

AUSTRIAN SAUNA MANUFACTURER MARKET

Market Research for Harvia Oy

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Abstract <p>This thesis aimed to help the company Harvia Oy Ltd to decide whether or not enter the Austrian sauna manufacturing market is viable. For this, the Austrian business environment, the sauna manufacturing market itself and the potential competitors were explored.</p> <p>The theoretical framework consists of the most important theories regarding a foreign market entry. This includes a theory of choosing the market, market segmentation and modes of entry. The next chapter introduces the data collection methods, describes the data used in the research and most importantly, describes the data analysis methods used, which were PESTLE and the ratio analysis.</p> <p>The research was a descriptive secondary data analysis. The data was collected from commercial online databases and comprised Austrian country data and financial statements of ten Austrian sauna manufacturing companies. This data was analyzed to evaluate the Austrian business environment, to calculate the total value of the Austrian sauna manufacturing market and to evaluate the financial performance of the potential competitors. In addition, the product portfolios of these companies were compared to those of Harvia Oy Ltd.</p> <p>The results of the study show that Austria as a target market is viable for a market entry in terms of the business environment. The economy of Austria is recovering from the European financial crisis, and the sauna manufacturing market is sizeable and has not undergone dramatic financial changes over the past years. The competition is relatively evenly distributed with a few companies having major market shares. No major obstacles to a market entry into Austria were detected, except for the unstable financial performance of the majority of the Austrian companies, should Harvia Oy Ltd look for a partner.</p> <p>Further research could look deeper into the operations of the sauna manufacturers to gain a better understanding of the norms and practices in the industry. Additionally, the effect of the foreign competitors in the market should be researched to get a picture of the market as a whole.</p>		
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Tiivistelmä <p>Tässä opinnäytetyössä pyrittiin auttamaan Harvia Oy:n päätöksentekoa sen suhteen, onko järkevää laajentaa toimintaa Itävallan saunamarkkinoille. Tätä varten tutkittiin ja analysoitiin Itävallan talousympäristöä, saunamarkkinoita sekä mahdollisia kilpailijoita.</p> <p>Teoreettinen viitekehys sisältää tärkeimmät teoriat koskien ulkomaisille markkinoille laajentumista. Siihen sisältyy teoriaa markkinan valinnasta, markkinoiden segmentoinnista sekä laajentumistavoista (modes of entry). Lisäksi käsitellään datankeruumenetelmiä, datan kuvausta sekä erityisesti analyysimetodeja, jotka tässä työssä olivat PESTLE ja suhdelukuanalyysi (ratio analysis).</p> <p>Tutkimus oli deskriptiivinen sekundäärinen data-analyysi, ja data kerättiin kaupallisista online-tietokannoista. Data koostui Itävallan maatiedoista ja kymmenen itävaltalaisen yrityksen tilinpäätöksistä. Tämä data analysoitiin, jotta saatiin selville Itävallan talousympäristön ja mahdollisten kilpailevien yritysten taloudellinen tila. Sen lisäksi tilinpäätöksistä laskettiin Itävallan saunamarkkinoiden kokonaisarvo. Myös yritysten tuoteportfolioita vertailtiin Harvia Oy:n tuotetarjonnan kanssa.</p> <p>Tulokset osoittivat, että mahdollisuudet Itävaltaan laajentumiseen talousympäristön puolesta ovat suotuisat. Itävallan talous palautuu hitaasti Euroopan taluskriisistä, ja saunamarkkinat ovat mittavat ja vakaat, eikä niiden arvo ole muuttunut dramaattisesti viime vuosina. Kilpailu on suhteellisen tasaista, vaikkakin muutamalla yrityksellä on mittava markkinaosuus muihin verrattuna. Muita suuria esteitä markkinoille laajentumiseen ei löytynyt paitsi itävaltalaisen saunavalmistajien epävakaa taloudellinen tilanne, joka tulee ottaa huomioon, mikäli Harvia Oy etsii paikallisia yhteistyökumppaneita.</p> <p>Tulevaisuudessa syventäviä tutkimuksia voitaisiin tehdä yritysten operaatioita ja erityisesti alakohtaisia normeja ja käytäntöjä koskien. Sen lisäksi voitaisiin paremman kuvan saamiseksi tutkia ulkomaalaisten kilpailijoiden vaikutusta kilpailutilanteeseen Itävallassa.</p>		
Avainsanat (asiasanat) Markkinatutkimus, market research, Tilinpäätösanalyysi, financial statement analysis, suhdeluku analyysi, ratio analysis, sauna, foreign market entry, sekundäärinen data-analyysi, markkina segmentaatio		
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1 INTRODUCTION

1.1 Structure of the thesis

In chapter 1 I will introduce the topic of my thesis as well as the world of international trade and why it is important for a company to consider going abroad. After that I will explain the reader what is a sauna and the culture around it, as well as introduce the company Harvia to whom I conducted this research, and their business practices. Most importantly chapter 1 presents the research problem and questions that form the base of this research. Finally the focus of the thesis will be explained.

Once the focus of the thesis is clear, chapter 2 describes the theoretical framework of foreign market entry. Most important theories are be introduced and explained to reader so that it becomes clear what needs to be taken in consideration when entering a foreign market. This theoretical basis paves way for chapter 3 to explain what data needs to be collected and analyzed and how.

In chapter 3 I introduce the practical tools of data collection, as well as describe the type of data that need to be collected and analyzed. Finally the chapter introduces PESTLE and ratio analysis, which were used to form the results of this thesis.

Chapter 4 presents the results gained by using the analysis methods on the collected data. It first introduces Austrian economic figures which affect market entry on a large scale, as well as the results of a PESTLE (Political, Economic, Social, Technological, Legal and Environmental factors) analysis. Next the results showing the characteristics of the Austrian sauna market are presented, followed by the results detailing potential competitors and their current performance, as well as their product portfolio. In chapter 5 the reliability and validity of the research data is discussed, followed by chapter 6 where the conclusions drawn from the results are presented. Guided by the theoretical framework of the research, the final chapter is reserved for discussing whether in the light of the research results entering the Austrian sauna market is advisable.

1.2 Importance of international trade

As Albaum, Strandskov and Duerr (2002, Preface) explain, key factors driving globalization such as major technological advancements (like the internet), lowered cost in communications, birth of e-commerce, improvements in both logistics and transport, lowered barriers for trade and investment and international strategic alliances raise the question: in order to continue growing, can a company remain purely domestic?

Thus a logical option is to look outside the borders of one nation, and seek expansion into new markets. Should a company not do this, they risk facing competition from aggressive foreign competitors, but also from other internationally oriented domestic competitors (Bradley 2005, Preface).

Especially the emergence of e-commerce has created new opportunities for companies of all sizes. Even the smallest business can now find potential customers and have the means of distribution across the globe. Naturally the new opportunities have led to increased competition across all markets and industries. While large MNEs (multinational enterprises or corporations) have been affected, the globalized marketplace has also brought more competition to smaller and medium-sized companies. (Albaum et al. 2002, Preface.)

This includes Harvia Ltd (from now on simply stated as Harvia in the text), to whom I conduct my research. For my thesis I carried out a market research concerning the Austrian sauna manufacturer market. Harvia is a Finnish SME with decades of experience into exporting abroad, especially Central Europe such as Germany.

1.3 History of sauna culture and Harvia

Sauna could be only Finnish word that has found its way to other languages across the globe. For majority of Finns it has since birth been a firm part of every-day life for countless centuries, but has only emerged in its current form in the past century outside northern Europe. (Taskinen 2011, 37.)

“A traditional Finnish sauna is a square, wooden room with a stove in one corner. The heart of the sauna is the stove which is, to put simply, a combustion chamber covered with stones.” (Taskinen, 2011, 9.)

In its earliest form the sauna was only a hole in the ground, which was covered with animal hides to keep in the steam. Sauna is an ancient invention that has already been mentioned in the Chronicle of Nestor in the 9th century, the oldest Russian historical manuscript, as well as in the Viking Sagas. (Taskinen 2011, 8-15.)

The steam room culture was the most widespread in the Middle-Ages, when they could be found not only in the northern Europe, but as far as northern Italy and the British Isles (Taskinen 2011, 8). However Nordskog reminds us that sauna is not the only hot bathing tradition in the world. The native North Americans had sweat lodges, which worked in similar fashion as the early Finnish saunas. The Turkish *hammam* or steam room has also spread across the globe and in Japan part of the relaxation culture has been *furo*, which is a form of a hot bath. (Nordskog 2010, 2.)

Even though developed separate of each other in different parts of the world, all of the previous traditions had an important part in their respective cultures. Some had a spiritual aspect such as the Native American sweat lodges while others were used for healing or simply bathing. Common to all of them was that they were used to calm the senses and for physical relaxation (Nordskog 2010, 2.). According to Taskinen (2011) especially the Finnish sauna has always had an important role of bringing the community or family together. (p. 55)

Sauna has developed over the centuries and its source of well-being has also been scientifically researched and proven in at least Finland, Germany and Japan (Taskinen 2011, 64). As sauna culture has spread and mixed with other similar traditions such as the Turkish steam room, different kind of saunas can be found around the world today.

