Entering the Finnish Furniture Market: Market Analysis

Haile Behailu

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Author:	Haile Behailu
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Supervisor (Arcada):	Eija Källström
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Abstract:

Internationalization is a multi-task process which requires time, resources and full commitment. Hence, prior to deploying resources and starting the actual entry process, internationalization demands a careful inward and outward assessment, and serious of market research. The main purpose of the study was to analyze the potential of the Finnish furniture industry and to find the best entry mode strategy suitable for Askala, considering the market situation. The theoretical part discusses the internationalization process, external factors influencing entry mode choices and the different entry modes. The empirical part focuses on the Finnish furniture industry's market trend; production and consumption, competitors' market share and the intensity of competition, and all other external factors which determine entry mode selection. Both qualitative and quantitative approaches are applied in this thesis, the qualitative approach is used to see the current state of Finnish furniture manufacturing companies and the type of distribution channels they use to reach their end-users, whereas the quantitative approach is used to see the market trend in the Finnish furniture industry. The research result reveals that despite some improvements in the economy and following an increase in consumers' confidence, in general the Finnish furniture market is small and grows at a decreasing order with intense competition and highly dominated by big furniture manufacturing companies. Therefore, under such market conditions, entering a new market using big resources is not recommended, but rather entry mode strategies which require less resources and management commitment and have less risk such as direct export, cooperative export and online marketing are better options to build long-term relations and to increase market share through time.

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1. INTRODUCTION

SMEs are dynamic and flexible by their nature and contribute a crucial role in economic development and reducing unemployment. According to European Commission, across the EU28 in 2013, some 21.6 million SMEs in the nonfinancial business sector employed 88.8 million people and generated €3,666 trillion in value added (European Commission, 2014). Expressed another way, 99 out of every 100 businesses are SMEs, as are 2 in every 3 employees and 58 cents in every euro of value added. This illustrates how critical SMEs are and significant for the recovery of the economy.

Many SMEs are not in export-oriented sectors, particularly the micro and small enterprises (European Commission, 2014). However in recent years, especially after the recent financial crisis and the resulting economic recession SMEs increasingly start looking and operating outside of their domestic markets. In a globalized economy, market competition between regions, countries and firms are common and good for the well-being of the society.

There are several good reasons for internationalization, such as increase sales, higher profit, economics of scale, reduce vulnerability, new knowledge and experience, global and domestic competitiveness. Nevertheless it also has many challenges and considerable uncertainty: hence prior to decide to join the international market it will be wise to consider issues like the increase in cost, level of commitment, language and cultural difference, local regulations and legal requirements, accessibility and the degree of competitiveness, market size and potential. Also require to have a good knowledge about the size of foreign demand and the adequacy of their products to local tastes.

Internationalization can take many forms, such as import, export, foreign direct investment (FDI) and international collaboration (Jonas Onkelinx , Leo Sleuwaegen, 2008). Exporting can lead to increasing productivity, through economics of scale. FDI may provide a firm with new know-how and technologies, which can be combined to develop new competitive strengths.

Internationalization is a multi-task process which requires time, resource and full commitment. Hence prior to deploying resource and starting actual entry process, internationalization demands a careful in-ward and out-wards assessment, and a serious of marketing.

According to Sherlkar's, before using available resources for entering the global markets; an enterprise must secure up-to-date information on global customer needs and desires, as well as on the opportunities and threats in world markets. The data should be collected through market-oriented studies. Product-oriented studies will identify export markets for existing products or product range. Market-oriented studies will identify the products that may be sold in a particular foreign market. The successful global marketing of a product depends on: (1) the target customers of market, (2) the system of distribution, and (3) the degree of competition in the market. Target customers will provide characteristics of the customer who ultimately determines the product marketability. We must have accurate and adequate knowledge of customer demand in all respects (Sherlekar, S.A., and Sherlekar, Virendra Sharad, 2009).

Therefore the main purpose of this study is to help Askala (a furniture manufacturing company in Estonia) in their market research and internationalization process through gathering information related to Finnish furniture industry's trend, market size, level of competition, production and consumption and all related information by conducting a market specific analysis.

1.1 Background Information

This thesis is driven by EDU-SMEs project which aims to develop a better match between the competencies of graduates and companies in the Central-Baltics region. EDU-SMEs have three flat forms or services, this are Cross-border assignment, Study corner and self-evaluation (EDU-SMEs). Hence as part of cross-border assignment where students, faculty and SMEs work closely together across national borders in the target market, the author of the thesis found Askala's assignment through his supervisor and conduct the research according to the company's request with a close support from the supervisor.

Askala is furniture Manufacturing Company in Estonia, and specialized in the production of dressers, cabinets, wardrobes, tables, chairs, shelves, beds and etc. (Mainor, 2017). Askala is founded in 2001 and is part of Mainor group but its roots date back to 1880 when one of the most modern furniture factories A. M. Luther factories was established. During these 135 years, beside its value the company has changed almost completely (Askala, 2017).

Askala uses mainly solid pine glue boards supplied from local manufacturers in Estonia. Most of the timber comes from nearby forests, supplied by adhering to the principles of sustainability and biodiversity. The company believe that wood is right material for making furniture, because it´s the only renewable raw material used on a large scale by furniture industries (Askala, 2017).

Beside the company's own Scandinavian style brands Askala also offer an opportunity for dealers, wholesalers and retail chains to develop under private label concept closely together new cost effective products ranges which will fit best for target customer.

Askala has successfully sold its products on the home market for years and has been export-oriented since its establishment and produce 700-900 different products in a year, approximately 130 of which are new. Askala have exported to several European countries in previous years, including Germany, Denmark, Finland, and Poland. The company has invested vigorously in export and product development in recent years, and exports currently account for as much as 95% of turnover. Manufacturing by OÜ Askala takes place in Tallinn, at Betooni13/Paneeli 4, where the company rents a 3000 m2 production area from the ownership company AS Mainor. The company employs 70 people (Furniture Cluster Estonia, 2017).

The majority of Askala's products are exported to Denmark, Germany, UK and Finland (Mainor, 2017). Askala works with online stores and retailors to reach its international customers. For instance in Finland the company works with ON24 Interiors Oy, an online store based in Turku and specialized in retailing furniture, home appliances and interior decoration products (Askala, 2017).

1.2 Research Purpose and Objectives

This research is conducted to indicate the preferred mode to enter the Finnish furniture market based on the target market dynamics. Market entry mode selection depends on both internal and external factors, however as part of out-ward assessment this particular study analyze the attractiveness of Finnish furniture market using market specific analysis. Market analysis includes certain dimensions; such as, market size, market trend, market profitability, and production and consumption growth rates and others factors. The research outcomes help Askala to formulate own entry strategy of Finnish furniture market by combining with the in-ward assessment.

As part of out-ward assessment both SMEs and large companies required to evaluate the market potential of the country they plan to enter. A country's attractiveness to enter depends on economic, political, cultural and legal environments (The Economist, 2010), (Oškinis, 2014). However despite some minor differences both Estonia and Finland share socio-cultural issues, therefore the study focus on industry specific economic analysis.

Hence the research targets in finding the best mode to enter furniture industry in Finland and at the same time gathers information relevant to look for possible market opportunity for Askala. In doing so the study focus on the current state of the furniture manufacturing companies and analyses companies profitability, market trends, and production and consumption levels and in general industry’s potential for further development.

1.3 Research Question

The main research question is:

- What is the best possible way/strategy to enter the Finnish furniture market?

The research question analyses the different entry modes and attempts to select the best strategy suitable for the company considering the market environment on the ground.

1.4 Focus and Limitations

Firm’s entry mode selection for a specific country is the net result of internal and external factors. Under each factors there are also sub factors which needs to be addressed, for instance to fully understand the external situation it requires a careful analysis of the host county’s social, cultural, political, technological and economic factors.

Despite their difference in standard of living and taxation (Gencs, 2013) both Finland (host country) and Estonia (home country) are border countries in Baltic Sea Region with shared values in their social, cultural and political structure. Hence the research focuses only on market specific analysis, meaning it doesn’t cover other entry mode determinants such as legislations, cultural, social and political issues rather focus on the furniture industry and discusses the different market entry modes based on the external economic factors of market size, supply and demand and intensity of competitions. On top of that it gives an outline of the Finnish furniture industry by delivering information on industry's market size in terms of turnover, sales, consumption and production levels. However finding representative sample to conduct customer preference study is difficult and hard to find target customers unless there are pre-organized events like exhibition or trade fair, also such events are organized few times per year and it requires time and resources. Hence the research is limited to macro level analysis and in order to get a better understanding it also include opinion of expert who have experience in the furniture industry.

1.5 Thesis Structure

The research is conducted in two parts, theoretical and empirical parts. The introductory part covers the background, research purpose and objectives, research questions, and focus and limitations parts and discusses methods of data collection. The theoretical part is found in chapter two and bases the research questions. This section cover internationalization process and strategies under here, reasons for internationalization, different entry modes and factors which affect internationalization decisions are discussed. Chapter three is about the Finnish furniture market, and it examines industry's strength and weaknesses by analyzing its market trend, profitability, production, consumption, import and export levels and market openness.

The next part, chapter four is a discussion section and answers to the objective of the research, and suggests possible way to enter the Finnish market considering the market analysis result. After that chapter five concludes the research by summarizing the main aspects along with finding's and indicates focus areas for further study in the future. The list of references and the Appendices are then followed.

1.6 Research Methods

The literature review part studies how to enter a new market based on the different entry mode theories and factors which influence these decisions. The empirical part discusses and analyzes the Finnish furniture market in detail using secondary data found from statistics office, Customs office and other sources, and also part of the interview made with the expert from the field is included in the discussion in chapter four. The full interview with an expert is attached as an appendix in the end.

1.6.1 Material

The research uses both quantitative and qualitative approaches. Quantitative approach applied to analyze the industry market development and bases secondary data collected from statistics office, customs office and other credible governmental and non-governmental research publications. Qualitative method used for expert discussion and it is the best suitable method to get in-depth understanding about the market using their industry specific knowledge. The statistical data research focus on the industry's trend, market size and profitability. Whereas the expert discussion designed in a way to answer questions related to distribution channels and market specific knowledge in order to strengthen further the statistical result in a way to give a credible recommendation.

1.6.2 Reliability

Although the term 'Reliability' is a concept used for testing or evaluating quantitative research, the idea is most often used in all kinds of research. If we see the idea of testing as a way of information elicitation then the most important test of any qualitative study is its quality (Golafshani, N, 2003).

Reliability is concerned with the question of whether the results of the study are reputable. Also refers the consistency of a measure of concept (Bryman, A. and Bell, E., 2011). Meaning reliability measures whether the result are consistence over time and representative of the overall population.

The materials used and the measurements made by the researcher have impact on the end result of the research to be considered as reliable or not.

In this research the literature review part is based on credible source such as text and e-books, OECD and European Commission research publications and other publications related to SMEs internationalization process. All the text books and e-books used in the research are academically texted and using in different universities as text books and learning materials. The empirical study part is conducted in to two parts; for the qualitative study the participant in the discussion is an expert who has intensive market knowledge and experience of working in the furniture industry.

Also for the quantitative part the information is gathered from credible sources, Statistics Finland (Tilastokeskus), Finland Customs Office, Eurostat and other sources from reliable website.

1.6.3 Validity

Validity refers to the issue of whether or not an indicator (or set of indicators) that is devised to gauge a concept really measures that concept (Bryman, A. and Bell, E., 2011). Validity is also determines whether or not the research measures and achieves the intended target using the right tool.

Validity states the credibility and trustworthiness of the research. If the information the researcher observes and collects are valid, they are also reliable. Therefore the source of the information or data determines the reliability and validity of the research. Hence to maintain the quality of this research data are collected from highly credible sources and using these aggregated data the interview is designed and conducted carefully with an expert from the field.

2. INTERNATIONALIZATION PROCESS AND STRATEGIES

Internationalization may be thought of as: (1) a process, (2) an end result, and/or (3) a way of thinking. A firm becomes increasingly internationalized as it becomes more involved in and committed in serving markets outside of its home country. This may be a planned and orderly process, or arise from perceived new opportunities or threats (Gerald Albaum, Edwin Duerr, Jesper Strandskov, 2005).

Internationalization is most effective when developed as a carefully planned process for increasing penetration of international markets (Gerald Albaum, Edwin Duerr, Jesper Strandskov, 2005).Hence formulation of action plan or strategies designed to achieve internationalization process should be developed based on the companies' internal resource and market information.

Choosing and developing the right strategy is a crucial decision that will impact the long term success of a business. For many SMEs, internationalization is not part of this strategy. When starting a new business, most managers' initial focus is on the local market. Expanding firm activities abroad may become an option once the firm has proven to be competitive in the local market. Few entrepreneurs start with the ambition of becoming a global leader in their market. This local or global mindset will be reflected in the firm's strategy (Jonas Onkelinx , Leo Sleuwaegen, 2008).

Therefore, to be successful in international arena firms need to develop a strategy that fits their ambitions, their competences and their limitations. Internationalization resulting from a good strategy may prove to be more successful as firms have clear objectives, may be better prepared and can anticipate specific circumstances and intense competition in international markets. Developing the right strategy is a process that involves both an internal analysis of the firm's capabilities, and an external analysis of the environment in both the domestic and foreign markets (Jonas Onkelinx , Leo Sleuwaegen, 2008).

During the strategy formulation process internationalization is one of the possible strategic options that companies should consider. Firms might opt for an international strategy for several reasons: 1) to gain access to new customers/markets for existing products or services 2) to gain access to valuable factors of production. These can range from cheap labor to specific raw materials or highly skilled labor. 3) To develop and leverage core competencies 4) to manage corporate risk (Jonas Onkelinx , Leo Sleuwaegen, 2008).

While not all firms expand operations to the point where they can be considered global, all begin by entering a country or countries outside their home market. In initially entering into global markets, a firm needs to make three key decisions:

- Which countries to enter;
- What modes of operation to adopt; and
- The timing and sequencing of entry.

These decisions need to be considered in the light of the firm's objectives with regard to global markets, particularly with regard to the desired degree of involvement, and amount of resources (human and financial) a firm is willing to devote to developing operations in international markets, as well as the level of risk – macroeconomic, competitive, and policy – that it is willing to consider in going international (Susan P. Douglas and C. Samuel Craig, 2010).

As (Cherunilam, Francis, 2009) mentioned, different types of information are needed to take the critical decision as to whether to go international or not. These include information about the prospects of the foreign markets, competition, other characteristics of the foreign market, domestic market prospects etc.

2.1 Motives for Internationalization

Internationalization occurs when the firm expands its R&D, production, selling and other business activities into international markets. In many larger firms internationalization may occur in a relatively continuous fashion, with the firm undertaking various internationalization stages on various foreign expansion projects simultaneously, in incremental steps, over a period of time. However, for SMEs, internationalization is often a relatively discrete process; that is, one in which management regards each internationalization venture as distinct and individual (Hollensen, 2007).

