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Landscaping market in St.-Petersburg area
Export marketing research

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**Abstract**

The export marketing approach typically used by firms to undergo strategic decisions to enter target markets is a complex process involving a sophisticated market research. Firms have to consider many factors before intervening foreign markets with the pursuit to export desirable goods and services. The market researcher is responsible for providing the client company with an understanding of what and how has to be done to succeed on a new market.

The aim of this study was to identify the key elements of the St.-Petersburg market area with regard to landscaping companies, analyse potential exporting opportunities for the client company on this market, and to develop a proposal about how the market should be approached. This knowledge incorporates the main features of the market as well the key factors essential for the client company to succeed on the chosen market.

The theoretical part of the research covers the theory associated with the methods of conduct for an export marketing research, export and international marketing strategies, and market positioning. A qualitative research method based on 4 in-depth interviews conducted with business executives from the two given target markets was used in this study, complemented by a quantitative research method based on a comparative analysis of 37 sample companies derived from the target exporting market. The purpose of this study was to provide a Finnish company Nasto Polar Ltd with a general understanding of the chosen market in St.-Petersburg area in Russia.

The results of the research and its findings provide the company with a basis for the export planning process, and present the developed and justified reasons for strategic decisions, explain the best initiatives on how to enter and operate on the market, as well as what should be expected from the market.

**Subject headings, (keywords)**

Export marketing, international marketing, market positioning, market research, exporting opportunities, marketing strategies
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1 INTRODUCTION

A prominent desire to increase profits and avoid stagnation pushes many companies towards exploring new markets. Those companies’ quest to conquer a share of a foreign market leads them to the export marketing research. This type of research is hedging against potential risks connected with a rapid and unprepared market entry. No company should expand to a new market without any exploration or any data about the main pillars and specifics when doing business on a new market. Even though the ongoing globalization process of the last decades erases many differences between ways of doing business among different countries and among industries, there are still many details which differentiate a particular market or market segment from comparable markets and segments.

Considering the objectives of the given thesis work, ie general knowledge of conducting business at the target market and ways to succeed in it, the research has features of both types of marketing research design, which are exploratory and conclusive types. Although the thesis research will be more inclined towards being conclusive, further studies following this work can be of either nature.

Thus, throughout the exploratory research the main goals should be achieved via understanding the St. Petersburg landscaping market, and via answering the question whether it is worth for “Nasto Polar” to start dealing with this market. Market knowledge has to be attained through interviews with the representatives of the companies acting in the target market, and that information can be supported or disapproved by comparing it with the information given on the websites of the interviewed companies and other companies on the market.

Conclusive research specification holds truth in the given case, since the thesis work was initially planned to be derived from the information obtained during the formal visits to the companies, and the work as a whole was outlined clearly. The important point here is to be able to keep the research formal, but at the same time be aware of the limitations due to the time and resources limits. The inability to analyse a big sample of companies should keep the management of the thesis client company to rely solely on the results on the research in making strategic decisions about entering the target market. The research should act as a general guide or the starting point for entry considerations and provide an overview of the market.
In the given work the primary data consist of the interviews with the companies backed up by the secondary data, which is the information given on the selected companies’ websites. The internal data appeared to be less crucial for the research compared to the external data. It was agreed that any data about Nasto Polar would be provided on request and that the main focus is on researching data about the target market, ie the external data.

2 EXPORT AND INTERNATIONAL MARKETING STRATEGIES

Marketing is defined as using all of the resources of an organization to satisfy customer needs for a profit. The difference between export marketing and domestic marketing is simply that it takes place across national borders. This means facing barriers to trade that the marketer has not encountered before, such as differing languages, politics, laws, governments, and cultures. The marketer may need to account for getting the product half-way across the globe to distant markets and pay the import duties imposed on these products by the importing country. There is also a need to deal with the logistical and documentation problems surrounding exports. These are just some of the problems a marketer or his/her affiliated company will face. Export marketing also involves preparing an offering that will entice the foreign buyer and customer. This offering comprises a product that is offered at a certain price and that is made available – distributed – to the foreign customer. At the same time, the offering is communicated – or promoted – to the buyer using certain communication or promotion channels. These elements – the product, price, distribution or the place and promotion – are called the marketing mix (Scribd [referred 10.04.2013]).

Export marketing is about marketing across national borders (Exporthelp [referred 10.04.2013]). All the basic principles of marketing can be applied to both domestic and export marketing; the latter is far more challenging because when entering a new country/market, the marketer will have to deal with a different kind of customer in a foreign environment with laws and regulations that may differ radically from those of the domestic market. Even in the world that is moving towards increasing similarities in consumer tastes, marketing methods, production processes and business practices, there are still a significant number of differences between international markets which make selling in them challenging (Figure 2.1, Exporthelp [referred 10.04.2013]).
What separates export marketing and domestic marketing is that in export marketing, a company is operating within highly uncertain external environments, and the rules of the game most of the time are ambiguous, contradictory, and change frequently. Thus, export marketing is more challenging, complex, risky and expensive. In addition, the export marketing takes more effort and more time, and implies using larger financial resources than the domestic marketing. Furthermore, it requires from companies at least the same level of commitment as local operations’ management (Exporthelp [referred 10.04.2013]).

Multinational marketing, ie marketing across several different foreign markets, is even more complex. When dealing with more than one foreign market, a firm has to deal with several different external environments, and each of them might require using different product, pricing, and promotion and/or distribution strategies. The tough part here is to co-ordinate, integrate and manage the various marketing programmes to reach the firm's overall marketing goals (Exporthelp [referred 10.04.2013]).
2.1 Features of export marketing

The features of export marketing (Scribd [referred 10.04.2013]) include the following:

1) It is a process:
Export marketing is a process of planning and implementing the production, and distributing goods and services. It consists of various activities such as branding, packaging, advertising etc.

2) Identification and satisfaction of consumer’s needs and wants:
The heart of marketing is the identification of consumer needs and wants. The exporter must constantly try to find out the problems or needs and wants of the foreign buyer, so export marketing adopts a total consumer oriented approach in the foreign markets.

3) Flow of goods and services:
Export marketing involves the flow of goods and services across the national boundaries.

4) Large scale operations:
Export marketing is carried in bulk quantities so as to derive the benefits of large scale selling such as in transportation, handling, etc.

5) Prominence of multinational companies:
Export marketing is dominated by multinational companies. At present multinational companies from the USA, Europe and Japan play a dominant role in foreign trade. They are in a position of developing worldwide contracts through their network of branches / offices / subsidiaries. These companies are in a position to carry on a large scale operation in foreign trade more efficiently and economically.

6) Tariff and non–tariff barriers:
Export trade is subject to tariff and non-tariff barriers. These are restrictions imposed mostly by importing countries to restrict imports every export firm should have a close study of various trade barriers imposed by different countries to carry on its export trade more efficiently.
7) Presence of trading blocs:
Certain nations of particular region come together to form customs union or trading blocs for their mutual benefit and economic development. The main purpose of such blocs is to eliminate trade barriers among member nations, and they may impose external tariff and non-tariff barrier on non-members. The exporter should have knowledge of the regulations of such trading blocs. The powerful trading blocs are NAFTA (North American Free Trade Area), EC (European Community), and ASEAN (Association of South East Asian Nations).

8) International marketing research:
Knowing more about the customer, dealer and competitor is a must not only in the domestic market but also in the export markets.

9) International forum:
International trade is regulated to a great extent by international forums such a general agreement on tariff and trade (GATT). Now World Trade Organization (WTO) exporters from all over the world should have thorough knowledge of the rules and regulations, and the principals of such forums.

2.1.1 Export marketing strategy implementation

Export marketing strategy implementation is broadly defined as the actions and resources deployed to realize intended export marketing strategy decisions in a firm’s pursuit of desired export venture goals (Morgan et al. 2004). The effectiveness of the export marketing strategy implementation may be viewed in terms of two fundamental dimensions. The first, internal implementation effectiveness, relates to the firm’s ability to use its available resources to translate its intended export marketing strategy decisions into realized export marketing actions (Cespedes 1991), or basically, the extent to which the firm’s tactical export marketing program uses actions and the resources deployed to enact them are aligned with the firm’s planned export marketing strategy decisions (Quelch 1992). This is consistent with the notions of “adherence” and “strategic consistency” between actions and resource deployments, and the content of strategic plans in the strategic management literature (Brauer and Schmidt 2006; Covin and Slevin 1998).
2.1.2 Market entry strategies

There is a number of market entry methods for a company. With rare exceptions, products just don’t emerge in foreign markets overnight—a firm has to build up a market over time. Several strategies, which differ in aggressiveness, risk, and the amount of control that the firm is able to maintain, are available (Perner [referred 10.04.2013]):

Exporting is a relatively low risk strategy in which few investments are made in a new country. A drawback is that, because the firm makes few if any marketing investments in the new country, the market share may be below potential.

Licensing and franchising are also low exposure methods of entry—allowing someone else to use your trademarks and accumulated expertise. Trade partner puts up the money and assumes the risk. Problems here involve the fact that you are training a potential competitor and that you have little control over how the business is operated.