Taskinen (2011) explains that regardless of the shape and form of a sauna, most important thing is that it brings pleasure to whoever is using it (p. 80). As the sauna tradition has spread to the Western Europe, the tradition has changed according to the users' wishes and will develop and keep changing in the future. Still, the hardware required to build a sauna still remain similar in various countries, especially in Europe.

Sauna culture in German-speaking countries

The sauna culture in German speaking countries has been strong for decades, and Germany has approximately 1.66 million private saunas and 10 000 public saunas in various forms. Europe has a long history of Sauna and sauna-like steam rooms and the oldest examples date back as far as 450 BC. Steam rooms were used in the ancient Rome but later also evidence of sauna-like steam rooms in monasteries and other places during the Middle-Ages has been found. However the Finnish sauna was introduced to Germans and Austrians in 1924, when the famous Finnish Olympic long distance runner Paavo Nurmi credited his success in the 1924 Olympic Games to regular sauna bathing. (Österreichisches Sauna Forum.)

General Information about Harvia

Harvia is a wholly family-owned company based in Muurame, Central Finland. Their main product is a wide line of electric and wood-heated sauna stoves, which they sell in Finland and to as many as 65 countries worldwide. The company was founded in 1950 by Tapani Harvia in Muurame. Throughout the 50s, 60s and 70s its share in the Finnish sauna stove market grew and by the 80s it was the world's leading manufacturer of wood-heated stoves, although there was only little export at that time.

In the 1990s Harvia began exporting their products on a larger scale to central Europe where sauna bathing, although slightly altered, was rising steadily in popularity. (Harvia – Harvia maailmalle) Today they produce approximately 150 000 sauna stoves annually, majority of which go to export. This makes it the largest manufacturer of both wood-heated and electric sauna stoves in the world (Harvia – The early 21st century.).

Harvia's products and services

As mentioned earlier, the main product of Harvia is the wide and constantly updated selection of sauna stoves, especially the electric ones when talking about their exports. Their product portfolio ranges from stoves small enough to fit in a small bathroom in a flat to large stoves meant for heavy-duty use in public saunas.

Harvia also offers whole sauna solutions for both private and public use. This includes the stove, either electric or wood heated, wooden material for the seats and wall-panels, lightning and much more that create the final product and deliver the wanted feeling and atmosphere which is important amongst today's customers worldwide.

They also have a range of various modern sauna innovations such as the infrared cabin, which is more popular especially in Central Europe. Alongside their stoves and other sauna products they also offer quality solutions on the field of steam rooms, total solution fire places and various other wellness products. (Harvia Product Catalog)

Harvia Export System

Harvia manufactures all their products in Finland. Finished products are then shipped to the target market countries, where biggest countries have their own respective warehouses for storing the products. When it comes to big orders, the products can also be delivered directly to the customer, regardless whether there is a designated warehouse in the customer's country or area.

From Finland the goods are transported in trucks to closer markets such as Russia and Scandinavia. Over the Baltic ocean the trucks are transported with ferries to Germany, from where they carry on to their target destinations. Far away markets are reached via sea transport and in extreme cases Harvia uses flight freight (small markets such as Japan).

Finnish market compared to foreign markets

As Harvia has already been exporting to Europe Germany as their main market since 1990s (Harvia goes abroad), the process of segmentation and international competitive advantages doesn't have to be built up from the very basics. The products sold and offered to the German market differ from the products that are most popular in their home market Finland. As further explained by Harvia's export manager Kalervo Laakso the two broad categories for sauna products in Germany and Austria are sauna stoves and complete sauna room solutions (includes the stove, seats, panels, lighting and other possible accessories).

Laakso continues that where in Finland building a sauna to a new house is very common and most medium-sized and larger apartments have a sauna, in the German-speaking market sauna is seen very differently. Sauna is seen as a wellness product, often found in spas and wellness centers alongside pools, massages and other services meant to mend both the body and mind. (Laakso 2012)

Saunas in private houses and privately owned apartments are seen as a luxury product and are often accompanied by a pool or a steam room.

In Germany and Austria hardware store chains such as OBI or Hornbach also sell standard-sized sauna cabins at a price range of 1000-6000€ (OBI GmbH 2014; Hornbach Baumarkt AG 2014), however Kalervo Laakso states that Harvia focuses on sauna manufacturers that offer wider wellness solutions in the premium sector according to the customer's specifications. Now that we have an understanding of Harvia's current situation in the foreign market, we need to define what the Harvia's problem that needs researching is and how it can further be defined into research questions.

1.4 Research problem & research questions

Burns and Bush (2006) explain that a market research is not required if there is available information that managers can use to make a decision. Many industries have been extensively researched and have readily available information for both managers and researchers to use (p. 25.).

In order to have a good understanding of Harvia's operations in Finland and Europe, background data was collected through meetings held in-person with Jussi Valkonen, a marketing co-ordinator for Harvia and from email correspondence with Kalevi Laakso who is their export manager and especially responsible for sales in Germany.

Harvia has already established itself in foreign markets and especially Germany, but wants to increase their share in Austria especially in the standardized market (sauna stoves that come in specific sizes and with standard features) by looking for potential business partners to whom they can sell their products directly (Laakso 2012). This is Harvia's decision problem, for which they need information about the Austrian market. (McGivern 2006, 80).

The last market research made by Harvia is from 1998 and it was conducted solely in Germany. They have not officially carried out a market research in Austria and I have been unable to find existing research on the topic elsewhere. According to McGivern (2006, 80) as there is lack of information to make the decision, research to get that is required. McGivern continues (2009) that we need to define and understand the Harvia's business problem to define it into a research problem. (p. 64- 66)

Based on the need to conduct a research, we have our business problem:

Information about the Austrian market and competition is needed for Harvia to decide whether or not it is feasible to enter the Austrian market. This research problem is further divided into the following research questions, which will be answered in order to solve the research problem:

- 1.) What are the characteristics of the Austrian Sauna market?
 - a. How big is the market (in Euros)?
 - b. How has it changed compared to previous years?

- 2.) What are the characteristics of potential competitors?
 - a. Who are the main competitors?
 - b. How are they performing financially?
 - c. What kind of products do they sell?

1.5 Focus of the thesis

Due to time restraints this thesis focused on analyzing secondary data through past financial statements and country data, mapping out the competitors and the Austrian business environment. The calculations to find out the total value of the Austrian sauna manufacturing market were made for a certain fiscal year and due to the varying quality and detail of the company balance sheets some of the financial data used was estimated due to the lack of tangible data. The estimates were done in comparison to the other market players' numbers and to the best ability of the researcher to represent the situation in the market as well as possible.

The ratio analysis made for each individual company was based on numbers of fiscal year 2012 when possible. Where there was no 2012 data, data from years available were used. The research focused on the ten largest Austrian market players and did not take in consideration the effect of foreign competitors in the market.

The companies evaluated were chosen based on the information received from the Austrian Sauna Forum (Österreichische Sauna Forum). It was known for the researcher at the time of conducting this research that there were foreign companies selling sauna products besides the domestic Austrian companies. However these were knowingly not part of the research, as they reportedly sold mainly directly to retail. Their products were perceived as of lower price class and quality than those of Harvia. For the purpose of this research only the ten biggest Austria-based sauna manufacturers' financial data was analyzed, which fit the segment Harvia positioned itself in. (Laakso 2012)

2 INTERNATIONALIZATION THEORIES

2.1 Decision to go abroad and evaluation of potential markets

The first decision a company must make is whether they should go abroad or not. In order to be successful internationally a company must take a market-led approach. Going abroad is by no means risk-free and often companies fall short in gaining long-term success. Firstly a company has to do well in the domestic environment it is currently in. A company that struggles in maintaining market share and in simply surviving will most likely not be able to compete with the highly developed and flexible international companies in the same industry. Thus the company must have a firm grip of the domestic market, even after international expansion. Once a company has a steady market share and operations in their home market, a company can begin to formulate a strategy to enter a foreign market. (Kotler, Armstrong, Saunders and Wong 1999, 211-212.)

Bradley (2005) tells us that choosing the wrong market to enter often comes with two types of cost: the cost of unsuccessfully trying to enter the wrong market and opportunity costs in form of missed opportunities in markets where the product or service could be more successful. (p. 206.)

Expansive approach vs. Screening Approach

According to Kuada (2005) companies often first expand to markets that are both geographically and culturally similar to the domestic market, this is called the *expansive approach*. If the culture in a foreign market seems similar in terms of doing business as it does in the domestic market, this reduces the manager's perceived risk of entering that market. All in all operating costs in a culturally and geographically similar market are likely to be lower, as marketing personnel can work in the market with less difficulty and existing marketing and export methods can be applied.

Should the exporter not take the expansive approach, they will very likely use the *screening approach*, which involves using a set of criteria chosen by to company to systemically filter the global market. This approach is used to identify the markets that offer the greatest marketing opportunity. (pp. 63-64.)

