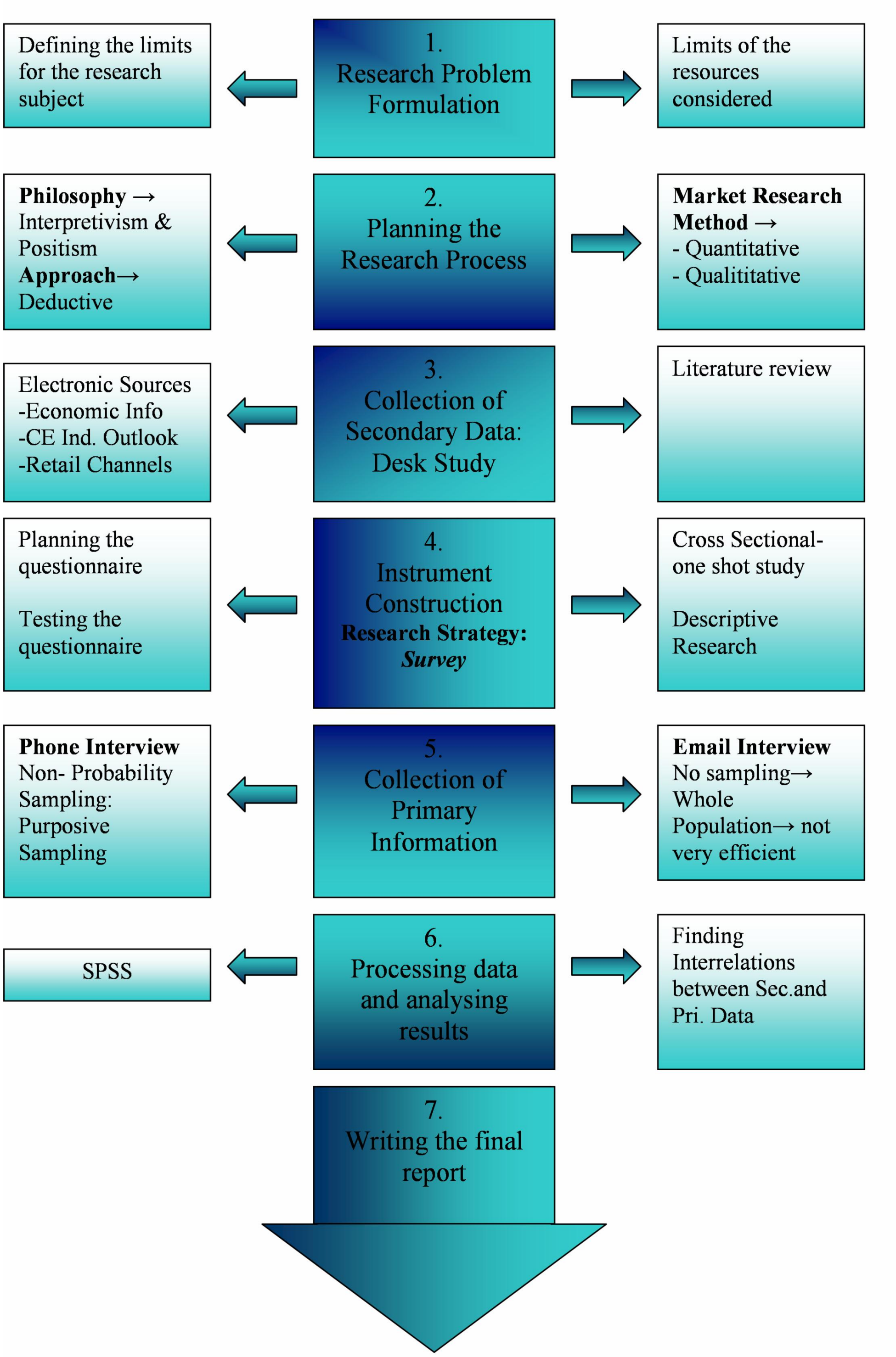

FIGURE 1. Research Process

4.1 Philosophical Research Approach

Different philosophical research approaches can be identified when conducting a research. The research approach adopted is usually based on ones view of the world, what is known as epistemology. One can identify three broad epistemological perspectives; positivist, interpretivist and critical realist. (Michelle Lowe 2007, 8)

