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# MARKET ENTRY IN FINLAND: CASE COMPANY X IN VIETNAM

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## Market entry in Finland: Case company X in Vietnam

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The thesis aimed at providing company X an overview of Finnish market on digital demand, and how to successfully enter the market. The structure of the study consists of three main chapters: introduction, theoretical knowledge, and the entry strategy for X. Interviews with project managers and team leaders in company X were conducted in order to gain insights about the company's capability and references through previous projects, as well as to have a better idea of how a project is implemented from the beginning stage to the delivery stage, and the use of different contracts in each specific case.

In the chapter two, the author studied about market research in four aspects: the importance of market research, the use of market research, market research process, and competitor analysis. As a foundation for the entry strategy in chapter three, the review on market research provided a better understanding on the first stage of the entry process. Additionally, the review about marketing process clearly stated each action step the company should take in order to build a profitable relationship with clients in the new market.

Based on the study about Finnish market on specific sectors, the author was able to provide company X valuable information to conduct its first action step on the entry process. As a result of the early stage in the process, the company has already built its first relationship with a Finnish client. That has proven the potential of the market and displayed the achievement the study brought to the company. However, in order to progress the study into a larger scale, the company would need to invest more of its marketing resource to conduct a deeper investigation on the market.

Key words: Digital, Finnish market, market research, marketing

## Table of contents

|       |   |    |
|-------|---|----|
| 1     | Introduction .....                            | 5  |
| 1.1   | Background of the study: .....                | 5  |
| 1.2   | Research objective and research process ..... | 5  |
| 1.3   | Scope of the thesis.....                      | 6  |
| 1.4   | Benefits.....                                 | 6  |
| 1.5   | Company X .....                               | 7  |
| 2     | Theoretical knowledge .....                   | 7  |
| 2.1   | Research Methodology.....                     | 7  |
| 2.2   | Market research .....                         | 8  |
| 2.2.1 | The importance of market research .....       | 8  |
| 2.2.2 | Use of market research .....                  | 9  |
| 2.2.3 | Market research process .....                 | 12 |
| 2.2.4 | Competitor analysis .....                     | 13 |
| 2.2.5 | SWOT analysis .....                           | 14 |
| 2.2.6 | Porter's Five Forces: .....                   | 15 |
| 2.3   | Marketing.....                                | 16 |
| 2.3.1 | Marketing definition.....                     | 16 |
| 2.3.2 | Marketing process.....                        | 17 |
| 3     | Company X .....                               | 19 |
| 3.1   | Discussion .....                              | 19 |
| 3.2   | Service description .....                     | 20 |
| 3.3   | Company sample projects .....                 | 21 |
| 3.4   | Digital demands in Finnish market .....       | 22 |
| 3.5   | Competitors.....                              | 23 |
| 3.6   | SWOT Analysis .....                           | 25 |
| 3.7   | Porter's Five Forces .....                    | 26 |
| 3.8   | Marketing strategy .....                      | 27 |
| 4     | Conclusion and Suggestion .....               | 28 |
|       | References .....                              | 30 |
|       | Tables.....                                   | 34 |
|       | Appendixes.....                               | 35 |

## 1 Introduction

### 1.1 Background of the study:

Information technology is leaning into every corner of our daily lives in the form of smart phones, tablets, laptops, and other digital devices. The more applicable those technologies bring to us, the more demands we have in new digital services. Finland is one of the representatives for highly demanded Northern European markets in IT solution sector. As the digital startup pool is flourishing acutely, it is believed that the potential of Finnish IT market is worth exploring and investing.

The thesis aims at creating a strategy for a French IT firm based in Vietnam to access the potential Finnish market and expand its market share there. Market analysis is being used as the main tool to identify company structures, deciding the appropriate segmentation to prospect. Having the advantage of interacting directly with the company's headquarter in Ho Chi Minh city, the author was able to collect actual data effectively, as well as conducting face-to-face interviews with leaders and project managers of the company. Due to the strict confidential information, the company preferred to be addressed as company X. X was established in 2003 as one of the early birds in the Vietnamese IT market. It is a pure premium player in digital project management, providing services in business outsourcing, website and mobile apps development. Utilizing Vietnamese talents and Western management, the company has been able to deliver qualified products with international standard and cost-effective solution.

Each research step of the thesis will be presented and implemented as an actual project of company X as follow.



Figure 1: Process of the thesis

### 1.2 Research objective and research process

The main objective of the thesis is to identify the potential of digital sector in Finland. Combining the outcome of the research with the company's capabilities, a recommendation about a new entry direction for X will be submitted and evaluated at the end of the paper. The

strategy will help build a solid foundation for X to consider entering not only Finland, but also other Nordic countries where digital startups are growing and replacing other sectors to be on top of countries' most developed industry.

The thesis is going to be conducted in order of reviewing primarily theoretical knowledge, analyzing market, applying real case practice, and evaluating the result with company's management. In details, the theoretical review about market research and marketing process will be displayed in the second chapter. Chapter three will be about the demand of Finnish market on digital, and how company X leverages the potential and its best. In the last chapter, the author will make conclusion of the whole thesis, as well as suggestions according to the study.

### 1.3 Scope of the thesis

Finding prospects and appropriate strategies for market entry are the main scope to leverage the company's success. The company's mission is to expand its business in Northern Europe by applying Finnish experience in the future. Moreover, this paper also brings an opportunity to boost sales and increase incomes highly for the company comparing to its market share in Vietnam. The results of the research and evaluation are described in chapter three.

### 1.4 Benefits

For company X: a detailed report which contains information of digital market structure and recommendation will be provided to the company, effectively supporting to its expansion in the future. Furthermore, due to the author's connection in Finland in IT sector, the company will be able to get references directly with potential clients' managers, enhancing the possibility to create partnerships. The first step of making market entry in Finland will be a solid foundation to penetrate other Nordic countries as planned.

For digital market in Finland: having been known as one of the most expensive countries in Europe, Finland needs to be flexible in business outsourcing in order to gain turnover and profitability. X is able to provide high quality and cost-effective solutions in the form of outsourcing projects from other Finnish digital agencies. That would possibly reduce more than half expenses while getting an international qualified standard for Finnish companies.

For the author: being able to study Finnish market under a Vietnamese IT agency, the author is offered a good opportunity to gain a better understanding of an international market entry process, consistently contributing to further career development. Aiming to be specialized in sales and strategic planning, this thesis is a very first step in honing both academic knowledge and practical experience.

## 1.5 Company X

The company was founded in 2003 in Ho Chi Minh city, Vietnam as one of the very first IT agencies at the time. Since its establishment, the company has contributed to a wide range of software development from short term projects to fully fledged product lines, involving complex technical back ends, front ends and mobile platforms. The company's focus is to provide best quality services, cost efficiency and excellence in time management. X has more than 50 developers and project managers working for clients over Europe and Australia. Many of them have been maintaining partnership with X since 2006. As its experiences and capabilities in delivering best digital projects, the company has been consistently enhancing reputation to domestic and regional markets. Expanding to Finland will be a crucial step in its strategic plans.

## 2 Theoretical knowledge

### 2.1 Research Methodology

Qualitative research using interview as the main method for this thesis, the author aimed at gaining practical experiences and insights of company X's leaders. The method is used to explore and collect the views, beliefs, and motivations of these managers toward X's business and its capability to enter a new market. According to Paul Gill, there are three main types of interviews. Verbally administered questionnaires, which present a list of questions with no follow-up or variation, are called structured interviews. Those questions are typically easy to answer and keep tracked. Consequently, this type of interviews is also required limited interviewees' responses, thus having no use for deep researches.

