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INTERNATIONALIZATION PLANNING

The German market analysis for Alkuvoima
East Ltd.

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DESCRIPTION

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Abstract The study is focused on estimating the potential of the digital marketing market in Germany, and formulating the recommendations for the small-sized Bulgarian-Finnish digital marketing agency Alkuvioma East Ltd. in respect of the company's potential entry in the German market. The primary aim of the research is a comprehensive analysis of the market that covers the study of the market size, demand, competitors and customers. The company itself is also subjected to the analysis with particular attention paid to its competitive advantages and their applicability in the target market. Based on the results of this analysis combined with the conclusions about the digital marketing in Germany, the optimal entry mode is identified. Four conducted interviews, three of which were with the representatives of the German digital marketing agencies, provided valuable information directly from people who have experience in the target sphere, and contributed to increasing the reliability of the research. The study answers the stated research questions, so it can be a practical guide for the digital marketing agency planning the entry in the German market. The theoretical part includes three chapters. The first one describes the internationalization process in details. The subdivision of the chapter into the smaller parts in chronological order (motives-phases-entry modes) should contribute to a better perception. The second chapter contains concise theory about the key elements of a strategic marketing plan, and the third one describes SLEPT analysis that is a method of the thorough target market research and analysis. The empirical part begins with a detailed analysis of Germany as a desired market for businesses in general, gradually transitioning then to the consideration of the digital marketing separately. This part of the research is done first of all in relation with Alkuvoima East and its competences. The empirical part ends with the subchapters that were originally the main objectives of the research: the advantages and disadvantages of the German market are analysed, and the entry mode analysis is finalizing the research.		
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1 INTRODUCTION

This chapter is intended to identify the background of the research and formulate the research questions. The answers to the stated questions can be found in the following chapters, and they are based on the results of the systematic study involving the collection of information, its analysis, comparison of conclusions drawn from different sources, and determination of the outcome on the basis of critical assessment.

The desire to increase profits, diversify risks and avoid stagnation is the key factor pushing companies towards internationalization. The internationalization is a complex multistep process that requires a large amount of physical, financial and time resources. Careful formulation of the internationalization reasons and goals is required before physically beginning the foreign market entry process. After the reasons and goals are determined, the company can start developing a strategy, conducting market research and miscalculating possible options in conformity with the stated internationalization goals.

This study is written for the company that has achieved a certain success in the markets where it is currently operating, and that is seeking for the possibilities to expand further. Alkuvoima East Ltd. is an international digital marketing agency that is currently present in the Bulgarian, Finnish and Italian markets. I worked at this company as an intern from June till November 2012, and this has greatly contributed to a better understanding the nature of the company's success, its motives for the internationalization and the objectives stated.

Alkuvoima East is interested in entering a relatively large market with high level of the technological development and good financial indicators of the digital economy performance. As the targeted market should be some European country, the company has narrowed the list of the possible entry options up to the three countries: Germany, Sweden and United Kingdom. Due to the fact that the choice between these potential markets is not obvious, Alkuvoima East decided to examine each of the three markets. I was given the task to explore one of them, and I chose Germany as, in my opinion, it potentially has the highest chances to be chosen as the target market.

Since the process of entering new markets involves high risks, Alkuvoima East has split the research of each of the three countries in several stages. This research represents the first stage of the German market study. In this context, the main purpose of the study is not giving a definite final answer to the question whether to enter the analyzed market in the near future or not. The aim is to study the German market to such an extent that it becomes possible to determine with certainty, whether the market retains its original appeal after much more detailed analysis or not. If a positive response is given on the basis of the analysis, Alkuvoima East will proceed to the further market elaboration.

Thus, the primary objective of the study is to gain useful background information about the German market and the potential of the digital marketing in the country. That information can be used by Alkuvoima East for the purposes of the further market research and elaboration of the entry strategy. Besides, there should be given a reasoned advice in the form of recommendations, whether the company should enter the German market or not. If the answer is positive, then the optimal entry mode should be also determined.

In order to reach the desired objective, the following research questions have been formulated in cooperation with Alkuvoima East:

- What are the distinctive characteristics of the German market and of the digital marketing market in particular?
- What are the company's competitors in the German market?
- What is the level of demand in the digital marketing sector?
- What are the reasons to invest in Germany and unfavorable aspects of taking this decision?
- Which entry mode should be selected for the German market entry?

The study can be conventionally subdivided into three main parts. The next three chapters after the introduction study the theories applied to the stated research questions on the basis of the literature review. Then the theoretical part is followed by the chapter which describes the chosen research design and includes a description of the selected research method in combination with explaining the reasons for the choice made. The sixth chapter is the most important one in the study, as it contains the re-

sults of the conducted research. This chapter is followed by the concluding remarks, bibliography and appendices.

2 INTERNATIONALIZATION OF A COMPANY

This chapter is aimed to describe the main stages of an internationalization process. The internationalization can be basically described as a process of increasing involvement in international operations (Buckley & Ghauri 2006, 85). It is a complex multi-step process that requires sufficient data collection, research and analysis. In this chapter, the description of the internationalization is started from the basics. Motives for beginning the process are described first, continued with listing the phases of the internationalization. Then the modes of foreign market entry are thoroughly analyzed by means of explaining determinants, continued with dividing the modes into five main types and characterizing each of them.

2.1 Internationalization motives

Being the main motive for doing business in general, the fundamental reason for the firms' internationalization in most cases is making profit. Nevertheless, one single factor almost never accounts for the decisions taken in business. Most often, the decision to go international is motivated by a range of factors which can be basically differentiated into proactive and reactive motives. The proactive motives apply when the company is pushed to the internationalization from inside, meaning the internationalization is a part of the strategic development. Usually, these motives apply for successful companies that have strong positions on domestic markets and are ready for an expansion. In the case of the reactive motives, the companies respond to environmental shifts by changing their activities. The main reason for the internationalization process then is home market pressure, when the company is forced to enter foreign markets because of the failure to survive on the domestic market. (Hollensen 2007, 42; Czinkota & Ronkainen 2010, 278.)

TABLE 1. Proactive and reactive internationalization motives (based on Hollensen 2007, 42)

Proactive motives	Reactive motives
<ul style="list-style-type: none"> - Profit and growth goals - Managerial Urge - Technology competence/Unique product - Foreign market opportunities - Economies of scale - Tax benefits 	<ul style="list-style-type: none"> - Competitive pressures - Small and saturated domestic market - Overproduction - Excess capacity - Extend sales to seasonal products - Proximity to international customers

Table 1 is listing the key motives for beginning the internationalization process. Each of them is explained and analyzed further in this chapter.

2.1.2 Proactive motives

Profit and growth goals

The desire to increase the company's profits provides the strongest stimuli for its internationalization. Managers consider foreign markets as a key to generate higher profits due to potentially higher profit margins and added-on profits. Nevertheless, the company's attitude towards the international growth may change later, as the gap between perception and reality is often large, particularly when the company has not previously engaged in the international activities. The reasons why the perceived profitability from international operations differs much from the actual profits are such factors as high start-up costs or insufficient market research. Besides, there are some factors that arise in international sales only and cannot be taken into account in advance. For example, those are sudden shifts in currency exchange rates that may negate the careful strategy planning based on the market evaluation. (Hollensen 2007, 43; Czinkota & Ronkainen 2010, 279.)

Managerial urge

Hollensen (2007, 43) states: "managerial urge is a motivation that reflects the desire, drive and enthusiasm of management towards global marketing activities." The internationalization process of the company can be management driven, and the reason for

that is the interest of managers in working at an international company. Taking part in global marketing activities is simply more interesting for the managers, as it includes more diverse tasks and responsibilities. Besides, the desire to further the company growth is a distinctive feature of a well-motivated manager. Another stimulus is that the internationalization implies an increased number of business trips to other countries, and many managers are interested in international trips at the expense of the company. Those managers who were either born in a foreign country, had an experience of living and travelling abroad, or worked previously for an exporting company are expected to be more internationally minded and thus more interested in entering new markets. (Hollensen 2007, 43.)

Technology competence/unique product

A unique product or technological advantage can be another major reason for the internationalization. This advantage occurs when a company produces goods or services that are not widely available in foreign markets. If products or technologies are unique, they certainly provide a significant competitive advantage. Still, even in this case, the company should make a proper market research. First of all, real and perceived uniqueness must be differentiated accurately. Many companies believe they offer the only product in the segment, though it might be relevant for their domestic market only, but not internationally. Secondly, if the product or service is really unique, it must be considered how long the advantage will last. Firms should take into account an increased creativity of competitors, fast-developing competing technologies, and the lack of international patent protection. Nonetheless, if the company successfully developed unique competencies in its domestic market, then the opportunity costs of elaborating unique assets to new markets will be relatively low, and thus the possibilities of expanding these assets internationally may be very high. (Czinkota et al. 1999, 368; Hollensen 2007, 44.)

Foreign market opportunities/market information

Sometimes outstanding opportunities for companies looking to expand internationally are driven by the speedy growth of certain overseas markets. A good example is South-East Asian countries which attractiveness is based on their economic successes. Usually, decision-makers consider a limited number of foreign markets for the poten-

tial entry when planning the internationalization of the firm. Furthermore, most often those markets, which are perceived to be more similar in terms of opportunities compared to the firm's domestic country, are considered as the highest priority for the first-time expansion. (Hollensen 2007, 44.)

Another proactive motivation may be special knowledge about foreign markets or customers. This advantage can result from thorough in-depth research, particular company insights or individual informants of decision-makers who provide them with the information that is not available for other firms. These factors provide additional motivation for entering the market, but they will remain an exclusive advantage over the long time period only in case the company succeeds to make the international information advantage an ongoing process. This can be achieved by continuous broad market scanning or ensuring the informational exclusivity on a long run. Otherwise, after a while competitors can be expected to overtake the informational advantage. (Czinkota et al. 1999, 369.)

Economies of scale

It may happen so, that due to the nature of small- and medium-sized enterprises, economies of scale cannot be generated only by serving the domestic market. If it is not possible to generate the economies of scale in the domestic market, and this factor is of high importance for the company's success, then it may be the key stimulus for the beginning of the internationalization process. Increased sales of goods due to entering foreign markets enable the firm to increase its output and considerably reduce production costs per unit. Therefore, the internationalization may facilitate the company in becoming more competitive in the domestic market as a consequence of an increased production and thus reducing the cost of the production for the domestic sales. The cost of production gets lower along with an increase in the manufacturing volume, as fixed costs (facilities, equipment, administration, and R&D) are spread then over more units. These factors often result in the market share becoming a primary objective of companies. (Hollensen 2007, 44-45.)

Tax benefits

Last but not least, tax benefits can also play a major stimulating role. Domestic governments are often offering tax benefits for exporting companies to encourage their growth. The benefits may result either in a lower cost of the company's products in foreign markets, or in an accumulation of higher profit as a consequence of preferential tax treatment. Nevertheless, it is necessary to take into account that there are some international agreements created with the purpose of protecting local producers from foreign companies selling their goods in the market at a very low price. A good example is antidumping laws enforced by World Trade Organization (WTO), meaning the countries that have signed the WTO agreement must obey these laws. (Hollensen 2007, 45.)

2.1.2 Reactive motives

Competitive pressure

Competitive pressure is a good example of reactive motives for the internationalization, when companies respond more to environmental changes and pressures, rather than build a plan for further expenditure after the success in the domestic market. Competitive pressure stimuli occur when the firm fears losing its domestic market share and profits due to its competitors gaining power. One of the reasons for their advantage over the company may be economies of scale resulting from successful international business activities. To remain competitive, the company in its turn should reduce the price per unit produced, and internationalization can be considered as an optimal solution then. Besides, the firm may be pushed to enter foreign markets by those competitors who decide to focus on these markets. It is considered in most cases that maintaining the market share is less problematic for those companies which were the first to enter the market at the moment of low competition and thus gained a significant share without undue costs. Thus, the fact that competitors are entering a foreign market may push the company's management to take a decision to enter the same market in a short term. However, they should take into account that quick entry without developing a detailed strategy and conducting appropriate market research often ends up with insufficient results and a quick company withdrawal from the market. (Czinkota et al. 1999, 370; Hollensen 2007, 45.)

Small and saturated domestic market

Another reason for entering new markets is a small potential of the home market. For example, in some segments there are specific industrial products that have a limited amount of easily identified customers located all around the world, or specific goods consumed by national minorities in many countries. In this case, domestic markets are not able to provide companies with sufficient economies of scale and scope, and then firms are forced to internationalize in order to stay competitive and profitable. (Hollensen 2007, 46.)

A saturated domestic market is determined by either a corresponding sales volume or market share. According to the product life cycle theory, at some point the product reaches the declining stage of its life cycle in the market. Then the company has two options: it may attempt to push back the product life cycle process, or prolong this cycle by offering the product in new markets. The practice of bringing the product to new markets during the process of its gradual obsolescence in the original market is still prevalent. The reason for that practice is an unequal level of markets development throughout the world. While customers in the industrialized markets attain the sophistication from the product, customers in many developing countries only gradually reach the level of its need. In such cases, the company can start selling the product in developing markets, thereby significantly prolonging its life cycle. In addition, the saturation of the market followed by stagnation or decline of demand signifies that inner unused company's productive resources, such as a production or managerial slack, exist. The production slack appears as an incentive for entering new markets, and the managerial slack can provide the knowledge resources base by collecting, interpreting and applying information about potential entry markets. (Hollensen 2007, 46.)

Overproduction/excess capacity

If the sales of the company goods on the domestic market are significantly below the expected level, the problem of excessive idle inventory might arise. As it means a loss of money in the long run, this situation may be an incentive to start exporting via short-term price cuts on exported products. In this case, with the recovery of demand in the domestic market global marketing activities are reduced or even terminated.

However, the re-use of such a strategy can be problematic for the exporting company. Many foreign customers are interested in long-term business relationships, but not in those that are unstable and/or sporadic. This reaction from abroad may lead to a decrease in the company's export motivation. (Hollensen 2007, 46.)

Nevertheless, in some cases excessive capacity may be a strong impetus for the global marketing activities. If the production equipment is not fully utilized, the company's exporting activities may be regarded as a perfect opportunity to distribute the fixed costs broader. If all the fixed costs are tied to the domestic production, the company can enter foreign markets with a product pricing scheme mainly focused on variable costs. Despite the fact such a strategy can bring the initial high sales in foreign markets, it is not very profitable for the company in the long run. First of all, selling products abroad at a lower price than on the domestic market may cause parallel importing. Secondly, the fixed costs should be gradually recovered to replace the inventory when it gets obsolescence. Thus, organizing exporting based on variable costs alone is not practicable in the long run. (Hollensen 2007, 46.)

Unsolicited foreign orders

In some cases, there are situations when not a company is looking for foreign customers, but they are the first to show interest in the firm's products or services. Inquiries from overseas may be caused by publications and advertising in magazines that circulate worldwide, by participation in various exhibitions with foreign visitors and by some other means. As a result, a significant amount of unsolicited orders may form, and that will lead to the beginning of the company's export activity. (Hollensen 2007, 47.)

Extend sales of seasonal products

Seasonality in demand conditions varies from market to market, and the main reason for that are climatic differences and various time of seasons' changes depending on the geographical location of countries. The aim of stabilizing the demand for the company's products throughout the year may be a fundamental incentive for foreign markets exploration. For example, it is summer in the northern hemisphere when winter is coming to the southern hemisphere. Therefore, a European producer of diving equip-

ment that primarily has demand at the domestic market in the spring and summer time may start exporting to Australia with the purpose of achieving a more stable demand on its products. (Hollensen 2007, 47.)

Proximity to international customers/psychological distance

Physical and psychological proximity of foreign markets may encourage the company to the beginning of international business activities. The geographical closeness of the market means lower costs for the products delivery and makes it easier to visit the market with the purpose of investigating it and acquiring business contacts. The psychological closeness allows companies to save money on products adaptation and study of customers' preferences. This internationalization stimulus is well applicable in Europe where the countries are situated close, and the difference between markets is predominantly minor. For example, German firms that are situated close to the border with Austria may not even consider exporting to this country as an international activity. It is rather perceived simply as an extension of domestic activities, without paying attention to the fact some of the products go abroad. (Hollensen 2007, 47.)

2.2 Phases of internationalization

Depending on to which extent a company is operating in foreign markets, it passes one of the five phases of marketing evolution:

1. Domestic marketing

Domestic marketing is related only to the marketing practices that a company is going through in its home country. Before entering international markets, most enterprises focus solely on their domestic markets. The company's strategy is based then on diverse information about the local market, including domestic customer needs and wants, industry trends, and the home country's level of economic, technological and political development. On the contrary, domestic marketers pay little attention to the changes in the global marketing place. They also tend to be ethnocentric, where ethnocentrism means that the firm is preliminary concerned with its viability and legitimacy only in the home country – the market where all the strategic company's actions are taking place. Such firms concentrated on domestic marketing might be highly vul-

nerable to the changes caused by an increased competition from international companies entering their home market. (Onkvisit & Shaw 2009, 7; Kotabe & Helsen 2009, 4-5.)

2. Export marketing

Export marketing does not usually begin as a result of thorough and deliberate elaboration of an expansion strategy. At some point, the company operating only in its home market may receive an unsolicited order from a foreign customer. Despite the fact it may be performed reluctantly, at this stage the company gets the first international experience and starts gradually learning the benefits of marketing overseas. Due to the greater uncertainty in international business, lack of knowledge about international marketing activities and higher cost of information, at this early exporting stage companies tend to engage in indirect exporting. Firms prefer export management companies or trading companies to be the intermediaries between them and foreign customers. (Kotabe & Helsen 2009, 5-6.)

