

# **Market review of Nuijamaa**

Case Food Agent J&L Ltd

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Bachelor's Thesis

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Abstract			
<p>The world has entered the era where national borders lose their significance, because of Globalization. People have noticed new business opportunities arising from abroad. Technological changes have made communication and traveling more common, which also boosts international business operations. Internationalization is one possibility for companies to start expanding their business and increase profit.</p> <p>This thesis is a market review which consists of a macro environmental analysis and a market survey. The client company of this thesis is Food Agent J&amp;L Ltd, which operates as a grocery agency in the Finnish grocery market. The target area of this thesis is Nuijamaa, located close to Russian border. The client company already has some operations in the target area, and is now considering its expansion alternatives at this specific area. The purpose of this thesis was to provide client company Food Agent J&amp;L Ltd with up-to-date information about Nuijamaa, and help the company with their decision making process.</p> <p>The theoretical frame work consists of three parts, which are a macro environment analysis, a market survey and a business review. The macro environmental analysis and the market survey were executed in the implementation phase, the macro environmental analysis using a PESTEL analysis and a geographical analysis. The market survey was executed as qualitative research with email interviews and already existing documents as data collection methods. The results are presented in their own section. The rest of this thesis is made up of conclusions, where author discusses some of her own thoughts and also ethical issues.</p>			
Keywords			
agency business, border crossing, business review, geographical analysis, grocery market, qualitative research, market review, macro environment analysis, market survey, Nuijamaa, PESTEL analysis			

## CONTENTS

1	INTRODUCTION .....	4
2	MACRO ENVIRONMENT ANALYSIS.....	6
	2.1 PESTEL analysis.....	6
	2.2 Geographical analysis.....	8
3	MARKET SURVEY .....	9
4	BUSINESS REVIEW.....	11
	4.1 Finnish grocery market.....	11
	4.2 Food Agent J&L Ltd.....	13
	4.3 Agency business .....	14
5	IMPLEMENTATION.....	17
	5.1 PESTEL analysis implementation.....	17
	5.2 Geographical analysis implementation.....	19
	5.3 Market survey implementation .....	21
6	RESULTS.....	25
	6.1 PESTEL analysis results .....	25
	6.2 Geographical analysis results .....	25
	6.3 Market survey results .....	26
7	CONCLUSIONS .....	31
	REFERENCES .....	33

## 1 INTRODUCTION

This thesis is a market review executed for the client company Food Agent J&L Ltd, which operates as a grocery agency in Finnish grocery market. The target area of this review is Nuijamaa, which is located in Lappeenranta, Finland. Nuijamaa has a border crossing point between Finland and Russia, which creates international business opportunities. The border crossing traffic between Finland and Russia is increasing, which might offer new international business opportunities for companies operating at the area. Traveling and international trade have become common, because of globalization and technological change. National boundaries are about to lose their relative importance due to increase in economic activity. Cross-border trade is one way for a company to start internationalization, expand sales, and increase its turnover and profit.

The purpose of this thesis project is to help the client company Food Agent J&L Ltd to decide if Nuijamaa is favorable market area for their business intentions by executing a market review by increasing timely information about the target area's macro environment and contacting local experts with interview questions. The research work of this thesis is done by using qualitative research methods, with help of information based on already existing documents and interviews as data collection methods. The author chose this topic to help the author's family business with this personally interesting subject. The author's studies cover international business, so a market review concerning area with cross-border trade is a suitable subject for an international business student's bachelor thesis. The author is planning to continue her family's business by working for Food Agent J&L Ltd in the future.

Food Agent J&L Ltd is the client company of this thesis project. Food Agent J&L Ltd is an agency, which is a professional intermediary service, operating as a connection between companies and clients. Agencies can operate on any field as professionals of their own field. Food Agent J&L Ltd operates in the grocery field in Finland, and they already run some operations in the target area. Now they wish to learn more about this particular areas macro environment. The company is interested in doing international business because they have noticed growing international opportunities in Nuijamaa. They are aware that Nuijamaa has a border crossing point with a lot of Russian customers. The company would be interested in expanding their supply in the area if that is profitable. The reason for concentrating on this particular area is that the client company does not have enough resources to expand their operating area, so they are trying to develop their business on an already operational area.

A market review is executed with a macro environment analysis and a market survey. A market review is a way for companies to explore interesting market areas and their macro environment. It helps companies to decide if the certain area is suitable for a company's business intentions, and it gives knowledge for future decisions. A PESTEL analysis and a geographical analysis are macro environment analysis tools used in this thesis. The market survey of this thesis concentrates on the area's demand and supply situation, especially among Russian customers. The supply and demand of the area is examined with the help of email interviews as a data collection method.

The theoretical framework of this thesis concentrates on a macro environment analysis, a market survey, and a business review. Agency business is introduced in more detail in a business review. In a part concerning agency business, the client company J&L Food Agent Ltd is introduced. The implementation part has three sections: PESTEL analysis, geographical analysis, and market survey. Results are presented in its own part. The rest of the thesis consists of conclusions, which include the authors own thoughts and ethical issues.

## 2 MACRO ENVIRONMENT ANALYSIS

A macro environment is also known as an external environment. A PESTEL analysis and a geographical analysis are tools to explore the macro environment. Other research methods are used when studying the micro environment, which is also known as an internal environment. A micro environment is opposite to macro environment and it consists of influencing powers inside a company or an organization. The client company Food Agent J&L already has some operations at Nuijamaa. They wish to learn the areas macro environment better in order to decide if it is profitable to expand its business operations in the area.

The macro environment is explained as a “major external and uncontrollable factors that influence an organization’s decision-making, and affect its performance and strategies” (BusinessDictionary s.a). A macro environment cannot be controlled by a single company, but it is critical for company’s success to have knowledge of its macro environment. By this means operations can function smoothly and problem situations can be avoided. Many different factors have an influence on a macro environment. For example, market size, market development, price level, price level development, entrance costs, competitors, success criteria, general field industry, transport structure and development have the straight effect on markets macro environment. All the factors are not straight from a business field where the particular company is operating. Besides earlier mentioned factors also cultural, legal, political, social and environmental issues have a huge impact towards markets. These factors are examined better with PESTEL analysis, which is also used in this thesis. PESTEL analysis might be the most common way to examine a macro environment. All these factors have an influence towards purchase behaviour of customers and generally to the whole macro environment in many ways. (Oxford College of marketing s.a; Professional Academy s.a.)

Also, a geographical analysis is one tool to examine the macro environment, which is also executed in this thesis process to get more reliable results. The geographical analysis examines geographic features of an area. This study method can be used for many purposes, not only with business intentions. The geographical analysis is a great addition when investigating an area for business reasons because road network and public services have a great influence on certain areas business.

### 2.1 PESTEL analysis

PESTEL analysis is used when studying the company's macro environment. It's maybe the most common tool when executing market review. PESTEL letter combination is an abbreviation of political, economic, social, technological, environmental and legal. These six factors are under the magnifying glass when executing PESTEL analysis. PESTEL analysis is used to help companies with their decision-making process and to increase awareness and knowledge of the environment they are operating at. Because PESTEL analysis only concentrates on six different macro factors, also some other research methods is recommended getting more reliable results. In this case, author is using geographical analysis to support PESTEL analysis. (Professional Academy s.a.)