The fundamental reason for internationalization, in most firms, is to make money. But, as in most business activities, one factor alone rarely accounts for any given action. Usually a mixture of factors results in firms taking steps in a given direction.

Drivers of internationalization are firm specific, as firms have different strategic goals. For most firms, one of the goals would be increasing its profitability and competitiveness. Therefore, cost considerations and market conditions play a crucial role in the internationalization decision. From a value chain perspective, firms internationalize to minimize costs while maximizing returns in purchasing, production and sales. Other firms may look for strategic assets, or collaboration with foreign partners to improve their competitiveness and increase their innovative capabilities. Access to know-how and technologies, international business relationships, knowledge sharing and financing possibilities are also important drivers for internationalization. Although the incentive to internationalize may be fundamentally different for each individual firm, the most important drivers for European SMEs to internationalize are gaining access to foreign markets, knowledge and technology (European Commission, 2004).

Also, the attitudes that lead to internationalization stem from the same source as start-ups, innovation and entrepreneurship: developing lines of growth. In the case of SMEs the reasons that move companies to internationalize are closely related to the personal and professional experiences of the owner/manager and the evolution and "attitudes" of the SME (European Commission, 2007).

Table 3.1 shows the fundamental motives for SMEs internationalization. They are differentiated into proactive and reactive motives. Proactive motives represent stimuli to attempt strategy change, based on the firm's interest in exploiting unique competences (e.g. a special technological knowledge) or market possibilities. Reactive motives indicate that the firm reacts to pressures or threats in its home market or in foreign markets and adjusts passively to them by changing its activities over time (Hollensen, 2007).

Table 1. Major Motives for internationalization

Proactive Motives	**Reactive motives**
• Profit and growth goals	• Competitive pressures
• Managerial urge	• Domestic market: small and saturated
• Technology competence/ unique product	• Overproduction/ excess capacity
• Foreign market opportunities/market information	• Unsolicited foreign orders
• Economies of scale	• Extended sales of seasonal products
• Tax benefits	• Proximity/psychological distance

Source: Svend Hollensen, 2007 p. 42 adapted from Albaum

2.2 Barriers of the Internationalization Process

Svend Hollensen divided critical barriers in the process of internationalization into three groups: general market risks, commercial risks and political risks.

General market risks

General market risks include the following:

- Comparative market distance;
- Competition from other firms in foreign markets;
- Differences in product usage in foreign markets;
- Language and cultural differences;
- Difficulties in finding the right distributor in the foreign market;
- Differences in product specifications in foreign markets;
- Complexity of shipping services to overseas buyers.

Commercial risks

The following fall into the commercial risks group:

- Exchange rate fluctuations when contracts are made in a foreign currency;
- Failure of export customers to pay due to contract dispute, bankruptcy, refusal to accept the product or fraud;
- Delays and/or damage in the export shipment and distribution process;

- Difficulties in obtaining export financing.

Political risks

Among the political risks resulting from intervention by home and host country governments are the following:

- Foreign government restrictions; l national export policy;
- Foreign exchange controls imposed by host governments that limit the opportunities for foreign customers to make payment;
- Lack of governmental assistance in overcoming export barriers;
- Lack of tax incentives for companies that export; l high value of the domestic currency relative to those in export markets;
- High foreign tariffs on imported products;
- Confusing foreign import regulations and procedures;
- Complexity of trade documentation;
- Enforcement of national legal codes regulating exports;
- Civil strife, revolution and wars disrupting foreign markets.

The importance of these risks must not be overemphasized, and various risk management strategies are open to exporters. These include the following:

- Avoid exporting to high-risk markets.
- Diversify overseas markets and ensure that the firm is not over dependent on any single country.
- Insure risks when possible. Government schemes are particularly attractive.
- Structure export business so that the buyer bears most of the risk. For example, price in a hard currency and demand cash in advance.

2.3 External Factors Influencing the choice of entry mode

A firm's choice of its entry mode for a given product/target country is the net result of several, often conflicting forces. The need to anticipate the strength and direction of these forces makes the entry modes decision a complex process with numerous tradeoffs among alternative entry modes (Hollensen, 2007).

In general the most important factor which influences the choice in entry mode selection is the excepted contribution to profit. However good decision/ selection of entry mode are only possible with reliable data, otherwise most of the decisions are made based on qualitative data which are even harder to quantify. Especially when most companies in the target market are family owned or not public, finding reliable financial data being even harder not to say impossible. Hence most of the selection criteria depend on qualitative researches.

According to Hollensen, intensity of competition, demand, market size and growth of the foreign market intended to enter influence the entry mode selection.

2.3.1 Market Size and Growth

Country size and rate of market growth are key parameters in determining the mode of entry. The larger the country and the size of the market, and the higher the market growth rate, the more likely will be to commit resources to its development, and to consider establishing a wholly-owned sales subsidiary or to participate in a majority-owned joint venture. Retaining control over operations provides management with direct contact and allows it to plan and direct market development more effectively (Hollensen, 2007).

Small markets, on the other hand, especially if they are geographically isolated and cannot be serviced efficiently from a neighboring country, may not warrant significant attention or resources. Consequently they may be best supplied via exporting or a licensing agreement. While unlikely to simulate market development or maximize market penetration this approach enables the firm to enter the market with minimal resources commitment, and frees resources for potentially more lucrative markets (Hollensen, 2007).

2.3.2 Market Demand and Supply

Beside market size, market anticipation in the future and its potential for further development affects decision mode. Market potential is also measured by consumer's purchasing power, consumption level and import performance. The higher the level of demand uncertainty in foreign markets exists, the more low control (low investment) entry modes are preferred by companies, as the demand uncertainty reduces potential benefits of the investment and encourages to opt for low control entry modes (Šarapovas. T,Huettinger. M, Ričkus. D, 2016). Production capacity and factors like labor cost and availability of raw materials has considerable influence in the selection of entry mode as well.

2.3.3 Intensity of Competition

The number of competitors in a host country is also another factor which affects firms entry mode decisions, as (Hollensen, 2007) stated, when the intensity of competition is in a host market firms will do well to avoid internalization, as such markets tend to be less profitable and therefore do not justify heavy resource commitments. Hence, other things being equal, the greater the intensity of competition in the host market the more the firm will favor entry modes that involve low resource commitments (export modes).

2.4 Market Entry Modes

One of the most important strategic decisions in international business is the mode of entering the foreign market. On the one extreme, a company may do the complete manufacturing of the product domestically and export it to the foreign market. On the other extreme, a company may do, by itself, the complete manufacturing of the product to be marketed in the foreign market there itself. There are several alternatives in between these two extremes. The choice of the most suitable alternative is based on the relevant factors related to the company and the foreign market. In some cases, the alternatives available may also be limited. For example, the policy of some governments may not be very positive towards foreign investments. Several governments have a definite preference for joint ventures over complete foreign ownership. In some cases, the government may prefer foreign investment leading to import substitution to perpetual import of a product. Thus, in some cases, government policies may rule out the best alternative if the environment were free (Cherunilam, Francis, 2009).

In general, as stated by (Peter J Buckley and Pervez N Ghauri, 2015)there are three basic (or generic) modes of doing business internationally: exporting, foreign licensing and foreign direct investment. Each of these entry modes also divided in to a variety of sub-types, including direct and indirect exports via a domestic intermediary, non-equity contractual modes (for example, licensing, franchising, and management contracts; subcontracting, long-term contracts and offshoring), and equity-based modes. The latter include foreign direct investment (in the form of both Greenfield investment and mergers and acquisitions, or M&As) and other forms of international involvement (such as joint ventures) (European Commission, 2014).

The following figure shows the level of control and associated risk, resource commitment and return with each modes of internationalization decision.

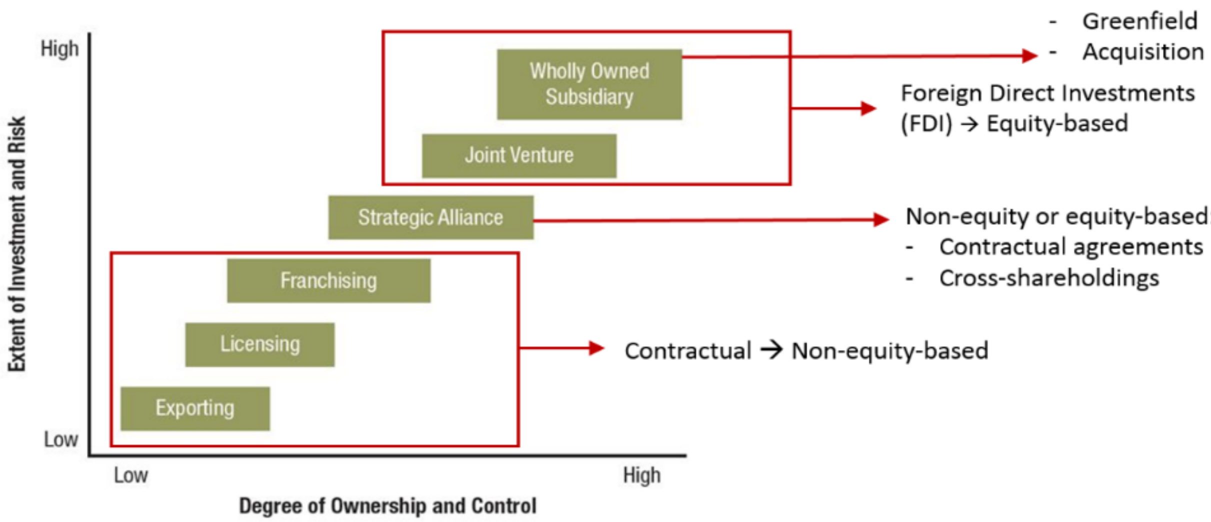


Figure 1: Market entry modes

Source: Root (1994) entry strategies for international markets.

2.4.1 Export

Exporting is the most popular way for many companies to become international. The main reason for this is that exporting (1) requires minimum resources while allowing high flexibility and (2) offers substantial financial, marketing, technological, and other benefits to the firm. Because exporting is usually the first mode of foreign entry used by many companies, exporting early tends to give them first-mover advantage (Pan, Yigang and Li, Shaomin and Tse, David K, March 1999). However, exporting requires experiential knowledge. Exporters must acquire foreign market knowledge (i.e., clients, market needs, and competitors) and institutional knowledge (i.e., government, institutional framework, rules, norms, and values) as well as develop operational knowledge (i.e., capabilities and resources to engage in international operations) (Kent Eriksson, Jan Johanson, Anders Majkgård and D. Deo Sharma, 2000).Selling to a foreign market involves numerous high risks arising from the lack of knowledge of and unfamiliarity with foreign environments, which can be heterogeneous, sophisticated, and turbulent. Furthermore, conducting market research across national boundaries is more difficult, complex, and subjective than for its domestic counterpart (M.Kotabe and K. Helsen, 2008).

Companies that plan to engage in exporting have a choice between three broad options: indirect, cooperative, and direct exporting (M.Kotabe and K. Helsen, 2008). For many companies, the simplest and lowest-cost distribution alternative when considering international marketing for the first time is that of **indirect exporting**, whereby the company's products are sold abroad by others. The obvious attraction of this is that little or no international expertise is required, since the strategy is little more than an extension to distributing the product domestically. It can, however, open up new markets at very little cost, although this approach does suffer from the firm's lack of control not only over the markets selected, but also over the marketing strategies used and the degree of commitment to each market. Nevertheless, indirect exporting is, for many companies, an attractive and low-cost introduction to international marketing. (Gilligan, Colin, and Hird, Martin, 2013).

Cooperative Exporting: Companies that are unwilling to commit the resources to set up their own distribution organization but still want to have some control over their foreign operations should consider cooperative exporting. One of the most popular forms of cooperative exporting is piggyback exporting. With piggybacking, the company uses the overseas distribution network of another company (local or foreign) for selling its goods in the foreign market (M.Kotabe and K. Helsen, 2008).

Direct Exporting: Under direct exporting, the firm sets up its own exporting department and sells its products via a middleman located in the foreign market. Once the international sales potential becomes substantial, direct exporting often looks far more appealing than indirect exporting. To some degree, the choice between indirect and direct exporting is a ‘‘make-or-buy’’ decision: should the company perform the export task, or is it better off sourcing the task out to outsiders? Compared to the indirect approach, direct exporting has a number of pluses. The exporter has far more control over its international operations. Hence, the sales potential (and profit) is often times much more significant than under indirect exporting. It also allows the company to build up its own network in the foreign market and get better market feedback. There is a price to be paid, though. Given that the responsibility for the exporting tasks is now in the hands of the company, the demands on resources—human and financial—are much more intense than with indirect exporting. Besides the marketing mix tasks, these tasks involve choosing target markets, identifying and selecting representatives in the foreign market, and scores of logistical functions (e.g., documentation, insurance, shipping, packaging) (M.Kotabe and K. Helsen, 2008).

2.4.2 Licensing

Licensing is a contractual arrangement whereby a company transfers (via a license) the right to distribute or manufacture a product or service to a foreign country, or the right to use any type of expertise that may include patents, trademarks, company name, technology and technological know-how, design and/or business methods. The licensee pays a fee and/or percentage of sales in exchange for the rights. This approach works best where there are barriers to import and investment, where legal protection is possible in the target environment, and where there is a low sales potential in the target country (Decke, 2014). Companies that use licensing as part of their global expansion strategy lower their exposure to political or economic instabilities in their foreign markets. The only volatiles that the licensor faces are the ups and downs in the royalty income stream. Other risks are absorbed by the licensee (M.Kotabe and K. Helsen, 2008).

Licensing comes with some caveats, though. Revenues coming from a licensing agreement could be dwarfed by the potential income that other entry modes such as exporting could have generated. Another possible disadvantage is that the licensee may not be fully committed to the licensor's product or technology. Lack of enthusiasm on the part of the licensee will greatly limit the sales potential of the licensed product. When the licensing agreement involves a trademark, there is the further risk that misguided moves made by the licensee tarnish the trademark covered by the agreement. Other risks include the risk of not getting paid, failure to produce in a timely manner or the desired volume, and loss of control of the marketing of the product (M.Kotabe and K. Helsen, 2008).

Companies should consider various factors in deciding negotiations. Each international licensing is unique and has to be decided separately. However, there are certain common factors which affect most of the international licenses. They are: specifying the agreement's boundaries, determining the royalty, determining rights, privileges and constraints, defining dispute resolution methods, specifying the duration of the contract (Rao, P. Subba, 2010).

