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# Possibility of importing Finnish log houses to the United Arab Emirates. Case study: Kontiotuote Oy

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Rchidi, Siham

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Laurea Leppävaara

**Possibility of importing Finnish log houses to the  
United Arab Emirates. Case study: Kontiotuote Oy**

Siham Rchidi  
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Siham Rchidi

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This thesis examines the possibility of entering a new market, the United Arab Emirates. Kontiotuote Oy, the second largest log house constructor in the world, was chosen as the case study. From this study, careful research and planning were found to be essential for good market entry strategy. In addition, culture, relationships and being aware of religion issues were also shown to be key factors when doing business in the United Arab Emirates market. The purpose of the study was to provide the company with a pre-research about entering a new market highlight the positive and negative parts of it and make the company to consider the UAE market in its future projects and expand its activities in the Middle East.

Source material for the theoretical background consisted mainly of general theoretical literature concerning international marketing together with earlier studies on market entry and gathering information about the United Arab Emirates market.

Qualitative research was used in the thesis, in order to collect the data in the most effective way. Telephone interviews were used to reach targets of the study, and emails were applied to receive research responses.

It was suggested that, in the future, further studies would be worthwhile into the related subject of importing Finnish log houses to the United Arab Emirates. In addition, an important way to succeed in doing business in such a market is by participating in different exhibitions held in the UAE and building a good relationship with local partners.

Keywords: International marketing, market entry strategies and decision making, United Arab Emirate market, Business establishment in UAE.

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## 1 Introduction

### 1.1 Scope of the study

Nowadays, few businesses are unaffected by the global economy. In addition, more business enterprises are active in seeking and participating in the new business market in order to gain more profit, and expand their activities. Therefore, the writer considered international markets a worthwhile area of study.

This research examines the decision to enter a new international market that requires many considerations from the company. Levels of uncertainty and complexity increase considerably when entering new and more diverse areas outside the domestic market. Having a clear market entry strategy and conducting a good marketing research is therefore crucial for internationalizing companies. In addition, a company needs to learn about the culture of the host country and understand its social, legal, economic, political and technological systems. The study also discusses the importance of adapting the product to the new target market and gives different information and guidelines about the country, which can help the case company in its future entering business plans. Different methods were chosen for the research, such as interviews, documentation review, and study seminars, to assist in the smooth and accurate execution of the research.

### 1.2 Choice of the research context

The target market and the case company were selected carefully. The reason for selecting United Arab Emirates (UAE) as a target market is that UAE is a dynamic and growing market, which hosts many international companies striving for growth and development; however market attractiveness is not the only factor to consider in market entry decisions.

The case selected for empirical study, Kontiotuote Oy, was chosen as the case company for the thesis because it is a big multinational company that already exported its products worldwide. Kontiotuote Oy is one of the leading logbuilding manufacturers in the world and its markets are growing at a fast rate in Europe (for example: Germany, France, and Spain), Asia and Russia. Therefore, the choice of this topic was to suggest to the case company an entrance to a new market that none of Finnish log house company has entered before and give to the company a strong motivation to expand its operations overseas and be the first Finnish log house company entering the UAE market in the near future.

### 1.3 Purpose of the study

The purpose of the study is to provide the case company with a small research about the UAE market in order to give the company relevant information and ideas about the market

and driving the company to think seriously about the possibility to enter this interesting and growing market where many different projects are build for example ski Dubai, which is the first indoor ski resort in the Middle East and offers an remarkable snow setting to enjoy different winter sports ([www.skidxb.com](http://www.skidxb.com)). In addition, by entering such a market and succeeding in it that can be a very significant step for the company to expand its activities over the Gulf and other Arab countries in the Middle East.

Through the research, the writer attempted to discover the answers to questions such as the options for method of entry, international marketing, product adaptation, criteria affecting the decisions, risks and challenges expected, the reason why Finnish log houses have not been exported so far to Arab countries, the general attitude towards log houses in UAE and positives and negative issues.

#### 1.4 Structure of the study

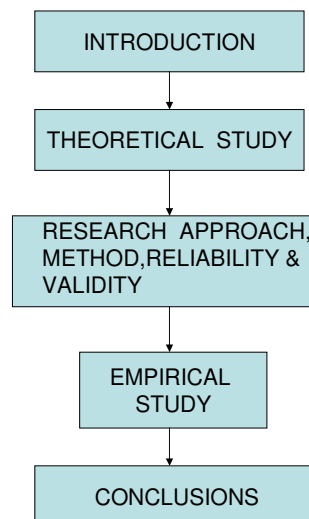


Figure 1. Structure of the study

As illustrated in Figure 1, the study was structured into 5 sections. Beginning with the brief introduction of the study, the main purpose of the study and the targets and structures. The second section analyzed the theoretical background by reviewing literature of general theories on international marketing and earlier studies about entering a new market, market entry decision making and strategies, product adaptation and the UAE market. The third section discussed the qualitative methods, data collection procedures and evaluated the study's reliability and validity. The fourth section illustrated and analyzed the case study KONTIO's pos-

sibility to entry to the United Arab Emirates market. The final section presented the findings, results of the study, future research challenges and conclusions.

## 2 Theoretical background and bases

The theoretical section of this research will examine the main theories that are relevant for this topic. By analyzing and explaining each theory the purpose is to discover good results and information that can help the case company in its future plans and projects. From this theoretical section the writer focused on the entrance of new market theories such as market entry strategies and modes and analyzing of the chosen market, the United Arab Emirates. In the end of the theoretical section a framework will be provided to visualise and resume the main subjects.

### 2.1 General theoretical context

Over the last decade, small and medium sized enterprises (SMEs) have become increasingly active in international markets. The internationalization of SMEs is widely recognized as ambitious by the increasing globalization of the world economy with the decline in trade barriers imposed by governments and parallel advances in telecommunications, informatics, and lower transportation costs. These changes have given opportunities to international market (Wheeler & McDonald 2003, 187). Czinkota, Ronkainen & Moffett (2005, 20) highlight that world trade has expanded from \$200 billion to more than \$7.5 trillion in the last three decades, while international direct investment has grown to \$6.6 trillion. As a result, nations are much more affected by international business than in the past.

When a company decides to internationalize there are many issues to consider in doing business with a foreign country. Culture is one of the most challenging elements of the international marketplace. Other elements affecting in doing business in a foreign country are: languages, religion, values and attitudes, manners and customs, aesthetics, technology, education and social institutions (Czinkota, Ronkainen & Moffett 2005, 65). Company ability to access and appeal to those societal distinctions will show the difference between long-term profits and short-term failure (Jeffrey 1999).

Furthermore, trade and investment policies have been a division of domestic policies. They in turn have planned primarily at maintaining and improving the standard of living, the development level, and the employment level within a nation. Nations also undertake efforts to promote exports through information and advice, production and marketing support, and financial assistance. It is important that nations must co-operate closely in the future to maintain a viable global trade and investment environment (Czinkota, Ronkainen & Moffett 2005, 97-98).



In addition, the company has to understand the importance of the political and legal environments in both the home and host countries and be aware that different countries have different laws, and also pay attention to international political relations, agreements, and treaties (Czinkota, Ronkainen & Moffett 2005, 125-126).

Many theories could be discussed when considering the international business sector. However, the selected theories will focus on evaluation of the new market, the strategies for entering a foreign market and the basic theories for assisting a business start in a new market since the research emphasized the possibility of entering a new market and the United Arab Emirates market overview.

## 2.2 Internationalization: motivation and drives

Internationalization is the process of designing a product, a good or a service so that it can be localized without major engineering changes. This contrasts with localization, which is the adapting of a product to a specific country, region, language, dialect, culture, etc. (Normann 1984, 26-30). The author added (1984, 32-33) that internationalization and localization are important because of the numerous differences that exist among countries, regions and cultures with respect to languages (not only distinct languages but also dialects and other differences within a single language), weights and measures, currency, date and time formats, names and titles, citizen identification numbering systems, telephone numbers, addresses and postal codes, religious, cultural and political sensitivities, profanity and legal systems.

Every company has to understand the importance and the effectiveness of internationalization, it is crucial to be considered at all stages of a product's life cycle (i.e., from initial planning through delivery through servicing and maintenance). However, like quality control (and security), it often get ignored or neglected until products have already been developed because of other priorities, including fixed budgets and deadlines, and because of lack of knowledge about or understanding of it (Czinkota et al. 2002, 314-315).

Bradley (1997, 446-447) included some reasons why in general product and services companies internationalize. The reason can be stagnant or saturated domestic markets, growth in the market abroad, matching domestic competitors as they internationalize opportunism or counteracting foreign company action, i.e. threats of the domestic market and exploiting a competitive advantage.

### 2.2.1 Proactive motivation

In general, companies are motivated in one of two ways to enter foreign markets. One is proactive motivation, which is when companies become active in international markets because

they are presented with opportunities in the market, or they exploit a technological advantage, or they enter in order to spread fixed research and development expenses over a wider customer base, thereby enabling them to price their products more competitively in both domestic and foreign markets (Griffin & Pustay 2002, 319).

In addition, the uniqueness of products and technological advantage formulate a well-justified reason for companies to internationalize. But the perception of how unique and competitive products are needs to be objective and from the opposition environment's viewpoint, based on an analysis of new product introduction and the life span of retaining a competitive edge. (Czinkota et al. 2002, 314-315).

### 2.2.2 Reactive motivation

The other method is reactively motivated companies, which have to exploit international markets because opportunities are decreasing in the domestic market, such as production lines a running below capacity or the company wants to seek higher profit margins in foreign markets due to down-turns in domestic demand (Griffin & Pustay 2002, 319).

Briefly, Czinkota and Ronkainen (2004) added that in internationalization there are a variety of motivations both pushing and pulling companies along the international path.

PROACTIVE MOTIVATIONS	REACTIVE MOTIVATIONS
<ul style="list-style-type: none"> <li>• Profit advantage</li> <li>• Unique products</li> <li>• Technological advantage</li> <li>• Exclusive information</li> <li>• Managerial urge</li> <li>• Tax benefit</li> <li>• Economies of scale</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive pressures</li> <li>• Overproduction</li> <li>• Declining domestic sales</li> <li>• Excess capacity</li> <li>• Saturated domestic markets</li> <li>• Proximity to customers and ports</li> </ul>

Figure 2. Why companies internationalize

As presented in Figure 2 there are differentiated into proactive and reactive motivations. Proactive motivations represent stimuli to attempt strategic change. Reactive motivations influence companies that are responsive to environmental changes and adjust to them by changing their activities over time. In other words, proactive companies internationalize because they want to, while reactive ones internationalize because they have to (Czinkota & Ronkainen 2004, 226-227).

### 2.3 Foreign market research and analysis

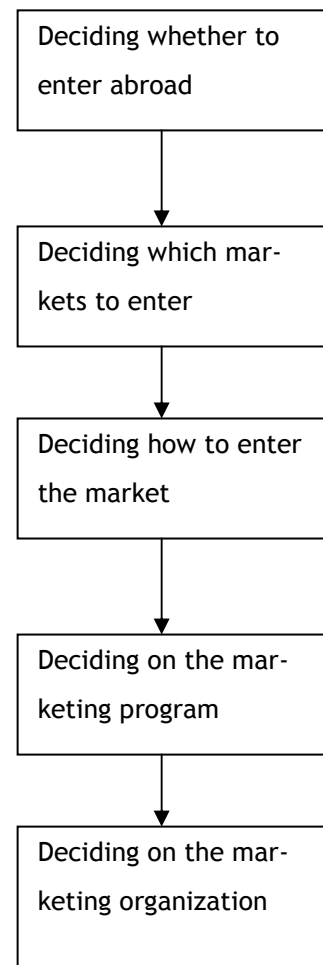


Figure 3. Major decisions in international marketing

Companies cannot just stay domestic and expect to maintain their markets. Despite the many challenges in the international field (changing borders, unstable governments, foreign-exchange problems, corruption, and technological pirating), companies selling in global industries need to internationalize their operations. (Kotler 2000, 367-368), to do this, they must make a series of decisions which are shown in figure 3.

In deciding to enter a new market, the company needs to define its international marketing objectives and policies, which proportion of foreign to total sales the company will seek. In addition, it must determine whether to market in a few countries or many countries. Then it must decide, which types of countries to consider (Kotler 2000, 369). In general, the candidate countries should be rated on different criteria.

The first is market attractiveness, which is influenced by the product, geography, income,

and population, political climate and other factors. The second criterion is entering a market without conducting a marketing research which places companies, their assets, and their entire operation at risk. To serve a market efficiently, companies must learn what customers' want, why they want it, and how they can serve their needs (Czinkota, Ronkainen & Moffett 2005, 189).

The third criterion is level of competition, including both the current level and the likely future level. Companies should identify the number and sizes of companies already competing in the target, their relative market shares and their pricing and distribution strategies and compare their competitors' relative strengths and weaknesses with their own (Griffin & Pustay 2002). Companies must also have the ability to monitor major markets to exploit their opportunities.

Here is a summary of the various stages in the determination of market potential in Figure 4 provided by Czinkota & Ronkainen (2004).

