

Bikash Khadka & Sheriff Akande

MARKET ENTRY STRATEGY

CASE COMPANY- MAMTUS

MARKET ENTRY STRATEGY

CASE COMPANY- MAMTUS

Bikash Khadka & Sheriff Akande
Thesis
Term year 2017
International Business
Oulu University of Applied Sciences

ABSTRACT

Oulu University of Applied Sciences
"International Business", "DIB3SN"

Author(s): Bikash Khadka & Sheriff Akande
Title of Bachelor's thesis: Market entry strategy
Supervisor(s): Blomster Miikka
Term and year of completion: 2018

Number of pages: 61

MAMTUS is the case company of this Bachelor thesis. After the success in Nigerian market MAMTUS desires to enter Finland with its collection of Hardware tools.

The main objective of this thesis was to make research on market entry and its strategies in its new market Finland. Therefore, the authors have divided the research into three main parts. Firstly, this thesis carries theories on market entry, market entry strategy, motivation for entry, modes of entry and influencing factors of market entry.

The second part consists of market research, strategic marketing process, segmentation, target market, macro and micro environments of Finland and analysis of its market. And finally, the last part of the research applies the analysis method to the case company Finland and Finnish market.

According to the research made on new market entry and strategies the best option for MAMTUS will be joint venture because all the other mode does not suit the case company purpose of entering the Finnish hardware market, in this case joint venture was the best mode that was chosen for the case company according to the research conducted by the authors.

Keywords:

Hardware tools, market entry strategies, entry modes, Finland (Oulu), MAMTUS.

CONTENTS

1	INTRODUCTION	7
1.1	Background of Thesis.....	7
1.2	About company-MAMTUS.....	7
1.3	Research Question and Objectives	8
1.4	Research Method and Data Collection	8
1.5	Structure of thesis	9
2	MARKET ENTRY.....	10
2.1	Market Entry Strategies	10
2.2	Motivation for Entry	11
2.2.1	Proactive Motivations.....	12
2.2.2	Reactive Motivations.....	14
2.3	Entry mode.....	15
2.4	Export Entry Mode.....	15
2.4.1	Indirect export	16
2.4.2	Direct export.....	16
2.4.3	Cooperative export.....	17
2.5	Intermediate export mode.....	18
2.5.1	Licensing.....	18
2.5.2	Franchising	19
2.5.3	Contract Manufacturing.....	20
2.5.4	Joint Venture.....	20
2.6	Hierarchical Entry Mode	22
2.6.1	Merger/Acquisition	22
2.6.2	Greenfield	22
2.7	Choosing entry mode	23
2.8	Factors influencing the choice of entry mode	24
2.9	Marketing Mix.....	27
3	FINLAND AS A TARGET MARKET.....	29
3.1	About Finland	29
3.2	Corruption Control in Finland.....	31
3.3	Market Segmentation	31

3.3.1	Geographical Segmentation.....	32
3.3.2	Demographic Segmentation.....	33
3.3.3	Psychographic Segmentation	34
3.3.4	Behavioral Segmentation	34
3.4	Macro environment of Finland	35
3.5	Micro environment (Finnish market)	35
3.6	PEST	37
3.7	SWOT	40
4	EMPIRICAL FINDINGS	42
4.1	Hardware market factor in Finland	42
4.1.1	Potential Market size.....	42
4.1.2	Competition and possible big competitors.....	43
4.1.3	Marketing tools for MAMTUS	45
4.2	International Experience.....	46
4.3	Choosing market entry mode	47
4.3.1	Export entry mode.....	47
4.3.2	Intermediate entry mode	48
4.3.3	Hierarchical entry mode	49
4.4	SWOT Analysis	49
4.5	Main Findings	51
4.6	Recommendations	54
5	SUMMARY	56
	REFERENCES	57
	APPENDICES.....	52

List of Tables

Table 1. Proactive and Reactive Motivations	13
Table 2. Information of Finland (Modified from this is Finland 2017, World Bank)	30
Table 3. Tax rate of Finland	38
Table 4. Thesis Findings.....	52

List of Figures

Figure 1. Types of Entry mode.....	15
Figure 2. The process of Indirect export.	16
Figure 3. The process of Direct export.....	17
Figure 4. The process of cooperative export.....	18
Figure 5. Formation of Joint venture	21
Figure 6. Factors influencing the choice of Entry mode.	24
Figure 7. Finland in European map (Suomen kartta, cited 22.04.2018).....	29
Figure 8. Finland corruption control (The World Bank Group, 2018).....	31
Figure 9. Division of Market Segmentation	32
Figure 10. Potters five forces analysis (Finnish Market)	36
Figure 11. SWOT Analysis. (NetMBA, 2018)	41
Figure 12. SWOT Analysis of MAMTUS	50

1 INTRODUCTION

1.1 Background of Thesis

Having an understanding of the target market is one of the key thing in order to have a successful and positive outcome in going globally, in this thesis the authors put into consideration the key stages in which is needed to be understood before entry the target market (Finnish market), this thesis is about the market entry strategy for a Nigerian company (MAMTUS) trying to penetrate into the Finnish market.

Market entry strategy is known to be the method of planning delivering of services or goods to a new market and distribution in the same target market. when making those planning there are different stages in which the all process need to go through in order to achieve the objective in the target market such as the condition of the target market, the competition going on the target market, market policy in the country, sales and delivery, and what is needed to be expected in the new target market. For a company to decide to go international is a very risky step, but recognizing opportunities and working toward is also considered a very brave approach for a small company because so many resources are being risked such as money, time, resources and so on.

1.2 About company-MAMTUS

MAMTUS is one of the power tools shop and cooperative hardware market place, which is currently operating its business through an online platform. It is operating its business in Nigeria with the trading name as Global Pro services Limited and is supported by ConnectSSA that operates in Oulu, Finland. Partners of MAMTUS also hold exclusive rights on some of the renowned brands such as Boch, Fischer, Makita, ESAB Brennenstuhl, CastelGraden, Briggs & Stratton, Einhell Germany AG, DEUTZ AG, Stihl, Liqui Moly. (MAMTUS, 2018)

1.3 Research Question and Objectives

The main aim of the research is to show the clear picture of how small domestic company can enter the new international market in a planned manner. In this research, authors will try to enter new Finnish market examining all the entry modes and possible barriers in the process of internationalization.

Finally, this research will provide some useful guidance and recommendation to the company according to the theoretical study and empirical findings. Therefore, the following research questions will be answered.

- How should MAMTUS carry out the market entry process?
- How can MAMTUS enter Finnish market successfully?
- What are the business opportunities and barriers in Finnish market?
- What is the risk and character of Finland?

1.4 Research Method and Data Collection

The thesis methodological procedures will be based on the qualitative method. However quantitative method will also employ for a better understanding of issues that have remained unclear in qualitative methods.

Qualitative data are attractive for many reasons: they are rich full, earthly, holistic, and real; their face validity seems unimpeachable, they preserve chronological flow where that is important, and suffer minimally from retrospective distortion; and they, in principle, offer a far more precise way to assess causality in organizational affairs than arcane efforts like cross-lagged correlations. (Miles, 1979:117) (Ghauri, 2005)

Both primary and secondary sources of data collection are combined in this research process. Primary data or raw data were collected through case company and from online survey. The authors interviewed the CEO of case company to get information on current situation, decision-

making process and targeted market entry. Whereas, an online survey was conducted through the e-sources database.

Secondary data was collected through e-books, internet search engine and books.

1.5 Structure of thesis

Chapter 1 explains brief introduction about the case company (MAMTUS), background of the thesis, method that was used in conducting the research and how the data was collected and used, it also explains the thesis objective and the research questions in which we are using in the body of the thesis and lastly, the structure of the thesis what information each section is going to contain to have a clear picture of what has made up the whole body of the thesis.

Chapter 2 is the market entry part which described the market entry strategies, different types of entry modes were explained in this part, the bases of choosing the entry mode, factors that are affecting the choice of entry mode and the market plan.

Chapter 3 describe Finland as a target market by including general information about Finland, macro environment of Finland by giving the PESTLE analysis and explaining the 4Ps (place, products, price and promotion).

In Chapter 4, we give the internal and external analysis of factors that are affecting on the choice of the case company (MAMTUS) in which we selected market factors, target factors, environmental factors and some recommendation for the case company based on the research that was made and our understanding about the current situation of the case company and Chapter 5 include the conclusion.

2 Market Entry

Doing business internationally provides opportunities for any companies to bring new innovations to the world. A firm that export faster, are more productive and have employees who tend to earn more. Some of the firms enter new market gradually, whereas some starts from the scratch. To survive in the international market for a long period of time companies must be prepared for all the activities and adjust the needs and opportunities of international markets. (Czinkota, 2013)

Newmarket entry is a significant way of expanding its business in a new country with the strong strategy to meet its targeted goal. It is very important for a company to determine whether they should expand or not their business into the new foreign market. There are various reasons for the expansion of business into a foreign market. Like economics characteristics of the new business environment, the perceived growth of domestic foreign market or the financial and competitive advantages that a company can gain through the successful foreign market entry.

2.1 Market Entry Strategies

After all the decision, that organization has made to enter a new market, there are varieties of option open to it. Among those varieties of option may vary with cost, risk and the degree of control, which can be exercised over them. The simplest form of entry strategy may be taken as exporting using either a direct or indirect method. While more complex forms may include truly global operations that may involve joint ventures or export processing zones. (Albaum G. &, 2008) Mentioned that, a market entry strategy consists of an entry and a marketing plan.

In 1986 Cunningham identified five strategies used by firms for new foreign market entry. They are:

1. Technical innovation strategy. (Perceived and demonstrable superior products)

Technical innovation strategy is the state where the company has either a truly superior products or can convince the customer that they do. High level of technical service can also be included in this strategy.

2. Product adaptation strategy. (Modifications to existing products)

Product adaptation is the process in which the modification or changes is made on the existing product so that it suits different types of customers or markets. This adaptation strategy is most suitable and necessary for those companies that export their product in the new foreign market. It ensures that the product meets local cultural and regulatory requirements. Product adaptation strategy helps to minimize the funds and resources to develop a new product. The factors driving product adoption are culture, market development, competition and laws.

3. Availability and security strategy. (Overcome transport risks by countering perceived risks)

Availability and security strategy is the process where the company is able to overcome the risk of transportation in two ways. The first one is by providing all the services like delivery, installation, service and security whereas the second one is by convincing the customer they are not important.

4. Low price strategy. (Penetration price)

Low pricing strategy is the pricing strategy where a company offers a relatively low price to stimulate demand and gain value in market shares. A company usually employs this strategy where the product has few or no competitive advantage or where economies of scale are achievable with higher production volumes. In general, developing low price specifically to penetrate the market is low price strategy.

5. Total adaptation and conformity strategy. (Foreign producer gives a straight copy)

A total adaptation and conformity strategy is the state where the foreign producer takes a holistic approach to do everything that the customer might need in terms of product, handling, development and delivery. This strategy needs a high degree of inter-functional cooperation within the supplying company as well as a strong customer orientation.

2.2 Motivation for Entry

An Organization will not take the step of expanding unless there are stimuli that are behind the decision of doing so. In this case, the understanding the reason that drives industries to go international is an important step to put into consideration when, where and the process on how organizations expand or enter new markets across the border. It is not common in the case that one reason makes an organization to take the decision of expanding internationally but rather a

mixture of different kinds of reasons which are important to be considered. In this section there will be some explanations of the important reasons why organizations choose to enter new markets, in this research, there are two theories that have been studied. According to the concept that was introduced by (Czinkota, 2013) in the book: international marketing, explain and differentiate the concept of proactive and reactive motivations. (Hill, 2013) Mentioned in his book: International Business, some concepts such as competitiveness, the role of information technology, market and government.