In management contracts a firm agrees to manage a facility—e.g., a factory, port, or airport—in a foreign country, using knowledge gained in other markets. One thing is to be able to transfer technology—another is to be able to work in a new country with a different infrastructure, culture, and political/legal environment.

Contract manufacturing involves having someone else manufacture products while you take on some of the marketing efforts yourself. This saves on investments, but again you may be training a competitor.

2.2 Marketing mix

The marketing mix refers to a unique blend of product, place (distribution), promotion and pricing strategies (often referred to as four Ps) designed to produce mutually satisfying exchanges with a target market. The marketing manager can control each component of the marketing mix, but the strategies of all the four components must be blended to achieve optimal results (Hair et al. 2011).
The marketing mix starts with the product “P”. The core of the marketing mix, the initial point, is the product offering and product strategy. It is challenging to design a place strategy, decide on a promotion campaign, or set a price without knowing the product to be marketed. Apart from the physical unit, the product also includes its packaging, warranty, after-sale service, brand name, company image, value, and many other factors. Place, or distribution, strategies are concerned with making products available whenever and wherever customers want them. Promotion includes advertising, public relations, sales promotion, and personal selling. Price is what a buyer may give up to obtain the product. Price is an important competitive weapon and is very important to an organization because a price multiplied by the number of units sold equal total revenue for a firm (Hair et al. 2011).

2.2.1 Environmental characteristics in export marketing

Along with the firm’s characteristics such as resources, capabilities, commitment and specific product dimensions, environmental characteristics have also been argued to be important. In this sense foreign markets pose both threats and opportunities for exporting firms which are argued to significantly affect the marketing performance. As such, a firm must match its strengths with market opportunities to negate market threats, to ensure better the marketing performance (O’Cass et al. 2003).

There are four environmental characteristics that are important. These include, firstly, competitive intensity, involving the extent of price competition and the number of competitors on the market. Secondly, the legal-political environment involving the legal, political and regulatory nature of the market, and the extent of government intervention into the operation of the export market venture. Thirdly, the channel accessibility, involves access to distribution channels, number of customers, and the demand potential of the product in the market. The final one is customer exposure, involving access to customers, customer familiarity with the product, and exposure of customers to the product in the market (O’Cass et al. 2003).

2.2.2 Export performance satisfaction

The wide array of measures for performance has been used in the export marketing literature by researchers. The empiric literature considers three aspects of export performance: financial, strategic, and performance satisfaction (Zou, Taylor and Osland 1998). In particular, one
approach that is increasingly used is the aggregation of satisfaction with various performance measures into a single measure of export performance (cf. Diamantopoulos and Winklhofer 2001; Katsikeas, Leonidou, and Morgan 2000). Thus, satisfaction is defined as a compound psychological variable assessing the effectiveness of a marketing program in terms of its sales, profitability, and market share, as well as the overall performance (cf. Bonoma and Clark 1988).

By measuring satisfaction with performance, instead of performance per se, researchers are able to capture the degree to which the performance has matched the aspiration levels of the firm, and to compare it across a variety of exporting firms. In this manner, a boundary line is incorporated and used as a reference point for the perceived success and failure. It also serves as a useful starting point for decision-making (Jap et al. 2002).

### 2.2.3 Marketing adaptation in export markets

Product adaptation is the degree to which a product (brand name, design, labeling, and variety of main exporting product line) differs between the domestic and export market. Similarly, the promotion adaptation is defined as the adjustment of the domestic promotional program (advertising idea/theme, media channels for advertising, promotion objectives, budget for promotion, direct marketing/mailing) to the main export market. The price adaptation refers to the degree to which the pricing strategies (determination of pricing strategy, concession of credit, price discount policy, margins) for a product differ across national boundaries. Lastly, the distribution adaptation reflects the readjustment of distribution (criteria to select the distribution system, transportation strategy, budget for distribution, and distribution network) to the export market (Jap et al. 2002).

As for promotion, pricing, and distribution adaptation, in contrast to what occurs with product, the empiric literature tends to advocate the adaptation of other aspects of the marketing mix (Dahringer and Muhlbacher 1991; Walters 1986). The prevailing opinion is that promotion, pricing, and distribution strategies ought to take into account differences in the politico-legal, economic, and sociocultural characteristics of any host country. By adapting to these specific characteristics, the firm’s pricing, communication, and distribution strategies can improve performance (Jap et al. 2002).
In a research on the Israeli exporters, Shoham (1999) finds that both the export performance satisfaction and change in export performance satisfaction (ratio of export sales to total sales, export sales, and export profitability ratio) are enhanced with the promotion adaptation (measured in terms of media allocation, advertising content, process determination, and budget size).

Despite this, it is possible that the relationship between the promotion adaptation and export performance is more moderate, or even represents the inverse relationship of what has been suggested so far. Cavusgil and Zou (1994) point out that the inverse effect can occur if the adapted communication strategy eliminates the universal appeal of the product or if the adaptation is costly or inappropriate. Moreover, there is the possibility that, due to cultural differences, the consumers’ sensitivity to promotional efforts is less responsive than in the domestic market.

Further on, another research generally suggests that pricing strategies need to be heavily adapted and paid attention to, because of the pricing practices of competitors, differences in exporting costs, price controls, market structures and purchasing power, financial trade barriers, the costs of production, promotion, and transportation, and the margins of distribution channels (Leonidou, Katsikeas and Samiee 2002).

2.2.4 Internal and external forces

There are many forces within a firm that may affect the export strategy success, such as organizational culture, the firm’s capabilities and competencies, internal status of the export management, location, and product differentiation. Two of these are considered particularly important: the firm’s commitment to exporting and the management’s degree of international experience. These two are selected because the firm’s commitment to exporting is a strategic decision that guides resource allocation to export strategies, while international experience is a critical resource for implementing adaptation strategies (Jap et al. 2002).

Researches on the marketing strategy adaptation in foreign markets indicate that this decision is influenced by a variety of forces external to a firm, such as the local government influence, the exporting country’s image, technological and cost factors, as well as foreign market differences in terms of product life-cycle, culture, infrastructures, and government regulations.
Among these possibilities, two aspects are of particular relevance: export market development and export market competition (Jap et al. 2002).

The export market development refers to the overall standard of living in the export market, as evidenced by the level of economic development and education levels in that market. As the level of development in an export market increases, firms will typically have to adapt their marketing strategies to these markets, as many countries may have legislation in place that requires changes in the strategy. More educated and sophisticated consumers require more specialized marketing strategies that better fit their consumption patterns. Hence, as the level of development in an export market increases, marketing strategies must be adapted to the specifics of that market (Jap et al. 2002).

The export market competition is the extent to which businesses must strive to outdo each other to gain the economic rents of that industry. Competition may vary along multiple dimensions, such as the number of competitors, price competitiveness, and service/delivery. The level of competition in the export market is positively associated with the product and promotion adaptation. As the level of competition within an export market rises, firms must adapt their strategies in order to differentiate their offerings. Without differentiation, a firm cannot gain an advantage over its competitors that will produce higher rents. Hence, as the competition increases, the firm will need to adapt all the aspects of the marketing strategy: the product, price, promotion, and distribution of the export products (Cavusgil and Zou 1994; Cavusgil, Zou, and Naidu 1993).

2.3 International marketing

International marketing may be defined as “the process of focusing firm’s resources on international marketing opportunities while competing within the domestic market against other international companies or even when the firm goes beyond national frontiers to market goods and services” (Paul et al. 2008, p.3). On this basis, Hess and Capeora (1974) defined international marketing as “the performance of business activities that direct the flow of goods and services to consumers and users in more than one nation”.

International marketing involves three degrees of commitment: export marketing, multinational marketing, and global marketing. The export marketing takes place when a firm markets its goods and/or services across national/political boundaries (Global Text Project [re-
Therefore, export marketing is a part of international marketing representing the width of plans, i.e., export marketing is a form of international marketing, when at least one foreign market is considered.

Most country entry strategies involve decisions and strategies which are planned through segmentation, targeting, and positioning (Perner [referred 10.04.2013]). Segmentation, in marketing, is usually done at the customer level. However, in international marketing, it may sometimes be useful to see countries as segments. This enables the decision maker to focus on the common aspects of countries and avoid excessive information. It is worth noticing that variations within some countries (e.g., Brazil) are very large and therefore, averages may not be meaningful. The country level segmentation may be done at the levels such as geography, based on the belief that neighboring countries and countries with a particular type of climate or terrain tend to share similarities on demographics (e.g., population growth, educational attainment, population age distribution), or income. Segmenting on income is tricky since the relative prices between countries may differ significantly, based, in part, on purchasing power parity measures that greatly affect the relative cost of imported and domestically produced products.

Segmentation is the cornerstone of marketing—almost all marketing efforts in some way relate to the decisions on who to serve or how to implement positioning through the different parts of the marketing mix, based on 4Ps: product, price, promotion, and place. For example, one’s distribution strategy should consider where one’s target market is most likely to buy the product, and a promotional strategy should consider the target’s media habits and which kinds of messages will be most persuasive. Although it is often luring when observing large markets, to try to be "all things to all people," it is a dangerous strategy because a firm may lose its distinctive appeal to its chosen segments (Perner [referred 10.04.2013]).