Unstructured interviews are presented as open-ended questions. They do not have any organizations or any theories in the interview questions. As their nature, normally unstructured interviews would last several hours, and be very difficult to manage the flow. When topics are generally large or vague, this interview type is best applied. Semi-structured interviews are consisted of several key questions, which lead both the interviewer and interviewees to focus on one particular idea that needs to be explored and got into more details. They provide participants some major ideas of what to talk about, helping them to go further with the topic's exploration.

Interviews are considered very appropriate for research that is already known a little, or when deep details are required from the participants. Collecting data for sensitive topics, which interviewees do not want to discuss in public, is one of the purposes of interviews. When designing an interview, it is important that the interviewer fully understands and is able to define the why and what of the investigation. Therefore, the interview questions should be clear enough for the respondents to provide as much information about the study subject as

possible. It is recommended that an interview should start with an easy question, thus the interviewee can feel at ease at the beginning before processing with difficult questions or sensitive topics. It is often wise when the interviewer prepares interview materials such as a question list, or information related to the research topic. This allows both the interviewer and the respondents to establish a clear, organized, and understandable process of answering the research questions.

For the interview sections that were conducted at company X, each section took an average of 20 minutes depending on the knowledge and insights of the respondents about the company. Locations conducted interviews are very crucial to create rapport between the interviewer and the respondents, thus allowing them to share more openly and positively. For many people, the interviews should take place at a nice cozy coffee shop. While for others, this could be at their home in the evenings. Some important tactics for conducting an effective interview include mimicking the respondents' body language and behaviors, smiling, looking interested, and making encouraging noises. When the interview finishes, the interviewer should show gratitude for the respondent's time and ask them if he or she has anything to add. That could be another opportunity to get more valuable and undiscovered information. The respondents should proofread about their answers at the end of the interviews.

## 2.2 Market research

### 2.2.1 The importance of market research

The main goal of this thesis is to provide a precise understanding of Finnish digital market through effective research tools. The importance of conducting a market research is displayed by the company's competitive capacities and efficient penetration strategies. It is therefore appropriate to define the roles of market research and explain why the first step of an internationalization process needs to start with doing market research. According to Hague, N (2013), "market research is the systematic collection, analysis and interpretation of information relevant to marketing decisions." It enables a new business to reduce risks, determining threats and opportunities on which making informed decisions. Market research is all about collecting information which helps businesses to create competitive strategies. The more accurate the information, the better the strategies. (Hague, N 2013 et al)

Either big or small businesses, market research can be conducted in various forms. It could be performed as an informal gathering of information when listening to news on TV or radio, talking to friends or people in the researching fields, or reading magazines or newspapers. Nonetheless, it could be done in a more professional way from getting data in chamber of commerce to making public surveys. Rather than making vital decisions based on intuition, market research provides more informed information, leading to better decision making.



The process of market research can be broken down into two categories: primary research and secondary research. Primary research is usually new research, carrying out to answer specific questions. It can be displayed in the form of surveys, interviews, questionnaires, or simply a conversation with customers or competitors (Hague, N 2013 et al). This is considered to be the most valuable information for businesses. Secondary research is also known as desk research, using public research information that was conducted previously by individuals or organizations. Although it might not be as accurate as primary research, desk research is seen as a cost effective solution. The information collected through libraries, internet, trade or industry organizations, chambers of commerce, or private research companies is secondary information. (Hague, N 2013 et al)

### 2.2.2 Use of market research

Market research can be very helpful in making almost any business decision that needs precise information. However, in today's business, not so many companies actually have a good understanding of their markets, creating obstacles for them to know their positions within the market and potentials to attract customers. Market size is the first element to consider in the process of making market research. Without having good knowledge on it, companies will find difficulties to plan ahead with confidence. Market size data provides information to support companies' expansion and increase sales results. Determining whether risks and potential investments of a company are justified, market size plays an important role when the company enters a new market. Being broken down into small categories, companies can analyze market size according to different products in the market, knowledge of buyers such as their age, gender, location, or even industry verticals and size. Researchers usually find it more effective and reliable when seeking information of market size through government statistics, trade associations and public reports. (Hague, N 2013 et al)

Understanding customers is the second element that is necessary to study in this chapter. A successful company is the one that is able to define its customers' needs and fulfil their expectations. The top companies know the importance of putting their customers in the heart of their businesses. According to Hague, N 2013 et al, customers are the core of a company's business because:

- “- Two third of customers say a positive customers experience result in them spending more with the company
- Eight out of ten customers say that they would pay up to twenty five percent more for a superior customer service
- Three quarter of those who switch suppliers/brands claim that this is due to a poor customer experience and service

- More than half of those who recommend a company do so because of the customer experience rather than other factor such as price or product.
- Almost all of those who have had a bad customer experience tell other about it, mainly to warn them or stop them buying from the supplier.”

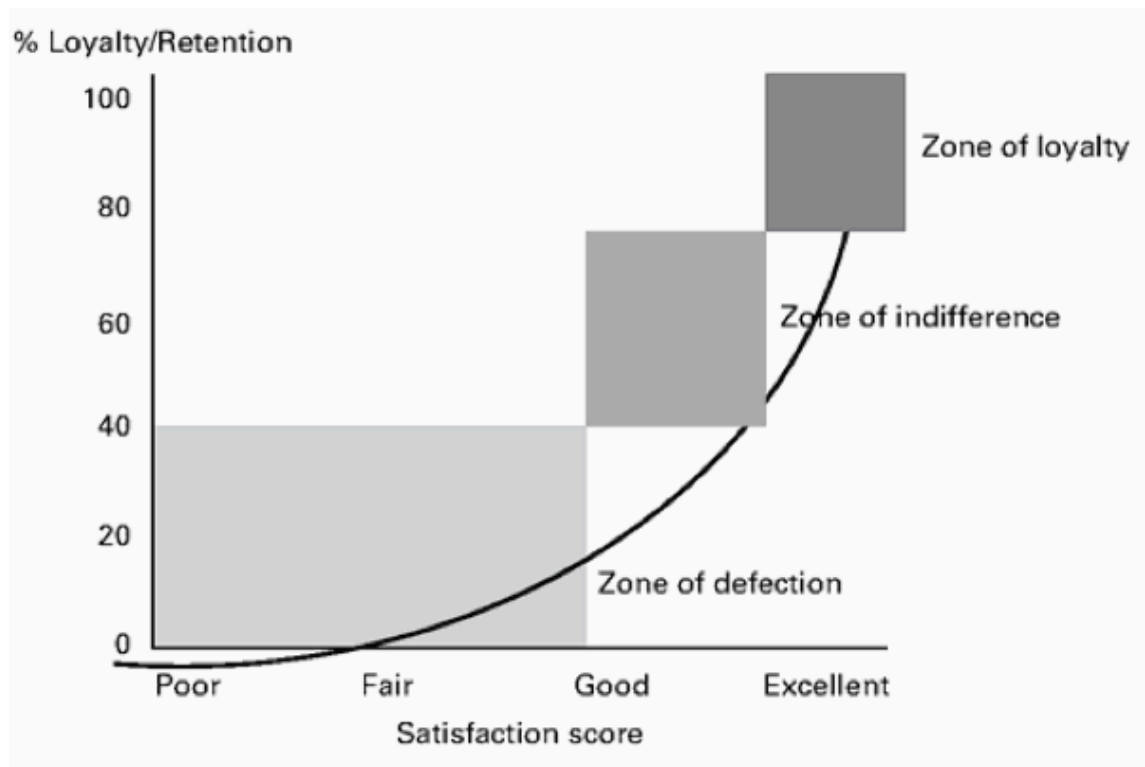


Figure 2: The link between loyalty and customer satisfaction (Hague, N 2013 et al).