Political factors concern regional relations and political stability. Economic factors include for example national income, investment intensives, fiscal and monetary policy, foreign investment, current deficit, energy costs and unemployment. Social factors include socio-cultural factors which are lifestyles, level of education, age and gender division etc. Legal factors usually concern laws and juridical system. Environmental factors are about green issues, traffic and transportation infrastructure, public health and disaster management. Technological factors include old and new technological inventions, rates and changes. All these factors have a major influence towards the certain area. Usually, these factors somehow depend on each other. (Yuksel 2012, 56-57.)



IMAGE 1. PESTEL analysis (Professional academy s.a.)

PESTEL analysis is usually used for two different purposes. First, it helps companies to identify their operating environment. Second, it helps companies with situations and circumstances that might occur in the future with information and data that PESTEL analysis provides. Predicting the future and knowledge of PESTEL factors gives a competitive edge for companies. PESTEL factors also give a framework for all the business operations and decision-making process. A single company cannot effect PESTEL factors on its own, but they need to work under PESTEL factor's circumstances. (Yuksel 2012, 53; Laine 2013.)

## 2.2 Geographical analysis

Geographical analysis is executed when some particular area needs to be studied geographically. Area cropping can be due to an administrative or functional region. In this case, cropping is done due to the functional region, which is Nuijamaa. The analysis usually includes information about location, population, settlement, transport networks, a location of public services, natural environment, natural resources and living conditions. Usually maps, pictures, statistics, articles, literature, measurement results, and interviews serve as sources. Collected data will be analyzed. When demonstrating the results, maps, tables, and diagrams are often used. (Peda.net s.a.)

Geographical analysis is a great continuum for PESTEL analysis because PESTEL analysis does not cover geographical factors. Environmental factors of PESTEL analysis can be directive towards geographical analysis. Public services, living conditions, and population have an effect on area's business, so a geographical analysis is a good addition when studying a company's macro environment. In this case, it is interesting and worthwhile to execute geographical analysis because this market review concentrates on border crossing area of two different nations. Especially transport networks are important when studying border crossing.



### 3. MARKET SURVEY

To get more comprehensive and reliable results the author is executing market survey besides macro environment analysis. Purpose of the market survey is to figure out Russian customer's supply and demand situation at Nuijamaa. The aim of this market survey is to figure out Russian market size in the area and their purchase behaviour. This would help the client company to figure out areas profitability possibilities and expansion alternatives.

A market survey is meant to help organizations and companies to develop their business intentions. "Companies may purchase research to reduce risks in the company or personal level" (Tolvanen 2012, 57). A purpose is to figure out market size, potential customers, competitive situation, pricing, suppliers and potential co-workers. A market survey can be done once, in periods, or it can be continuous. In this thesis, the survey is executed only once. There are many firms offering market surveys nowadays. If a company or an organization decides to execute a market survey themselves, they will learn a market area better. "After all the most important thing is that researcher can offer a view of what client should do" (Tolvanen 2012, 58). (Laine 2013.)

A market survey can be quantitative, qualitative, or a mix of both. A quantitative survey is usually directed to a large number of respondents with a set of structured questions. Answers are usually statistics. A qualitative survey is observing and analyzing what people do and say. Mixed methods are a mix of both earlier mentioned methods by selecting the best qualities from both and using them. Collection of data in both can be executed either by a person or a computer. A person collects data face to face or via telephone. Advantages are immediate feedback, quality control, and adaptability. A computer-assisted survey means that data collection happens with a computer, for example, interview questions answered via computer. Today research data collection has become much easier due to the internet, which offers general data collection, easy access to contact information's and base to spread the survey. It has also fastened the process, decreased errors and made data capturing easier. With such a large information supply that the internet offers researchers need to keep an eye on target groups cropping. (Immonen 2005, 23; Burns 2017.)

There are many possible pitfalls during a market survey process which researcher needs to pay attention to. "A traditional mistake is too superficial research work" (Tolvanen 2012, 56). If research aim is figuring out target group's real motives and to estimate business potential, good planning and implementation are required. Planning stage should always

be executed carefully and patiently. A good researcher relates to every part of their research work with passion. (Tolvanen 2012.)

The first part of a market survey process is establishing a need for a market survey. A company needs to decide whether to execute a market survey or not. Timing needs to be right and costs in balance. A company can execute a market survey its self if there is enough time, knowledge and resources, which helps companies to learn an operative market better. If a company decides to purchase a finished market survey from another company, it requires capital. In this case, the author is executing survey for free because it is part of author's studies. In the second part, a problem or a need needs to be defined. Noticing and recognizing problems is an important skill for companies' management teams to prevent problems. A background of a problem needs to be studied well in order to understand it. The third part following is a design of the research, in order to decide which research methods will be used during a process. A research can be qualitative or quantitative, which solves a study method. There are many possible methods available in both qualitative and quantitative research (Burns 2017, 69-73.)

After the research method is chosen a sample plan and size needs to be decided. "A sample is the subset of the population" (Burns 2017, 73). The sample should be large enough to get reliable results which can be generalized. In turn, a too wide sample might lose the cropping of the research. In this case, the sample is very clear. Cropping is executed by the geographical area with four markets with three different merchants. Interview from all of the merchants is vital to get as reliable results as possible. Still, the sample is risky because of a low amount of merchants. The author is also using border authorities' interview and existing documents as a support. After decision making and planning, objectives are starting to look clear, so implementation phase follows. This is the part where data collection methods are being used and data is collected. In the final part, data is analyzed and the results reported. There are many different ways to analyze data, which depends on study method. When analyzing and reporting the researcher should be critical towards research work, whether given answers are reliable. (Burns 2017, 73-74.)

## 4. BUSINESS REVIEW

### 4.1 Grocery market in Finland

Grocery market employees 300 000 people in Finland. Market function effectively, which ranks Finland high in an international comparison. Finland is part of the global grocery market, which means that Finland has a need to keep up in an international competition. Grocery markets main tasks are answering to customer needs with wide selection, maintaining effective service chain trough whole country, development of efficiency and production, taking care of safety issues in the field, supervising the age limits with alcohol and cigarette products, ensuring maintenance and distribution network, ensuring free competition, ensuring employment and taking care of the environment during the actions. Chaining and concentrating on logistics and acquisition are typical. In 2015 value for Finnish grocery market was 16. 6 milliard euros. 80 % of the sales come from groceries, and the rest 20% comes from a techno chemical products. As we can notice from the table below, Finnish grocery market is a large market concerning the whole nation. Sales per resident are estimated to be 3000 euros, and there are 1367 residences per one grocery market. That makes 4 101 000 € sales per one grocery market. In 2016 Finland already had over 4000 grocery markets, as the Table 2 shown below. (Päivittäistavara-ry 2016, 5-7.)

TABLE 1. Grocery sales 2015 16. 6 milliard euros. (Nielsen myymälärekisteri, \*Tilastokeskus 2015.)

Development of sales value	-0.7%
Development of sales volume	0.4%
Sales per resident	3 000 €
Grocery sales €/house (house amount year 2014*)	6 286 €
Amount of markets	3 090
Special markets/market halls/direct sales halls	914
Grocery sales area	2.2 million square meters
Average sales/square	7 300 €/square meter
Residence/grocery market	1 367
Source	Nielsen myymälärekisteri, *Tilastokeskus

TABLE 2. Amount and type of the markets 2015. (Nielsen myymälärekisteri 2015.)