To evaluate a market's market opportunity, it is screened based on a set of pre-determined criteria. This research used a typical screening model seen in figure below (Kuada 2005, 67). This research focused on the macro-economic, political, legal, technological, social and general market indicators.

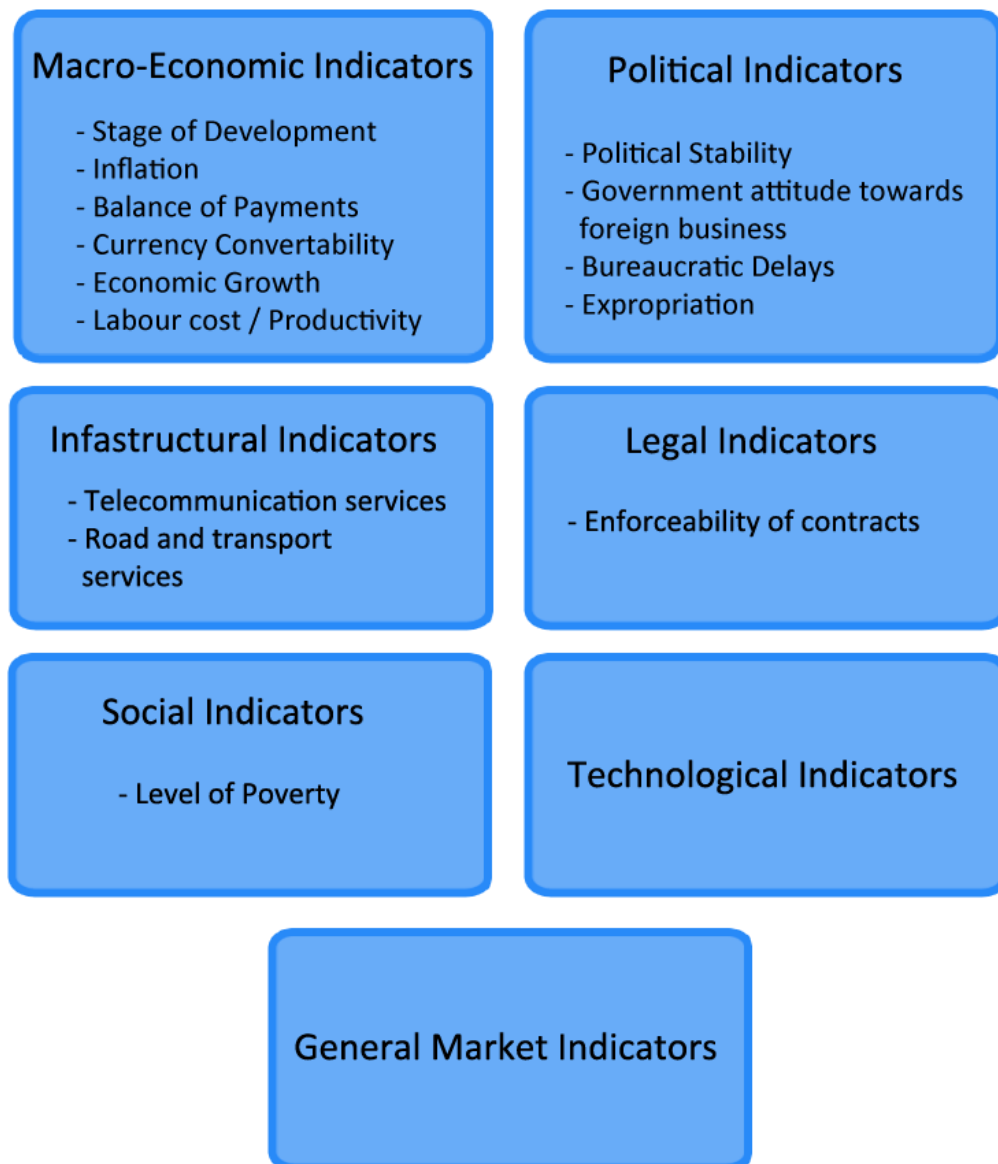


Figure 1. List of Variables Included in the Initial Country Screening

2.2 Market segmentation

A crucial part of an entry strategy and shaping this research was to find the right segments to target and gather data from. As described by Albaum et al. (2002), segmentation means breaking down a market for a particular product or service into segments of customers that differ in terms of their response to marketing strategies.

This way a company can tailor their marketing policy according to the needs of a specific segment. This can lead to greater profits compared to a universal strategy meant for the whole market. Often the first level of segmentation is dividing segments by export countries. However markets can be segmented on many levels. One of the first steps is to define characteristics that are evaluated when choosing between segments and market. (p. 156.)

As financial and organizational resources are often limited, a company should always try and identify the most promising market segments. Choosing these segments is reflected to the preferences of these segments, competition and the company's strengths. There are benefits of this kind of approach to exporting. Firstly it helps to gain better market opportunities through competitive positioning, as well as help to tailor the marketing programs to better meet the needs of different market segments. This also helps the company to better spend their resources more efficiently according to the response level of different segments. In order to identify meaningful segments, fitting criteria must be used. Demographic, geographic and economic factors alone may not give desirable results. Often having a more complex combination of different criteria yields more realistic results which can lead to more accurate and meaningful segmenting. (Albaum et al. 2002, 159.)

When beginning the segmenting process, it is important to evaluate the decision making with the following factors in mind:

Measurability; what is the degree to which the size, purchasing power and possible profits of a market segment can be measured.

Accessibility; the degree to which a target segment or market can be reached and served. Different segments may require different kinds of tools to be reached effectively, which can require more resources.

Substantiality or Profitability; whether degree to which the target segment is large and profitable enough. Even if a segment is large enough, market conditional factors such as tariffs and taxes or product conditional factors like legal restrictions or requirements can make exporting to a specific segment very expensive. Therefore a company has to compare the possible profits with the costs that may come from serving a specific segment.

Actionability; the degree to which effective programs can be designed for attracting and serving a given market segment. Even if a market segment can be measured, reached and are potentially profitable, they are not worth anything unless proper marketing programmes can be developed and implemented.

(Kotler 1999, 409. & Albaum et al. 159-161.)

Three basic segmentation strategies

When choosing a strategy for choosing which segments to go for, three generic strategies have been identified by Bradley (2006): an *undifferentiated*, a *differentiated* and a *concentrated* strategy. When a company follows the undifferentiated approach, they either do not or choose not to recognize different market segments and instead focus on what is common for all the customers in the market, across different segments. Companies who often take this kind of approach have products that are designed to meet the demand of a broad selection different customer types. In a differentiated strategy a company chooses one or two segments within the market and uses separate products as well as marketing strategies. In a concentrated strategy the company identifies multiple different segments, but only chooses to serve one. By following this strategy the companies often seek a dominant position through specialization. However the risks with this kind of strategy are often greater. (p. 208.) Once fitting segments have been found, the company needs choose a mode of entry that fits that specific market.

2.3 Entering a foreign market

Mode of Market Entry

After a company has established themselves firmly in their home market, they can start developing a market entry strategy. A strategy consists of an *entry mode* and a *marketing plan*. The mode of entry is used to penetrate the specific target country and the marketing plan is used to penetrate the target market. The mode of entry is very important, as it determines the degree of company's control over how their product will be marketed and sold in the target market (marketing mix). It also determines the degree of their commitment in the market. (Albaum et al. 2002, 242.)

Exporting

Albaym et al. (2008) explain that the simplest way to for a company to sell their products abroad is to export them. Exporting affects the company's every-day operations and contains risks less than alternative modes of entry. When a company does exporting abroad, their management normally chooses from two types of export; *indirect* or *direct* export. In indirect exporting a company uses services of various marketing and cooperating organizations located in the home country of the company. Thus the responsibility of the selling the products abroad is transferred away from the company itself. If a company decides to export the products themselves, they are as well responsible for the international sales. All in all the company needs to decide whether they want to be responsible for the export and sales abroad, or whether they wish to choose a channel that includes independent intermediaries. (pp. 276- 277.)

Next chapter will introduce the data collection methods, which will be used to gain the data used evaluate the potential target country based on the criteria presented in chapter 2.1 as well as explains the difference between different types of data. Once data has been gained, it needs to be analyzed. Thus, the following chapter introduces also the data analysis methods used in this research.

3 METHODOLOGY

Primary data & secondary data

According to Kuada (2008) primary data are new data specifically collected for the research at hand. Secondary data are data that has already been collected by someone else for some other purpose. There are various advantages in using secondary data over primary data: it is more easily accessible and can easily answer questions regarding decision making without requiring a more costly and time consuming primary data research. However as secondary data has been collected for another purpose as the research at hand, its usefulness can be limited. (p. 103.)

There are two basic sources of secondary data. As McGivern (2006) explains, the data is either internal or external. Internal secondary data can be data from a previous research or for example financial and sales data. These data are specifically collected by the organization or company themselves. External secondary data on the other hand is gathered by others outside the said organization. Secondary data can be used as such without being manipulated, or it can be analyzed further to bring new insight to the problem at hand. Thus the goal of secondary data analysis is to get new findings from existing data. (pp. 150-151.)