The figure above explains the relationship between customer satisfaction and their loyalty, which are assured by a customer research called “the voice of the customers” (VOC). In order to have a high rate of customer loyalty, the satisfaction rates also have to stay at the highest level. Additionally, a company that receives an average rate of customer satisfaction from 7-8 would possibly not be able to keep or attract new customers. These customers are usually the ones who are vulnerable in making purchasing decisions on similar brands in the market. The main concern for those companies who have low customer satisfaction rate would certainly be the defection of their customers to a new supplier. Those companies should focus on improving their products/services and seeking for new opportunities. (Hague, N 2013 et al)

To be able to measure the rate of customer satisfaction, companies need to define the most common key points about the experience in the customer journey: overall satisfaction score,

likelihood to recommend score, ease of doing business score, and satisfaction in different products/services at different points in the journey.

Some companies gain customer satisfaction by investing and focusing on each segmentation, which performs characteristics in terms of demographics, behaviors, and needs. The information collected in each segmentation can direct the company to target the right customers with relevant products and strategies, therefore help the company increase the possibility for success. Segmentation contains three levels, which are explained by the figure below:



Figure 3: Three levels of customer segmentation (Hague, N 2013 et al)

Demographics segmentation is considered as the most basic level, consisting research on age, gender, income, and geographical location of the potential customers. Behaviors segmentation is more difficult because companies have to define why a customer would buy a specific product, in a specific time, or buy other related products to the initial one. Information on behaviors segmentation is not public knowledge, companies tend to invest a certain amount of budget for these research. The most challenging segmentation is based on customer's needs. If companies are able to uncover the needs of a specific group of customers, it would be effective in positioning their product line and sales strategies. This segmentation method is also the most efficient and common strategy in nowadays markets.

Market research is also about examining an idea or a new business concept which will lead to making product trials. The product development research can be used to identify the competitive environment, defining alternative products/services that offer similar value to customers. According to Hague, N 2013 et al, some factors that must be considered while identifying research are:

- “Competitor products, including price, features, distribution and market shares.
- Likely customer acceptance or rejection of new or modified products
- Forecast of use of products
- Threats and barriers that will inhibit the products’ success
- Optimal pricing of new products
- Reaction to packaging concept
- Customer benefits derived from features and promotional messages”

Digital research performs a new method to collect quantitative data online in the form of website. Companies are able to present their products online, offering customers a chance to experience visually before making a purchase. Therefore, it also helps collect data more quickly and inexpensively, showing the effectiveness in getting information on both quantitative and qualitative (Hague, N 2013 et al).

### 2.2.3 Market research process

The process of making market research is presented (presented) in the figure below:



Figure 4: The market research process (Hague, N 2013 et al)

The starting point of the process is to make a brief, defining background of research objectives, problems or opportunities, or information that is required to make a decision.

The proposal presents the design of the study, explaining how the research objectives are met, and how the information is obtained. Research proposal usually covers the use of quantitative and qualitative methods, showing in details how interviews were conducted, and how the information was collected. Analysis and reporting concludes the research, filtering relevant information for the decision making step. (Hague, N 2013 et al)

#### 2.2.4 Competitor analysis

Market investigation always involves a competitor analysis, uncovering strengths and weaknesses of each competitor a company might have in a new arena. Gaining a good knowledge of the competitors, the company can prove that they are well aware of the market, and are able to compete at the same level as their rivals. As a wide range of benefits a company can gain through competitor analysis, it is crucial to make a comprehensive and organized analysis in these factors: financial resources, staff, products, services, market shares, pricing, cus-

tomers, financial data, brand recognitions, location, market tactics, and logistics. It is obvious that there are many sources to find information of established companies in a market. Researchers can focus on annual reports, company profiles, product brochures, press releases, articles published in the media, or presentations as online available sources. Besides, competitors' information can also be found through conferences, business seminars, or trade shows which usually offer newest updates. (Hague, N 2013 et al)

### 2.2.5 SWOT analysis

SWOT analysis is a technique that defines strengths, weaknesses, opportunities, and threats of a company in many areas such as products, divisions, or services. The analysis identifies both the internal and external factors of the company within its current and future situation. The output of SWOT helps determine which actions should be taken to accomplish the company's objectives, as well as to maintain its competitive advantages. Preventing factors that might be harmful to the company's business is also a huge positive impact SWOT can bring. (Babette, B & Craig, F 2013)

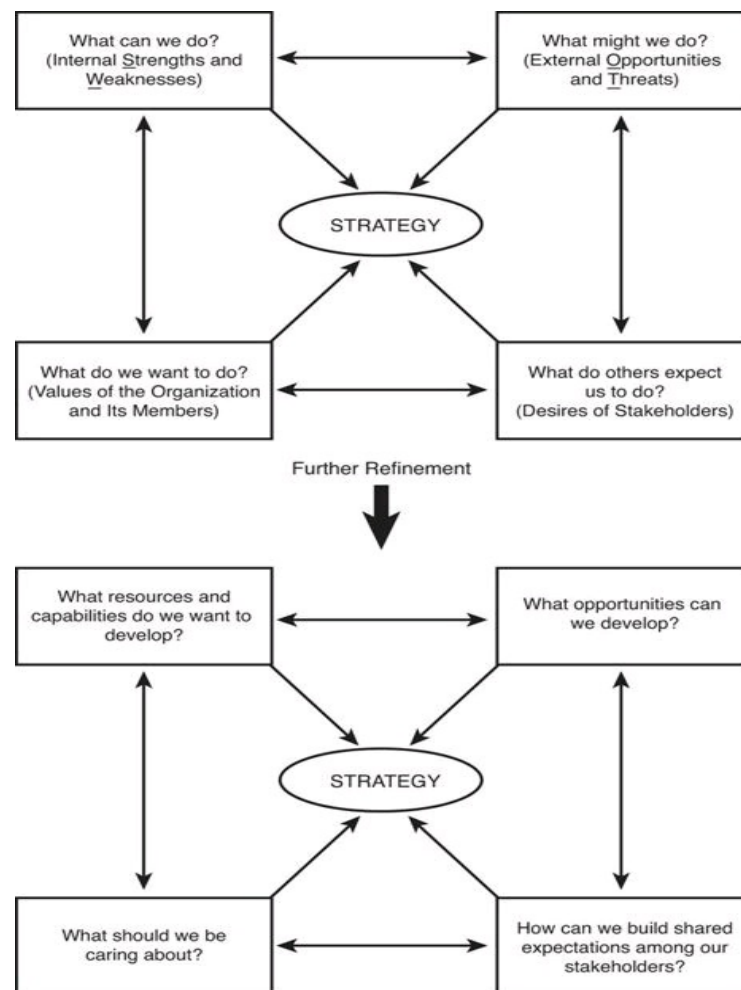


Figure 5: Generic SWOT analysis: key questions that guide strategic choice. (Babette, B & Craig, F 2013)

The four factors of SWOT analysis can be described as follow.

|  |   |
|--|---|
| <p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Competitive advantages of the company</li> <li>• Capabilities and resources to achieve performance objectives</li> <li>• Enable the company to satisfy its customers.</li> </ul>  | <p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Limitations, faults, defects that prevent the company to achieve goals.</li> <li>• Competitive disadvantages compared to its competitors.</li> <li>• Need to be minimized as much as possible.</li> </ul>                             |
| <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Any prospective situation in the external environment that support the company's product or service and helps enhance its competitive position</li> <li>• Help convert weaknesses to strengths, and leverage capabilities.</li> </ul> | <p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Any unfavorable situation in the external environment that currently or potentially damages or threatens the company's business</li> <li>• Threats can turn strengths into weaknesses, and demotivate the company's managers.</li> </ul> |

Table 1: Four factors of SWOT analysis (Babette, B & Craig, F 2013).