Table 2: Advantages and disadvantages of Licensing

Advantages	Disadvantages
• Licensing mode carries relatively low investment on the part of licensor. • Licensing mode carries low financial risk to the licensor. • Licensor can investigate the foreign market without much efforts on his part. • Licensee gets the benefits with less investment on research and development. • Licensee escapes himself from the risk of product failure.	• Licensing agreements reduce the market opportunities for both the licensor and licensee. Pepsi-cola cannot enter Netherlands and Heineken cannot sell Coca-cola. • Both the parties have the responsibilities to maintain the product quality and promoting the product. Therefore, one party can affect the other through their improper acts. • Costly and tedious litigation may crop up and hurt both the parties and the market. • There is scope for misunderstanding between the parties despite the effectiveness of the agreement. The best example is Oleg Cassini and Jovan. • There is a problem of leakage of the trade secrets of the licensor. • The license may develop his reputation. • The liensee may sell the product outside the agreed territory and after the expiry of the contract.

Source: Rao, P. Subba, Introduction to International Business (1), p, 55

2.4.3 Franchising

Franchising is simply a method for expanding a business and distributing goods and services through a licensing relationship. In franchising, franchisors (a person or company that grants the license to a third party for the conducting of a business under their marks) not only specify the products and services that will be offered by the franchisees (a person or company who is granted the license to do business under the trademark and trade name by the franchisor), but also provide them with an operating system, brand and support (IFA, 2010). Also (Hollensen, 2007) explained franchising as a marketing-oriented method of selling a business service, often to small independent investors who have working capital but little or no prior business experience. However, it is something of an umbrella term that is used to mean anything from the right to use a name to the total business concept.

A good example of the value of franchising is the Swedish furniture manufacturer IKEA, which franchises its ideas throughout the western world, especially in Europe and North America. In terms of retail surface area and the number of visitors to retail stores, this company has experienced very significant growth through franchising in recent years.

As stated by (Sherman, Andrew J., 2003), there are a variety of reasons and motives to select franchising as a method of growth and distribution by franchisors, through franchising, they are able to: Obtain operating efficiencies and economies of scale, Increase market share and build brand equity, use the power of franchising as a system to get and keep more and more customers—building customer loyalty, achieve more rapid market penetration at a lower capital cost, reach the targeted consumer more effectively through cooperative advertising and promotion, sell products and services to a dedicated distributor network, replace the need for internal personnel with motivated owner/operators, and shift the primary responsibility for site selection, employee training and personnel management, local advertising, and other administrative concerns to the franchisee, licensee, or joint venture partner with the guidance or assistance of the franchisor.

Franchising carries some risks, though. Just like in the case of licensing, the franchisor's income stream is only a fraction of what it would be if the company held an equity stake in the foreign ventures. Firms with little or no name recognition typically face a major challenge finding interested partners in the foreign market. Finding suitable franchisees or a master franchisee can be a stumbling block in many markets (M.Kotabe and K. Helsen, 2008).

2.4.4 Contract Manufacturing

This approach to foreign market entry is a cross between licensing and direct investment. A company contracts for the manufacture or assembly of its product(s) by manufacturers establish in foreign markets, either targeted for sales there or elsewhere while still retaining the responsibility for marketing and distributing its products. Often the contract will call for a transfer of technology and provide for technical assistance to the foreign market based manufacturer. Despite any transfers, this method of foreign market entry is purely a sourcing activity (Gerald Albaum, Edwin Duerr, Jesper Strandskov, 2005).

Cost savings and gaining outside expertise are the main motives behind contractual manufacturing. According to (Schniederjans, Marc J, 2005) the cost of business activities outsourced to a provider can be less than the cost of insourcing the same activity. When a client firm outsources business activity, they can be left with assets (e.g., technology), which can be converted to cash to deal with short-term cash problems (i.e., saving interest costs on loans). In many cases, the outsource provider purchases the assets, at market value or above, making the outsource provider a short-term source of funds. Also gain access to a broad base of expertise and skills unavailable by insourcing another motives for outsourcing.

2.4.5 Joint Venture

A joint venture is the coming together of two (or more) independent businesses for the sole purpose of achieving a specific outcome that would not have been achievable by any one of the firms alone (Wallace, Robert L., 2004). Joint ventures can be used for any conceivable goal. However, in practice, they are used more frequently to reap economies of scale, to share the risks associated with big projects, and to gain access to foreign markets than for R&D and innovation. For the latter, more flexible contractual alliances are usually better options. As partners integrate their activities into a single new company under a single management team, joint ventures are very suitable for creating economies of scale (de Man, Ard-Pieter, 2013).

While there are significant potential advantages associated with using joint ventures, there are potential limitations as well. The profit potential may be less, because all profit must be shared. Also, there are many things that can lead to disagreements between the partners, such as a dispute over dividend policies or differences in management philosophies. These can be resolved, however if the partners can work together (Gerald Albaum, Edwin Duerr, Jesper Strandskov, 2005).

Regardless of policies, agreements and so on, the real success of every joint venture is dependent upon the characteristic of each partner. Thus the selection of a local partner is perhaps the single most important activity involved in establishing a joint venture (Gerald Albaum, Edwin Duerr, Jesper Strandskov, 2005). Since finding a complete match is almost impossible, partners should find a common ground for anticipation and compromise. Joint venture is can also successful when it is made by partners who share the same culture and norms.

2.4.6 Wholly Owned Subsidiary

From all the above modes of internationalization, one can easily observe some regularity. The higher the extent of management involvement is, the higher the scope of control and risk is. The increasing of invested capital involves the increasing of the management on foreign markets. The lower the entry costs are, the lower the profitability of carried out transactions are (Daszkiewicz. N & Wach. K, 2012).

In practice, the subsidiary is defined as the entity where the parent company holds a majority share of stock or other controlled resource. Multinational companies often prefer to enter new markets with 100 percent ownership. Ownership strategies in foreign markets can essentially take two routes: acquisitions and mergers, in which MNC buys up or merges with existing companies, or **greenfield** operations that are started from scratch (Gerald Albaum, Edwin Duerr, Jesper Strandskov, 2005).In organizational and legal terms, the subsidiary can be established as a branch (a business division, a place of business), a joint venture subsidiary or a wholly owned subsidiary (Daszkiewicz. N & Wach. K, 2012).

Entrepreneurs starting up their businesses in different countries are subject to the procedures, rules and law, which is in force in a given country, however in different countries there are different registration procedures, different required documents, different organizational and legal forms, and different tax laws. Starting a business in a given country, the entrepreneur is fully responsible for the choice of a legal form. The choice depends primarily on the purpose and the size of the venture, the number of associates, the type of the activity, the location, and the form of taxation, capital ownership and development plans. Regardless of the diversity of existing legal regulations in specific countries, the entrepreneur can select one of the legal forms of activities;

- the establishment of an overseas representative office,
- the establishment of an overseas branch,
- the formation of an overseas subsidiary in the form of a limited company,
- the starting of self-employed, which is to run individual enterprises or to take an independent economic activity,

- the formation of business activities jointly with another person in the form of a partnership (including limited partnerships)

In general internationalization is a process that requires continuous assessment both before and after entering the new market. Therefore before starting the actual entering process the company has to have a detail and organized answers on why it wants to go abroad, when and how to internationalize, and what are deciding factors to make entry mode decisions and all the possible answers for such external factors and risks. Hence once the companies get those answers by combing the host country market situation with that of the company's own internal target and resources final decision can be made.

3. FINNISH FURNITURE MARKET

For a long time, Finland specialized in the forest industry and the processing of metals. A new sector that developed during the past 15 years was electronics and especially the manufacturing of communications devices. Economy changed more dramatically in Finland than in any other OECD country over the same period of time. Industrial production and exports grew faster than the rest of the economy in the 1990s, and the structure of exports diversified (Finnpartnership, 2015).

As mentioned by (Norden, 2014)report, from 2008 to 2009 Finland's export of goods fell sharply by 32% and still the only Nordic country lagging behind the 2008-level. Also the Finnish export of goods and services is concentrated on large enterprises with more than 250 employees, as they account for more than three quarters of exports. However in recent years the ICT industry undergone a major changes and SMEs are becoming significant.

Statistics Finland's preliminary data shows, the total gross value of all manufacturing establishments was EUR 119.7 billion in 2015. The gross value of manufacturing remained on level with the previous year. However, value added increased by four per cent compared with the previous year and amounted to EUR 30.6 billion. The manufacturing industries that affected most the increase in value added were the manufacture of paper and paper products and the manufacture of coke and refined petroleum products (Statistics Finland, 2016).

The value of Finnish forest industry exports (including furniture) totaled EUR 11 billion in 2013. The forest industry accounts for approximately 20 per cent of Finland's export revenue and it is an important employer, especially in regional areas. The industry directly employs about 48,000 people in Finland (Finland Fact Book, 2014).

The growth in furniture production is largely driven by the improvements in domestic demand. Following the 2007-2008 financial crises Finland has been hit hard by several shocks, and output remains nearly 7% below its late-2007 peak (OECD, 2016). For instance according to (Statistics Finland, 2016) value added in production of furniture in 2015 was 285 € million, increased by 1% in nominal terms on 2014.

In 2015 the Finnish furniture industry produced goods to the value of approximately Euro 1.0 billion, for the home and export markets, with an increase of 2% in nominal terms on 2014. Whereas furniture export decreased by -2.5% of the year before. Growth in furniture production was driven and supported by the increase in domestic consumption of 2.6%.

According to (Csil, 2013) report prepared for TMF Swedish Federation of Wood and Furniture Industry, in 2012 the total furniture consumption in Finland accounts 1,291 € million, the growth of furniture consumption was 0.4% and the real growth rate of the Finnish furniture market expected to be 1% for the next two years.

3.1 Furniture Production

The production of furniture in Finland is volatile and highly depends on the country's growth. Hence in recent year's production of furniture experiencing a lot of ups and downs. Despite the only exception between 2004 and 2009, since 2001 production output is continuously decreasing. For instance the volume index of the furniture output in 2015 was 54,8 and decreased by 63,7 and 31,6 percentage points from year 2001and 2014 respectively.

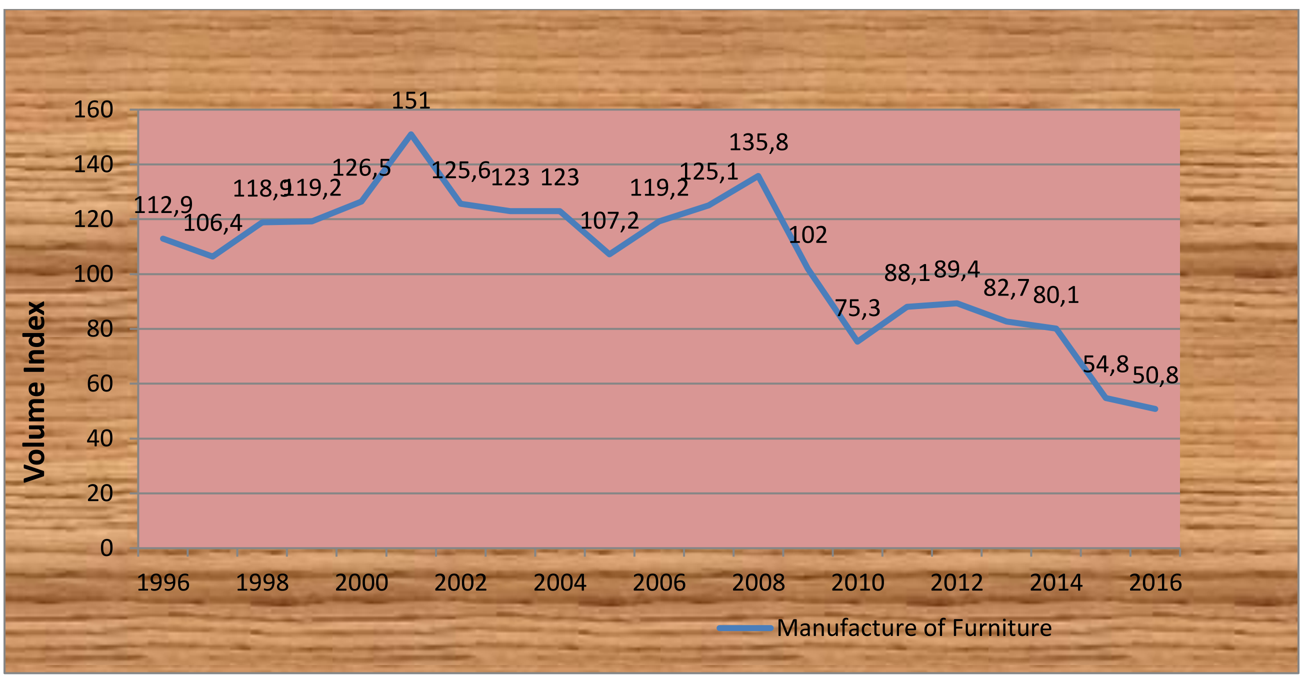


Figure 2. Finland: Furniture output volume. Relative change, 1995-2016 (Volume index number 2010=100)
Source: Statistics Finland and own calculation

The industry's turnover was approximately 1,1billion euros in 2015 for both home and export markets. Despite +2% output increases (in nominal terms) on 2014, production value of furniture is much less than previous years. Compared to 2012 and 2013 furniture production in 2015 was decreased by -11.5% and -2% respectively.