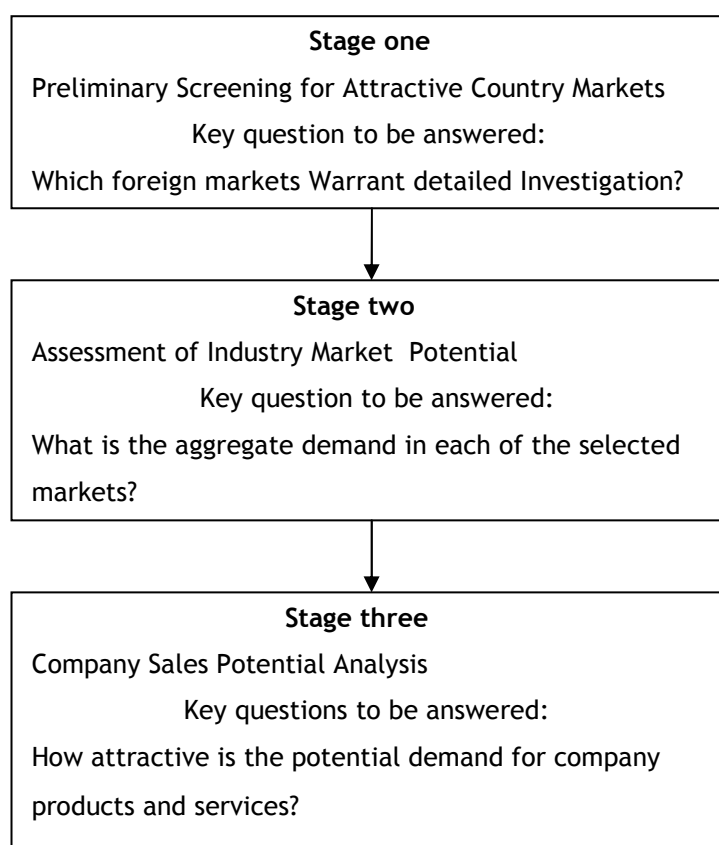


Figure 4.A sequential process of researching foreign market potentials

There are also other factors that the companies have to consider in entering a new market.

According to Doole & Lowe (1999, 10-11) the key difference between domestic marketing and marketing on an international scale is the multidimensional complexity of the many foreign country markets a company may operate in. The companies need a knowledge and awareness of these complexities. The authors used the SLEPT approach (Social, Legal, Economic, Political and Technological) which is the environmental factors that influence in international marketing and the companies have to be aware of. See figure 5 below

Czinkota & Ronkainen (2004, 189) added when deciding to enter a new market basically, the company exposes itself to an unfamiliar environment. Companies need to learn about the culture of the host country, understand its political system, determine its stability, and appreciate the differences in social structures and languages. In addition, they must comprehend pertinent legal issues in the host country to avoid operating contrary to local legislation. They should also incorporate the technological level of the society in the marketing plan and understand the economic environment.

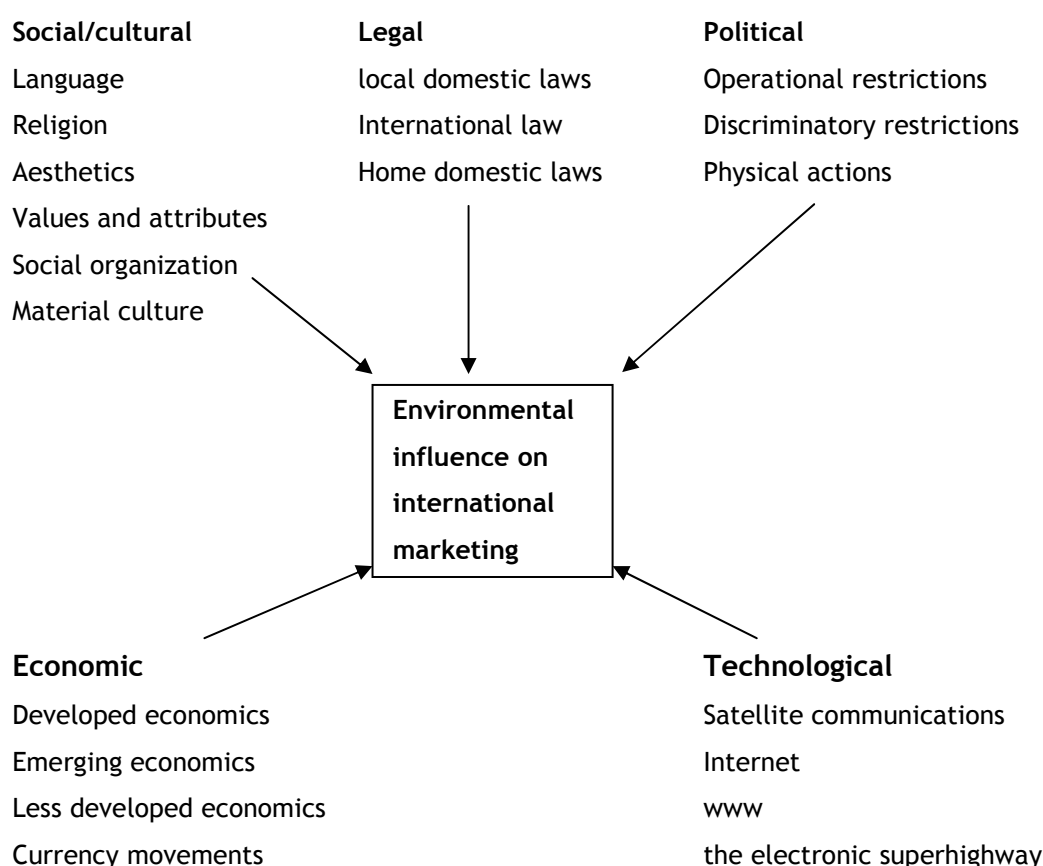


Figure 5 Environmental influences on international marketing

## 2.4 Evaluation of new market

It is crucial for a company to evaluate its new market before entry decision in order to avoid

failure and to estimate the demand for the product and services and the profit potential of doing business there. Products can present difficulties in entering a new market; therefore, the company has to consider many issues in its plans and research. Furthermore, Kishel Gregory & Kishel Patricia (2005, 220-221) presented good questions that are important to ask and analyze before entering a new market (See Appendix 1 “Questions relating to evaluation of new market”). In addition, the authors added (2005, 219) that finding the right foreign markets for the company’s goods and services takes time and research because consumer needs and preferences often vary from one culture to another, expanding globally may entail modifying the product offering changing its name, characteristics, appearance, packaging, pricing, advertising, or distribution methods to satisfy local trends.

## 2.5 Market entry strategies and modes

This theory section of this research is important for the case company to consider. Successful entry depends upon a number of factors. It depends on how the company utilizes information about opportunities for profitable market entry, how to access productive resources, how to access markets, how to overcome market entry barriers and choose the right entry method.

### 2.5.1 Introduction

For the majority of companies, the most significant international marketing decision they take is how they should enter new markets, as the commitments that they make will affect every aspect of their business for many years ahead (Lowe and Doole 1999, 311). For most small and medium-sized businesses, this represents a critical first step, but for established companies, the problem is how to exploit opportunities more effectively within the context of their existing network of international operations and how to enter a new emerging market (Douglas and Graig 1992,).

There are advantages and disadvantages with each market entry method and critical in the decision-making process are the company’s assessment of the cost and risk associated with each method and the level of involvement the company is allowed by the government, or wishes to have in the market. However, there is no ideal market entry strategy and different market entry methods might be adopted by different companies entering the same market or by the same company in different markets (Lowe and Doole 1999, 311-312).

### 2.5.2 Market entry decision making

When a company has assessed potential foreign markets and decided to target a particular country, it has to make another decision, which is how to enter the new market and determine the best mode to entry.

Lowe & Isobel (1999) added that in making a decision on market entry, therefore the company has to consider several issues in its decision such as the requirement of the level of control over the company's international business, the level of risk the company willing to take and if the company can afford the cost of the business.

The market entry decision is taken within the company and it is determined to a large extent by the company's objectives and attitudes to international marketing and the confidence in the capability of its managers to operate in foreign countries.

Lowe and Doole (1999, 312 -313) pointed out some criteria that companies have to consider in order to select an appropriate and successful market entry method. The company has to know its objectives and expectations relating to the size and value of anticipated business, analyzing the size and financial resources of the company, its existing foreign market involvement, the skill, abilities and attitudes of the company management towards international marketing, the nature and power of the competition with the market; the nature of existing and anticipated tariff and non-tariff barriers; The nature of the product itself, particularly any areas of competitive advantages, such as trademark, or patent protection, in addition, the timing of the progress in relation to the market and competitive situation.

### 2.5.3 Classification of alternative entry modes

One of the most important decisions an internationalizing company has to make is the strategic choice of operational mode and international development. Market entry mode is "an institutional arrangement that makes possible entry of company's products, technology, human skills, management, or other resources in to a foreign country (Root 1994, 24).

Table 1 below shows the classification of alternative entry modes that companies utilize to operate in international markets (Root 1994, 24-26).

Entry modes are classified into three types

1. Export entry modes,
2. Contractual entry modes, and
3. Investment entry modes

<ul style="list-style-type: none"> <li>• <b>Export entry modes</b></li> </ul>
Indirect
Direct agent/distributor
Direct branch/subsidiary
Other
<ul style="list-style-type: none"> <li>• <b>Contractual entry modes</b></li> </ul>
Licensing
Franchising
Technical agreements
Service contracts
Construction/ turnkey contracts
Contract manufacture
Counter- trade arrangements
Other
<ul style="list-style-type: none"> <li>• <b>Investment entry modes</b></li> </ul>
Sole venture: new establishment
Sole venture: acquisition
Jointventure:new establishment/acquisition
Other

Table 1. Classification of alternative entry modes

(Source: Root (1994) p. 26).

However, for avoiding failure and entering in a wrong and non-profitable market, it is appropriate to consider first at some more realistic methods for assessing the environment of a target market, see Table 2 in the next page by Paliwoda (1993, 91)

#### 2.5.4 Different entry Methods

As there are different entry methods to enter a new market, the company has to determine the best mode to entry its board choices are indirect exporting, direct exporting, licensing, franchising, international contracts, foreign direct investment, joint ventures and a wholly owned subsidiary. Figure 6 in the next page shows that each succeeding strategy involves more commitment, risk, control, and profit potential (Kotler 2000, 374).

##### 2.5.4.1 Exporting

Exporting is the most common and simplest initial entry mode to a foreign market. There are



Perceived investment quality climate				
		High	Medium	Low
Actual cost of entry	High	Wholly owned sales and production venture	Screwdriver assembly	Franchising
	Medium	Joint equity venture	Strategic alliances contractual joint venture	Licensing: know-how agreement
	Low	Sales subsidiary	Management contract	Agent; Distribution, exporting only

Table 2. Market entry mode profiles

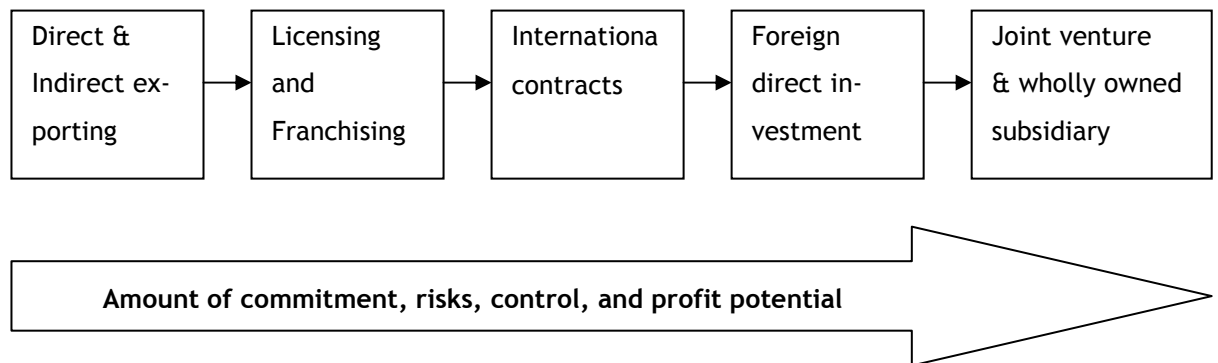


Figure 6 Five modes of entry into foreign markets

several forms of exporting, including occasional exporting which is a passive level of involvement in which the company exports sometimes, either on its own initiative or in response to unsolicited orders from abroad. Alternatively, active exporting takes place when the company makes a commitment to expand its exports to a particular market, both cases the company produces its goods in the home country and might or might not adapt them to the foreign market (Kotler 2000, 374).

In addition, other forms of exporting are indirect and direct exporting. Indirect exporting is

for companies which have little inclination or few resources for international marketing; the simplest and lowest cost method of market entry is for them to boast their products sold overseas by others. The objective is to benefit from opportunities which may arise without incurring any expense or to sell off excess capacity into foreign markets with the least possible inconvenience (Lowe & Doole 1999, 315).

There are four main methods of indirect exporting the first one is domestic purchasing, the second is piggyback operations, third is an Export Management Company (EMC) or Export Houses (EH), and trading companies and the last is direct exporting which occurs when a manufacturer or exporter sells directly to an importer or buyer located in a foreign market area. Thus, the actual transaction flow between nations is handled directly by a dependent organization of the manufacturer or a foreign-based marketing organization or customers (Kotler 2000, 374).

However, the benefits of direct over indirect exporting are that the proactive approach makes it easier to exert more influence over international activities resulting in a number of specific advantages for the exporter such as greater control over the selection of markets, greater control over the elements of the marketing mix, improved feedback about the performance of individual products, changing situations in individual markets and competitor activity, and the opportunity to build up expertise in international marketing (Lowe & Doole 1999, 320-321). Conversely, disadvantages are that a direct investment necessary is considerable because the whole of the marketing, distribution and administration costs will now be untaught by the company (Kotler 2000, 375).

#### 2.5.4.2 International licensing and franchising

In addition to exporting, licensing and franchising are alternatives open to and used by all types of companies, large and small. They offer flexibility in the international market approach, reflecting the needs of the company and the circumstances in the market (Czinkota & Ronkainen 2004, 237).

Licensing is a simple way to become involved in international marketing. The licensor licenses a foreign company to use a manufacturing process, trademark, patent, trade secret, or other item of value for a fee or royalty. The licensor gains entry at little risk; the licensee gains production expertise or a well-known product or bank name (Kotler 2000, 375). However, licensing has some potential disadvantage, it limits the market opportunities for licensors and licensees and it may also create future competitors.