Type of market	Sales area/definition	Total 1.1.2016
Hypermarkets	Citymarket, Prisma, Minimani	150
Department stores	> 1000 square meters	112
Supermarkets, big	> 1000 square meters	633
Supermarkets, small	400-999 square meters	394
Supermarkets, big	200-399 square meters	1043
Supermarkets, small	100-199 square meters	370
Small shops	< 100 square meters	388
Special markets		880
Market halls/Direct sales halls		34
<b>TOTAL</b>		<b>4004</b>
Sales cars and boats		14
Finished		297
		Source: Nielsen myymälärekisteri

The market is facing some troubles since recession shakes Finland. The general economic situation has decreased purchasing power and consumer reliability, as the Table 1 demonstrates above. Also, Figure 1 below points that shopping basket development has turned to decline between the years 2012-2013. Sales development is not growing as hoped, and it has been even on a minus as in Table 1. Finnish grocery market is strictly supervised and there are many laws and restrictions concerning this particular field. Grocery market hopes that government regulations will lighten. (Päivittäistavarakauppa ry 2016, 3-4.)

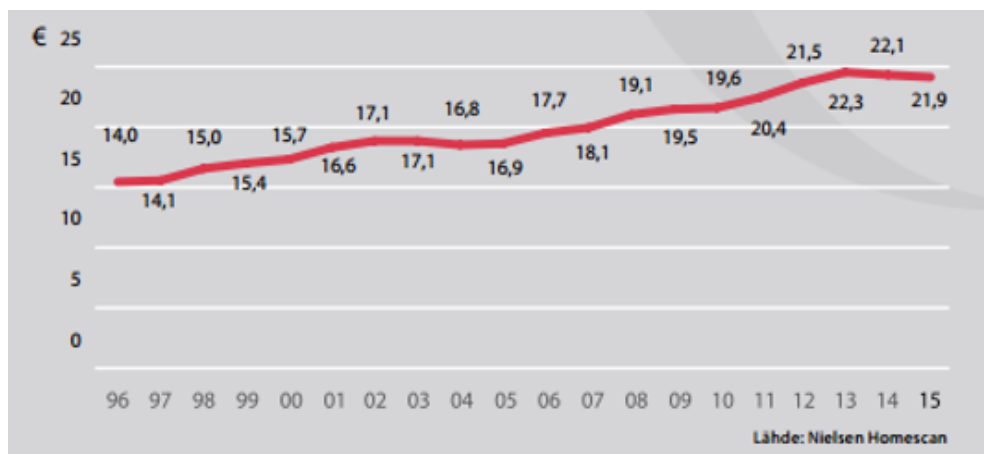


FIGURE 1. Development of shopping basket between the years 1996-2015. (Nielsen Homescan 2015.)

Current trends in the market are responsible actions towards the environment and increased interest towards local food. Markets have started active reduction towards food wastage. In this case, keys for success are good sales control, electric prediction and ordering systems, efficiency logistics, vacant opening hours and professional employees. Product prices are usually decreased with sale tags when validity dates are getting closer. Unsold goods are given to charity, but safety is not forgotten even when food is given to charity. Food service wholesalers and other local companies have increased their interest towards grocery markets, and they wish to increase their supply. Developing the value of a local food chain – project by Brahea center from the University of Turku with co-operation with Päivittäistavarakauppa ry, Food service wholesalers, MTK ry and other provincial developers of the field are trying to develop local food supply and co-operation between companies. The project is executed during 2016-2017. The funding of the project comes from the agricultural and forestry ministry. (Päivittäistavarakauppa ry 2016, 5-9.)

#### 4.2 Food Agent J&L Ltd

The client company of this thesis is Food Agent J&L Ltd, which is a small family business from Kuopio. The company has operations all over Finland. It has operated on grocery field as an agency since 2006. The company is run by one man, owner Jouni Lipponen, who has over 20 years' experience in Finnish grocery market. The company is a pure agency, which means that it operates as a connection between companies and retailers. Food Agent J&L Ltd does only business to business trade. The company's represented products are for example prepared food such as candies, cookies, canned and frozen foods. Food Agent J&L Ltd represents several different brands. Under these brands lays different products and smaller brands. Here is the list of brands Food Agent J&L Ltd is representing:

- Elonen Ltd
- Herkkumaa Ltd
- Keski Ltb Ab
- Kouvolan lakritsi Ltd
- Malviala Ltd
- RH Foods
- Suomen Tukkuera Ltd
- Synnove Finden A/S (Lipponen 2017.)

At the beginning, the company concentrated only on national products. In 2012 company started co-operation with Suomen Tukkerä, which led to international operations and growth in turnover, as we can see from the Figure 2 below. Company's turnover was 1 703 000 € (+13%) in 2015. The most of the company's turnover (70%) comes from imported goods, which are mainly from EU countries. It is due to tax policies. The company gets plenty requests and contacts from the European market. (Lipponen 2017.)

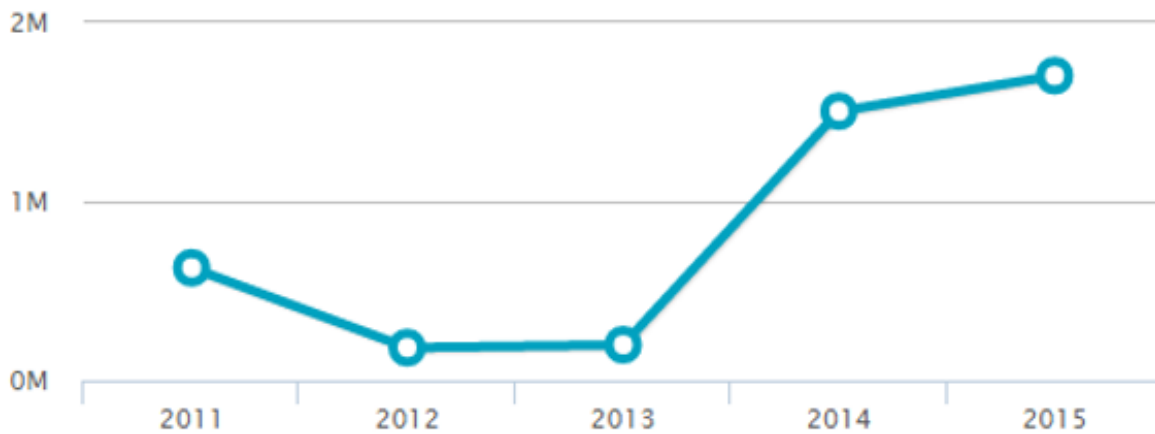


FIGURE 2. Turnover of Food Agent J&L Ltd 2011-2015 (Asiakastieto s.a.)

#### 4.3 Agency business

An agent is a seller and a marketer for the other company's productized product or service. There are many different fields where agents can operate, and they are always professionals on their own field. Good communication and marketing skills are necessary for an agent. For companies, agent offers new business opportunities, new business areas, knowledge, and professionalism. In clients view agent offer cost efficiency and versatile skills. Generally, agent acts as a center of the hub, as agent connects businesses with a client. All the communication goes via an agent, not straight between company and client. For example, offers, orders, order confirmations and invoices all go through agency operations. Usually, shipping is the only thing which goes straight from company to client. (Immonen 2005, 42; Moberg 2014, 6.)

Agencies clients can be either companies or customers. The client company's customers are "b2b", which is the abbreviation for business to business sales. "B2b" – means that you are selling a product or service to other businesses" (Sundheim s.a). Opposite for b2b business is better known "b2c", which is the abbreviation for business to consumer sales. "Business to consumer (B2C) is business or transactions conducted directly between a company and consumers who are the end-users of its products or

services” (Investopedia s.a). Clients in the b2b case on grocery field are usually grocery stores, like K- and S-markets in Finland.