Some companies proceed to the next step of the internationalization by getting involved in direct exporting. Nevertheless, as firms that were operating in the home market only before face many new challenges such as restrictions of the host and/or home countries on importing and exporting, issues of shipping organization and its cost, currency fluctuations and others, they usually switch to the direct exporting only after various internal conditions are satisfied. In general, export marketers still tend to be very ethnocentric and perceive foreign markets as an extension to their home market. The export products are most often a result of limited adaptation in accordance with foreign needs of the goods produced for the domestic customers. (Kotabe & Helsen 2009, 5-6.)

3. International marketing

The stage called international marketing is taking place when exporting marketing becomes an integral part of a company's marketing activities and the firm begins to seek new directions for further growth and expansion. The principal difference from the export marketing is a polycentric orientation of the international marketing with the firm's predisposition to adapt the product and its promotional strategies for foreign

countries in accordance with their individual cultural differences. Thus, all the strategic decisions are tailored to suit the needs of the foreign market. As the market share of the firm in some foreign country reaches a certain point, the company may consider further steps for a more successful competition with local enterprises. These steps may be allocating a certain portion of the company's manufacturing capacity to its export business, or even beginning manufacturing locally. (Kotabe & Helsen 2009, 6.)

4. Multinational marketing

The term 'multinational' applies to those companies that operate and sell their products or services in many countries around the world. Managers enjoy the benefits of economies of scale achieved by the consolidation of some company's activities on a regional basis. Still, due to economic, technological and political differences the product planning may be standardized only within the region (for example, in the European Union), but not across the regions. In order to develop the regional image, international companies often develop local brands that contribute to a better product perception by local customers. (Kotabe & Helsen 2009, 6.)

5. Global marketing

At this stage, the companies are operating globally, meaning in most countries all around the world. This allows the firms to achieve sufficient reduction in products cost due to an increased level of total production and thus a lower spending on each produced good. Furthermore, global operations give opportunities for the products, services and brands transfer across the company's national and regional subsidiaries. Opportunities of the firms to operate worldwide are supplemented by the global tendency when the countries are reducing barriers for international trade, as well as by the emergence of global customers. (Kotabe & Helsen 2009, 7.)

2.3 Modes of entry to an international market

“International market entry modes refer to the methods of business organization employed by companies to enter international markets for the purpose of undertaking value-creating activities. They represent the formal mechanisms and relationships employed in cross-border activities. Since they refer both to the initial entry into a for-

eign market and the subsequent development in that market, a more accurate term is ‘international market entry and development’.” (Jones et al. 2009, 7.)

The choice of an entry mode depends on such factors as availability of resources, country-specific or location advantages, the need for control, firm-specific resources advantages, internal coordination or administrative advantage. The choice of the entry mode is also important because different companies prefer different levels of involvement in the international business operations. If the firm favors a low involvement level, then it could prefer the exporting mode in cooperation with intermediaries. For those firms that have enough resources and that are in favor of the maximum involvement in an international business, a direct investment is an optimal choice. Nevertheless, even in this case, the company may go for different entry modes or to other markets if the host country environment does not meet the conditions for successful investing. The choice of entry modes depends on a number of factors including the company’s goal, its strengths and weaknesses. (Sharan 2011, 28; Ireland et al. 2009, 157.) An inappropriate market entry mode may result in major financial losses and lost opportunities, as well as limit the range of further strategic options (Ekeledo & Sivakumar 2004, 68).

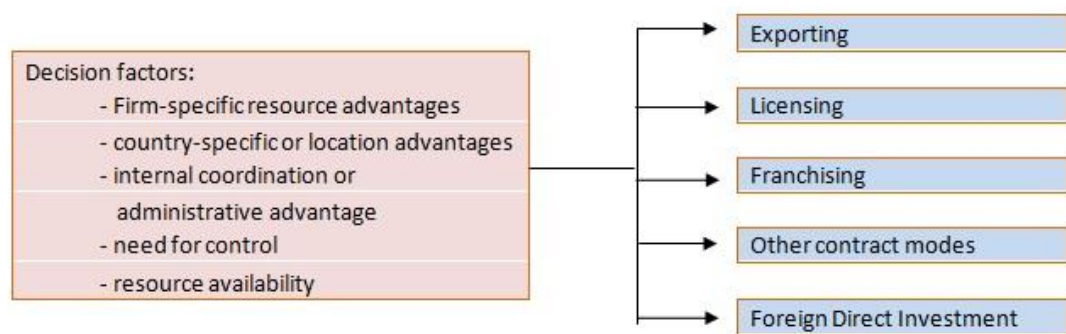


FIGURE 2. Decision factors and international modes of entry (based on Ireland et al. 2009, 158)

The classification of the market entry modes varies greatly depending on the chosen source. In this study, the classification is based on the model that is visualized in Figure 2.

2.3.1 Determinants of entry modes

According to Sharan (2011, 28), there are four major factors determining the entry mode choice a company should make:

1. Subservience of the company objective

In the case the company's internationalization goal is simply earning profits, and it is not necessarily required to maintain control over the entire business process, trading activities only will best serve its purpose. On the opposite, if the control over the operations is the primary objective, then an investment entry mode and especially a wholly owned foreign subsidiary are the optimal options. Thus, a particular mode should be selected in correlation with the company's public and private objectives behind international business.

2. Corporate capability

The company's objective and the entry mode choice should be supported by the company's capability to turn the plan into action. If the firm is in a precarious financial position and is not strong enough to make sufficient investments abroad, then despite any objectives it is not recommended for the firm to make such an investment. Thus, in addition to the internationalization motives, the chosen entry mode is also largely dependent on the capability of the company.

3. Host country environment

The host country environment significantly influences the entry mode choice, as it includes a large number of the factors requiring a detailed study. They are cultural differences, economic situation, political and legal environment, technological development, regulatory environment, transportation costs and many others. As each of the above mentioned factors separately may determine the success or failure of the company in the target market, firms invest there only after its managers get well acquainted with the values, customs, beliefs, religion and other aspects of the chosen market. Till the time that happens, the firm limits its business to trading activities. If the political conditions are unstable, then it means higher risks and again prevents companies

from large investments. Obstructed legal formalities or even government bans on some types of investment are examples of other factors that drive companies to be more cautious when entering new markets. Besides, the market size of the host country and its growth potential determine the firm's entry mode: if the market is large and continues expanding, then companies prefer a larger involvement through the investment.

4. Perceived risk

Different entry modes involve a varying risk level. Entering the market on a large scale, for example through direct investment, requires more time and resources that results in a significantly increased risk. The strategic commitment to enter a foreign market on a large scale decreases the company's mobility. Committing heavily to one market decreases the amount of the resources that could be used for the expansion in other markets or an elimination of the risks that arose unexpectedly. On the opposite, a small-scale market entry gives the firm a possibility to learn more about the foreign market, gain there the first experience, and collect the required information for potentially more active investment in the future. (Sharan 2011, 28-29; Hisrich 2010, 197.)

2.3.2 Exporting

Usually companies start doing international business through exporting, which normally means shipping and selling the goods produced in one country to the customers located in another country. The company continues to produce its products in the domestic market, but exports some part of the production output abroad. Exporting is the oldest and simplest way of doing the international business. Its growth is primarily attributed to the liberalization of trade taking place both globally and within established trading blocs. World Trade Organization should be mentioned separately, as among other it contributed to reducing tariff rates on most imports, and thus facilitated the worldwide growth of export activities. The most common classification of exporting is direct and indirect exports. (Wall & Rees 2004, 35; Hisrich 2010, 199.)

The primary advantages of exporting are relatively low financial costs of the trade process organization and an opportunity to enter the foreign market quickly. Furthermore, exporting allows the company to enter the market gradually, thus making it pos-

sible for the firm to assess local conditions and adapt the product for the sake of better compliance with the needs of customers in the foreign market. The key disadvantages of this trade method include a low control over distribution and marketing operations in the host country, as well as a high probability of the rapid market loss to competitors. Lastly, the transportation costs of the exported goods may be high, resulting in the products being too expensive in foreign markets. (Hollensen 2010, 335-336.)

Indirect Export

Indirect export takes place when a company sells its goods to intermediaries, which in their turn export the product in either an original or modified form, and sell it to the end-users in a foreign market (Sharan 2011, 29). This method can be used by a firm which wants to gain experience and get the initial response in the international market before committing significant resources to the development of export organization (Grunig & Morschett 2012, 125).

Export houses, confirming houses and buying houses can act in the role of intermediaries which are assigned the export functions:

- an export house: buys products from a domestic company and sells it then in foreign markets on its own account.
- a confirming house: acts on behalf of a foreign buyer and seeks to establish direct contact between the manufacturing company in the domestic market and the foreign customer interested in its products. If the outcome of negotiations is successful, services of the confirming house are paid by the foreign buyer on a commission basis.
- a buying house: is engaged in an activity that is similar with a confirming house, but is more active in seeking out sellers to match better the buyer's particular needs. (Wall & Rees 2004, 36.)

It is important for the company to be aware that the use of intermediaries in business activities carries a number of significant risks. First of all, the company has no control over how the product or service is marketed in international markets. The consequence may be that goods will be over- or underpriced, sold through improper channels, without proper sales support and product maintenance services. That may result

in a significant loss of the product reputation or image in foreign markets, resulting also in the reputation losses of the whole manufacturing company. These factors affect the product sales to a large extent at a given time, and will be reflected in significant difficulties for the company in case of intention to develop its presence in foreign markets in the future. (Hollensen 2007, 313.)

It is especially important for the company which plan is a gradual entry into international markets that using the indirect exporting entry mode it does not establish contacts with foreign markets or make it to a small extent. As a consequence, the company does not get enough information on such important data as the potential of markets abroad, potential sales agents or distributors for the products. Thus, indirect exporting, being the less risky and costly entry method, allows the company a minimal control over when, where, how, to whom and by whom products were sold. However, for many small and medium-sized enterprises with limited resources attracting an experienced exporter is an effective way to expand the business to many countries. (Hollensen 2007, 313.)

Direct Export

Direct exporting is a proactive entry mode and implies greater involvement level of a company into sales and distribution to foreign markets than the indirect exporting (Johnson & Turner 2003, 116). The company sells its products directly to the customer in the target market; the customer can be either a final consumer or an intermediary such as an agent or distributor (Albaum et al. 2005, 295). Furthermore, the manufacturing company does some sales, marketing or services activities or manages the exporting techniques. In comparison with indirect exports, direct exporting mode requires much better knowledge of the target market, in-depth study of customers, expertise on goods distribution, increased time expenditures, and higher capital investments. (Terpstra & Sarathy 2000, 385.) At the same time, the return on investments is expected to be higher. It is a consequence of better knowledge of customer needs and demand, increase in control over the product appearance and more effective after sales services, which ultimately lead to increased sales (Johnson & Turner 2003, 117).

The direct exporting is classified depending on the chosen type of a foreign partner. Two general types of partners used for sales in host markets are agents and distribu-

tors. The major difference between them is various degrees of credentials. While an agent is an individual or a firm in a foreign market that makes the international sales on behalf of the manufacturer, a distributor is an organization that acquires the right on the product and sells it then to final customers on its own. To a certain extent, the agent can be even considered as a representative of the manufacturer in the foreign market. The agent usually does not determine the price on the product, but simply quote the price directed by the manufacturer. Besides, the agent most often does not hold product inventories in the foreign market, and the products are shipped by the manufacturer directly to customers. (Terpstra et al. 2011, 8-8.)

Historically, manufacturing companies had to rely on agents or distributors to conduct business sales in foreign markets. Due to falling trade barriers and fast technology development, first of all regarding the Internet, that is no longer a prerequisite of a new market entry. Opportunities of manufacturers to sell their products abroad directly to end customers, avoiding agents and distributors, increased significantly. This way of sales is most commonly termed direct sales or B2C (B-to-C, business to customers). This sales method is beneficiary for the manufacturer as it saves the money that would be otherwise paid to intermediaries. Besides, retained profit allows the company to sell its products to foreign customers at lower prices. Nevertheless, direct sales may be ineffective, as excluding intermediaries from the sales chain the manufacturer takes full responsibility for the sales process. Thus, it has to handle such components of an international business as logistics, training, payment and repairs. (Terpstra et al. 2011, 8-9.)

The choice of the direct exporting type depends on the product, industry, and the buyer needs. High transportation costs may indicate that the goods will be sent to the target market in large quantities for the partial costs reduction. As most likely the buyer would not like to wait for an accumulation of a sufficient number of orders for less costly shipping, inventory in a foreign market is necessary. If some level of the local inventory is required, the use of a distributor is indicated. If the product requires significant training, considerable interaction with the potential buyer or post-sales support, that would favor an agent or distributor over direct sales. (Terpstra et al. 2011, 8-9.)

The direct exporting is more attractive than the indirect exporting for many companies primarily because it offers much greater control and feedback. Even if a manufacturer is using services of an intermediary, most often agents and distributors consult on the key aspects with the exporting company. That means a direct involvement of the manufacturer in the international trade and much more rapid accumulation of experience and knowledge about foreign markets. The level of feedback is also much higher compared to the indirect exporting, as the company has the possibility to get information about product acceptance, competition and options for further improvement from the foreign importer. Undoubtedly, there are certain disadvantages of the direct exporting and the main one is higher risks resulting from the greater involvement in the trade process. (Terpstra et al. 2011, 8-9; Wall & Rees 2004, 36.)

2.3.3 Licensing

Licensing is a market entry mode that requires relatively low investments and offers high speed of a foreign market entry. It is based on an agreement of two parties: a licensor and a licensee. (Branch 2006, 491.) In the agreement, the licensor grants the licensee the right to use its intellectual or industrial property in some certain market area over the specific period of time (Albaum et al. 2005, 348). The licensee in its turn pays the licensor for the usage of the property. The payment usually consists of an upfront payment made after signing the agreement and royalties. (Johnson & Turner 2003, 117.) A product or design, patents or inventions, brand name or trademark, know-how on products and processes, marketing skills and more can be under the licensing agreement (Albaum et al. 2005, 348; Daniels et al. 2009, 586). As the licensee is taking over marketing functions in a certain market in addition to the production, it is a complete foreign market presence of the manufacturer for the products covered by the agreement of the parties (Terpstra et al. 2011, 8-16).

For the manufacturer, licensing is an entry mode strategy that requires few or no resources and little if any foreign market knowledge. Besides, this mode gives the possibility to avoid governmental non-tariff barriers and import duty tariffs that encourage more competitive pricing in distant markets. (Branch 2006, 492.) Another advantage for the licensor is that compared to building its own manufacturing facilities in a foreign market, licensing is considered to be less risky in terms of capital losses in case of poor financial results (Albaum et al. 2005, 349). Finally, some advantages of

foreign production also apply here: saving on transportation costs and tariffs, and a better image of the product among consumers due to the local production (Terpstra et al. 2011, 8-16).

The key disadvantage of licensing is a high chance that the licensor establishes its own competitor. Over a long period of the licensing agreement, the licensee may gain enough experience from the licensor and then continue the same business on its own. Thus, the licensor may lose the market and even the neighboring areas to its former partner. This is less likely if strong brands or trademarks are involved in the license agreement. In countries with a low level of intellectual property protection, the company may suffer from piracy when some of its intellectual rights are illegally copied. Another drawback of licensing is relatively moderate financial return: most commonly it accounts for 3-5 percent of the total licensee sales. Furthermore, though no capital investments are required, the licensor must invest its management and engineering time. Finally, another possible disadvantage of this contractual mode is the problem of controlling the licensee. Despite the existence of a written agreement, conflicts may arise during its implementation. The most frequent areas of controversy are the quality control and insufficient marketing efforts of the licensee. (Terpstra et al. 2011, 8-17.)

2.3.4 Franchising

As it is stated in InvestorWords (2013), franchising is a form of business organization in which a company that has already developed a successful product or service (franchisor) signs a contract with other business (franchisee) that start operating under franchisor's trade name and most often with the franchisor's management guidance, in exchange for a fee. Many researches claim that franchising is a form of licensing, whilst Clarke and Wilson (2009, 211) state that franchising is also one type of contractual agreement like licensing is, but still they are separate from each other. The main difference between these two modes is that the franchisor provides not only the right of its property use, but also continuously assists in business performance like marketing planning or quality control (Daniels et al. 2009, 587).

Franchising can be characterized as a marketing-oriented method of selling a business service to other businesses. Frequently the buyers are relatively small independent investors who have a certain amount of working capital, but little or no business expe-

rience at all. Thus, acquiring the right to use know-how and image of well-known brands seems to them as a relatively low risk investment. According to Hollensen (2007, 335), franchising is most commonly subdivided into two major types:

- product and trade name franchising;
- business format 'package' franchising.

The product and trade name franchising involves signing the contract between a supplier and a dealer. The latter buys or sells the franchisor's products using its trade name, trademark and product line. Compared to the product and trade name franchising, the 'package' franchising presupposes a much broader acquisition. Two parties who sign the contract are the entrant (franchisor) and a host country entity that can be either a franchisee or a subfranchisor. The subject matter is called a business package and may include a very wide list of items: trademarks/trade names, copyright, designs, patents, trade secrets, business know-how, geographic exclusivity, store design, market research for the area, and the location selection. In addition to the above mentioned items, usually the business package also provides the franchisee or subfranchisor with managerial assistance that supports the host country entity in setting up and running local operations. Thus, the business package contains most elements necessary for the host country entity to establish successfully a business and run it profitably then in an agreed manner, following the regulations given by the franchisor.