In this research quantitative information was mostly collected; therefore I though that my research approach can be identified as a positivist research at the beginning. Three key concepts that underpin positivism are generalisability, validity and reliability. In my research I am aiming at making logical generalisations of my findings, however positivist approach is influenced by principles of the strict scientific laws which implies that there is an objective truth that can be discovered and explained, which usually is not the case in unpredictable the business world. (Michelle Lowe 2007, 11)

I started to revaluate my research approach and came to the conclusion that interpretivist approach might be appropriate since it relies more on the voice of the people researched and acknowledge that the world is shaped by shared cultural understandings of the situation. However, as a conclusion, in my research there are characteristics of both perspectives, therefore I ended up to the mix of the two.

4.2 Research Approach

In a deductive approach theory is guiding in searching for new information as well as analysing and systematising already collected information, therefore, a deductive approach is moving from theory to data. Deductive approach is mainly used in a quantitative research. My research approach is mainly a deductive, because it is measured quantitatively and generalisations are included. Additionally researcher should be independent of what is being observed, and a quantitative method allows that. (Hirsjärvi etc 1997, 141, Saunders 2007 etc 88)

In an inductive approach theory, the purpose of the researcher is to reveal unexpected circumstances. Starting point is not to test a theory or hypotheses but complex and detailed examination of the data. Therefore, an inductive approach works on data in order to build a theory. Inductive approach is mainly used in a qualitative research. In my research there are some characteristics of inductive approach, mainly because I did not find a straightforward theory to follow and I had to work on the data in order to build a “theory” (Hirsjärvi etc. 1997, 165)

The research approach is a descriptive case study with a cross sectional study design. Descriptive case to study is aiming to describe the data and characteristics of the population. It gives answers to questions *who*, *what*, *where*, *when* and *how*. Descriptive research cannot be used to create a causal relationship; it is used for frequencies, averages and other statistical calculations. As in this research the aim is to make statistical conclusions about the data rather than finding causal relationships. My research can be classified as a cross sectional, because this is a one shot study and is concentrated on particular phenomenon at a particular time- situation in the iPod/mp3& accessories market; therefore it can be classified as a cross-sectional. (Wikipedia 2007; Descriptive Research)

4.3 Market Research Methods

Traditionally there are two main market research methods which are whether classified into quantitative or qualitative research lines. Those research methods has their basic differences, which are usually differentiated by using pragmatic emphasising of the differences, however some researchers would like to remove this antithesis. Rough divisions between qualitative and quantitative hardly help in a practical research, those merely identify the baselines. There are only a little true dichotomies in the research and usually there is a continuum between the extremes. For Example; in a continuum between the two methods, results are first searched with qualitative methods and after that the results are analysed with quantitative methods. Next chapter will describe some of the basic differences classified between the methods. (Hirsjärvi 1997, 131-132)

The quantitative research method

Quantitative research methods are dealing with numbers and anything that is measurable. The data is often collected in standardized forms and the results which are mainly numerical, and are often presented in tables, graphs or other forms of statistics. In a quantitative method sample size is larger, data analysis more objective and structured compared to a qualitative research method. It is important for the validity and reliability of the research that the sample size is a large enough and representative of the whole population in order to make summarisations. Quantitative method can produce a very accurate picture of the situation however it does not reveal the reason behind it. Survey strategy is often used with quantitative method. (Hirsjärvi 1997, 137)

The qualitative research method

Qualitative research is examination, analysis and interpretation of observations for the purpose of discovering underlying meanings and patterns of relationships in a non standardized form. Qualitative data is based on meanings expressed through words and can't be measured statistically. In a qualitative method the purpose is to describe the target as comprehensive as possible. This method gives answers why and how something is the way it is. In the following table there are summarized differences between the methods. (Hirsjärvi, 1997 165, Saunders 2003 397)

TABLE 2. Quantitative versus qualitative research.