2.2.1 Proactive Motivations

According to (Czinkota, 2013) classified into two categories the reason why organizations go abroad, which are known to be:

- Proactive motivations
- Reactive motivations

Proactive motivation means the act of implementing a new strategic plan in an organization in order to exploit market possibilities or market advantage, this category of companies are also known to go abroad because they want to, while reactive motivations is represented by organizations that can easily adjust to the changes and the pressure imposed by the environment at large, this category of companies expand internationally because it is what that is needed to be done which is the opposite of proactive. Table 1 shows the different motivation that drives the two groups to go internationally.

Why Firms Go International (Czinkota, 2013)

Proactive Stimuli	Reactive Stimuli
Profit advantage	Competitive Pressures
Unique product	Overproduction
Technological advantage	Declining domestic sales
Exclusive Information	Excess capacity
Economies of scale	Saturated domestic markets

Table 1. Proactive and Reactive Motivations (Czinkota, 2013)

In this category of proactive motivations, profit is one the major driving force that makes them consider going abroad, most importantly in the case of Small-Medium Enterprises. In this case, firms consider this step of entering new markets as a means of making more profit or source of additional profit from sales. Other important stimuli result companies consider is from technological advantage or unique products, being unique of course will bring competitive advantage in the favor of an organization which would result in making more income and make the business a successful one internationally, if an organization make some research and verify that what they produce or what they have in their locker in not available or they can afford to sell at a cheaper rate in other to gain a competitive edge over their competitor, in this case, it sounds reasonable for such company to consider international opportunities. (Czinkota, 2013)

Another proactive stimulus that is very important to be mentioned according to (Czinkota, 2013), mentioned *exclusive market information* which means making solid research and acquiring enough knowledge concerning customers abroad, and situation of the market currently. Such knowledge could be acquired from different kinds of sources or results from past efforts of companies. For instance, some managers gain some useful idea and vital information during their time on a business trip.

2.2.2 Reactive Motivations

One of the reactive factors that are most commonly used by firms when entering a new market is competitiveness. Firms will be scared not to lose the domestic market to competitors that have gained from economies of scale or probably be worried not to lose the foreign market to competitors which are already interested in these markets due to the competitive pressures. Overproduction situation is one of the reactive motives that makes firms consider entering new markets, the foreign market is an avenue that creates for an outlet with excess products to manage them effectively or way to make use of their equipment's.

Furthermore, the motivations mentioned above has an important feature in common which is considered as a temporary solution in a foreign market which can result in entering fast but also withdrawing fast or result into termination immediately the firms noticed that its domestic demand has been recovered or they did not prepare well enough. Stable or declining domestic sales and a saturated market are also among the factors that make firms consider seeking opportunities abroad or in foreign markets. A small market with a low potential demand or could not meet certain economies of scale will consider venturing into exportation. The saturated domestic market depending on the market share volume relating to sales has some kind of relation in order to prolong the product life cycle and their firm as a whole, an organization need to go international. (Czinkota, 2013)

2.3 Entry mode

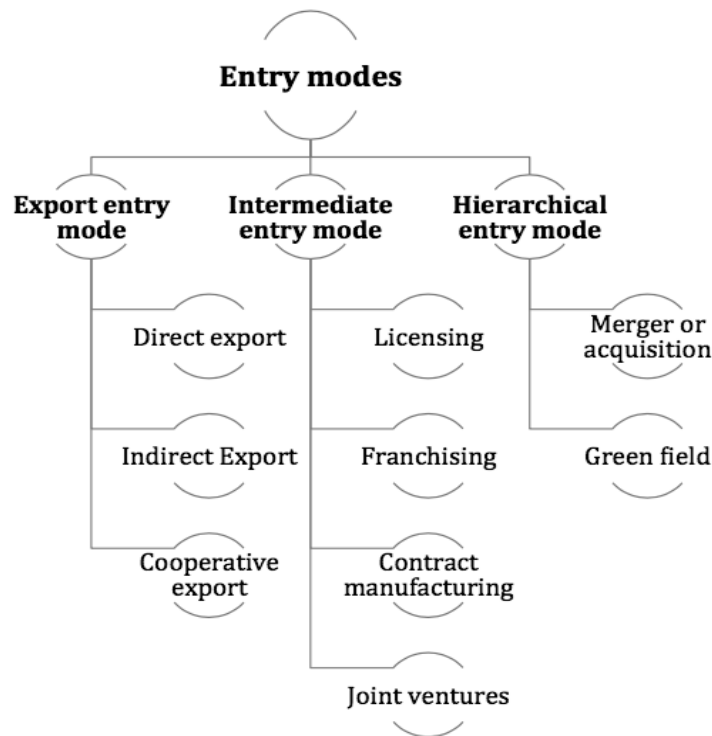


Figure 1. Types of Entry mode

2.4 Export Entry Mode

The first market entry strategy used by most of the companies when entering the new foreign market is export entry mode. In this export entry mode, the products are manufactured either in the domestic market or any other country and then transferred directly or indirectly to host market. In establishing export channels, a firm has to decide which functions will be the company's responsibility and who will take responsibility for external forces. In some case, it benefits the company and, in some case,, there is a loss for the company. Like operational facilities are not necessary for host country can be its benefit side whereas transportation costs, exposure to trade barriers and dependence on export intermediaries can be its negative side.

According to (Hollensen S. , 2007) Export entry modes occur when the firms manufacture the products in the domestic market or a third country and then transfer to the foreign market with direct or indirect ways.

Under export entry mode there are three major types: Indirect export, direct export and cooperative export.

2.4.1 Indirect export

This export mode is suitable for those firms who have limited recourses to export. Small and medium-sized firms who want to have a trial in a new market can use this mode of entry. In this mode, the manufacturing or the host firm does not take direct responsibility for exporting activities. Export house, broker, piggyback and the trading company performs these activities, often without the manufacturing firm's involvement in the foreign sales of its products. In this process, the firm cannot study and develop the foreign market and then lose opportunities to grow its business in the new market.



Figure 2. The process of Indirect export.

(Hollensen S. , 2007) States that the export-buying agent is a representative of foreign buyers who reside in the exporter's native country. For exporter it is the easiest way to export because prompt payment is usually guaranteed in the exporters native country, what takes all responsibilities refer movement of goods away.

2.4.2 Direct export

Direct export is another market entry strategy in which manufacturer sells its product directly to an intermediary in the targeted foreign market. The host firm is directly involved in all the activities like handling, documentation, physical delivery, and pricing policies, with the product being sold to agents and distributors. In this export mode, the firm has more control over how to sell, whom to

sell and where to sell. More research and market strategy is necessary to minimize the risk. Trade restriction and cultural difference can be its drawbacks whereas, the exporter who is representing firm has better understating of the local market and its legislation that helps to deal with customers and to maintain a sound relationship.



Figure 3. The process of Direct export

(Hollensen S. , 2007) The agent can be the exclusive representative of the country with exclusive rights, semi-exclusive, when the agent is working with the goods of the exporter and with other non-competing goods from other companies, non-exclusive when the agent is working with the goods of exporter as well as with other goods, which may compete, with the exporter's production.

2.4.3 Cooperative export

Cooperative export is another type of market entry strategy in which two or more firms cooperate together to manufacture the product because of limited resources and limited capital. Making collaborating agreements the cooperative firms achieve higher economies of scale and form broader product concept. And also provides the opportunity to study methods and potential of exporting. In this export mode, all the collaborating cooperatives share risks and reduce the cost of manufacturing and selling. The process starts with finding and extracting the raw materials and dealing with the downstream functions through the same foreign agent.



Figure 4. The process of cooperative export

2.5 Intermediate export mode

The modes where the products enter to foreign market through agents and distributors with no full ownership are known as an intermediate mode. Although there is no full ownership of the parent firm, the ownership and control can be shared with the local partners and agents. In this mode beside the product, the firms are also able to transfer the skills and strategies in the foreign market. The risks and rewards are equally shared by the firms, which help in better control over the production than in exporting. The intermediate export mode includes licensing, franchising, contract manufacturing and joint ventures.

2.5.1 Licensing

A licensing agreement is an arrangement wherein the licensor gives something of value to the licensee in exchange for certain performance and payments from the licensee. License holder gets the right to use the property of the licensor in the target country. For this licensee pays the fee to the licensor. The fees can be in the form of initial payment, annual minimum, annual percentage and additional fees. These agreements are formalized in a written document.

The licensor gives the licensee the right to use a trademark/name, technical and marketing advice and assistance. Licensing the easiest and fastest way to enter a new market. Capital is not so required but the return on capital employed is high. And in another hand, licensing may also gain

governmental approval faster than the direct investment. Cost of transportation and tariff is also saved through this mode. However, there are some of the dark sides of licensing. There will be no control over licensee operations. The licensee may not fully exploit the market leaving the space for new competitors to enter. And the return on licensee fees is also very small. In addition to this, license period is always limited which does not allow getting stable profit and the same licensee can be seen as a competitor in future.

2.5.2 Franchising

Franchising is similar to licensing. The main difference between them is franchising tends to involve longer-term commitments than licensing. Generally, franchising is a specialized form of licensing where franchiser sells its intangible property like trademark, copyrights, designs, and patents to its franchisee. Even the way of doing business and some trade secrets are shared. Besides intangible property, franchisor also provides the right to use its operating system, product reputation and supports the franchise by giving employee training and advertising campaigns. (Hill, 2013)

The franchise is chosen by the franchisor therefore, the franchisor has more control over than the licensor. The franchising is a more renewable entry mode. Normally, agreement tends to between franchisor and franchisee is 5-11 years.

There are two major types of franchising:

Product and trade name franchising-

The process of distribution in which suppliers make a contract with a dealer to buy and sell its specific product using franchisor's trade name, trademark and logo is product and trade name franchising. Automobile dealers, hard and soft drinks company are the common examples of product and trade name franchising. (Toyota, Pepsi and Shell)

Business format “package” franchising-

In business format “package” franchising the franchisor gives a complete idea for the franchise about the business plan and format for managing and operating the business in a systemic manner. The plan that franchisor provides step by step procedures for major aspects of business and anticipate the business management problems. Fast foods restaurants like McDonald's, Burger King, and Subway are the most common example of business format “package” franchising.

Business format package franchising can also be categorized as a direct and indirect system. Indirect system, all the activities of the franchisee are controlled and managed by the franchisor, while in indirect system franchisee has all the rights to maintain his own system of the sub-franchisees.

2.5.3 Contract Manufacturing

Contract manufacturing is the process of outsourcing entire or part of manufacturing operations. It is also the way of establishing a working agreement between two firms. As an agreement one firm will custom produce parts or other material on the behalf of another firm. It also enables the firm to develop and control distribution, sales, services, research and development.

The main advantage of contract manufacturing is low-risk market entry, low labour costs and cost advantage. These things make a huge difference in cost process while manufacturing in the home country and using a contractor. However, there are some risks of supply limitations and heavy costs for transportation. Finding a reliable local manufacturing firm is also difficult because there is a risk if manufacturing firm produces very cheap quality products. Similarly, there is a potential risk if manufacturer steals the idea and technology and becomes the competitor in the future.

For example, the products made by Apple Inc. such as iPhones and iPods are manufactured in China by Foxconn. Hence, Foxconn is contract manufacturer in this condition and Apple benefits from a lower cost of manufacturing devices.