Similar to the licensing entry mode, in return the franchisor gets an up-front payment and so-called 'management fees' that are typically based on a percentage of the franchisee's annual turnover. Even though franchising has much in common with licensing, there are some noticeable differences. A franchise agreement is normally signed for a period of five years and may be extended later, whilst in the case of licensing terms 16-20 years are common. The licensees are usually well-established businesses, and franchisees tend to be at a start-up situation. Lastly, in contrast to the licensing, franchising covers the whole business, and there is a standard fee structure. (Hollensen 2007, 335-336.)

The primary advantage of the entry mode under consideration over the licensing for the franchisor is that it gives a higher degree of control, though also requires little direct investment. Thus, franchising is a tempting internationalization mode for those

companies which do not have sufficient capital for opening their own foreign subsidiaries yet. (Wall & Rees 2004, 40.)

2.3.5 Other contract modes

Aside from licensing and franchising, three other most widespread contract modes are contract manufacturing, turnkey project, and management contract. The contract manufacturing mode involves the contract signing between the company and the manufacturer for the production of its goods in the host country. The goods are manufactured in accordance with the agreed standards and regulations, and are transferred back to the company then. The company in its turn is responsible for all the marketing activities that include sales, promotion, and distribution. (Gillespie & Hennessey 2011, 261.)

The turnkey project agreement, another form of licensing, is taking place when the firm constructs the entire plant in a foreign country and makes it fully operational. The term ‘turnkey’ can be decrypted as ‘turn the key’, as the licensor starts the operation and the licensee gets the key to the plant that is completely ready for the full use. This contract mode is usually signed in the cases when the initial plant construction is more complex and resources consuming than the operational part. The turnkey project agreements are often used in industrial projects for large constructions, such as power plants, airports, railways or telecommunication systems, and they require large investments. The project development part may be a responsibility either of the company itself or of its licensee. The turnkey projects allow firms to specialize in their core competences, whereas that would be impossible without such a type of contracts. (Sharan 2011, 37; Johnson & Turner 2003, 119.)

The management contract means one company supplies the other with managerial expertise. The managerial representatives of the licensor operate in a host country and perform the necessary functions that include product management, recruiting, financial management and training. (Johnson & Turner 2003, 118.) Such contracts are most typically signed as part of the turnkey projects if the licensee firm does not possess sufficient know-how to manage daily operations related to the project. Another reason for the management contract is an unavailability of the desired managerial capabilities in the host country. Both managerial and technical expertise is provided by the licen-

sor. The management contract is a tool for the developing countries to utilize specialized expertise in various areas of their economies. (Sharan 2011, 37.)

2.3.6 Foreign direct investment

“Foreign direct investment occurs when a company invests directly in facilities to produce and/or market a product in a foreign country” (Hill 2006, 235). Foreign direct investment (FDI) is the most demanding and risky of all entry modes, but it also comes with the greatest level of control over the whole production and management process at the host country, and the profits do not need to be shared (Wall & Rees 2004, 41). Three main forms of FDI are joint venture, green-field venture, and acquisition.

International joint venture or strategic alliance mode implies when two or more parties from different countries get together and form a third company in which they share the equity (Hisrich 2010, 203). One of the most widespread motives for forming a joint venture is sharing costs and risks of a project between the parties. This reason implies especially in projects where costly technology is involved. Another stimulus for creating the strategic alliance is obtaining a competitive advantage. The joint venture creation implies the partners providing complementary technologies and management skills to achieve the joint enterprise success, and that may be followed by discovering new opportunities in the existing sectors. Besides, joint ventures are often used by firms as a way to enter markets and economies that restrict foreign ownership. Finally, the existence of an experienced partner in the host country may significantly contribute to the faster market entry. (Hollensen 2007, 339; Hisrich 2010, 203.)

A green-field investment, that is also called a fully owned subsidiary mode, involves the establishment of a wholly new operation in a foreign country from the ground up. The company buys or leases the land, constructs the facility, hires employees or transfers them from the domestic market, and then starts production and marketing operations. While the advantage of the green-field investment is a possibility of thoroughly planning the project and its implementation in a strict compliance with initial requirements, the disadvantage is that it will take time for the green-field venture to be accepted by the market. (Hollensen 2007, 364; Ireland et al. 2009, 158.)

The second option aside from the green-field investment for the firm that decided to establish wholly-owned operations in a foreign country is an acquisition which means the enterprise takes control over a local company in the target market. By acquiring the company, the purchaser gains control over its assets, patents, technology, employees, brand names, and distribution channels. Thus, this entry mode enables a rapid entry in the target market, and if the existing management remains, then it also allows the company to acquire experience in dealing with the local market environment. Acquisition may be the only possible entry mode in saturated markets with very high competition where there is very limited space for new entrants. A company that is planning to purchase a firm in a foreign country should be aware of cultural differences that may be a reason for very different management styles and result in difficulties with control over the acquired firm. (Hollensen 2007, 364; Ireland et al. 2009, 159.)

3 ELEMENTS OF A STRATEGIC MARKETING PLAN

Strategic planning is based on many business issues it includes marketing and the fit between production, finance, and strategy and environment (Jobber 1998, 29). The planning process is an important component of the internationalization, as it is a framework of the further research. The strategic marketing planning process involves making a plan based on the assessment of the target market, the perceptions of managerial expectations, and competence of the considered company. The planning is an ongoing process, and one of its purposes is being a guide and basis for the decisions which can be used on a daily basis. (Gilligan & Wilson 2003, 44-61.)

According to Gilligan & Wilson (2003, 65), strategic marketing planning is a complicated process that includes several steps arising out of each other. The first stage is a preparation of an executive summary which contains the background of the company, defines its mission and objectives, and provides data on the financial performance. Following this information, the planner moves to making a market and situational analysis that is in its turn continued with the preparation of internal and external analyses. At this stage, the planner must identify and analyze the critical issues to reduce competitive threats and find out opportunities and principal assumptions underpinning the plan. After the draft of the target market and its characteristics is compiled and

marketing objectives are ensured, the competitive strategy can be made. The researcher prepares the action plan based on seven Ps (product, price, place, promotion, packaging, positioning, and people), brand, budget and objectives. After all these steps, the plan is being tested for the ability of its implementation. If the plan is considered to be feasible, then it becomes a guide for the actions made by the company's management. (Gilligan & Wilson 2003, 65-68.)

In this study, the elements of the strategic marketing plan are subdivided into four main parts in order to get the whole scene of the company and the market. These elements are an internal analysis, market analysis, customer analysis and competitor analysis. The internal analysis focuses on the strengths and weaknesses of an organization such as financial, organizational, marketing and manufacturing issues. The market analysis focuses preliminarily on the economic and technological environment of a specific industry where the company is operating. The customer analysis includes the research of the target customers, their behavior patterns and psychology analysis. Lastly, in the competitor analysis the industry structure, level of competition, and the distinctive features of the competition in the industry are studied. Proper research on each of the above-mentioned four elements is an inseparable component of a successful strategic marketing plan.

3.1 Internal analysis

According to Alsem (2007, 55), an internal analysis is the starting stage of the planning process. Aaker and McLoughlin (2010, 99) state that the internal analysis must provide a detailed cognition of strategically important information about the company. This implies an analysis of financial performance and performance dimensions, strengths and weaknesses basis of the current and future strategies, an identification and prioritization of threats and opportunities, as well as the relationships between organizations, competitors and market.

The internal analysis can be primarily divided into two parts. The first of them is defining the purpose of the organization, which includes collecting the relevant background information together with stating the mission and objectives. During the process of developing the company's purpose, taking into account such areas as technology and innovation is especially important nowadays. In the current situation of mar-

ket saturation, when competitors offer a wide range of various products, technology and innovation are the keys to getting a competitive advantage. Formulating the clear mission and vision of the company is essential for the employees to understand better the aims of their work that results in higher efficiency, and may also be used for attracting customers. The second part of the internal analysis is an analysis of resources. It helps to figure out the effectiveness of resources usage, and whether the resources are contributing well to achieving the primary aim: satisfying buyers' needs. (Lynch 1997, 389-401.)

According to Hill and Jones (2013, 83), during the process of preparing the internal analysis the researcher should take into account three important steps. The first one is studying and understanding the process of creating value for customers that results in generating profits for the company. Besides, during the process managers must also consider such issues as innovation, efficiency, quality and customer relations. Lastly, the resources of the company, both tangible and intangible, should be evaluated to highlight the comparative advantages of the company and estimate its growth opportunities. (Hill & Jones 2013, 83.)

3.2 Market analysis

According to Aaker and McLoughlin (2010, 61), the primary aim of a market analysis is determining the market attractiveness to current and potential participants. The market's profit potential, that is one of the key factors in the investment decision process, can be measured on the basis of a long-term return on investment that the current market participants have achieved so far. Another key objective of the market analysis is to understand the market dynamics, meaning by that an identification of trends, opportunities, threats, key success factors, and emerging submarkets. The content of the market analysis depends much on a context, but most often includes the following dimensions:

- find emerging submarkets;
- determine actual and potential market and submarket size;
- observe the market and submarket growth;
- estimate the market and submarket profitability;
- build cost structure and distribution systems;

- draw trends and developments;
- summarize the available data and determine the key success factors.

In some cases, the market segmentation can be applied in the analysis to contribute to a better understanding of customers' needs and wants. The segmentation implies the market division into different groups of customers who share similar needs. Then the company can offer a specific market mix to each particular group. The successful market segmentation is expected to be measurable, accessible and sustainable. (Aaker & McLoughlin 2010, 61-65.)

As an example of a different approach, Gilligan and Wilson (2003, 341-344) claim that the market analysis is quite the same as an environmental analysis, and thus should be subdivided into the five following stages:

- an audit of environmental influences (the purpose is to find out environmental factors that had an influence on the company's past performance and development);
- an assessment of the environment nature;
- an identification of the key environmental forces;
- an identification of the company's competitive position;
- an identification of the principal opportunities and defining company's strategic position.

3.3 Customer analysis

A customer analysis includes customer needs and customer types. The customer needs refer to the reasons why consumers plan to purchase a product, and what needs they are expecting to be satisfied with the acquired product. A correct definition of the market needs is crucial and requires a good understanding of the target customers. The customer type refers to the final customer or user of a product type. To define the customer type clearly, marketers should identify the final customer or user of the product rather than its buyer, in case they are different. The customer analysis can often be subdivided into an understanding of the market segments, analysis of the customer motivation, and exploration of unmet needs. (Aaker & McLoughlin 2010, 26.) Table 3 provides a framework that can be used to analyze customers and their changing needs.

TABLE 3. Customer analysis (based on Harris & Dennis 2002, 274)

Geographic	Are customers grouped on a regional, national or global basis?
Cultural and ethnic	What is the preferred language of doing business? Can ethnicity be a factor affecting their tastes and buying behaviors?
Economic conditions, income and/or purchasing power	What is your customers' purchasing power? What are the economic conditions they face as separate units and as the whole industry?
Power	What is the level of decision-making ability of typical customer groups?
Size of company	What company size do you serve best? Is it generally determined by the firm's annual revenue or number of its employees?
Values, attitudes, beliefs	What predominant values do your clients have in common? What is their attitude towards the product or service kind similar to the one your company offers?
Knowledge and awareness	To which extent are customers informed about your product or service and your industry? How much education and brand-building advertising is needed?

3.4 Competitor analysis

It is essential for the company to find out as detailed information about competitors as possible in order to create an effective marketing strategic plan. Here applies obtaining and constant updating information about products, prices, marketing strategies, distribution channels, and the promotions of the company's competitors in the target

market. Collecting and analyzing this data gives the company a possibility to find the areas of potential competitive advantage or disadvantage. The competitor analysis consists of three major steps that are illustrated in Figure 4. (Kotler & Armstrong 2006, 527.)

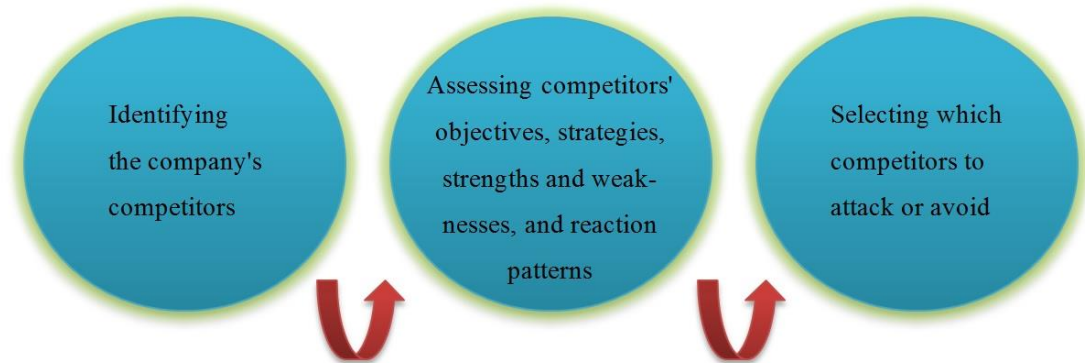


FIGURE 4. Steps in analyzing competitors (based on Kotler & Armstrong 2006, 527)

Aaker and McLoughlin (2010, 42) stress that researchers should identify both current and potential competitors before doing a competitor analysis. After the identification process is finalized, the strategies of competitors should be found out. Defining each competitor's strengths and weaknesses is important for the successful complete analysis. Besides, if there is enough data, then the collected information should be used for presuming the future competitors' behavior with the maximum accuracy.

According to Czinkota and Ronkainen (2010, 193), managers can choose one of three possible competitive strategies on the basis of collected information about competitors combined with essential data about the company and market: cost leadership, differentiation or focus strategies. The cost leadership implies offering a product or service at a lower price than competitors do. Then the company should have a strict control of such costs as research and development or logistics and rely on the economies of scale achieved by the higher production level. Monitoring of costs is also absolutely necessary if the company's marketers opt for high differentiation, as consumers all around the globe quest for value for the money paid. A focus strategy applies in the case the company takes a decision to focus on a single industry segment only. Again, within the targeted segment marketers can strive to achieve an advantage over competitors either by the low cost or the differentiation of a product.

4 SLEPT ANALYSIS OF THE TARGET MARKET

SLEPT analysis is a strategic management tool that helps organizations to analyze its environment and be able to understand its customers' requirements, as well as respond to other changes. The SLEPT analysis is a study of the key external factors, which may to some extent negatively affect the company's business if they are insufficiently studied before beginning the process of internationalization. (StudyMode 2011.) The five factors considered in the SLEPT analysis are visualized in Figure 5. In the process of studying the social factors emphasis is predominantly placed on learning the parameters of the culture. Legal environment involves the study of laws under which the company will conduct business in the host market. Economic factors needed to be addressed, except for studying the general figures of the target market, may vary a lot in dependence on the company's sphere of activity. Political environment studies differ less, though the regulation rules of the concrete business area should be carefully considered before internationalizing. Lastly, technological factors reflect the level of technological development in the host market. The five factors are visualized in Figure 5.

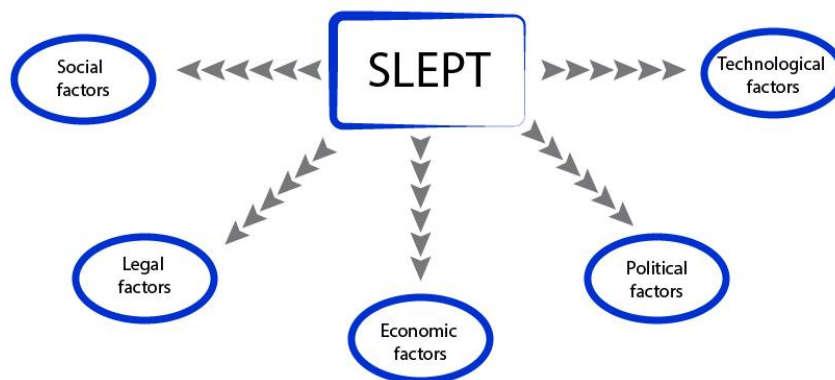


FIGURE 5. SLEPT analysis (based on Business Case Studies 2012)

4.1 Social environment

Culture

Since we are born, we are taught of what is considered to be right or wrong, ugly or beautiful, moral or immoral. This type of knowledge is determining the way we behave, and therefore develops a pattern of beliefs and values that contribute in daily decisions we make and everything we do. When a certain pattern is established, it is difficult to change it or learn something that is contradicting to this pattern. In a general sense, this is known as culture, and it is often described as “collective programming of a human mind that distinguishes the members of one human group from those of another”. (Hofstede 2001, 2.)

There are mainly two types of cultures across the globe: high- and low-context cultures. The high-context countries give more or at least the same value to the context compared to what is actually said. A common understanding of details by the speaker and the listener is expected; sometimes what is not said can be many times more important than what is actually discussed. Japan and Saudi Arabia are good examples of the high-context cultures, while North America, Scandinavia, Germany and many other European countries engage in the low-context communications. In their cases, the most valuable information of a conversation is clearly contained in the words. (Czinkota et al. 2005, 37.)