Comparison Dimension	**Quantitative Research**	**Qualitative Research**
Objective	To quantify the data and generalize the results from the sample to the population of interest	To gain an initial and qualitative understanding of the underlying reason and motives
Type of the Research	Descriptive and/or Casual	Exploratory
Flexibility in Research Design	Low	High
Sample Size	Large	Small
Choice of the Respondents	Representative sample of the population	Persons with considerable knowledge of the problem
Information per Respondent	Low	High
Data Analysis	Statistical Summary	Subjective, interpretative
Ability to replicate with same result	High	Low
Interviewer requirements	No special skills required	Special skills required
Time consumption during the research	Design Phase: High Analysis Phase: Low	Design Phase: Low Analysis Phase: High

Source: Hollensen 2004, 144.

Specific Methods used in this study

This research is based on both quantitative and qualitative methods. As mentioned earlier few studies are done rarely with one or the other method, in most cases there is a mix between the two methods. A reason for mixing the two methods was the fact that the population was scattered geographically, therefore easier access to the information was gained by using both of the methods. At the beginning the main method was purely to collect information in a quantitative manner by sending questionnaires, because of the geographical distribution of the study population the only appropriate choice was to use questionnaire, as interviewing in these circumstances would be extremely expensive. However, the questionnaire did not provide enough responses; therefore a phone interview had to be carried out to the largest retail channel contacts in the Northern Europe. After not receiving many questionnaires back, the largest retail chains managers' were interviewed with a phone interview. It was a structured phone interview and followed the same pattern as the email questionnaire; however more in depth answers were recorded.

Reason for choosing mainly a quantitative approach, was done purely because of the limited resources in time and money. It would have been overly time consuming and expensive to do a purely qualitative research of the population. Since the purpose of the research was to find as many retail customers as possible for Company Z, a qualitative research was inappropriate to use as it would have required too much resources in time and money.

4.4 Data Collection Methods

This research has a survey strategy. This method was most appropriate because it allowed reaching as many respondents as possible and was an excellent way to collect information from a population that is somewhat medium sized, culturally different and geographically scattered. A survey method also enabled an inexpensive way to collect information. When using a survey strategy it means that data is collected in a standardized form from the population studied. Typical characteristics of the survey are that is collected from a group of people, usually relatively small; data is collected from each individual in a standardized form, usually with the help of a questionnaire or structured interview. Data is collected for describing, comparing or explaining the phenomenon. (Hirsjärvi 1997, 130)

Questionnaire by email

A questionnaire was used in this research because it is an economic way to gather information. As not interviewing all the respondents, time and money was saved. Questionnaire also offers a greater anonymity as there is no face to face interaction between the respondents and the interviewer. According to Ranjit Kumar in some situations when sensitive questions are asked it helps to increase the likelihood of obtaining accurate information. (Ranjit Kumar, 114)

Using a questionnaire has also many disadvantages. The first significant disadvantage is a low response rate. Questionnaires are notorious for their low response rates, which, in turn has the impact on the reliability and validity of the research. Self selecting bias is formed in the case of an extremely low response rate; findings have an extremely limited applicability to the population studied. Using questionnaires also limits to obtain other information such as observation. (Kumar 1996, 114)

In this research questionnaires were designed for the product managers, however since lack of contact information, it was extremely difficult to obtain answers to the questionnaires. Most of the questionnaires were sent to the customer service in the companies and it depended on the individual customer adviser if he/she would forward it to the right person.