When considering positioning across markets, firms often have to make a trade-off between adapting their products to the unique demands of a country market or gaining benefits of standardization such as cost savings and the maintenance of a consistent global brand image (Perner [referred 10.04.2013]).
2.3.1. Market segmentation

Albaum and Duerr (2008, p.182) define the market segmentation as breaking down the market for a particular product or service into segments of customers that differ in terms of their response to marketing strategies. According to them, by doing so and distinguishing each specific group of customers, a company is aiming at greater profits that would be impossible otherwise. Albaum and Duerr then state that a decision to segment should be based on the following criteria: measurability, accessibility, profitability, and actionability. However, Wegner and Kamakura (2000) recollect that other different sources (Kotler, 1988) bring other criteria into the picture, such as substantiality, stability, and responsiveness.

According to Albaum and Duerr (2008), measurability is the degree to which segments can be identified, and to which the size and purchasing power of the segments can be measured. Whereas, accessibility is the degree to which the resulting segments can be effectively reached and served. Profitability means the resulting segments are large and/or profitable enough to be worth considering for separate marketing attention. As for actionability, effective programmes can be formulated for attracting and serving the segments.

Wegner and Kamakura (2000) define substantiality as the criterion which is satisfied if the targeted segments or a segment represent a large enough portion of the market to ensure the profitability of the targeted marketing programmes. Then, segments pass the responsiveness criterion test if they respond uniquely to the marketing efforts targeted at them. Stability simply means that the segments or segment should be stable long enough to make it possible to develop and implement a marketing strategy.

2.3.2 Information for international marketing decisions

Albaum and Duerr (2008, p.222) state that an integral part of any international marketing decision support system is an international marketing information system (MIS). They define it as a system which involves data management procedures of generating data or collecting existing data, storing and retrieving data, and processing data into useful information, and disseminating information to those within the organization who need it. Schmidt and Hollensen (2006) provide a general overview of an international MIS.
According to Schmidt and Hollensen (2006), to categorize the capabilities of possible MIS parts the researcher will need to use the following four questions: What happened? Why did it happen? What will happen if…? What should happen? Further on, regarding updating and maintaining such a system, they split these issues into four stages. Those stages are: Stage 1 is locating information (understanding types and sources of information), Stage 2 is gathering information (market intelligence, market research, records search and analytical methods), Stage 3 is processing information (aiming to produce reliable, usable, understandable, meaningful and current data), and Stage 4 is presenting and utilizing information (information presented in an appropriate format, disseminated by the appropriate user and used in an appropriate way).

To break down an export research by phases with a simple frame, Albaum and Duerr mention the international export marketing research process (Figure 1.2, Smith, S. and Albaum, G., 2005). In addition, there is also a checklist of research questions on broad strategy issues, foreign market assessment and selection, and the marketing mix from Czinkota et al (1995, pp. 22-5).

In direct entry strategies the firm either acquires a firm or builds operations "from scratch" and those strategies involve the highest exposure, but also the greatest opportunities for profits. The firm gains more knowledge about the local market and maintains greater control, but now has a huge investment. In some countries, the government may expropriate assets without compensation, ie direct investment entails an additional risk. A variation involves a joint venture, where a local firm puts up some of the money and knowledge about the local market.
2.3.3. Market expansion, selection process, procedure, and strategy

There are two main approaches for the marketing selection process: reactive and proactive (Albaum, Duerr, 2008, pp. 188-189). The reactive market selection approach characterizes a situation where the exporter acts passively in choosing markets by filling unsolicited orders or awaits initiatives on the part of foreign buyers, foreign representatives or other export change agents who indirectly select the market for the company. The proactive market approach is marketing oriented. The exporter is active in initiating the selection of foreign markets and the further customer segmentation of those markets.
Even though international exhibitions and fairs, and web site promotion and other media are more common tools for the reactive approach, they can be used for the proactive approach too. In addition, the proactive approach is characterized by such factors as being systematic and formalized, the usage of personnel with international experience, access to international market information, and the visits abroad.

Figure 2.3 Examples of international marketing questions and information requirements (Czinkota et al. 1995, pp 25 - 5)
Figure 2.3 essentially presents typical questions and requirements a marketer who is willing to investigate a foreign market should be ready to ask him or herself. In general, this figure shows the major types of information needed for making decisions about what markets to enter, the appropriate mode of entry in a chosen market, and the specific export marketing mix and strategy. Those types include: the political, financial and legal data; data about the basic infrastructure of markets; marketing data; and product-specific data. Such information research involves exploring reports on potential customers, identifying potential overseas agents, specific export opportunities, market reports, and information on export payments, transport and distribution (Albaum et al, 2008, p.224).

Table 2.2 Some techniques for estimating the export market size (Albaum, 2008, p. 233)

<table>
<thead>
<tr>
<th>Demand pattern analysis</th>
<th>Industrial growth patterns in an industry</th>
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<tbody>
<tr>
<td>Income elasticity measurements</td>
<td>Demand for a product and changes in income</td>
</tr>
<tr>
<td>Lead-lag analysis</td>
<td>Time-series data from one country to project sales in other countries</td>
</tr>
<tr>
<td>Estimation by analogy</td>
<td>A single-factor index with a correlation value (between a factor and demand for a product) obtained in one country applied to a target market.</td>
</tr>
<tr>
<td>Multiple-factor index</td>
<td>Estimates demand by using two or more surrogate variables that are believed to be related to the potential market demand for the product of concern.</td>
</tr>
<tr>
<td>Regression analysis</td>
<td>Estimating demand in export markets when appropriate data are available. One or more predictor variables is used for estimating the demand</td>
</tr>
<tr>
<td>Cluster analysis</td>
<td>Finding groups of countries (clusters) that have similar characteristics. If potential is known for one or more countries in a cluster, this information can be used to assess the “worth” of other countries in the cluster.</td>
</tr>
</tbody>
</table>

Table 2.2 explains the measurements and analyses to undergo the estimation of an export market size. The market demand forecasting is usually a secondary stage in the analysis of a country as a potential market. It is attempted after the overall macroeconomic environment
and business climate are found conducive to a marketing effort. The basic objective is to obtain reliable, current information to fashion a successful marketing programme. The methodology in gathering data is to first estimate the demand for potential sales of a type of a product a company wants to sell in one country, then to estimate its potential of that market. By means of such a process, the firm will be able to predict better the costs, sales, and profits associated with marketing the product in a new area (Ajami et al. 2006, p. 165).

### 2.3.4. Expansive versus contractible methods

With regard to the proactive approach, two procedures for seeking foreign buyers can be used: expansive and contractible methods (Albaum, Duerr, 2008, pp. 190-196).

*The expansive method* starts at the domestic market or the current main market. Then the expansion goes on based on the similarities within political, social, economic or cultural levels. The key factor here is minimum adaptation. The common policy in the expansive method is the “nearest neighbour approach”, which is a type of clustering or grouping of markets based on geographic proximity (ibis). The point is that close neighbours seem to be the obvious optimal choice, because it is assumed that the same marketing programme can be used, since the markets are nearly identical.

A *contractible method* starts with a number of countries (ibis), which are divided into regional groupings based on such criteria as political, economic or language level. The least promising markets are taken out and the remaining choices are considered in more details. In general, this approach can be broken down into three stages:

1. Preliminary screening criteria for examining countries are identified ending with a start list of potential countries.
2. Determining country characteristics to be used when evaluating marketing opportunities, and how each of them should be scaled, checking four types of variables: operating risks, market potential, costs, and potential local and foreign competition.
3. Countries evaluation based on the criteria and rank scale from the second stage.
2.3.5. Export marketing promotion and communication decisions

Albaum and Duerr (2008, p. 548) think that in the export marketing management the promotion decisions can be reduced down to the following:

- What messages?
- What communications media?
- How much effort or money to spend?

And the promotion can take several forms, like:

- Personal selling: sales people are employed to communicate primarily face to face with prospective customers.
- Advertising: a non-personal presentation of sales messages through various “mass” media, paid for by the advertiser.
- Sales promotion: all sales activities which supplement and strengthen personal selling and advertising. Activities usually are nonrecurring and have a relatively short-run “life”.
- Publicity: any kind of news about a company or its products that is reported by some media, and is not paid for by the company.

There are many alternatives to straightforward advertising, including many marketing and communication services, some of which are called “below-the-line” advertising (The Economist, 2004, p. 69). These include public relations, direct mail, consumer promotions (such as coupons), in-store displays, business-to-business promotions (eg, paying a retailer for shelf space), telemarketing, exhibitions like the China International Maternity and Baby Industry Exposition held in Hangzhou (Tdctrade, 2007, 24 April), sponsoring events such as the World Cup (Coca-Cola, Yahoo!, McDonald’s), product placements, and more.

In a broad sense, the question of what mix of promotion activities to employ is the question of whether to emphasize a “push” or a “pull” strategy. A “pull” strategy is defined as preselling the product so that buyers seek it out or ask for it at the point of purchase. A “push” strategy is defined as working with resellers or assisting them in selling the product at the point of sale; when a push strategy is required, buyers are not presold and they depend on the advice or guidance of the salesperson (Albaum, Duerr, 2008, p. 549).