For co-operative companies, an agent is a company representative or a business card. Agency business is generalizing as companies these days hire agents more often. It is a good way to minimize risks when volumes are small or own sales representatives aren't wanted. Agency operations are the fast and easy way for many companies. An agent can have many co-operative companies like Lipponen has. Co-operative companies are a stone rock of the whole agency business because they employ agents. An agent also needs a product or service to represent. Intermediary actions depend a lot on a co-operative company's businesses well-being and development. Profitable business and successful projects are routes to agency's income. Co-operative companies pay for agencies of their work. Short-term projects are generally commission paid, but long-term projects might be executed with a fixed salary. In most cases, salary payment is something in between these two. Every project has its own nature, and salary agreement is unique in every case. So there is no standard payment system in the agency business. The most important thing is that co-operative company is always up to date with project process and communication between an agent and a co-operative company is easy. (Immonen 2005; Moberg 2014, 34, 50-51.)

Agent's daily job is balancing between three important parts: developing the old, maintenance of the old and creating the new. Developing the old means evaluating and developing agents own business and ongoing projects. It is favorable to take co-operative companies and clients into developing discussions. It is always more expensive to get new customers, than maintaining the old ones. The world is going through constant change, so it is also favorable to create the new. Creating the new might be new co-operative companies or clients, or new modes of operation. Different events and fairs are good opportunities to meet new potential co-operative companies or clients. (Moberg 2014, 40-42.)

The author interviewed Lipponen about his work. An agency itself is an independent company, so Lipponen does not have any superiors. Agencies co-operate with other companies when companies purchase agency services from an agent. Agencies income comes from these co-operative companies when they purchase agencies services. Lipponen from the client company pays himself mileage and daily compensation, when working outside of Kuopio, and visits his co-operative companies and clients often to keep his business active. Their operating area is very wide, so work requires a lot of traveling. Lipponen from the client company spends estimated 4 days per week on the road, as he

visits clients, and keeps in touch with co-operative companies. Lot of work happens via a phone and email. Answering the phone and emails are a daily task. Sometimes Lipponen gets opportunities to visit co-operative companies' factories or grocery fairs. For example, Lipponen visited international grocery fair at Amsterdam, Netherlands in the May 2017. (Lipponen 2017.)

An agent is one way for companies to start their internationalization process. It is usually safer, faster and cheaper for a co-operative company because the agent is a pro on its own field and so has the market knowledge. When using agency services companies do not need to execute market research or build connections themselves. The downside is that companies do not get market knowledge themselves, and only connection to market is via an agent. Competition on international markets is intense because supply is growing. An agent needs to know products or service and organizational nature well to represent it in a proper way to rise buyer's interest. Also, agent's sales and communication skills are an important part of a process. Cultural behavior differences are important to take into consideration. Differences can occur in phone conversations, letters, emails and generally in all the communication. Different manners and behavior models may occur. That is why an agent is favorable when doing international business because the agent has knowledge of the target cultures business etiquette. (Immonen 2005, 73-77; Moberg 2014, 56.)



## 5. IMPLEMENTATION

In the implementation part the author executes a macro environment analysis using PESTEL- and geographical analysis. Also, a market survey is executed to get more reliable results. The market survey is executed as qualitative research. All the provided information is collected from interviews and already existing documents.

### 5.1 PESTEL analysis implementation

Political factors include government policy, political stability, policies, laws, and restrictions. Companies require operating under political factors. Stable political environment attracts Russians to Finland. Nuijamaa belongs to Finland, which means that the target area operates under the Finnish law. Russian and other foreign visitors and customers need to follow Finnish laws when visiting Finland. Finland is a parliamentary democracy, with the multiparty system. Political and legal factors depend a lot on each other because usually politicians and parliament decide and create the laws. Legal factors include different rights, laws and safety issues. Finnish laws and regulations are based on Finnish Constitution, which also gives directions to political issues. Sales law of Finland is used when practicing trade between individuals or companies. It was made in 1987 and it contains 17 chapters and 83 law sections. (Saukkonen 2003; Vehviläinen 2013, Professional Academy s.a.)

At the moment travel visa is required between Finland and Russia. To get the visa passport, picture, visa-application and insurance certificate are required. Acquisition of visa is payable. Payment sum and validity depend on visa type. Due to globalization, many countries have given up visa requirements especially after the Cold war. In some countries, even passport is not required anymore. Unfortunately, the border between Finland and Russia is not yet visa-free. This matter is more between Russia and EU than Russia and Finland. Visa-freedom between Finland and Russia might happen in the future. The subject has raised a lot of conversations but also criticism. Visa-freedom would increase traffic between Finland and Russia adding more jobs and increasing business opportunities. (Rahkonen 2016.)

There are some restrictions concerning grocery traveling between Finland and Russia. In 2014 Russians did some strict supervision changes with groceries passing the border. Especially weight and packaging of the products became under the supervision. Groceries may not be resold. If the rules are ignored, groceries over weighted or forbidden, groceries will be taken away by Russian border authorities. Border authorities are even able to give

finer if rules are not followed. This change of restrictions could increase the phenomenon called “kilo girls”, which means Russians take extra passengers to the grocery shopping trips to carry more groceries over the border. Weight restrictions are measured kilos per person. (Mehtonen 2014; Paananen 2014.)

Economic factors indicate how people use their income. Economic growth, interest rates, exchange rates, inflation and income levels are economic factors which have a huge impact on a consumer behavior. Living population of Nuijamaa consists of Finnish people, but 1.4 million Russians visit Lappeenranta yearly. “Russian purchasing power is very noticeable as they spend 111 euros on average per day trip, according to the Border Interview Survey by Statistics Finland and the Finnish Tourist Board.” (Rahman 2012, Lappeenranta). Growth in Russians visits and their noticeable purchasing power is explained by ruble status strengthening compared to euro. Between the years 2012-2015 exports from Finland to Russia declined about 44% present because of decline in oil price. Now ruble status has finally started to strengthen again. (Rahman 2012; Berg-Andersson 2016; Majjala 2017, Professional Academy s.a.)

Social factors, for example, age distribution, population growth, and health consciousness reflect target market areas cultural factors. Nuijamaa is the meeting point of two different cultures. The place has a long history as a border crossing city and a channel location. Finnish people are highly educated and aware of health issues compared to the rest of the world. The population of Lappeenranta is 72 875 (31.12.2015) and it is the thirteen biggest city in Finland. Age distribution of Lappeenranta is quite even, most population is aged between 25-44 years which is 28% of the whole Lappeenranta’s population. (Fennica s.a; Lappeenranta s.a; Professional Academy s.a.)

Russian people are very interested in Finnish high technology. The world is going through continuous change, and new inventions are developed all the time. Companies need to be aware and keep up with a technological change. New ways to produce, distribute and communicate are discovered continuously. Since there has been rapid growth in traffic at Nuijamaa station, the road needs to be renovated soon. The road from Vyborg to Finnish border was built in 1960’s and it was never meant for international logistics. Now, this particular road is used exactly for international logistics. “The road is narrow and curvy, and thus the speed limit is set either at 60 or 40 km an hour on it. Quality requirements for the traffic routes must be such that the increased traffic will pose no risk to the safety of people crossing the border.” (Rahman 2012). There have already been several accidents on this particular road. There has been talking about a new road between Vyborg and Nuijamaa since 1990, but finally, in 2016, Northern Dimension Fund has

granted 200 000 euros to plan the road. The term of this particular project is that Russia will participate equally, which has slowed down the process. Etelä-Saimaa newspaper reported on 12.3.2017 that the project has finally seen some light since some cooperative parties from Russia have been found. Costs for building the new road has been estimated up to 50 million euros. Road building process affects both technological and environmental matters. (Rahman 2012, Lappeenranta s.a; Vehviläinen 2013; Sarkiola 2016; Leskinen 2017; Professional Academy s.a.)