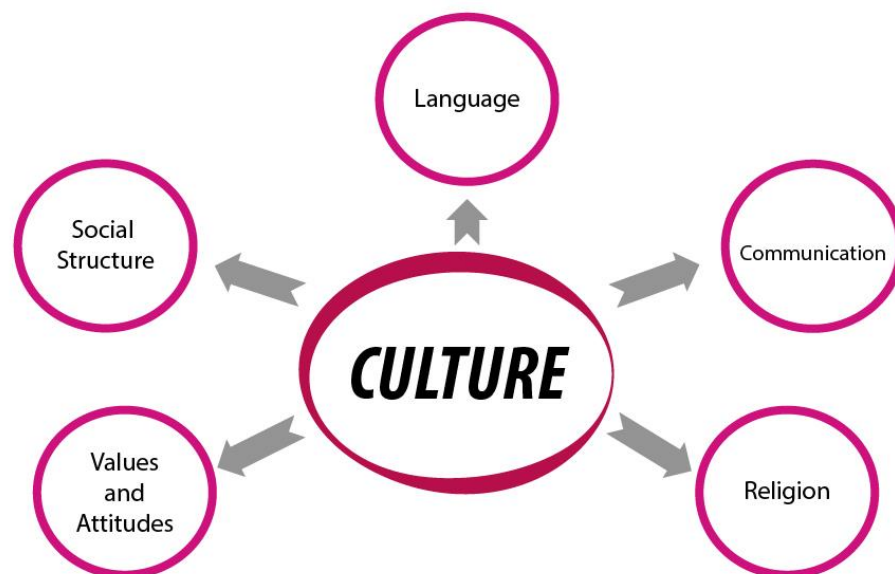


FIGURE 6. Elements of culture (based on Griffin & Pustay 2010, 110)

Figure 6 lists the primary elements of culture, which are social structure, language, communication, religion, and values and attitudes (Griffin and Pustay 2010, 110).

Social structure

Importance of studying a social structure should not be underestimated, as the social structure is a determinant of individuals' roles within the society, their mobility within it and the society's stratification. A firm that strikes to enter the international market should have detailed information about the country's demography. Basic data like the total region's population is not sufficient; such factors like working population and the aging of the population are more important. These facts enable the business to estimate the number of potential workers, while the total population and its aging statistics affect the current demand and the perspectives of its change in the future. (Griffin & Pustay 2010, 110.)

Language

Griffin and Pustay (2010, 112) state: "language is a preliminary delineator of cultural groups because it is an important means in which society's members communicate with each other." Language has been described as a mirror of culture. It is multidimensional, and that is right both for spoken words and nonverbal language (Czinkota et al. 2004, 28). Thus, the language can be divided into two main elements: the spoken language consisting of interrelated sounds and vocal expressions, and a silent language together with body language communication (Doole & Lowe 2008, 77).

Because of its capabilities, the language serves for major roles in the international business. The first one is the language's input in the information gathering and evaluation process. If managers speak the language of the region where the business is expanding, they are able to hear and analyze personally what is going on instead of relying completely on the opinion of others. Another role of the language is providing the access to the local society. Although English is spoken by the large part of the population in many Western countries, the knowledge of local language provides the business with a significant advantage. The third point where the language capability cannot be overestimated is company communications. The working process becomes increasingly difficult in case the manager does not speak the same language as the em-

ployees do. Lastly, the language provides more than just the ability to communicate – the right interpretation of context may influence business activities. (Czinkota et al. 2005, 41.)

Communication

Besides attempting to learn the language of the target market, it is necessary for a successful manager to study and analyze the way the local population communicates during the thorough process of investigation. Both verbal and nonverbal communications are a huge challenge for international managers. The point is that each society has its own culture filters. So when a representative of one culture tells something to a person belonging to another society, he/she encodes the message using his/her cultural filter. When the interlocutor decodes the message, he/she is doing it in accordance with his/her own filters. Thus, an initial meaning might be distorted, and the message will be interpreted in a wrong way. (Griffin & Pustay 2010, 117.)

Religion

Religion might be one of the main reasons for huge differences between cultures, but it can also provide the basis for transcultural similarities in the key aspects under the shared beliefs in Christianity, Buddhism or Islam. There is an infinite number of religions around the globe, and they cannot be ignored as they determine many features of the individual's behavior, influence the actions of the authorities, and in many countries are of utmost importance. In Europe or the United States, they try to separate the government from the church, and there is a respect for the individual religion choices, while in countries like Iran or Sudan religion plays a huge role and may be the very foundation of the government, determining also the way of taking political or business decisions. Religion can affect businesses in various ways such as religious holidays, consumption patterns, prayer timing and the economic role of women. The most widespread religions that are shared by a number of cultures and countries are Christianity, Islam, Hinduism, Buddhism and Confucianism. (Hollensen 2007, 227.)

Values and attitudes

According to Czinkota et al. (2005, 47), values are those society's shared beliefs of group norms that are assimilated by the majority of its representatives, and attitudes imply an approach to assessing the possible alternatives on the basis of these values. Differences in values affect the whole process of doing business. For example, they have influence on the way planning is performed, decisions are made, strategies are implemented, and personnel are evaluated. The cultural values should be studied and analyzed by the company's management, and then used in the management of business functions.

The consumers' perception of products in different markets varies to a large extent. That results in a product itself and its packaging as well as communication activities often undergoing significant adaptation in different markets in order to meet diverse values placed by representatives of different cultures on work, risk-taking, time, wealth and achievement. (Doole & Lowe 2008, 75.) The more values and attitudes of the society rely on the central beliefs like religion, the more accurately the changes should be brought. While in the industrialized well-developed countries the society feels quite relaxed towards changes and considers them as a chance to improve the life, traditional-bound societies are much more conservative and perceive the changes with caution, especially those coming from outside the culture. (Czinkota et al. 2009, 65.)

4.2 Legal environment

Regional or municipal laws might vary within the country, but there is a set of laws and regulations that bind the whole state together. These laws are directing, restricting and guiding the businesses that are operating in the country. Furthermore, there are various international treaties that a participating state must adhere to, matching the local laws in line with international agreements. All these laws dictate what kind of businesses can exist, how they should be organized, who can be employed, and what are the rights and responsibilities of an employee and employer then. Laws regulate the minimum wage, taxation, price of goods and services, competition rules, and the areas of state monopoly. (Katsioloudes & Hadjidakis 2007, 7.)

A company that enters foreign markets must obey not only domestic laws but also those in the host country, as well as international laws. This fact can affect many aspects of doing business, starting with a different product packaging and an adopted marketing campaign or even withdrawing some products or services because of strict regulations and restrictions in the host market. Therefore, as the legal system in case of operating internationally is much more complex than those in the domestic market only, it is essential for the company to study the legal environment of the foreign country before entering the host market. According to Doole and Lowe (2008, 10-11) the international marketing legal environment has three dimensions:

1. Local domestic laws

These are the laws of the host country and they may be very different from the market where the company was originally created. In some cases, countries might share similar laws; still as the procedure of studying the legal environment is a responsible and time-consuming activity, often companies hire experts for each of the targeted market.

2. International law

Another section in the legal environment system companies should pay attention to are international laws and treaties. The list is very diverse; some of the examples are piracy and hijacking international laws, patents and trademarks legislation or International Monetary Fund (IMF) and World Trade Organization treaties.

3. Domestic laws in the home country

The home country's domestic laws guiding businesses that go international are important because of the following reasons. First, quite often the government limits exporting of certain goods and services to some markets. For example, it can be done because of political or strategic issues. Secondly, organizations have a duty to operate in accordance with national laws regardless of the form of their activity, whether domestic or international. (Doole & Lowe 2008, 10-11.)

4.3 Economic environment

Influenced by a number of forces and factors, market size and growth are good determinants of an internationalization potential success. Nevertheless, the direction of spending depends much on total buying power in the country, an availability or absence of electricity, telephone systems, modern roads and other types of infrastructure. (Hollensen 2007, 199.) In order to estimate the country's level of performance and its potential, a variety of different economic measures is used by managers. They may be informal like the number of vehicles and wireless mobile phones in use in the market or the turnover of some concrete good. Still, when studying a potential foreign market, managers usually begin with analyzing the monetary value of the total flow of goods and services in the country's economy. This data is supplemented by studying a number of additional economic indicators like growth rates, unemployment, income distribution, wages and productivity. (Daniels et al. 2009, 187.)

An economic development is a consequence of one of these three major activities or their combination:

- primary: these are primary processes based on agriculture and mining (for example, cultivation of grains and vegetables, fishing or coal mining).
- secondary: at the second stage it comes to manufacturing activities that are most often a result of evolution related to output of primary products.
- tertiary: the last stage has to do with services activities.

Their development is usually a result of the society's growing prosperity: when the income of the average family rises, most often it starts spending a smaller percentage of earnings on food. As basic household expenses are not expected to increase much, spending on services like health care, insurance or tourism start growing, and corresponding offers spread on the market. (Hollensen 2007, 199.)

4.4 Political environment

When an organization is deciding whether to invest in the market or not and how to develop, politics can be the major factor influencing international business decisions. Even those laws and regulations that do not directly address international business

might have a huge impact on the decision-making process. For example, competitiveness of companies that hire a large number of employees to their factories may depend a lot on the minimum wage legislation in the country. The political environment in most countries provides support to the international companies headquartered within the country, but in some cases the government also has specific laws and regulations that restrict international businesses. (Czinkota et al. 2005, 102.)

It is important that a business anticipates the political risks of the host country to prevent or minimize the consequences of unexpected political and legal influences or changes. Terrorism, civil wars, corruption or unstable political regimes that may unpredictably change country's development direction are some of the political risks that are significantly more likely to occur in emerging markets and countries with less developed economies. The political risk is disadvantageous or counter-productive to foreign organizations; it might lead to a gradual or sudden change of the local political environment. Three types of governmental actions that may endanger the success of foreign and local companies operating in the market are operational restrictions, discriminatory restrictions and physical actions. (Doole and Lowe 2008, 15-16.)

4.5 Technological environment

Due to increased expenditures on scientific activities, breakthrough discoveries of recent decades as well as the general desire of states and societies to innovate in different areas and spheres of life, technologies are developing very fast nowadays. Changes are constant, so businesses must strive to adapt quickly or even outpace current technological trends to survive the competitive pressure. In order to thrive in any market, a business must consider the local level of technological development and its growth potential. (Griffin & Pustay 2010, 88.)

As a resource base is the foundation for a region's technological development, ways of countries' progress differ much. Some countries are rich with natural resources and agricultural land while others have abundant labor supplies. Countries that do not possess such advantages might become net importers or invest heavily in their own technological environment and human capital. Such types of investments have allowed developed countries like Germany to continue leading in the world markets despite the high salaries paid to workers. (Griffin & Pustay 2010, 88.)

5 RESEARCH DESIGN

The term ‘research’ can be basically explained as an activity that involves a systematic search of information, its collection, analysis and interpretation, while research method is referred to as a technique to implement this research. Research method is a tool that provides guidance for different ways of collecting, sorting and analyzing information in such a way that the right conclusions are reached. Using a proper research method is a prerequisite for the validity of the research conclusions. (Walliman 2011, 7.) Research method is a technique for collecting data that can involve different instruments, such as questionnaires, interviews or participant observations (Bryman & Bell 2007, 40).

The research method is often mistakenly considered synonymous with the research design. The latter is a structure that guides the execution of the research method and the analysis of the subsequent data. The research design provides a framework for the collection of information with the purpose of its assessment and evaluation, and includes data gathering methods, ways to use and administer information, as well as tools for information organization and analysis. The research design choice is conditioned by considering which dimensions of the research process are the highest priorities, which of them are of the highest importance. (Bryman & Bell 2007, 40.)

5.1 The company description

Alkuvoima East Ltd. is an international company headquartered in Helsinki, which specializes in digital marketing production. The company has departments in Helsinki and Varna, Bulgaria, as well as sales offices in Sofia, Bulgaria, and Torino, Italy. The current number of employees is thirty one: fourteen of them are employed in Varna, thirteen people are based in Helsinki, three sales representatives work at the office in Sofia, and one works in Torino.

Alkuvoima East was previously formed by the merger of the Bulgarian and Finnish companies: Marketing Agency Alkuvoima that was founded in 2006 and East Interactive launched in 2005. Nevertheless, it is important to notice that these two companies were never united in the sense of any legal obligations and the purpose of their association was not the absorption of one company by another, but mutually beneficial co-

operation and strengthening of competitive advantages. The responsibilities are currently distributed as follows: the department based in Helsinki is doing the sales and clients relationship management, as well as marketing planning, whilst the actual production is done in Varna. The duties of the sales offices situated in Sofia and Torino are quite limited and are reduced to the search of clients in the local markets and client management.

The company specializes in digital marketing production and offers clients a broad list of services ranging from the concept planning of online marketing strategies up to developing online solutions for web and mobile platforms. Some other examples of the services are email marketing and technical consulting. Alkuvoima East has a successful experience of creating such products as corporate and campaign sites, social intranets and extranets, applications for Facebook and mobile platforms, banners and graphic design. The company creates solutions on various platforms and programs: HTML 5, Flash, Corporate Management System (CMS), Flex, iOS, Android and Windows Phone. Due to the wide range of services offered by Alkuvoima East, professionals from various fields are required. Therefore, the company employs web designers and web developers, IT specialists, marketing specialists, sales and project managers and some others.

Alkuvoima East is a business-to-business firm and its typical clients are large enterprises with a clear understanding of a steadily increasing role of online presence and competent online business strategy in the overall company's success. Among the clients such globally recognized brands as Nokia, Nokian Tyres, Finnvera or DNA can be found. A strong client portfolio is one of the company's advantages in the international market. Strong know-how and competitive prices should be highlighted separately among the other advantages. Favorable value for money is achieved due to the fact that the actual production is done in Bulgaria, where the labor costs are low compared to the other European Union countries.

5.2 Research strategy

The aims of conducting a research can be subdivided into three main categories: exploratory, descriptive and explanatory purposes. Exploratory study is often used when the research problem has not been clearly defined, and is a technique to define better

what is happening, ask the right questions and assess the phenomena. Three basic ways of conducting the exploratory research are the search of the literature, interviewing experts in the subject or focus group representatives. A descriptive research provides a clear picture of the phenomena, and may either be an extension of the exploratory research or the next step after it, or it may more likely be a part of an explanatory research. The latter one is done when there is already a clear understanding of the phenomena under consideration. The explanatory study is more designed for the explanatory purposes and establishing relationships between variables. (Saunders et al. 2009, 139-140.)

Research strategy is primarily defined as a general orientation to the conduct of business research. By the method of data collection, there can be outlined two research strategies: quantitative and qualitative. The most significant differences between those strategies lie in three following areas: principal orientation to the role of theory in the research, epistemological and ontological orientations (see Table 7).

TABLE 7. Fundamental differences between quantitative and qualitative research strategies (based on Bryman & Bell 2007, 28)

	Quantitative	Qualitative
Principal orientation to the role of theory in relation to research	Deductive; testing of theory	Inductive; generation of theory
Epistemological orientation	Natural science model, positivism	Interpretivism
Ontological orientation	Objectivism	Constructionism

Quantitative research is a research that emphasizes quantification in the collection and analysis of data, and implies a deductive approach to the relationship between theory and research with an emphasis placed on theories testing. On the contrary, qualitative research emphasizes words rather than collection and analysis of data, and principally entails an inductive approach with a focus on theories generation. (Bryman & Bell

2007, 28.) Numeric data is the basis for quantitative research, while qualitative, on the opposite, relies primarily on non-numeric data (some of the examples are interview transcripts or historical records). Besides words, pictures or videos can also be used in qualitative research as a source of the necessary information. (Saunders et al. 2009, 151.)

5.3 Data collection and analysis

The data collected for research purposes can be generally divided into two types: primary and secondary. Secondary data is the one that has already been collected before by other researchers for some purposes and is ready to be used. It can be obtained through print sources, Internet, consulting or market research firms. While secondary data is a kind of raw material for the research, primary data is a result of original findings and is collected by the researcher to solve specific problems of the study. Most often collecting primary data is more expensive, but in return it provides a more up-to-date and exact information. (Saunders et al. 2009, 256-257.)

In this study, the secondary data is collected with the purpose of describing the target market, its competitors and customers. Primary data can be deduced by either qualitative or quantitative methods. The qualitative research strategy is applied in the study, and the primary data is collected by conducting interviews. Three interview types are structured, semi-structured and unstructured or in-depth interviews. Structured interviews are based on questionnaires with predetermined identical set of questions and were not used in the study. In semi-structured interviews, a specific set of questions is asked, although they may vary from interview to interview. This type was used for the interviews with representatives of the German digital marketing agencies. Lastly, in-depth interviews are informal and assume free discussion. There is no specific set of questions prepared; the respondent is free to add the necessary amount of information to the given answers on the questions. This interview type was applied for interviewing the managing director of Alkuvoima East Ltd. (Saunders et al. 2009, 320-321.)

The purpose of the interview conducted with the managing director and founding partner of Alkuvoima East Ltd. was to identify the company's motives for internationalization and reasons for interest in the German market concretely, get a full description of the company, and estimate available resources for the successful implementa-

tion of the market entry strategy. Due to the geographical distance, it was impossible to organize a face-to-face interview, so it was held via Skype first and then continued by e-mail. As the interviewee was aware of the discussion topic and possessed comprehensive knowledge on most questions asked by the interviewer, the conversation by means of Skype application went without major problems. However, the time for the discussion was very limited in connection with the managing director's business, so the parties agreed on continuing the interviewing process through e-mail. Despite sufficient drawbacks of this way to conduct the interview, it has several advantages over the discussion by means of Skype. The main ones for the interviewee were an opportunity to choose the answering time or even break the process into several parts, and possibility of search for the required information in the internal company's sources that was not possible during interviewing by Skype.