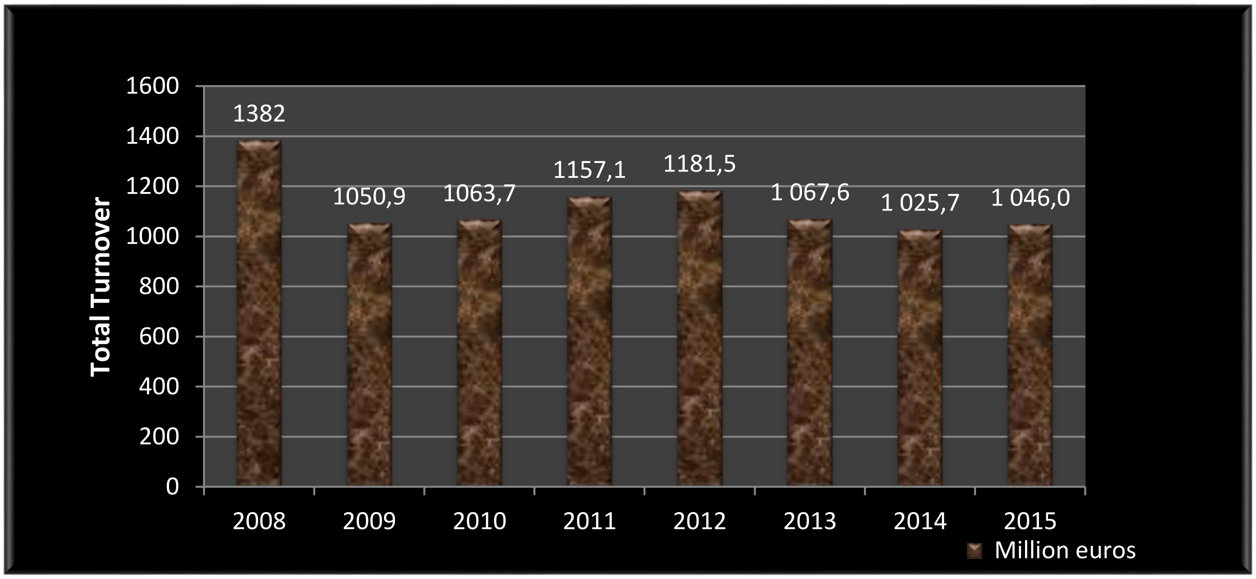


Figure 3. Furniture productions, 2008-2015. Million euros at current prices
Source: own processing of data from Statistics Finland

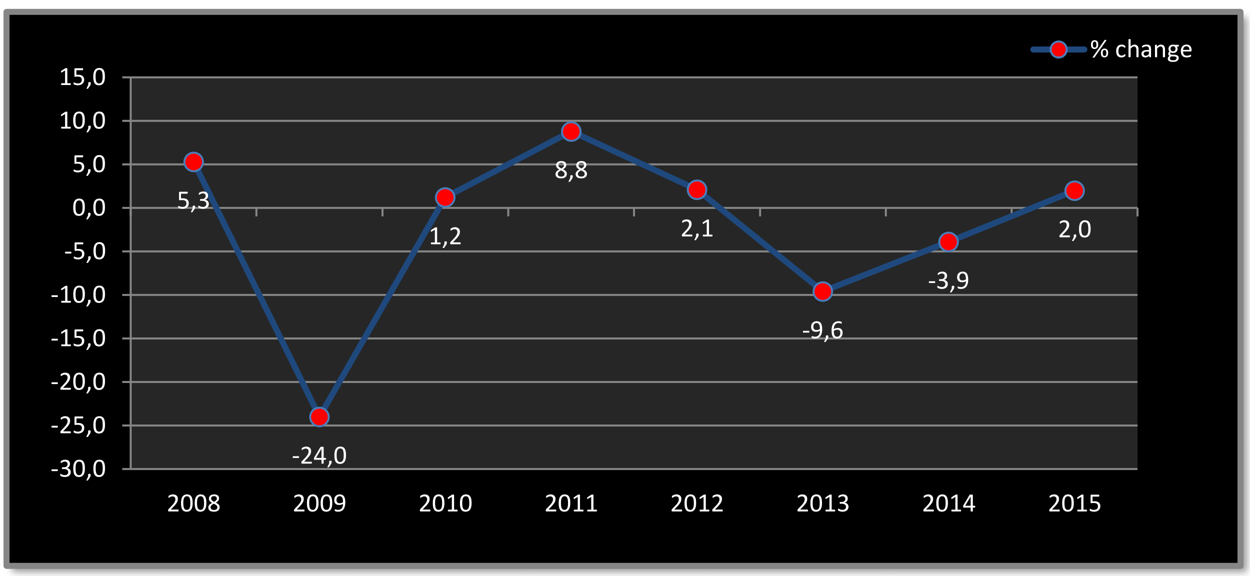


Figure 4. Furniture productions, 2008-2015. Annual percentage changes at current prices
Source: Own processing of data from Statistics Finland

Finnish furniture industry highly relies on domestic market; hence domestic demand influences the production of furniture. In 2015 around 65% of total furniture consumption was covered by local production and the average yearly growth rate of Finland's furniture consumption was 0.4% and almost at the same level as it was eight years ago. The Finnish market imports a lot of furniture from intra-EU countries. According to (Csil, 2013), Sweden is the first supplier of furniture products to the Finnish market and accounts 35% of the total imports the country had in 2012. Also around 13% of the total Swedish furniture export is consumed by Finnish clients.

Table 3: Finland. The Furniture industry: Basic data, 2008-2015

	2008	2009	2010	2011	2012	2013	2014	2015
Production Million €	1,382.0	1,050.9	1,063.7	1,157.1	1,181.5	1,067.6	1,025.7	1,046.0
Apparent Consumption*	1,637.0	1,302.1	1,367.0	1,485.4	1,483.7	1,433.7	1,395.6	1,432.4
Exports Million €	235.0	123.6	116.7	115.0	106.2	101.5	113.0	110.2
Exports EU28 Mill €	11,080.4	8,856.6	9,982.6	11,164.7	12,278.6	13,094.7	13,561.8	14,160.5
% of Total Eu28	2.1	1.4	1.2	1.0	0.9	0.8	0.8	0.8
Imports Mill €	490.0	374.8	420.0	443.3	408.4	467.6	482.9	496.6
Imports EU28 Mill €	12,197.3	10,333.3	12,571.9	11,970.9	12,214.6	11,194.2	12,498.4	14,547.5
% of Total EU28	4.0	3.6	3.3	3.7	3.3	4.2	3.9	3.4
Exports/Production	17.0	11.8	11.0	9.9	9.0	9.5	11.0	10.5
Imports/Consumption	29.9	28.8	30.7	29.8	27.5	32.6	34.6	34.7

Source: Own Processing of data from Statistics Finland and Eurostat

***Apparent Consumption= Production - Export + Import**

3.1.1 Production by segment

Figure 5. Furniture productions by main segment, 2013-2015. Turnover (million euros)
Source: Own processing of data from Statistics Finland.

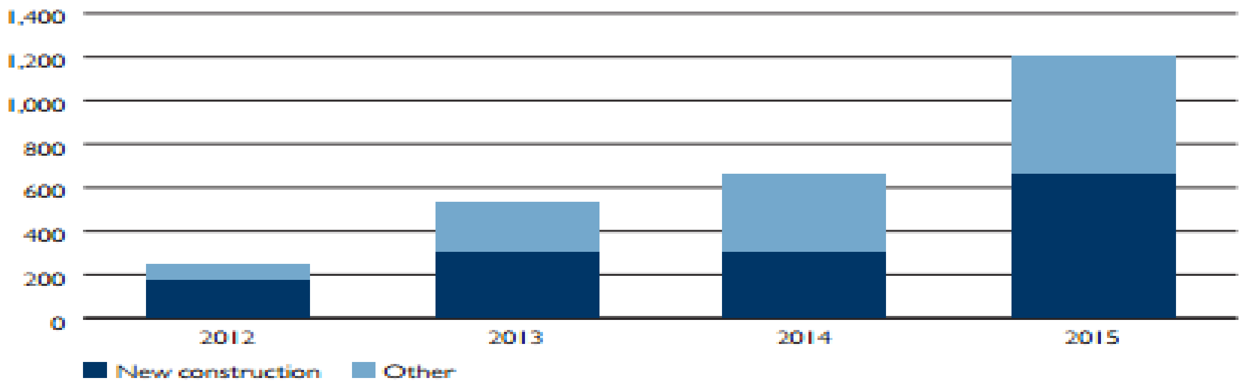


Figure 6. Transaction volumes of Residential Portfolios in Finland 2012-2015
Source: (Catella, Spring 2016)

Kitchen furniture is the major segment in the production of furniture between 2013 and 2015, it accounts 36, 2% of the total furniture production. The production of kitchen furniture in 2013 worth 419.9 million Euros and then decreased for the next two successive years. In 2015 the kitchen furniture production worth 349, 7 million Euros, decreased 16.7% on 2013. In previous years, especially before the financial crises between 2002 and 2007 the production of kitchen furniture was accounts for 17% share of production (Csil, 2008). One of the stimulus factors for the progress in the production of kitchen furniture segment in current years is the increased investments in residential constructions. The major players in the kitchen segment come from Sweden and their price is considered as moderate and operating through franchise, a good example are IKEA's franchising stores. Most Finnish companies specialized in furnishing sub-segment and have also kitchen specialized staffs.

Office and shop furniture accounts for almost 27% of the total production of furniture and between 2013 and 2015 the production of office and shop furniture worth around 845, 5 million Euros. The office and shop segment is dominated by the largest but the few furniture manufacturing companies; Martela is among the front runners. According to (Martela , 2015) the demand for office furniture in Finland is largely focused on office alteration and enhancement projects of different kinds rather than new offices. In spite of the weak market conditions, the activity-based office model, which is well suited to office alteration and enhancement projects, has aroused plenty of interest in customers in Finland.

3.2 Furniture Consumption

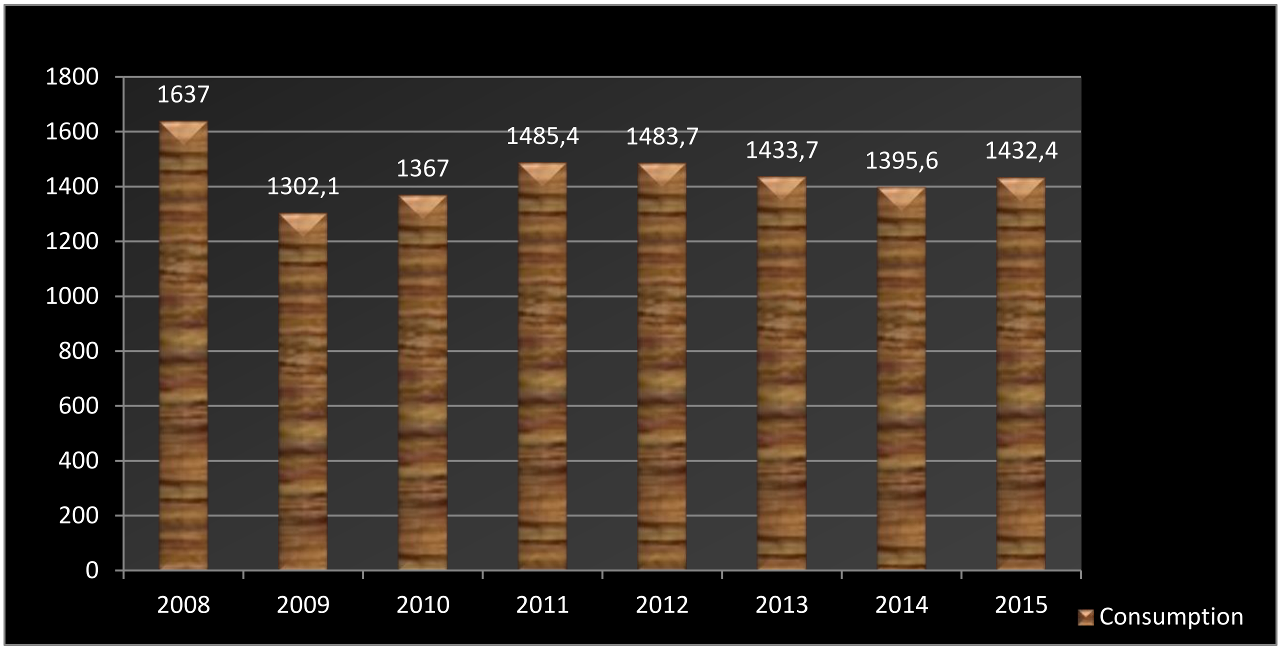


Figure 7. Finland. Furniture consumption, 2008-2015. Million Euros
Source: Own processing of data from Statistics Finland, Customs Office, Eurostat

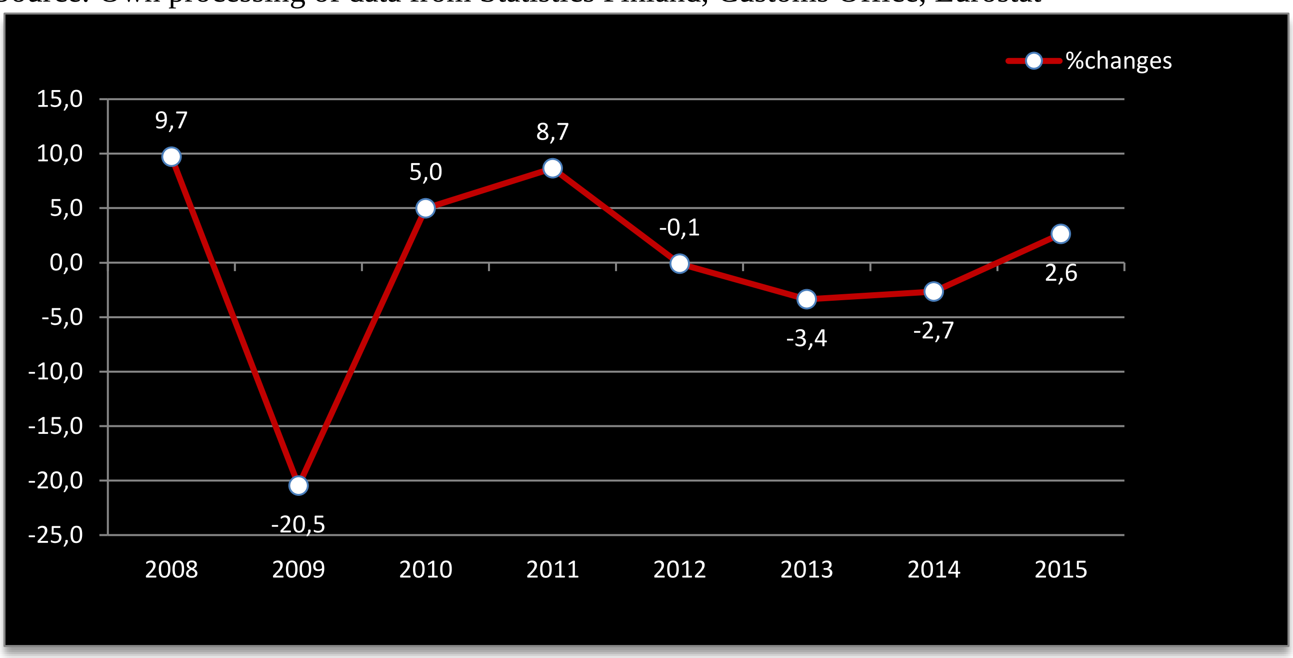


Figure 8. Finland. Furniture consumption 2008-2015, Annual percentage changes at current prices
Source: Own processing of data from Statistics Finland, Customs Office, Eurostat

In 2015 Finnish apparent furniture consumption was worth 1432.2 million euros, recorded an increase of 2.6% in nominal terms on 2014 after deteriorating for the last consecutive three years. The furniture industry has been also severely hit by the economic downturn and in 2009 the annual percentage growth rate of the furniture consumption was decreased by 20.5%. During this time the consumers' confidence indicator (CCI) was around 2.4% which is close to the level of apparent furniture consumption change.

The average annual growth rate of furniture consumption between 2008 and 2015 decreased by -1.5%. Despite all that still per capita furniture spending of Finnish consumers are among the top five in EU28.