Albaum and Duerr (2008) next point out that an export/ international promotion must have guidelines for selecting promotion activities to be used and in what combinations. Then, there
is a number of factors that influence the decision regarding the mix of promotion activities, which include the availability of funds for promotion, the cost of promotion activities, intensity of competition, product type, seasonality, product price, mode of market entry, nature of the market, market size, size of relevant segments, company resources, and the availability of media.

2.3.6. Alternative techniques of promotion

Albaum and Duerr (2008) list some other uncommon ways of promoting products and services of a company in addition to the ones typically used.

Personal selling
- Personal aspect of marketing
- The basic functions all sales people operating in foreign markets must perform
  - The actual selling activity
  - Customer relations
  - Information gathering and communicating

There is little difference between managing export and domestic marketing sales people; they have to be recruited, hired, trained, organized, compensated, supervised, motivated, and controlled. Then, it is important what all sales personnel have to keep in mind about the sales promotion and what are the tools they can utilize (Albaum et al. 2008).

Sales promotion
- A method to increase consumers’ awareness
- Attract new users
- Make the company a known name in the new market
- Variety of activities
  - Activities adopted to the company’s products
  - Markets that are to be developed
  - What activities the company can afford
  - Permitted and prohibited promotion tools
- Vast array of devices, but these six have special factors important for the foreign market development
• Foreign catalogue
• Samples
• Export house institution
• Video, slides, pictures
• Fairs and exhibitions
• Point-of-purchase materials
• Plus coupons and contests
  - Foreign catalogues
    • Adaptation to a specific foreign market is greater for consumer catalogues than B2B catalogues (Akhter et al, 1997)

2.4 Competitive advantage overview

A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by the means of lower prices or by providing greater benefits and services that justifies higher prices. It is a condition which enables a company to operate in a more efficient or otherwise higher-quality manner than the companies it competes with, and which results in the benefits accruing to that company. The competitive advantage is the position of a company in a competitive landscape that allows the company to earn the higher return on investments than the cost of investments. A competitive advantage essentially has to be one that not only merely represents better performance than that of its competitors, but also delivers the genuine value to the customer, thus ensuring a dominant position in the market. (Singh, 2012)

To gain competitive advantage, a business strategy of a firm manipulates the various resources over which it has direct control, and these resources have the ability to generate the competitive advantage. Superior performance outcomes and superiority in production resources reflect the competitive advantage. (Singh, 2012)

The competitive advantage is at the heart of a firm's performance. It is concerned with the interplay between the types of the competitive advantage, ie, cost and differentiation, and the scope of the firm's activities. The value chain plays an important role in order to diagnose and enhance the competitive advantage. A sustainable competitive advantage creates some barriers that make imitation difficult. Without a sustainable competitive advantage, above average
performance is usually a sign of harvesting. The competitive advantage is, in very basic words, a position a firm occupies against its competitors. (Singh, 2012)

2.4.1 Methods or ways of creating the sustainable competitive advantage

According to Michael Porter (1998), the three methods for creating a sustainable competitive advantage are the following:

1. Cost leadership - Cost advantage occurs when a firm delivers the same services as its competitors but at a lower cost.

2. Differentiation - Differentiation advantage occurs when a firm delivers greater services for the same price of its competitors. They are collectively known as positional advantages because they denote the firm's position in its industry as a leader in either superior services or cost.

3. Focus (economics) - A focused approach requires the firm to concentrate on a narrow, exclusive competitive segment (market niche), hoping to achieve a local rather than industry-wide competitive advantage. There are cost-focused seekers, who aim to obtain a local cost advantage over competition and differentiation focusers, who are looking for a local difference.

2.4.2 Basis for the competitive advantage

One of the bases for the competitive advantage is the ability to create knowledge and move it from one part of the organization to another. The creation of knowledge is a dynamic and continuous process involving interactions at various organizational levels. Organizations must learn from their environment how to survive and produce the competitive condition that shapes the character of success. Time is an important factor, and it eventually renders nearly all advantages obsolete. Learning is the only sustainable source of advantage, so managers must link their core competence to different types of strategies across time. The real competitive advantage lies in integrating operations for the sake of demanding quality targets or meeting specialized customer needs (Singh, 2012).
Another basis may be that an organization should provide a differentiating edge to be competitive to serve customers better, which is a newer method by which a company can turn more profitable. Due to the fierce global competition, senior management must understand not only the technologies, but also the competencies and motives of competitors. Building successful alliances requires identifying the core competencies of both the partners, and developing the strong interpersonal skills and values needed to manage them. If an organization's capabilities are scarce, defensible, or hard to imitate, these can form the basis for sustainable competitive advantage and surplus profits. An organization's competitive advantage potential depends on the value, rareness, and imitability of its resources and capabilities. (Singh, 2012)

2.4.3 Export commitment and positional advantage

According to Barney (1991), a firm possesses a competitive advantage when it has certain resources and capabilities that are unique and difficult to imitate, and it can present an offer to the market that provides more value to its customers than competing offers. With this explanation in mind, it is important to have a deeper understanding of the issue. Kaleka (2002) attracts attention to the idea of positional advantages derived from exporting that constitute the position the firm achieves in relation to the combination of cost, product, and service elements in a particular foreign market. Meanwhile, Albaum et al. (2003) defines the export positional advantage as managerial perceptions of the firm’s competitive strength, such as cost and product advantages, relative to its competitors in export markets.

3 RESEARCH DESIGN

Malhorta, 2002, p.114, defines research design as a marketing research implementation plan, containing details on the methods required to get information, which should help to structure or solve a marketing research problem. According to Malhorta, a research plan usually contains such components and aims, as:
1. Defining required information.
2. Development of research, descriptive and / or causal phases of the study.
3. Defining measurement and scaling procedures.
4. Creating and preliminary checking of the questionnaire (interview forms) or of a suitable form to collect data.
5. Defining the sampling process and the sample size.
6. Developing a plan for data analysis

Figure 3.1. Marketing research plan classification (Malhorta, 2002, p.115)

Figure 3.1 provides the classification on the types of research plans. It is important for the marketer to keep in mind what branch of research plan types is involved in a particular case, because each type has its own characteristics. Those specific characteristics allow for an efficient focus in a research.

3.1 Research design types: classification

The features of the two main types of research design, exploratory and conclusive, are compared in Table 3.1. The main aim of the exploratory research is to understand the core of the problem which a researcher faces (Semon, 1996, p.12). Exploratory research is used in cases where a researcher needs to identify a problem more accurately, extract suitable directions for actions or when additional research of a problem is needed before developing an approach. At this stage, a marketing specialist has quite a vague understanding about what information is needed, and the process itself is very flexible and unstructured. A research can consist of private interviews with industry experts. Sampling is characterized by small sizes and is not con-
sidered demonstrative; primary data is analysed qualitatively. Taking into account these research process characteristics, exploratory research results must be considered as preliminary or as a starting point for further research. Usually, such research is done before further exploratory or conclusive research. Sometimes the marketer’s work is limited by only conducting an exploratory research, especially if it is a qualitative one. In such cases it is important to be careful when using the results obtained.

*Exploratory research* is one of the marketing research types main aim of which is to guarantee the understanding of the problem faced by the researcher (Malhorta, 2002, p. 115).

Table 3.1. Differences between exploratory and conclusive marketing research (Malhorta, 2002, p. 116)

<table>
<thead>
<tr>
<th></th>
<th>Exploratory</th>
<th>Conclusive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aim</strong></td>
<td>Deep understanding of a marketing problem</td>
<td>Check a hypothesis and study certain links</td>
</tr>
<tr>
<td><strong>Characteristics</strong></td>
<td>Required data is not defined precisely</td>
<td>Required data is defined precisely</td>
</tr>
<tr>
<td></td>
<td>Research process is flexible and unstructured</td>
<td>Research process is formal and structured</td>
</tr>
<tr>
<td></td>
<td>Sampling is small and unrepresentative</td>
<td>Sampling is large and representative</td>
</tr>
<tr>
<td></td>
<td>Qualitative analysis of primary data</td>
<td>Quantitative analysis of primary data</td>
</tr>
<tr>
<td><strong>Results</strong></td>
<td>Preliminary</td>
<td>Final</td>
</tr>
<tr>
<td><strong>Conclusion</strong></td>
<td>Usually precedes further exploratory or conclusive research</td>
<td>Results are used as preliminary data in administrative decision making</td>
</tr>
</tbody>
</table>

Furthermore, the deep understanding of the problem, obtained as a result of the exploratory research, can be confirmed with the conclusive research. The aim of the latter is to check certain hypotheses and research certain links. In this case the marketer needs information that is defined precisely (Acito et al., 1997 and Wilson, 1996).

Malhorta thinks that the conclusive research is usually more formalised and structured than exploratory. It implies access to large representative samples, and the data obtained is worked out by a quantitative analysis. The term “conclusive” means that the results of such a type of
marketing research are considered as conclusive from the marketing point of view, acting simultaneously as primary data for administrative decisions.

The *conclusive research* is then defined by Malhorta as the marketing research required to help the top management of an organization to define, assess and choose the best choice of actions, which should be used in a given case.

### 3.2. Comparison and features of research design types

One can distinguish these three main research design types (Table 3.2.): exploratory research, descriptive research, and causal research.