The purpose of the questionnaire was to identify the ipod/mp3 player product categories what are most likely to increase in the sales in the future, find out if there is a need for a vendor and as well as to get the contact information of the specific manager that Company Z would be able to contact and market their products to the right person.

Phone Interview

The advantage of conducting a phone interview is a higher response rate compared to a questionnaire sent by email. Phone interview also allows to explain difficult questions if the respondent does not understand the questions. Major disadvantages of phone interview are that it is expensive and time consuming. Additionally limited time of the interview puts a burden to the survey. Furthermore the quality of the data depends upon the quality of the interaction and the researcher may introduce his/her bias, researcher bias in the framing of the questions and interpretation of the responses is always possible. (Kumar 1996, 114)

In this study data was collected through by utilizing one questionnaire which was whether an email survey or a phone interview, dependent on which respondents preferred. This specific approach was chosen, because of the geographical distribution of the study population, the only appropriate choice was to use standardized questionnaire, as face to face interviewing in these circumstances would be impossible. As the originally sent questionnaire did not provide enough responses, a phone interview had to be carried out to the largest retail channel contacts in the Northern Europe. Interviewing by phone in these circumstances was expensive. In the following TABLE 3 there are the advantages and disadvantages of an email and a phone interview.

TABLE 3. Strengths& weaknesses of the contact methods

Questions/Questionnaire	Mail/Internet	Phone Interview
Flexibility(ability to clarify problems)	Poor	Good
Possibility of in-depth information	Fair	Fair
Use of Visual Aids	Good	Poor
Possibility of widely dispersed sample	Excellent	Excellent
Response Rates	Poor	Good
Asking sensitive questions (anonymity)	Good	Poor
Control of the interviewer (no interviewer bias	Excellent	Fair
Speed of data collection	Poor	Excellent
Costs	Cheap	Expensive

(Source: Hollensen 2004, 148)

Secondary Data Collection & Sources

As part of the data is collected using secondary data sources, the accuracy cannot be guaranteed. However as multiple sources are used the data is mostly consistent, it shows that the data used is of a high accuracy in most cases. Secondary data is collected from various sources using internet as the main search tool for most up to date information, also business articles and industry reports are used as important data sources. Written traditional literature has a more minor role in this research compared to electronical sources because of the rapidly changing business environment more up to date information is required.

4.5 Description of the population

The population of this research consists mainly of product managers, sales managers and product buyers of the major retail channels in the Northern European countries. The respondent interviewed is responsible of Ipod/mp3 players & accessories sales because he/she have the most appropriate and useful information for the research. Additionally that person is responsible for making purchasing decisions of those products. In the FIGURE 2. distribution of the population classified according to respondent's position is described.

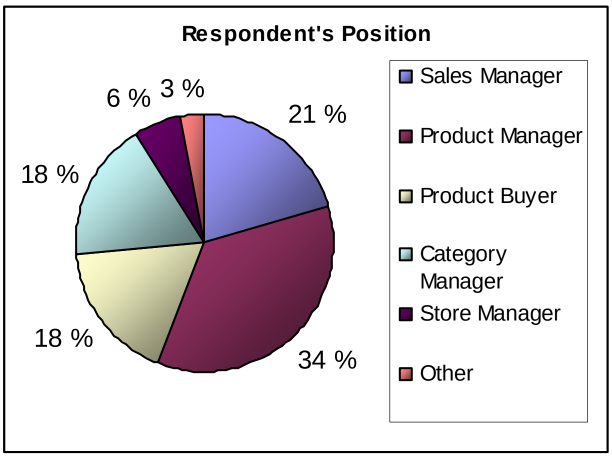

FIGURE 2. Respondent's position

This research consisted of seven countries: Finland, Sweden, Norway, Denmark, Estonia, Latvia and Lithuania. Distribution of the countries can be seen in the FIGURE 3. Internationally working companies included 22, nine were working nationally and three locally. Population consisted completely of retailers or resellers. The companies where classified further into four different field of businesses; specialized consumer electronics retail, general retail (includes mass merchants), Apple/pc retail and e-tail. In specialized consumer electronics retail 15 companies and in general retail ten companies were interviewed. Only three Apple/pc retail channels were interviewed, mostly because it was more difficult to reach those channels for some reason. Six companies were e-tailers. FIGURE 4. describes the distribution of business fields.