2.5.4 Joint Venture

A firm that is jointly owned by two or more than two firms with a distinct business entity and is legally separated from parents firm is a joint venture. It can also be defined as a foreign operation where the two international company has enough equity to control management but not completely dominate the venture. It is more like parents creating the child. For example, Fuji Xerox was set up from two companies Fuji photo and Xerox. The most common type of joint venture is a 50-50 venture, in which both of the firms owns 50 percent of ownership stake and 50 percent contribution

for managerial operation. But in some conditions joint venture shares may vary upon the agreements made by the firm and some of the firms even seeks to have majority shares to have more control. (Hill, 2013)

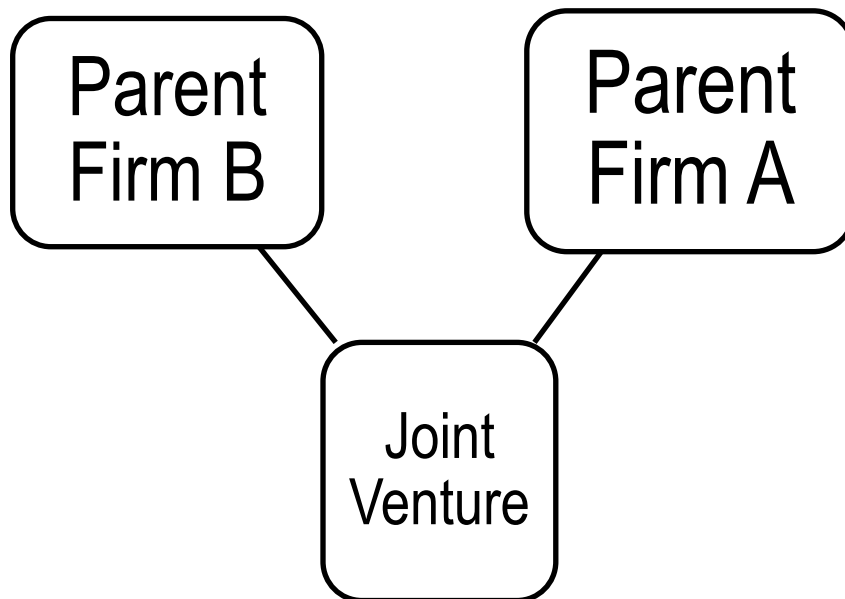


Figure 5. Formation of Joint venture

The main advantage of the joint venture has shared the risk of failure. As the joint venture is equally owned firm the risk is equally divided between the ventures. It also can access new market distribution network promptly with fast grown and maximum productivity. The knowledge and experience from the ventures will also be the key factor to access new technologies, greater resources and cost minimization.

Despite having above advantages, joint venture also has some disadvantages. While forming joint venture it is very necessary to know the main targeted goal of both partner, otherwise business may move in a different direction. Even the shared ownership arrangement can lead to conflicts between two ventures. Competition for control between the investing ventures also changes the direction and strategy of the joint venture. Whereas, licensing a firm into joint venture gives other venture control over its new technology. And the main disadvantage of the joint venture is lack of tight control over its subsidiaries because of lack of understanding of experience learning and location economies.

2.6 Hierarchical Entry Mode

The last type of entry modes in the market entry is the hierarchical entry mode. In this mode, the firm completely owns and controls the foreign market entry. It influences more than export and intermediate entry modes. This mode is also called as an investment mode. Despite, of having more risks and higher costs there is full marketing and management control in the foreign market. Under the hierarchical Entry mode, there are merger/acquisition and Greenfield.

2.6.1 Merger/Acquisition

The process in which the domestic firm selects a foreign investing firm and merge itself with a foreign investment firm or joins with another firm in order to perform international business is merger/acquisition. Generally, mergers are formed when two business firms joined together to form new business firm and acquisitions takes place when one business firm buys another small business firm which absorbed into parent firm or runs as a subsidiary. In acquisition, it does not matter which firms it acquitted, the firm can directly enter the target market rapidly. It is fast entry mode because of existing customers, distribution channels, management experiences, brand name and reputation. While it is a fast entry mode, it is also very risky and expensive mode. Sometimes the restriction is imposed to the acquisition of the local firm by the foreign firm. And finally, acquiring a firm in an international platform can be a complex task because of the necessity of well-qualified manpowers like bankers, lawyers and merger and acquisition specialists. A company like Nokia Siemens networks and Pixar-Disney are the good examples of Mergers.

2.6.2 Greenfield

Greenfield is another form of foreign direct investment where the company starts its operations in the foreign market from ground zero. In this process, the firm builds its operation in the foreign market, without acquisition target and with a high cost. It also requires the purchase of local property and local manpower where the firm is supposed to lunch.

Many firms prefer Greenfield rather than acquisition because it is easy to start a new operation rather than changing the long-established one. There will be tight control of each operation and the

risk of losing technical competence to a competitor will also be zero. In the same way, new job opportunities will also be created in the local market.

However, Greenfield investment is a slower and costly process which begins from scratch. In this process, the firm needs a lot of time to build up a new plant where investment will be high but the market entry process will be slow. And as soon as firm steps market it faces competition with well-established firms.

2.7 Choosing entry mode

For many small firms and companies entering a new market is a gradual process. But for those company who desires to enter new foreign market has to choose a strategy. The right selection among different entry modes determines the success of a company. The question 'How to choose an entry mode?' comes in every firm's mind after studying all those possible entry modes. However, every mode has their own advantages and disadvantages. So, in (Root 1994) has developed three different rules Naive rule, Pragmatic rule and Strategy rule which makes firm easier to choose entry mode. (Hollensen S. , 2007)

Naive rule- In this rule firm uses the same entry mode for all foreign markets. Ignoring all the quality or state of being diverse the firm enters in the foreign market in any condition using same or one entry mode. This Naive rule makes manager make two kinds of mistake: either a promising foreign market that penetrates with only entry mode or a market with an inappropriate mode. The naïve rule also prevents any firm from the exploitation of foreign market opportunities. (Albaum G. , 2011)

Pragmatic rule- Company uses a workable entry mode for each market. Generally, these types of company use low-risk entry modes. And if that particular initial mode is not convenient or profitable then company switches to another possible entry mode. One of the advantages of the pragmatic rule is cost-effective. Once a right entry mode is detected than other entry mode are not investigated. But, this advantage of cost-effective can be changed into a disadvantage if the entry mode doesn't match the company's capabilities and resources with the market opportunity.

Strategy rules- In strategy rule all the alternative entry modes are compared and evaluated to pick the best entry mode for the company. The main objective of this rule is that the company should use the right entry mode considering the company's capability and available resources.

2.8 Factors influencing the choice of entry mode

Entering a new market is a complex process with numerous advantages and disadvantages among alternative entry modes. To make this complex process easier managers compare and analysis all the entry modes in the foreign market. There are two factors that influence the choice of entry mode (i.e. internal factors and external factors). Internal factors relate to the internal environment of the firm whereas, external factors relate to the outside or external environment of the firm.

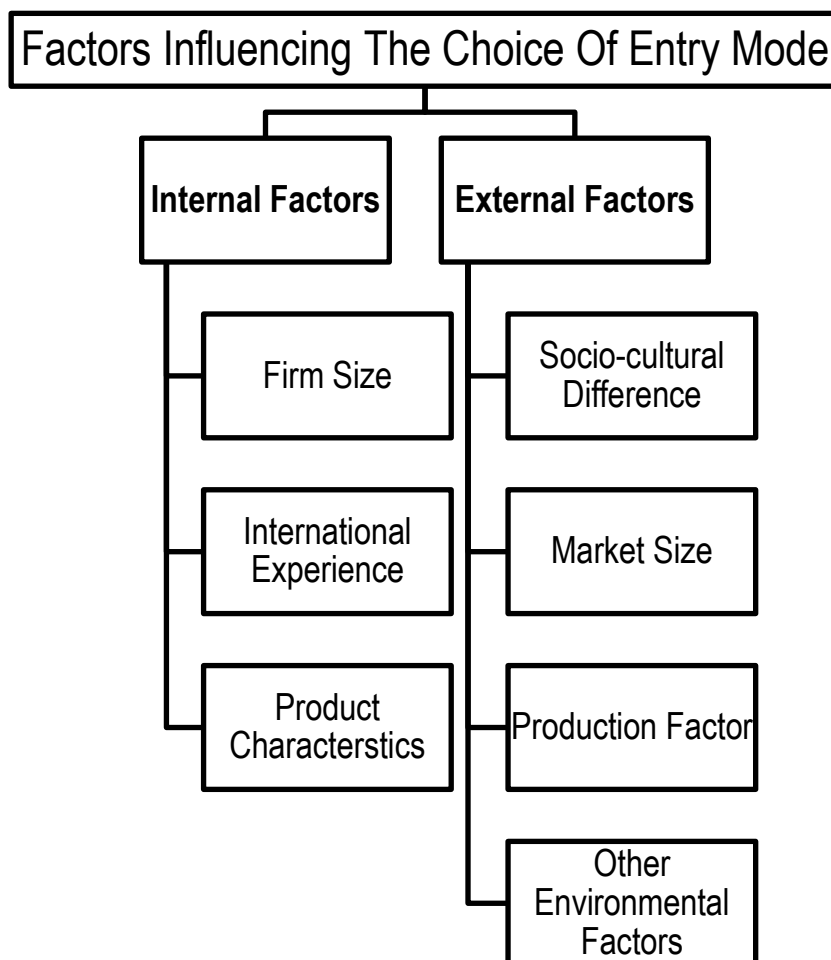


Figure 6. Factors influencing the choice of Entry mode.

Internal factors

The internal environment those effect on the choice of the future entry mode like firm size, international experience and product characteristics are internal factors.

One of the most important factor that directly influence the entry mode choice is the size of the firm. Small firms with limited capital and resources have more risk in the international market because of high competition with a larger firm with huge resources and capital. This increases the chances of failure and insolvency of the entire firm. Therefore, small firms prefer export entry modes in beginning and later consider using hierarchical mode when the firm grows. Whereas, large firms that can invest huge resources, knowledge and capital can easily compete with other SMEs and small firms which reduces the risks in the international market.

International experience shows firms ability to integrate into the new market. A firm with high experience can easily cut the cost and uncertainty. As experience increases the firm becomes more confident of their ability to manage foreign operations and to achieve higher profit in international market reducing the risks and uncertainty. So, these kinds of firm desires to make direct investments rather than to use export. And because of lack of international experience SMEs and other small firms choose export agent with international experiences rather than making a direct investment.

Product characteristics is another most important factor that influences the entry mode choice. The product uniqueness and offerings differentiate firm from other rival's product. The attribution of product describes the requirement of service and maintenance for the product. The luxury products with high value are directly exported, in order to keep control over the production and in other hand, the products which are expensive to export uses licensing agreements (intermediate) to minimize the cost of transportation. In context of some of the luxury products like electronics the firm uses hierarchical modes because of the complex nature of product which requires before and after sales services. And because of the complex nature of the products hierarchical modes is taken into consideration ignoring the licensees or franchisees. (Albaum G. &, 2008)

External factors

External factors include socio-cultural difference, market, production, and environmental factors like political, economic and social cultural factors from both the target market country and home country. These factor includes the degree of risk and competition in the target market, trade barriers

(direct and indirect), and the available intermediaries. And all those factors are not controlled or influenced by the company.

If the socio-cultural differences between the home country and the host country such as language, culture, technology, educational and manpower skill level are same or similar than it is better idea for any firm to choose the direct or indirect export mode or a joint venture. The greater the cultural distance, the greater will be the uncertainty. It provides high flexibility with low resources commitments. And if the firm prefers to choose the hierarchical mode in such condition then there will be loss of time, resources and skills of potential manpower.

Market size and its growth is another key factor affecting the choice of the entry mode. If the market size is larger than there is high potential for growth. Generally, in smaller country the size of the market is also small, and the potential opportunities and availability of resources is also less. In this context the firm prefers to enter such market as exporting and licensing because of low risk and uncertainty. Similarly, entering into the larger market in large country with rapidly growing market and high resources requires the entry mode from hierarchical modes such as wholly owned subsidiaries. Which helps to control over the production of the firm.

Production factor refers to the quality, quantity and cost of the raw materials, labor, energy and other economic infrastructure in the host country. These things have high influence in the choice of entry mode decision. If the cost of production is less in the host country it encourages local production rather than exporting.

Those factors which include political, economic and socio-cultural are environmental factors. In political factor government rules and regulations need to be analyzed. And any kind of political risks should be minimized before entering the new market. Whereas, economic factors are factors like economic size, economic structure and performance.