*Exploratory research* can be used for solving any of the following targets:

- formulate a problem and define it more precisely;
- define alternative directions for actions;
- make hypotheses;
- outline key variables and links for further research;
- argumentate the development of a certain option to solve a problem;
- set up priorities for a further research.

The main goal of *descriptive research* is to describe something - usually market characteristics or functions. The descriptive research has the following goals:

1. Give the description to the following groups: consumers, trade personnel, organizations or market segments.
2. Define the part of consumers among the total number who demonstrate certain behaviour.
3. Define the response to product characteristics.
4. Define the level of dependence between marketing.
5. Make certain forecasts.

*Causal research* is used in order to get the proof of causal links’ existence. Marketing managers constantly make decisions based on hypothesized causal links. These hypotheses often require checking by means of making a marketing research (Ho et al, 1996). The causal research is used for the following:
1. To understand which variables are the causes (independent variables), and which are the consequences (dependant variables).

2. To define the nature of links between the variables acting as a cause and as a consequence.

Table 3.2. Comparing main types of marketing research (Malhorta, 2002, p. 117)

<table>
<thead>
<tr>
<th></th>
<th>Exploratory</th>
<th>Descriptive</th>
<th>Causal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aim</strong></td>
<td>Research ideas and remarks</td>
<td>Describe market characteristics or functions</td>
<td>Determine causal links</td>
</tr>
<tr>
<td><strong>Characteristics</strong></td>
<td>Flexible, mobile</td>
<td>Characterized by initially formed hypotheses</td>
<td>Analysis of one or several independent variables</td>
</tr>
<tr>
<td></td>
<td>Often acts as a first stage of a general marketing research design</td>
<td>Planned and structured</td>
<td></td>
</tr>
<tr>
<td><strong>Methods</strong></td>
<td>Expert surveying, Pilot researches, Secondary data, Qualitative research</td>
<td>Secondary data, Surveys, Panels, Observations data and other data</td>
<td>Experiments</td>
</tr>
</tbody>
</table>

The table above compares the characteristics of the exploratory, descriptive and causal researches. Prior to this comparison, the exploratory and conclusive research were compared. Here the two main types of conclusive research against exploratory research are presented in order to outline points of difference deeper.

### 3.3 Primary and secondary data

*Primary data* is the information which the researcher gathers specifically to solve a marketing research problem (Malhotra, 2002, p. 148).

*Secondary data* is the information gathered beforehand for other goals, not connected with the problem of the current marketing research.

Gathering methods for secondary data should be critically evaluated in order to determine the potential sources for errors during the information gathering process. The questions about
methods include: defining the size and the nature of the sampling; defining the percentage and the quality of answers, developing the survey; field works procedure; the analysis and summarizing the given data.

Figure 3.2 Secondary data classification (Malhorta, 2002, p. 154)

The secondary data is divided into internal and external data. *Internal data* is the information which exists inside the organization, which the research is made for, whereas *external data* is the data located outside that organization (Figure 3.2).

### 3.3.1 Advantages and potential usages of secondary data

The secondary data has a number of advantages compared to the primary data. The secondary data can be gathered easily, quickly and reasonably cheaply. In some cases secondary data is the only source of information (there is no way of getting primary data), for example, the data provided by the US Census Bureau. Despite the fact that it is unlikely to find all the answers for the certain research problem by using solely secondary data, it has a large potential of being useful, and it has a wide range of usage (Czinkota et al, 1996 and Jain et al, 1991).

Secondary data lets to:

1. Identify the problem;
2. Formulate it precisely;
3. Develop a plan to solve the problem;
4. Develop a research plan;
5. Find the answers for certain exploratory questions and check the given hypotheses;
6. Research and interpret the primary data deeper.

Based on the advantages and usage ways mentioned above, a general rule can be concluded (Malharta, 2002, p. 149). Before starting to collect primary data, it is required to thoroughly examine the given secondary data. It is best to start from the latter. A researcher should be moving on to the primary data only after all the sources of primary data are exhausted or significantly limited.

### 3.3.2 Disadvantages of secondary data

Since the secondary data is usually collected for the goals different from those faced by the marketer, its usefulness and application for solving a certain research problem can be drastically limited (ibid). It is also necessary to check how the secondary information is related to solving the problems, as well as its accuracy, goals, means and ways in which the data was obtained, because they may not reflect the current situation. Besides, secondary data can be outdated or unreliable. Therefore, before using, it is necessary to check the given data in accordance with certain criteria (Table 3.3.).

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Key factors</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure and method</td>
<td>Data gathering method, response percentage, data quality, sampling definition applied</td>
<td>Reliable, trustworthy and applicable data to solve research problems</td>
</tr>
</tbody>
</table>
Errors and proximity | Researching errors made during approach design construction stages, expressing research design, making the survey, gathering data and its analysis, and summarizing | Research proximity evaluation by data comparison received from different sources |
---|---|---|
Timeliness | Time gap between gathering data and publishing it, frequent updates | Surveys’s data is updated periodically by companies offering syndicated services |
Relevance to the aim | Aim to gather data | Data usefulness |
Data content | Defining the key variables, measurement digits and parameters, product categories, links researched | Change of data configuration for increasing the usefulness level (if possible) |
Reliability | Competence, trustworthiness, reputation and reliability of the information resources | Receiving data from the primary’s source but not from the secondary one |

Evaluating secondary data according to the criteria mentioned above is essential in preventing the usage of inappropriate data. Filtering through these criteria lets the researcher to avoid false conclusions and wrong research directions or actions.

### 3.3.3. Internal secondary data

Researching internal data should be the starting point in looking for and gathering secondary data. The majority of companies have the considerable volume of cumulated internal data, part of which is accessed easily and is ready for immediate use, for example data about sales.
and prices, which is regularly fixed in the accounts documents. Information of other types is not systemized, but it can be gathered relatively easy and quickly (Malhorta, 2002, p. 155).

### 3.3.4 Published external secondary data

Sources of published external secondary data are federal, state or municipal administration organizations, non-profit organizations (trade forums), labour unions and trade associations, commercial publishers; investment companies, professional companies conducting marketing researches (Figure 3.3). The sources of published external data are divided into two big groups – governmental and business sources. The first group includes directories, indices, directories, and statistical data. The second group is subdivided into census data and other publications (Pagell, 1996).

Figure 3.3. Published external secondary data classification (Malhorta, 2002, p. 158).

### 3.4 Primary data: Qualitative or quantitative research

Primary data can be deducted by either qualitative or quantitative methods (Figure 3.4). The differentiation characteristics of both methods are shown in Table 3.4. The qualitative research allows us to understand the nature of the situation that has developed around the issue, while the purpose of quantitative research is to get the results quantified using a number of statistical analysis methods. In any marketing project a marketer must first conduct a qualitative study, and then a quantitative one. Sometimes qualitative research is needed to explain the data obtained from the quantitative study. The data obtained after the qualitative study cannot be considered conclusive and cannot be used to draw conclusions that apply to the entire collection of data (Day, 1997; Gabriel, 1990). Therefore, an important principle of mar-
Marketing research is the complementarity of qualitative and quantitative methods, and not the competition between them (Hunt, 1991).

Table 3.4. Qualitative and quantitative research methods (Murphy, 1997 and Spiggle, 1994)

<table>
<thead>
<tr>
<th></th>
<th>Qualitative research</th>
<th>Quantitative research</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aim</strong></td>
<td>Determine qualitative understanding of hidden motives and motivations</td>
<td>Represent data in a quantitative form and summarize sampling research results</td>
</tr>
<tr>
<td><strong>Sampling</strong></td>
<td>Small quantity of representative objects</td>
<td>Reasonable number of representative objects</td>
</tr>
<tr>
<td><strong>Gathering data</strong></td>
<td>Unstructured</td>
<td>Structured</td>
</tr>
<tr>
<td><strong>Information analysis</strong></td>
<td>Nonstatistical</td>
<td>Statistical</td>
</tr>
<tr>
<td><strong>Result</strong></td>
<td>Obtain initial understanding</td>
<td>Recommendations for final decision making</td>
</tr>
</tbody>
</table>

Qualitative research is an unstructured exploratory research method, based on a small sample size, designed to better understand the situation emerging around the issue of marketing research.

Quantitative research is a method of investigation to collect the information and presenting it in a quantitative form, using the procedures of statistical analysis.

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Figure 3.4 Classification of marketing research information (Malholta, p. 194)
The figure above focuses on showing the breakdown structure of primary data components. This structure has a form of a multilevel ladder expressing a wide selection of possible research types available for use in order to narrow down the research.

### 3.4.1 Classification of qualitative research methods

The direct approach is not masked by the researcher. Respondents define the purpose of research or it becomes apparent from the selection below. This method finds its application in the focus groups and depth interviews. In contrast, the indirect approach hides the true purpose of the study from the respondents. In projection studies mostly indirect methods are used, which are divided into associative, final, structural, and expressive subtypes.

The direct approach in qualitative research is a type of qualitative research when the respondents indicate to on-going research or become apparent from the survey itself.

The indirect approach in qualitative research is a type of qualitative research when respondents are not made aware of the purpose of the study (Malhorta, 2002, 196).