At the modern world, people should keep environmental issues in mind because sometimes technological development might be harmful towards the environment. Consumers these days are more concerned and interested in environmental issues, and companies should be aware of that. Companies should also operate in such a way that they do not harm the environment. In Finland environment is beautiful and climate is clean which attracts tourists. Foreigners are interested in Finnish nature and its four seasons. Especially ski resorts like Ruka, Ylläs and Levi attract foreign tourists. About every fifth cottage reservation in these ski resorts comes from Russia, and about 70% of foreign reservations are Russian. Russian tourists are the important income source for these ski resorts. Russians favour Finland as a travel destination because of nature and safety. Close location is one of the reasons why Russians travel to Finland. (Rantapallo 2013; Vehviläinen 2013, Professional Academy s.a.)

## 5.2 Geographical analysis implementation

“Close location to Russia has always been the foregone conclusion for people of Nuijamaa. Traveling to the Eastern neighbor has never been behind the doorstep. Sometimes, it has been even more natural to travel to St. Petersburg than somewhere in Finland” (Yle 2011). Nuijamaa is located right next to the border of Finland and Russia in the southeast part of Finland. Location of Nuijamaa is demonstrated in pictures 2 and 3 below. Nuijamaa is part of South-Karjala province and the city of Lappeenranta. Vyborg is the closest city to Nuijamaa in Russia. Nuijamaa is 215 kilometers from Helsinki, the capital city of Finland. Nuijamaa is located in between two big cities, Helsinki, Finland and St. Petersburg, Russia. GMT time in Nuijamaa is +2 hours. (TipTopGlobe.com s.a.)

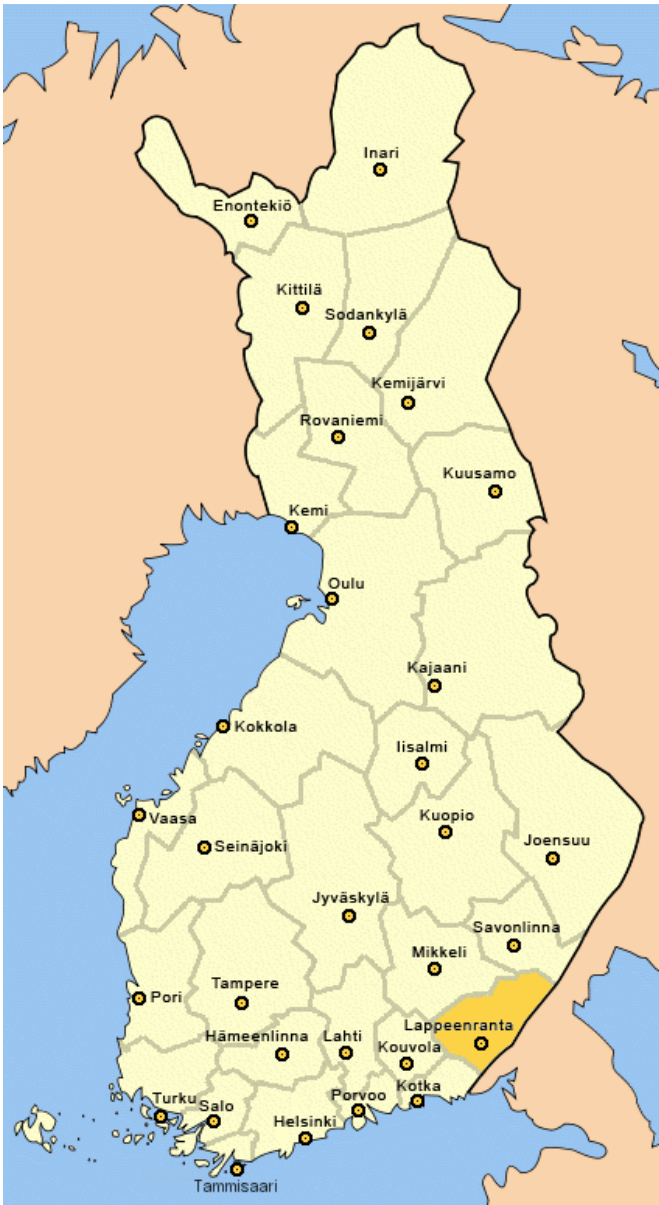


IMAGE 2. Lappeenranta location on Finland's map (Webinfo.fi s.a.)



IMAGE 3. Nuijamaa border crossing point in Lappeenranta (Väisänen 2017.)

Nuijamaa has many public services of its own. All the essential services like school, library, church, service home, fire station, border crossing station and customs, sports services and beach are located in the area. The picture below shows the location of public services. (Lappeenrannan kaupunki s.a.)