2.9 Marketing Mix

The marketing concept that includes all the available tools to develop effective and efficient actions and achieve their goals within a target market is marketing mix. It includes all the marketing decisions and actions which are taken at the time of plan implementation to ensure the success of a product, service or a brand in a market.

After the first step of market analysis in marketing process, the 4Ps model is used as a decision-making tool. In general marketing mix can be summarized as the right product, in a right place, at the right price, at the right time. And to complete this process it is very necessary to create a product that a particular group of people wants, selling the product regularly, marketing the price and finally making the product available when the customers want. According to McCarthy marketing mix can be divided into four levers of action.

Product

The product is the heart of the marketing mix. Product can be either tangible goods or intangible service. If that specific product fails to meet the demand of the end-user, then no any other tools of marketing mix will fulfill the utility of product. And the problem of product planning and policies are extremely complex for those firms, operating it business internationally. Because of different people from different country have different preference and choices. (Albaum G. , 2011)

Place

Place includes all the activities that the firm performs to make the product available to the target consumers. The process in which the goods or services are moved from the point of origin i.e. manufacturer/service provider to the end-user is place. Place is also known as channel, distribution or intermediary. If the right distribution channel is not chosen, then the product to the target market can be costly. And in context of international marketers the forging an aggressive and reliable channel of distribution is most critical and challenging task. (Hollensen, 2010)

Price

The only tool of marketing mix that generates the income is price. Price is the amount of money for product which customers are willing to pay. This affects in both income generating process and buying behavior of the customers. The pricing of product should be carefully done because pricing of product not only depend upon the firm but also depends on the competitors and also the

government and legislation. The firm's goal in term of pricing is to reduce the costs of product so customers can get them easily. (Hollensen, 2010)

Promotion

Promotion refers to the marketing communications. Without an effective marketing promotion, a marketing strategy will fail. All the benefits and programs should be reminded to the targeted customer's regularly. Promotion includes the element like sales, advertising, public relations, direct marketing, online communication and personal selling.

3 FINLAND AS A TARGET MARKET

3.1 About Finland

Finland is officially known Republic of Finland. It is located in the region of Northern Europe. It is surrounded by Russia, Norway, Sweden on the western region and the Baltic Sea on the southern region and Estonia as it is shown in the figure below.



Figure 7. Finland in European map (Suomen kartta, cited 22.04.2018)

The total landscape area of Finland is about 338,424 square kilometers, until year 2015, Finland population was officially confirmed to be about 5, 4837,308. Female's population is more than male but not so much difference. (Finland Demographics profile 2017)

Finland has two official languages which are Finnish and Swedish, 95 percent Finns speaks Finnish. Finnish language is ranked as the third most difficult language in the world, from the author's point of view the language is complicated, and it is not easy to learn and speak fluently

based on the author's experience. Finland joined the European Union (EU) in the year 1995, due to this entry, it gave more room for Finnish people to learn and speak English fluently. In the year 1999 was the year Finland joined the Eurozone which made the country switch from their old currency which is known to be Finn mark to Euro. 1996 was when Finland was marked as a Schengen country.

Helsinki is the capital and the largest city in Finland and it is located in the southern region of the country. Lahti, Tampere, Oulu, Turku, Jyvaskyla and Kuopio. Has is it shown in the figure below.

Official Name	Republic of Finland (Suomi)
Currency	Euro
Official Languages	Finnish language and Swedish Language
Capacity	338,424 km ²
Total area measurement	337,030 sq. km (130,128 sq. mi)
Populations	5.4 million (2016)
Major religion	Christianity:73.8% Lutheran and 1.1% orthodox
Capital city	Helsinki
GDP growth	\$239.662 billion (Estimated in 2017)
GDP per capita	37,559 euro (2014)
Rate of inflation	0,74
Withholding tax	20% (2016)

Table 2. Information of Finland (Economics, 2018)

3.2 Corruption Control in Finland

From the world list of countries and the rate in which corruption is been controlled, Finland was ranked second on the list below New Zealand in which will help boost investors' confidence of investing and establishing businesses in Finland. The chart below talks and describe the corruption control in Finland between the years 1996 to 2015.

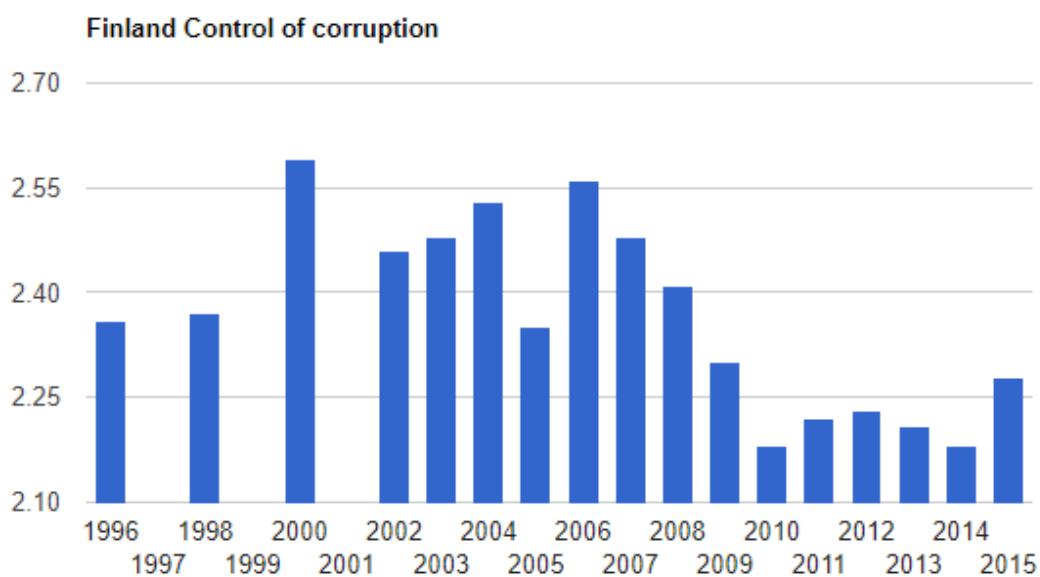


Figure 8. Finland corruption control (The World Bank Group, 2018)

3.3 Market Segmentation

According to different researcher segmentation is described by its characteristics, which are: geographic, demographic and psychographic. This researcher goes further in their research by studying if segmentation help customer exhibit any kind of different product responses and needs. Some other researchers described segmentation by putting into consideration the behavioral aspect of it, such as the way consumer responds to benefit, brand selections or occasion use. Whichever type of any scheme of segmentation is use, the adjustment of marketing program in recognizing the differences in customer is the key factor. (Svala, 2018)



Figure 9. Division of Market Segmentation

3.3.1 Geographical Segmentation

Geographical segmentation is described as the division of market into different unit geographically such as countries, cities, nations, region, neighborhood, or states. Which means an organization can work in all regions, areas or work in all. But the local variations should be put into consideration. According to this thesis the authors focus on the market situation in the northern part of Finland and the competitors in that region in which Oulu is one of the biggest city in the northern part of Finland and it is also referred to as the capital of northern Scandinavia. This selected region (Oulu) is a very big market for MAMTUS because most of the inhabitants in the cities and the small towns in the northern part of Finland visit Oulu often, this makes it an advantage for MAMTUS because of the large population of the whole northern region combined, of which Oulu itself has about 201,124 populations (August 2017).

Of course, there is a strong competition in the market in the northern region because there are top tools and house equipment selling companies in that region such as Clas Ohlson Oulu, K-maatalous Oulu, J & A Antikka Oy and so on.

3.3.2 Demographic Segmentation

Demographic segmentation described the division of market into various groups such as gender, age, income, family size, occupation, family life cycle, religion, education, social class, nationality, generation and race. Demographic segmentation is very important and well known for the marketers is because it has to do with the needs and wants of the customers. Another reason is that measuring it is very easy. So therefore, demographic cannot be excluded when describing the target market because we will still link back somehow to the characteristics of demographic in order to measure the size of the media and market that is needed to be utilized to achieve the target in an efficient way.

In the case of this thesis, both authors have selected 4 major market segments such as:

The target customer groups are Oulu and the cities in the northern region residents:

Contractors: MAMTUS hardware will have to research the region and go after this groups by visiting construction sites and try to persuade contractors to purchase MAMTUS hardware, by letting them know the quality and how their tools and equipment's are price friendly. Delivery of rented equipment and the duration period in which the equipment will be used is very important for this segment. MAMTUS owner mention about some connection he has with some contractors in Oulu and some part of Finland, because he owns a company in Oulu (SupreView oy) that does floor plan for contractors.

Property managers:

Every building in this region both commercial and residential has a property manager that monitors every building and make sure they are repaired properly and be in a good shape. These properties managers' needs materials and supplies that are easily available to buy or rent. These property managers will be able to count on MAMTUS to supply what they need, in this case MAMTUS needs to prove how efficient they are in terms of making all necessary tools and equipment needed quick, easy and convenient way to make sure the needs of these property managers is been fulfill. Although there are lots of competitors around which MAMTUS will have to rival with to make success. According to the CEO of MAMTUS he mentioned about exploiting the advantage of the fact that he owns a company in Finland (Oulu) already for about 8 years already that does floor plan app for contactors.

Commercial sales:

This part of segmentation required hard work because in this case MAMTUS needs to be more effective in this part of segmentation in order to stay in touch with potential customers and building a good relationship with commercial clients in order to convert the segment into an effective revenue stream. In this case there are large number of government entities, some major hospitals and universities located in the northern region.

Oulu Residents:

The concentrated region (Oulu) really takes care of this part of segmentation itself because the region is a very big city in Finland and it is known to be the capital of northern Scandinavian, for this reason it will attract people in the cities surrounding Oulu region, especially in the northern part of Finland to do most of their shopping in Oulu. This increases the chances of companies and stores in Oulu to make more customer and make more sales, for this reason MAMTUS also stand a chance to express its quality of brand collection and services. (Bplans, 2018)

3.3.3 Psychographic Segmentation

In the case of understanding consumers very well psychology and demographics is the science of psychographics which are very effective of analyzing consumers. Psychographic segmentation described the division of buyers into different kinds of groups such as lifestyles, personality traits (psychological) or values. In this case people that belongs to the same geographical group can portray different psychological profiles.

3.3.4 Behavioral Segmentation

Behavioral segmentation describes the process in which buyers is been divided by marketers into different kinds of groups based on their attitude toward, knowledge of, or use of a product or brand. Marketers believe behavioral variables are the best to be considered at the beginning of constructing market segment, which are benefits, occasions, usage rate, usage status, loyalty status, buyer-readiness stage and attitude. Conversion Model is also considered very important in

this part of segmentation because it is use in measuring consumer's strength of commitment to a product or brand and openness or adaptation to change psychologically. It measures how consumer can easily be converted to another choice of product or brand, this model is also used in assessing the commitment of consumers based on factors which are satisfaction with, and attitude toward, the choice of current brand in a category and the factors behind the decision of selecting brand in the category.

3.4 Macro environment of Finland

In other to analysis the macro environment, PEST analysis is considered as a very good tool to analysis the political, economic, social and technological factors in the business environment of a country. PEST analysis is very important to be considered when making a move of entering a new market. It also contributes to the entry strategy processing of a company. The PEST tool helps the analysis of companies in determining the factors that are influencing the choices of selecting the entry modes such as country risks, growth and the size of the market, sociocultural distance, and trade barriers in the target country.

3.5 Micro environment (Finnish market)

In this thesis the authors chose the Porter's five forces method in analyzing the micro environment of the Finnish market. The method of Five Porters analysis brings more clear understanding of company's bargaining power of buyers and suppliers, the threat of substitutes and entrants, and the competitive rivalry. Below diagram shows the connection of all the five forces.