Figure 3.5 Qualitative research methods classification (Malholta, 2002, 196)
Figure 3.5 presents the classification of qualitative research methods. They are divided into direct and indirect, depending on whether the respondent knows the true purpose of the study. Then, the direct methods consist of in-depth interviews and focus – groups, while the indirect methods mean various types of project methods.

3.5 Depth Interview

Depth interviews are an unstructured and direct method of obtaining information, but in contrast to the focus groups, depth interviews are conducted between the interviewer and the respondent face to face. Depth interview is an unstructured, direct, personal interview, in which one respondent is interviewed by a qualified specialist to determine his or her basic ideas, beliefs, attitudes and feelings on the subject (Harris, 1996, p. 12.).

Depth interviews can last between 30 minutes and an hour. The Interviewer begins with general questions. Once receiving the answer to the first question, the interviewer uses an unstructured format. The subsequent course of the interview is determined by the respondent’s answer to the first question, the interviewer attempts to clarify interesting issues by additional answers of the respondent. Although the interviewer is trying to adhere to a strict structure, defined question wording and order in which questions should be asked, the answers of the respondent influence him or her. Such research is important for substantive answers and to clarify underlying problems (“Looking a Deeper Meaning”, Marketing, July 17, 1997, p. 16-17.).
3.5.1 Methods of depth interviews

There are three methods of depth interviews popular with researchers: the stairs method, the hidden problems clarification method, and the symbolic analysis (Malhorta, 1998, p.). The staircase method or laddering is characterized by sequential questions. The first respondents are asked about the characteristics of a product, and then about the characteristics of a user. This method allows the researcher to determine the value that consumers associate with any subject or problem. In hidden issue questioning the main issues are not social values, but rather the personal "pain points", and not a way of life in general, but the depth of personal experiences and concerns of a person. Symbolic analysis tries to analyze the symbolic meaning of objects, comparing them with the opposites. In order to understand what really lies behind a phenomenon, the researcher is trying to determine what issue is not the case with a phenomenon. Logical opposites of the tested product are not the usage ways of these products, but the signs of the imaginary "antiproduct" and opposite property types of products.

3.5.2 Advantages and disadvantages of depth interview

Depth interviews, in contrast to the focus groups, can understand people's inner feelings significantly better (ibis). It is also clear who gave the answer, whereas in the focus groups it is often difficult to determine which of the respondents expressed a particular opinion. Depth interviews imply the free flow of information, which can be difficult in the focus groups because of the tendency of its members to conformism, ie the desire to adapt to the prevailing opinions of the group members.

The disadvantages of focus groups and depth interviews are related. Services of qualified hosts and interviewers are expensive and it is hard to find such experts. Because of the lack of a specific structure of the interview, the interviewer may affect the results of the survey, and the quality and reliability of the data depends entirely on the skills of the interviewer. It is difficult to analyse this data and draw conclusions without using the services of qualified psychologists. Given the length of the interview and the associated costs, it is possible to say that the number of depth interviews in the project will be small. Despite these disadvantages, depth interviews somehow find their application.

3.5.3 Depth interview applications
Most depth interviews, like focus groups, are used for conducting exploratory research with an effort to achieve understanding of the problem. However, depth interviews in market research are not used as often as the focus group. Nevertheless, the first method can be applied effectively in specific problematic situations (Feder, April 21, 1997, p. 33.):

1. Detailed probing of the respondent (buying a car).
2. Discussion of confidential, sensitive or prying questions (financial status of a person, dentures).
3. Situations in which the opinions of others inhibit the respondent's answer (the opinion of college students about sports).
4. Detailed understanding of a complex behaviour (visiting a department store).
5. Interviews with professionals (industrial marketing research).
6. Interviews with competitors, which are unlikely to provide information in a group (the relation of travel agencies to package tour programs offered by the airline).
7. Situations in which the experience of a product is essentially a sensory experience associated with mood and emotions (perfume, soap).

4 RESEARCH PROCESS

4.1. Overview of Nasto Polar Ltd

Nasto Polar Ltd is headquartered near Lahti in Finland. The company is specialized in landscaping projects and associated services and materials. The company’s clients include private clients, offices, governmental and administrative organizations. Nasto Polar works for private yards, public areas and industrial areas. Specifically, Nasto Polar made a project for Prisma, a hypermarket chain, and a project for the Russian embassy in Helsinki. The company has its own trees and plants nursery with a huge capacity and a wide assortment. Apart from trees and plants, Nasto Polar sells all major construction materials and equipment, furniture and decorations, offers the full range of maintenance services, provides professional training, and manages its own trees and plants nursery. Hence, considering Nasto Polar’s vast assortment and nursery, the company can offer almost all the possible product titles and product quantities to potential importers. This range is viewed as the company’s main advantage in
the domestic market and any market perceived as attractive for entering, including the current considerations to enter the Russian market in St.-Petersburg area.

In Finland Nasto Polar is one of the main players in the landscaping market, where they reached such a level of recognition throughout many years of work that there is very little need to advertise the company in the domestic market. Most of the large organizations in Finland are already aware of the company’s existence and its offers.

As for current plans, Nasto Polar Ltd is planning to launch a big web sales portal in the autumn 2013. This online store was initially planned to have the Russian market as one of the main targets. In addition to sales to Russia and other foreign markets, Russians owning real estate in Finland are also perceived as one of the key customer groups for the company’s future development plans.

4.1.1 Decision to enter the target market

The issue of market segmentation is of less importance to the research than compared to other issues, since the market and the segment to be researched and possibly served in the future, has already been identified at the start of the thesis work. It is to be St. Petersburg city area of Russia solely as for the target market, and as for the main segment, it is the countryside cottage owners around the city area (interviews with local companies). This area has been chosen mainly due to the ease of logistics and geographical location, and due to the fact that the client company does not have any vast expansive plans in the foreseeable future. Never the less, it will be of use to this work to examine the target segment in more details, in order to determine the segment’s main characteristics, which will be used to know how to serve this part of the Russian market better. In this part there will be definitions of each of the criteria for evaluation and possible implications, and later on the chosen segment will be analysed according to each of those criteria.

4.1.2 Interviews with the companies’ representatives

To conduct personal meetings with some of the companies in the Saint-Petersburg market in Russia was one of the tasks requested for the given market research introduced by the client company Nasto Polar Oy. The interviews took place during the second week of September
2012. Three companies and their corresponding representatives were interviewed, and in return they were provided with the important information on Nasto Polar Oy. Two meetings were held at the companies’ offices and one meeting in a hotel. The interviews had a semi-formal setting. The content of interviews was strictly business related aiming at finding mutual benefits, but the interviews themselves were in a format of an open discussion in an unstructured way, only the topics and questions interesting for either of the parties had to be mentioned. Both the researcher and CEO of Nasto Polar Oy were present at each meeting with companies. The meetings were conducted both in English and in Russian, with the researcher acting as an English-Russian interpreter. During the interviews the researcher and the client had to adapt to a sudden change in the interviews structure as the persons interviewed asked more questions themselves than what we initially had anticipated. This was a favourable turn of events as their curiosity helped us to find the answers to our questions in an easier way.

4.1.3 Decision to use interviews

It was decided to use interviews in a form of personal meetings based on the researcher’s and the client’s perceived knowledge of doing business with the Russian companies. Both the researcher and the client saw personal meetings as the best option to communicate and establish a possible cooperation relationship for the given exploratory export marketing research. St.-Petersburg is not considered far away from the cities of Helsinki or Lahti, where Nasto Polar is mainly operating. Thus, reasonable travel distance was one of the factors which was in our favour. It was considered that while it will be a new and unknown market for the client company, it would have been best to refer to the primal source of data, ie representatives of companies on the target market themselves, rather than any alternative secondary sources.

4.1.4 Choosing the companies for the interviews

For the given research there was no opportunity to choose companies for interviews ourselves, due to the limited time available to arrange and schedule company meetings. All the companies from the sample of the market selected for further analysis were contacted or attempted to reach by phone and email. About 100 companies were contacted. 37 of them later on were left for comparing the website and company features. Out of 100 firms contacted three replied stating that they were ready for a meeting. That gives a response rate of 3%. Some firms’ email addresses were apparently blocking foreign emails and some phone calls
were not answered after repetitive attempts. One of the factors affecting responses was later discovered by the results of the interviews. According to the interviewees, during each year close to 100 new small landscaping firms are opened, and about the same amount of firms close down during each year in Saint-Petersburg area. Although this fact largely feels like an exaggeration, but this tendency among other matters explains why it was so hard to reach some companies.

4.1.5 Topics intended to be discussed in interviews

The main topics intended to be discussed in the interviews were the following: possible opportunities for Nasto Polar in the target market; specifically what product or services categories or titles would the local companies see as interesting to be imported from Finland, and how a landscaping company can successfully operate in the local market. Apart from these two main issues, the general nature was viewed as useful to discuss as well as logistics methods. One of the options to plan export opportunities was offering distributorship deals to the local companies and determining how those can be established. Specific questions concerning the interview discussions are covered in Appendix 1.