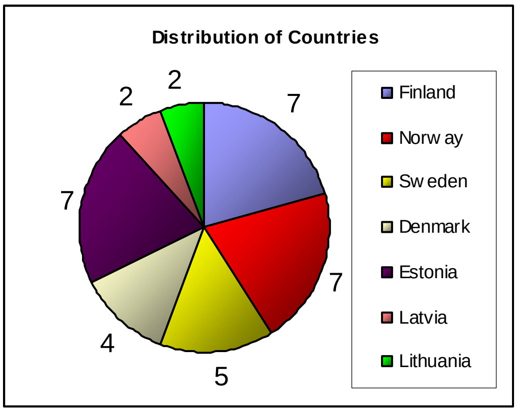

FIGURE 3. Distribution/country

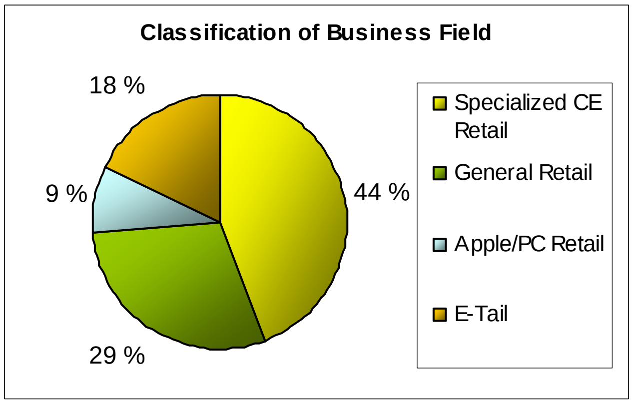

FIGURE 4. Business field

4.6 Sampling

When sending the questionnaire by email, sampling was not used. It was rather simple to send the questionnaire to each of the retailer and wait for the answers. Therefore, the whole population was used in the email interview, however it had an extremely low response rate which causes the reliability and validity of the research suffer. One reason for a low response rate might be due to lack of direct contact information to the product manager/buyer. Due to the low response rate in the questionnaires, the respondents had to be contacted in a different way. Another interview was conducted

– a phone interview. Because of the limited resources- in money and time sample had to be chosen. Sample was chosen in the basis of the size and image of the retailer.

Different sampling techniques used

In this research a non probability sampling was the most appropriate method to use, since selection of elements could not be taken randomly due to the nature of the research. It is important for this survey that the sample is selected by other considerations than probability sampling. In a probability sample each element in the population must have an equal and independent chance of selection in the sample. Therefore, the sample is not influenced by other considerations such as personal preference, which is not the case in this research. In this research the sample is influenced by different preferences such as the coverage area, international orientation, image etc. of the retailer and therefore can not be considered as a probability sample. (Kumar 1996, 154)

There are 5 different non probability sampling methods available according to Saunders.

- Quota sampling
- Purposive sampling
- Snowball sampling
- Self Selection sampling
- Convenience sampling

From these alternatives purposive sampling was used, because in a purposive sampling the researcher only goes to those people who can provide the best information to achieve the objectives of the study. In a purposive sampling a homogeneous sampling strategy was used, which enabled to study the group more in-depth. The sample was focused on one particular subgroup which in this research consisted of the product managers/buyers responsible for Ipod/Mp3 players and accessories. Additionally a convenience sampling was used, since it allowed selecting those cases that are easiest to obtain and the selection process continue until the sample size is reached or in this case after the money ended. In both of the sampling methods there is a low likelihood that the sample is representative of the whole population's opinions. Quota sampling was also used in some extent; the population was divided according to industry groups and geographical locations. However the numbers of cases in the quotas were not exactly the same. (Kumar 1997, Saunders et al. 2003 170-178)