The interviews conducted with the representatives of the German digital marketing agencies were aimed at gathering information about market situation from its current participants' point of view. These interviews were arranged by e-mail only; the e-mail sent to the interviewees consisted of an explanatory text body together with an attached file with questions. The respondents sent back the document after filling in the answer field. Two of them requested to keep their personal and company's names anonymous, and one interviewee did not have such requirements. Questions for the interviews were compiled in such a way as not to require significant information directly about the company, which representative was the interviewee. Beyond that, each sent e-mail contained competently stated purpose of the request and an attached certificate confirming that the interviewer is a student of the mentioned University and needs these interviews for the Bachelor's Thesis study. Nevertheless, the reply rate among the companies was very low.

An e-mail was sent to concrete representatives or to corresponding departments of around thirty agencies, and only nine of them sent back a reply. Six letters contained a request rejection motivated either by the company's privacy policy or the interlocutor's insufficient authority for taking a corresponding decision. Three companies agreed to take part in the study, and the rest ignored the received e-mail. Attempts were made to call by phone those companies, from which there had been no response, but they did not give any result. Representatives of the companies either stated that the request is contrary to the privacy policy of the company, or promised to contact back

later, but that did not happen. After seven companies were called, the process has been terminated due to the lack of results and high cost of international calls.

6 RESULTS OF THE MARKET RESEARCH

This chapter begins with the SLEPT analysis of the German market with an emphasis placed on the data applicable in regard to the Alkuvoima East's market entry. The study is based on the theoretical framework that can be found in Chapter 4. The SLEPT analysis is continued with the information about doing business in Germany that includes such relevant in the case of small foreign enterprises entering new markets aspects as entry and residence rules. Besides, the subchapter provides data on the business establishment rules, taxation and overview of the labor market, as well as absolutely necessary for the internationalization process information about business culture of the host market as the last part.

The subchapters that study the reasons for investing in Germany and unfavorable aspects of taking this decision include the company's internal analysis, analysis of digital marketing in Germany, and an overview of potential competitors and customers in the target market. Besides, the conclusions made on the basis of the SLEPT analysis and the subchapter about doing business in Germany are included in the text as supplementary arguments supporting one or another statement. It should be noted that the collection of the material needed for this part of the study was associated with significant difficulties. The main reason is insufficient knowledge about digital marketing in Germany as a separate market.

Most studies of the Internet as a business sphere include a detailed overview and different numerical data on the turnover, growth potential and competitiveness of information communication technologies market in general, and market of online advertisement in particular. But neither of these studies consider digital marketing separately, analyzing the level of competition and demand on the wide range of products offered by Alkuvoima East. In this connection, the data about the digital marketing in Germany is often based on the indirect information which, nevertheless, allows making substantiated conclusions. The information about competitors was collected manually by searching through the Internet. In general, it should be noted the term 'digital

marketing' is often mistakenly understood as synonymous to online marketing and online advertisement.

6.1 SLEPT analysis of Germany

Germany is located in Central Europe, bordering the Baltic Sea and the Northern Sea. It is situated between the Netherlands and Poland; other bordering countries are Austria, Belgium, the Czech Republic, Denmark, France, Luxembourg and Switzerland. The area totals 357,022 sq km with total land boundaries of 3,790 km and a coastline of 2,398 km. (CIA, 2013.)



PICTURE 8. Map of Germany (based on CIA 2013)

6.1.1 Social environment

Demography

Germany is the world's sixteenth and European most populated country with 81 million (July 2013 est.) people. 74 percent of them are living in the urban environment; the major urban areas are Berlin that is the capital with 3.4 million inhabitants, Hamburg, Munich and Cologne. The total fertility rate of 1.42 children born/woman combined with high life expectancy contributes to the aging of the population. Same as in most European countries, the population growth rate is negative and it was estimated to be -0.19 percent in 2013 compared to 2012. (CIA, 2013.)

Despite these demographical problems, the purchasing power of the German population remains one of the highest in Europe and is forecasted to increase in 2013. According to the GfK Geomarketing (2012) forecasted data, the total purchasing power of 1,688 billion euros is expected in 2013, which is a 2.9 percent increase compared to 2012. In average, for the Germans it results in 20,621 euros per capita in nominal disposable income, and 554 euros more than in the previous year to be spent on consumption. As the inflation growth rate is forecasted to be lower than these numbers, an increase in the purchasing power will show a minor real growth of about 1.4% percent. Nevertheless, not all the population sectors are benefiting as pensions are increasing at a slower pace than the inflation. (GfK Geomarketing 2012.)

TABLE 9. Top 5 German federal states in 2013 (based on GfK Geomarketing 2012)

2013 ranking	German state	Inhabitants	GfK Purchasing Power 2013 per inhabitant	Index per inhabitant *
1	Hamburg	1,798,836	€ 22,769	110.4
2	Bavaria	12,595,891	€ 22,508	109.2
3	Baden-Wurttemberg	10,786,227	€ 22,115	107.2
4	Hesse	6,092,126	€ 22,084	107.1
5	Schleswig-Holstein	2,837,641	€ 20,769	100.7

* 100 = country average

Table 9 shows the distribution of the purchasing power per inhabitant among the top five federal states of Germany. Hamburg is forecasted to maintain its leading position. It is important to study the data about concrete regions as the federal states in Eastern Germany are still far from the leaders and are ranked below the national per capita average.

Language

The official language of the country is German; over 95 percent of the population speaks it as their first language. Due to the increasing percentage of immigrants, the importance of other languages spoken in the country except for German is gradually growing. The most widespread languages are Turkish spoken by around 1.8 percent, and Kurdish. There are several recognized minority first languages, but the number of

people using them is very small on a national scale. The biggest ethnic groups are the Germans with 91.5 percent, followed by the Turkish having 2.4 percent. (BBC Languages 2013; Countries and Their Cultures 2012.)

As Germany is quite a large country, a fluency in foreign languages is not as common for it as for the smaller European countries like the Netherlands or Denmark. Still, a large percentage of the Germans know at least two languages, and English as the most widespread foreign language is spoken by about 56 percent of the population. In line with global trends, there are more people speaking it among the youth than among the more aged groups. Despite the fact that most of the population speaks English, it is appreciated much when foreigners speak German. As for the business, although English is widely spoken, most often business negotiations should be conducted in German. (InterNations 2006; Kwantessential 2012.)

Currency

The euro became the national currency of Germany in 2002, the same year when euro coins and banknotes entered the circulation. Sixteen other of the 28 European Union member states are also using euro as their official currency. Besides, the euro is officially valid in 22 countries worldwide, which makes it the second largest reserve and second most traded currency in the world. (PKF 2010.)

6.1.2 Legal environment

The federal republic of Germany is a parliamentary republic; it is a democratic constitutional state where the civil law system applies. Basic Law and Constitution, as well as various legislative and executive authorities, are the basis of the German legal system. One of the key legal system principles is the separation of powers, so legislative and executive organs are functionally separate. Germany is represented under the international law by Federal President. Federal Chancellor and Federal Cabinet form the Federal Government, while the Federal Parliament is responsible for electing the Federal Chancellor. Lastly, the members of the Federal Parliament are elected every four years. (Facts About Germany 2009; PKF 2010.)

One of the main constitutional organs in the state is the Federal Council; it functions as the second chamber next to the Federal Parliament. The state governments designate the members of the Federal Council, and its primary responsibility is approval of the laws affecting powers of the Federal States. Approval of both the Parliament and the Federal Council is necessary for taking the most of political decisions in Germany. In case the compromise between these authorities cannot be found, a Conciliation Committee bargains for a solution that satisfies both sides. (PKF 2010.)

The Federal Constitutional Court is the last organ of the legal system in Germany. Its task is to ensure that all the institutions of the state comply with the constitution of Germany. The Court is subdivided into five branches: administrative, financial, labor, social and ordinary court that deals with criminals and most civil cases. Usually, all court decisions are binding only for the involved parties, though sometimes decisions may be applied on similar cases. (PKF 2010.)

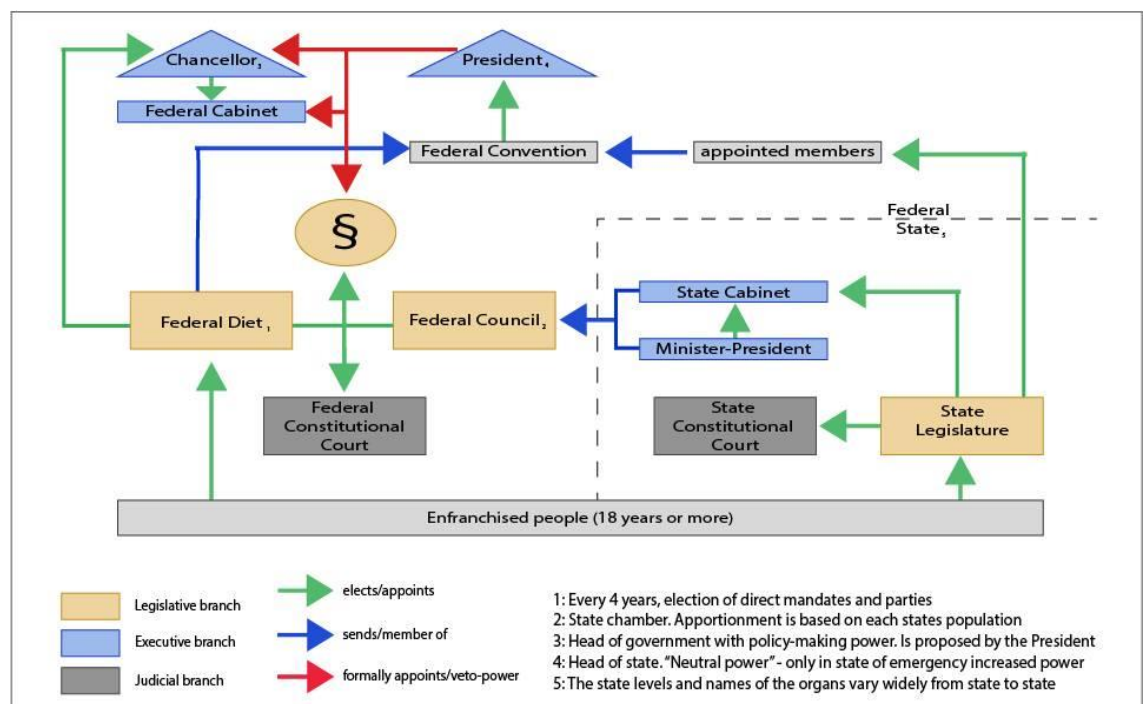


FIGURE 10. Political System of Germany (based on Knowledge Library 2013)

Figure 10 was designed to improve the perception of the complex German political system. This is facilitated by visualizing the interrelations between different governmental branches.

Foreign Investment in Germany

In accordance with the local legislation, there is no differentiation between local citizens and foreign nationals regarding investments or starting up companies in Germany. There should be no problems if the investment complies with the law framework. Furthermore, everyday businesses in Germany are free from the restricting regulations. The laws protect well the intellectual property of companies operating in the local market, independently on their origins. Foreign direct investment in Germany is regulated by the Foreign Trade and Payments Act; it follows the principle of free foreign trade and payment transactions. Nevertheless, the imposition of limits on FDI is possible for the reasons of national importance such as national security. (PKF 2010.)

Germany has developed various incentive programs for attraction of foreign investors and enterprises. The programs can be mainly split up in two categories: investment incentives to compensate investment costs and operational investments to subsidize expenditures after investment settlement. The main factors that influence the amount and level of incentives are the type of investment, business sector and location. A good example is the European Recovery Program that promotes the creation of new jobs in distinct areas by providing start-up business entities with land and buildings at favorable conditions in those locations. (PKF 2010.)

6.1.3 Economic environment

Germany is the first European and fifth world largest economy by Gross Domestic Product (GDP). It is the third largest exporter behind USA and China estimated in 2012. Furthermore, according to the annual report of the Federal Ministry of Economics and Technology that is based on the same year data, Germany has a growing economy, unemployment rate is decreasing, market opportunities for companies are growing, and the state budget is balanced. Thus, compared to the other European countries, Germany is showing a good example of recovery after the 2008-2009 financial crisis. (Federal Ministry of Economics and Technology 2012; Index Mundi 2012.)

Germany remains the world leader in manufacturing and technological innovation. One of its main benefits is highly skilled labor force that allows Germany to be a leading exporter of machinery, chemicals, heavy automotive, software and household

equipment. Large German companies successfully represent the country in a variety of diverse sectors including banking and finance (Commerzbank and Deutsche Bank), automotive (Volkswagen, BMW), pharmaceuticals (Bayer and Merck), retail (Lidl, Aldi), logistics (Deutsche Post), and luxury goods sectors (Hugo Boss). Such companies like Siemens, Daimler, Volkswagen, Allianz, Metro and Deutsche Telekom totaling 37 represent Germany in the list of the world's 500 largest companies. (Economy Watch 2013.)

In total, the industry sector in Germany adds 28.1 percent of the country's GDP and holds 24.6 percent of the labor force. Besides, small and medium sized enterprises called Mittlestand are having a huge impact on the economic growth of Germany, employing 70 percent of the country's workforce. Mittlestand are family-owned companies with no more than 500 employees. Currently there are more than 3 million of such companies registered in Germany. (Economy Watch 2013.)

The agriculture sector does not contribute much to the country's economy compared to the industry: it totaled 0.8 percent of GDP in 2012. Yet, by means of the local production Germany provides 90 percent of the total food consumption in the country, and is ranked as the third largest European producer of agricultural goods. Lastly, the sector that makes the largest input to the German economy by contributing 71.1 percent of the country's total GDP and providing 73.8 percent of the labor force with jobs is services. Highly skilled workforce puts Germany to the third position in the ranking of services provision among the world's leading countries. (Economy Watch 2013.)

Economic growth

The nominal GDP of Germany in 2012 was estimated 3400.1 billion dollars, which is 5.48 percent of the world economy. In the first quarter of 2013 there was a 0.0 percent growth compared to the analogue period of the previous year, while in the second quarter the German economy expanded by 0.7 percent. The main reasons for that are an increasing domestic consumption and investment, as well as a household and government final consumption expenditures that were up compared to the first quarter. Besides, more goods and services were exported in the second quarter of 2013 (plus 0.7 percent quarter-on-quarter). Figure 11 provides a broad overview of how the Ger-

man GDP has been changing in the past years. (International Monetary Fund 2013; Trading Economics 2013.)

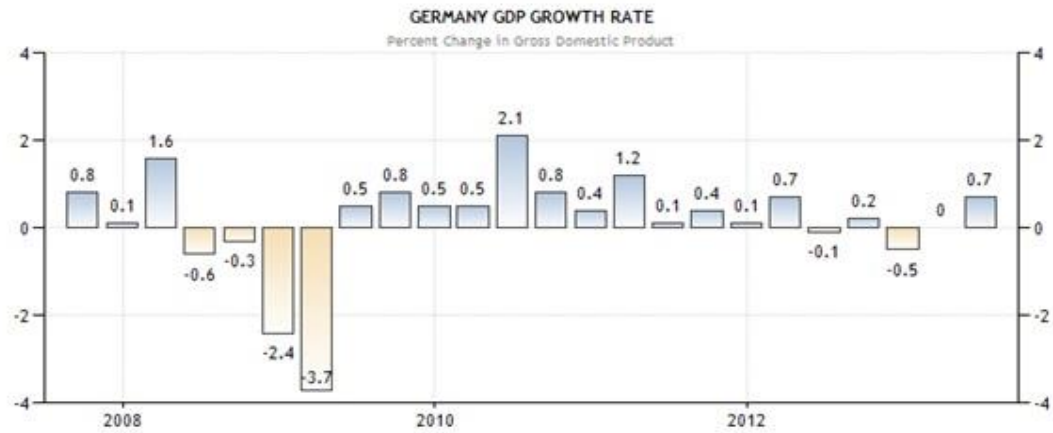


FIGURE 11. Germany GDP growth rate (based on Trading Economics 2013)

Inflation rate

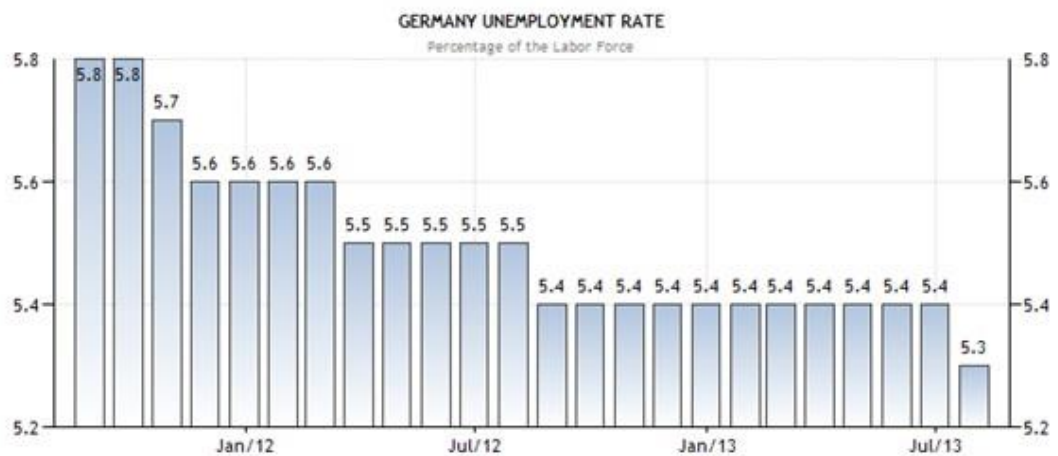
The inflation rate in Germany was stably low in the recent years, and was estimated 2.0 percent in 2012, showing a slight decline after 2.3 percent in 2011. After each of the first six months in 2013, the inflation rate was 1.5-1.9 percent (see Table 12), while the total inflation at the end of the year is estimated to be around 1.6 percent. Due to the ongoing European crisis, the European Central Bank provides most suffering indebted countries such as Italy, Spain, Greece or Cyprus with substantial financial assistance. The consequence is a larger amount of ‘cheap’ money available for the same amount of goods in the European markets, which is a negative factor for the tempo of the inflation growth in Germany. Nevertheless, statistics show that the inflation rate has been gradually decreasing in the country over the past few years. (Inflationrate 2013.)