4.2 Findings of the interviews

While Nasto Polar Oy has a vast network of partnerships, landscaping companies in St.-Petersburg area did not appear to be cooperating with a large number of foreign suppliers. Local companies, as we found out, mainly work with suppliers in Germany, Poland, China, and sometimes Finland. Local companies are less focused on quality and are eager to find cheaper deals with large quantities with the necessary product titles in the same deal (Anonymous 2012, Karelia Gardens, and Natalia Bender’s Studio). The representatives of the companies showed that they were more interested in dealing with a smaller number of suppliers and wished to purchase the desired products from a single supplier if possible.

Services such as maintenance or training are less of a concern for local companies due to a large difference in salaries between Russia and Finland for employees procuring the landscaping projects at customers’ sites.

It was confirmed by all three visited company representatives that the most attractive product to import from Nasto Polar Oy in theory would be the tall hard types of trees starting at the
height of about 1.5 meter. The given companies explained that in their views hard trees nurtured in Finland and Scandinavia in general are more resistant to frost and harsh climate conditions (Anonymous 2012, Karelia Gardens). Severe winters represent a big challenge for trees brought by landscaping companies in St.-Petersburg from foreign suppliers, and the tall hard trees with frost resistance have a specific scarcity in the target market. It has been said that hard trees imported from countries like Germany and Poland in St.-Petersburg area survive only one or two winters at most, and that makes customers significantly unsatisfied.

Another finding is that the target market companies would rather prefer if the customs duties would be bared by the exporter. This point also involves that the exporter has to bear in mind the large trade administrative barriers in Russia.

Derived from the previous finding is the fact that any distributorship ideas pursued by Nasto Polar in Russia would have to consist of thorough planning and detailed negotiations. Local players have shown and will show hesitation, and will need convincing proof that they will get significant benefits in the trade.

One of the main remarks given by one of the interviewed companies is that around 100 small landscaping companies open and/or close each year in St.-Petersburg area. This company’s managing directors added to this statement that the local market is growing and has a large capacity in their view.

All three companies visited are specializing in the private cottages sector, ie gardens and yards at summer cottages at the outskirts of St.-Petersburg. These companies stated that the landscaping market as a whole is also mainly about private estate in the countryside. Later research on the sample companies in the market also confirms that this is indeed the dominant specialization in the target market.

The interviews’ findings are summarized in Table 4.1.

Table 4.1 Interviews’ results.

| Landscaping companies in St Petersburg do not cooperate so much with foreign suppliers. |
| In St Petersburg, companies are not interested that much in service like maintenance or training because of big differences of salaries between Finland and Russia. |
The most attractive product from interviews would be the tall hard types of trees starting at the height of about 1.5 meter.

Landscaping companies in St Petersburg would prefer the exporter to bear the custom duties.

Negotiation is very important in doing business with Russians.

Around 100 small landscaping companies open and/or close each year in St.-Petersburg area, which indicates the big market capacity.

The landscaping market as a whole is mainly about private estate in the countryside near St.-Petersburg

4.3 Research findings

The research findings of this study combined the data obtained from both the comparative analysis of existing firms in the target market via information available from those companies’ websites, and the results of the interviews conducted with the representatives of three of those companies.


The sample companies for the comparative analysis based on public information were selected through industry catalogues available online. Among the companies listed in the St.-Petersburg city area landscaping industry catalogues, those who were directly engaged in landscaping products and/or services as the main line of business were selected.

It was decided to focus only on a few specific characteristics of companies available from the information on the selected companies’ websites. Those characteristics or groups are: product and services types, price range for landscaping works, specialization field, supporting information materials (articles, glossary, news, product descriptions, etc.), portfolio, website look and complexity and landscaping construction work types (Appendix 1).

Product and services types’ group information was not filled with the intention to put all available companies’ assortment, but rather to highlight the main titles types available at any sample company or give an idea on the main occupations of firms.
Speaking of the price range group, it is important to point out that this group was included with the main intention to show the availability level of such information on the websites, and to show how spread out the possible offers of firms are using the price range as an indicator. In addition, the availability of this type of information serves as a guideline about how relevant this information for a website/web portal is for local companies. Thus, it helps to understand to what extent the Russian companies or private clients would demand pricing information, if Nasto Polar’s current web portal in progress would need to be edited to fit those demands. Because the pricing available from the public information is limited at most websites and is very diverse, it was decided to use the price range per square meter and the absolute price range as the scaling of choice.

Specialization group tells what type of customers each sample company is mainly oriented at, whether it is private clients, other companies and/or administrative or governmental organizations. In a case, when a company covers all these groups of consumers, it was marked as “many fields”.

Supporting information materials’ group evaluation results were bad, neutral or good. The same criteria were used for portfolio group and website look and complexity group. Bad for information materials means that none of the possible types of supporting materials are present at a website, neutral – if at least one type was presented, and good – if two or more types are presented. In the Appendix 1, which summarises the comparative analysis, bad, neutral and good were indicated with red, yellow and green colours respectively.

For the portfolio bad was the mark if there was not a sizable gallery at the website, the gallery had only one page with only few images, and the images’ resolutions were bad. Neutral mark was given if images were done professionally, but the amount was not significant, ie did not give a clear visual idea on works of a company. Good mark was given when images of professional quality were seen and comprised a large section of a website, and those images were truly impressive.

As for the website look and complexity evaluation, bad was given for the most primitive web design; neutral was the mark, if, while a website looked simple and unburdened, it was visually and functionally comfortable; good was the mark, if a website was not simply visually and functionally comfortable, but was exceptionally comfortable and was easily distinct from other sample websites, and did not create any challenges in browsing through the website.
Landscaping construction work types group brings details on the construction capabilities of the sample companies. This group was narrowed down, since other landscaping products and services were all the same among companies, and this group determines how complex a project by that company could be.

4.3.2 Companies’ websites. Compound results of the comparative analysis.

Graph 4.2.1 Product and service types offered by the selected companies

As we can see from the graph, there are many types of products and services offered in the landscaping industry. According to our sample, excluding the option "others", "Projects" and "Landscaping" both rank as the most popular services provided by those landscaping companies. “Maintenance” service comes as the second most popular services after "Projects" and "Landscaping", according to our sample.

Graph 4.2.2 Specialization fields
The graph describes apparently that the private cottage yards rank the first in specialization group among those landscaping companies. Other specialization include construction works, protection of eco system and landscaping design.

Graph 4.3.1. Quality of supporting encyclopaedia materials and scientific information

Supporting articles, glossary, news, product descriptions, etc.

Graph 4.3.2. Quality of portfolio/ works image gallery
Graph 4.3.3. Quality of websites’ outlooks

The first graph, which concerns “Supporting articles, glossary, news, product descriptions” suggests with approximation that the three elements are distributed evenly.

The second and third graphs all indicate that "Good" takes the biggest proportion and "Bad" takes the least. As we can see from the graphs concerning the portfolio and website looks and complexity, the majority of the landscaping companies have very impressive websites from the design perspective. Therefore, it is very appealing that Nasto Polar will have to involve an experienced web designer to develop a company website targeted at the Russian customers, or a section of the upcoming web portal, in order to make a good impression for potential dealers or partners in the Russian market.
The price range analysis for the given research has a rather theoretical value rather than a practical one, as stated before. The price range graph is very clear in showing different price ranges. Most of the companies provide data in Rubles/m², which takes approximately 49% among all. One of the first conclusions for this parameter is that the selected websites of the target market companies in general do not provide the detailed data regarding their pricing on the products and services. While some of the websites do provide pricing per project, some companies provide price range information per project, but do not provide any specifics and other companies give pricing per m² or per cube meter for certain product and services categories, many companies still do not publish any form of information on pricing. Several sample companies out of 37 selected for the research had a full price list on their major products and services. Those companies are included into the ones which have shown data for the price range per m². When looking at the graph in the Appendix 2, which tells about all the data gathered from the selected companies’ websites, it is appealing that companies which publish detailed price lists where it is possible to derive the information about the price range per m², also perform well regarding other criteria at the data analysis. That intermediate remark leads to thinking that possibly there is a correlation between providing best amount of data about the companies and the general outlook of a company in terms of how those companies care about customer knowledge and public relation.
The bar chart describes the distribution of types of landscaping construction work. As we can see, "Paving" work type is the most common in this group. 35 out of 37 companies provide "Paving" landscaping construction work. The "Water system" is the second most common type. The rest of the work types include "Architecture", "Lighting", "Fencing", "Facing" and others. This can be interpreted so that the landscaping companies in St Petersburg tend to offer at least the essential landscaping construction work types, although they also tend to offer all other complimentary construction works associated with landscaping. As a result of this information, it is possible to conclude that in order for Nasto Polar to appear as an efficient contender at the target market, the competitive advantage would have to be something else rather than rare products and services categories. Such advantage could be in a form of exporting some rare trees and plants, as mentioned before in the results of the interviews.

5 CONCLUSIONS
The conclusions explained below should provide a general understanding of the target market and what are the things to be considered in making the final decision regarding whether to export to the target market. Evidence obtained through the data gathered in this study suggests that despite a need to gather additional information and the lack of certainty in the perceived plans of the exporting company, a preliminary decision can be made, especially concerning the nature of the market.