Data collection

The data used in this research was purely external and of three types; firstly the Austrian market was analyzed using country data that was received from commercial internet databases. This data included among others economic, political and demographical data of Austria. The main database for this was Euromonitor International's Passport portal, which was used to gather various indexes and reports. The PESTLE analysis used as part of this research was conducted by the organization Marketline.

Secondly, the company analysis was based on secondary financial data of Austrian companies that manufacture sauna products. The companies were chosen based email correspondence with executive secretary Günther Weisgram of the Austrian Sauna Forum and the data consisted of revenue and balance sheets of respective companies from years 2009 - 2014 (Weisgram 2014.). Ten companies in total were chosen for this research and their financial statements were acquired from a Finnish commercial business database by Suomen Asiakastieto Oy (Finnish Customer Information Ltd). Finally the data concerning the products sold by the potential competitors was collected from their respective online catalogues and websites.

Data Analysis Methods:

PESTLE analysis

To enter a market the decision makers have to have an understanding of the market setting, where their products might one day be sold. Political, economic, social and technological factors are macro-environmental, meaning that they are part of the larger forces affecting a business in a certain market. A company can do little to change these, but the factors can have a large impact on their success when entering a new market. Even in Europe the climate in a certain country or market can change rapidly, and it is hard see the big picture by evaluating all the important factors separately. A PEST analysis or the more detailed PESTLE (Political, Economic, Social and Technological with the addition of Legal and Environmental factors) analysis helps to understand the market better by revealing current strengths, weaknesses, opportunities and threats. (Kotler et al. 2004, 26-27.)

Financial statement & ratio analysis

Financial statement analysis offers tools that can be used to assess a company's performance compared to previous years as well as to its competitors. More importantly an analyst converts the raw data into metrics, which can help decision making in the company. (Robinson, Van Greuning, Henry 2012, 297.) This research was based on secondary data in form of balance sheets of then companies were analyzed to do out the following:

- value of the sauna market in Euros (total volume in 2012) and market share of each company
- ratio analysis (evaluate financial stability of potential competitors)

Ratio analysis is a financial statement analysis method, which help to express relationships between different financial accounts (Robinson et al. 2012, 306). As further explained by Temte (2005), financial data is converted into ratios to make analyzing the data easier. Looking at key ratios gives an understanding of how the company is performing compared to previous years as well as to other companies in the industry and the economy as a whole. However it is important to note that a ratio is not a clear answer, rather than an indicator of an aspect of a company's performance. (p. 108.) While hundreds of different ratios are used in the business world, with different names and practices, a widely accepted set of core ratios is often used. (Robinson et al. 2012, 307-319.)

These core ratios were used on each company's balance sheet to evaluate their **liquidity**, which shows a company's ability to meet short-term financial commitments (occurring within the current fiscal year). In other words it represents the amount of cash the company has or can convert from their assets to finance their operating needs. Second was the company's **solvency**, which shows the company's ability to meet their long-term commitments and debts that are not due within the current fiscal period (Robinson et al. 2012, 237.). The formulas for the ratios presented below can be found in appendix 8.

Liquidity ratios

Current ratio indicates the company's ability to pay of its short-term liabilities. This is calculated by dividing a company's current assets with its current liabilities. A current ratio of 1.0 means that the company's current assets equal its current liabilities. A ratio lower than 1.0 implies that the company has to rely on outside financing to pay its short-term liabilities, which may increase financial risk. (Robinson et al. 2012, 326-328)

Quick ratio (the acid test) is a more conservative ratio, which leaves inventory and other assets that might not be that liquid out of the equation. As with current ratio, the higher the ratio the more liquidity the company has. This ratio is calculated by dividing the company's cash and cash equivalents and other quickly marketable assets with current liabilities. (Robinson et al. 2012, 328.)

Solvency ratios

Debt-to-assets ratio measures how much of a company's assets are financed by debt. For example a ratio of 0.5 means 50% of the assets are financed with debt. A higher ratio means weaker solvency and a higher financial risk. (Robinson et al. 2012, 334)

4 RESULTS

4.1 General information about Austria and PESTLE analysis

Having an understanding of the characteristics and especially the financial data of Austria as market as well as the individual companies is an important step in choosing potential business partners in the future. Chapter 4.1 will present the most important demographical, economical and geographical figures that may affect entering the market. First, I will present general secondary data of Austria as a country to serve as the backdrop for the more detailed company and market data in following chapters. This includes Austria's positioning on various global indexes and reports from years 2014 and 2013.

General facts

Austria is a German-speaking country in Western Europe (see appendix 1 for more details) and shares a large part of its northern border with Germany and various other Eastern European countries, making it very suitable for further trade in the area.

Austria mainly exports among others machinery and equipment, motor vehicles and parts and paper products. Exports rose by 4,9% in 2013 and are expected to rise by an additional 11% in 2014. 83.2% of exports go to Europe, while the rest is mainly goes to Asia and North America. (Euromonitor 2014.)

In turn Austria imports also machinery and equipment, chemicals and metal goods. According to Euromonitor Austrian imports have increased after a slump in 2009, steadily having risen from 169,7 billion in 2012 euros to 173,6 billion euros in 2013 (see figure 1) . Majority of Austrian imports come from Europe (87,0%), next being Asia (7,9%) and then rest of the world. Austrian trade is slowly picking up speed and imports have increased gradually over the years (see appendix 2). (Euromonitor 2014.)

Effects of the financial crisis

The financial crisis affected majority of Europe, including Austria. However the economy is expected to improve somewhat from the previous year, as the real GDP (Gross Domestic Product) and potential growth rates (expected growth of 1,2% - only 0,3% from 2013) continue their slow ascend in 2014 (for more details see appendix 3). (Euromonitor International 2014.)

Global Competitiveness Index & Ease of Doing Business report

Austria ranked 16th out of 148 economies in 2013 in the World Economic Forum's Global Competitiveness index, indicating a strong potential for growth and competitive advantage (see appendix 5). Additionally the Austrian government is highly supportive towards foreign trade and it ranked 30th out of 189 countries in World Bank's Ease of Doing Business 2014 report, down from 28th out of 185 countries in 2013 (visualization in appendix 5). Austria's best category in the Doing Business report was "Enforcing Contracts", placing 6th in out of 189. However Austria's worst category was "Starting a Business", placing 138th. (Euromonitor International 2014.)

Infrastructure and import

Austria also ranked well in terms of infrastructure, achieving the 16th place out of 148 countries in the "Infrastructure"-category of the Global Competitiveness Index. Austria aims to become a continental hub for trade, which the infrastructure supports. However railway and road connections to Eastern Europe are in need of improvement in some parts of the country. Most poorly Austria ranked in "Quality of port infrastructure", placing 48th in the Global Competitiveness Index. However sending containers to Austria takes less time than to other OECD countries on average, but costs per container are somewhat higher as seen appendix 4. (Euromonitor International 2014.)

Construction industry

Besides the directly linked indicators, it's important to look into industries that might affect the sales of sauna products and solutions in Austria. The volume of construction in 2014 increased by 1,2% from year 2013 and is expected to increase by 1,3% between 2014-2015 (Advantage Austria International, 2014). The Austrian construction industry total turnover for 2012 was 42,6 billion euro and consisted of 32 174 enterprises. (Statistics Austria 2012.)

Corruption

Unlike other most western countries, corruption is more of an issue in Austria. Austria ranked 26th out of 177 countries in Transparency International's Corruption Perceptions Index 2013 (see appendix 6). In comparison Finland stands on the 3rd place and the neighboring ranked Germany 12th. Following this investigations towards Austrian banks and state-owned enterprises that have previously been monopolies has increased. (Euromonitor International 2014.)

PESTLE Analysis

This chapter will go through the PESTLE analysis and the six main factors which were political, economic, social, technological, legal and environmental. Each factor is briefly described and then possible consequences for Harvia presented. This PESTLE analysis answers many of the criteria presented in figure 1 in chapter 2.3.

Political landscape

The current government is led by a grand coalition between the The Social-Democratic Party and the Austrian People's Party. The government has proven to be stable and wants to position the country as very open towards international trade, as Austria's relatively high positioning in Global Competitiveness Index and Doing Business report has shown. Austria is a western country with firm values and principles of a modern democracy, however extreme right wing politicians have gained votes in previous elections due to concerns of immigration.

Economic landscape

Austria has a strong and well-developed market economy and a high standard of living. Tourism is one of its most important industries, while manufacturing of various goods has had a recovery. On the negative side Austria is very dependent on other EU-countries, especially Germany when it comes to trade. The government is also losing significant amounts of tax income due to immigration and illegal employment.

Due to low interest rates on loans companies have also started to finance their operations with debt instead of equity, making companies balance sheet leveraged (see appendix 7). Banks have also seen an increase in NPLs (non-performing loans) that bring no profit. This is due to various weakening neighboring eastern economies, which in the long run may affect the stability of the Austrian banking industry.