TABLE 12. Inflation rate in Germany in 2013 (based on Inflationrate 2013)

Month, 2013	Inflation rate
January	1.7%
February	1.5%
March	1.4%
April	1.2%
May	1.5%
June	1.8%
July	1.9%
August	1.5%

Unemployment

The unemployment rate in Germany in July 2013 was 5.3 percent which equals 2.26 million persons, and 41.8 million persons were in employment. A gradual reduction of the rate resulted in the lowest level of unemployment in more than two decades. Furthermore, since 2005 the rate has decreased by almost a half. A youth unemployment (younger than 25 years) also decreased to 7.7 percent, indicating that the market needs young employees. (Trading Economics 2013; Country Economy 2013.) The positive trend is reflected in Figure 13 that visualizes the decrease of the unemployment in Germany in 2012 and the first half of 2013.

**FIGURE 13. An unemployment rate in Germany (based on Trading Economics 2013)**

6.1.4 Political environment

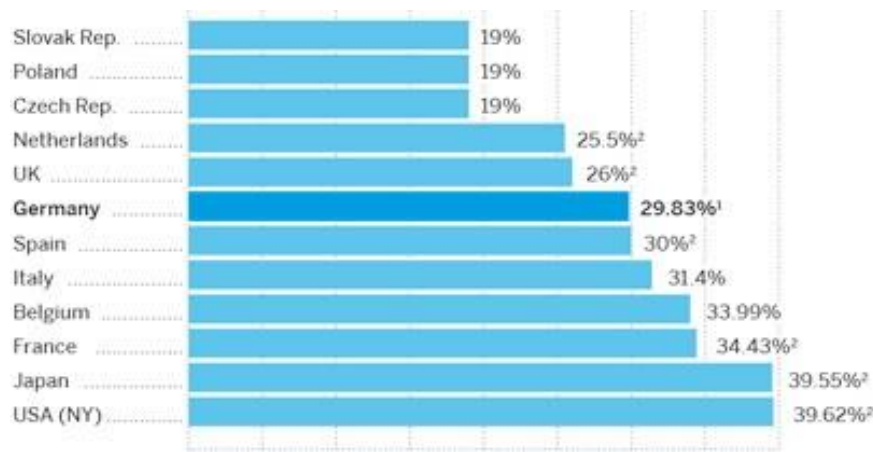
Stability

According to the country's Constitution, Germany is a democratic and social federalist state. The Federal Republic of Germany was comprised of eleven federal states in 1949, and five other states joined the country in 1990. The political system is parliamentary democracy and Constitution guarantees every German citizen over 18 years the right to vote in elections. Furthermore, the powers in the country are separated in to judicature, executive, legislative and multi-party systems that contributes to the preservation of a stable democracy. Germany is not only a leading member of the European Union, but it is a member of such international organizations like the United Nations, the NATO, and the G8. (FRM 2013.)

The German economy implies the principles of a social market economy, giving the companies that operate in the local market freedom to govern its own forces within certain limits. At the same time, the government is preventing gathering overabundant market power by enterprises and formation of monopolies. Besides, a framework for the competition between different businesses is functioning in the state. (FRM 2013.)

Taxation

The value-added tax rate in Germany is 19 percent; in some cases (sales of certain foodstuffs, medicals, books, passenger transport etc.) a reduced tax rate of 7 percent applies. The corporate federal rate of tax in the state has been 15 percent since 2008. While the percentage always stays the same for limited liability companies (GmbH) and stock companies, the companies in a partnership are paying the personal income tax that can vary a lot (0-45 percent) depending on many factors. Local authorities also charge the trade tax that is about 14 percent as from 1 January 2008. All business operations, corporations and partnerships are obliged to pay it. In total, the medial corporative tax in Germany equals 29.83 percent that is on the average compared to other countries (see Figure 14). (NRW.Invest 2012; CFE 2013.)



Note: ¹ National German average; lower overall tax rates in certain areas possible, e.g. 22.83% in certain municipalities.
² Top corporate income taxation rate; lower starting rates or other special tax rates available. Example USA: progressive rate from 15% to 35%

FIGURE 14. Corporation tax rates comparison (based on NRW.Invest 2012)

6.1.5 Technological environment

Infrastructure

One of the Germany's main strengths is its infrastructure. The country is situated in Central Europe that gives a possibility of easy and fast goods distribution to different international markets, and the country is trying to use the geographical advantage to the maximum. Germany has an extensive network of high quality roads and highways; some of those have no speed limits and contribute to the rapid cargo transportation. The country has a number of airports all around the territory, and twenty three of them offer international service. The port of Hamburg is Europe's second largest container port; Bremerhaven is Europe's largest car port for heavy traffic. Together with over 250 inland ports, an infrastructure that makes Germany one of the world's export leaders is formed. (PKF 2010; Germany Trade & Invest 2013a.)

Internet

The companies can benefit from the German liberalized telecommunication sector, which is considered as one of international standards. The number of Internet users in Germany was last estimated 67.5 million (representing 83 percent of population) as of 2012. 78 percent of the population are using the Internet at least once a week, 65 percent of the Germans are using it on a daily basis. Every third citizen accessed the Internet via a mobile device in 2012, which is below the European average. The most

common use of the Internet in Germany is searching for information about goods and services: 75 percent of the population used it for that purpose, compared to the average of 62 percent throughout the European Union. By contrast, selling goods and services online is less popular: only quarter of the population used the Internet for that purpose. (Digital Agenda for Europe 2013; Trading Economics 2013; New Media Trend Watch 2013.)

6.2 Doing business in Germany

The following chapter provides considerations about setting up a business in Germany and the German business culture. As can be concluded from the SLEPT chapter, in general the key figures of Germany indicate that this country has a favorable environment for business start-ups. As the next step, the ways to establish a business entity in Germany in terms of legislation will be studied in more detail in this chapter, followed by describing the key features of the German business culture.

6.2.1 Setting up a business

A large and open market, qualified personnel, high level of innovation, legal security, favorable conditions for small and medium-sized firms – all these advantages of Germany as a target market have been figured out in the SLEPT chapter and are especially important for digital marketing agencies such as Alkuvoima East. However, after the market selection it is crucial for the successful future entry to study through the different possible ways to establish a business entity in the country, analyze them, and choose the most applicable one in terms of the concrete company and its distinctive characteristics. Aside from studying a business establishment process in Germany, it is also important to consider such factors as entry and residence rules, taxation and labor market.

Entry and residence

At some stage of opening up a business in a foreign market, an investor usually has to visit the country in person. Depending on the country of origin, investors may need a visa to enter Germany. Long-term stays require obtaining a residence permit that gives the right to stay in Germany for a much longer period of time. Depending on a number

of factors related primarily to the type of business activity in the country, different types of residence titles are available for investors. (Germany Trade and Invest 2013.)

Germany distinguishes between three primary types of residence titles, which are:

- visa (Schengen visa and national visa);
- residence permit;
- settlement permit.

The visa gives its holder very limited opportunities for activities in Germany. It allows entering the country and staying there up to 90 days in a half-year period. A residence or settlement permit significantly expands the competencies, giving the right to be employed or self-employed in Germany, and stay there more than 90 days per half a year from the date of entry. (Germany Trade and Invest 2013.)

In relation to Alkuvoima East, the most important is to consider the requirements and conditions for the Bulgarian and Finnish citizens in respect to entering Germany. Finland is a member of European Union (EU), so no residence title is required for its nationals to be able to work or settle business in Germany. Bulgaria is a new EU state, so its citizens still require a corresponding permit in dependence on the type of activity they are involved in Germany. Nevertheless, it is important to note separately that these transitional rules will cease by the end of 2013, and the same regulations will be applied for the Bulgarian nationals as for the other EU citizens. (Germany Trade and Invest 2013.)

As even under the most optimistic scenario, Alkuvoima East's entry to the German market will hardly take place in 2013, the company representatives are not expected to face any troubles with entering the country for business purposes. Thus, in terms of the German regulations concerning business immigration there are no obstacles for the Alkuvoima East management to open a business entity in the country.

Business establishment

The two main laws governing the trade and commerce in the country are the Commercial Code (HGB) and the Civil Code (BGB). The former one deals with a trader's own

liability and business development, while the latter one is for small business owners. Depending on the legal structure of the company, the liability is covered either by the capital contributed or by the total assets. Thereby, the choice of structure depends much on how liable the investor wishes to be towards creditors. (Europa 2012.)

There are two possible ways for a foreign investor to set up a business in Germany. It may involve either the creation of a legally dependent branch or a legally distinct subsidiary. All foreign investors are able to establish a branch of their existing business abroad; registering the branch of the existing business at the local court or municipality is required then. While this type of branch is an unincorporated body, it is obliged to act as a legally binding entity in its own name. As for the subsidiaries, the German Commercial and Company Law distinguishes between unincorporated companies and corporations. (UHY 2013.)

Unincorporated companies are further subdivided into:

- general partnership (offene handelsgesellschaft - OHG);
- limited partnership (kommanditgesellschaft - KG);
- dormant partnership (stille gesellschaft);
- civil law association (gesellschaft burgerlichen rechts - GBR);
- professional partnership (partnerschaftgesellschaft).

An organizational structure is chosen depending on the amount of business partners, degree and distribution of liability, and size of the company. For example, limited partnership is often chosen by family businesses as the liability risk in this case is distributed equally. (UHY 2013.)

Corporations include:

- stock corporation (aktiengesellschaft);
- limited liability company (gesellschaft mit beschränkter haftung);
- business company (unternehmergesellschaft, haftungbeschränkt);
- real estate investment trust;
- limited partnership with shared capital (kommandit-gesellschaft auf aktien).

The major difference of a corporation from an unincorporated body is that a corporation is regarded as a separate legal entity, meaning shareholder's risk is held only by the company's assets while the owner's assets are protected. This fact broadens the financing opportunities for investors, however establishing a corporation and maintaining it is fairly expensive. Corporations are strictly regulated by the German laws and may be traded privately or publicly. (UHY 2013.)

Sole proprietorship should first of all be singled out of the other types of companies. This is the simplest form of doing business in accordance with the German law, and is classified not as a legal entity, but a business of a natural person with full liability. Despite the fact that sole proprietorship requires minimum reporting and documentation, still liable proprietor must register the business and comes as a subject to taxation. The most appropriate way to set up business relationship in Germany for the firm which does not intend to have staff employed in the country is to use the services of independent sales agents or distributors. In this case, the representative office does not have to fulfill the same requirements as a branch or subsidiary of a company. (UHY 2013.)

As for the administrative procedures, every new business must be reported to the Trade Licensing Office. It should be preferably done in person, though some areas of Germany offer the online registration service. Besides, a new business must undergo a check on the reliability for customer protection reasons. Other required administrative processes are an entry to the Commercial Register, obtaining a business or tax number, and reporting to the pension authority in case the company hires employees. (EU-business 2012.)

Taxation

Individuals or unincorporated companies carrying a trade or doing business in Germany are subject for a trade tax that is collected by the local municipalities. The federal base rate for the trade tax is 3.5 percent, and municipalities use a multiplier to determine the ultimate rate. The multiplier is around 400 percent on average resulting in a tax rate of 14 percent then, but it may vary much depending on the region. For example, in Berlin the set multiplier is 410 percent while in Munich it is 490 percent, resulting in unincorporated companies paying higher taxes in latter region. (UHY 2013.)

The average overall tax burden for corporations in Germany, as it has already been briefly mentioned in the SLEPT chapter, is just below 30 percent, though lower tax rates in certain areas of the country are possible. The two major components of the corporate taxation are:

- corporate income tax + solidarity surcharge;
- trade tax.

The corporate income tax is the same across Germany and accounts for 15 percent of the taxable corporation income that is calculated as a total amount of income minus business expenses. All German corporations as well as branches of foreign corporations operating in the local market are obliged to pay it. The solidarity surcharge has been levied since 1995 and it was originally introduced to finance the reunification of Germany. It is 5.5 percent of the corporate income tax, thus creating a total of 0.825 percent of the taxable income. As for the trade tax for corporations, in general it corresponds to those applicable for unincorporated companies. It is also calculated as a 3.5 percent base rate stated by the government multiplied by the number determined by the municipality. By the German law, the trade tax rate must be at least 7 percent, while the maximum value is not specified. As a result, the rate varies a lot, tending as a rule to be higher in the urban areas than it is in the rural areas. The mean value for the country as a whole is 14 percent. (Germany Trade and Invest 2013b; UHY 2013.)

Labor market

Employers that hire staff in Germany are free to organize the recruitment process in accordance with their own guidelines as long as the jobs are offered in a non-discriminatory manner. The advantage of the market for investors is stable labor costs. The average annual growth in 2003-2012 was 1.6 percent that is the minimum figure within the European Union. As the minimum wages regulations exist only in certain industries, in general wages are negotiated freely. Three employment models are the same as in most countries. They are regular employment, fixed-term contracts and temporary employment. By the law, regular employment contracts begin with a six-month long probation during which the contract may be terminated at any time with a two week notice. Besides, it should be also noted that in the recent years there has

been a significant increase in contracts signed between companies and temporary employment agencies. (Germany Trade and Invest 2013b.)

6.2.2 Business culture

Germany is a desired trading partner for most parties involved in international business. A large number of foreign entrants in combination with a high concentration of successful local companies in almost each sphere of the market result in a corresponding level of competition. The presence of a large number of similar products and services in the market make differentiation a necessary component of success. However, there is another equally important essential component. As Germans as a whole are quite conservative, it is extremely important how the company presents itself to the local market. Understanding the business culture and acting in compliance with the etiquette contributes to creating mutual trust between potential partners; it is the key to successful cooperation and helps leave competitors behind. (German Business Etiquette 2013.)

Communication style

The German communication style is very direct, and directness is often mistakenly taken as a deliberate rudeness. However, the reason for such a manner of conducting negotiations is not the desire to touch the interlocutor, but the belief that personal emotions should not interfere with telling the truth. This is regarded by Germans as a sign of respect. Straightforwardness also results in a rare use of coded language and humor. Using humor is not a taboo while conducting business negotiations, but it should be resorted to only in the cases when it is really appropriate: the more serious the situation is, the more seriousness is expected. (WorldBusinessCulture 2012.)

Meetings and negotiations

In general, the Germans can be quite accurately described by the term ‘pre-planners’ that reflects their careful approach to planning events, especially arranging business meetings. Ahead of the meeting, a considerable amount of preparation is done, the purpose of which is to promote active debate and lead to the success following the meeting. If there are specialists of the matter under discussion present at the meeting,

they are expected to express their own points of view whenever the negotiation touches the field of their specialization, though they do not need to have an opinion on every topic. The way of debating is often direct and strong, counter arguments are encouraged to promote finding the 'right' answer to the agenda of the meeting, so negotiation may look quite 'heated'. However, it should be noted that due to this method of negotiating less time is wasted and, therefore, the desired result is achieved more quickly. (WorldBusinessCulture 2012.)

When arranging meetings, appointments are necessary and most often should be agreed on at least one or two weeks prior to the actual meeting date. Due to the fact the Germans categorically separate work from personal life, calls outside office hours are absolutely unacceptable except in the cases where the interlocutor is your close relative or friend, or the time of the call was agreed on in advance. If the meeting is arranged by sending a letter or other written document, it should be written in German, even if the person speaks good English. Usually, meetings follow a strict agenda with pre-specified not only the start time but also the time of termination. (Kwintessential 2012.)

The Germans are very punctual and expect the same from their colleagues, no matter what country they come from. Arriving on time is a necessary condition for the creation of a positive image; what is more, not only late arrival can have a negative impact but also a too early one. If the arrival at the agreed time is not possible, the German counterpart should be informed about that as early as possible, and the reason for the lateness should be explained. The greetings are usually fast and formal; the traditional method is a handshake regardless of the partner's sex. A formal appeal to the interlocutor should include not only his or her title and surname, but should be necessarily accompanied by "Herr" or "Frau" to show the respect. (Kwintessential 2012.)

After a mutual acquaintance of all the participants, the Germans prefer to go directly to the agenda of the meeting, avoiding introductory talk on general topics such as weather. Since the Germans in their companies typically have a strict definition of each employee's position, their companions must be prepared to answer a question about their own credentials. Furthermore, due to the hierarchical organization of companies the decisions are usually taken by its top management. In this regard, a decision-making process may take longer than expected. However, once the decision is

taken it will not be changed, so the attempts to change the outcome of negotiations somehow are pointless. (Kwintessential 2012.)