Finally, a company can enter a foreign market through franchising, which is a more complete

form of licensing. The franchiser offers a complete brand concept and operating system. In return, the franchisee invests in and pays certain fees to the franchiser (Kotler 2000, 377). However, the typical reasons for the international expansion of franchise systems are market potential, financial gain, and saturated domestic markets. From a franchisee's perspective, the franchise is beneficial because it reduces risk by implementing a proven concept. In addition, franchisers must be aware of the need to adapt to local environments and the need to standardize to maintain international reconcilability (Czinkota & Ronkainen 2004, 240).

#### 2.5.4.3 International contracts

In addition to licensing and franchising agreements, other contractual entry modes are contract manufacturing and management contracting.

Contract manufacturing is a irritated between licensing and direct investment. A company contracts for the manufacture or assembly of its products by manufacturers established 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 identify a transfer of technology and provide for technical assistance to the foreign-market based manufacturer (Albaum, Atrandskov, Duerr 1998, 285).

Management contracts emphasize the increasing importance of services and know-how as a saleable asset in international trade. Based on contractual form, it will concern the transfer of management control systems and know-how involving personnel training. The demand arises mainly from those countries where there is a lack of management control (Paliwoda 1993, 149-150).

#### 2.5.4.4 Foreign direct investment

The foreign company can buy part or full interest in a local company or build its own facilities. If the foreign market appears large enough, foreign production facilities offer distinct advantages such as securing cost economies in the form of cheaper labor or raw materials, foreign-government investment incentives and freight savings, developing a deeper relationship with government, customers, local suppliers, and distributors, retaining full control over its investment and therefore developing manufacturing and marketing policies that serve its long-term international objectives. In addition, the company assures itself access to the market if the host country insists that locally purchased goods have domestic content (Kotler 2000, 378).

In contrast, the main disadvantage of direct investment is that the company exposes a large investment to risks such as devalued currencies, worsening markets, or expropriation. Therefore, the company will figure out that is expensive to reduce or close down its operations, because the host country might require substantial pay to the employees (Kotler 2000, 378).

Briefly, foreign direct investment offers high profit potential and maintains control over operations. But it requires high financial and managerial investment and may also bring high political and other risks.

#### 2.5.4.5 Joint ventures

Generally established with a long-term purpose, a joint venture is an enterprise created by the contribution of complementary competitive advantages or expertise (Doole 1999 & Lowe, 341), assets and some equity of two or more companies who share objectives and also risks. For three main reasons a joint venture is a strategic alternative; first the government policy and legislation, which can be restrictive, second the need for other partners' skills and know-how and third are the need for the other partners' assets and attributes and share of costs of expensive research and development operations (Czinkota et al. 2005, 371).

In many instances joint ventures are strategically advantageous, there are however significant disadvantages of this entry method that involves a joint ownership of different entities that can have different objectives causing therefore disagreements over the operating strategies. In similar agreements motivation and dominance of management can be justified by the share of equity, leading to the discontentment of the partner with a lesser share (Doole & Lowe 1999, 343).

#### 2.5.4.6 Wholly owned subsidiary

The most expensive method of market entry is the development of an own foreign subsidiary because it requires considerable management time and the highest financial commitment if specially combined with own research and development facilities. If the company believes its products have long-term market potential in a relatively politically stable country then only full ownership will provide the level of control necessary to fully meet the company's strategic objectives, wholly-owned subsidiary has the highest risk as market withdrawal can be extremely costly, not only in terms of financial outlay but also in terms of the domestic market, shareholders, customers, employees and the international exposed reputation (Doole & Lowe 1999, 339).

## 2.6 International marketing

### 2.6.1 Definition of international marketing

International marketing is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations. It has forms ranging from export-import trade to licensing, joint ventures, wholly owned subsidiaries, and management contracts. (Czinkota & Ronkainen 2004, 4). Doole and Lowe (2001) added that international marketing at its simplest level involves the company in making one or more marketing mix decisions across national boundaries. At its most complex level, it involves the company in establishing manufacturing facilities overseas and coordinating marketing strategies across the globe.

International marketing offers increased opportunities, they can be crucial to a company's endurance and growth. In addition, an international company can build and strengthen its competitive position and reach more customers. International marketing has many challenges and one of the essential issues of the marketing concept is adaptation to the environment, particularly the market. Executives may know that international customers are different from their domestic customers because that can lead to inefficiency, lack of consumer acceptance, and sometimes even corporate failure (Czinkota & Ronkainen 2004, 11).

### 2.6.2 International marketing planning

The planning process is defined by Doole, I. & Lowe, R (1999, 175-176) as the method used by the management of the company to define in detail how it will achieve its current and future strategic aims and objectives. In doing this, it must evaluate the current and future market opportunities, assess its own current and potential capabilities and attempt to forecast how the changes over which it has no control might help or hinder its efforts to reach its objectives. In addition, the international planning process must allow the company to answer the following three questions such as the position of the company at the moment, the future plans and projects of the company and which is the effective way to achieve its goals and aims.

Planning should include a control process, which is the mechanism for evaluating the effectiveness of the strategies and the efforts of the staff responsible for their implementation. Control is essentially concerned with monitoring performance, evaluating feedback and taking corrective action if plans are not being followed or if the current strategies have become inappropriate. However, in international markets, planning and control is essential for both habitual operations and the development of long-term strategies in order to manage the differences of attitudes, standards and values in the extended parts of the organization and avoid

the problems of poor coordination and integration of the diverse activities (Doole & Lowe 1999, 176-177).

Doole & Lowe (1999, 178) provided some of the benefits of planning and achievement of a coherent approach in international markets. These benefits supports clear objectives and policies, support managers to become more focused in their thinking, complex and unstable environment prepares companies for reacting quickly and decisively in a coordinated and effective way, good planning helps the company to coordinate strategies in different markets, increase ownership and loyalty, reduces internal company conflict, and Increase company-wide standardized information transfer systems.

As discussed before good planning lead to good benefits and success but there are also many reasons for failures to not succeed in the international market. Some of the important reasons were provided by Kotler & Armstrong (2004) these are inability to find the right market niches, unwillingness to update products to local needs, not having unique products that are viewed as sufficiently higher added-value by customers in local markets, lacking confidence in commitment. It takes time to learn how to function countries such as Japan and United Arab Emirates, selecting the wrong people, the wrong teams or the wrong partners, not understanding customers' buying process in business-to-business, inability to manage local stakeholders, includes an incompetence in developing a satisfactory partnership relationship with union and governments, lack of respect and distrust between the company and local representation at different levels of management.

### 2.6.3 Segmentation, targeting, positioning

High-growth companies succeed by selecting a well-defined group of potentially profitable customers, developing a distinctive value proposition and focusing marketing resources on acquiring, developing, and retaining profitable customers. Three of the most important concepts in marketing, whether in business-to-business marketing or consumer marketing are segmenting, targeting and positioning. Figure 7 in the next page shows the steps in market provided by Kotler & Armstrong (2004, 239).

The first concept in marketing is market segmentation which is defined by McDonald & Dunbar (2004, 37) as a process of dividing customers, or potential customers, in a market into different groups, or segments, within which customers share a similar level of interest in the same, or comparable, set of needs satisfied by a distinct marketing proposition.

Kotler (2000) mentioned the benefit of segmentation are that the marketer becomes adjusted to the unique needs of customer segments, focus product development efforts, develop profitable pricing strategies, select appropriate channels of distribution and provides guidelines

that are of significant value in allocating marketing resources.

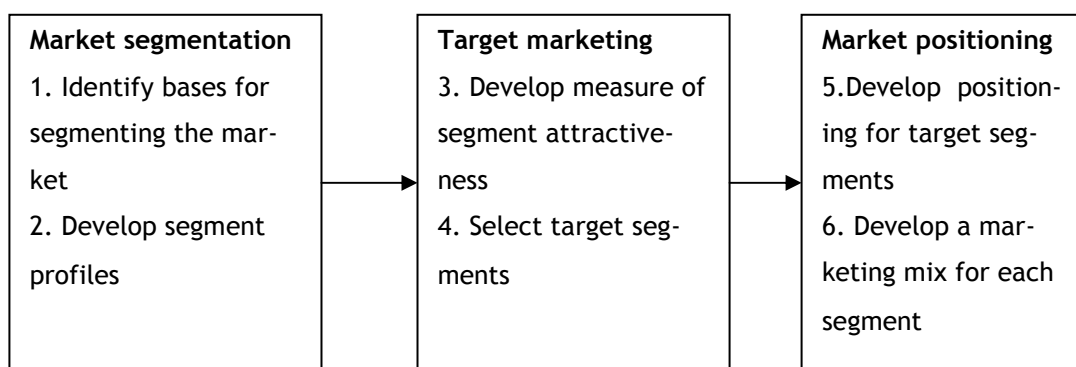


Figure 7. Three steps in market segmentation, targeting and positioning

Giglierano & Vitale (2002, 193-194) added that there are degrees of segmentation, but certain criteria have to be fulfilled to make segmentation a feasible strategy. The four criteria for evaluating potential market segments defined by Giglierano & Vitale (2002):

- 1) Measurability which is important in business-to-business markets because marketers need to understand the size, value needs, and purchasing characteristics of a particular segment. If such measurement cannot be made, it becomes difficult to choose among alternative segments and to design offerings that provide superior value for members of a segment.
- 2) Accessibility is a measure of the marketer's ability to communicate with the market segment in a manner that makes serving the segment possible.
- 3) Substantiality implies a market segment that desires the particular value offering an organization presents, such that the segment is profitable enough to serve differentially from other segments.
- 4) Actionability is a measure of the capabilities of the offering organization to create a competitive advantage with respect to the specific needs of the segment.

The second concept is targeting, which involves choosing segments to attend to based on matching the company's strengths to the segments that will place the greatest value on these strengths and yield the greatest success. According to Czinkota et al. (2005) one of the key strategic decisions in connection with a company's internationalization is market selection. In order for marketing efforts to be effective, marketers need to take major steps: identify specific target groups that are willing to buy their products and differ in their needs and prefer-

ences, select one or more market segments to enter and for each target segment, establish and communicate the key distinctive benefits of the company's market offering (Kotler & Armstrong 2004, 251-253).

Paliwoda (1993, 96) added the different ways to target and types of targeting strategy, which are multi-segment where a separate buyer relationship mix must be developed for each one, single-segment (niche targeting), undifferentiated targeting (no segments), custom targeting-treating each different, prospect as a separate segment with unique and distinct need

The last concept is positioning, which is the place the product occupies in consumers minds relative to competing products and the importance of the brand name in the consumer mind. However, the view's perception of position is influenced by many factors such as: articles in trade journals, discussions with other buyers, discussions with salespeople, advertising from all relevant competitors, presentations at trade fairs, and exhibition. In addition to good communication and providing better value than competitors, fulfilling customers need and wants, providing good service and finding ways to surpass customer expectations are a good approach to a successful positioning (Giglierano & Vitale 2002, 210-211).

#### 2.6.3.1 Branding

After a successful positioning and creating a superior value to customers through innovation and entrepreneurial activity and being recognized as the leader or owner of a market conveys a competitive advantage whenever a customer is trying to decide whose offering to choose or whether to purchase the next offering from the same supplier as the last purchase (Giglierano & Vitale 2002, 277), this leads to a level of accomplishing and building a strong brand that bring various benefits in the buying decision-making, thus creating profits not only for the company but also for its shareholders (Kotler 2006, 275).

Paliwoda (1993, 223) describes branding as a means of distinguishing a company's offerings, and differentiating one particular product from its competitors. To the company with a product with any commercial existence is absent, branding is able to offer an advantage, it is a means whereby the consumer can identify a particular product, and, if satisfied with it, ask for it by name. Branding enables the company to differentiate its product more clearly, but also to obtain a higher return than could be expected from generic products.

For both consumer and industrial customer, brands are significantly present during the buying decision-making process. People will refer to brand names to make quick decisions in their buying moment. For this and many other reasons marketers must pay special attention to giving consumers one or more positive signals that they can use to justify their brand choice



(Kotler 2006, 200).

Giglierano & Vitale (2002, 284) highlights that in general, building a strong brand requires time to establish trust and confidence and the essentials of it include creating strong products and communicating this to the appropriate target market. The authors add (2002, 278), branding in business-to-business marketing differs somewhat from branding in consumer markets. Marketing communication has an important role in business-to-business marketing than consumer marketing. In addition, in business-to-business marketing the name of the company is related to many kinds of assurances associated with a product or service, for example assurance of product quality, assurance of service availability and dependability, assurance of timely and reasonable upgrades, and assurance of priority attention to a relationship. By contrast, consumer brands are often product specific, and involve a less-complex network of brand belief.

Brand strength is the brand recognition or awareness, quality of the products or services, and the customer's positive beliefs linked to the brand. In business-to-business to markets, awareness adds little until the company's value chain is established so that superior value is created for customers. So, building brand strength is a relatively long-term process that turns around assembling value for customers first and then broader awareness (Giglierano & Vitale 2002, 284).

According to Doole, I. & Lowe, R. (1999, 389), it is very important to consider the image of the brand in international markets, which is the most visible and the perceived value which consumers attach to is the central factor in positioning the products in the various markets. The image of products, companies and countries can confer different values to consumers in different countries. The authors add (1999, 389-391) that several research products from particular countries have a stereotyped national image for such attributes as quality, price, and reliability. Individual corporate brands either benefit from positive country of origin perceptions or must overcome negative perceptions to succeed in international markets.

Kotler & Armstrong (2004, 292) stated also that brands vary in the amount of power and value they have in the marketplace. A powerful brand has high brand equity which is the positive differential effect that knowing the brand name has on customer response to the product or service. A measure of a brand's equity is the extent to which customers are willing to pay more for the brand. However, Brands with strong equity have many competitive advantages such as high consumer awareness, strong brand loyalty, it helps when introducing new products and it is less susceptible to price competition

#### 2.6.4 Evaluation of international risk

The main purpose of the internationalization research process is centered on assessment of

the level of risk involved in every phase of the process. As the process evolves gradually the objective is to minimize the level of the risk by examining the variety of possible alternatives to adopt without compromising the corporate objectives. "It is more important to do what is strategically right than what is immediately profitable (Kotler, 2006).