In 2015 around 65% of the domestic furniture demand was satisfied by local producers (including producers which are foreign origins but operating in Finland), however since 2007 just before the financial crisis the market share of domestic producers in satisfying the domestic demand decreased by 5%. But nevertheless local production still has a significant market share in the domestic industry.

3.3 Trade

3.3.1 Domestic Sales

As mentioned earlier, in Finland furniture production is simultaneously interrelated with domestic demand. Hence, when domestic demand decreases production will decline as well by almost the same level and production is still highly depend on domestic market. Over the last years due to economic slows consumers' purchasing power decreases considerably, hence the demand for furniture decreased as well.

Finnish furniture sales index displayed a negative trend since the financial crisis with domestic sales index being last year 21.5% lower than the level of 2008. The yearly average growth rate of domestic sales decreased by -1.5% between 2007 and 2015. After a recorded drop of -19,9% in 2009 the growth of domestic sales shows some positive improvement for the following three years, however in 2013 it was decreased again by -9.6% despite some improvement in 2014 and 2015 still the growth in domestic demand index is close to zero which shows the continuation of the crisis and deterioration of competitiveness.

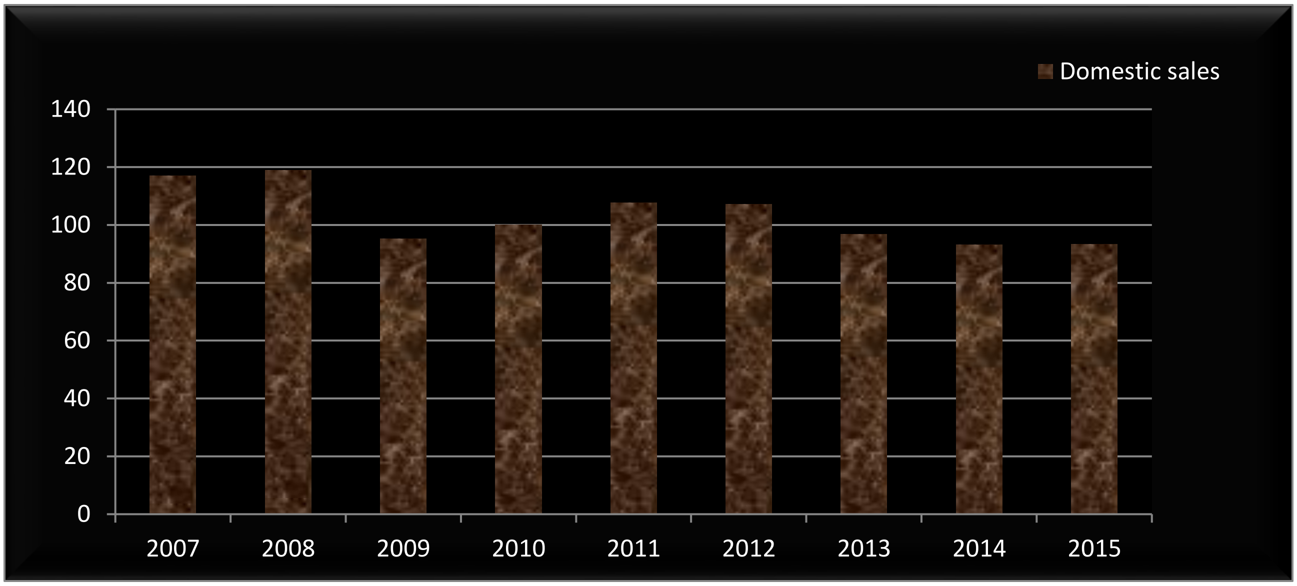


Figure 9. Furniture, domestic sales 2007-2015. Index 2010= 100

Source: Own processing of data from Statistics Finland

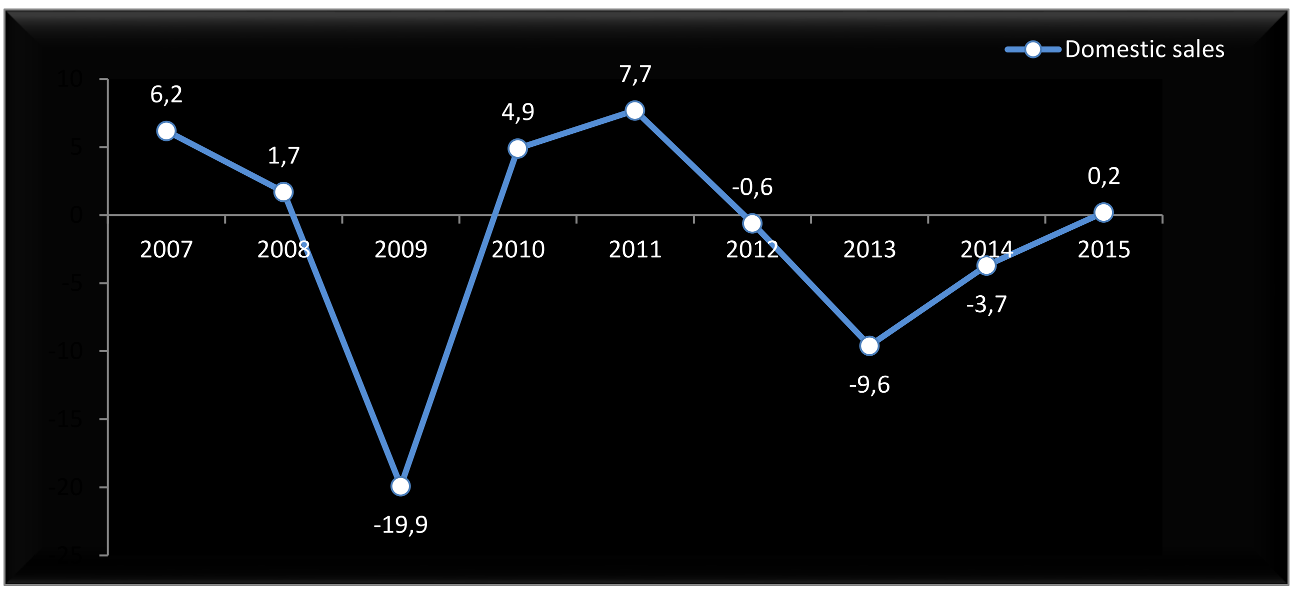


Figure 10. Furniture domestic sales, 2007-2015. Change in Index number, 2010= 100

Source: Own processing of data from Statistics Finland

To further look at the industry in detail it is also possible to divide the furniture industry by the material used to produce, namely wood furniture, metal furniture, plastic furniture and furniture made from materials like cane, osier, bamboo and so forth. In 2014 from the total wooden furniture production around 50% was kitchen furniture production. Kitchen furniture produced with wood amounts close to 2.2 million euros and office and shop furniture worth of approximately 1 million euros.

Figure 11. Wooden furniture produced and sold in 2014 by segment

Source: Own processing of data from Statistics Finland

3.3.2 International Market

The high standard of living, the increasing production cost and the country's long tradition of using craftsmanship passing from generation to generation are contributing factors for Finland's decreasing competitiveness in the furniture industry in the global arena. Especially the ever increasing production cost is the major factor. According to (European Commission, 2014) report, the product competitiveness of Finnish furniture manufacturers were 0.23 which shows the country's comparative disadvantage in the furniture industry, the EU27 revealed competitive advantage was 1.15.

The Finnish furniture industry is not export oriented. Finland has only 0.8% shares of total EU furniture export markets in 2015 (2.1% in 2008). In 2015 furniture export value was decreased by around -53% in nominal terms on 2008 and -2.5% on 2014. The export activity was decreased by -8.26% average annual rates between 2008 and 2015. Like production and consumption, in 2009 the export value was severely hit by the economic crisis and dropped by -47.4%.

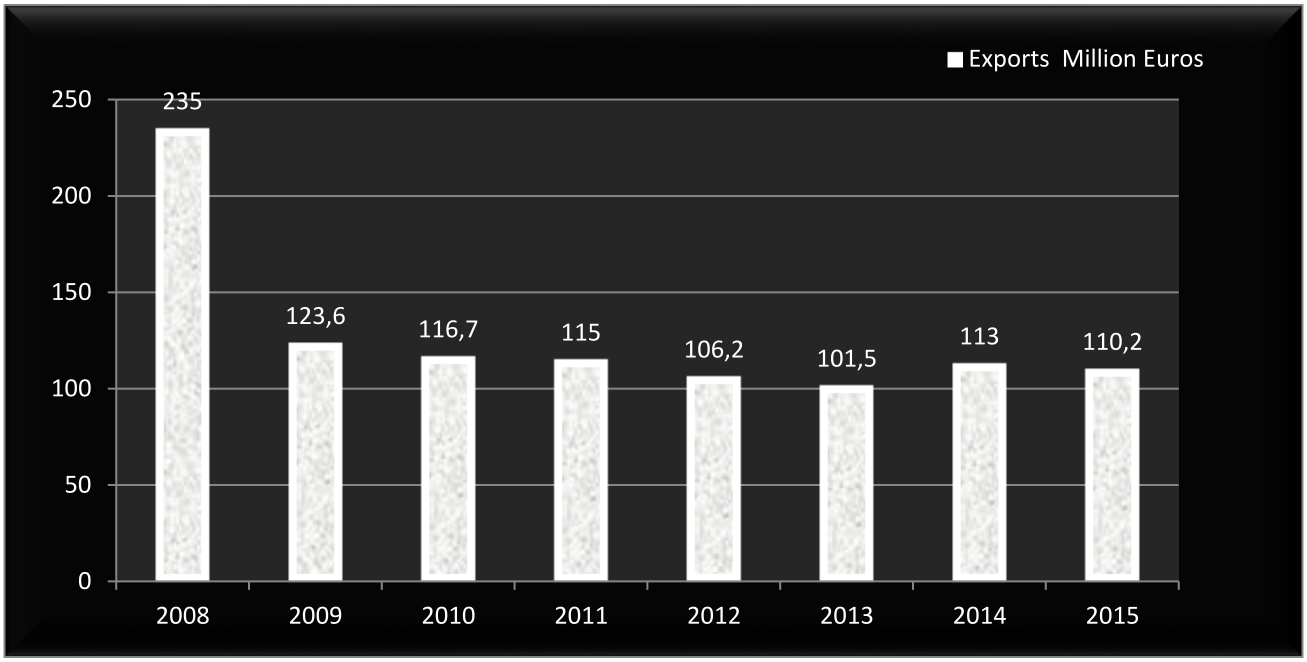


Figure 12. Finland. Furniture exports, 2008-2015. In million Euros
Source: Own processing of data from Statistics Finland, Finland Customs Office and Eurostat

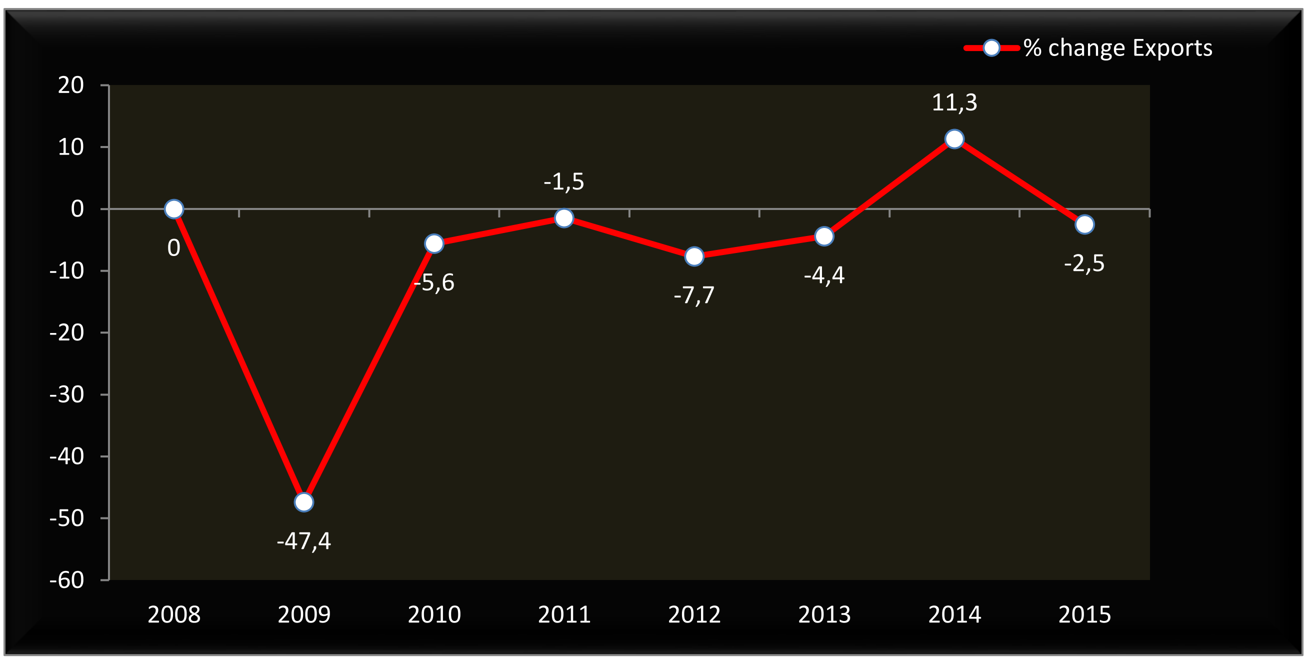


Figure 13. Finland. Furniture exports, 2008-2015. % changes export
Source: Own processing of data from Statistics Finland, Finland Customs Office and Eurostat

Whereas following the gradual economic progress and consumers' confidence remaining on good level the imported values of furniture is increasing though at a decreasing order. The annual growth rate of furniture imports was increased by around 1% between 2008 and 2015.

In 2015 Finland imported furniture for 496.6 million euros. Compared to 2014 the value of furniture imported increased by 2.8% in nominal terms. Most furniture's imported are coming from Sweden, Estonia and China. Especially, import from China gained a significant market share in the recent years.