#### 2.2.6 Porter's Five Forces:

In today's economic, every company needs to have a reasonable level of understanding on its competitors. Porter's analysis technique has become popular when it provides a model that enables companies to take their competitors' activities into account. The analysis is meant to help define a target market properly in terms of market needs and opportunities.

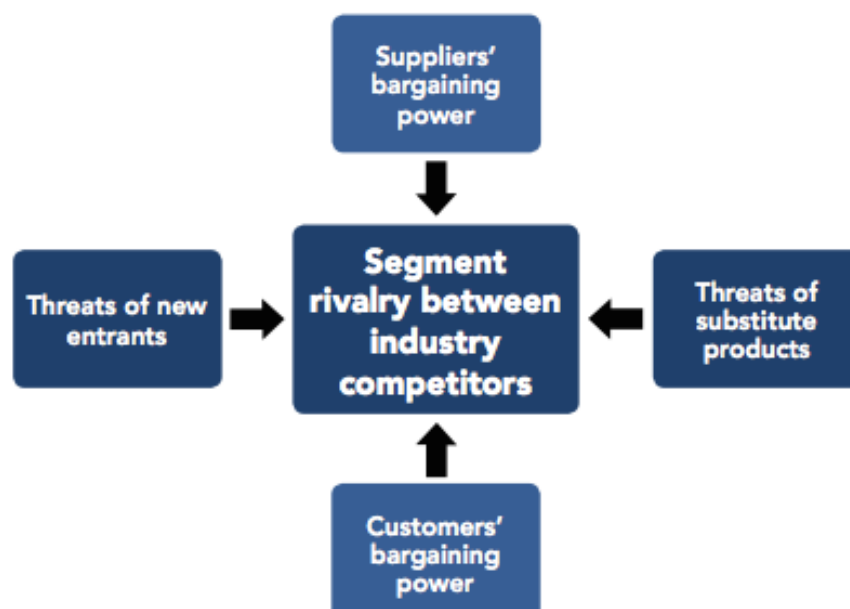


Figure 6: Porter's Five Forces (Team FME 2013)

The key factors of the technique are competitive rivalry, threat of new entrance, threat of substitutes, bargaining power of suppliers, bargaining power of customers. Supplier power according to Porter reflects the impact suppliers have on a company that needs their products or services. It is the ability to set price, to control over their clients depending on the unique of their services or products. The fewer choices on suppliers a company has, the more powerful the suppliers are. Customer power is the ability of buyers to driver the prices down, based on the numbers of buyers and their importance influencing the company's business. If a company has few powerful customers, it is likely to be dictated in terms of prices and policies (Team FME 2013).

Competitive rivalry displays how the numbers and capabilities of competitors affect a new company in a market. If the competitors were able to offer equal value, it would be difficult for the company to attract customers and suppliers in the same market. On the other hand, if the company offers a unique service or product, it would have tremendous advantage over its rivals (Team FME 2013). Threat of substitutes displays the ability of customers to find alternatives of the company's products or services by doing the process manually or outsourcing it. If the process of substitution were easy, it would weaken the company's value. Threat of new entrance shows the ease of entering the target market that might attract other similar companies, which will create a more competitive environment and weaken the company's position within the market (Team FME 2013).

## 2.3 Marketing

### 2.3.1 Marketing definition

One of the simplest definition of marketing is that it is managing a profitable relationship with customers. A company must be able to satisfy its customers' satisfaction by keeping its promises and providing products that can fulfill customers' value in order to capture its customers' interest and loyalty. According to Kotler, P & Amstrong, G (2011), "marketing's purpose is to make the sales unnecessary". If a seller or a marketer understands their customers' needs, and is able to offer valuable products with relevant price and distribution, the sales would easily be achieved. In short, marketing is considered as a process that companies build and maintain relationships with their customers to gain profits for their businesses. (Kotler, P & Amstrong, G 2011)



### 2.3.2 Marketing process

The process contains five action steps which illustrate the marketing framework focusing on creating customers' value and getting value in return.

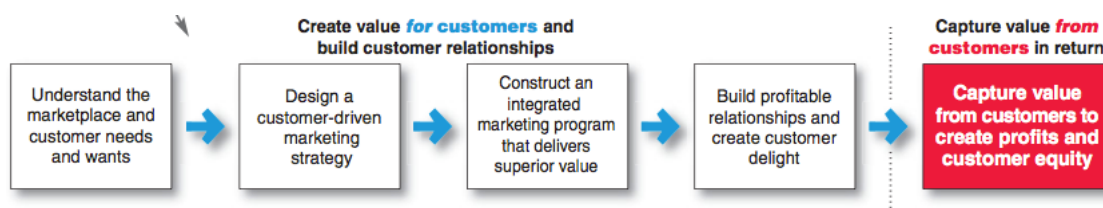


Figure 7: A simple model of the marketing process (Kotler, P & Armstrong, G 2011).

The first step of the model emphasizes the importance of understanding customer needs and wants, as well as understanding the marketplace. According to Kotler and Armstrong, while a need is something essential for human's survival, a want is something that fulfills a human desire. Physical needs for food or safety, social needs for belonging or affection, and individual needs for knowledge or self-expression are presenting as the daily basis that a person must have in order to survive (Zarella, D 2009). Wants can be shaped by culture or personality, leading to reasons for making a buying decision. A person needs food, but might want various choices a burger, Asian noodles, soft-drink, or coffee. Different cultures or religions also have various choices when it comes to wanting something. (Kotler, P & Armstrong, G 2011). For example, a Finnish person might prefer a light breakfast with yogurt and milk, whereas a Vietnamese wants to have rice and meats to start the day.

An effective marketer should be able to define accurately the factors that affect customer needs and wants in the target market in order to make relevant market offerings. The combination of products, services, information, and experiences are meant to fulfill customer satisfaction through their needs or wants. One of the most common mistakes when doing marketing is that a marketer pays more attention to a specific product than to its benefits and experience to customers. When a customer buys something, there is more likely that they need that thing to solve their problem. By offering the right problem solving tool - the product, with an appropriate price and good customer service, a marketer or a seller can win customers and create a loyal beneficial relationship. (Kotler, P & Armstrong, G 2011)

The second crucial step of the process is to design a customer-driven marketing strategy. As discussed in the first step, an effective marketing strategy is to provide a relevant product that meets customer needs and fulfills their satisfaction. Moreover, to design a winning strat-

egy, a marketer needs to be able to define the right target customers and how to serve them best with the offered products or services (Kotler, P & Amstrong, G 2011). Obviously marketing managers know that it's impossible to serve all kind of customers in a market as everyone has different needs and interests. By deciding its market segmentation, a company is able to put its resources into marketing activities efficiently. Knowing who to sell and how to target the right customers, a smart marketer is supposed to understand the balance between customer and demand management. As the main purpose of this step is to have a strategy that will help build the profitable relationship with potential customers, there are five concepts that every company or organization needs to carry out in the strategy: the production, product, marketing, selling, and societal marketing concepts. (Kotler, P & Amstrong, G 2011)