As previously stated, internationalise offer the greatest opportunity for profit potential, but with profit appear risk. The risk factor in opportunity analysis can not be overvalued. Sometimes political risk itself can be the most important determining factor to the success or failure of an international marketing campaign. In a market where opportunities have been identified, researchers need to make an assessment first as to the type of risk apparent in that market the risk can be political, commercial, industrial or financial and second as to the degree of that risk (Doole, I. & Lowe, R. 1999, 123).

In addition, the authors (1999, 124-125) emphasize that marketers have developed various indices to help assess the risk factor in the evaluation of potential market opportunities. For example a matrix such as the one identified in table 3 provided by Doole & Lowe (1999) can be useful in carrying out such assessments.

Country						
Risk level	A	B	C	D	E	F
Risk type	Low	Moderate	Some	Risky	Very risky	Dangerou
Political						
Commercial						
Industrial						
Financial						

Table 3. The four risk matrix

There are also two main indices that marketers have developed over recent years, these indices are the Business Environment Risk Index (BERI) and the Goodnow and Hansz temperature gradient.

The Business Environment Risk Index (BERI) provides country risk forecasts for fifty countries throughout the world and is updated three times a year. This index assess fifteen environ-

ment factors including political stability, balance of payments volatility, inflation, labor productivity, local management skills, bureaucratic delays, etc.

The second index is the Goodnow and Hansz temperature gradient is the classification system rates country's environmental factors on a temperature gradient whereby environmental factors are defined as being on a scale from hot to moderate to cold. This system examines such factors as political stability, economic development and performance, cultural unity, legal barriers and geo-cultural barriers (Doole and Robin 1999, 124-125).

## 2.7 International marketing mix

Having analyzed the characteristics of the target market, the marketing manager is in a position to decide the mix of marketing variables that will best serve each target market. They are known as the elements of the marketing mix, or the four Ps: product, price, place (distribution), and promotion. A variety of factors, including legal focus, cultural influence, economic factors and brand names must be considered in making this decision (Czinkota & Ronkainen 2004, 19).

### 2.7.1 Product

The first element of the international marketing mix is a product. Product policy is concerned with all the elements that structure the good, service, or idea that is offered by the marketer. Included are all possible tangible characteristics such as the core product and packaging and intangible characteristics such as branding and warranties (Giglierano & Vitale 2002, 5). Industrial products and consumer products usually require different types of product policies, legal, cultural, and economic forces also affect product policy and must be carefully evaluated (Griffin & Pustay 2002).

### 2.7.2 Pricing

The second element of an international marketing mix is pricing. As in any transaction, price is the mutually agreed-upon amounts (of money or something else of worth) that satisfy both parts in the exchange. Both the buyer and the seller realize an increase in the value they hold as a result of the transaction (Giglierano & Vitale 2002, 6). Pricing policy determines the cost of the product to the customer; it is determined by the market not by the costs associated with the creation of the offering.

An important consideration of pricing policy is pricing within the channel of distribution; margins to be made by the middlemen who assist in the marketing effort must be taken into account. However, discounts to middlemen include functional, quantity, seasonal, and cash dis-

counts, as well as promotional allowances. An important concern to remember is that price is the only revenue, generating element of the marketing mix (Czinkota & Ronkainen 2004, 19).

In addition, Griffin & Pustay 2002 added that different products usually require different types of product policy. There is a standard price policy, which is adopted by an international company following a geocentric approach to international marketing, whereby the company charges the same price for its products and services regardless of where they are sold or the nationality of the customer. However, a two-tiered policy is often used by domestic companies just beginning to internationalize, whereby the company sets one price for all its domestic sales and a second price for all its international sales. Furthermore, standard price policy is the most widely used and complex policy it involves setting different prices for each market.

### 2.7.3 Promotion

Promotion is the third element of an international marketing mix, and communication policy uses promotion tools to interact with customers. The communications element consists of these tools: advertising, sales promotion, personal selling, and publicity. Each of these tools is usually carefully tailored for the market in which it will be used and implemented accordingly (Czinkota & ronkainen 2004, 19). However, the purpose of all communications is to persuade and promotion is the most visible and perceptive of the marketing mix elements.

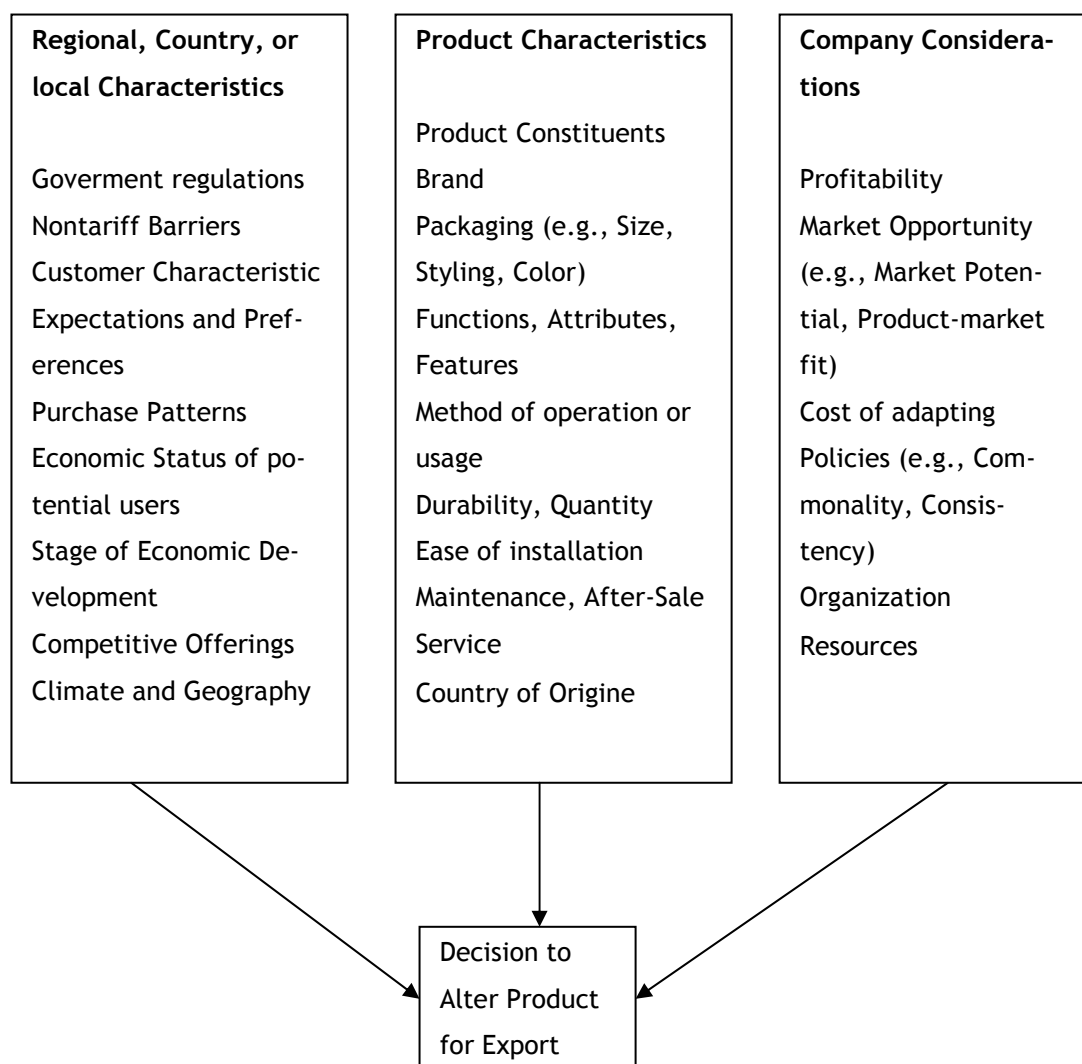
### 2.7.4 Distribution

The last element of an international marketing mix is distribution, which means delivering products and services from the company to customers. Distribution policy includes the place variable of the marketing mix and has two components: channel management and logistics management. Channel management is concerned with the entire process of setting up and operating the contractual organization, consisting of various types of middlemen (such as wholesalers, agents, retailers, and facilitators). Logistics management is focused on providing product availability at appropriate times and places in the marketing channel (Czinkota & ronkainen 2004). Place is the most long term of all the marketing mix elements; it is the most difficult to change in the short term.

## 2.8 Product adaptation

Marketers may routinely exaggerate the attractiveness of international markets, especially in terms of their similarity. Despite the remarkable impact of globalization as fast as market convergence is concerned, distances, especially cultural and economic, challenge the marketer to be vigilant. The international marketer must pay careful attention to variables that

may require an adaptation in the product offering. The target market will influence the adaptation decision through factors such as government regulation and customer preferences and expectations. Figure 8, in the next page provides a summary of the factors affecting product adaptation decisions. The product itself may not be in a form ready for international market entry in terms of its brand name, its packaging, or its appearance. Some marketers make a conscious decision to offer only standardized products; some adjust their offerings (Czinkota & Ronkainen 2004, 252-253).

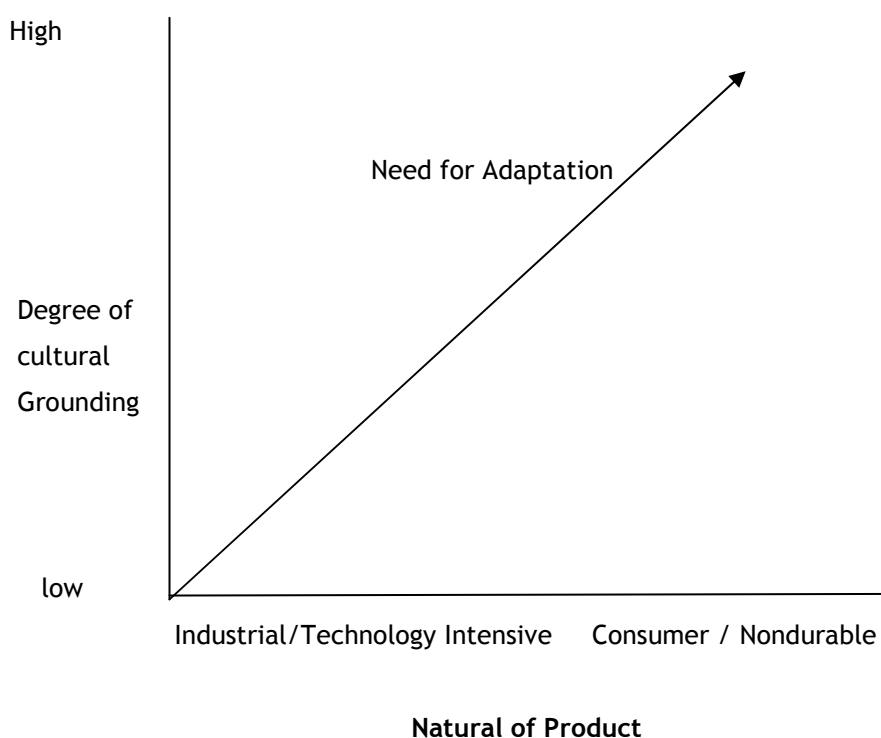


Source: Adapted from V.Yorio, *Adapting Products for Export* (New York: Conference Board, 1983), 7.

Figure 8. Factors affecting product-adaptation decisions

In addition, companies entering or participating in the international marketplace will find it difficult to deal with the conflicting needs of the domestic and international markets. They

will be assured to ask whether adjustments in their product offerings, if the marketplace requires them, are worthwhile. As shown in figure 9 provided by Czinkota & Ronkainen 2004, industrial product tends to be less culturally grounded and deserve less adjustment than consumer goods. However, there are no principles for attending to the problem of product adaptation and the solution lies in adopting formal procedures to assess products in terms of the market's and the company's own needs (Czinkota & Ronkainen 2004, 248-249).



Sources: Adapted from W.Chan Kim and R.A Mauborgne, "Cross-cultural Strategies."

Figure 9. Strategic adaptation to foreign markets

## 2.9 Introduction of the market option: United Arab Emirates

United Arab Emirates is a federation of seven Emirates, which are Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah & Fujairah. The capital and the largest city is Abu Dhabi. The country was established on 2<sup>nd</sup> December 1971 and it has an area of 83,600 sq. Many visitors are fascinated with the country's beautiful desert, overwhelming dunes, rich oases and plains and precipitous rocky mountains. UAE is bordered by The Arabian Gulf in the North, by the Gulf of Oman & the Sultanate of Oman in the East, by the Sultanate of Oman & Saudi Arabia in the south & in the west by Qatar & Saudi Arabia, see the maps below (United Arab Emirate Yearbook 2004, 5).



### MAP

Sheikh Khalifa bin Zayed Al Nahyan was elected as President of the UAE on 3 November 2004 and since the country was established in 1971, the United Arab Emirates has emerged as the most successful experience of federally-based union in the modern Arab world and became a rich country through the wise use of oil revenues, it is one of the region's most stable and fastest developing states (United Arab Emirate Yearbook, 2004).

The population of UAE is approximately 4, 10 million (estimated on 6.12.2005), Arabic is the country's official language. However, English is widely used, their main religion is Islam. The UAE lies in the arid tropical zone extending across Asia & North Africa. Climatic conditions are influenced by the Indian Ocean. The temperatures in summer are always accompanied by high humidity, during November and March a moderate climate exists with an average temperature in the day of 26°C and at night temperatures is around 15°C. During the summer temperatures range between 30°C - 48°C. The country's major export products are crude oil, natural gas, re-exports, aluminium, dried fish, and dates. While, the major import products are manufactured goods, machinery, foodstuff and transportation equipment. The currency is called Dirhams (abbreviated to AED or Dhs), Market exchange rate: US\$ 1.00 US \$ = AED 3.67, 1,00 Euro = 4,78 (UAE yearbook 2004, 10).