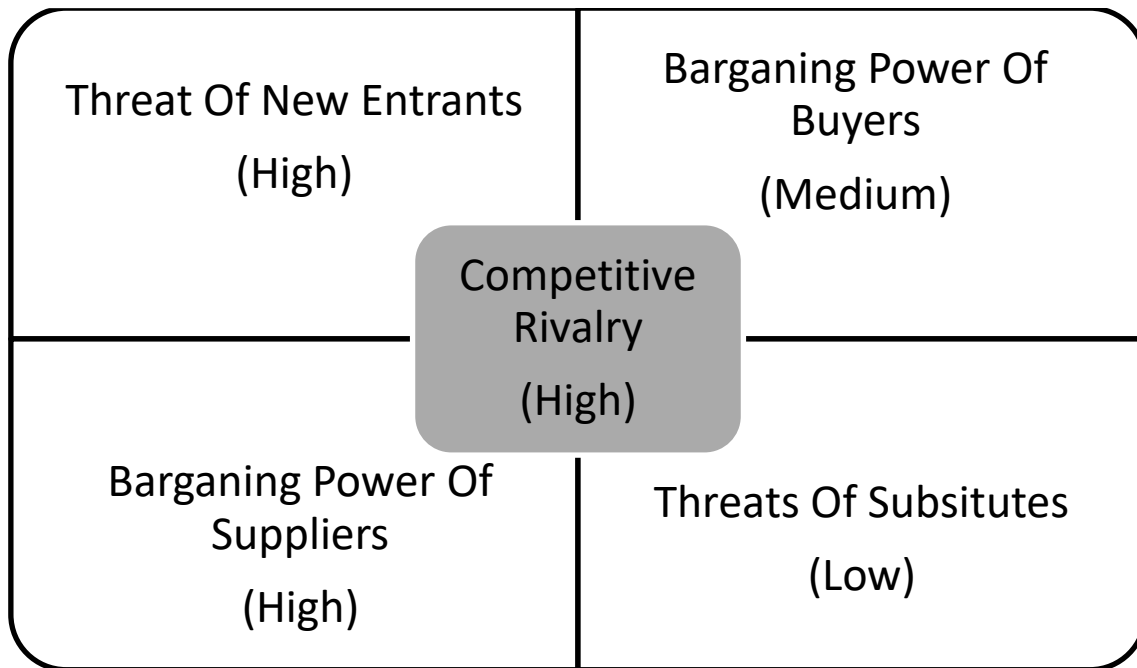


Figure 10. Porter's five forces analysis (Finnish Market)

As far as Finnish market is concerned suppliers bargaining power is very high, because potential consumer in Finland is very much. The suppliers supply to buyers and consumers varieties of choices to select from, which make every buyer participate without anyone left out. The major factors which are considered very important by the Finnish consumers are quality, safety and where the product is coming from. Finnish consumers believe brand is also considered as a factor of quality. In this case, almost all MAMTUS brands are from the Europe such as: Boch, Fischer, Makita, ESAB brennenstuhl, CastelGraden, Briggs & Stratton, Einhell Germany AG, DEUTZ AG, Stihl, Liqui Moly. This tell the quality and durability of MAMTUS hardwares.

Finland buyers bargaining power is neither high nor low, so it is considered to be of medium level. But, there are huge number of buyers in Finland, which causes the reduction of buyers power. Although, many suppliers are operating in small sized organizations, the buyers can purchase from as many suppliers as they want, in which increases the buys power. Which conclusively means the buyers bargaining power is at the medium stage.

In Finnish market, there is a huge threat of new entrants. But, there are some obstacles to be encountered when entering the Finnish market. For new entrant, the level of risk is low so as well

the costs, the profit is reasonably attractive though, government policies also contribute to the factors that encourage foreigners in investing in Finland.

The level of threat of substitute is very high in Finland in the case of hardware selling market. There are quite reasonable numbers of hardware selling stores in Finnish market to be fair such as: Punavuoren Rauta, Tapettitalo, Alppi-Rauta, K-Rauta, Raikan Rauta, Starkki and so on. Those hardware store mention are rated among the top ten stores in Finland, for these reason, it makes the competition and the level of substitute very high.

Competition rivalry is very high in hardware selling in Finnish market. MAMTUS needs to strategize and prepare for competition because there are many stores selling hardware in Finland. There are startup hardware stores in Finnish market and big stronger hardware store are existing. Competition rivalry varies in the case of hardware selling in Finland, because of the different level of competition, although it depends on the level in which MAMTUS is planning to start with their operation.

3.6 PEST

PEST analysis is very important in analyzing the changes that is occurring in the macro environment, which means in full words, Political and legal factors, Economic factors, Socio-cultural factors and Technological factors. (Hollensen, 2010) (NetMBA, 2018)

Political Factors

This factor describes what is needed to be understood such as policies, regulations and political risks in the chosen target market. Rules and regulation in relation with legal policies has a big influence in international business because it plays a very big impact in making a choice of selection of the relevant entry mode that is needed to penetrate in the new target market. Finland is among the European Union (EU) which means there is nothing to be worried about because the case company (MAMTUS) has had a little bit of understanding of how the rules and regulation guiding exportation of goods from some European countries to Nigeria is been placed, which means MAMTUS needed to understand the tariffs and rules guiding the importation and exportation within the EU, because most of MAMTUS suppliers are all based in Europe.

Table below describe briefly the tax rate of Finland (modified from Trading Economics (2017) and European VAT rates (2017).)

Taxes	Percentages
Income tax rate	31.75
Withholding tax rate	28.00 (2009)
Corporate income tax	26.00 (2017)
Standard VAT rate	24.00

Table 3. Tax rate of Finland (AVALARA, 2017) cited 22.04.2017)

The income tax rate is presently 31.75 percentage. The standard VAT is 24 percentage, in the case of standard VAT, rates varies depending on the kind of business of trading that is in question. Corporate tax rate is 26 percent. (AVALARA, 2017)

Finnish government bodies have in their policy some principle that makes the Finnish market perfect and convenient for international trade and foreign companies. The Finnish government is also making use of the European Union international trade legislation, of which reduces the political risk probability in the country. For this reason, it shows how stable and reliable the Finnish government is in terms of the control of corruption and handling of other sectors. (ICAEW, 2018)

Economic Factors

Finland has an open economical structure which are based on the principles in the policy of how trade is been done and organized in the Finnish market. Company establishment in Finland is very easy compare to some other countries which has no freedom of trade. In Finland there are 3 banks groups operating which are OP, Nordea and Sampo bank, there are about 300 domestic banks, in which both the citizens and foreigners has loan rights from those banks in case of needs.

Finland is highly recognized and rated among the industrialized country in the world with the GDP of about 181.4billion dollars in 2009, more than 40% of the GDP was from exporting goods and services and foreign companies investing into the Finnish economy, which means this new companies investing in Finland is bringing more employment opportunities in the country.

Finland is currently among the European Union which changed their currency from Finnish Markka to Euro, so the risk of inflation level is very low because of the stability of Euro, inflation can only affect if the European Union has been hit with a huge crisis in which we never saw happening in many years to come, which means if the level of inflation is low it reduces the risk in the country.

Social Environment

In Finland, the social security is very comprehensive for an entrepreneur. For an entrepreneur living in Finland or planning to invest in Finland, there are some important things that is needed to be understood for a self-employed individual such as insurance, occupational healthcare, security of an unemployment, and entrepreneur sick allowance. However, many foreigners has being attracted in investing and starting businesses by the securities in Finland.

Finland is also recognized by the quality of its educational system around the world. There was about 1.2 million student enrolments in the year 2012, which described how highly educated employees are in Finland, this is very important for firms to understand because they have nothing to worry about when organizing seminars for training new or existing employees.

Finnish language has been very challenging, and it is a very big barrier in the social environment in Finland. Although Finnish language is not popular around the world compare to the likes of Chinese, Spanish and English, but still about 90 percent of Finland citizen speaks has their official language, even though Swedish is partially recognized as the second official language in Finland which are spoken by a very small minority of about 5.3 percent (yle uutiset 2014). Finland population is about 5.4 million (World Bank) which means 90 percent (about 4.876) of this amount of people speaks Finnish in the world. Nigerian company moving to Finland should be ready for this kind of challenges, because dealing with non-English speaking consumers in Finland is not easy. Conclusively, the Greenpeace activities has started to impact majorly on the opinion of the public and now policy-making at international stages is becoming to be affected. Environmental concern will increase, that is why it is said to be expected and it will play a big impact in managing the reputation of the prime market asset of a company. (Xu, 2014)

Technological environment

For so many years, Finland has been recognized as the European technological center and over the last few years it has successfully built a major mark in innovation landscape and global technology. There are factors that are contributing to the technological environment of Finland

which are behind the success of the tech environmental factors of the country. Such as, Social mobility, education and giving equal opportunity to individuals in the country, these factors are studied and recognized to be the strength of Finland in this era. (*HighTech Finland 2008*) Finland being recognized as a country with high level of technology, this is always an advantage to attract high technological companies both locally and internationally.

Finnish economy service sector is known to be the largest sector in the Finnish economy with about 65.7 percentage, while the sectors of manufacturing and refining is at 31.4 percentage share contribute to the economy of Finland. The top sector in Finland is manufacturing sector such as Technological and Engineering sectors. (*EMBASSY OF FINLAND, Kuala Lumpur 2009*)

Microprocessor have changed the whole revolution on how data is being collected, processed and disseminated. However, the changes in production technology has been impacted majorly by the scope of the microprocessor and has improved the rate in which technological is changing in the environment. As it has been mentioned in the above paragraph, Finland is a technological country in which is still developing it technological environment day-by-day, this is needed to be understood for new companies planning to invest or entering the Finnish market should be ready to adapt to technological changes in the environment. (Hollensen, 2010)

3.7 SWOT

SWOT analysis is known to be the abbreviation of Strength, Weaknesses, Opportunities and Threats, it is a simple framework that is known for analyzing company situations and generating alternatives. SWOT analysis is divided into two different sections which are the internal factors (strength and weaknesses) and the external factors (opportunities and threats). A SWOT analysis can be used to analyze product, company, place and so on. But in the case of thesis we will be analyzing the case company (MAMTUS) and the Finnish market. This analysis makes it easy to identify and point out the factors that favorable and not favorable for entering a new market now or in the nearest future. Internal factors analysis (strength and weaknesses) it is one way to identify attractive opportunities, and another important factor is to be able to exploit the advantage. It is important for every business to evaluate its internal weaknesses and strength. (Kotler, 2009)

In the case of an External environment analysis, a company must monitor the importance forces of macro environment and significant forces of microenvironment that affect the ability of making profits. (Kotler, 2009)

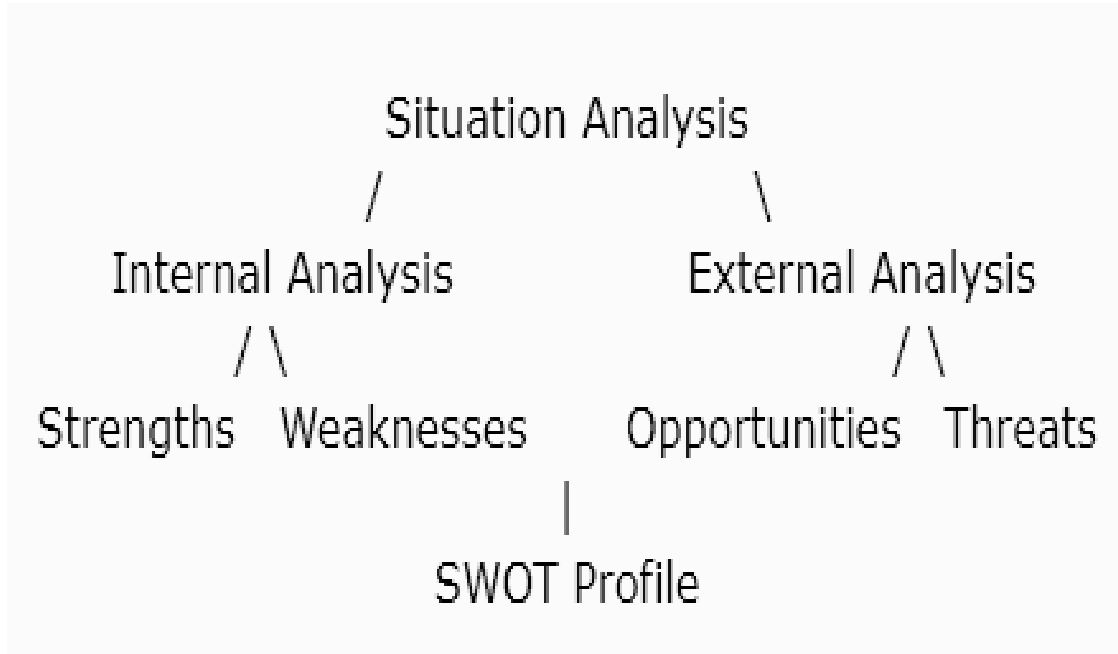


Figure 11. SWOT Analysis. (NetMBA, 2018)

4 EMPIRICAL FINDINGS

In this chapter authors have conducted a research on external factors and internal factors that directly effects on the choice of the market entry mode. And it also includes research on international experience gained by the MAMTUS in past years. Similarly, this chapter examines the most suitable market entry mode for MAMTUS with some recommendations.