5.1 Pros and cons of exporting or distributing at the target market in Saint Petersburg

The points below and Figure 5.1 describe arguments for and against the decision to enter the target market. This decision appears to be a very controversial step for the client company. There is no big argument which will put the weights heavily in favour of either direction. There are a number of possibilities concerning the market but there are also a number of challenges to be faced when entering the market which effectively offset the attractive points. With further calculations on such matters like pricing strategy and desired exporting quantities, a deliberate procurement on exporting operations can be planned.

**Pros:**
- The market is big (amount of companies)
- Might have an competitive advantage on product quality,
- Might have competitive advantage on available product and services offerings
- The Russian market can be a starting point to get access to other eastern European countries
- Potential bulk size orders (Anonymous 2012, Karelia Gardens Ltd)

**Cons:**
- Local companies are not so eager to work with foreign companies (response period to suggestions and email inquiries, disbelief in organizing customs and finding attractive prices),
- Finnish prices appear to be higher than alternatives (Anonymous 2012, Belyi Sad Ltd),
- The need of adequate specific knowledge to do business with Russians
- Prices might have to be set lower (Anonymous 2012, Belyi Sad Ltd)
- Trading legislation restrictions: taxes, customs fees, commissions (Anonymous 2012, Belyi Sad Ltd)

Figure 5.1. Pros and cons for entering the target market
5.2 Export marketing promotion and communication decisions

The “push” strategy is unlikely in the given case, considering the high cost of products in the client’s company (Vesikallio, 2012), the average cost of a project in Nasto Polar is relatively far from perceived costs at companies in St.-Petersburg. The “pull” strategy seems much more accurate, with the implementation of either direct selling to the final consumers, or through close B2B connections, for example a local distributorship. On the other hand, firms we possibly want to sell do not need much of our advice, unless it is something totally new as a product to them. That is a good and a realistic deal in theory, because local customers of St. Petersburg landscaping firms like exotic or rare trees and plants (Anonymous 2012, Karelia Gardens Ltd). There is a culture of showing and exposing prosperity and success, including garden projects at private vocational properties (Anonymous 2012, Karelia Gardens Ltd).

The comparative analysis of the target market companies through their websites has shown that in order to achieve great results regarding promotion and communication, Nasto Polar will have to take into account a number of aspects. Most of the sample websites show great web design with vast features. Attractive high quality image galleries and full disclosure of existing information about the company together with assisting supporting encyclopaedia materials is what will be expected from a successful landscaping firm in Russia. Therefore, if the
exporting company wishes to achieve a great corporate image from potential Russian customers when it comes to a website, a dedicated work on web design is considered essential.

5.3 Concluded environmental characteristics.

Considering the interviews made in St.-Petersburg, where the CEO of the client company was also present and participated in the discussions, Nasto Polar Oy is not yet fully committed to explore all the details and narratives for the given exporting plans. Despite having vast resources and capabilities to provide for the target market to get closer to implementing exporting plans, the target market is not a top priority for Nasto Polar at the moment.

The market is very competitive with many competitors in the market. The legal environment does not pose a threat to the existing plans, but does demand separate and focused considerations, and does appear to concern the interviewed companies to a large extent, meaning that this party wants to deliberately think through the corresponding terms and conditions.

The target market appears to be accessible, the interviewed companies are aware of the fact that landscaping products and materials are already represented in St.-Petersburg, but the assortments are not well known to the interviewed companies. Considering the Russian market as a whole, St.-Petersburg area is the most convenient and accessible territory for Finnish landscaping firms, since not only it is close to the border, but it is also the second biggest city in the country, and that leaves a lot space to occupy for potential trade. In addition to that, the tremendous demand for landscaping products and services is there, according to the interviews, and the variety of desired projects and product titles involved is enormous (Natalia Bender’s landscaping studio Ltd, 2012).

As for customer exposure, there is little concern over how to make potential customers familiar with what the exporting has to offer. Apart from logical channels such exhibitions and fairs, the companies contacted during the interviews reacted rather quickly in a matter of organizing in-person interview discussions. One of the three meetings with companies was accompanied by a visit to that company’s tree and plants nursery, where their customers are free to select desirable products. This leads to thinking that if a wider sampling of companies from the market will be selected in order to further investigate exporting opportunities and share knowledge between companies, there should be chances to deduct additional information. Moreover, during the analysis of the sample companies’ websites, many companies possess
great facilities open to public where they expose the full assortment in a form of a store or trading market. Promotion adaptation is discussed in the previous part of this study.

6 CONCLUDING REMARKS

The theoretical part was based on the theories studied, ie international marketing and export management, which featured such elements like strategic decision making, market research design, market entry methods and the overall guidelines on how to deal with a new foreign market together form the business perspective. The proposed theoretical framework made me able to deduct key factors to look at when considering how to explore a foreign market.

The empirical research is structured on the combination with the theoretical part. The practical comparative analysis shows how the theories used can be applied for a real life case of export plans prospecting.

The given study of export marketing techniques and prerequisites to be made when expanding a company to a new foreign market as a whole resulted in a relatively precise but specific analysis and evaluations for export decision making. Since the conclusions were made and results were interpreted to produce a pros/cons model, together with mentioning the main characteristics of well-rated companies in the sampling, the objectives are considered to be met.

6.1 Implications of the study

Both parts of the study, the suggested theoretical framework and the empirical research were used in order to assist management of the client company, Nasto Polar Oy, in assessing and exploring the export opportunities and environment at the target landscaping market in the St.-Petersburg area in Russia.

The theory applied in the research should guide or give additional direction for further considerations in the target market for the client company. Based on the given theory, the client company should be able to conclude what forces affect the market, how further research may
be structured, and what should be the possible additional environment to consider when going deeper into understanding the market.

The results of the research should give grounds to the management of Nasto Polar Oy on whether the target market is worth entering, on what terms, and what to expect when operating in it. The results provided should tell the client how the company may wish to construct a web site, web portal or an online shop targeting the market from the design perspective regarding features and information provided in order to succeed in the market. In addition, the given research should give headlines on the form of the possible partnership with the market companies, partnership’s conditions, terms, and main wishes from the view of companies in the market.

6.2 Subject for further study

Further study could investigate the potential obstacles for the given export plans from the logistics or administrative barriers point of view. More detailed research on terms required to establish a distributorship partnership with any companies in the target market or how to present attractive terms for this partnership could be another attractive direction to continue after the current study. Considerations on how to restructure pricing of the client company to best fit the requirements of the target market is one more prospective direction for further study.

Logical continuation of this study is foreseen to be in a form of the implementation strategy, which will include taking each point of the data obtained in this research, and then outline ways of applying the data to the needs, wants and abilities of the client company.

6.3 Quality of the research

The research was based on the results of in-depth interviews in combination with secondary data available on the corporate websites, and grouped and sorted in the progress.

Primary data obtained by qualitative research method has its limitations such as the fact that three companies interviewed do not necessarily share all the same views and opinions of hundreds of companies operating on the market. All the interviewees presented similar opinions themselves, and the selected companies’ representatives were interviewed neither at the same location, nor at the same time. Still, those interviewees’ feedback could be subject to validity
or reliability, because they had the ability to manipulate this information in order to give enough grounds to doubt expediency of exporting or doing business in the market. Regardless, the representatives met had a full chance to negotiate on any potential benefits resulted from cooperating with Nasto Polar and no limits for discussion during the interviews.

Logical limitations of the secondary data include limitations associated with small sampling, ie lack of sight regarding the rest of the market. However, there were clear trends in the analysis, such as common specialization and available product and services types, and the conclusions on the analysis are confirmed by the same information given during the interviews.

6.4 My own learning perspective

This bachelor thesis provided me with a chance to look at a business opportunity from a multitude of perspectives used by an organization in question. I was able to act on behalf of Nasto Polar Oy and preserve the interests of the company. Due to the personal conduct of the meetings used in this work I have significantly improved as a business negotiator and interpreter. The given work also gave an experience to access a strategy in real life and affect corporate decisions with the information explored, thus acting as a type of business simulation model giving me a case for visioning how such a strategy can be planned, implemented and executed. The research enriched my knowledge, since as a result of it I have a good understanding of how I would have worked and planned exporting plans if I happened to be an integrated part of an exporting company.
REFERENCES

Articles


Books


Electronic sources


Interviews

Anonymous 2012¹. Director of Karelia Gardens Ltd. Interview 11.09.

Anonymous 2012². Director of Belyi Sad Ltd. Interview 11.09.

Anonymous 2012³. Director of Natalia Bender’s Landscaping Studio Ltd. Interview 12.09.


¹ Firstname and Surname were not disclosed
² Firstname and Surname were not disclosed
³ Firstname and Surname were not disclosed
### Company websites comparative analysis

<table>
<thead>
<tr>
<th>Website</th>
<th>Company name</th>
<th>Products and services types</th>
<th>Price range for landscaping works (rubles/m² or absolute range)</th>
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Appendix 2

Interview framework

1. What are the main products and services sold on the Saint-Petersburg landscaping market?
2. How to succeed on the local market?
3. Are there possibilities for distributorship partnership between Nasto Polar and the local market companies?
4. How could potential distributorship partnership between two involved markets be arranged?
5. What products or services categories of Nasto Polar would be of interest to the local companies?
6. What could be Nasto Polar advantages on the target market?