UAE's two most important and largest emirates are Abu Dhabi and Dubai. Abu Dhabi is the capital and the largest of all seven emirates with an area of 67,340 square kilometers, it has a coastline extending for more than 400 kilometers and is divided for administrative purposes into three major regions. The first region encompasses the city of Abu Dhabi which is both the capital of the emirate and the federal capital, it continues to hold huge oil reserves, and its revenues largely fuel continuing infrastructure development across the country. While, Dubai is the second largest of the seven Emirates which make up the United Arab Emirates and it is

the country's leading commercial centre and the Centre for hosting trade fairs and conferences in the Middle East. In addition, Dubai is considered as an important Emirate of money and Business in the world and each year it welcomes millions of tourists. (The Government of United Arab Emirates 2006, 22).

## 2.10 Economy of UAE

The United Arab Emirates economy is in very competitive position and one of the advanced economies in the Arab world. It is at rank 29 the best successful Arab country among the 40 most advanced economies (World economic Forum, 2007).

At the present, UAE's stable and successful economy relies to the discovery of oil more than 30 years ago, the country has achieved a significant change from undeveloped region of small desert principalities to a modern and high standard of living country. The UAE has an open economy with a high per capita income and a sizable annual trade surplus (See table 4: basic economic facts of the UAE). It makes effort to diversify its economy but still nearly 40 % of GDP is based on oil and gas output. In addition, the government makes all the time efforts to develop the country by spending on job creation and infrastructure expansion and is bringing in services to successful private sector involvement. To improve investment important agreements are signed such as trade and investment framework agreement with Washington in April 2004 and in November 2004 the UAE agreed to accept negotiations toward a Free Trade Agreement with the US. The country's free trade zones are very important and they offer 100% foreign ownership, zero taxes these advantages help to attract foreign investors and increase the economy of the UAE, see Appendix 2 Free zones in UAE and their advantages (emirates freezone 2001).

In addition, the reason of a sudden large increase in asset prices and consumer inflation were higher oil revenue, strong liquidity, housing shortages, and cheap credit in 2005-2007.

The UAE government has a vital future plans, which are to concentrate on diversification and giving more prospects for nationals through high education and improving the private sector employment (Central intelligence agency 2007).

## 2.11 Why UAE market

There are many advantages and good reasons to establish a business in the UAE and many investors has to consider the limitless opportunities to do business in the country. These advantages are for example the increasing of the economy each year, the safety of the UAE's currency dirham, for profit transfer or capital repatriation, there are no restrictions, importing taxes are low (around 5 per cent for virtually all goods) and there are no taxes for goods imported to the free zones, and there is a good competition for labor costs. In addition, the fi-



financial risk is low, and the government is putting a big effort to reduce the paperwork involved in establishing a business in the UAE. Adding to these advantages the market gives for investment an accessible location for major regional markets, an excellent reliable infrastructure and a very secure and stable working environment (Khaleej Times 2008)

GDP & GDP Per Head	Inflation	Annual growth	Major industries	Major Trade partners
*GDP 192,6 BILLION US \$ *GDP/capita: 37,000 US \$	14%	7,5%	Oil and gas, Petrochemicals, manufacturing and construction	UK, USA, France, Italy, Japan, India, Singapore, South Korea

Table 4. UAE Basic economic facts  
(Central intelligence agency 2007)

## 2.12 Business establishment in UAE

When deciding to do business in the UAE, the first step to do is contacting the Chambers of commerce of the individual emirates. Each emirate has its own chamber of commerce which provides all visitors with vital sources of information and guides them in business procedures. It gives also the vital source of business services for investors. The Federation of United Arab Emirates Chambers of Commerce and Industry is the main organization for all the Chambers of Commerce and Industry in the country. In appendix 3, you can find important contacts about all the chambers of commerce industry in UAE (United Arab Emirates interact 2008). As mentioned before, there are no restrictions for foreign-exchange. Businesses and individuals may freely remit capital, fees, profits and savings abroad.

The UAE has been recognized by the World Bank as one of the least serious countries in which to establish a new business, the country facilitates the procedures for the investors and only 29 days is needed to establish a business in the UAE. Whereas the average period for the Middle East and North Africa (MENA) region is 60 days. In addition, the cost of setting a new business is much lower compared to other Arab countries (The World Bank report 2008)

Without official approval from the specific government ministry or department the company

won't be able to set up a business and be part in certain activities. There are three categories of licence for all business activity in the UAE. The first category is commercial Licences covering trading activities. The second is industrial licences, which is for establishing an industrial or manufacturing activity and the third category is professional licences covering professional services, craftsmen and artisans (Ernst and young international Ltd 1998).

#### 2.12.1 Structures available to foreign investors

Some factors can affect the investor's business in the UAE market for example the size of the activities and their presence in the country, the investor's financial situation and the working capital and fixed asset needed of the business. As mentioned before, a business must be registered with the municipality or the relevant economic department and the chamber of commerce of each emirate in which activities of the business are practiced, and with the ministry of economy and commerce. In addition, different businesses require approval from the specified federal ministries and agencies, for example manufacturing businesses must be approved by the Ministry of Finance and Industry. However, the requirements for registering a company such as the time, fees payable, number of shareholders and minimum capital depends on the type of business established in the market. It takes foreign investors longer to establish branches of foreign companies than to establish limited liability companies (Ernst and young international Ltd 1998).

In general, foreign investors that decide to establish businesses in the UAE conduct their operations by three options, which are branches of foreign companies or commercial agency arrangements or participations in limited liability companies (foreign investors may hold up to a maximum of 49% of the equity). In addition, special attention should also be paid to the possibilities offered by the free trade zones where businesses are exempt from most requirements applicable in the regular UAE territory (Ernst and young international Ltd 1998)

##### 2.12.1.1 Branches

When a foreign company decide to conduct its operations by establishing a branch in the UAE, it has to consider that a local agent is required who must be either a citizen of the UAE or a company wholly-owned by citizens of the UAE. The company has to register the branch in the specific local chamber of commerce and the municipality and with the Ministry of economy and commerce. The commercial law of the UAE require that a branch office represent only the main company and conduct the business under its name. The task of the branch office is to market the products of the main company and practice the business by offering services to the customers under its name (UAE government 2006).

#### 2.12.1.2 Commercial agency

To conduct commercial agency activities and doing business in the UAE a foreign business is required to assign an agent who can be an UAE national or a company owned by UAE nationals. According to the commercial agencies law, all commercial agency agreements have to be registered with the federal ministry of economy and commerce (UAE government 2006)

#### 2.12.1.3 Foreign Ownership of Business

The Law mandates 49% foreign ownership of limited liability companies. In practice, for public and private shareholding companies, local equity ownership is normally 100%. Foreigners may not be partners in general partnerships. However, the government maintains ownership profits in several economic sectors such as oil production, petrochemicals and large manufacturing. It helps to increase the economy and to develop many field in the country by improving diversification. It is crucial for the country that foreign investors brings new product and services to the market and develop good business relationship with the UAE partners (UAE government 2006)

### 2.13 Different entry modes in the UAE

Commercial company law defines the following seven categories of business organizations that may be established in the UAE:

- Public shareholding companies
- Private shareholding companies
- Limited liability companies
- General partnerships
- limited partnerships
- Partnerships limited by shares
- Joint ventures

Public and Private shareholding Companies (PJSC) are suitable for big businesses and projects. The chairman and the majority of directors of a public shareholding (PJSC) company should be UAE nationals with at least 51 percent of the shares held by UAE nationals. Private shareholding companies have the same requirements for the participation of UAE nationals.(UAE government 2006)

Limited liability Company can be formed by a minimum of two and a maximum of 50 persons. The liability of each person is limited to their shares in the capital of the company (UAE gov-

ernment 2006).

General partnerships are formed by two or more UAE nationals who are jointly and severally liable for its debts. This form is generally not available to non-nationals. Only the names of actual partners can be included in the company name, but the company may have a special trade name. Interests of a partner can be transferred as stipulated in the partnership agreement or with the approval of all partners (UAE interact 2007).

A limited partnership is composed of one or more general partners who are jointly and severally liable for all of its debts, and one or more limited partners who are liable for the limited partnerships debts only to the extent of his capital contribution. A limited partner may not participate in the management or have his name appear in the name of the partnership. All general partners must be UAE nationals (UAE interact 2007).

A partnership limited by shares has both general partners with unlimited liability and partners whose liability is limited by their shares in the capital. General partners must be UAE nationals while participating partners may be non-nationals.(UAE government 2006).

Joint venture is a contractual agreement between a foreign party and a local party. Local equity participation must be at least 51% but the parties can mutually agree the distribution of profit and loss (Ernst and young international Ltd 1998)

#### 2.14 Foreign trade and customs duties and procedures (Importing)

The UAE imports a significant consumer and capital goods from different parts of the world including Europe, the United States and Japan .However the country continue to be the leading trading partners. While, a vital part of the UAE's oil and gas exports are sent to markets in the Far East.

According to a latest report in a Gulf news (World Band report) the UAE is one the most competitive country in the Middle East and the Arab world's second biggest economy regarding the fast importing procedures six documents, three signatures and 18 days are needed to move imported goods from the UAE ports to warehouse. In addition, with tax regulations the country makes it fast for the investors to obtain all the papers and licences needed and the cost of obtaining a licence is at just 2.1 percent of the country's per capita income which is the lowest in the world. (Gulfnews 2007).

To clear imports to the UAE a certificate of origin is required. It must be created by the original exporter and legalised by a recognised authority in the country of export. In addition, importers must obtain appropriate trade licenses. Special licenses are required for certain

goods. Importers into free-trade zones are duty-free; however, normal rates of duty are imposed if the imports are resold subsequently in the UAE (UAE ministry of economy 2008)

The UAE determine its own list of restricted products, absolute import prohibitions are maintained for various reasons, including international customs, environmental protection, health and safety, and religious and moral considerations. In addition, a number of commodities are exempt from duty, including foodstuffs, certain raw materials, manufacturing equipment, educational materials and communication and medical equipment. However, specific documents are required to release imports such as a trade licence, an invoice and shipping documents, full description of goods, and a certificate of origin (Ernst and young international Ltd 1998).

## 2.15 Business culture and tips on business etiquette in the UAE

The UAE is known by its regional development and relaxed business environment, many foreigners are attracted by the good location of the country, it a an ideal place to establish branches in short distance countries. In addition, visitors are attracted by a delightful winter climate, highly sophisticated infrastructure, a safe environment, the high standard of living and the high education for their children. English is widely spoken, although Arabic is the official language( UAE ministry of economy 2008).

However, there are few points, which people new to the Arabian business surroundings should bear in mind. In the UAE, perhaps more than anywhere else, business is conducted on the basis of personal relationships and mutual trust. It is also very important to consider some other factors such as not being offended if an Emirati does not return handshake and if Arabic coffee is offered the person should accept at least one cupful and it is important to remember not offer the left hand when accepting or passing items to Emirati people. When being introduced to a woman it is better to avoid offering hand unless she offers hers first.

Businesswomen have a common place in the UAE and are generally very respected. In addition, proper dress and good grooming is necessary (Finpro report April 2007)

Although large firms are structured as in the rest of the world, companies in the UAE are often family affairs, with the ultimate decision maker being the head of the family who is important to recognize and build good contacts. These are also very important as a means of building mutual trust. It is a good idea to print business card in both English and Arabic and make sure that promotional material is in full color and well produced (United Arab Emirates yearbook, 2004).

It is appreciated to behave seriously and polite. People are always expected to arrive on time for a meeting but being patient is important as the meetings might be interrupted by other

guests or telephone calls. The direct, hard-hitting approach is not always welcome and it is usual appreciated to have a conversation before getting down to business. During negotiations there may be unwillingness on the part of Emiratis to say 'no' directly. Nevertheless, once a deal is made an Arab businessman's word is his bond. This can be disconcerting if the other business partner comes from a business environment where verbal agreements are not binding. Hospitality is a matter of honor and a way of life in the Arab world and business is frequently conducted over lunch or dinner. It is considered polite to return the invitation (United Arab Emirates yearbook, 2004).

Here are the officials working hours In UAE:

Business hours: 08:00-13:00 and 16:00-19:00 (Saturday to Wednesday). Some companies work from 08:00-17:30 with a one hour lunch break. Many companies close at 13:00 on Thursdays. Government offices: 07:30-14:30 (Saturday to Wednesday). Exchange houses: 08:30-13:00 and 16:30-20:30. Thursday afternoon and Friday is the weekend in the Islamic world. In addition, during Ramadan time (the month of fasting) most activities are accomplished in the early morning and early afternoon, and later in the evening after the day's fast is broken (Finland Tourism exhibition 2008 brochures).

#### 2.15.1 Management style

In a domestic situation misunderstandings between different department managers can be relatively quickly solved with a personally discussion, but in the international situation this is much harder and often impractical. More impersonal communications, such as telephone, fax and electronic mail are used and this, along with longer lead times, different cultures and the use of different languages, results in seemingly inconsistent and often negative attitudes in international managers (Doole & Lowe 1999, 180).

The gulf management culture is more oral discussion-intensive, which usually makes memo writing less successful. This relates to the communication style across the Middle East and Arab world where letters are less significant than personal visits and face-to-face. The use of personal networks and, connections and coalitions to support face-to-face interactions is also common. Organizations in the Gulf area prioritize decision-making based on interpersonal connections, hierarchical in essence but which tends to delegate rights and responsibilities upwards and downwards within a vertical organization (Tayed 2000, 506).

(Doole & Lowe 1999, 180) Research by Arthur Anderson and Batey Research and Information Centre (1997) shows there are some fundamental differences in the styles of management adapted by Western and Eastern managers illustrated in table 6.