4.7 Possible survey errors

Validity & Reliability

Validity and reliability are important factors to be considered when implementing a survey. Validity refers to whether the research measures or describes what it says it measures or describes. When we refer to reliability we are thinking about the extent to which the research would produce the same results if it were repeated exactly the same way. For example, in this research threat to reliability might be observer bias, as language skills of respondents differ, miscommunication is always possible. (Michelle Lowe 2007, 10-11)

Possible Errors

The most likely errors in this research would be non response error and response error. Non response error occurs when the individual included in the survey is not responding therefore they are somewhat different to those who respond. Non-response is due to four interrelated problems: refusal to respond, ineligibility to respond, inability to locate respondent; respondent located but unable to make contact. Response error occurs when the respondents give inaccurate answers. (Saunders et al 2003, 157)

Other

There are two factors that may influence to the degree of certainty about inference drawn from the sample: size of the sample and the extent of variation in the sample population. The larger the sample size, the more accurate will be the findings. This will be the case in quantitative research; accurate statistics will be harder to build if there are only a few people participating in the survey. Another aspect that will have an effect to the accuracy is the variation in the sample population. The greater the variety, the greater will be the uncertainty. In this research, the variety is considered to be extremely large because the sample population is scattered all over the Northern

European countries and are most likely to be culturally different at least in some extent. Unfortunately the small sample size and variety of the population will put an enormous burden to the accuracy of the information collected from the population for making accurate statistical conclusions. (Kumar, 1996 152)

5. MARKET REASERCH

5.1 Purpose of the Research

The main purpose of this research is to develop a sales channel expansion strategy for both domestic and international expansion. More specifically recommend the most meaningful and potential retail channels for the company to explore.

This will be done through secondary and primary information collected. Secondary information is collected about the general outlook of the economic situation and the consumer electronics industry in the specific country. Additionally secondary information is collected for finding out the structure and players in consumer electronics retail sectors in Sweden, Norway, Finland, Denmark, Estonia, Latvia and Lithuania. After consumer electronics retail channels in the Northern European countries is identified, next step is to start collection of primary information to get the contact information of the product manager/buyer responsible of Ipod/mp3 sales. Third step is to identify the future trends of the Ipod/mp3 player market by sending out a questionnaire by email or contacting population by phone and analysing the collected data using SPSS. After all these steps, recommendation about the channels can be made according to the received information.

5.2 Research Problem

The main object of interest is expressed below as the main research question of the study. The research question is further clarified by several supportive questions in order to make the main research problem clearer and simpler to understand.

The main research problem:

- What are the most appropriate retail sales channels to start both domestic and international expansion?

Firstly, the study focuses on finding out the most meaningful retail channels in consumer electronics sector for the company to pursue. Additionally, the purpose is to find the right contact persons.
Secondly, the aim is to discover the trends of Ipod/mp3 players, more specifically what product categories are most likely to increase in sales and which categories are most likely to decrease in sales in next years. Furthermore, it will help Company Z to identify which of the retail channels' products and sales expectations corresponds to Company Z's offering.

Main sub questions to help solving the main research problem:

- Is the iPod representing a large part of the mp3 player sales in the channels?
- What products do the retail channels carry for their player?
- What product categories are going to increase in sales?
- What product categories are going to decrease in sales?
- Are the retail sales channels interviewed looking for new vendors for accessories?

5.3 Data description & analysis

Response Rates

The highest response rates where in Finland, Estonia and Norway. Latvia and Lithuania had the lowest response rates, partly due language barriers, unreachable managers or general policies not give interviews. Altogether 34 replies were received. Response rates are mainly those included in the phone interview. See the TABLE 4. for response rates.