Social landscape

Austrian people have a very high standard of living, which is further supported by the country's welfare system. However the aging population raises concerns for the sustainability of the social security system, which is further strained by an early retirement age. While the social landscape may not affect entering the country directly, the financial pressure that it may cause to the economy as a whole should be taken into consideration.

Technological landscape

Austria has been grouped as a "innovation follower" by the Innovation Union Scoreboard of 2013 (Marketline 2013) and scored above the EU average. Especially noteworthy is that Austrian firms were credited on investing in innovation, thus having strong cooperation with research firms and the public sector. However a continuing problem in Austria is the lack of skilled workforce, which has its roots in a low number of engineering and science graduates. From a business point-of-view Austrian companies and possible partners pose good innovation potential, which can give birth to new products and further sales. However the current lack of skilled graduates affects the competitiveness of domestic companies both domestically and internationally.

Legal landscape

Austria has been part of the European Union since 1995, and has adopted the legal framework of EU law. Austrian legal process works on a case by case basis, where judges don't rule on precedent, but instead make individual choices depending on the situation. Corporate tax in Austria is 25%, and the minimum amount of tax changes depending on the type of company, with a limited liability companies paying less than joint stock companies. The standard rate for VAT for wood industry products is 20%. As mentioned earlier, Austria was rated 6th out of 189 countries in the Ease of Doing Business Report under "Enforceability of Contracts".

As Austria shares the basic legal framework with all EU countries including Finland and Germany for example, the same laws applied and enforced as in the domestic market. Austrian government also recently decreased the cost of starting up a company in the country to 10,000€ (previously 35,000€). Additionally the new law will be expected to decrease general costs of running and starting up a company. This is done specifically to boost start-ups and to bring new companies to Austria.

Environmental landscape

Austria was ranked 7th out of 132 in Yale Environment Center's 2012 Environmental Performance Index. Austria is aiming to fulfill its climate protection goals and increase the share of renewable energy to 34% of its total output by year 2020.

4.2 Characteristics of the Austrian sauna market

In chapter 4.2 we answer the research question “what are the characteristics of the Austrian sauna market”. This chapter presents the total value of the market in 2012 and how it compares to the numbers of previous years.

Market value and changes compared to previous years

The estimated total value of the Austrian sauna manufacturing market in 2012 was 51.8 million Euros. Since 2010 the revenue has decreased slightly (1.11% from 2010 to 2011). However from 2011 to 2012 the total income within the industry saw a slight increase of 0.53%. It however still did not reach the level of year 2010 of 52.1 million Euros).

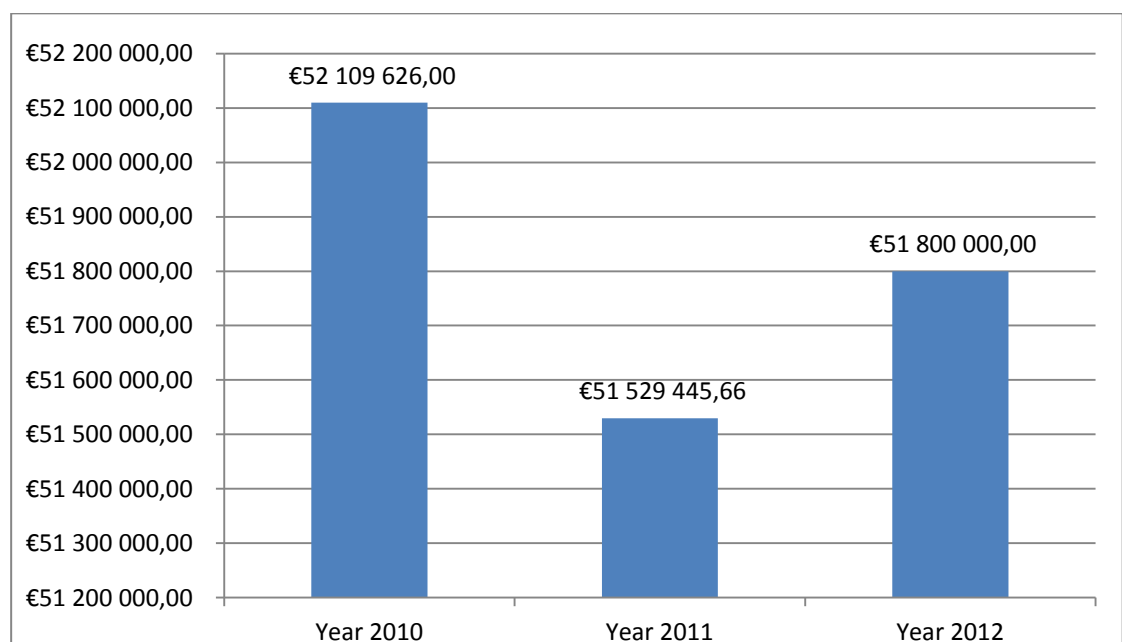


Figure 2. Total value of the sauna manufacturing market 2010- 2012

The next chapter will present the potential competitors in the Austrian market. Once the competitors have been presented, the value distribution between them will be evaluated in more detail, based on fiscal year 2012. Additionally the change in market share compared to previous years per company will be presented and discussed.

4.3 Characteristics of potential competitors

The main competitors in the market

The Austrian sauna market has many domestic and foreign companies selling sauna products. For the purpose of this research this was limited to ten following companies, which according to the Austrian Sauna Forum (Weisgram 2014) are the largest Austrian operators in the market:

RM Wellness GmbH (marketed as Gruber Sauna), Josef Deisl GmbH, Silgmann Vertriebs GmbH, Inviion, Thermarium Bäder-Bau GmbH, Domo Sanifer Koller & Reisige Produktion – Handel GmbH, Johan Priewasser, TPI GmbH, Delfin Wellness GmbH (marketed as Thera-Med) and Happy-Pool – Schwimmbad- Und Saunatechnik GmbH.

From now on these companies will be called in respective order as follows: RM Wellness, Josef Deisl, Silgmann, Inviion, Thermarium, Domo Sanifer, Johan Priewasser, TPI, Delfin Welness and Happy Pool for the sake of simplicity.

Figure 3 on the next page shows how total value of the market in 2012 was distributed between the 10 largest companies in terms of revenue. The revenue within the ten companies varied from 1.2 million Euros to 16 million Euros in fiscal year 2012. By far the largest revenue in 2012 in the market was that of Domo Sanifer (30.89%), controlling almost a third of the market. Thermarium came second by serving 17.37% of the market and Delfin Wellness's share was 11.58%. Rest of the companies had less than 10% of the market respectively, and Johan Priewasser had the smallest market share of 1.92%.

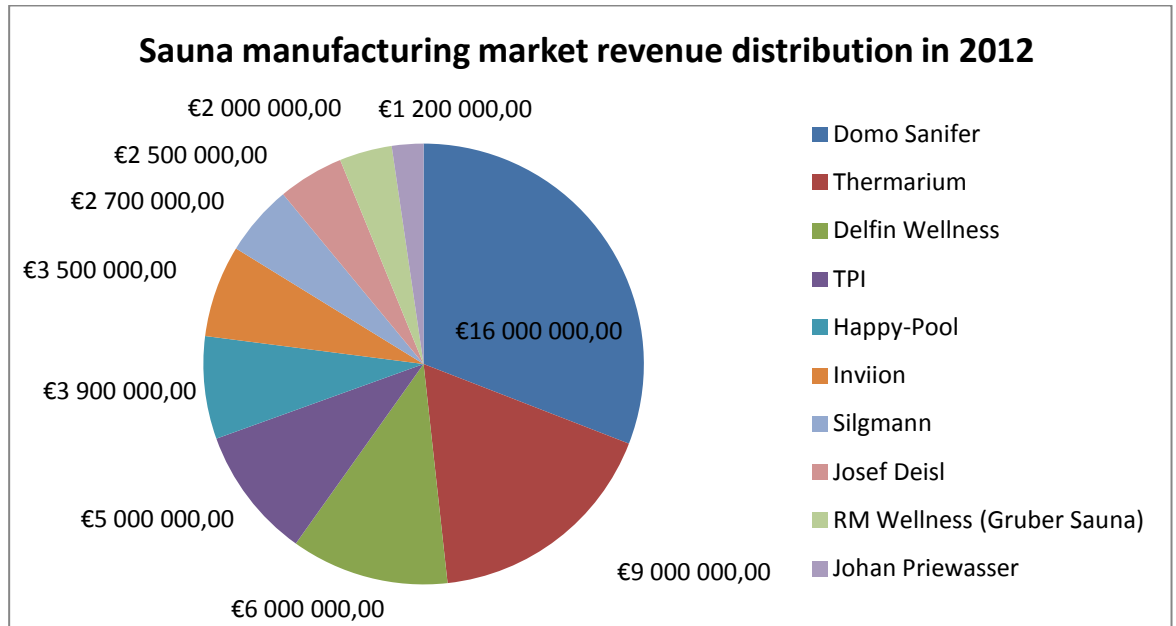


Figure 3. Revenue distribution between Austrian sauna manufacturers in 2012

Changes in market share compared to previous years

No major change can be seen in the total revenue between 2010 and 2012, however some of the smaller manufacturers have gained ground such as Silgmann who has increased their share from 2.30% in 2010 to 4.83% in 2012. In turn Thermarium's share has shrunk from 21.65% in 2010 to 17.37% in 2012 (see figure 4).