Dress code

Most typically, the business dress in Germany is formal and conservative. Men wear a dark business suit with white or light blue shirt and a tie, whereas women should wear either a business suit also, or a conservative dress of dark tone with little or no jewelry or accessories at all. Moreover, it is recommended to avoid visible tattoos or piercing. (Kwintessential 2012.) However, these requirements do not apply to all the areas of business in Germany. Start-ups, IT-businesses and advertising agencies are examples of businesses where significantly less formal suits are often accepted. Besides, a dress code of a shirt and jeans is normally allowed for back office assistants who are not involved in direct contact with clients. (InterNations 2012.)

6.3 Internationalization motives for Alkuvoima East Ltd.

Alkuvoima East currently has an established presence in three European markets: Finnish, Bulgarian and Italian, and their characteristics are quite diverse. Finland can be described as a market with a large number of digital marketing agencies and moderate growth potential. Despite the very high level of the country's technological development and a lot of attention paid to the Internet as a source of increasing profits and attracting new clients by most of the local companies, potential industry growth is limited by the market size. As Finland is one of the smallest EU countries in terms of population, it also reflects the concrete industry under consideration. Digital marketing market in Finland is mainly characterized as a quite saturated market with high competition. Competitors offer products that are both high quality and expensive in terms of prices. Thereby the Alkuvoima East's competitive advantage in the local market is formed: offering the same quality products and services, but for lower prices due to the production done in Bulgaria. Besides, the first internationalization stimulus becomes clear: that is a reactive motive caused by the small and saturated domestic market.

Compared to Finland, Italian and Bulgarian markets are still immature. Formation and development of digital marketing in Italy was significantly slowed down by the 2008-

2009 financial crisis, the consequences of which are still not resolved. Potential clients of agencies were forced to severely cut back their spending, taking in the first place not the quality of the product but its cost. As a result, the level of competition in Italy is low in terms of quality but very high in terms of prices. Another reason for the growth rates in Italian market being below average level is the conservative nature of local businesses. As for Bulgaria, the main pool of competitors is situated in the country's capital Sofia and the market in general can also be characterized as high competitive in terms of prices and low competitive in terms of quality. The growth potential in both Italian and Bulgarian markets is high, but it depends much on what financial situation will be in these countries in the next few years. Alkuvioma East is planning to keep its advantage in these markets of offering higher quality products and services for the same price level.

The description of the current company's markets is essential for better understanding its motives for internationalization and choice of Germany as a primary market for entry. Alkuvoima East's exact turnover information cannot be mentioned here in concrete numbers due to the company's privacy policies. Nevertheless, there is a percentage data about growth in 2011 and 2012: the turnover increased by 6 and 4.5 percent each year respectively. The exact information up to 2013 is not available yet, but the growth is forecasted to be around the same in numbers as in 2012 or even a bit less, meaning around 3.5-4.5 percent. Needless to say, company's management is concerned with such a situation. Among the primary reasons for slowdown, they indicate saturation of the Finnish market where it becomes more and more problematic to find new customers, as well as growing competition in lowest price segments in Bulgaria and Italy.

As despite the moderation of growth the company possesses significant tangible and intangible resources, the Alkuvoima East's management perceives new markets entry as the best way to facilitate rapid company's growth. Their intentions are supported by international orientation of the firm that is currently operating in three countries, as well as a previous experience of a new market entry. Though the expenditure to Italy was not probably done at the right time, still the financial indicators show that this decision contributed to the company's profit growth. Respectively, German market entry is perceived as a more potentially successful management decision due to the

larger size, higher technological development, larger purchasing power and better perspectives in the next years of the German market compared to the Italian one.

Alkuvoima East's management is aware of the tough competition in the targeted market, but it is planning to foothold in the market by keeping the company's competitive advantages. The currently existing language barrier will be overcome by hiring local employees who most probably will be also quite fluent in English. Besides, hiring German citizens with some experience of working in digital marketing can help the company with getting to know some additional market characteristics.

6.4 Reasons for investing in Germany

Decision to enter the foreign market can not only be based on the optimistic results of analysis of the country as a whole. Favorable economic situation in the country, low entry barriers for foreign companies in the local market or complete lack thereof, low political risks - all these factors do not represent a significant value without a detailed study directly of the target market segment which is the field of the company's business activity. Germany is one of the world's e-business leaders and factors that contribute to taking the leading positions are described in this subchapter, followed by description of the company's competitive and comparative advantages that are applicable in the German market.

6.4.1 Germany as one of the digital economy leaders

There is no relevant separate data about digital marketing in the country available, largely in connection with blurred boundaries of the digital marketing concept and its inclusion of a wide range of products and services. Messages with a request for information to the unions and associations of the German market representatives remained unanswered due to their lack of interest in disclosure of the data available. In some cases, results of the market research could be acquired by any interested person, but only on a commercial basis. In this regard, the subchapter is based on the Monitoring-Report Digital Economy (2012) and OVK Online Report (2013), published by the Federal Ministry of Economics and Technology of Germany (BMW) and the Circle of Online Marketers (OVK) correspondingly. Unless otherwise stated, by default the information and statistics on the results of the 2011 are analyzed.

Nature of the demand and customers in digital marketing

At first, the factors that determine with high probability or at least significantly affect the dynamics of digital marketing development are needed to be identified. For these purposes, in the first place main industry clients should be defined, on the number of orders by which primarily depends the growth or decline in the industry. So what are the customers in B2B digital marketing? Those are the companies of any sizes that understand the constantly fast increasing importance of the Internet and are aware that the lack of attention to this phenomenon can have serious consequences up to the market loss in the long run.

In recent years, the Internet has undergone a significant evolution. Of a platform for promoting products and services among a rather limited audience for much less funds than by using traditional tools, the Internet has become a very large market itself with ever-increasing pace of sales, covering the widest audience and providing almost unlimited possibilities for advertising and marketing activities. Due to this trend, zeal of companies to be properly represented on the Internet can be easily explained. However, most companies do not have sufficient tools and resources for self-alignment of a competent strategy. The reason is the relatively recent expansion of the Internet and, accordingly, lack of the necessary experience. Furthermore, development of the online presence means not only a detailed study of various complicated strategies for marketing and business development through the online sphere, but also the direct creation of products such as websites, applications or user interfaces.

Both strategy planning and its implementation together with creating the necessary products imply the involvement of highly specialized experts from presently scarce sphere. Most companies do not have sufficient resources and often sufficient practical necessities for maintaining own IT department, or they use it for different purposes. Therefore, when the decision about giving a greater emphasis to the online component of the business is made, there appears a need for the services of digital marketing agencies.

The accelerators for a companies' better understanding of the importance of comprehensively developed presence at the Internet are growth of such indicators as the number of registered Internet users, total Internet added value on the considered mar-

ket, information and communications sector (ICT) turnover, increased efficiency indicators of marketing products and services through the Internet, as well as a number of other indicators. Digital marketing agencies, in their turn, can build forecasts about the growth of demand in a particular market also based on the figures such as a number of start-ups registered in ICT sector, growth of online advertisement or infrastructure development in the targeted market. These above mentioned indicators are analyzed in the subchapter.

Overview of the Internet economy in Germany

The turnover of the ICT sector in Germany was estimated 222 billion euros in 2011, exceeding the corresponding numbers for the traditional mechanical engineering industry which is known for its high development far beyond Germany. There are around 843,000 employees in the ICT sector (3.1 percent of all commercial employment in Germany) and each of them generates more than 91,000 euros annually that makes the ICT sector the leader in the value creation per capita. Information and communication technologies are cross-sector technologies and thus create added value for other sectors too. Investments in ICT are responsible for over a fifth of productivity growth throughout the country's economy, and the German ICT economy provides with workplaces 350,000 people employed in non-ICT sectors.

In terms of turnover, German ICT economy is the fourth largest in the world and the fifth one in the 15-nations ranking when it comes to the technical infrastructure that is a key driver for growth and innovation. The core strength of Germany in terms of infrastructure is widely spread hardware such as computers, smartphones or mobile phones. The country is ranked third for the spread of computers and 45 percent of population use smartphones. However, performance in networks is not so good: although the Internet and broadband are becoming more widespread and demanded, this process occurs with lower than expected growth rates and more slowly than in most of other considered countries.

Another key indicator of ICT sector's high development level is value creation: the sector accounts for about 4.5 percent of total commercial value created in Germany. Outpacing by this indicator the traditional automotive and mechanical engineering sectors, digital economy concede only to the retail in value creation. ICT sector also

legs behind retail compared by the turnover numbers: while retail accounts for 10.2 percent of total turnover generated via the commercial economy in Germany, ICT accounts for 4.4 percent. Besides, automotive engineering is ahead with 6.4 percent. ICT companies invested 11.7 billion euros in capital equipment that they either purchased or produced themselves, which makes them a leader in this indicator.

The pace of the digital economy development is supported by a large number of start-ups in the market and significant financial investments in innovative areas. Since 2009, around 9,000 ICT companies have been established each year. The ICT sector spent a total of 14 billion euros on innovative projects in 2010 and the figures for 2012 were forecasted to grow up to 14.5 billion euros. This equates to 12 percent of all spending on innovations throughout the German economy. By the means of process innovations, the ICT sector reduced its costs by 7.4 percent and increased turnover by 3.1 percent in 2010.

Increased spending on online advertising in Germany is a prerequisite for the further growth in demand for services of digital marketing agencies in connection with the fact that for the marketing campaign development most companies, regardless of their size, use the services of third party specialized firms with much experience in the area and satisfactory project and client portfolio. Online advertising spending in Germany set a new record in 2012 with an advertising volume of 6.47 billion euros. It is worth noting that in 2011 this figure was below 6 billion euros, meaning an impressive growth rate of online advertising. This advertisement type ranks second in the gross advertising pie, having 21.8 percent share in 2012. Forecasts for 2013 are positive: a growth rate of more than 10 percent is expected, resulting in more than 7 billion euros of total online advertising spending.

The above figures reflect the great importance of the ICT sector as a whole for the German economy and its highest development level. Another indicator that confirms the attractiveness of Germany as a potential entry market is a survey conducted among the local companies from different sectors as a part of the Monitoring-Report Digital Economy (2012). The participating companies characterized the Internet as a highly important factor of success in their business and forecasted that its significance will continue growing in future. They expect the Internet to be the main tool for facilitating

the cooperation with customers and partners, increasing efficiency of knowledge and information transfer and allowing acceleration of business processes and transactions.

6.4.2 Competitive advantages of Alkuvoima East Ltd.

The key factors that favorably distinguish Alkuvoima East from competitors include the following eight points:

1. good reputation of the company
2. strong know-how due to the accumulated experience
3. large client portfolio with a number of globally recognized brands
4. wide range of offered products and services
5. cost of services and products below the market average
6. experience in the market similar to the German
7. successful internationalization experience
8. possessing significant resources for the internationalization

Throughout the years of existence, Alkuvoima East has made efforts to create a positive image in the eyes of current and potential customers. This was achieved by an individual approach to each of the clients and carefully designed strategy of working with them. The company's management is aware that poor performance with one single client can result in significant loss of reputation as a result of so-called 'word of mouth' effect. Therefore, the company is guided by the principle stating that the customer satisfaction is placed in the head of all, even if the company has to face some deprivation for the sake of achieving good customer feedback. This strategy brings success, and proof of this is that the company has customers in the markets where it is not officially present. Those clients are coming from Switzerland and United Kingdom. They independently contacted the company after positive recommendations given to them by other customers of Alkuvoima East, despite the well-developed digital marketing in home countries.

Alkuvoima East is aimed at a minimum rotation of the personnel working at the company. The core team has remained unchanged since the company was founded. It promotes continuous increase of professional qualification of the team as a whole and incessant accumulation of its experience. Furthermore, constancy of the team means

high employee loyalty to the company and its senior management. This indicates the correct approach to the work with the personnel and favorable atmosphere in the team, which enhances employees' motivation and, correspondingly, their productivity. Besides, those resources are released that the company would otherwise spend on training new staff.

Relatively large experience of operating in a sphere that started showing rapid growth only in recent years plus experienced employees who have been sharpening their skills in the same company and on quite the same positions for several years result in a strong know-how of Alkuvoima East. During its existence, the company managed to take part in the development of large projects which required attention to every single smallest issue and were a good test of the company's professional capabilities. As the results satisfied clients' requirements, the company has formed a pool of permanent customers which lead to a strong client and product portfolio. The portfolio is very important with regard to the situation, since the large numbers of clients and successfully completed large scale projects is the best proof of strong know-how for the potential customers who have not heard much about the company before.

As it was already mentioned previously in the subchapter with the company's description, Alkuvoima East offers customers a wide range of products and services that in itself is not a hallmark in comparison with many other digital marketing agencies. The advantages, however, should include high work quality in conjunction with the prices below the industry average. This is achieved through the direct implementation of the projects in Bulgaria, where the company hires employees with matching other markets level of expertise and experience, but the expenses on salaries are far below those in the German agencies in relation to very different overall wage levels in the countries. German market entry does not entail an increase in the cost of services, as the production would still take place in Bulgaria then. The problem of an increased workload due to the larger number of orders would be solved at the expense of hiring additional staff for the necessary positions. Moreover, there is even a probability of reducing the cost of products and services after the German market entry due to economies of scale achieved by optimizing operational processes in Alkuvoima East.

Entering foreign markets is always a challenge for companies, as it takes time to adjust a new business environment, including other legislation, increased level of com-

petition, different requirements of customers because of the local market specificity, different business culture and some other factors. The process of Alkuvoima East's adaptation in the German market can be facilitated by the fact the company is currently operating in Finland, where the market is similar to the German on many key indicators. These indicators are level of market competition and its technological development, the same currency, similar business culture, labor market and legislation, and some other common features of the two markets adjusted for a huge difference in their sizes.

Besides, it is important that the planned foreign market entry is not the first one for Alkuvoima East. Previously it had an experience of entering the Italian market by means of opening a sales office in Torino. Despite the fact the company admits that insufficient market research was done before taking decision on the market entry, Alkuvoima East is currently quite successfully represented in Italy. The mistakes were analyzed and the company will try to avoid them in the future through better and more detailed strategy elaboration. Anyway, the experience of entering new markets is a positive factor in light of the potential yield on the German market.

Lastly, it should be mentioned that due to fairly successful results in recent years, the company currently has a quite good position in the market. Existence of a certain accumulated capital allows counting on the fact that the company will have sufficient funds to maintain the business in Germany before the local office reaches the level of self-sufficiency, even if this process is a little delayed. Naturally, each of the distinguishing factors and advantages mentioned above does not look one hundred percent guarantee of success in the new market. However, there cannot be such guarantees because the advantages lose their significance if no thorough market research and analysis, and strategy elaboration have been done.

6.5 Unfavorable aspects of investing in Germany

The key unfavorable aspect of investing in Germany is a very high level of competition in digital marketing. Due to the lack of other sources, the search for competitors of Alkuvoima East was done manually through Internet with the usage of search engines. Besides, the company contributed to the research by supplying with a list of German digital marketing agencies that it has prepared before on its own. A compari-

son of own studies' results with the provided data helped to create quite a full picture of the market. The interviews conducted with the representatives of the target market were an additional relevant source of information. In general, the given answers on the questions about competition level and typical competitor's profile were a confirmation and supplementation of the study results.

There are two types of companies most widely represented in the German market:

- local departments of large agency groups represented internationally;
- highly qualified and more narrowly specialized smaller-sized 'home-born' agencies.

A distinctive feature of the smaller agencies is focusing on a smaller number of products and services provided to customers. In return, the agencies most often guarantee high quality performance and slightly lower costs of their work for customers in comparison to the local departments of internationally present brands. The smaller agencies typically employ five to ten people and have offices situated in Berlin which is the focal point for digital marketing companies.

Another specialty of smaller agencies is working closely with each client: in most cases, a customer has an opportunity to get the information on the implementation of the order immediately. The manager of the agency responsible for the project usually provides constant feedback and requests the client's opinion on a number of key points in project implementation. Establishing constant contact between the client and company's representative is especially valuable in digital marketing, as in such projects as corporate website, user extranet or mobile application creation mutual understanding is absolutely necessary. The slightest discrepancy of the result to the client's point of view can cause customer dissatisfaction and deterioration of the agency's reputation. Corporate website, for example, may be considered poorly done because the slightest nuances in usability, layout or color scheme.

In total, the digital marketing in Germany is represented by far more than with 100 companies. This is not simply a rough estimation, as the number of agencies found during the market study together with those companies that were listed in the document provided by Alkuvoima East exceeded the specified number. Thereby, the sepa-

rate observation of each company's competitor in the target market is not possible in the study. A sample of several competitors deserving special consideration in the author's opinion is chosen for the purpose of separate description in this subchapter, and the list with the rest of the digital marketing market representatives in Germany can be found as Appendix 1.

Razorfish (<http://www.razorfish.de>)

Among others, this international digital marketing agency stands out for its size: it has fifteen offices on four continents and around 2200 employees worldwide. According to the information that can be found on the company's website, the German department of the agency employs around 200 people from more than 20 disciplines. The offices of Razorfish Germany are situated in Berlin and Frankfurt. Naturally, the company offers a list of products and services that is corresponding to its size: customers are offered anything from planning online campaigns and preparing web analytics up to developing applications for iOS operating system. Among the client list of Razorfish can be found such globally recognized brands as McDonald's, Nike, Volkswagen, Audi, Microsoft and Maggi. The company has multiple awards in different disciplines from various constitutors. As this digital marketing agency is one of the market's leaders and thus possesses comprehensive market knowledge, attempts were made to arrange an interview with its representative but they were not successful.