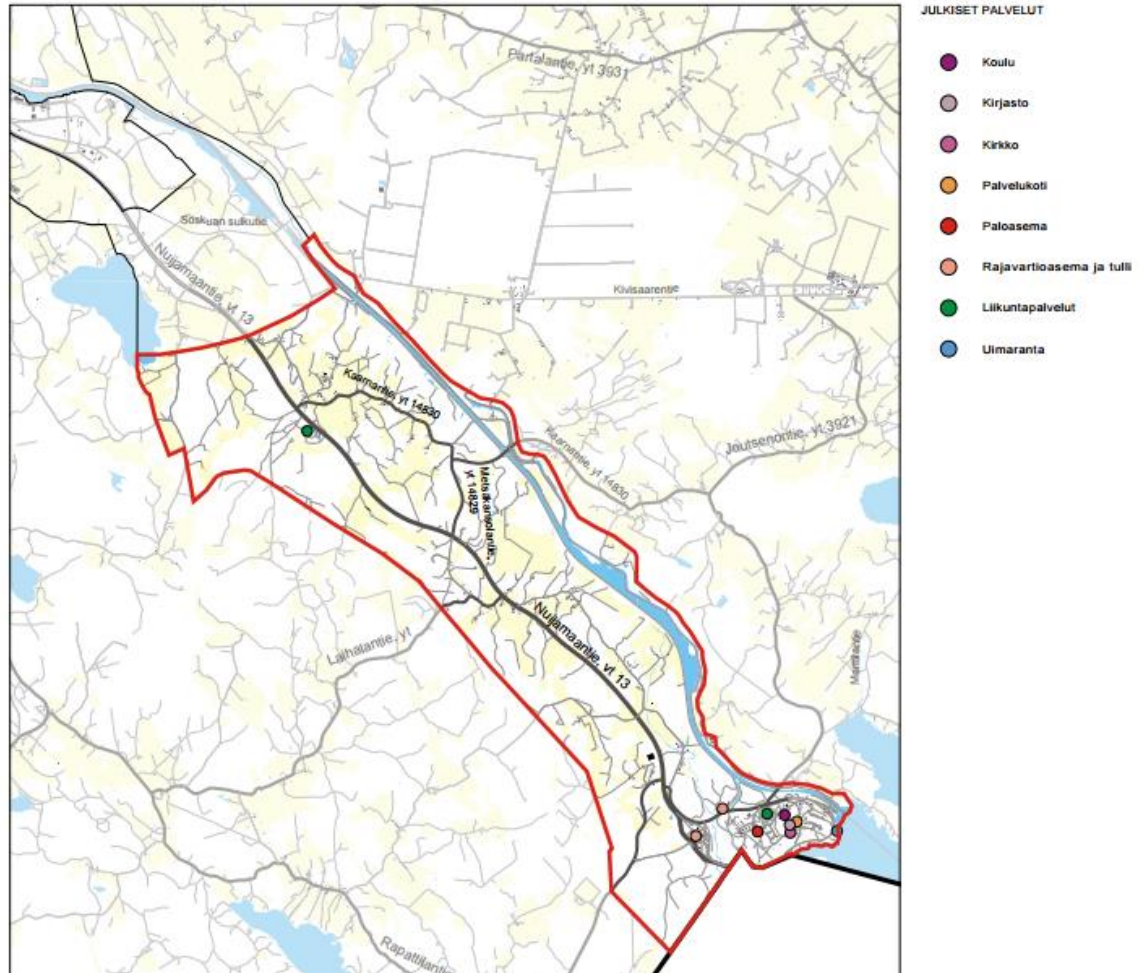


IMAGE 4. Location of public services at Nuijamaa. (Lappeenrannan kaupunki s.a.)

### 5.3 Market survey implementation

The market survey is executed to support macro environment analysis which includes PESTEL- and geographical analysis results. The author is using qualitative research methods because she is dealing with a small sample, and she was interested to execute interviews. The data is collected from already existing documents and email interviews directed to the local merchants and border authorities. Interview questions are concerning Russian market size, purchase behaviour, demand, and supply situation at the Nuijamaa area. The author was able to found great information supply concerning this particular case, which helped both theoretical framework investigation and data collection for research.

“Qualitative research gets close to an individual, at its best a lot deeper than human speaking and other expressions to needs, like values and motives. The most common mistake in qualitative research is superficiality” (Tolvanen 2012, 32). A qualitative survey is usually done with interviews and discussions. These can be executed face to face, via telephone, or for example Skype. This is the inexpensive and fast way to collect data. An outcome is usually verbal and descriptive. A sample must be small. Survey questions are usually “how” and “why.” Discussion can get very profound within enough time. Qualitative research can be considered to be understandable research, where all the numbers and statistics have been left outside. The aim of qualitative research is to explain and give understanding. A theoretical frame is a necessary part of qualitative research, which gives the base for whole research work. There are many different methods and traditions which some of them dates back to the ancient history. This particular qualitative research work is called soft research, where interviews are empirically soft. (Sarajärvi & Tuomi 2009; Tolvanen 2012, 47-48)

“In quantitative research, a crowd is research object, a purpose is to bring firmness and at its best to predict the future” (Tolvanen 2012, 32). Opposite of qualitative research is quantitative research. Purpose of quantitative research is to receive statistics, which means the outcome is usually numbers. Often used data gathering method is research form. Planning a functional research form is vital to its success. There should not be too many or too hard questions in a form. The form can be sent via e-mail, mail or sometimes to be fulfilled in waiting halls. Research form is not the fastest way to get results. The sample must be large to get reliable answers. “How much” is a usual quantitative question. At the best outcome, quantitative research helps in simulating and finding a correlation. (Tolvanen 2012, 32; Laine 2013.)

Qualitative data collection methods, which are interviews, questioners, perception, and information based on documents can be used in parallel or in combinations depending on methods and research problem. In this case, the author is using the combination of information based on documents as a theoretical framework and interview questions to collect new data. “Idea of an interview is very simple. When we need to know what people think, it is wise to ask him or herself” (Sarajärvi & Tuomi 2009, 72). Interviews are very flexible, because interviewer may ask a question twice, correct misunderstandings, and communicate evenly. Questions can be presented in whatever order, and passage of conversation can shape during the interview. An interview can be very casual and soft way to collect information. Often the interviewee can feel this kind of conversation safe when he or she can answer the questions more widely. Perceptions become a part of the

interview because interviewer has changed to observe the target at the same time. (Sarajärvi & Tuomi 2009, 71-75.)

As an example, Swedish furniture brand Ikea uses qualitative research to develop new market areas. Ikea does observational research, where cameras are set inside people's homes. The aim is to observe the usage of the furniture. Also, Ikea's workers visit people at their homes to examine people's satisfaction with their furniture. In addition, Ikea has purchased the house from Malmö, Sweden to invite families to live in a house with their furniture for a couple of weeks. (Burns 2017, 145.)

A content analysis follows after data collection. Comprehensive information supply is often noticed during data collection. This is where researcher needs to delimit topic area and decide where to concentrate. The sample should not be too wide, but still comprehensive. When collecting data from information based documents, information is usually already analyzed in some way. A researcher needs to find information which is important for his or her research work. This requires deep orientation to information based documents. When analyzing interviews, recorded interviews should be listened again and written down. It is easier to orient to interviews content in written form. A researcher should look for reduced expressions from interviews, and look for similarities and differences in them. They should be classified into upper and lower classes. (Sarajärvi & Tuomi 2009, 107-109.)

There are not any unambiguous instructions when measuring the reliability of research work. In most cases, researchers own background reflects the research work somehow. Reliability can be measured somehow with credibility, transferability, dependability, and confirmability. Data collection methods should be right for particular use, and data should be analyzed with care. Reliability of sources is important, whether is about information based on documents or interview results. (Sarajärvi & Tuomi, 138-139.)

Nuijamaa has four markets which were asked interview from. Rajamarket (Vaalimon Kauppakartano Ltd) is Finnish wholesaler established in 1997. They have six markets in southeast Finland, and two of them are located in Lappeenranta. Rajamarket sells textiles and car supplements besides groceries and techno chemical products. Disas Caviar Ltd is specialized in Finnish high-quality fish products. Their products are produced by Kuusisen Kala Ltd. Rainbow trout roe is their special product. Disas Caviar Ltd has four markets located in southeast Finland, and one of them is located at Nuijamaa. Laplandia Market (Atma Trade Ltd) is located near to the Finnish-Russian border. They have been

operating since 2003, offering groceries and textiles. They are specialized in fish products and Levante -olive oils. (Disas fish s.a; Laplandia market s.a; Rajamarket s.a.)

As a wish from the client company the author decided to concentrate on Russian customer's market size, purchase behavior, supply and demand situation of the target area. Short questions were created with ethical rights in mind. The following interview questions were directed to area's merchants:

- How many Russians visit your store annually?
- Which are the special visit peaks during the year, for example during some holiday seasons?
- Which products are Russians usually interested to purchase?
- What kind of grocery supply you already have?
- What kind of grocery demand you have?

Approach process towards merchants happened via Lipponen from Food Agent J&L Ltd. Emails via Lipponen from Food Agent J&L Ltd was sent to the merchants, where the particular process was explained shortly and permission for short phone interviews was asked. These email requests were sent 26.4.2017. Shortly after sending requests one of the merchants asked if they could answer via email, because of busy schedules. The request had to be accepted, so the interview questions were sent to the merchants via Lipponen from the client company. Planned phone interviews turned to the email surveys. "A mail survey is one in which the questions are emailed to prospective respondents who are asked to fill them out and return them to the researcher by email" (Burns 2017, 192). The first and only answer arrived 11.5.2017. One of the merchants did not want to give answers to a public, and the other one never answered to the email. Non-response is one of the disadvantages of email survey. In this unwanted situation after only receiving one answer new approach modes needed to be found. Data from already existing documents gained a greater role in this research.