West	East
<ul style="list-style-type: none"> <li>• - Is more open, direct and</li> <li>• confrontational</li> <li>• - Is more flexible and creative</li> <li>• - Encourages empowerment of line workers</li> <li>• - Favours databases and statistics and resist intuition</li> <li>• - Is more productivity-oriented than people oriented</li> </ul>	<ul style="list-style-type: none"> <li>- Puts greater value on seniority, relationships and family ties</li> <li>- Is likely to be paternalistic</li> <li>- Supports lifetime employment and opposes hire-and-fire</li> <li>- Places more emphasis on corporate loyalty</li> <li>- Is more resistant to women assuming positions of management</li> <li>- Is more likely to stress quantity than quality</li> </ul>

Table 5. Differences in management style

Arther Andersen/Batey Research and Information Centre. January 1997

## 2.16 Building and construction sector in UAE

### 2.16.1 Industry and building sectors

Investment in the UAE's industrial sector is increasing rapidly, it is set to rise from Dh72.6 billion in 2007 to Dh100bn by 2010 and Dh120bn in 2012, says a Ministry of Economy official. He added that industry is viewed as an important part of the diversification of the economy and it brings to the market good profits and revenues. In addition, investment in industry will increase in the future and Abu Dhabi and Dubai are the most active emirates in term of industrial investment. (United Arab Emirates interact. 2007)

UAE has a rapid Industrial Growth. Over the last five years, the number of industrial establishments in the country has increased by 42.2 percent from 2509 to 3567 of which 273 or 8.3 percent were established in 2006 according to the Ministry of Finance and Industry. (Article posted on October 2008).

Figure 10 shows the large increase in investment in each emirate over 2000-2004 and in appendix 4 you will find the contacts of Chamber of Commerce and Industry of the 3 emirates (Abu Dhabi, Dubai, and Sharjah) in Uae

Emirate	Units	Investment (million-AED)	Labour
Abu Dhabi	281	34327	37281
Dubai	1177	14660	83079
Sharjah	933	3666	64314
Ajman	422	1038	26904
Ras Al-Khaimah	92	3055	12015
Umm al Quwain	82	416	3771
Fujairah	49	5816	3911
<b>Total 2004</b>	<b>3036</b>	<b>62978</b>	<b>231275</b>

**A comparison: Totals for the year 2000**

<b>Total 2000</b>	<b>2153</b>	<b>23670</b>	<b>176260</b>
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Figure 10. Industrial Units by Emirate (2004)

(United Arab Emirates interact. 2007. Investor's guide to the UAE)

The building and construction sector is the third largest sector of the United Arab Emirates economy after oil and trade and it has experienced rapid growth in recent years.

According to Al-Bayan newspaper (August 27, 2006), a report issued by the Abu Dhabi Chamber of Commerce and Industry (ADCCI) shows that the construction and building sector contributed 7.2% of the UAE's GDP in 2005 ( Proquest LLC 2006).

In addition, construction contributed approximately seven per cent to the overall GDP of the UAE in 2007 .From 2008 to 2012; growth within the construction industry is anticipated to expand at an average rate of five per cent per annum. The three main areas for construction in the UAE are Abu Dhabi, Dubai and Sharjah, with Abu Dhabi currently the center of construction activity (Austrade 2008).

There are many crucial factors that drives the development of the construction in the UAE for example the UAE government consider many important infrastructure such as roads, ports, airports and rail to support its commitment to becoming a business and tourism center for the Gulf region. Furthermore, high rates of imported labour who further add to the demand for residential housing, commercial suites and solid infrastructure. Then the positive outlook of private-sector developers who are constructing a raft of high-rise commercial and mixed use buildings, shopping malls, hotels, tourist resorts and low-rise residential complexes to support the rapidly growing population. In addition, the high oil price contributes significantly to the wealth of the country and the relaxation of foreign investment laws allow non-UAE nationals to purchase property (Austrade 2008).



### 2.16.2 Wood industry

The wood industry in the UAE is growing because of the continuous construction across the country, which lead to the strong demand for wood and wood products. From an article UAE wood imports surge published in 14 April 2008: Gulf News reported that UAE accomplished a 63% increase in wood imports in the last 2 years, with 2007 figures reaching AED 8.5 billion as compared to AED 5.2 billion in 2005.

In addition the article mentioned that wood industry is increasing because of the preference for wood in construction projects. Dubai ports, customs and free zone corporation statistics indicate that market growth of 25% to 30% per annum, with certain segments enjoying higher growth rates. The majority of wood imports are timber and plywood; however, wood flooring has also seen a dramatic success (Business to business market for wood & wood industry April 2008)

An article wrote by Joseph George who added that the wood and wood products sector has largely benefited from the fast growth of the regional property market. With Dh150bn worth of projects that have already been planned, there is remarkable opportunity for expansion of the wood industry (Joseph G. July 2008)

### 2.17 Structural framework

As illustrated in Figure 11 (refer to the following page) the theoretical study proceeded from the general to the specific; from a general study of international marketing and its main theories that are suitable for this research, to a study of general market entry modes and strategies, furthermore thence to a more specific study of market entry into the UAE market.

The framework was designed to visualize the international marketing concept and the factors that the company has to consider in entering new international market .In addition, as it can be seen in the framework; the three main areas that are discussed in the theoretical part: International market theories, Market entry decision making and the entry option: UAE market . The specific study of UAE market entry options itself had a similar structure to the more general theoretical studies.

A clear company strategy and vision enable to create further market-tailored strategies, which encompass the consideration of target market and knowledge, marketing plan, appropriate competitive strategy and the choice of the right b entry mode.

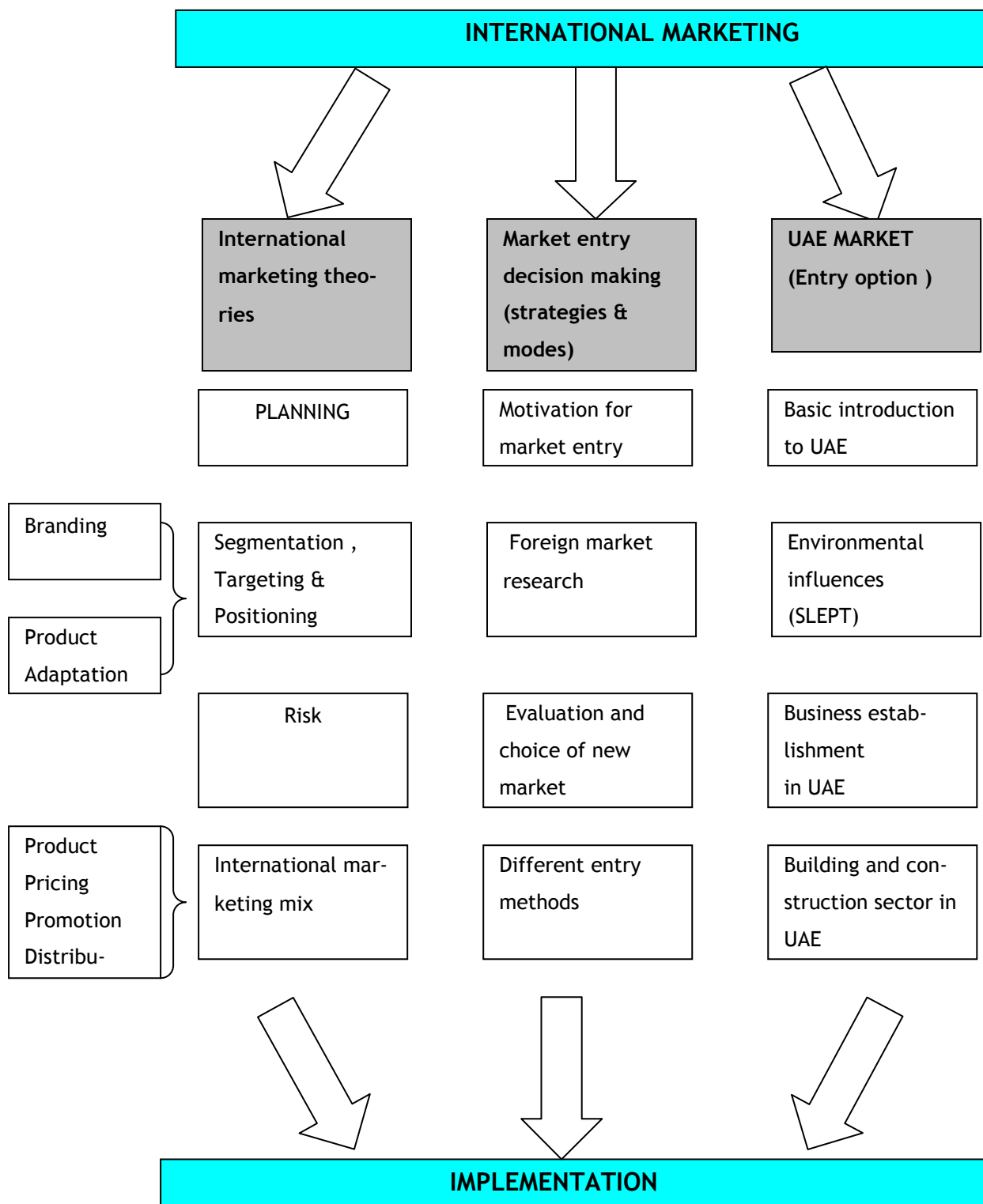


Figure 11. Structural framework of the theoretical study

### 3 Research methods

#### 3.1 Introduction & overview

The choice of research method is critically dependent on the purpose of the study, but also on other circumstances that limit the methodological choices available or in general influence the design of the empirical study. The methodological choices that need to be made are the choice of empirical setting suitable for the objective, and the choice of data, gathering methods based on the requirements of the purpose and of the empirical setting. The goal of the current research besides building and understanding the internationalization strategy process and entry modes is to help the case company to obtain an overview about the United Arab Emirates and the possibility of entering this growing market in the future.

#### 3.2 Qualitative research methods

According to Keyton (2001, 11), there are two types of research methods: quantitative and qualitative. Quantitative methods are generally research in which numerical measurement is used. According to Heikkilä (1998, 13), examples of quantitative research include questionnaires, interviews and observations. In research involving qualitative methods, the researcher is the primary observer and the research “serves to preserve the form and content of human interaction” (Keyton 2001, 63). Thus qualitative research is subjective rather than objective. Heikkilä (1998, 13) states that examples of qualitative research are theme interviews, in-depth interviews and group discussions. Both quantitative and qualitative methods are empirical: they are derived structure or based on experiences with certain observable phenomena.

The primary research method used for this research was qualitative. Many researchers prefer to choose this method as it permits to describe and extract valuable data by tolerating the participants to express their own experiences and views in both liberal verbal and non-verbal ways. Other advantages of qualitative research include its relatively low cost compared to quantitative research (Proctor 2003, 209).

#### 3.3 Data collection methods

The data collection was strict and scientific. In the theoretical section, the data of international marketing and international market entry theories was collected from economic literature, governmental documentation and different books concerning the subjects. The data on the UAE market study was chosen after reading different documents concerning the same area, then comparing each one, and by joining study seminars to discuss and confirm the UAE government data available on the UAE government's and UAE embassy's and municipalities' web-sites.

The qualitative research method has been judged to be a suitable data collection instrument, which would respond best to the research problems. The process of data collection demands most of all an organization method to help in submitting interviews' request participation, actual interviewing, reporting and reception of answers, and classification of data to be further interpreted and examined. For this reason the following process was identified:

It started by arranging the questionnaire depending upon the respondent's scope of activity and potential contribution. The first contact with respondents was via electronic mail (cover letter) explaining the case analysis and its objects, and requesting their participation and if their circumstances allow arranging for a telephone interview. The received answers were classified into folders containing the approach, the interview question form and the replies. This allowed proceeding further once all the data had been gathered and analyzed.

The data in the empirical sector was more complicated to choose. In order to obtain the most accurate data, major parts of the data were carefully selected from Kontio's international documentation after utilizing different methods including comparing different reports on the same subject, investigating their reliability by interviewing the export manager of the company Mr Isto Oinas and participating in different meetings with him discussing the possibility of importing kontiotuote Oy's product to the UAE market. Some small parts of the data were chosen directly from the UAE government and the exhibition's websites and UAE broadsheet articles, and were translated into English. The following reports were made after careful consideration. The writer also tried to adopt the latest possible data that could be obtained or the data that need updating but would not influence the research's validity and reliability.

### 3.4 Reliability and validity

Haralambos and Holborn (2000, 993) state that, in scientific terms, an experiment can be considered reliable if another scientist can, in the same circumstances and by using the same equipment, obtain the same results. This term can however also be applied to both qualitative and quantitative research methods. If someone researched a subject the research can be considered reliable if another researcher can replicate the study and conclude with the same results.

Qualitative methods are often criticized for lacking reliability. Due to the fact that they do not produce statistically or factually measurable data and due to the unsystematic ways of collecting data research is difficult to reproduce or to check (Haralambos & Holborn 2000, 993)

However, validity of the research results refers to whether they can be described a correct and proper for the research. (Silverman 2001, 175) A valid result can be described also as a result that reflects the true opinion of the people or gives true facts of the issue being

studied. In other words the data is “an actual reflection of social reality”, say Haralambos and Holborn (2000, 993). It is possible that data can be reliable without being valid, a study can be replicated and the same results may be obtained, however, the results may still not be a valid reflection of the issue under study. The authors added that qualitative methods are seen as more valid than quantitative ones. However in qualitative studies where the form of gathering data is less structured, subjects have more abilities to express their true opinions, thus creating a more valid study.

A scientific and strict data collection procedure increases the reliability and validity of the findings. The chosen theoretical literature on international marketing and market entry has been acknowledged in economic terms as knowledge. Other research material on the UAE market and empirical study were selected after careful and objective assessment. Providing reliability of assessment was assisted in various ways involving, for example, reviewing documentation of more than three different and separated researches on the same subjects, joined study seminars and composed interviews.

Any research lasts particular period, especially for a rapidly changing market such as UAE; the findings of this research may require minor corrections in the future. However, it was based on a reliable and valid theoretical base and its findings should also be reliable and valid.

## 4 Empirical study

### 4.1 Description of the company Kontio

Kontiotuote Oy is the second largest log house constructor in the world. The company belongs to the PRT-Forest Group, a large Finnish group specializing in the processing of timber. PRT-Forest Group is the leading developer and manufacturer of prefabricated one-family houses and leisure homes in Scandinavia. The brand of Kontio is known as the quality leader of log construction. Kontiotuote has an annual production of 2,300 log buildings, and its products are sold to more than 20 countries.