Eobiont (<http://www.eobiont.de>)

Eobiont is a German-American agency that specializes in integrated marketing communication, digital and social media, public awareness campaigns and viral videos. It was decided to consider the company separately in connection with its unusual approach to work. The agency states honesty as the main principle of its campaign and claims that it strives to bring vitality, emotions and even humor to each of its products. These distinctive features are repeatedly mentioned on the Eobiont's website and are reflected directly in the web pages design and the manner of text presentation. The company's head office is situated in Berlin, but the information about the number of people employed at the agency is not published.

Sellery (<http://www.sellery.de>)

Sellery is another example confirming the thesis about diversity of the digital marketing representatives in Germany. Sellery offers all marketing and communications services (strategy development, media advertising and promotion, digital communication, corporate design etc.), and it is a flexible association of independent communication professionals with an average experience of seventeen years in their specific jobs. They are working on a freelance basis, meaning Sellery does not have any permanent employees. For each new project experts from different disciplines are selected to create a tailored team for the specific target.

The choice of described above three companies is motivated by the desire to show the extreme diversity of Alkuvoima East's competitors in Germany. There is almost nothing in common in between Razorfish, Eobiont and Sellery except for the fact these agencies operate in the same business area: the companies fundamentally differ by team-building principles, ways to attract customers and approach to the orders execution. It should be emphasized that this are three companies only of more than a hundred. It can therefore be confidently asserted that the level of competition on the digital marketing market in Germany is very high, potential clients will most likely find satisfying them proposal among the offers and thus competition is the main threat on the way of Alkuvoima East to the German market.

6.6 Entry mode analysis

In relation to Alkuvoima East, the choice of ways to enter the German market is primarily between creating a joint venture and establishing a sales office of the company in Germany. This is mainly caused by the fact that at least at this stage, the company has no plans to open a new department in Germany, which would deal with order fulfillment. The company claims that even after entering a new market project implementation should be carried out in Bulgaria, where the local department can be extended if necessary. The reasons for this are the desire to maintain a competitive advantage in the form of a lower than competitors' labor costs, as well as reducing expenses associated with entering the new market due to eliminating the need for opening a whole new department responsible for the execution of projects. Since the transfer of production is not planned, it turns out that the company only needs a presence of

the department responsible for marketing activities, finding customers, establishing and maintaining contact with them in Germany. This naturally makes the task of entering the local market more feasible and substantially reduces the range of possible entry mode options.

An acquisition of the entire company is an exhaustive and too costly mode of entry in the present case. Pluses are immediate access to the local market, the acquisition of an existing customer base, absence of necessity to gain the reputation from scratch and availability of management familiar with the realities of the German market, if it continues working in the acquired company. However, minuses outweigh since this way means very large financial expenses that the company cannot afford at the moment, as well as the acquisition of the production department within the company, which goes in contrary with the plan of Alkuvoima East to maintain production in Bulgaria.

Signing a licensing or franchising contract with some digital marketing agency that has strong brand and good competence in the area does not seem as a good choice of the German market entry mode as well because of several reasons. Primarily, this has no practical sense due to the fact that Alkuvoima East itself is a quite self-sufficient and successful company for which it is more advantageous to continue developing and promoting its own brand. Besides, signing this type of contract would mean a great dependence from the licensor or franchisor, and thus significant limitations in the decision-making capabilities for the management of Alkuvoima East. That is not what the company's management team is searching for, as it is formed of those people who are striving for new challenges and do not want to give up control over the business process in the other hands.

Establishing a joint venture with a German partner is the entry mode option that requires more detailed and careful consideration, because there is no clear advantage of the pros over cons or vice versa. Ideally, cooperation with the German digital marketing agency could be successful and mutually beneficial. The joint venture could be a composition of a local market expertise provided by the German party and managerial and production experience provided by Alkuvoima East. The search for clients, establishment of contact with them, negotiation process and marketing activities seem as the main responsibilities of the German party in the joint venture, as the local digital marketing agency should possess significant knowledge about the German market,

have established business contacts and be aware of the local business culture and typical German customers' distinguishing features. Alkuvoima East could take care of an actual production then. Thus, establishing a joint venture with the right partner the Finnish-Bulgarian company keeps its main competitive advantage (relatively low prices due to the production done in Bulgaria), and gets rid of the risks associated with inadequate study of a foreign market and the problems associated with finding customers in the absence of any reputation and experience in the German market at the same time.

However, all this applies only to an ideal situation, the restoration of which in existing environment is not guaranteed. The first substantial difficulties usually arise at the stage of finding a suitable partner. It is a time-consuming process, and what is more, there is no guarantee that the company meeting the necessary criteria will be found at all. Furthermore, if the right agency is found, it may show no interest in establishing a joint venture and decline the offer to begin negotiation process. In case the agency shows some interest, the negotiation process can take months and still the parties may not even come to an agreement on their basis. Even an established joint venture with obligations of participating companies specified in the agreement may not lead to a success because of regular conflicts caused by different opinions on the best possible strategies, and different management styles. Thus, entering the German market by means of establishing a joint venture with the German digital marketing agency is an option that may lead to considerable success in the local market in a relatively short run and does not involve significant expenses, but involves high risks of failure.

Establishing a sales office in Germany without cooperation with local digital marketing agencies at an expense of Alkuvoima East and relying solely on their own experience is the last considered option of the entry to the German market. In this case, the company will repeat the path by which they entered the Italian market and will risk facing the same problems. Lack of any experience of working with customers from Germany and substantial financial and time investment required for a detailed market study, opening a local office, hiring and prior training new staff and working process organization carry significant risks.

Nevertheless, if these steps are completed successfully, Alkuvoima East opens up considerable opportunities in the German market. Needless to say, the company has to

wait for some time period then, when the office in Germany will work practically idle without bringing any profit. Still, upon receipt of the first orders and gradual accumulation of the customer base, the situation will begin to change gradually. In the case of fortunate circumstances and absence of significant failures in strategy development process, Alkuvoima East will achieve the intended result: the department based in Germany will be responsible for the marketing activities and maintaining contact with customers, while the actual production will be done in Bulgaria. Thus, in this case the company keeps its desired competitive advantage in the German market and increases the workload of Bulgarian department.

As a conclusion, based on the analysis the entry mode choice is reduced to consideration of two options: establishing the company's own department in Germany or founding a joint venture with the German partner. At this stage of the analysis, the first option looks preferable, but upon condition of finding a suitable reliable partner and making it possible to sign an agreement with it on favorable for Alkuvoima East terms, management's view on the preferred option may change to the opposite.

7 CONCLUDING REMARKS

The most important outcome of the study can be seen in the fact that responses have been received to the posed research questions. Germany was subjected a thorough analysis and characterized as a favorable country for most businesses. Based on the accessible information, digital marketing market appeared to be very promising in terms of the current size and demand, and potential growth. The main threat is very high competitive pressure, but the key advantages of Alkuvoima East will be applicable in the German market in case of elaborating the right strategy. Entry mode analysis also gave concrete answer on the stated question. It can be concluded that Germany is the right target market for Alkuvoima East, and the company should continue the research in order to enter the market in the near future. As the next step, I would recommend a detailed study of a large part of the listed competitors to get a more precise understanding of what the German typical digital marketing agency is. Moreover, the company should further elaborate on the option with finding a specific partner in the German market with a purpose of the cooperative joint venture establishment.

In relation to my personal experience, I would like to note that conducting this research was a huge challenge, but an extremely useful one. I have learnt a lot about the internationalization process, taking into account both its theoretical and practical parts. I studied much about Germany and the local ICT sector, as well as the global one, and I hope this knowledge will appear to be useful for my professional career. Research process contributed to the development of my critical thinking and analytical skills. I developed my skills not only in the search for the information in an unfamiliar language, or through multiple requests to foreign associations, but also in the ability to critically assess the collected data and choose the most relevant one, leaving the larger part outside the study.

I believe that the research is properly done. The document has a clear structure that promotes its better perception. To achieve a greater reliability of the research, I strove to use more different sources of information that resulted in more than three pages of book bibliography. The total amount of text has not exceeded reasonable limits, and at the same time both in theoretical and empirical parts the amount of the relevant information is an indicator of the properly done work. As the key mistake made during the study process, I would mention that I have not made sure in advance that the relevant information in sufficient amounts is available on each topic. That resulted in disruption of scheduled completion dates after it was found out there is hardly any information available on the digital marketing in Germany.

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* Name is hidden by request

APPENDICES

APPENDIX 1 (1)

	Website address	City (location of the head office)	Comments
2raumwelten	http://www.2raumwelten.de	Berlin	2-5 employees
3DeSIGN	http://www.3design-gmbh.de/	Berlin	6-10 employees
4C Consumer Insight	http://www.4c-consumer-insight.com	Berlin	6-10 employees
Aditive	http://aditive.de/	Munich	
Agentur für kreative PR	http://www.kreative-pr.de/	Berlin	2-5 employees
Ambient Media Online	http://www.z-newmedia.de/	Berlin	
AMSJ	http://www.amsj-werbeagentur.de	Berlin	6-10 employees
APD Design	http://www.apd-design.de/	Berlin	
April Agentur	http://www.aprilagentur.de	Berlin	2-5 employees
Artkrise	http://www.artkrise.de/	Berlin	
Artolog	http://www.artolog.com/	Berlin	
Bauer Agency	http://www.bauer-agency.de/	Berlin	
Bellot	http://bellot.de/	Berlin	
Breakeven	http://www.breakeven-berlin.de	Berlin	11-20 employees
Brettingham	http://www.brettingham.de	Berlin	
CB.e	http://www.cbe.de/	Berlin	
Christian Schwab	http://www.werbeagentur-schwab.de	Berlin	11-20 employees
Compuccino	http://compuccino.com	Berlin	11-20 employees
Cosmoblonde	http://cosmoblonde.de	Berlin	15 employees
Creanuts	http://www.creanuts.com/en/	Berlin	
Creative Construction	http://www.creativeconstruction.de/	Berlin	11-20 employees
Cross Brand	http://www.crossbrand.de/	Berlin	
Cyanopolis	http://www.cyanopolis.de/	Berlin	
D.C. Media	http://www.dcmn.com/	Berlin	11-20 employees
DAJA Design	http://www.dajadesign.de/	Berlin	
Dentshev & Geiersbach	http://www.eitido.de	Berlin	
Eobiont	http://eobiont.de	Berlin	
Fair Marketing	http://www.onlinewerbeagenturberlin.de/	Berlin	2-5 employees
Forelle Media	http://www.forelle-media.de	Berlin	
Frischli Productions	http://www.fischli-productions.de/	Berlin	6-10 employees
GawlittaDigital	http://www.gawlittdigitale.com/	Berlin	11-20 employees
Glow	http://www.glow-berlin.de	Berlin	
Glutrot	http://www.glutrot.de/	Berlin	6-10 employees
Goldene Zeiten	http://www.goldene-zeiten-berlin.de/	Berlin	2-5 employees
goYippi	http://www.goyippi.net	Berlin	
Immowerber	http://immowerber.de	Berlin	6-10 employees
Inkays	http://inkays.com/	Berlin	6-10 employees
Interlogue	http://www.inter-logue.de	Berlin	
Internetwarriors	http://en.internetwarriors.de/	Berlin	
Inversi Design	http://www.inversi-design.de/	Berlin	
Junge Meister	http://www.junge-meister.de/	Berlin	6-10 employees

APPENDIX 1 (2)

KKLD	http://kkld.net/en/agentur/	Berlin	
KNSK	http://www.knsk.de	Hamburg	
Kombinat	http://www.kombinat-berlin.de/en/	Berlin	6-10 employees
Kross	http://www.kross-werbeagentur.de/	Berlin	6-10 employees
Lennix	http://lennix.de/lennix-home	Berlin	
Loewi partner	http://www.loewi-partner.de/	Berlin	6-10 employees
Lounge 5	http://www.lounge5.com/	Berlin	15 employees
Meinhardt Comma	http://www.mcomma.com/	Berlin	
Mental design Factory	http://www.mental-design.com/	Berlin	
Menze Koch	http://www.menze-koch.de/	Berlin	2-5 employees
Mesch Media Direct	http://www.mmd.de/mmd-media-agency/	Berlin	11-20 employees
MEXPERTS AG	http://www.mexperts.de/	Munich	member of DPRG (German PR Association)
Meyer Concept	http://www.meyerconcept.de	Berlin	
Mixxd	http://www.mixxd.com/	Berlin	6-10 employees
MOCCU GmbH	http://www.moccu.com/en	Berlin	11-20 employees
Monocor	http://www.monocor.de/	Berlin	2-5 employees
Mouse Event	http://www.mouseevent.com/	Berlin	
MXM Design	http://www.mxm-design.de/	Berlin	
Net Generator	http://www.netgenerator.de	Berlin	
Netz Format	http://www.netzformat.de	Berlin	2-5 employees
Newline Network	http://www.newline-network.com/	Berlin	11-20 employees
Oben	http://www.oben-werbung.de/	Berlin	2-5 employees
Odigo	http://www.ondigo.de/	Berlin	12 employees
OMD Germany	http://www.omdgermany.de/en/	Dusseldorf	second place in the latest RECMA ranking of the largest German agencies; more than 600 employees in Düsseldorf (2x), Hamburg, Munich and Berlin
Orange and Grey	http://www.orange-grey.com/en/	Berlin	
Other View	http://www.otherview.de	Berlin	6-10 employees
Prmanent	http://www.prmanent.de/	Berlin	
Proforma	http://www.proforma.de/	Berlin	6-10 employees
Provoke Media	http://provoke-media.com/	Berlin	2-5 employees
Random Interactive	http://www.random-interactive.de	Berlin	
Razorfish	http://www.neue-digitale.de	Berlin	12th place in the ranking of the creative digital agencies
Rudolf Horn Consulting	http://www.rudolf-horn-consulting.de/	Berlin	11-20 employees
Sagross	http://www.sagross.de	Berlin	
Salz	http://www.salz-berlin.de/en/	Berlin	

APPENDIX 1 (3)

Schleuse 01	http://www.schleuse01.de	Berlin	2-5 employees
Sellery GmbH	http://www.sellery.de	Frankfurt	
Selly Media	http://www.sellymedia.de	Berlin	11-20 employees
Short Cuts	http://short-cuts.de	Berlin	11-20 employees
Smack Communications	http://www.smack-communications.com/	Berlin	member of the international advertising network map
Spree Webdesign	http://spreewebdesign.de	Berlin	2-5 employees
Starcompany	http://www.starcompany-healthcare.de	Berlin	
STFmedia	http://www.stf-media.de	Berlin	
Sturmer & Dranger Kreativbüro	http://www.stuermer-draenger.de/	Berlin	2-5 employees
Sun beam	http://www.sunbeam-berlin.de/en/	Berlin	11-20 employees
Synergie Effect	http://synergie-effekt.net/	Berlin	6-10 employees
Syrcon	http://www.syrcon.com/	Berlin	2-5 employees
Team Bose	http://www.teambose.de/	Berlin	6-10 employees
Team Peter M.Scholz	http://www.t-ps.de/	Berlin	2-5 employees
TP Marketing	http://www.tpmarketing.de/	Berlin	11-20 employees
Twins AD	http://twins-ad.de/agentur.en.html	Munich	
Ultra Color	http://www.ultracolor.de/	Berlin	2-5 employees
Unitb technology	http://www.unitb-technology.de/	Berlin	11-20 employees
United Communications	http://www.united.de	Berlin	team of multilingual specialists
Viral Lab	http://www.virallab.de/	Berlin	
WDB	http://www.wdberlin.de	Berlin	11-20 employees
Webaffairs	http://www.webaffairs.org/en	Berlin	6-10 employees
Website Werkstatt	http://www.website-werkstatt.de/	Berlin	
Wegweiser Strategie Agentur	http://www.wegweiser-strategie.de	Berlin	2-5 employees
YD	http://ydworld.com/germany/en	Berlin	
Yoocon	http://www.yoocon.de/	Berlin	6-10 employees
Ysomedica	http://ysomedica.com	Berlin	2-5 employees
Zepter und Krone	http://zepterundkrone.de	Berlin	25 employees
Ziel Gruppe Kreativ	http://www.zielgruppe-kreativ.com/en/	Berlin	6-10 employees
Zitrusblau Agency	http://www.zitrusblau.de/	Berlin	

Interview framework №1

1. What are the global trends in digital marketing and how do they influence your company?
2. What are the characteristics and needs of the company's customers?
3. What is the company's competitor profile in each market?
4. What are the competitive and comparative strengths of the company?
5. What are the main company's motives for internationalization?
6. Why do you perceive Germany as the best market for the potential entry?
7. What entry mode is the most suitable for the company and why?
8. How would you estimate the potential demand on your products in Germany?
9. How are you planning to keep the competitive and comparative advantages of the company in Germany?

Interview framework №2

1. Could you provide an overall description of the digital marketing department at your company?
2. What is the profile of your typical customer?
3. What kind of companies are most of competitors in the industry and how would you estimate the competition level?
4. How would you characterize the current level of demand in the industry and what is its growth potential?
5. What are the main strengths and weaknesses of the market?
6. What are the main barriers on the way of companies entering the German market?