4.1 Hardware market factor in Finland.

Distinct market factor where the demand for or the price of goods and service is affected by external variables for case company MAMTUS in Finland is analyzed in this chapter. It includes potential market size, competition on selected market and the basic components of marketing.

4.1.1 Potential Market size

According to Finnish hardware association, the hardware sales went down for few years until late 2016. After 2016 hardware sales shows some significant growth. The survey shows at the end of 2016 the growth increased by 4% and it continues increasing till mid 2017 by 1.9%. The reason behind the growth in sales was in construction and renovation field. Many new high-tech apartments were build and renovation of Finnish old summer houses were done. The annual sales of all hardware stores including construction supplies in Finland is approximately 5 billion Euro. This shows the potential market in Finland will not stop growing. (Flanders Investment and trade, 2017 July)

To take this research deeper survey was conducted in Finnish market. After conducting the survey, data collected from it was used to understand the problems in specific potential market. The survey was conducted through school's mail. 35 valid responses were collected for analysis. The full version of survey and responses can be viewed in Appendix.

Around 54 percent of people who has responded to the survey lives in private apartment and remaining 46 percent lives in a leased apartment. This shows there is no huge difference between the people living in private apartment and leased apartment. This question was surveyed in order

to find the people living in private apartment. Because in the comparison to the people living in leased apartment, the people living in private apartment needs to spend more money in hardware tools. Similarly, from the surveyed data we can find that majority (40 percent) of people rarely buys hardware tools. The buyers who buys hardware tools according to need were around 29 percent following by frequent buyers of 26 percent. The data also shows that there were very few people (5 percent) who rent the hardware tools from other.

As, our focus was on online buyers, there were only 40 percent of people who have bought hardware tools online. The remaining 60 percent of people have never bought hardware tools online. This data reflects that it is still challenging for MAMTUS to operate its business online. Trust issues, quality and delivery were the major problem while buying hardware tools.

4.1.2 Competition and possible big competitors

The most popular hardware market especially in Oulu are STARK, K-Rauta, S-Rauta, Bauhaus and PUUILO. And competing with these well-established and well renowned business is quite challenging. Among these sellers most of them already have online store. These sellers are also giving pre and post services for the customers. In case of our company MAMTUS, the first objective should be collecting new customers and making them trustworthy.

The most interesting thing about these stores is they are directly or indirectly linked with many European countries. This means all the available hardware tools that are made in Europe or imported in Europe can also be easily found here in these stores. European countries like Sweden, Germany, Belgium, Denmark, Norway, France, Netherlands, and Switzerland including United Kingdom are the major hardware tools exporter in Finland.

As mentioned above our main competitors are also those company that are operating business through online platform. After analyzing the data collected from survey, we find the customers preferences on various online Finnish brands. Among 5 big brands in Oulu region, customer's main choice is STARK. Out of 35 respondents, 12 respondents (34.29%) select STARK as a good hardware tools market place. Following STARK customers also choose K-RAUTA as a good brand. About 31% of customers trust K-RAUTA in its quality and cost. And as expected BAUHAUS and

BYGG max also have got loyal customers. These 2 brands are also well renowned and have good marketing in OULU region. About 20% and 11% respondents prefer BAUHAUS and BYGG max respectively.

This shows STARK, K-RAUTA, BAUHAUS and BYGG max will be the tough competitors for MAMTUS. Some of the biggest competitors that MAMTUS should face in Finnish market are as listed below:

STARK

STARK is one of the biggest possible competitor for MAMTUS. It is also the part of DT Group and the global Wolseley Group, which is the largest construction sector enterprise in the Nordic countries. Currently, STARK have 28 stores that are giving direct services to customers in Finland. It is also operating and expanding its business through online stores. 80% of its total sales is done to professional builders in Finland. In fiscal year 2016 STARK's turnover was 620 million Euro. (Flanders Investment and trade, 2017 July)

K-RAUTA

K-RAUTA comes under the K Groups retail chain. It already has 139 stores whole over the Finland. Its market share in the hardware sector is estimated to be around 40%. Its main target group are those who are building home, renovating or decorating it. K- RAUTA also have professional customers including construction companies, industrial companies and public entities. In 2016 K-Group retail sales was 1582 million Euro. It also has wide varieties of hardware tools in its online store. (Flanders Investment and trade, 2017 July)

BAUHAUS

BAUHAUS is the German company operating its business in Finland since 2001. Currently, they have 5 stores operating in Finland and 200 stores in 14 European countries. BAUHAUS do not have any warehouse in Finland so, all the goods in these stores are supplied in small quantity. It also has online store where customers can choose varieties of hardware tools made in different part of Europe. (Flanders Investment and trade, 2017 July)

BYGG max

Although, BYGG max is new chain in Finland (since 2008), it has already make rapid progress in hardware sector. Within a short interval of time BYGG max already have 12 stores in Finland. It is

originally originated from Sweden and have 100 stores in Scandinavian countries. Annual report of 2016 shows BYGG max has net sales of 5.2 Billion SEK (approximate 503 million). They also have online store with wide range of available hardware tools. (Flanders Investment and trade, 2017 July)

4.1.3 Marketing tools for MAMTUS

Marketing is everywhere. Formally or informally, people and organizations engage in a vast number of activities that we could call marketing. Good marketing has become an increasingly vital ingredient for business success. And marketing profoundly affects our day to day lives. It is embedded in everything we do-from the clothes we wear to the Web sites we click on, to the ads we see. (Kotler, 2009)

Because of modern new technology, traditional tools such as newspaper, television and radio has dramatically lost their effectiveness. So, after analyzing various marketing tools, online marketing will be very effective and cost efficient for MAMTUS. Today in world about 3.2 billion people has got access to Internet. (Wikipedia contributors, 2018) Because of its convenience and quick service MAMTUS can easily reach targeted customers. As, MAMTUS is operating its business through online medium marketing can also be done through Internet. In addition to this, the Internet allows to stay connected with customers with mails and brochures. Which helps to measure and track results for betterment of company.

In Oulu region most of the people have not use any online stores to buy hardware tools. According to survey, less than half (i.e. 40%) only have bought hardware tools online. Compared to other regions and countries this percentage is very low. 60% of people have never bought hardware tools online. This reflects some more challenges for MAMTUS to operate its business through online platform.

But, next data from survey shows positive result for MAMTUS. Oulu residence still wants to switch brand if they can get every hardware tools online. From the data its shows about 37% of customers are likely to switch the brand. If MAMTUS can operate its business well then there is high chance of getting this 37% customers from other brand. Only, about 9% customers are unlikely to switch

the brand. It clearly reflects those big local Finnish brands have very less loyal customers. In other hand, about 23% and 31% of customers are neither likely/unlikely nor unlikely respectively.

Last question of our survey shows price is the main factor while buying the hardware tools in Finnish market. About 41% of respondents come up with the price as the most influencing factor while buying hardware tools. Remaining 59% respondents equally prefer Quality over Availability.

There is always high competition among companies to get loyal customers and to sustain them. In our case, the analyzed data shows even the well established companies are struggling to get loyal customers. And there is no reason to blame marketers for this propose. Because of globalization and rapid growing use of internet, customers are getting option to compare between products and services with their price at the same time. After analyzing all these factors MAMTUS should have good pricing policy to enter Finnish market (Oulu region). As, mentioned above MAMTUS can gain those 37% customers who are likely to switch brand if pricing factor can be taken into main consideration.

4.2 International Experience

International experience is also one of the internal factors which helps to expand overseas operation, enter new market and develop international business relation. Entering new market will be more successful and effective with a strong understanding of culture and business norms.

Founder of MAMTUS Mr. Adeosho Akuila is originally from Nigeria. But he is living in Finland for 15 years and operating his business for 8 years. Working 8 years in Finland has helped him to be closer to Finnish culture and business norms. His knowledge of Finnish language is also another strength to cope with Finnish laws and regulation. It reduces the language barrier with business partners and customers.

Because of good and long working experience with Finnish people CEO of MAMTUS believes he has a very high potential to succeed in growing hardware market in Finland.

4.3 Choosing market entry mode

New market entry is always a significant way of expanding its business in new country with strong strategy to meet targeted goal. In this part authors will examine and try to choose the right entry mode for MAMTUS to enter Finnish market.

4.3.1 Export entry mode

In export entry mode all the products are manufactured in the domestic market and then transferred directly or indirectly to the host country. In our case MAMTUS should collect all the hardware tools in Nigeria and then transport it to Finland. However the transportation costs, trade barriers and intermediaries cannot be neglected in this export entry mode.

Indirect export

In this export mode the company directly is not involved in selling and distribution process. Different intermediaries like export house, broker and trading company are involved in this process. In spite of low risk there is low control over the product. In a sense company cannot study and develop the foreign market and then lose opportunity to grow in new market.

In case of MAMTUS indirect export mode is clearly unsuitable to enter Finnish market. Firstly, operating through broker or export house is long process with low control over its product and customers. And secondly, MAMTUS main focus is an online store that requires company to be in exact location in this rapid fast competitive market. As a small new company MAMTUS cannot compete with other strong and established company if it enters in new market slowly.

Direct export

MAMTUS is just a planned company so it does not have any medium that can directly export hardware tools to Finland. Comparing to indirect export it gives high control and flexibility but MAMTUS is not ready for high risk involved on it.

To choose direct export as entry mode MAMTUS has to invest more from the beginning phase. Knowing all these facts MAMTUS will not decide this direct export mode for hardware tools with different selling motive.

Cooperative export

In this high competitive hardware business, it is very difficult to find another company that wants to operate same business. Although risks are equally shared collaborating with similar company is challenging. Similarly, In MAMTUS case collecting hardware tools and then again send it to Finnish local company is lengthy process. So, cooperative export is also not so favorable for MAMTUS in present condition. But it can be taken in consideration if it can find similar motive company.

4.3.2 Intermediate entry mode

Intermediate entry mode mainly focuses on equal risk and reward sharing among the firms. In this mode product enters in new market through agents and distributors with no full ownership.

Licensing

Although Licensing is the easiest and fastest way to enter new market. It is not suitable for MAMTUS in present context. Because MAMTUS is totally new business concept. So, it does not have anything to license. This is only possible for the well-established business.

Franchising

As franchising is similar to licensing this entry mode is also unsuitable of our case company MAMTUS. As like licensing MAMTUS have no any intangible property like trademark, copyrights, designs or patents. And similarly, the two major types of franchising as authors have discussed in chapter 2 (Market entry modes). Product/Trade name franchising and business format “package” franchising. These both franchising types are also unsuitable for our case company MAMTUS. Both are only the types of Franchising.

Contract manufacturing

Contract manufacturing is the process of outsourcing entire or part of manufacturing operations. It carries risks of supply limitations and heavy costs for transportation. In present status of our company MAMTUS this entry mode is also not suitable. Firstly, MAMTUS is buying hardware tools from other manufacturer. And secondly, limitation of supply and transport cost makes MAMTUS not to choose this entry mode.