The marketing strategy is meant to determine target customers and how a company creates value for its customers. To be able to achieve that, the strategy has to be transformed into action by the third step: prepare an integrated marketing plan and program. Basically, a set of tool called marketing mix plays a decisive role in implementing a marketing plan. The marketing mix tools are dividing into four major groups: product, price, promotion, and place. They are also being called the four Ps of marketing. (Kotler, P & Amstrong, G 2011)

The next step is also considered the most crucial step of the process: building customer relationships. Every company has a mission to maintain and develop loyal relationships with their clients, who play a determined role in the success of their businesses. Customer relationship management (CRM) is being used as a tool to deliver superior value and satisfaction, which is meant to acquire, keep and grow customers (Kotler, P & Amstrong, G 2011). A company can win customer satisfaction by offering a product that matches their expectations. Top marketing companies understand that people tend to expect more the next time when they were satisfied before. Therefore, smart marketer usually promise to deliver a standard level product, and then deliver more than their promise. By this way, customers are often delighted and easily becoming loyal customers. However, this strategy also requires a balance when it comes to overpromising what a company can offer. Normally, a customer-centered company usually compares its level of customer satisfaction to other competitors in the market. That might be harmful to the company's profit and even reputation when it attempts to lower the price too much or makes too many promises that itself could not fulfill. (Kotler, P & Amstrong, G 2011)

In modern marketing, companies understand that the most profitable relationships are not coming from all kinds of customers. Some big companies have enough resources to reach the majority of their customers through marketing activities. However, sometimes the return on investment is not as high as they expect. Few companies are more careful in selecting target customers to reach the most profitable ones. There are several methods to analyse the profitability of certain customers to decide if they are worth investing and keeping relationships. (Zarrella, D 2009)

### 3 Company X

#### 3.1 Discussion

The purposes of conducting research interviews include gaining an overview of X's business, long-term and short-term partners, current employees and their expertise, and finally contract types being used at the company. There were six interviews conducted for the research. All the interviews took place at X's premises as a part of the author's job to explore and understand the company in general. The first interview was implemented with the COO of X, who has been holding the position for over two years and responsible for the company's project operations and management. Four Project Managers (PM) were also involved in the interview process. They are the ones who are responsible directly for projects' management and clients' communication. The last interviewed person was a Sales representative who has about a year of experience at X, working in the domestic market with local clients.

| Interviewee       | Title                | Interview Location and Time                         | Interview Topic   |
|-------------------|----------------------|---|---|
| Gilles Ferrero    | COO                  | March 2014, X's premises, Ho Chi Minh city, Vietnam | Overview presentation of company X in the last two years, strategy for expansion, difficulties and opportunities. |
| Mai Huong Nguyen  | PM                   | March 2014, X's premises, Ho Chi Minh city, Vietnam | Projects overview, clients' management, and team members' expertise.  |
| Hoang Hua         | PM                   | March 2014, X's premises, Ho Chi Minh city, Vietnam | Projects overview, clients' management, and team members' expertise.  |
| Reynald Vizconde  | PM                   | March 2014, X's premises, Ho Chi Minh city, Vietnam | Projects overview, clients' management, and team members' expertise.  |
| Pierre Strzelecki | PM                   | March 2014, X's premises, Ho Chi Minh city, Vietnam | Projects overview, clients' management, and team members' expertise.  |
| Guillaume Rethore | Sales Representative | March 2014, X's premises, Ho Chi Minh city, Vietnam | Prospect approaching tactics, contract types, sales materials, difficulties and opportunities when doing          |

|  |  |  |        |
|--|--|--|--------|
|  |  |  | sales. |
|--|--|--|--------|

Table 2: Interviews Information

### 3.2 Service description

Company X is a premium digital agency providing services in mobile and web development according to clients' needs. Besides building IT products, the company also brings a better understanding on where and how clients should put their IT management resources and actions to get the best benefits for their businesses. After mapping out client's needs, the project starts by forming a team of qualified developers and a project manager who is responsible for communication between the company and its client. Client's requirements will be transferred into technical language in the form of documentation managed by the project manager. The documentation includes small tasks that are assigned to each developer with a clear timeline and expectations. By that, the client is able to review the progress through the online documentation and gives weekly feedback to the team.

There are two kinds of contracts that company X is using: fix-priced and time & materials contract. Those contracts' purpose is to clearly define how the payment is made according to the project's mandays, and how X allocates human resources for each particular project. Fix-priced contract is a contract where the payment does not depend on the amount of resources or time expended. One of the biggest advantages of this contract is that it allows the contractor knows in advance how much it is paid for the job without worrying about variable elements. Dealing with fixed-priced contract also gives the company experience working with lucrative clients such as government or multinational corporations. However, it is admitted that most of the financial risks are placed on the contractor side, explaining why the company should make a reasonable and firm contract by anticipating all the possible costs. (Fixed price contracts, 2010)

Another type of contract that is used at X is called time and material contract. This kind of contract allows the buyer to pay the contractor based on the work performed by the contractor's employees and subcontractors, and for the materials used in the contraction, no matter how much work is required to complete construction. The client has freedom to change the specifications of the project, or to add new components, which will incur more time to complete and cost higher (Time and material contracts, 2010). As a matter of unexpected cost increased, the contract presents a highest risk to the client and lowest risk to the contractor. When unanticipated problems occur, the client has to spend more to fix them by asking the contractor to prolong the project or provide more resources. However, once the project takes too long to complete, the client might start suspecting the contractor's ability to accomplish

the job, which might lead to withdrawing the contract or getting bad reputation. (Fixed price vs Time and material cost, 2014)

As an experience IT agency who puts its clients' benefits on top, company X prefers and advises its customers to have projects in fix-priced contract form. From the data collected in the company, more than 80% of their current projects are fixed-price contract, which are renewing every year. This is also considered one of the most important strengths of the company's CRM in not only giving high qualified digital products, but also taking care of clients' businesses. (Fixed price contracts, 2010)

The role of the project manager (PM) is to transfer the client's expectations into tasks and assign to the team. Being the main connection between the company and the client, the PM needs to be able to understand the client's needs in details and be flexible when delegating tasks to team members. Before submitting a task to the client, the PM is supposed to carefully check and make predictions on possible problems consistently. An average project can take approximately three to four months to complete, but more than 50% current projects with long term customers are running over years.

### 3.3 Company sample projects

In order to better explain the company's services, the author is going to give information of some highlighted sample projects with long term clients according to interviews conducted with the company's management. Each year, X is assigned around 30 digital projects from its loyal partners, and 10 projects from short term clients. That amount of projects have been crucially contributing to the stability throughout the years for X. Entering Finland is a very potential opportunity for X to expand its market share in Northern Europe and to develop its business.

Having the advantage of French management, as well as the high prestigious reputation from word-of-mouth within the French market, company X was quickly trusted by a French Governmental Institute for Health and Medical Research for developing a web application to manage medical appointment and handle medical data. The project has started initially since 2008, and been developing every year. After taking responsibility on this project, X quickly delivered a brand new application built on a specific framework that has latest stack with enhanced design. The application securely handles queries and modifications on two millions cyphered records in less than 150 milliseconds comparing to 25 seconds on the old version. As the most important mission of X on this project, the users have enjoyed an upgraded, ergonomic, and maintainable application that is 150 times faster than the previous one. Additionally, company X has also contributed to the \$40.000 saving on return on investment (ROI) for

the institution through this project. The partnership with the French institution has been maintaining over years when X is able to fulfill its client's expectations.