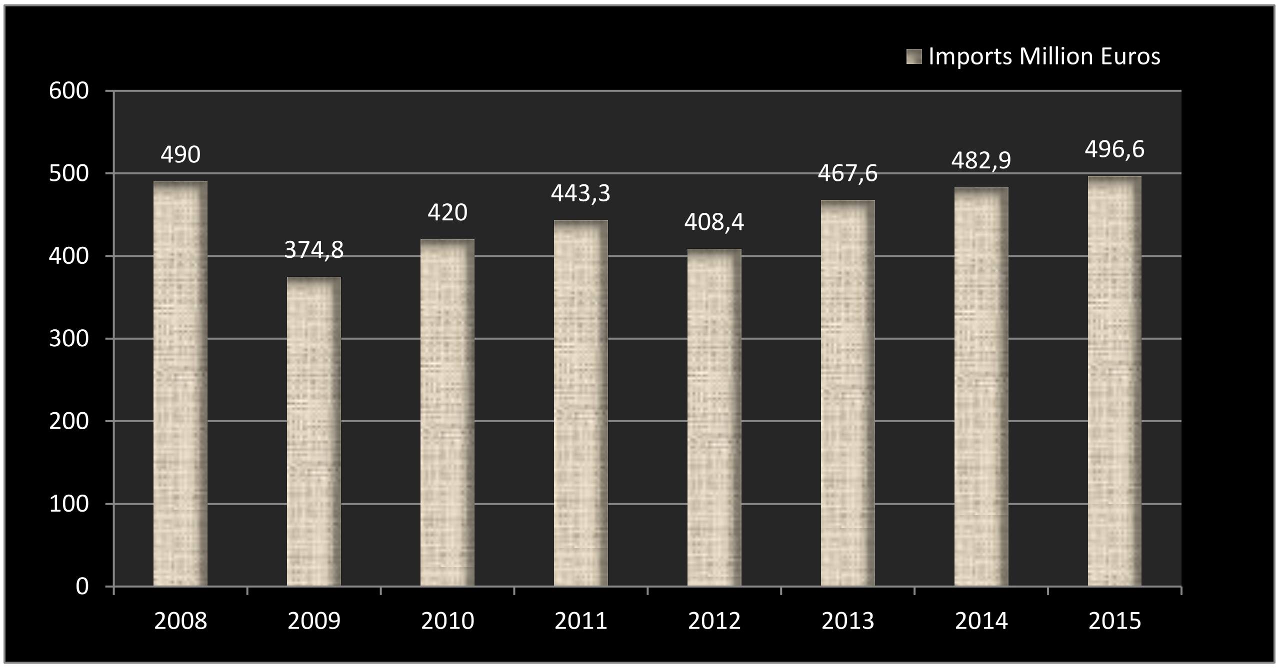


Figure 14. Finland. Furniture Imports, 2008-2015. In million Euros

Source: Own processing of data from Statistics Finland, Finland Customs Office and Eurostat

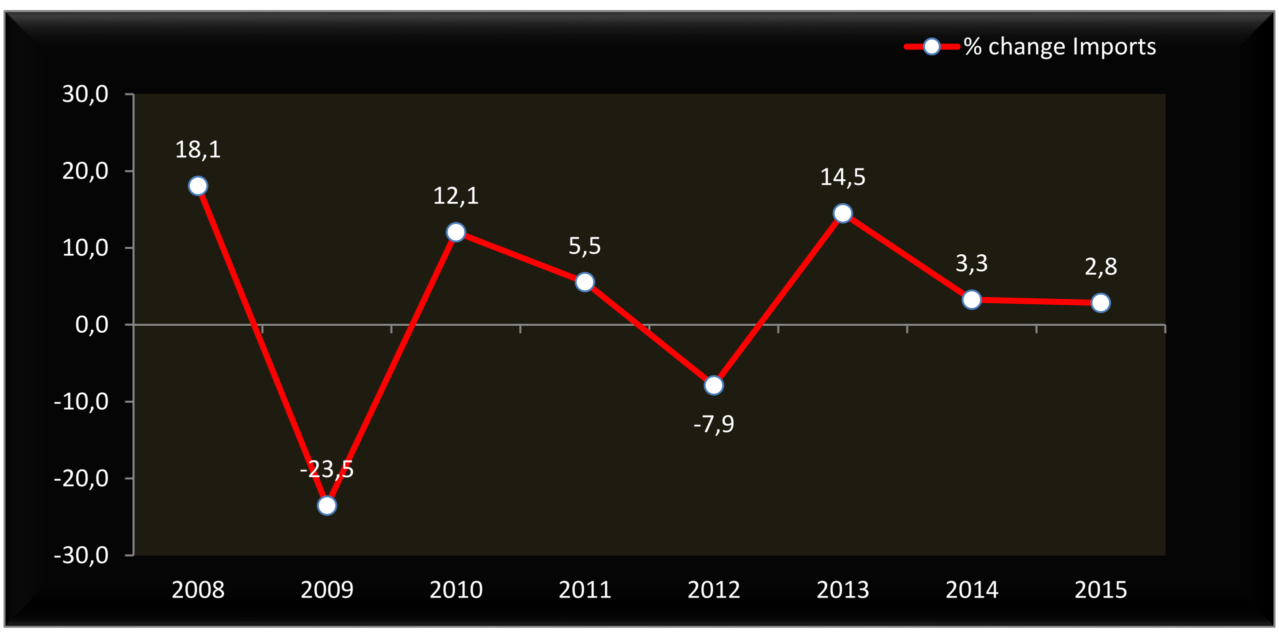


Figure 15. Finland. Furniture Imports, 2008-2015. % changes imports

Source: Own processing of data from Statistics Finland, Finland Customs Office and Eurostat

3.4 Market Openness

The trade balance of the furniture sector is in deficit and seems to increase in the coming years. The amount of foreign origin furniture sold in Finland is increasing over the last years, whereas exports in respect to the amount of furniture produced over the years is diminishing. For instance in 2015 the export/ production ratio was 10.5% and slightly decreased on 2014. After decreased by -6.2 percentage points on 2009 exports over production was remained quiet over the last years. The average annual growth rate of export/production was decreased by -5.6% between 2008 and 2015.

On the other hand import/consumption relationship was increasing over the years and the annual growth rate of import/consumption was increased by +2.4% during these times. In 2015 the difference between import/consumption and export/production was 24.2 percentage points.

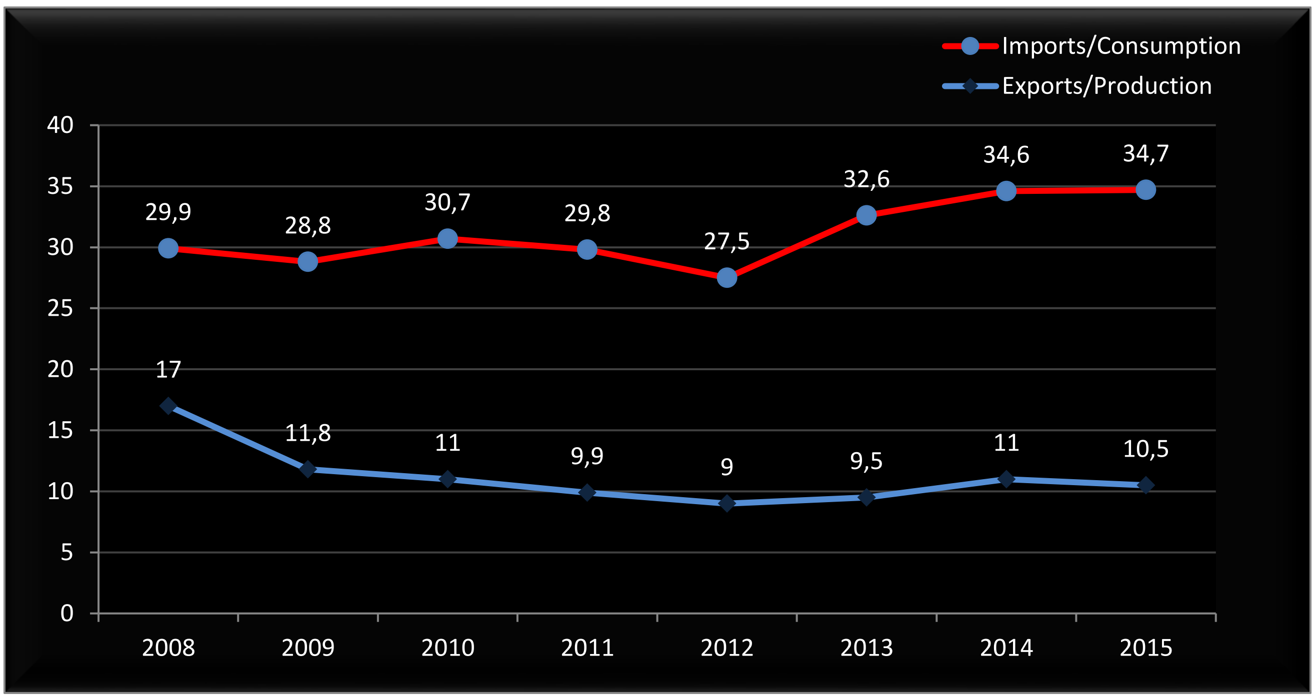


Figure 16. Finland. Furniture Imports/Consumption, Export/Consumption, 2008-2015

Source: Own processing of data from Statistics Finland, Finland Customs Office and Eurostat

3.5 Market Share

In 2015 the operating or earnings before interest and taxes of the furniture manufacturing companies was around 1.1 Billion Euros and SMEs accounts for 32.7%. The industry's performance was decreased by -11.5% on 2012, while slightly increased by +1.9 on 2014.

The average annual operational success of furniture industry was decreased -3.9 % between 2012 and 2015, also SMEs and large companies average annual operating income was-3.5% and -0.8 % respectively during these times. Hence compared to SMEs, large companies' performance is improving in the last years.

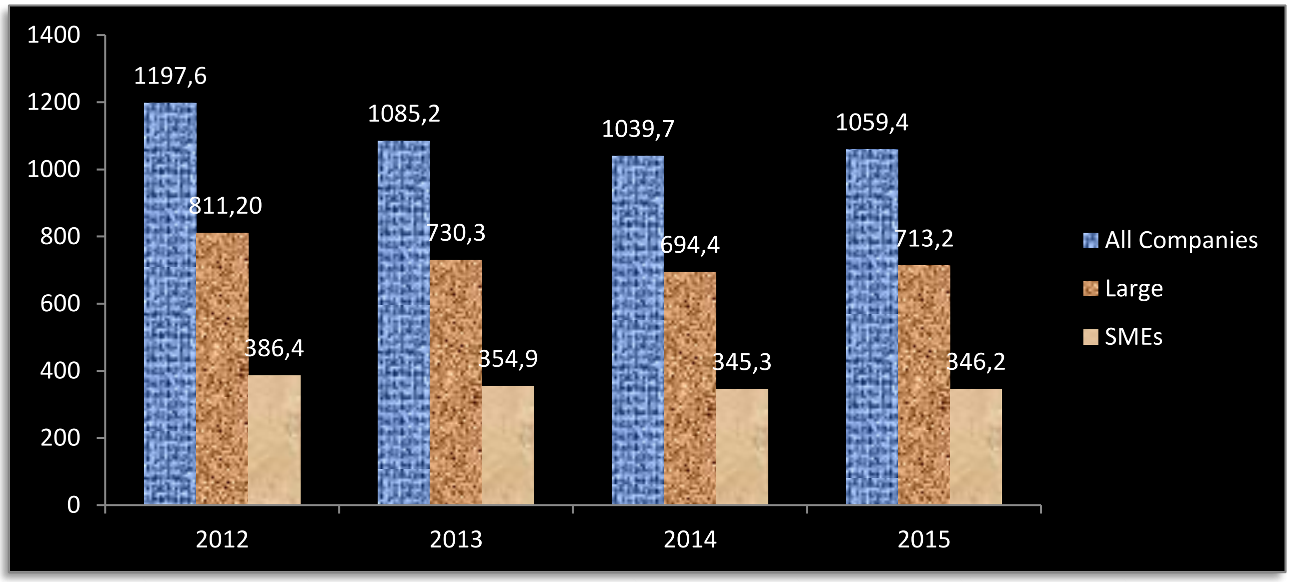


Figure 17. Furniture manufacturing companies Operating Income, 2012-2015.Million Euros
Source: Own processing of data from Statistics Finland

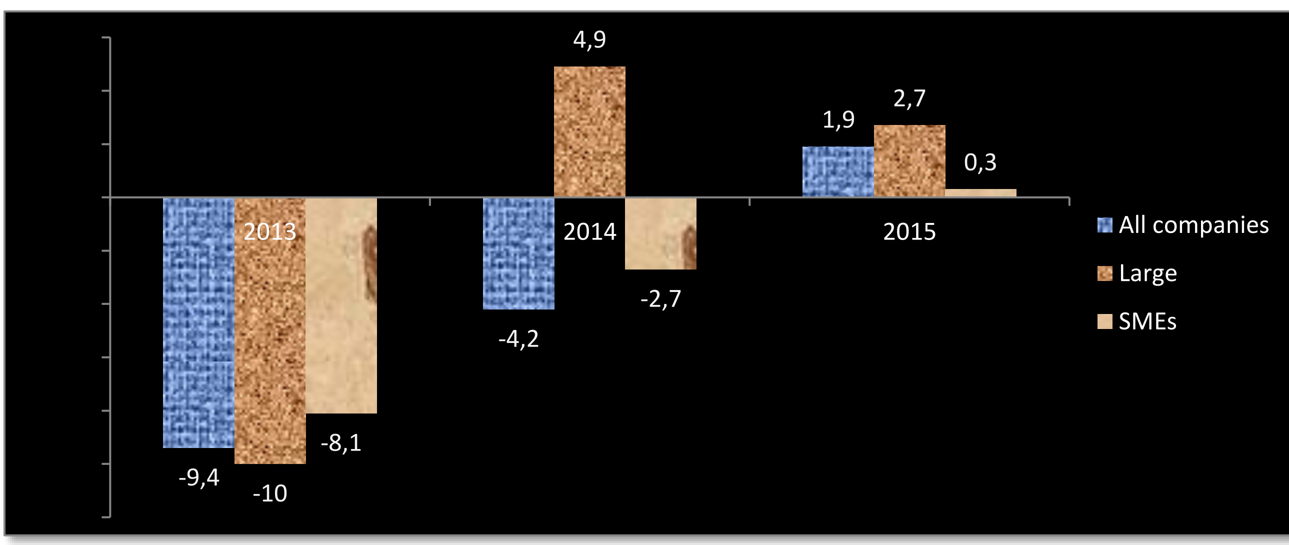


Figure 18. Furniture manufacturing companies Operating Income, 2013-2015.Annual percentage change
Source: Own processing of data from Statistics Finland

Although decreasing performance in the whole industry, again large companies had a better efficiency level than SMEs. For instance in 2015 the operating margin of large companies was 32.5% whereas the corresponding margin for SMEs was 11.5%, which means for every €1 in sales large companies make around €0.33 in operating earnings while SMEs make only around € 0.12 as operating earnings.