TABLE 4: Response Rates

Country	Requests	Response	No Response/Not Reached	Response Rate
Finland	17	7	10	41 %
Norway	31	7	24	23 %
Sweden	30	5	25	17 %
Denmark	20	4	26	20 %
Estonia	15	7	8	47 %
Latvia	14	2	12	14 %
Lithuania	14	2	10	14 %

Discussion

In Latvia and Lithuania it was extremely difficult to get the contact information of the product manager for an interview, possibly due to cultural differences. In most cases, language barriers prevented getting the right contact information. Secondly, most of the companies were unwilling to give the contact information of the product manager. Occasionally, I got an email address to some manager, however not a single one replied to my email.

It was extremely difficult and challenging to get interviews with the product managers generally. They were really busy people and hard to reach. Additionally the limited resources in money and time made it more difficult reaching the managers. In most cases, I had to call multiple times before I reached the right person. Some companies were reluctant to give the direct contact information of the product manager therefore I had to call to the customer service, line in the queue for a while and then ask to direct me to the right person. Usually, I was directed through multiple persons before the right person. As it is extremely expensive to call abroad, it limited the time for interviews as well as the number of contacts. Especially to Baltic Countries, it was more expensive to call, which in turn limited the contacts.

Course of the Analysis

Data was analysed with SPSS. Multiple methods were used to describe and analyse the data. The most common methods used were frequency analysis, cross tabulation, Mann Whitney and Anova test to get the most significant results from the data. Because the population was small, statistical conclusions will be only direction giving in most of cases. Mann Whitney test was ran as well, however because it included comparing two different groups and in this research the data could not be divided only into two different groups as a whole, the usage of the test was limited. I used Mann Whitney test to compare two different countries and Anova test to compare all the countries together. Using Anova was problematic as well, because of the small population.

6. RESULTS

Results are found in APPENDIX 1.

6.1 The most potential countries

6.2 Most potential distribution channels

6.3 iPod accessories& trends

7. CONCLUSION & RECOMMENDATIONS

Conclusions & Recommendations are found in APPENDIX 2.

7.1 Country & Strategy Recommendations

7.2 Channel Recommendations

8. DISCUSSION

This research was challenging, probably due to the international aspect involved. It would have been easier to implement this research only in Finland; however it would not have been as beneficial. During the research, I encountered different problems with cultural and language differences, which made this project more challenging.

The most challenging part in this research was the data collection. Data collection took the most effort to do, since it required contacting people from other countries and cultures. Additionally, considerable amount of time and resources were spent because it was extremely tricky and expensive to reach the right persons for the interviews. One critical problem was the price for calling abroad with prepaid subscription which turned out to exceedingly expensive and alternative ways had to be found.
Luckily, with Skype it is much cheaper to call abroad and therefore resources were saved.

Another critical problem during the data collection was the language barriers especially in Latvia and Lithuania. Partly due to the barriers there were low response rates from those countries. Additionally people were more reluctant to give the direct contact information of the manager. Latvia and Lithuania are more challenging countries to pursue because of the presence of different language and cultural barriers. In Norway, Finland, Sweden, Denmark and Estonia it was easier to implement the interviews.

The population of this research is too small to make any statistical conclusions. Unfortunately, limited resources in time and money set the limit for the size of the population. Results of this research are mostly direction giving and should be taken with caution. The statistical generalisability is extremely limited since of the small population and the variety of it, as it is spread around different countries and cultures. In case of the individual channels and their characteristics that information is more valuable since it helps finding new customers for Company Z.

Overall, this project followed the principle of logical instrumentalism, readjusting the direction all the way to the end. My decisions were based on the limitations set by the reality. Even having everything planned, something is always going to go differently.

This project was a learning point for me. During this project I learnt to take the responsibility of my work and deal with the pressure better. The main challenges encountered during this project were valuable. Overall, I'm pleased with the results and what I learned from this project. It was challenging do to things in my own schedule and to keep the project going on.

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APPENDIXES

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