Joint ventures

As explained in chapter 2, a firm that is jointly owned by two or more than two firm with a distinct business entity and separate legislation is joint venture. In this entry mode the business firm from home country search for the business firm already existed in the target country to create a new business.

Joint venture can be very good option for MAMTUS with advantage of shared risk and failure. And, it can assess to new market easily and faster than other entry modes. The knowledge and experience that our CEO has gained in Finland will be the key strength. Presently, CEO of MAMTUS is living in Finland, which will also help him to get good networks. This will also help to overcome the cultural differences between two business partners. Access to new technologies and greater resources will also be plus point to MAMTUS while entering Finnish market.

4.3.3 Hierarchical entry mode

Under Hierarchical entry mode both Merger/Acquisition and Greenfield entry mode are expensive mode. Greenfield investment is a slower and costly process which needs to be begin from the scratch. And in merger/acquisition although the entry mode is very fast, but it is also very risky and expensive. For MAMTUS investing huge sum in the beginning of the business is not the good option. So, this entry mode is also not suitable for MAMTUS at the moment.

4.4 SWOT Analysis

Although both SWOT and PEST analysis are equally important for any businesses. SWOT analysis considers both the internal factors and external factors. So, in this thesis both authors decided to use SWOT analysis over PEST analysis.

SWOT analysis of MAMTUS will highlight the positive factors in which the company can utilize as an advantage to develop in the Finnish market and also mention the negative factors which could stand as challenges and obstacles in other to affect the entry of the new market environment.

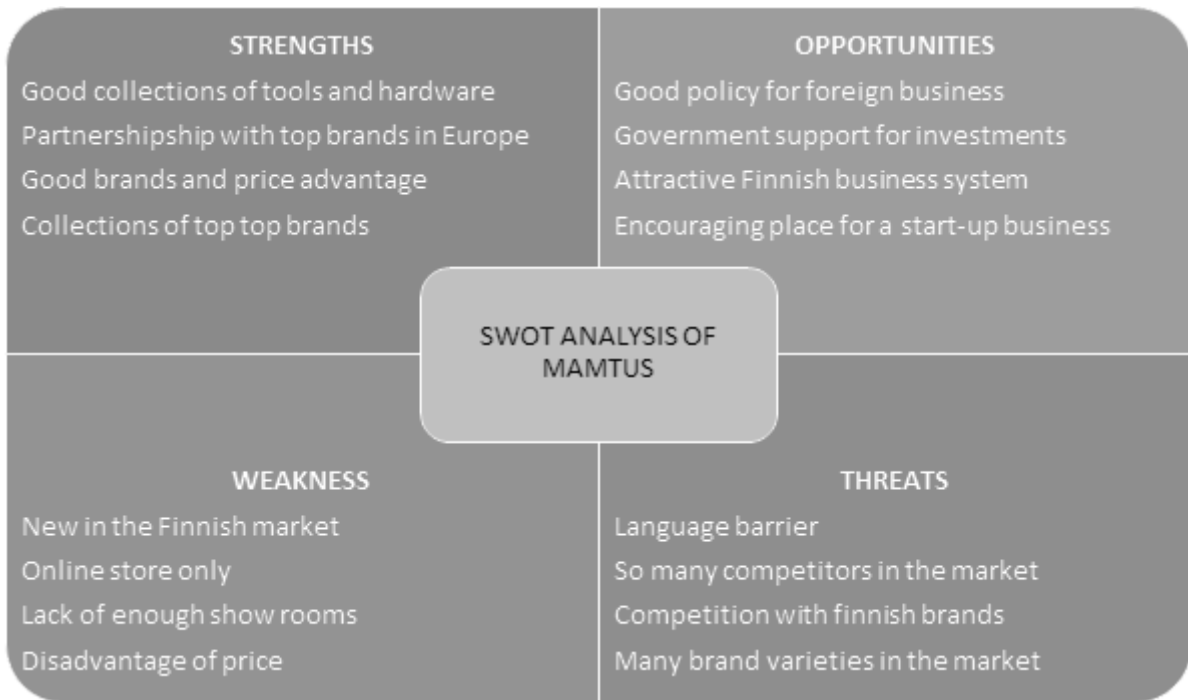


Figure 12. SWOT Analysis of MAMTUS

SWOT Analysis of MAMTUS (Oulu, Finland)

Based on the knowledge the authors got from the website and the information that was got from the interview from the CEO of the case company.

The internal factors shows that MAMTUS needs to work on the strategy of adding more collections of tools and brands in other to convince new clients how efficient and capable they are in the case of satisfying their customer’s needs, implement some marketing campaigns to get their name and brands across to the target customers in the target area (northern part of Finland, Oulu), make brochures to let people with more important features that prove the usefulness of their brand collection and the quality they possess.

Strength

One of MAMTUS strength is the good collections and varieties of tools and hardware they have in their possession. In this case, customers can select and purchase their choice of brands from those varieties of hardware tools. Another strength of MAMTUS is their Partnership with top and quality brands in Europe such as: Bosch, Fischer, Makita, ESAB brennenstuhl, CastelGarden- Briggs & Stratton, Einhell Germany AG, DEUTZ AG, Stihl, Liqui-Moly. MAMTUS possesses good brands

with affordable price range for clients. They have collections of top brands as it was mentioned already and they supply high quality professional hardware tools such as: power tools, hand tools, building materials, automotive, outboard engines for boat and marine supplies, home and industrial cleaning machines, toys and games.

Weakness

New in the Finnish market in term of selling hardware tools, and presently they are operating online store only which is not enough to survive in the Finnish market. Lack of enough showrooms, Disadvantage of price, presently the prices of tools on MAMTUS official website is in Nigeria currency (Naira).

Opportunities

There are so many opportunities in Finland generally, especially for startup companies, Finnish government has good policy for foreign businesses, Finnish government supports and encourages foreign investments, which means it is an encouraging place for a start-up business without any doubt according to the CEO, MAMTUS CEO owns a company in Finland that has been operating for more than 6 years in Oulu region, this is an opportunity for him and his new founded company (Mumtus) to find their feet in the Finnish market. Finland has an attractive business system and good social security system for entrepreneurs.

Threats

Language barrier is always a threat for foreign entrepreneur in Finnish market. So many competitors in the Finnish hardware market such as: Punavuoren Rauta, Tapettitalo, Alppi-Rauta, K-Rauta, Raikan Rauta, Starkki and so on. Competition with Finnish brands and the availability of many brand varieties in the market is highly competitive.

4.5 Main Findings

The table below pointed out the main findings for this thesis. The table give the answers to the research questions of this thesis which were mentioned in the start of this thesis.

Research Questions	Findings
1. Best entry mode for MAMTUS?	<ul style="list-style-type: none"> • Joint Venture. (Intermediate export mode)
2. Opportunities in Finnish market?	<ul style="list-style-type: none"> • Attractive policy for foreign business. • Encouraging place for Start-up Company. • Low country risks.
3. Barriers in Finnish market?	<ul style="list-style-type: none"> • Language barrier. • High tax rate. • Business cultural differences. • High competition with well-established Finnish brands. • High discrimination on custom duties.
4. Potential customers in Finnish market (OULU region)?	<ul style="list-style-type: none"> • Contractors. • Property Managers. • Commercial Sales. • Oulu Residence
5. Possible big Competitors in Finnish hardware tools market?	<ul style="list-style-type: none"> • STARK • K-RAUTA • BAUHAUS • BYGG-max • PUUILO
6. Marketing tool for MAMTUS to enter Finnish market?	<ul style="list-style-type: none"> • Online marketing (Brochures and commercials).

Table 4. Thesis Findings

According to the data collection from literatures, the first question on the table above was answered and explained in Chapter 2, which was about the different types of entry modes such as: export entry mode, hierarchical entry mode and intermediate entry mode, also in this part of the thesis

motivation for entry was mentioned as well. And in this case Joint venture from intermediate entry mode is most suitable market entry mode for MAMTUS considering present status of a company.

The research questions 2, 3 and 4 was answered in Chapter 3. It shows the stability in GDP growth rate and the GDP of \$239.662 billion (Estimated in 2017). The currency in Finland is known to the Euro which has a low inflation risk is 0, 74 (2017) and it was also mentioned in Chapter 3 about Finland being a low risk country because the level of corruption is very low.

Some barriers in trading in Finland was mentioned in Chapter 3, which answer the research question 3 in the table above. The barrier in language and the cultural ways of doing business in general and also the withholding tax of about 20% that needs to be paid by companies in Finland unless the rate is eliminated or reduced under a tax treaty which is applicable (Taxation and Investment in Finland 2016).

In rapid growing hardware market there are lots of companies in Finland ready to compete with both qualities and service. And the competition keeps growing which makes the hardware tools market size keep growing as well. Chapter 3. Also include market segmentations, and most importantly, the Potential customers in Finnish market (OULU region). Macro and micro environment, PEST and SWOT was included in this part of the thesis.

Research question 5 and 6 in the table above were answered in the Chapter 4. Which were the marketing tools MAMTUS needs to implement in other to enter the Finnish market, the international experience of the CEO of MAMTUS, and the suitable market entry mode was selected. In this part of the thesis. Possible big Competitors in Finnish hardware tools market were mentioned were mentioned and explained briefly and how they operate in general. SWOT analysis of the present situation of MAMTUS on how to enter the Finnish market was highlighted in this part.

According to the porter's five forces and the review of the case company (MAMTUS) some questions were answered using the porter's five forces to analyze the case company's current situation. MAMTUS can be categories to be a startup company, so in this case, it means there is a high bargaining power of suppliers and the level of buyers is medium, while the substitute is a very big threat in the Finnish hardware tools market because of the competition and differences in quality and prices while the high intensity of competitive rivalry is very massive in this case, of

course the new entrant would not cause any big threat at all because the Finnish hardware tools market is massive.

According to the research conducted by both authors on the three entry modes mentioned in Chapter 2. (Export entry mode, hierarchical entry mode and intermediate entry mode), definitely each of the entry had an advantage and disadvantage. Considering the pros and cons, and in the case to meet the aim and objective of the case company. So therefore, a conclusion was agreed by both authors to select Joint Venture (Intermediate export entry mode) as the best suitable mode for the case company (MAMTUS).

4.6 Recommendations

This chapter contains the recommendations based on data collected from research questioner, interview conducted with the CEO of MAMTUS and personal observation during the research. Because according to the survey we conducted we found out that from the five-hardware store we selected, customers in the region of Oulu prefer good and reasonable price follow by the quality of brands and in the case of our survey STARK was the hardware store that was selected the most among the selected hardware store in Oulu region and followed by K-RAUTA. With the help of our survey, we came to realize that joint would be suitable for the case company (MAMTUS) for now.

There is no any entry mode that suits any business forever. With the change in an internal and external factor, entry mode also changes in the same way. After examining, all the possible entry modes and status of company Joint venture is the most suitable market entry mode for MAMTUS because according to the description that was made about the Joint venture in Chapter 2. *“The knowledge and experience from the ventures will also be the key factor to access new technologies, greater resources and cost minimization”*. (2.2) and the figure 5 in the same Chapter 2. Described how joint venture works and with the knowledge and the experience of the CEO of MAMTUS with his current company in Oulu (SuprView OY) which he has a joint venture with CUBINCASA, so in this case, we believe joint venture would be an option for a start. Firstly, this market entry mode is safe in term of shared risk and secondly, using this entry mode MAMTUS can enter Finland with low shared cost and best distribution networks.

As CEO of MAMTUS already have other business operating in Oulu region (SuprView OY). It will be helpful for him to get reliable Finnish partner through his networks. His experience of doing business in Finland also minimizes the risk and to sustain in Finnish hardware market. In the same way, his 15 years' experience of Finnish language and cultural skill will completely reduce the language barrier and cultural differences.