An Australian company specialized in software development life cycle products is another long term partner of X. The client struggled with one of its most important software when it did not have enough high qualified developer to upgrade and release the latest version, which purpose is to increase user experience and guidance. X was picked to be in charge of the project among other competitors in Australia and Asian countries. This has been one of the biggest projects at the company so far. Due to the familiarity of the software's concept, company X immediately showed its strong capacity and competency in effectively handling the issues that were troubled the Australian company. The team working on this project at X started with only five people, and swiftly grew into twenty people nowadays. Company X has been able to help save more than 80 man days, which resulted 3 times more cost-effective for its client.

Besides working with governmental institution and other companies, X has also been involving into some projects for non-profit organization. The company was delegated to build and maintain some core platforms and tools to develop a web application which is meant to collect donations for charities. The challenge on this project is to create a platform which would utilize multiple frameworks and apis for billing, sending sms, moderating and providing live animation to support sms discussions. The application has enabled more than half of billion sms moderations to end customers in a supervised mode. By outsourcing the project to X, the client was able to cut 35% development cost for this project.

### 3.4 Digital demands in Finnish market

Being seen as a new Silicon Valley of Northern Europe region, Finnish companies have a huge demand for building and developing their websites or mobile interfaces. Besides startups, companies that have been existing for more than 10 years also want to upgrade their websites as one of the main marketing channels. Outdated website versions are not supported and applicable to modern user interfaces. Demand for digital solutions of Finnish companies is divided among sectors. Some highlighted sectors that could be taken into consideration are finance, e-commerce, web and design, and gaming. In order to effectively manage customers' accounts and financial flow, finance companies tend to have a huge need for web and mobile applications which are being used both externally and internally. Startups and small companies in this sector usually do not have a full functional IT department which can build those applications themselves. The most efficient solution for them is to outsource to other digital agencies, so that they can focus on other activities. Having experience in working with finance companies in France and Canada, company X is capable of not only providing a full service of building the applications, but also giving knowledgeable advices on how to make the

application more profitable. Customers want to access their accounts, financial situations, stock information, new investments with their phones or tablets. Successful finance companies are the ones who are able to provide the best accessible solution to their customers through mobile applications.

E-commerce companies are those who rely the most on digital marketing, which connect them to customers and make the sales happen. E-commerce on clothes, or Fast Consumer Growing Market (FMCG) products are not a new trend in Finland, but the demand for improving checkout process performance or modernizing their websites or mobile applications is always high when those digital channels help them speak their voice and show their image to customers. Nowadays, many startups are building online platforms which support project management or sharing information among businesses. Those platforms need to be accessible from both computer and mobile interfaces. One of the very first clients of company X in Finland has required to build three mobile applications for their information sharing platform on iOS, Android and Windows Phone. The client realized that most of their users in more than 30 countries will be likely to access their accounts using smart phone than computer. One of the most advantages the mobile applications bring to the client is that they provide better user experience and allow the users to work in offline mode when they are not able to connect with the internet. Having proven that company X has been successfully delivered the applications, and maintained loyal relationship with the client, X has also got various references in the field.

Gaming industry is one of the most developing sectors in Finland recently after the success of Rovio or Supercell. This is considered as a very potential sector to do outsourcing business for company X. Most startup gaming companies want to put their focus and resources into new design and innovation which define characters of their games. Therefore, they prefer to outsource other software projects which cost them more time and budget if they conduct those projects themselves. More than 50% projects company X has been running are about games. The company has a team of 10 people who are both graphic designers and mobile developers. Being able to deliver high quality project with unique identification for each game, X has been trusted by many partners in France and the US in the gaming sector.

Those four sectors are considered the most potential future customers when making strategic planning for X. Next, the author will present some findings on the competitors of X in Finnish market.

### 3.5 Competitors

As a newcomer at the market, X has to understand its competitors in order to effectively gain its market share. Having known as a fast growing IT industry, Finland has a strong digital

agency pool which has proven to be very competitive. Some advantages and disadvantages of X and the competitors are showed in the tables below.

| Advantages   | Disadvantages   |
|--|---|
| <ul style="list-style-type: none"> <li>• Domestic market</li> <li>• Native language</li> <li>• Understand their clients' culture</li> <li>• Network</li> </ul> | <ul style="list-style-type: none"> <li>• High labour cost</li> <li>• High taxes</li> <li>• Mostly startups with limited experience</li> </ul> |

Table 3: Advantages and disadvantages of X's competitors in Finnish market.

| Advantages  | Disadvantages   |
|---|---|
| <ul style="list-style-type: none"> <li>• Experience working with European clients online</li> <li>• Highly cost effective</li> <li>• More than 10 years of experience in the field</li> </ul> | <ul style="list-style-type: none"> <li>• Not familiar with the market's culture</li> <li>• No reference in the market</li> <li>• No possibility to meet clients face to face</li> </ul> |

Table 4: Advantages and disadvantages of X in Finnish market.

After few months of doing research, the author figured out that the business models of Finnish outsourcing agencies are quite similar to Dirox. They offer a dedicated team to work on clients' projects under the form of either fixed price or time and material contract. Those competitors utilize the strength of being able to interact directly with clients, and provide the face-to-face support service. Finnish culture values the reliability and trustworthiness in both working and living environments. Therefore, domestic companies are outweighing non-local companies in gaining trust and making connections with potential clients. Business events are also great occasions for local agencies to create and expand networks within their segmentation, seeking effectively leads that are potentially in needs of IT services. However, Finnish taxation requires local companies to have much higher expenses on hiring than X in Vietnam. The high expenses come from many factors: original salary, expenses from practicalities like laptop, stationaries, insurance, and travel costs. An estimated ratio between a gross



salary and what a company actually has to pay is 1,4. For instance, a web developer earning 4000 euros per month costs the company 5,600 euros. Another disadvantage domestic companies have is that they are mostly startup with limited experience in the outsourcing industry compared to X. Plenty of IT outsourcing companies in Finland are less than 5 years existing in the market. For some projects that require more skills and years of experience, they would not be taken into consideration as a long-term partner.

As a newcomer at the market, X has to understand its competitors in order to effectively gain its market share. Qvik and Fastmonkeys have been considered the two most competitive IT companies in the market. They all have major similarities and differences, which make them unique competitors for X when entering Finland. Qvik is a startup that does quite similar business as what X has been doing in Vietnam. It has a dedicated team of 12 people working on mobile applications based on customers' needs. Having the advantage of a local company, it has been able to work with other Finnish startups on mostly short-term projects, creating applications on iPhone for many popular travel guides like Createtrips or Cabforce. The Nordic business event - Slush is also one of Qvik's partners. The company was founded in 2008 when the revolutionary of Apple's smart phone began to innovate and dominate the App store and apps designing world. Compared to X, Qvik has a niche market on mobile applications, especially on iPhone, defining its role utterly on which potential segments they should target. X has a mobile team of 15 highly qualified developers who are able to work on iPhone, Android, and Window phones, which enable the company to assist clients on the three most developed mobile operational systems. Although focusing on games as more than 50% of its projects are about gaming, X still worked on many business applications for banking and crow-funding platforms.