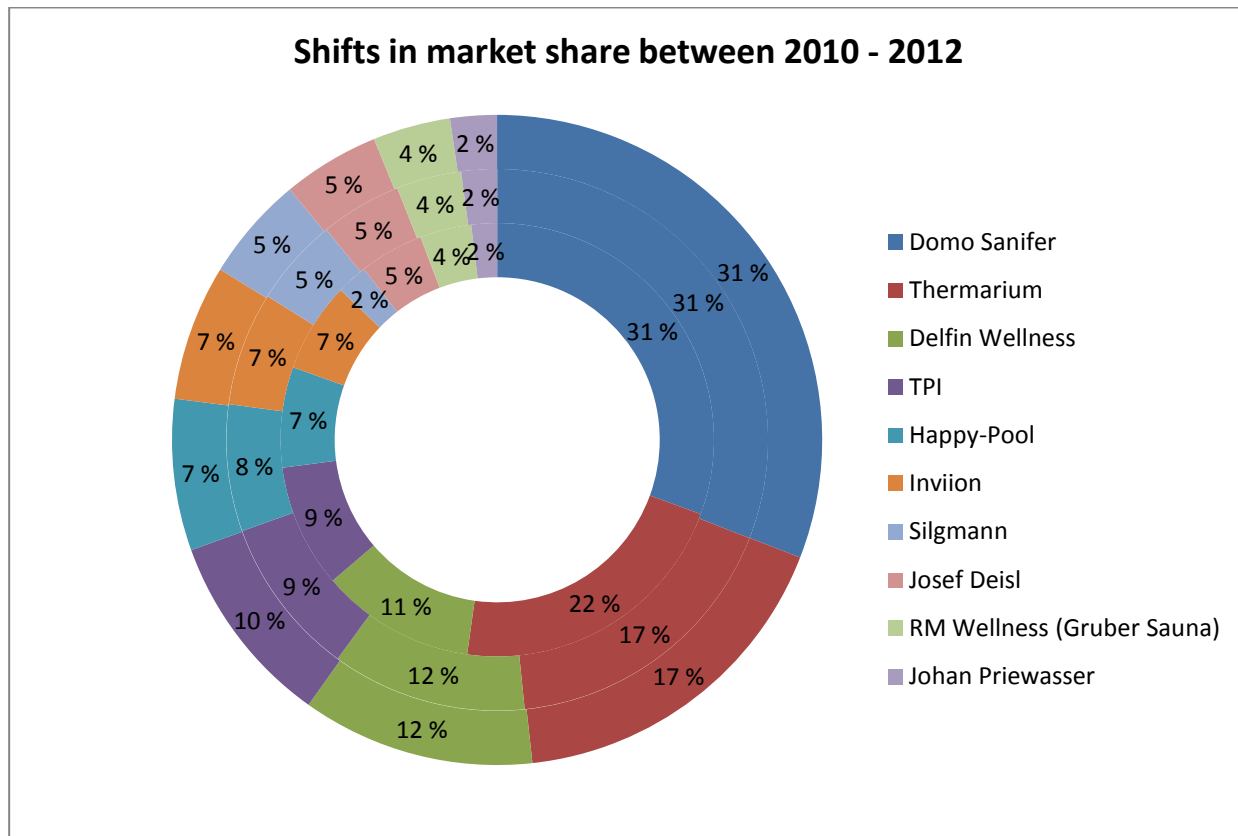


Figure 4. Shifts in sauna manufacturing market share per company 2010- 2012

Financial performance via Ratio Analysis

The financial performance of the potential competitors was evaluated by using ratio analysis, which was based on the balance sheets of the sauna manufacturing companies. The company Johan Priewasser did not have balance sheets available, therefore ratios for that company could not be presented.

Ratios calculated were the current ratio, quick ratio and debt-to-assets ratio. These ratios evaluate the companies' ability to pay off their short-term and long-term debts as well as how much of their assets within the company have been financed with debt. All ratios were calculated based on balance sheet numbers of fiscal year 2012, except for Thermarium and Domo Sanifer, whose ratios were based on fiscal year 2013, which was the only year data was available for them.

Current and quick ratio evaluated a company's liquidity, the ability to pay off their short-term debts. As a comparison a current ratio of 1.0 means the company's current assets equal their current liabilities, meaning they're able to meet their short-term financial obligations. (Fields 2011, 116-117)

Company	Current Ratio
TPI	3,0
Josef Deisl	2,1
Happy-Pool	1,1
Domo Sanifer	1,0
Silgmann	0,9
Thermarium	0,8
RM Wellness (Gruber Sauna)	0,4
Delfin Wellness	0,3
Inviion	0,1

TABLE 1. Current ratios of the sauna manufacturing companies

Current Ratio

The ratios ranged from 0.1 to 3.0 (see table 1 on the previous page) meaning that some companies had next to no liquidity while others had excess of it. Companies Domo Sanifer and Happy-Pool had current ratios of 1.0 and 1.1 respectively. Other companies to come close to 1.0 ratio were Silgmann (0.9) and Thermarium (0.8). RM Wellness, Inviion and Delfin Wellness had current ratios of 0.4, 0.1 and 0.3 respectively. An extremely low current ratio shows that their current liabilities greatly exceed their current assets, which places them at high financial risk and unable to pay their short-term debts. (Fields 2011, 117.)

Companies Josef Deisl and TPI had in turn current ratios of 2.1 and 3.0 respectively, meaning their current assets greatly exceed their current liabilities. This may indicate that the companies do not effectively use their excess cash or have too much inventory. All in all a high current ratio tells the company can meet their short-term obligations but indicates poor management as excess assets aren't reinvested in the company. (Fields 2011, 117.)

Quick Ratio

Quick ratio serves the same purpose as the current ratio, but puts to test the most liquid assets of the company, thus not counting in inventory. Inventory cannot be liquefied as quickly as marketable securities or accounts receivable (money owed by other parties to the company). A quick ratio of 1.0 means a company's current liabilities (debts due within a year) equal their current assets and can be paid. A quick ratio below 1.0 means a company may have serious issues with paying off short-term debt. (Fields 2011, 119.)

Company	Quick ratio
TPI	1,5
Domo Sanifer	0,5
Silgmann	0,4
RM Wellness (Gruber Sauna)	0,3
Thermarium	0,3
Josef Deisl	0,2
Delfin Wellness	0,1
Inviion	0,0
Happy-Pool	0,0

TABLE 2. Quick ratios of the sauna manufacturing companies

The results for the companies are similar as in the current ratio results (see table 2 above); only TPI has a quick ratio of over 1.0 (theirs being 1.53), however current ratio already showed that they most likely have an excess of current assets. Rest of the companies' results ranged from 0.01 (Happy-Pool) to 0.52 (Domo Sanifer). With Happy-Pool's ratio analysis we can see that most of their current assets are tied to their inventory, which often is not as liquid as cash and cash equivalents. This explains the difference between the good current ratio of 1.1 and the extremely weak quick ratio of 0.01.

Debt-to-assets Ratio

The debt-to-assets ratio explains a company's solvency or ability to pay their long-term debts. In detail debt-to-assets shows how much of the company's assets are financed by debt. As shown by the PESTLE analysis earlier in chapter 4.1. Austrian companies are highly leveraged due to low interest rates, meaning they finance their operations with increasing amounts of debt. The high leverage-rate can be seen also in the Austrian sauna manufacturers through debts-to-assets ratios (see table 3 on the next page).

Company	Debt-to-Assets ratio
Thermarium	104,9 %
Silgmann	100,9 %
Domo Sanifer	82,1 %
Inviion	81,7 %
Delfin Wellness	77,0 %
RM Wellness (Gruber Sauna)	62,8 %
Happy-Pool	53,7 %
Josef Deisl	34,8 %
TPI	22,1 %

TABLE 3. Debt-to-assets ratios for the sauna manufacturing companies

The rate on which their assets were financed by debt ranged from 22.1 percent to 104.9%. According to Robinson (2012) the higher the percentage, the higher is the debt and thus generally higher financial risk (p. 333). Below 50% (50% of assets financed with debt) were Josef Deisl (34.8%) and TPI (22.1%).

While majority of companies had some equity, Silgmann and Thermarium had a debt-to-assets ratio of over 100%, 100.9% and 104.9% respectively. This means their total debt exceeds their total assets meaning their assets are completely financed by debt and it makes their ability to pay short- and long-term debts extremely weak. Should unexpected costs occur, according to this research these companies would be in a high risk of being unable to pay those costs.

What kind of products do they sell?

All of the Austrian sauna manufacturers had a wide selection of different products, which can be seen below in table 4. All of the ten sauna manufacturers offered indoor sauna cabins, which include paneling, seats and a sauna stove. The second most common product was the infrared cabins, where heat comes from infrared panels instead of a steam producing electric stove, which offered by all companies except Inviion.