Kontiotuote Oy. Accessed October 2008

[http://www.kontio.fi/eng/The\\_Company.104.html](http://www.kontio.fi/eng/The_Company.104.html)

Here you can find some of Kontio's figures in 2008: the company's Net turnover was €61,337 million, its change in net turnover decreased by 6 % in 2007 +24%, share of the Group net turnover was 37 %, Export €12,538 million, operating profit €5,900 million, investment €7,420 million and the company's personnel was in 2008 in average 285 ( Kontiotuote Oy. Accessed 14 April 2009)

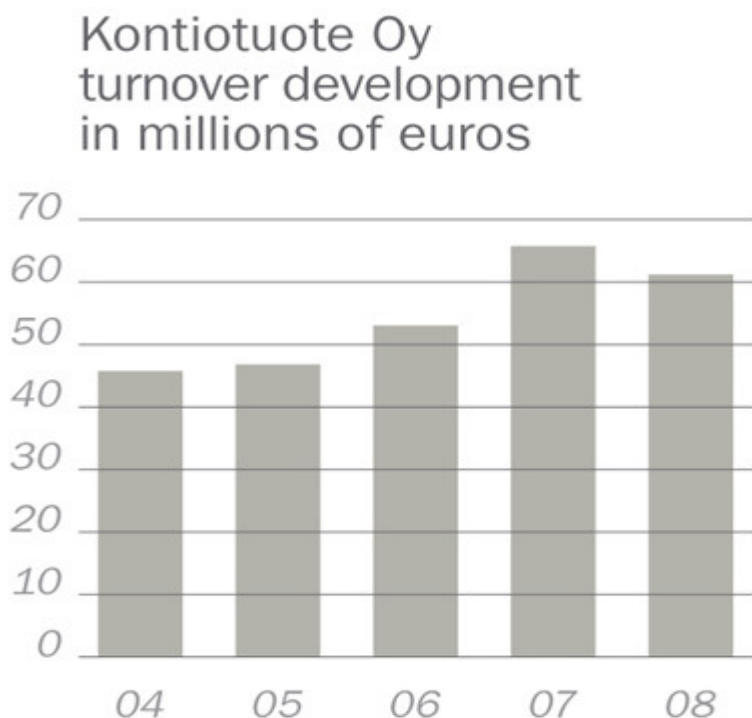


Figure 12: Kontiotuote Oy's turnover development (Kontiotuote Oy. Accessed 14 April 2009)

Kontiotuote Oy improves pure Finnish wood to satisfy their customers by providing a high-quality construction and high standard living. The operations of Kontio are strongly guided by customer focus and a strict quality philosophy. Kontio Quality is based on high-quality natural materials, the latest design and manufacturing technologies as well as wood construction expertise gained through training and experience. The core values of Kontio are commitment to the principles of corporate responsibility, and attention to human being as a customer, partner and employee. (Kontiotuote Oy. Accessed October 2008)

The company operates world-wide for more than 35 years; the company has processed the close-grained wood of northern homes into incredible leisure homes and highly personal log houses. Nowadays Kontio is a big international company and one of the leading log building manufacturers in the world and its markets are growing at a fast rate in Europe (Germany, France, Spain, etc.), Asia and Russia. Optimistically in the future, will expand its activities in the Middle East

#### 4.1.1 The log material

Log is easy to work and it maintains its structural integrity for decades. A log construction breathes and evens out indoor moisture and temperature. In addition, the construction also offers affordable heat costs. Log as a construction material only transfers better with time

and will preserve the value of the building for centuries. In addition, slowly grown close-grained northern wood is the best material for construction. House built from durable Kontio log has a high quality, is warm and safe

Oinas, I. 2008. Interview with export manager. 15 Oct 2008. Kontiotuote Oy. Helsinki

Figure 11 shows the different types of Kontio's log selection, the choice of log type and shape can be a suitable option for different purposes and climates and affect the appearance of the house.

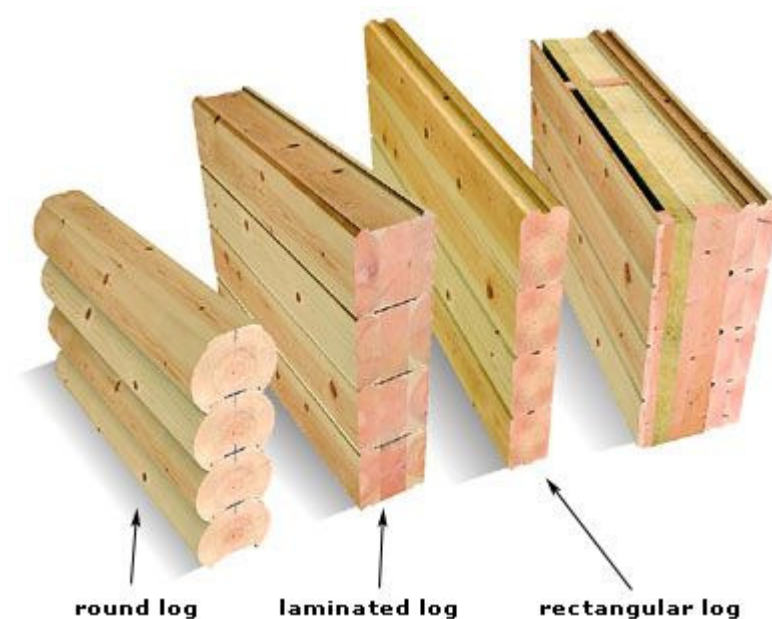


Figure 12. Different types of logs (Kontiotuote Oy )

According to recent research results, log house is good to breathe in; it has very good indoor air. The insulation capacity of log is excellent, and it efficiently evens out heat and moisture in indoor air. Log binds moisture and evenly releases it back into indoor air during drier seasons. In addition, log also evens out temperature variations. In summer a log house stays cool, and in winter warm. During autumn and spring, log also collects energy from sunlight (Moisture buffering effects of interior linings made from wood or wood based products, Kontiotuote Oy. 2004).

#### 4.2 UAE market findings

According to Bawazir Maimona (from Dubai chamber of commerce & industry) the United Arab Emirates market and especially the city of Dubai represent the most pro-business model and

liberal regulatory environment in the Gulf and Middle East region. The benefits of establishing a business in the UAE include corporate tax for most sectors, no personal taxes and the freedom to repatriate capital and profits. There are no currency restrictions. Foreign ownership is generally 49 percent but in the Free Zones, for UAE branch offices of foreign companies and for certain professionals; there is no requirement for a local partner.

In addition, many successful companies from all over the world have taken advantage of off-shore opportunities in the many Free Zones now extended across the nation. Successful international businesses have also united with the UAE for business projects that have direct access to the UAE market. These relationships are sometimes conducted through general trading activities and specific joint ventures. In many cases, partnerships with Emirati individuals and companies taking at least the minimum equity stake and then providing invaluable local expertise have proved to be extremely rewarding. There are now opportunities for companies of all sizes and most market sectors, (specially, construction and building sector Bawazir specified) who wish to be part of the UAE business success story (Interview with Bawazir Maimona November 2008).

Wasiq Zahir (from Sharjah chamber of commerce & industry) added that Sharjah is the third largest emirate in the United Arab Emirates and it is known to be the cultural capital of the UAE. In addition there are many successful opportunities to establish a business there and especially the industry and building sector is very active. (See Appendix 6: Sharjah chamber of commerce & Industry, Wood company activities contacts). The market has a strong and advanced infrastructure able to accomplish many of the big corporations that benefit also from the strategic location and importance of the country to centre their activities in order to control and streamline the distribution channels between Far East and Europe (Interview with Zahir. November 2008).

#### 4.3 Analysis of competition

Market competition is very diverse and intense in established sectors, therefore entering an existing market requires considerable efforts for new entrants to receive a share and advance in the market that they must penetrate with apparent competitive advantages such as high quality, faster delivery processes, newer design and technology. While, entering a non-existing market requires also efforts and challenges, therefore a good marketing research and product adaptation to a local consumer and environment are crucial.

Currently, there is no Finnish log house company yet entered the UAE market which gives to Kontiotuote Oy an important opportunity to be the first Finnish company in the UAE market in the future and be distinguished from other loghouse companies (Interview and meetings with Isto Oinas Export manager of Kontiotuote Oy. 15 October 2008).



Mr. Rashed Tarish Al Qubaisi, Assistant Director General for Trade Relations from Abu Dhabi chamber of commerce and industry (ADCCI) added in his answers that log houses are almost never used in the UAE, therefore the prevailing attitude towards log houses is almost nonexistent, but prefabricated houses (caravan) are used mainly in construction sites and onshore oil installations as office and accommodation facilities for staff and laborers. Prefabricated-houses may be replaced with log houses in future.

There are approximately 6000 construction-related companies in the UAE of various sizes and specializations. Initially, products and skills demanded in the market were not available locally, which mean more than 80 per cent of construction material and equipment was imported. In the 90s, approximately 85 per cent of major contracts were awarded to foreign companies. "The major American and European services providers are well established in the market. In addition, the services and manufacturing industries are maturing and an increasing range of products are now manufactured in the UAE. The combination of these factors makes the UAE construction industry very competitive and price conscious" (Construction-to-the-United-Arab-Emirates, 2008).

#### 4.4 Findings and results (Finnish log houses in UAE?)

The research was conducted with the help of the export manager of Kontiotuote Oy, Mr Isto Oinas by giving important information about the log material and its structures and choosing suitable questions for the research form. The questionnaire was distributed by e-mail in English and the research responses acquire time and were very hard to receive at the beginning. In addition, several calls were tried and the results were 2 telephone interviews.

The research questionnaires were sent to almost all the chamber of commerce and industry organizations, municipalities and to several wood and furniture companies in the United Arab Emirates. The respondents were asked for example about the general attitude towards log-houses in the UAE, if they find it realistic to import Finnish log houses to the UAE market and about the challenges that can be expected.

The research participants discovered the subject very interesting and uncommon and most of them were curious and asked for more information and pictures about the log houses. Most of the participants were familiar with the log material, however a general argument was that log material is good for cold climates, new and interesting product, there are no log houses in the market except for furniture or industrial uses, the method of construction and material used are original and are not widely known in the region.

Mr Shahul Hameed Senior trade and commercial in charge in Abu Dhabi chamber of commerce and industry added that logs are not used as building material in the UAE especially for housing because of weather conditions such as humidity and the high temperature during the

summer. He suggested that the building process can be experimented with waterproof coatings and materials; therefore more research and marketing about the benefits of log material are required for the assistance of the market.

In addition, some positive answers were given by the participants about the demand of the Finnish log houses and the possibility of importing log houses to the UAE market. According to Mr. Tony Clements from the wood house company in Dubai there might be difficulties to sell the product while, consumers in the UAE are very curious about new projects and ideas, specially if the product is safe, has a high quality, a luxurious and observe the needs and wants of the consumer and mostly price is not an obstacle. Mr Shahul Hammed claimed that at the present there might be no demand for this type of product. Nevertheless, this issue requires further market studies.

In the UAE market there are already log suppliers but mainly for furniture or industrial uses. Appendix 6 presents lists of current wood and furniture trading companies in Abu Dhabi and Sharjah provided by Mr. Rashed Tarish Al Qubaisi, assistant Director General for Trade Relations from Abu Dhabi chamber of commerce and industry and Wasiq Zahir from Sharjah chamber of commerce & industry. Furthermore, there are no restrictions regarding the import of log and wood to the UAE, but there might be some requirements. At the present, there are no wooden houses for sale on the market, the UAE is still in its early stages of being able to buy homes but many are apartments and caravans (prefabricated houses) are on sales and they can be purchased through a local reseller. A local agent is appreciated, so the local buyer can have the opportunity to contact the agent in case any problems arise. Mr Wasiq Zahir added in his interview that the most decisive criteria when selecting the appropriate family home are price, location, size, approximate age and thermal insulation. acquire

The most compelling challenge at present would be the lack of demand for wooden houses in the UAE market .The company would have to convince the market that this method of construction is reliable for this region and show the durability feature with regards to heat and AC and proof durability and the eco-friendly aspect. Considering that the heat in the UAE rises to 45 Celsius for 4-5 months per year and the inside temperature is a constant 22 Celsius (Interview with Mr. Rashed Tarish Al Qubaisi, Assistant Director General for Trade Relations from ADCCI, December 2008)

The most challenging matter in the results division was to obtain relevant answers from the UAE municipalities and chamber of commerce and industry organizations. It is very inflexible to reach the right persons and obtaining their contacts. In the UAE personal contacts and social networks are an excellent and almost indispensable tool to examine market surroundings, meet in person business-minded people and to be constantly informed about business devel-

opment and opportunities. That helps to rapidly join with the business environment, and facilitate the advancement of activities (Interview with Bawazir Maimona from Dubai chamber of commerce & industry. December 2008)

## 5 Conclusions and suggestions

### 5.1 Conclusion

The objective of the case study was to offer to the case company pre-research discussing different theories that are seen to be relevant for this topic such as market entry decision making, market entry strategies, evaluation of a new market, product adaptation, international marketing and general information about the UAE market in order to make the case company to consider this very interesting and growing market in its future projects and plans.

The commencement of a venture into a new foreign market is complex and can be difficult, but not impossible. General theories and earlier studies suggested that entering a new market requires good research and careful planning. In addition selection of the correct entry mode is essential when entering a foreign market (refer to subsection 2.5) and it should follow careful research and evaluation (refer to subsection 2.3 and 2.4). The marketing mix, which includes product, pricing, promotion and distribution, are critical elements to study prior to venturing products into a foreign market (refer to subsection 2.7).