Shortly after weak answer percentage from merchants the author came up with the idea to interview border authorities. On 14.4.2017 email was sent to the Nuijamaa border authorities explaining process shortly and asking for some border crossing numbers. After couple of the focusable emails answers concerning arrival and departing traffic numbers of Nuijamaa border crossing point from the years 2010-2016 were received on 20.4.2017



## 6. RESULTS

### 6.1 PESTEL analysis results

PESTEL analysis gave comprehensive information about Nuijamaa's macro environment. Seems like especially ruble status, visa requirements, trade and custom laws, restrictions between Finland and Russia, and the possible new road between Vyborg and Nuijamaa have a huge effect towards areas business. Beginning of 2017 seems generally bright for area's business, mainly because of increase in ruble status. Finnish Russian Chamber of Commerce (SVKK) executed barometer, which exposes that two from third companies believes that their business is going on an upswing in the near months. 300 companies took part in this particular survey. The economic outlook in Russia seems bright, which is also beneficial for Finland because of better Russian purchasing power. (SVKK 2017.)

If visa requirements will be removed and the new road will be built, areas business would bloom. That would turn employment and turnover into an upswing since traffic will be estimated to increase in the target area. Unfortunately, this is not sure yet because there have not been any agreements on these particular issues. Removal of visa requirements has only raised conversations, but the building of the new road has been taken into consideration for real. Only future will show what will happen, and meanwhile, any decision should not be based on assumptions. (SVKK 2017.)

PESTEL analysis raised up external forces in which the client company should pay attention to when operating in the area. Most of the results were positive from the client company's point of view, and encouraging towards international business operations. Especially economic, social and technological factors seem positive. Some political and legal factors might be restrictive towards business activities at the target area.

### 6.2 Geographical analysis results

Geographical analysis is the continuum for PESTEL analysis, especially because geographical factors are not part of PESTEL analysis. Alone geographical analysis is not comprehensive enough. Geographical analysis demonstrated the location of Nuijamaa and the most important public services locations. Geographical location of Nuijamaa is acceptable for doing international business. Location is right next to the Finnish and Russian border. Nuijamaa is also located between two big business cities Helsinki and St. Petersburg. All the necessary public services are located nearby at Nuijamaa. Also, the

whole area is not too wide, which makes it easily manageable. Road network could be better.

### 6.3 Market survey results

The market survey was executed as qualitative research with interviews and already existing documents as a source of data. Interviews were sent to the target area's merchants via email. Unfortunately the author received only one answer from merchants. Since the number of area's merchants is already low denying answers lower the reliability of the survey noticeably. Fortunately the author came up with the idea to execute an email interview with border authorities, which gave us interesting border crossing numbers. Data from already existing documents gained a greater role during market survey implementation.

Finland is number one travel destination for Russians. Visits are generally short, only 2-3 days. The most important traveler segments are middle-class families, young educated people, and extremely rich people. Russian traveling to Finland is growing and in 2013 over 5 million trips were done to Finland from Russia. Ruling duration of the trip is one day. 70% of the trips from Russia to Finland are shopping trips. Russians are willing to spend their money, especially on brand products In 2013 Russians left 1.5 milliard euros in Finland. As we can see from the figures below purpose for over the half of the trips from Russia to Finland is shopping. Another important purpose is leisure. 66% of the travel budget is used to shopping and food. In 2015 average Russian uses 174 euros per trip in Finland and 82 euros per day. (Owalgrouop 2015; Visit Finland 2015.)

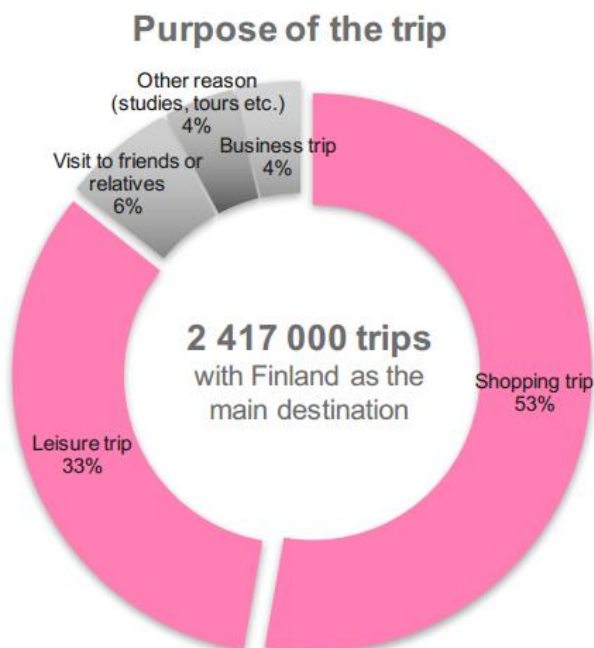


FIGURE 1. Purpose of the trip. (Visit Finland 2015.)

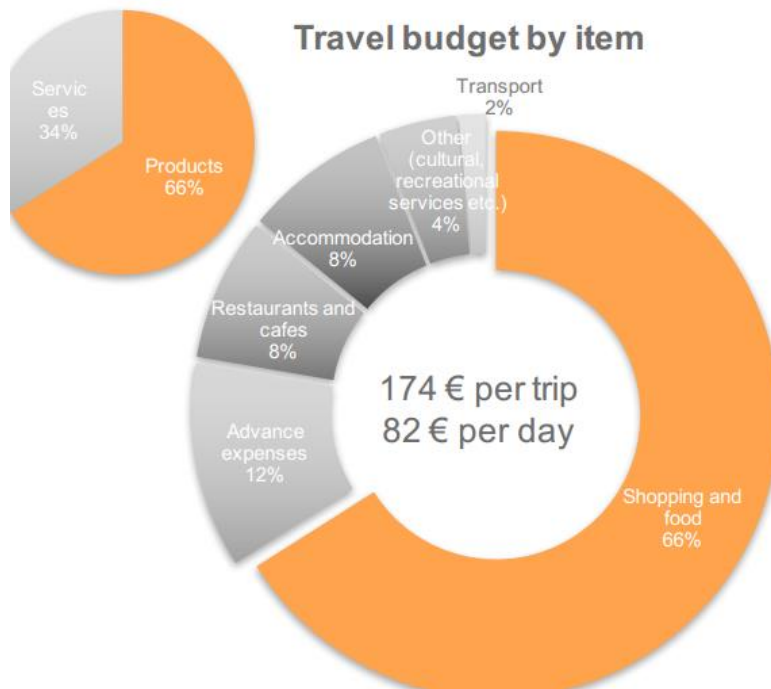


FIGURE 2. Travel budget. (Visit Finland 2015.)

Two million people visit Lappeenranta yearly, and 1.4 million visitors are Russians. Their visiting seems to be growing fast. Russians have a great purchasing power. “Laplandia-Market, for example, a large supermarket located in Lappeenranta near the Nuijamaa border crossing between Finland and Russia, has increased its’ turnover from around EUR 13 million to more than EUR 33 million in just a few years. Laplandia's profits have also more than doubled, according to its managing director Mohamed Darwich” (Rahman 2012).

January, August, and July are the most visited months in Finland by Russian visitors. Most of the overnight visits happen in Lakeland, as we can see from the picture below. Overnight visit number there is 364 700, which is 47%. Nuijamaa is located in Lakeland area. Lakeland visits are quite even during the summer and winter. Nuijamaa is located in South Karelia, which is second most visited region after Uusimaa, where Finland’s capital city Helsinki is located. (Visit Finland 2015.)