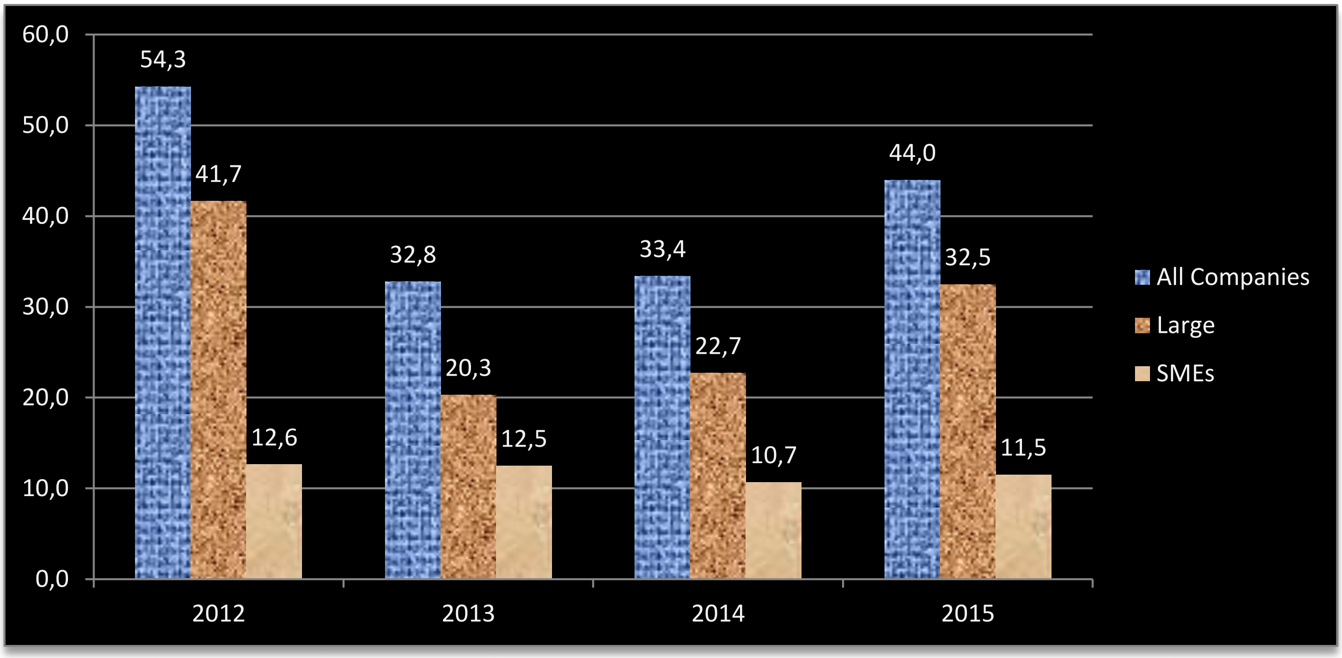
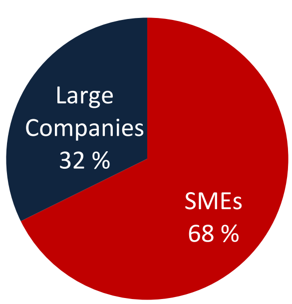


Figure 19. Furniture manufacturing companies Operating Margin, 2013-2015. Million Euros
Source: Own processing of data from Statistics Finland

In 2015, 912 firms operate and manufacture furniture in Finland. Among them almost 99% are SMEs. However as shown below the least 1% of large companies controls 32% of the total turnover whereas 901 SMEs or 99% of manufacturing companies share 68% of the rest.



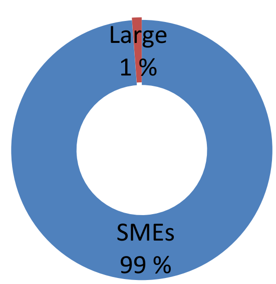


Figure 20. Finland. Furniture Manufacturing Companies. Market Size and turnover, 2015.
Source: Own processing of data from Statistics Finland.

Also the number of SMEs operating in the industry is decreasing from year to year, for instance in 2015 compared to 2012 the number SMEs was decreased by 8.4%. In 2015 about 30 SMEs either left the industry or merged with others.

Table 5. Finland. Number of Furniture manufacturing companies. SMEs and Large, 2012-2015.

	2012	2013	2014	2015
SMEs	984	973	931	901
Large Companies	12	12	12	11

Source: Own processing of data from Statistics Finland.

3.6 Main Competitors

As mentioned above in 2015 there was 912 furniture manufacturing companies and among them 11 were large companies operating at a larger scale whereas the rest 901 are SMEs. Despite their difference in number, there is a huge operational income and market share disparities between large furniture companies and SMEs, and these disproportional differences in resource also impact both the production and distribution process.

Next to understand what advantages and disadvantages an entering company, Askala; could have compared to the existing furniture companies in Finland, let us look at some of the existing companies' market share and how they are arranging their distribution to reach end-user customers ranging from big to small companies. Hence here are some examples of Finnish furniture manufacturing companies.

Isku Group

Isku is a family-owned furniture manufacturing and trading company based in Lahti, Finland. Isku is a furniture manufacturing leader in Finland established in 1928 and has more than 88 years of experience in designing and making furniture as well as decorating Finnish homes, kitchens, learning environments and working places. Isku's production facility is one of the most advance production facilities in the furniture industry in Finland (ISKU, 2016).

Isku is expanding its international operation rapidly and operates in Finland, Baltic countries, Russia and Middle East with more than 60 stores and show rooms (ISKU, 2016). Isku’s main divisions are Isku Interior Oy (furniture for learning and working environment), Isku Koti Oy (home furnishings), and Isku Keittiöt Oy (furniture for kitchens). In 2015 Isku Interior Oy and Isku Koti oy recorded a total turnover of Euro 89.3 and 37.4 Million respectively. The group has more than 1800 employees and around 800 of them are in production. (Taloussanomat, 2015).

Isku’s preferred distribution channel is direct sales through its more than 60 stores, the rest of its sales channels are either local dealers or mail and online sales. In Finland except the two dealers in the city of Mariehamn and Kuusamo all the rest 23 stores and offices are operating under Isku’s management (ISKU, 2016).

Also Isku follows more or less the same distribution channel in its international operations, in Estonia, Latvia, Lithuania, Poland, Russia and United Arab Emirates Isku uses direct sales through its subsidiaries, whereas in Denmark and Sweden Isku have both dealers and direct sales. In Norway except the one subsidiary company in the capital Oslo the rest are outsourced for 20 local dealers to distribute its products.

By using local dealers Isku is strengthening its international presence and local position. For instance through its Norwegian dealer, Norengros; Isku won a 4.5 million-euro public contract in Norway to provide office furniture for public offices and schools in 2016 (ISKU, 2016).

On the other hand Isku uses its stores in Finland to sell other companies furniture and kitchen products under franchise concept, which is also considered as a great opportunity for SMEs and foreign companies that wants to have presence in Finland, such as Askala to work with Isku and increase their market presence and reach their target group.

Martela Oyj

Martela Oyj, parent company of Martela group, founded in 1945 by a Finnish person named Matti S. Martela. Martela is one of the leading companies in Nordic countries in office furniture and interior design, since 1986 Martela is listed in Helsinki Stock Exchange (Martela, 2016).

In 2015 Martela's Group revenue and operating income were 132.8 and 4.1 Million Euro respectively, and the business unit in Finland (Martela Oyj) accounts 96.7 Million Euro or 73% of the total revenue. The Group's average staff were 622 and 469 of them were in Finland (Martela Annual Report, 2015).

Martela organized its sales units in to two business segments, which are business unit Finland and Sweden and business unit international. Sales, marketing and service production activities are carried out in its Finland and Sweden business units, whereas the international business unit is responsible for Martela's main international market in Poland, Norway and Russia. Also export activities in other markets which Martela does not have subsidiaries are handled by the international unit (Martela Annual Report, 2015).

Hence Martela's preferred distribution channel is direct sales through its 27 sales centers and service network throughout Finland and two own sales showrooms in Sweden. Also the distribution in its international unit is more or less maintained by own sales and showroom facilities, Martela has own sales and showroom in Oslo, Norway and Seven sales and administration points in Poland, beside that the sales point in Warsaw, Poland is used as logistic center for the international activity. In Russia sales operation is carried out through its subsidiary (Martela Annual Report, 2015). For the rest of its markets Martela uses local authorized dealers to distribute its products and further strengthening market share. In general Martela Group has logistic centers located in Finland, Sweden and Poland. Also the logistics centers depend on an extensive network of subcontractors when carrying out their acquisitions.

Since 2011 Martela and Artek Oy Ab (Finnish Furniture Company founded in 1935 and specialized in designing) established a joint venture company, P.O.Korhonen. P.O.Korhonen operates as a contract manufacturer specialized on manufacturing wooden furniture using form-pressing technology. The joint venture allows both companies to have a locally based outsourcing company that provide quick, flexible and customer based solution (Martela, 2011). Such type of joint venturing agreements help companies to compete globally through networking and focusing local production also both companies is benefited from economies of scale and resource efficiency.

In general unless the market area is far from there production site direct sales is the preferred method for both the above two big and leading furniture manufacturing companies in Finland, Isku and Martela. However to further expand their market share and profitability besides reaching their customers directly they also have extensive networks and partners (dealers). As mentioned earlier these big companies also distribute other furniture manufacturing companies' products as a franchisee which allows them to efficiently use their resources and increase profitability. At the same time since these companies have already established market and customer bases it is also a good deal for the franchisor company to disseminate its products to customers easily, especially when the franchisor is a foreign company aiming to internationalize such agreement could considered as an easy entry mode to understand the Finnish market closely.

Next to have the glimpse picture of the distribution system from both sides here is how SME furniture manufacturers arranged their distribution channel to reach their customers/ end users.

Lundia Oy

Lundia is a small Finnish family-owned furniture manufacturing company established in 1948. Lundia's areas of specializations are pine furniture and storage systems, office furniture, kitchen furniture and others. Currently Lundia employed around 40 employees also work with small contractors and partners (Lundia, 2017). In 2015 Lundia's total turnover was 4 Million and has sold over one hundred million meters of shelving and other products including beds, chairs and kitchen product (Lundia, 2015).

Lundia has three stores, online shop and one show room in Finland, beside that it uses more than 40 of dealer's store to distributing its product and most of these partner stores are under Isku (Lundia, 2017). Therefore Lundia's preferred distribution channel is indirect sales through dealers' store which allowed Lundia to expand its service coverage area and market share with a relatively minimum cost. Especially the agreement made with Isku opens the door to Lundia to use Isku's already established network with relatively low cost.

Nelko Oy

Nelko Oy is a quite small Finnish family-owned company, established in 1974 and is based in the northern part of Finland, Savonia. Nelko specialized in the production of kitchen cabinets, closet, doors, tabletops and handles (Nelko, 2017).

In 2008 Nelko Oy sold to EL-EL holding Oy and currently employed around 40 employees. Right now Nelko's financial standing is not in a good condition and due to the company's inability to pay its debt by the due date it is in restructuring program. In 2015 the company's net sales were approximately Euro 5.4 Million and recorded loss of around Euro 400,000 (Juutilainen, 2016).

Nelko Oy has 12 stores which sales the company's product directly and also works with other dealers to distribute its product (Nelko, 2017). Therefore the company manly preferred direct sales as its main distribution channel.

In general, including direct sales, online shops and dealers' network small furniture manufacturing companies in Finland uses all the available distribution channels to reach their customers. Also in order to gain a better share small companies work in groups and established a subsidiary company by aiming to promote its members product both in local and international market.

However like most sectors the furniture industry in Finland is dominated by few big manufacturers and distributors, hence most of the distribution process is handled by these few companies. Recently small companies are using big companies as a distributor/ partner, hoping to use the market presence and long experience of these big manufacturers and distributors bring and add values.

4. A QUALITATIVE DISCUSSION ABOUT INSIGHTS FROM THE FIELD

The following chapter discusses the result found in chapter three. Also part of the discussion comes from the interview conducted with an expert from the field. The expert who is participated in the interview has detail knowledge on the field through working in different managerial positions.

As explained in the previous section, most furniture manufacturing companies in Finland uses either direct sales or indirect sales using retailors and partners. Factors which affect distribution channel selections are companies' resources (human and financial), location and size of the market. Big furniture manufacturing companies prefer to use direct sales unless the market size is small and target market is far from the capital city and their production site, whereas though the preferred distribution method is direct sales due to resource constraint SMEs largely uses indirect sales as their distribution channel.

The indirect sales method is mostly used by small manufacturer, and ***''few manufacturers have own distribution, actually on the B2B Isku and Martella are those who have own manufacturing and also retail distribution. In the B2C sector Isku is the leading which has several stores and one of the few once. There are some like Insofa and Uni production who has their own stores but they are very limited and few. So basically retail side is played by the big international corporations made public companies like IKEA and there are some chains''***, (Maria)* but although SMEs use the indirect sales method to reach their customers the length of the distribution channel is short, which means the distribution channel contains only one middleman or retailor and most of these intermediaries' acting as a retailor are big companies which already have an established market presence and experience.

However when the decision is on internationalization to select the best possible mode and enter a new market, beside internal factors related to the company's and market structure additional information are needed on the prospects of the foreign market that should be analyzed and solved prior to decision. And since the focus of this thesis is to indicate the best possible entry option Askala could have based on the external factors of market trend, competitors' market position and intensity of competition, the following topics will discuss the different options, pros and cons Askala could have in the Finnish market compared to both local and foreign furniture companies.

***The name of the person participated in the discussion is changed**.

4.1 Market Size

As explained in the literature review market size is the first key external factor which has to be analyzed critically prior to entry mode selection. In countries like Finland where population are quite small and disperse at least in the short-term unless there are other supporting factors choosing an entry mode which require long-term commitment and big resources like wholly owned subsidiary or majority owned joint venture business might be unprofitable. Rather in such market entry modes which require less investment and resource involvements are quite common and worth to start with.

Also market grows indicators such as level of production and domestic sales are not increasing over the last decades and ''***market as it self the growth has been very limited during the past years but this market has not change a lot during the past decades significantly***'' (Maria). However the figures are less than the amount before 2008 financial crisis in many ways. On the other hand the number of furniture the country imports from the rest of the world is increasing, which shows Finland's furniture consumption rely on foreign products, especially on neighboring countries like Sweden, Poland and Estonia. However in recent years Chinese assembled furniture are becoming common in Finnish market as well. According to Maria, inability to update production process is major reason for such market shift over the years. ***''In the Finnish furniture industry there has been only few players who have been able to renew their production process, so that they can be competitive in long term both in the global market and domestic market, so have become stiff and expensive and therefore again there is room for cheaper imported furniture which still trendy and attractive for the consumers.''*** (Maria)

Due to their geographical location, and similarities in product specification, culture and languages companies which come from Sweden and Estonia and other Baltic regions have comparative advantages in the Finnish furniture market over others like China. Compared to Sweden and Poland, cheap labor and low cost of raw materials Estonia has better comparative advantages in the Finnish furniture market. Therefore Askala will have a better market advantages if it is executed carefully.

4.2 Furniture Supply and Demand

The second external factor that affects entry mode selection is the amount of furniture produced and consumed in the host country. Furniture consumption in Finland looks a bit uncertain and inconsistent over the last years and it's a reflection of the economy in general. However recently there are some improvements in the Finnish economy. Also according to Bank of Finland, right now Finland is out of recessions. Following that consumer's expenditure and investments in the residential and office construction is expected to increase in the coming years. Hence since two-third of Finnish production of furniture is consumed by the domestic market, level of production is also expected to increase.