The sauna manufacturers can be divided into two groups: companies who custom build their products according to the customer's specifications, and those who sell their products in standard sizes and models with a limited amount of customization. In table 4 the product categories that can reportedly be customized by that manufacturer have been highlighted green. Product categories that are reportedly sold with standardized dimensions and minimal customization have been highlighted blue. White blanks represent a category which that company does not offer in their selection.

Name / Product type	Indoor sauna	Outdoor sauna	Steam room	Infrared cabin	Combi-sauna
RM Wellness	x	x	x	x	x
Josef Deisl	x	x		x	x
Silgmann	x		x	x	
Inviion	x		x		x
Thermarium	x	x	x	x	
Domo Sanifer	x	x	(x)	x	x
Johann Priewasser	x			x	x
TPI	x			x	
Delfin Wellness	x		x	x	
Happy - Pool	x		x	x	

Custom built	
Standardized models	

TABLE 4. Product categories sold by the Austrian sauna manufacturers

In addition to traditional sauna products, steam rooms and infrared cabins majority of the companies also offered a range of additional products such as accessories for sauna bathing. Some companies also offered individual sauna stoves, custom-built pools as well as whirlpools in their selection. Companies which offered these additional products have been presented in table 5 below.

Name / Product type	Accessories	Pools	Sauna Stoves	Whirlpools
RM Wellness				x
Josef Deisl	x		x	
Silgmann	x			
Inviion				x
Thermarium	x	x		
Domo Sanifer	x		x	
Johann Priewasser	x			
TPI	x			
Delfin Wellness	x	x	x	
Happy - Pool	x	x		x

TABLE 5. Additional product categories sold by the Austrian sauna manufacturers

In general the widest selection of different product categories was offered by RM Wellness and Domo Sanifer who had products in all of the categories in table 4. It should be noted however that Domo Sanifer only sold steam machines for steam rooms, not complete steam room solutions. All RM Wellness's product categories with the exception of outdoor saunas could be built to customer's specifications, while Domo Sanifer offered purely standardized products in all of the categories.

In addition to selling to private customers, RM Wellness, Silgmann, Inviion and Thermarium especially advertised on their webpage that they also build sauna, infrared and steam room solutions to commercial spaces such as hotels and cruise ships. Thermarium and Inviion especially promoted a complete solution approach, where design, manufacturing and construction were all handled by the manufacturer according to the customer's specifications. Thermarium even offered to train the customer's staff in maintaining and operating the products.

4.4 Reliability and validity

Limitations of the financial data

For the purpose of this research financial statements of the selected companies were used to calculate both the total revenue of the target market as well as the ratio analysis to evaluate the current performance of the largest companies in that market. However the financial data collected for this research was not standardized and the balance sheets and revenue data were of varying quality and detail. Thus some estimates had to be made for data that was either missing or lacking detail.

The data available from the ten companies analyzed was of varying detail. In order to make a comparison of the same fiscal year, majority of the companies (7 out of 10) had balance sheet data from 2012, which was chosen as the point in time for this research. Thermarium and Domo Sanifer had balance sheet data only from 2013, and Johan Priewasser had only revenue from 2009 to 2011, and no balance sheets available. Additionally the balance sheets were not detailed, allowing only the basic ratios to be calculated to give some indication of the companies' financial situation at a specific time.

There is a margin of error due to the varying quality of the financial statements from which the data for the ratios was taken from. Should there be more up-to-date and detailed financial statements including income statements and cash flow statements, the results could be made more detailed and reliable in turn. Therefore the results of the ratio analysis should be looked at critically.

5 CONCLUSIONS

The focus of this thesis was to solve Harvia's decision problem of whether entering the Austrian sauna manufacturing market was viable. To help Harvia decide whether to enter the Austrian sauna manufacturing market or not, the questions *what are the characteristics of the Austrian sauna market* and *what are the characteristics of potential competitors* needed to be answered.

Answering these questions included determining the total value of the Austrian sauna market and how it had changed compared to previous years, as well as determining the most potential competitors, what their financial performance has been and what kind of products do they sell. These goals were reached, as the results of my research presented the estimated total value of the sauna manufacturing market, as well as successfully mapped the Austrian competition, their performance and product portfolios.

5.1 Austrian business environment and sauna manufacturing market

The criteria determining whether a country is viable for market entry, shown chapter 2.3, were answered using a PESTLE analysis and country data of Austria. The results showed that Austria as member of the European Union is market that is as easy to enter as any of the other EU countries, as all act under common EU regulations. The current government is very open towards foreign trade and Austria has in general ranked high on global rankings in terms of growth and competitiveness.

The financial crisis of 2008-2010 affected Austria, but their GDP has continued growing albeit marginally. Construction industry has grown since 2013, which can potentially increase the demand for saunas as well. Legally Austria ranked high on enforcing contracts in global rankings, as well as by reducing the costs to starting a new company in the country.

However, even if the business environment is welcoming on a national scale, according to Kotler (1999) and Albaum et al. (2002) the specific market needs to be profitable enough for it to be worth a company's while to enter it (p. 409; pp. 159-161). With estimated total annual revenue of 51.8 million Euros in 2012, the market certainly is active and there is potential for sales, especially in the segment where customers buy high quality products and solutions. The market has remained stable over the years 2010 – 2012, which could reduce the risk of entering the market at this time. However in order to do so finding a good domestic partner is crucial.

The Austrian companies that were researched had all been in the market for several years, some for many decades. Their past financial performance was evaluated as well as their product portfolios to determine who are the strongest competitors or potential partners. Financial performance was evaluated by using the ratio analysis to explain the financial state of the individual companies in form of ratios.

The ratio analysis using the core set of ratios (current, quick and debt-to-assets ratios) resulted in generally weak results for the companies and when entering a foreign market especially in a form of partnership, both parties should be financially stable. Majority of the companies' financial structure made them rigid and there is a high risk that they cannot pay their short-term or even long-term debts, should unexpected costs occur.

With the data available, the most financially stable company was TPI, as according to the ratio analysis they were able to meet both their short and long-term financial obligations and were not financed excessively by debt. However as seen in chapter 4, they had excess assets especially cash, which can be a signal of poor asset management or excessive amount of inventory. As suggested by Fields (2011), these assets should be reinvested in the company to improve cash flow and help the company grow (p. 117). However, Robinson et al. (2012) remind us that when using ratio analysis, we need to be aware of industry norms, which may affect the reliability of certain ratios (p. 320).

In the product portfolios of the Austrian manufacturers the term 'Finnish sauna' was prominent and promoted on majority of the companies' catalogs as a specific sauna type. Harvia is a strong Finnish brand with quality products and a comparison with their catalogs and those of the Austrian companies showed similarities and a fit for Harvia's products in the Austrian market. This is further supported by Harvia's extensive experience of the German market, where Harvia has a wide selection of products fitting that market's demand.

5.2 Suggestions for further research

The Austrian sauna manufacturing market has competition, both from domestic and foreign companies. This research focused on finding out the size of the domestic market as well as the potential competitors operating there. However, to get a more accurate picture of both domestic and foreign competition further research should be done on the standardized and custom built sauna segments, as it remained unclear whether there are foreign competitors operating in these segments and how this could affect market entry.

The financial statements where the ratio analysis was based on were of varying quality which made it possible to get a cross-sectional comparison between companies only from year 2012. Further research that can be made based on most current financial statements the results would make the results more up-to-date and reliable. In addition the ratio analysis used in my research used only the widely accepted basic ratios, limiting the depth of the results. Further research should be made in form of a detailed ratio analysis which takes in consideration the industry norms and adjusts the expectations accordingly and uses more specific ratios if necessary.

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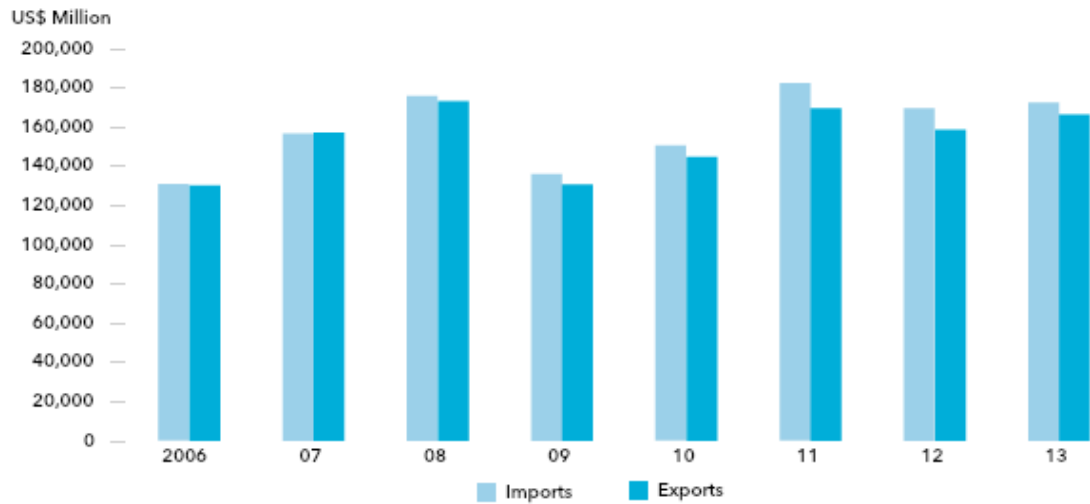
7 APPENDICES