Fast Monkeys is a company founded in 2012 by one of the alumnus at Laurea. It quickly began to expand their business to more than 20 people within only two years in the market. Unlike Qvik, Fast Monkeys focuses on website and web application development using Python as the main technical language. The company's market segment is business ventures, technical co-founders, and long-term partnerships. As the characteristics of Fast Monkeys, it is supposed to always have sub teams dedicated for each project under the form of time and material contract. Similar to X, Fast Monkeys' most potential clients are big corporations who have plenty of projects that need to be delegated for one specific outsourcing partner for years. The advantage of being much more cost effective than Fast Monkeys, X is able to offer a low cost solution for these corporations, helping to save millions on their budget plan.

### 3.6 SWOT Analysis:

Based on the company's current situation, competitor analysis, and market research, the author has created a SWOT analysis for X. Its purpose is to help identify strategic actions according to the company's business and the target market.

|   |  |
|---|--|
| <p><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>• Having a wide range of skills and technologies in website, web applications and mobile applications</li> <li>• More than ten years of experience working in the IT industry</li> <li>• Long term partners in three continents showing high prestige</li> <li>• Training and coaching are always provided to be updated with newest technologies</li> <li>• Project managers have experience working in big corporations like IBM or Phillips</li> <li>• Cost efficiency with highly achieved expectations.</li> </ul> | <p><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>• No experience working with a Finnish partner</li> <li>• Limitation on Finnish language and culture</li> <li>• Limited network and resources to create and maintain relationships with potential clients</li> <li>• High costs of travelling for meeting clients and attending business events.</li> </ul> |
| <p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>• Finland is a stable economy with high standard of living</li> <li>• IT startup pool is developing rapidly, showing an extremely high demand in IT services</li> <li>• Supports in consulting service from government organizations to companies wanting to enter Finland.</li> <li>• Finnish companies are getting aware of Vietnamese companies as a new IT resource for outsourcing.</li> </ul>   | <p><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>• Competitors have better connections to create network and build trust with local clients</li> <li>• High practicality costs and taxation</li> <li>• Legislation issues</li> <li>• Many competitors from other countries such as India, China, Russian or countries from Southeast Asia.</li> </ul>           |

Table 5: SWOT analysis in X's case

### 3.7 Porter's Five Forces:

Applying the Porter's five forces into X's situation, the author was able to discover the attractiveness and profitability of Finnish market toward the company. By considering how each

factor affects its business, X was able to identify its position in the market, and decide appropriate moves to enter the market.

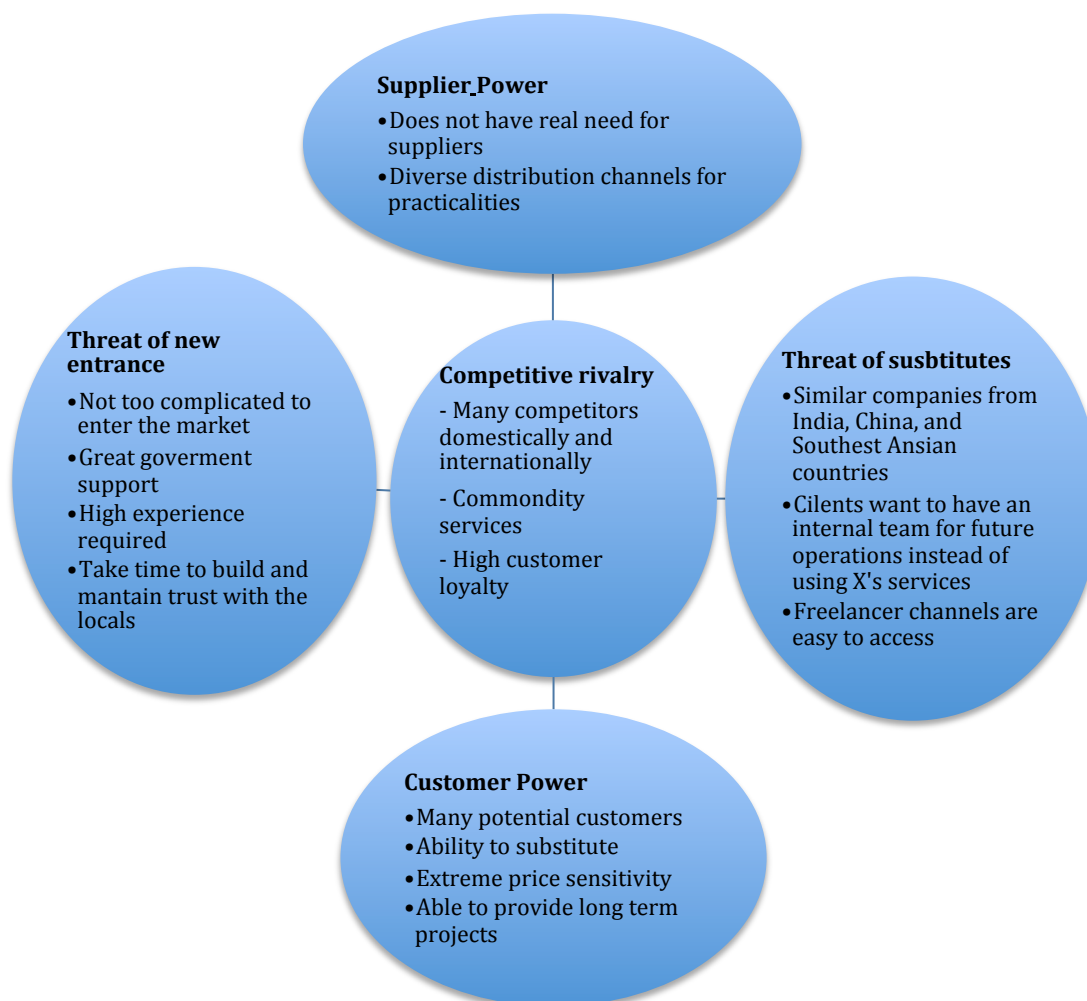


Figure 8: Porter's Five Forces in X's case

### 3.8 Marketing strategy

Marketing plays a vital role to determine the success of X entering Finland. As the company already has experience working in digital marketing on social media, many promotional activities on LinkedIn and Facebook are being conducted targeting Finland. Simultaneously, company X is also investing to build a new website which contains Finnish language, and is more adjustable to Finnish looking websites. The company is committed to delivering high qualified services that efficiently contribute to clients' businesses.

One of the first steps that X implements in the marketing process is to define its potential prospects, who are mainly in finance, e-commerce, web and design, and gaming industries. As

discussed above, the companies in those sectors have been creating a huge digital demand that opens a profitable market for foreign agencies like X. In order to fully meet clients' satisfaction, X has been doing some investigation on the most preferably website and mobile application designs in Finland. Having the advantage of low taxes and labour cost in Vietnam, company X is able to deliver highly cost effective solution with international standard. That helps solve one of the biggest issues when running a digital project in Finland. The overview of the marketing strategy is displayed in the graph below.