Again the market share of foreign companies which already established their business or have some subsidiaries will increase as well, especially companies with moderate price like IKEA have competitive advantage. Therefore for new incoming companies designing an entry mode strategy which requires less investment at the beginning with gradual improvements in line with the increase in market share will be a best strategy.

4.3 Intensity of competition

Due to small market size and large number of furniture manufacturing companies, the intensity of competition in the Finnish furniture industry is very tight. Particularly for SMEs, working under such tight and high production cost industry is even more challenging. Hence as explained in section 3.6, one of the strategies SMEs are designed in recent years is working with big companies and use these big companies' infrastructure and distribution channel as an option to display and sale their products.

When intensity of competition in the host country is deep and high, the best strategy for entering companies is to use an entry mode that requires low resource commitment, low risk and low management involvement such as franchising or export modes of either direct or indirect.

Market openness is also the other external factors which determine the entry mode decision; it shows to what extent the market is open to foreign products compared to Finland's markets share (export) in the global furniture market, in this regard Finland is a good country for foreign companies.

As shown in Figure 13 above the import/consumption ratio is increasing while the ratio of export/production is decreasing, the gap between the two ratios is becoming wide meaning while Finnish furniture sales in the global market is decreasing, the market share of foreign furniture manufacturing and operating companies in Finland is increasing from year to year at least during the last ten years. The export/production ratio is affected by the declining in the country's international competitiveness due to high level of production cost and ***''the middle size players are just producing furniture and they have not investing so much to design there furniture based on customers interest and there consumer strategies are weak.''*** (Maria) Also most producers are not advertising and designing their products according to the global market need and ***there are still many players in the market who believe that if they do things properly so that should be enough and they do not listen the consumers enough on what is expecting and how the market is changing and they are very slow to respond for such changes.***

This gives good courage and considered as a motivational factor for an entering company Askala that have comparatives advantages of price, geographical location and previous experience in working with online store in Finland to consider the Finnish market seriously and to further analyze the external factors with that of the company's internal factors and resources. In general compared to domestic manufacturing companies especially SMEs Askala has a better competitive advantage in many ways.

The external/host market situation (Finland), the market size is small and growth of the furniture industry both production and consumption is decreasing despite some improvement in the last two years. Second while the demand for furniture is not constant, furniture supply is high especially imported furniture are increasing. At last the intensity of competition in the furniture industry is quite strong and very challenging for SMEs.

After target market and distribution system is analyzed the next step is selecting appropriate entry mode strategy. Hence the author discusses the different entry mode strategies one by one considering the situation of the Finnish furniture sector in to account.

4.4 Alternative Entry Modes

1. **Wholly owned subsidiary as an entry mode strategy**; green field strategy of establishing a new production site or organizing a subsidiary company with majority share of stock in the host country (Finland) requires a high management involvement and increased level of risk. Also needs to hire production workers and use raw materials in Finland. Compared to the other entry mode strategies; wholly owned subsidiary is a profitable entry mode strategy in the long-run, but in countries like Finland with high production costs, small market size, intense competition and long tradition of producing similar furniture products as Askala is doing require additional investment and marketing efforts.

   On the other hand if Askala decides to establish a new firm in Finland, there are two options to reach its end-user customers. The first option is to organize and use its own production subsidiary which handles every distribution and management under own control but using indirect sales through local agents and distributors and the other option is organizing a sales representative or subsidiary in Finland which sale Askala's product directly to customers, in opening store Maria said***, ''…for companies coming with new chain, in the biggest cities there are still cheap locations available. It would just need proper management who can attract good sales persons who has basic idea of logistics on how to make product efficiently and then try to find other angle to marketing''*** (Maria). However considering the intensity of competition with in the furniture industry in Finland even for local producers still both methods require a lot of effort in marketing and investment.

2. **Intermediate (Joint Venture, Franchising and Licensing) as entry mode strategies**; though the risk level, management control and the amount of resource required is less to apply, for SMEs due to low brand identity in the eyes of the public these entry mode strategies are challenging. The biggest challenge for SMEs like Askala to join a new market

through joint venture or licensing is finding a franchisee or licensee who can distribute or manufacture franchisor's/licensor's product in the host country (Finland) and pays a fee or percentage of sales for exclusive right the franchisee /licensee get. Also joint ventured/ strategically allied company to combine resources to work together and accomplish a common goal in the target market because partner companies are also do not like to take risk and afraid of losing profit.

Alliances or licensing might be helpful when entering a foreign market for the first time especially in a foreign market where the socio-cultural difference and distance is high. However for Askala though the plan is to enter a border country with shared history and similar socio-cultural practice to minimize risk level and resource commitment, alliances could be a good entry strategy if there is a willing and right partner with the required expertise and marketing skill.

3. **Export as an entry mode strategy;** compared to all other entry mode strategies exporting is the easiest and commonly used entry mode strategy for SMEs to start internationalization. Beside its disadvantage of being distant from end-users/customers in the target market and makes for the producer hard to closely study the market, exporting requires less management involvement and resource commitment. Hence export entry mode strategy is the best method to start a foreign business where market size is small and growth is moderately increasing and the intensity of competition is very high.

As a company having extensive experience in exporting in different countries including Finland, if Askala choose export other than online stores as an entry mode strategy there are three broad options to choose on, indirect, direct and cooperative method, also possible to add own export as an additional option. Next the author will see the advantages and disadvantages of the three export options in relation to the situations in the Finnish furniture industry and market indicators one by one.

Indirect exporting; Askala can use indirect export as an entry mode strategy using independent entities (export buying agent, broker or export management company) in

Estonia. In direct export help Askala to analyze and see the market situation without significant financial investments and additional expertise, but the information are very limited. Under this method Askala will not have any participation in the Finnish market; it is almost the same as sailing its products in the domestic market. Once Askala agreed with the domestic middle man/agents all the negotiation with Finnish retailers and distributors, also supplying the products and everything is handled by the middle man/ agent. Askala may not internationalized necessarily, hence indirect method can be considered as easy and does not require any knowledge of export mechanisms. However if Askala choose indirect export as a first entry mode strategy in Finland, it will have also some disadvantages.

The first drawback of indirect export is the extended length of channel which makes Askala distant from end customers due to numerous intermediaries. Such extended intermediaries make it hard to know the real preference and demand of customers in Finland. Second even though ***''retailors are continuously looking for new suppliers off course and they have active discussions but they are also very heavily pressing down the margin because they have alternatives.''*** (Maria) Also since each intermediate entity takes own profit share the price of the product will be expensive when it reaches to customers for sale.

As shown before, in the Finnish market where production cost is high price is considered as a determinant factor to compete. Therefore if Askala choose to enter indirectly, it will be hard for its product to be competitive in the Finnish market. Also indirect method is more effective to enter to a country where geographically far and different in social and cultural arrangement and practice. However for Askala as a company operating in border country with Finland indirect export could not be the best strategy, rather with less cost and less commitment there are other methods which still can be more effective if exploiting effectively. For instance in Ostrobotnia/ western part of Finland and border towns with Sweden, since there are many Swedish speaking residents most foreign companies based in Sweden use direct export to reach their customers in Finland by effectively promoting and using the social and cultural resemblances as an advantage.

Direct Export; using direct export Askala can enter the Finnish furniture market by directly recruiting and negotiating with importers and buyers located in Finland. The middle man can be importer or fellow furniture manufacturing company operating and having an established market share in Finland. Such methods are somehow similar to the indirect distribution method that small Finnish furniture companies use to expand their market using big companies stores and sales facilities and engage with their customers easily.

Unlike indirect export direct export use only one middle man, hence Askala could have a better chance to know the Finnish customers further. However still the middle man is in charge managing the sales and distributions in Finland. If it is settled out carefully the agreement can be a win-win situation for both the distributors and for Askala. Also as Maria said, ***''if somebody comes with attractive products with reasonable production price using retailors could be a good option.''*** Hence if Askala uses its price advantage to negotiate with the big companies like Isku which is working in collaborations with both foreign and domestic companies to distribute and retail these companies product using Isku's sales point stretched all over the country. Thus if Askala gets such deal, it will help the company to build its brand on the eyes and minds of the Finnish customers that could be used for the next step to engage more resources and commitment to further expand the market share.

In most cases entering companies uses direct exporting only after they build up their own distribution channel and sales network. Most importantly companies use direct export when their level of confidence is high on the host country market situation. But for Askala as an Estonian company; experiencing and operating in the furniture industry for the last 135 years with close distance from Finland and have experience in working with retailors already, the Finnish market situation can be adopted easily. Also despite the Finnish market being small and more competitive, due to Finns and Estonian's geographical location and the close economic ties and the similarities in crafting and designing of furniture, it would not be that difficult to adapt. Therefore direct export can be the better option to build long-term relationship with customers and retailors using small resource commitment and management involvement. But still Askala should get appropriate partner with established market arrangement and willingness to work as a retailor and/ or distributor in the Finnish market.

Cooperative Exporting; is the third option that Askala possibly have if the chosen entering mode is export. At the beginning Askala may not have sufficient economies in marketing and managing the process by own expertise and resource. Also such collaboration ***''…would be easier for retailors to go there and look if there is something,… and companies will have bigger chance to get than losing anything actually.''*** (Maria) Hence it will be good to consider collaborating with other manufacturers having separate values and complementing products to form a broader product concept together and marketing effectively to attract buyers using a common foreign agent or subsidiary company.

In cooperating export the collaboration between the companies should not been necessarily strong and deep, it depends on the product lines and level of competition among the collaborating companies and can be only a strategic alliance. Since Askala already have some previous experience by taking the initiation it can formulate the cooperation with other complementing product companies and have different core competencies but the same desire to enter Finnish market. Such collaboration gives two advantages. First since by working together they can deliver variety of products to their customer and increase their bargaining power with buyers and distributors in the furniture retail chain in Finland and can use retail stores of the big furniture manufacturers like Finnish SMEs are using. Second by sharing and contributing there resources collaborating companies can open own sales store with diverse product option to attract Finnish end-user customers. Also cooperative export helps to research the market and create networks with combined resource and greater scale.

For instance six Finnish furniture manufacturing companies are used cooperating export method as an option to promote and internationalize their business and challenge the pressure from the big companies and compete in the local market better as well. However conflict of interest and lack of compromising and balancing are the common problems of such export marketing groups.

5. CONCLUSION AND RECOMMENDATION

Internationalization is multi-task processes which requires in-ward and out-ward assessment prior to decision on market entry mode, level of resource commitment and timing. The purpose of this thesis was to analyze and research the Finnish furniture industry and its potential for further development and market availability for Askala as a target market based on the market dynamics. Hence as part of out-ward assessment the thesis tried to evaluate the market potential of host country (Finland) and analyze the different market entry modes based on the external factors which affect entry mode decisions.

The research use different resources from books and internet as supporting materials and to provide the research topic a theoretical background. Internationalization process, market entry modes, barriers for internationalization and external factors which affect entry mode selection are discussed in detail. Special emphasis has been given to the three external factors affecting entry mode decision, namely market size and growth, demand and supply level and the intensity of competition.

The Finnish furniture industry has been examined as a target market in the host country and a detail study made on production and consumption trends, domestic sales, import and exports, market openness, level competitiveness between SMEs and large furniture manufacturers and how furniture manufacturing companies distribute their products using reliable data from credible sources such as Statistics Finland, Customs office, Euro Stat and with discussion to expert working on the industry.

The result reveals that the Finnish furniture market is small in size and it’s grows has been declining for the last eight years both in production and consumption level. However the amount of imported furniture is almost on its same level as it was in 2008, which shows Finnish furniture consumption is relaying on imported products mainly from Sweden, Poland, China and other Baltic Countries such as Estonia. Whereas the intensity of competition between companies is becoming tight and dominated by the few large, also large companies are more profitable than SMEs. Such difference in resource and operating margin is also seen in their selection of distribution methods. In general both SMEs and large companies prefer direct sales as a distribution channel, however often SMEs use indirect sales and large companies use indirect sales using their retailers and agents when the market is located far from their production point and market size is relatively small. Whereas the intention of collaborating and working together especially large companies to use their economic advantage effectively is growing and large companies are opening their doors to distribute and retail both international and domestic SME's furniture product. Such collaboration and agreements is considered as a win-win solution for both parties and particularly gives a better market opportunity for SMEs.

In general the Finnish furniture industry is small market, but is growing gradually. Especially since 2015 the production and consumption level is gaining some positive moment and considering the Finnish economy is out of recession and level of consumers' confidence is increasing again new residential and office constructions are expected to undertake in the near future and such activities somehow will boost the industry again.

In such small, high demand uncertainty and high intensity of competition market low investment and resource commitment and low-risk market entry mode is best supplied. Among the different entry mode strategies discussed earlier export entry mode strategy is characterized by low investment and management involvement and low-risk.

Entry mode strategy is a result of both internal and external assessments; but since internal assessment and customer preference survey has not been done in this particular research, and if these two studies will be finished prior to the next step of entry strategy that require more resource and management control, Askala's chance to be successful in the Finnish market will be high. Therefore the author recommends a detail internal assessment and customer preference survey as future study directions.

However since the focus of this thesis is to analyze the target market situation and recommend the best possible entry mode strategy based on the external factors, considering the company's previous experience the author recommends direct export and cooperative export as a first entry mode strategy. Despite increase in sales and profit, these two export entry mode strategies gives Askala to further analyze and understand the Finnish furniture market and customer's preferences closely with relatively small and low-risk investment.

Direct export is possible and easiest option to create long term relationship with retailors and customers step by step. Also using direct export Askala can deal with dealers, wholesalers and retail chains and develop under private label concept to develop their own product ranges which will fit best for Finnish customer with minimum cost. Therefore if Askala can manage and find reliable intermediary, direct export could be more effective. However since the company already have some experience, it is also good to consider working in larger scale. Hence cooperative export is another option. By forming industry-specific coalition/cooperation with other complement companies in Estonia and organize resources under one subsidiary company under the name of the groups it is possible to reach Finnish customers directly. Despite its disadvantages and complications it helps to expand member companies including Askala’s market share. Especially cooperative export will help Askala to cover large market areas with combined resource and own sales as a group.

In general both direct export and cooperative exporting are good options, the first one is the easiest and safest way and the latter is best to grow fast but need more resources and there is room for both for sure but they should be act actively in contacting retailers and distributors and marketing their products. These two options will give Askala relatively a better knowledge of the Finnish furniture market and the rate of internationalization will grow with minimal effect on the normal operations and less risk. Also since the number of intermediaries under these methods is few, Askala can use its price advantage to be more competitive and profitable.

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