Appendix 1. Key numbers of Austria

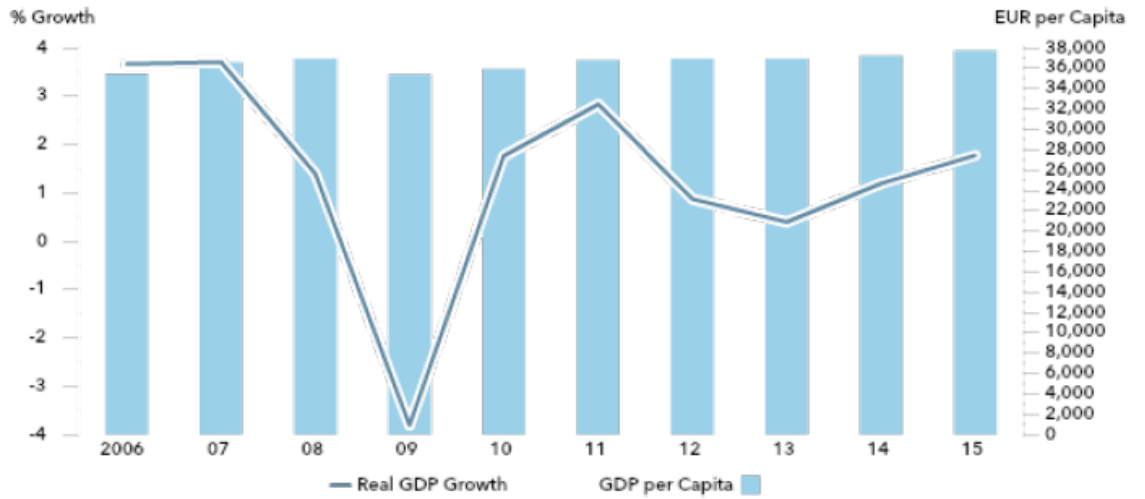
Full name	Republic of Austria
Population (2013)	8.22 million
Capital	Vienna
GDP (2012)	42 500 €
Size in sq km	83 871



Appendix 2. Austrian imports and exports 2006-2013

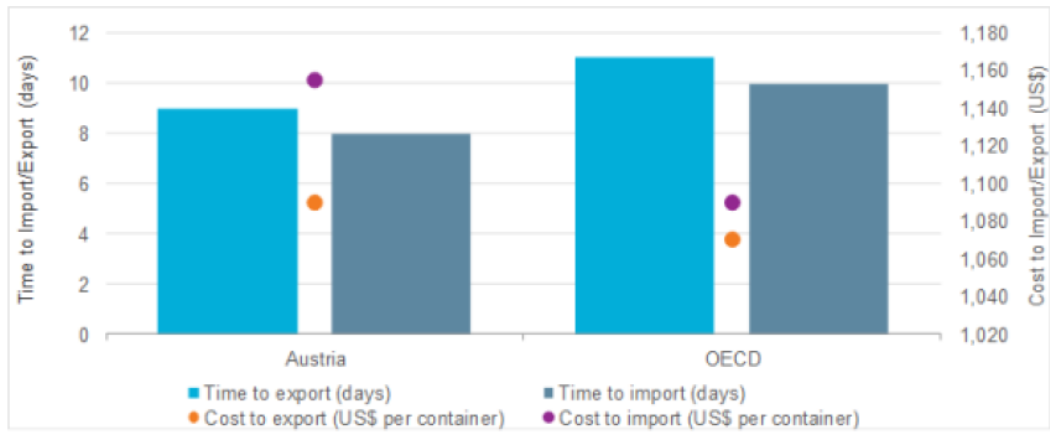


Appendix 3. Real GDP growth and GDP per Capita 2006-2015



Appendix 4. Trading Across Borders Time and Cost to Import/ Export 2013

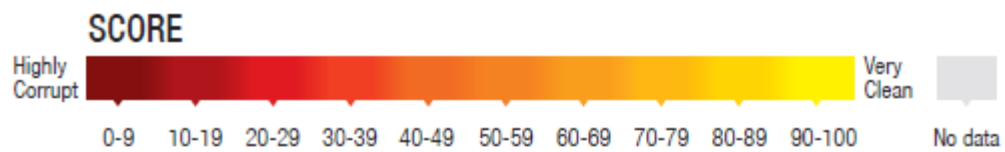
US\$/ days



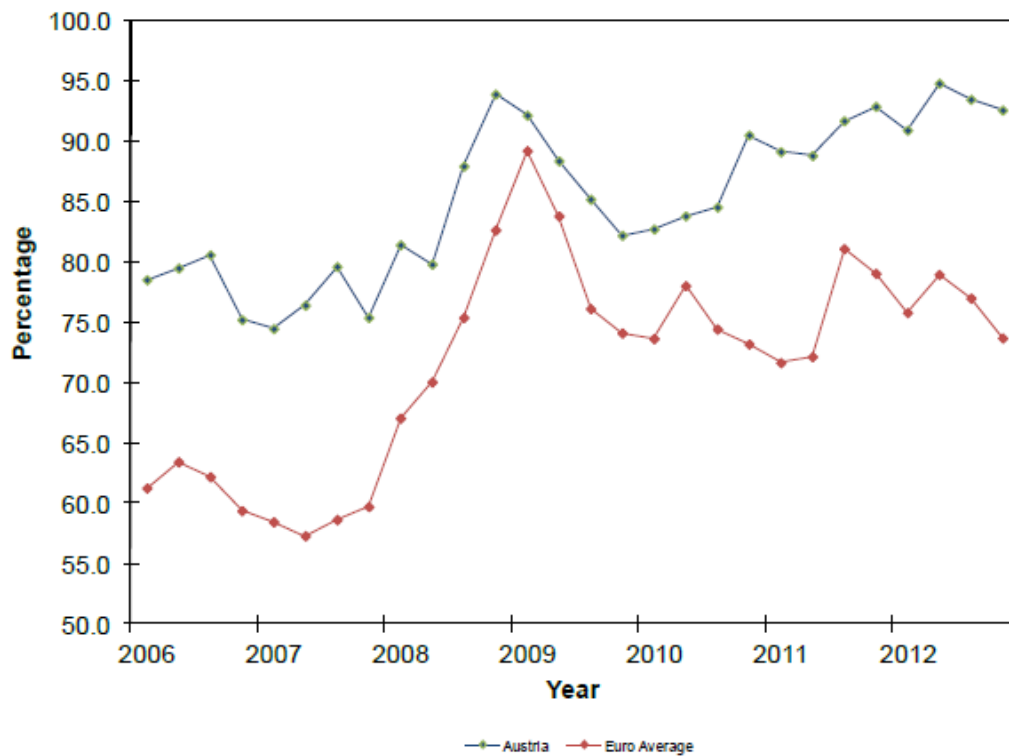
Appendix 5. Ease of Doing Business Report 2014



Appendix 6. Corruption Perceptions Index 2013



RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE
1	Denmark	91	21	Ireland	72
1	New Zealand	91	22	Bahamas	71
3	Finland	89	22	Chile	71
3	Sweden	89	22	France	71
5	Norway	86	22	Saint Lucia	71
5	Singapore	86	26	Austria	69
7	Switzerland	85	26	United Arab Emirates	69
8	Netherlands	83	28	Estonia	68
9	Australia	81	28	Qatar	68
9	Canada	81	30	Botswana	64
11	Luxembourg	80	31	Bhutan	63
12	Germany	78	31	Cyprus	63
12	Iceland	78	33	Portugal	62
14	United Kingdom	76	33	Puerto Rico	62
15	Barbados	75	33	Saint Vincent and the Grenadines	62
15	Belgium	75	36	Israel	61
15	Hong Kong	75	36	Taiwan	61
18	Japan	74	38	Brunei	60
19	United States	73	38	Poland	60
19	Uruguay	73	40	Spain	59
			41	Cape Verde	58
			41	Dominica	58
			43	Lithuania	57
			43	Slovenia	57
			45	Malta	56
			46	Korea (South)	55
			47	Hungary	54
			47	Seychelles	54
			49	Costa Rica	53
			49	Latvia	53
			49	Rwanda	53
			52	Mauritius	52
			53	Malaysia	50
			53	Turkey	50
			55	Georgia	49
			55	Lesotho	49
			57	Bahrain	48
			57	Croatia	48
			57	Czech Republic	48
			57	Namibia	48

Appendix 7. **Debt-equity ratio of non-financial corporations 2006 - 2012**Appendix 8. **Financial Ratio Formulae**

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$\text{Quick ratio} = \frac{(\text{Current assets} - \text{Inventory})}{\text{Total liabilities}}$$

$$\text{Debt-to-assets ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$