In addition, it is especially important to conduct detailed research when entering the UAE market, where methods of conducting business vary considerably from western methods and where business is conducted on the basis of personal relationships and mutual trust. The United Arab Emirates differ in terms of rules and regulations; in this respect it is beneficial to consider important features such as targeting, market segmentation, positioning, that can be valuable for competition analysis and market growth potential. To enter the market companies are presented with two simple options; either the Free Zones where a company has the advantage of full ownership, free taxation and a hundred per cent repatriation of company capital and assets. However to be able to conduct business with the rest of the Emirates a foreign company may establish a branch in the UAE but a local sponsor or agent is required who must be either a citizen of the UAE or a company wholly-owned by citizens of the UAE. A branch must be registered with the local chamber of commerce and the municipality. Furthermore, the law mandates 51% minimum local equity participation in companies incorporated in the UAE. However, in practice, for public and private shareholding companies, the local equity participation is normally 100%.

As far as overall market structure and country risk are concerned, it can be concluded that the UAE remains one of the most attractive markets in the region for the company to enter

and focus on how to benefit from potential opportunities and introduce to the market a different and interesting business concept.

Cultural differences can be a big problem for the Finnish company doing business in the UAE, since there are different ways of thinking and doing business. It is very important to Finns to try to understand the UAE ways of doing business and behavior by understanding the business etiquettes; management style, the culture and the religion (refer to subsection 2.15). There can also be other problems, but progress can constantly be maintained with a degree of flexibility.

With regards to the building and construction sector in the UAE, it was found that this sector is the third largest sector of the UAE economy after oil and trade and it has experienced rapid growth in recent years. The demand of the wood and wood products is booming, a majority of wood imports are timber and plywood, however, wood flooring has also perceived a dramatic increase. From many reports and articles it has been mentioned that there is significant scope for expansion of the wood industry in UAE.

The case study, Kontiotuote Oy is the second largest log house constructor in the world; its market share is growing each year and eager to expand its activities internationally. Kontiotuote Oy uses the latest technology and manufactures high-quality log buildings for ecological and healthy living. as mentioned earlier in the research and according to recent research results, log house is good to breathe in; it has very good indoor air. The insulation capacity of log is excellent, and it efficiently evens out heat and moisture in indoor air. Log binds moisture and evenly releases it back into indoor air during drier seasons. In addition, log also evens out temperature variations. In summer a log house stays cool, and in winter agreeably warm. During autumn and spring, log also collects energy from sunlight. (Interview with Isto Oinas, Export manager of Kontiotuote Oy. October 2008).

In a high personal contact society such as the UAE, networking between individuals (UAE nationals and foreigners) happens frequently and through various channels. Attending exhibitions and trade fairs, cultural events is a common path for people to meet and have conversations about business related issues. Through such methods people extend their contact base and allow themselves to learn about market expectations and personal business improvement.

During the scope of the current study, the international marketing plan and research towards importing log houses to the UAE market can be considered as a suggestion for further study. The company would participate in different exhibitions, build good relationship with local partners and proof to the market the durability and eco-friendly features of the log material. This can happen by building some log houses or cottages for showing in the local market, so

people could see the advantages of the product

## 5.2 Current and future plans

Kontiotuote Oy is very optimistic about the possibility of entering the UAE and willing to expand its activities in the Middle East. Attending international forums and exhibitions held in the UAE is a valuable instrument to achieve good results and allow number of advantages.

In the industry and building sector there are different trade fares held in Dubai, the most important ones are for example the Big 5 Dubai exhibition, which is the Middle East's largest building & construction exhibition ([www.thebig5exhibition.com](http://www.thebig5exhibition.com)), cityscape event is the International Real estate investment & development ([www.cityscape.ae](http://www.cityscape.ae)). In addition, there is The Dubai international wood & wood Machinery show, which is the UAE's largest convention for distributors, suppliers, interior designers, furniture manufacturers, carpenters, wholesale traders & retailers, building material manufacturers, construction suppliers, project developers and precise target segments ([www.dubaiwoodshow.com](http://www.dubaiwoodshow.com)).

These different trade fairs are a platform for the company to establish profitable relationship and an excellent opportunity for successful business agreements and future expansion in the UAE market.

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Khilood Al Khalidi  
Economic Expert  
Trade Relations Sector  
email: [k.alkhalidi@adcci.gov.ae](mailto:k.alkhalidi@adcci.gov.ae)  
Tel: +971 2 6177432  
Fax: + 971 2 6344759

Shahul Hameed  
Senior Trade / Commercial In charge  
ADCCI: Abu Dhabi chamber of commerce and industry  
email: [Shah.Hameed@adcci.gov.ae](mailto:Shah.Hameed@adcci.gov.ae)

Mr. Rashed Tarish Al Qubaisi: Assistant Director General for Trade Relations  
ADCCI: Abu Dhabi chamber of commerce and industry

Hamda Al Suwaidi : Information Center Representative  
Dubai Chamber Information Center  
T: +971 4 202 8802  
Email: [info.dataresearch@dubaichamber.ae](mailto:info.dataresearch@dubaichamber.ae), [www.dubaichamber.ae](http://www.dubaichamber.ae)

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## Appendices

### Appendix 1. Questions relating to evaluation of new market

(Source: Gregory, K. & Patricia, K. 2005. How to start, run & stay in business- Fourth edition)

Various trade opportunities in a new market related questions:

- Is there a need for my products or services ?
- Who would buy them?Where?Why? How often? In what quantities?
- How big is the market? Is it growing or shrinking?
- What kind of modifications would i have to make?
- What competition would i face? How strong is it?
- What laws or regulations would have an impact on my business?
- What is the local government doing to help or hinder those who do business there?
- Are there any tax incentives or other inducements?
- Would i have ready access to suppliers and distributors?What about skilled labor?
- Are the local media adequate and affordable for promoting my business?
- How good is the country's infrastructure (roads, water, electricity, transportation, communications)?
- Are the political and economic systems stable?
- Is the country safe?

Own business current situation and overall objectives related questions:

- What are your short-term and long-term plans?
- What are your strengths and weaknesses?
- What resources (land, labor, capital, technology) are available to you?
- What level of personal commitment are you able to give to expanding your business internationally?
- What level of support can you count on from others - partners, employees, investors, lenders, suppliers, government, and so on ?
- What are the costs and benefits of entering new market?
- What changes would you have to make in your product offering or methods of operation to successfully adapt to the global marketing environment?

## Appendix 2. Free Zones in UAE and their advantages

Full information on the UAE Free Zones can be obtained at [www.emiratesfreezone.com](http://www.emiratesfreezone.com)

<b>Abu Dhabi</b> Industrial City of Abu Dhabi HCSEZ	<a href="http://www.hcsez.ae">www.hcsez.ae</a>
<b>Dubai</b> Jebel Ali Free Zone (JAFZA)	<a href="http://www.jafza.co.ae">www.jafza.co.ae</a>
Dubai Gold and Diamond Park	<a href="http://www.goldanddiamondpark.com">www.goldanddiamondpark.com</a>
Dubai Maritime City	<a href="http://www.dubaimaritimecity.ae">www.dubaimaritimecity.ae</a>
Dubai Aid City	<a href="http://www.dubaiaidcity.ae">www.dubaiaidcity.ae</a>
Techno Park	<a href="http://www.tp.ae">www.tp.ae</a>
Dubai Airport Free Zone	<a href="http://www.dafza.gov.ae">www.dafza.gov.ae</a>
Dubai Silicon Oasis	<a href="http://www.dso.ae">www.dso.ae</a>
Dubai Flower Centre	<a href="http://www.dubaiflowercentre.com">www.dubaiflowercentre.com</a>
Dubai Logistics City	<a href="http://www.dubailogisticscity.net">www.dubailogisticscity.net</a>
Dubai Internet City	<a href="http://www.dubaiinternetcity.com">www.dubaiinternetcity.com</a>
Dubai Media City	<a href="http://www.dubaimediacity.com">www.dubaimediacity.com</a>
Dubai Knowledge Village	<a href="http://www.kv.ae">www.kv.ae</a>
Dubai Outsource Zone	<a href="http://www.doz.ae">www.doz.ae</a>
Dubai Biotechnology & Research Park	<a href="http://www.dubiotech.com">www.dubiotech.com</a>
Dubai Studio City	<a href="http://www.dubaistudiocity.com">www.dubaistudiocity.com</a>
International Media Production Zone	<a href="http://www.impz.ae">www.impz.ae</a>
Dubai Healthcare City	<a href="http://www.dhcc.ae">www.dhcc.ae</a>
Dubai International Financial Centre	<a href="http://www.difc.ae">www.difc.ae</a>
Dubai Multi Commodity Centre	<a href="http://www.dmcc.ae">www.dmcc.ae</a>
Dubai Textile City	upcoming
Dubai Carpet Free Zone	upcoming
Dubai Auto Parts City	upcoming
Heavy Equipment & Trucks Zone	upcoming
Dubai Building Materials Zone	upcoming
Dubai Cars and Automotive Zone	upcoming
Dubai Design Centre (TCO)	upcoming
Dubai Auto Zone (TCO)	upcoming
Dubai Energy City (Dubai Holdings)	upcoming
Dubai Academic City (Dubai Holdings)	upcoming
<b>Sharjah</b> Sharjah Airport International Free Zone	<a href="http://www.saif-zone.com">www.saif-zone.com</a>
Hamriyah Free Zone	<a href="http://www.hamriyahfz.com">www.hamriyahfz.com</a>

**Ajman Ajman Free Zone**

[ajmanfreezone.gov.ae](http://ajmanfreezone.gov.ae)

**Umm al Quwain Ahmed Bin Rashid Free Zone**

**Ras Al-Khaimah RAK Free Zone**

[www.rakftz.com](http://www.rakftz.com)

**Fujairah Fujairah Free Zone**

[www.fujairahfreezone.com](http://www.fujairahfreezone.com)

#### **Advantages of Free Zones**

- 100% foreign ownership
- 100% repatriation of capital and goods
- No minimum capital investment
- A shareholder's liability is limited to the
- amount of paid-up share capital
- No currency restrictions
- No corporate taxes
- No personal income taxes
- Ready-made factories and warehouses
- Excellent infrastructure, support services
- and communications
- Access to a consumer market of 1.4 billion

people

### Appendix 3. The Municipalities of UAE

<http://www.uaeinteract.com/business/commerce.asp>

#### **Abu Dhabi Municipality**

POB: 263, Abu Dhabi

Tel: +971 2 678 8888,

Fax: +971 2 678 8888

Web: [www.adm.gov.ae](http://www.adm.gov.ae)

#### **Dubai Municipality**

POB: 67, Dubai

Tel: +971 4 221 5555,

Fax: +971 4 224 6666

Email: [info@dm.gov.ae](mailto:info@dm.gov.ae)

Web: [www.dm.gov.ae](http://www.dm.gov.ae)

#### **The Sharjah Municipality**

POB: 1601, Sharjah

Tel: +971 6 562 3333,

Fax: +971 6 562 6455

Web: [www.shjmun.gov.ae](http://www.shjmun.gov.ae)

#### **Ajman Municipality**

POB: 3, Ajman

Tel: +971 6 742 2331,

Fax: +971 6 742 2230

Web: [www.am.gov.ae](http://www.am.gov.ae)

#### **The Umm al Quwain Municipality**

POB: 12, Umm al Quwain

Tel: +971 6 765 5882,

Fax: +971 6 765 1552

#### **The Ras Al-Khaimah Municipality**

POB: 4, Ras Al-Khaimah

Tel: +971 7 233 2422,

Fax: +971 7 233 0899

Web: [www.rakmunicipality.com](http://www.rakmunicipality.com)

**Fujairah Municipality**

POB: 7, Fujairah

Tel: +971 9 227 0000,

Fax: +971 9 222 2231

Web: [www.fujairahmunc.gov.ae](http://www.fujairahmunc.gov.ae)



#### Appendix 4 Chamber of commerce and industry contacts

(<http://www.austrade.gov.au/Construction-to-the-United-Arab-Emirates/default.aspx>)

Abu Dhabi Chamber of Commerce and Industry - [www.abudhabichamber.ae](http://www.abudhabichamber.ae)

PO Box 662, Abu Dhabi, UAE

Tel: +9712.617.7266

Fax: +971 2 617 7288

Email: [services@adcci.gov.ae](mailto:services@adcci.gov.ae)

Dubai- [www.dcci.gov.ae](http://www.dcci.gov.ae)

PO Box PO Box 1457, Dubai, UAE

Tel: +971.4.228.0000

Fax: +971 4 221 1646

Email: [info.member@dubaichamber.ae](mailto:info.member@dubaichamber.ae)

UAE Contractors Association

PO Box 6226 Dubai, UAE

Tel: +971.4.297.9559

Fax: +971 4.297 7848

Email: [info@uae-contractors.com](mailto:info@uae-contractors.com)

Sharjah Chamber of Commerce and Industry - [www.sharjah.gov.ae](http://www.sharjah.gov.ae)

PO Box 580, Sharjah, UAE

Tel: +971.6.568.8888

Fax: +971 6 568 1119

Email: [scci@sharjah.gov.ae](mailto:scci@sharjah.gov.ae)

## Appendix 5. Interview form

### **Finnish log houses in United Arab Emirates ?**

#### **Questions:**

- 1 Are you familiar with log material and its construction? If yes what do you think about it?
- 2 What is a general attitude towards log houses in UAE?
- 3 Do you believe that importing /building log houses is possible in Arab countries, especially in UAE? Is it realistic?
- 4 With regard to the previous question, It would be a demand for this kind of product?
- 5 Are there any kinds of restrictions/obstacles to import log/wood to UAE?
- 6 Are there any log suppliers already at the market?
- 7 When buying a house, would the buyer rather deal with the local reseller or directly with the manufacturer?
- 8 Which criteria are most important when choosing the type of family home?
- 9 In your opinion, log housing in UAE could be an option for:
  - a. Private sector for example families?
  - b. Project developers?
  - c. Both?
- 10 When selling a log house, what kind of guarantee would have?
- 11 What is the customs code for the log material, in order to be possible to import it to UAE?
- 12 What kind of challenges can be expected?