Number of Russian overnights and share by destination area



IMAGE 5. A number of Russian overnights and share by destination area. (Visit Finland 2015.)

Holiday seasons increase sales in grocery stores. Russian holidays are usually long weekends. Russian families tend to travel together on holidays, also to Finland. Russians spent their summer holiday usually from July to August. Autumn holiday from schools is usually either the last week of October or the first week of November. Spring break is either in the last week of March or the first week of April. Russian national holidays are New Year (1-5.1), Christmas (7.1), Nation Defenders day as known as Men's day (23.2.), Women's day (8.3), Mayday (1.5), Victory day (9.5), National day (12.6) and the day of National Unity (4.11). It is important to be aware of these particular dates when doing international business with Russia. There are similarities with interview answers from one of the merchants, for example, they have noticed that Victory day effects on sales. (Malankin 2014.)

When Russians travel to Finland, they are interested in some especial groceries concerning their cultural behaviour. Russians appreciate Finnish berries, lake fishes, and some vegetables. Russians like to make their own jams, and cowberry is popular with Russians. Cloudberry is not appreciated. Whitefishes are more interesting than red ones, and lake fishes are preferred better than salmon. Beetroot and cabbage are popular vegetables among Russians. Porridge eating is usual in Russian culture, and porridges are eaten as a breakfast or meal additive. (MAMK s.a.)

Supply at the area's markets differs a little, because of product specialization. For example, one of the markets is specialized on fish products, and as we noticed from the email interview one of the markets does not have fruit or vegetable section available. This

is something to take into consideration if launching new products at the area's markets. Next following are the results received from company X via email:

- How many Russians visit your store annually?

1. 5-2 million

- Which are the special visit peaks during the year, for example during some holiday seasons?

January 1-10.1 / their holidays for example Victory day, and worker's day. Also Christmas and New Year.

- Which products are Russians usually interested to purchase?

- 1) Fish and caviar
- 2) Butter and cheeses (special cheeses)
- 3) Coffee, especially instant coffee and teas
- 4) Candies and cookies

- What kind of grocery supply you already have?

Everything else like in normal grocery store except we don't have fruit or vegetable supply

- What kind of grocery demand you have?

Butters, cheeses, fishes, natural not flavored pork meet

The aim of this process was to look for the similarities from merchants' answers and already existing data to make some generalizations. After poor amount of answers the process got more difficult. Some similarities were still able to recognize. Holidays and fish demand seem to be important to observe. Demand is at its highest during holiday seasons. They should be prepared early on. Campaigns could be recommended during the holiday season. Fish demand seems to be high and the client company should respond to that if possible.

Next presented are the results from the border authorities. There was also a lot of comprehensive and interesting information available online about border crossing at the target area "Opening of border crossing point between Finland and the Soviet Union in 1975 has been the significant event for Nuijamaa area. Border-crossing traffic has brought heavy traffic flow, but also more employment" (Yle 2011). These are the border crossing numbers received from Nuijamaa border authorities:

TABLE 3. Border crossing numbers at Nuijamaa station 2010-2016. (Nuijamaan Rajatarkastusasema Kaakkois-Suomen rajavartiosto 2017.)

<b>Year</b>	<b>Arriving traffic</b>	<b>Departing traffic</b>
<b>2010</b>	1 121 741	1 193 860
<b>2011</b>	1 533 859	1 619 737
<b>2012</b>	1 701 122	1 680 721
<b>2013</b>	1 939 269	1 738 580
<b>2014</b>	1 470 616	1 334 886
<b>2015</b>	1 136 011	1 104 665
<b>2016</b>	1 096 781	1 066 436

Numbers can be directive towards the number of Russian customers. Border crossing numbers gave some interesting results, which are clarified in Table 3 above. 2013 has been a peak year in both arrival – and outgoing traffic. Before that numbers have been rising. After the peak year, there has been some decrease in traffic. In 2012 traffic flow turned in such a way that arrival traffic increased compared to outgoing traffic. Before 2012 situation was vice versa.

In 2014 from all the border crossing points between Finland and Russia Nuijamaa has increased the most traffic. In between the years, 2010 and 2012 traffic increased 46%, as we can notice from the table above. In 2014 border crossing point of Nuijamaa carried 3300 vehicles daily. If the current rate growth stays, a number of Russian travelers are expected to triple. Research conducted by TAK Ltd estimates that would mean that in 2025 number of Russian travelers will reach 14 million. People are also more interested towards traveling to Northern Europe via Russia from Finland. In May 2017 Russian border crossing to Finland increased 58.3% at Nuijamaa and 402 000 border crossings have been recorded in the beginning of 2017. Simultaneously Finnish border crossing toward Russia has decreased 30%. Ruble status has strengthened which explains this phenomenon. (Rahman 2014; Majjala 2017.)

## 7. CONCLUSIONS

As this project has been executed it is time for some conclusions. A macro environment analysis together with a market survey created a market review. PESTEL analysis together with geographical analysis combined with market survey created a comprehensive overview of the target area's business. From my point of view based on all the provided data, I would prefer Nuijamaa as a place to practice international business on a small scale. I would encourage the client company to grow and develop their operations at this particular area, especially when the beginning of 2017 seems to be bright for the area's business. Fish seems to be a product that interest Russians, so maybe the company could consider taking fish products into their supply. If the visa requirements are removed one day, the area's business would face an upswing. That would make Nuijamaa a much-desired business base, and competition would increase. It would be a great advantage then to own already a functional business and the knowledge of the area.

The client company's wish was to increase information about Nuijamaa's business situation and opportunities. In my opinion, a macro environment analysis is very useful, as I was able to pay attention to important factors. PESTEL analysis was comprehensive and geographical analysis was supportive. Alone geographical analysis is narrow and not reliable enough. In a market survey implementation, I faced an unwanted situation when I only received only one answer from the merchants. This kind of unwanted situations should have been noticed in a planning stage better. Fortunately, I managed to compensate a lack of information from other sources. Information from already existing documents and border authorities' interview gained a greater role during the process which modified the original course of the study.

The subject was very interesting because of personal reasons. I had an opportunity to do my thesis for my family's business, which was pleasant. I also took an advance of my own international business studies during this process and realized that I was dealing with the same subjects that I have been studying at school. It was somehow very rewarding to notice the purpose of my studies in action. I had a great opportunity to see some international business operations and entrepreneurship closely. Earlier I used to think international business as huge and famous international organizations, but this process made me realize that international business can function on a very small scale. I learned that there are so many different international opportunities in this particular field. I learned many things which can help me in my future, as I wish to continue my family's business one day. I learned a lot about the area I studied, and I became very interested in border

crossing and all the opportunities that brings. It was also very vital to learn about agency operations and the field where this particular company is operating because of personal future plans. Of course, I also learned how to execute a survey and how to work on a thesis project. Besides I got to see entrepreneurship very closely and build some new contacts.

There were some ethical issues I had to take into consideration during my thesis process. This thesis dealt with two different nationalities, with different cultural backgrounds. I needed to keep equality in mind during the whole process and relate equally towards both countries. This is also something to be aware of in the future if I get to work in an international environment. Countries cultural backgrounds and behavioral models should be respected. Other ethical issue during this process concerned market survey questions. I had to think what kind of question would be appropriate to ask from interviewees. I also faced one ethical situation during this process when one of the merchants did not want to give information to the public. That was a very instructive experience, and I had to respect that decision. I had to publish interview answers from the merchants anonymously, to keep the companies privacy.



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