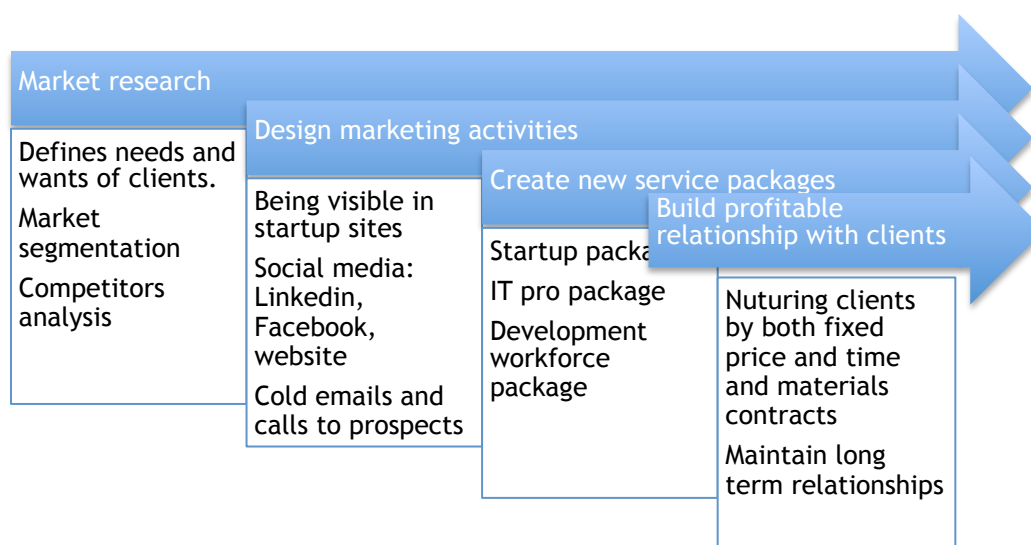


Figure 9: Overview of marketing strategy at company X.

#### 4 Conclusion and Suggestion

The initial idea of this thesis is to define an efficient plan for the case of company X to successfully entry Finnish market. The study is the main purpose of the author's internship at company X, who is very interested in expanding its business in Northern Europe starting in Finland. In modern marketing, focusing on digital strategies is one of the most crucial steps to identify a company or a business, and to reach out to potential customers effectively. By living and studying in Finland for almost three years, the author has been able to display and apply knowledge and understanding about Finnish market in general into the company's expanding strategies. That proves to be helpful when the author is able to connect with many prospects through personal network, and to notice company X about Finnish national holidays for some good moves. Utilizing the outputs of market and competitor analyses such as SWOT, and Porter's five forces, X has gained valuable insights of how the Finnish market looks like toward the company's current situation.

The thesis started by introducing the case of company X and its ambition to enter Finland. Due to a previous internal research, the company realized the potential of Finland out-weighting other countries' in digital sector. This study comes out as a support for the entry process which has been considered the most important strategy for the two first quarters of the fiscal year. Market research was studied at the beginning of theoretical part, which helps define what market research is, how to use it, market research process, and competitor analysis. Those knowledge later leads the company into many valuable findings about the targeted market. Company X was able to define the four most profitable sectors that have a huge demand on digital. By examining carefully the sectors, X created three packages for startups, IT professional, and development workforce companies. X believes that this strategy will be able to serve a wide range of customers in the four sectors no matter the size of their company.

SWOT analysis helps define X's internal situation through its strengths and weaknesses, as well as identify opportunities and threats in Finnish market towards the company. From the study, the biggest strengths are the experience working in IT industry, and testimonials from long term partners of X. These advantages could outweigh the weaknesses in language and culture barriers when Finland has been becoming more and more international. Although Finnish market is wide open for those who want to explore by offering great supports from government and NGOs, it would create a competitive environment when foreign companies keep investing to the market. X has to leverage its skillful human resource and the cost effectiveness to build a strong unique competitive advantage over other competitors.

Porter's five forces defined five factors that directly and indirectly affect X's entry plan in Finland. In X's case, the company has to take the threat of substitutes and the threat of new entrance into account. For the ease of the market and the ease of finding substitutions, the company could be threatened by competitors both in domestically and internationally offering similar services and customer value. In order to successfully win the Finnish market, X needs to set moves strategically by creating its own value that no one could offer to its potential customers. Based on its solid background in working long term with international partners in both big and small projects, company X is able to offer services for wide range of customers from startup, small and medium enterprises, to big corporations. Nevertheless, having been able to provide cost-effective solutions is considered the biggest advantage over other companies who have more expenses in hiring or paying taxes which also increase the costs of their offers.

Moreover, marketing also plays a determined role for the success of the entry process. Having learned about the marketing process, the author was able to define crucial steps on the customer driven strategy. The main focus is to build and maintain profitable relationship with potential customers through providing high quality services with a cost effective solution. Currently the company is conducting some activities such as building a new website which has

Finnish language, making its visibility in some startup sites, connecting its profile on Facebook and LinkedIn with groups in Finland, etc.

When conducting the interviews with leaders at company X, the author realized that one of the strongest areas of X is about web development. The company has various references on web development serving customers in France, the US or Australia for around 10 years. The company should narrow its offerings to specific services instead of selling all the IT solutions to customers. The effective way to define relevant offerings for each prospect is to consider some factors: the influence of digital on the prospect's business, the current situation of the prospect's digital channels, the prospect's own IT resource, and the prospect's budget on IT and marketing. By successfully examining those factors, company X should be able to approach potential customers more strategically. The company should also invest on its visibility in Finland when there are more clients from that market. Attending physically local and international conferences in Helsinki would bring a tremendous value on both networking and market awareness. To acquire profit of this entry process, the company needs to invest on long term plan which displays the company's capabilities to bring values to its customers' businesses.

Nevertheless, company X has to be able to update and develop its internal human resources by giving trainings and team building activities to developers and team leaders. Every employee should be aware of the company's vision and its mission to drive their actions. There should be trust between the company management and the employees, between team leaders and team members. The thesis is the beginning stage of the six months entry process. The early action steps on the thesis have already proven result when the author was able to get the first client in Finland, and two potential leads for future cooperation. The company has agreed on the achievement of the study and the strategy, which leads to the possibility of having more investment on Finnish market. In conclusion, this thesis has successfully brought a profitable strategy for X, as well as a learning opportunity to apply theoretical knowledge into practice for the author.

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## Figures

Figure 1: Process of the thesis

Figure 2: The link between loyalty and customer satisfaction. Hague, Paul N 2013 et al

Figure 3: Three levels of customer segmentation. Hague, Paul N 2013 et al.

Figure 4: The market research process. Hague, Paul N 2013 et al

Figure 5: Generic SWOT analysis: key questions that guide strategic choice. (Babette, B & Craig, F 2013)

Figure 6: Porter's Five Forces (Team FME 2013)

Figure 7: A simple model of the marketing process. Kotler, P & Amstrong, G 2011

Figure 8: Porter's Five Forces in X's case

Figure 9: Overview of marketing strategy at company X.

## Tables

Table 1: Four factors of SWOT analysis

Table 2: Interviews Information

Table 3: Advantages and disadvantages of X's competitors in Finnish market

Table 4: Advantages and disadvantages of X in Finnish market

Table 5: SWOT analysis in X's case

## Appendixes

### Appendixes 1: Questionnaire for [interviews with project managers and leaders at X](#)

1. What kind of projects X has been running?
2. What kind of web/mobile applications X has been doing?
3. What kind of sales materials X send to clients?
4. How many technical people X has?
5. How does a project work?
6. What is the size in man days and allocated resources?
7. What is the process of making a contract?
8. What are the common questions customers ask about company X?
9. How long does it take between initial talks and actual work?
10. Does X do mostly Fixed Price or Time and Material contracts with clients ?
11. How big (man days) is the average project in each category?
12. Are X's customers returning customers?
13. Why do they return?
14. What is X added value to them?
15. How does X nurture your customers?
16. What are typical problems X met during a project?
17. What are ways of preventing them?