Recommendations concerning the change of Motive:

Being based on both authors personal findings and observations throughout the research process, if MAMTUS wants to adopt both recycling and selling process at same time. There are huge possibilities for MAMTUS in Finnish market if it can recycle all the used and old hardware tools. And service like come up with old and used tools to exchange with a new one will also be a competitive advantage for MAMTUS.

In recent years many companies and individuals are supporting those environmental friendly businesses. So, MAMTUS can also be one of the eco-friendly business and attract more environmentally conscious customers. And it's for sure within few years only the environmental friendly businesses will exist.

Similarly, there are very few companies' recycling hardware tools in Oulu region. This will help MAMTUS to generate maximum profit operating both selling and recycling process at same time.

5 SUMMARY

The main research question of this thesis was “How MAMTUS can enter The Finnish Hardware tools Market?”

In other to get an answer to this research question, the research conducted was divided into several main parts. According to both authors research and arrangement, a theoretical framework was the first part which explained the themes related to different types of market entry modes and the factors (Internal and external) surrounding it, in which will affect the choice towards selecting the entry mode. In order to find a solution to this question, the authors concentrated on the qualitative research method.

The data used in this thesis was gathered from electronic sources from reliable authoritative organizations (OAMK e-sources databases), books, and some published articles. And the research survey conducted in this thesis was done using personal interview survey.

PEST was employed by the authors to overview Finland as country and its market, and Porter's five forces were used to study the Finnish hardware tools market, so as to let the readers have a clear picture and understanding of entry modes and internationalization, it was written in Chapter 2., the different motivations of internationalization, different modes of entry, rules on how to select them and the factors that influence of making the choice.

Authors employ SWOT analysis to analyze the basic information of the case company (MAMTUS) based on its brand collection, Finnish hardware tool market, customer perceptions and the further selection of the mode of entry.

According to the case company willingness and motives of entry the Finnish hardware market, All the possible entry modes and status of company Joint venture is the most suitable market entry mode for MAMTUS. Firstly, this market entry mode is safe in term of shared risk and secondly, using this entry mode MAMTUS can enter Finland with low shared cost and best distribution networks. As it was mentioned in above in the recommendation part.

REFERENCES

- Albaum, G. &. (2008). *International marketing and export management (6th ed.)*. Harlow: Prentice Hall.
- Albaum, G. (2011). *International marketing and export management (7th ed.)*. Harlow, New York: Financial Times Prentice Hall.
- AVALARA. (2017, 04 22). *2018 European Union VAT rates*. Retrieved from Avalara VATlive.: <https://www.vatlive.com/vat-rates/european-vat-rates/>
- Bplans. (2018, 04 22). *Hardware Retail Franchise Business Plan*. Retrieved from Bplans: https://www.bplans.com/hardware_retail_franchise_business_plan/market_analysis_summary_fc.php
- Czinkota, M. R. (2013). *International marketing (10th edition, International edition.)*. South-Western: Cengage Learning.
- Economics, T. (2018, 04 22). *Trading Economics*. Retrieved from <https://tradingeconomics.com/finland/corporate-tax-rate>
- Flanders Investment and trade. (2017 July). *Introduction to the main Finnish DIY\ Building materials chains*. Helsinki: Flanders Investment and trade.
- Ghuri, P. &. (2005). *Research methods in business studies: A practical guide (3rd ed.)*. Harlow: Financial Times Prentice Hall.
- Hill, C. W. (2013). *International business: Competing in the global marketplace (8th ed.)*. New York: McGraw-Hill Higher Education.
- Hollensen, S. (2007). *Global marketing: A decision-oriented approach (4th ed.)*. Harlow: Financial Times Prentice Hall.

Hollensen, S. (2010). *Marketing Planning: A Global Perspective (2nd ed.)*. London: McGraw Hill Higher Education.

ICAEW. (2018, 04 22). *Doing business in Finland*. Retrieved from ICAEW: <https://www.icaew.com/library/subject-gateways/doing-business-in/finland>

Kotler, P. &. (2009). *Marketing management (13. ed.)*. Upper Saddle River (N.J.): Pearson/Prentice Hall.

MAMTUS. (2018, 04 24). *MAMTUS*. Retrieved from MAMTUS:

NetMBA. (2018, 04 22). *Pest Analysis*. Retrieved from Business Knowledge Center: <http://www.netmba.com/strategy/pest/>

Svala, H. D. (2018, 04 16). *Market analysis summary*. Retrieved from Bplans: https://www.bplans.com/hardware_retail_franchise_business_plan/market_analysis_summary_fc.php

The World Bank Group. (2018, 04 22). *Control Of corruption*. Retrieved from The World Bank: <https://databank.worldbank.org/data/databases/control-of-corruption>

Wikipedia contributors. (2018, 03 28). *Global Internet Usage*. Retrieved from Wikipedia, The free Encyclopedia:

https://en.wikipedia.org/w/index.php?title=Global_Internet_usage&oldid=832942945

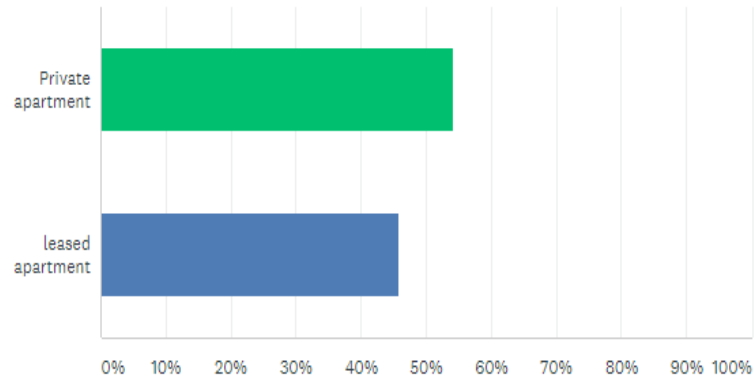
Albaum, G. &. (2008). *International marketing and export management (6th ed.)*. Harlow: Prentice Hall.

Xu, T. (2014). *How to enter the finnish market* . Lahti: Lahti University of Applied Sciences.

APPENDIX

Do you live in private owned house or leased apartment?

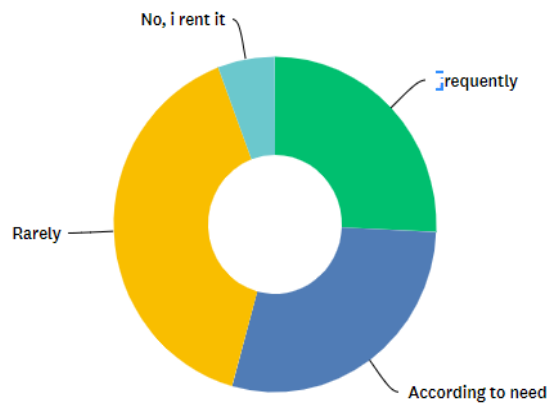
Answered: 35 Skipped: 0



ANSWER CHOICES	RESPONSES
▼ Private apartment	54.29% 19
▼ leased apartment	45.71% 16
TOTAL	35

How often you buy hardware tools?

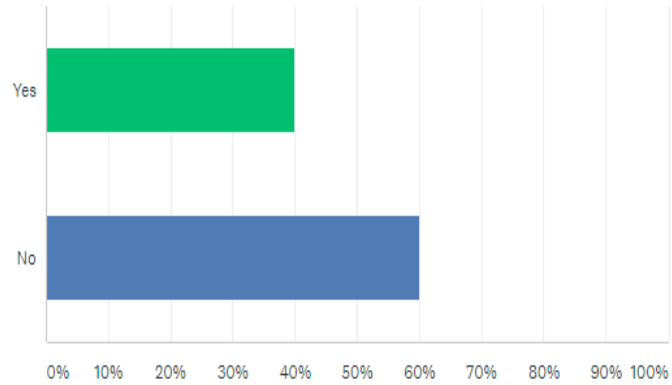
Answered: 35 Skipped: 0



ANSWER CHOICES	RESPONSES
▼ Frequently	25.71% 9
▼ According to need	28.57% 10
▼ Rarely	40.00% 14
▼ No, i rent it	5.71% 2
TOTAL	35

Have you ever bought hardware tools online?

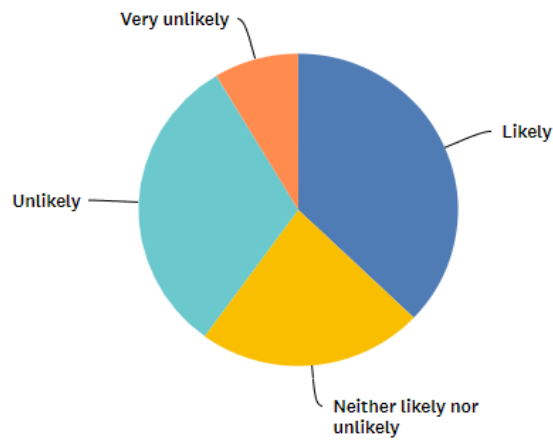
Answered: 35 Skipped: 0



ANSWER CHOICES	RESPONSES
Yes	40.00% 14
No	60.00% 21
TOTAL	35

Would you switch to new online brand if you get every hardware tools online?

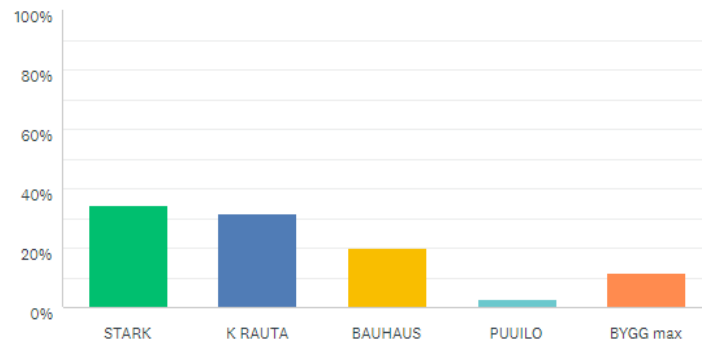
Answered: 35 Skipped: 0



ANSWER CHOICES	RESPONSES
Very likely	0.00% 0
Likely	37.14% 13
Neither likely nor unlikely	22.86% 8
Unlikely	31.43% 11
Very unlikely	8.57% 3
TOTAL	35

Which brand do you prefer for hardware tools?

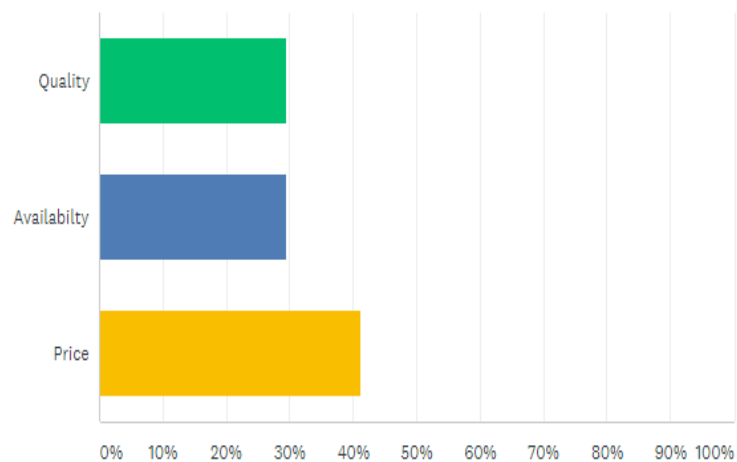
Answered: 35 Skipped: 0



ANSWER CHOICES	RESPONSES
▼ STARK	34.29% 12
▼ K RAUTA	31.43% 11
▼ BAUHAUS	20.00% 7
▼ PUUILO	2.86% 1
▼ BYGG max	11.43% 4
TOTAL	35

What specific benefits do you look while buying hardware tools?

Answered: 34 Skipped: 1



ANSWER CHOICES	RESPONSES
▼ Quality	29.41% 10
▼ Availability	29.41% 10
▼ Price	41.18% 14
TOTAL	34