Saimaa University of Applied Sciences
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Business opportunities for Finnish companies in the label industry in emerging Mexican market

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Abstract

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Business opportunities for Finnish companies in the label industry in emerging
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The purpose of the thesis was to study the business opportunities in emerging Mexican market for Finnish companies in the label industry. The objective was to identify the opportunities that the Mexican label industry market offers to Finnish companies. The sub-objective of the thesis was to analyse the performance of the Finnish label industry companies already present in the Mexican market.

The theoretical part of the thesis was gathered from literature and internet resources. The study was carried out by conducted semi-structured interviews allowing an open conversation and emergence of new ideas to discuss and inclusion of open-ended questions.

The research questions were answered by a semi-structured interview that was conducted with two of the biggest Finnish label industry companies with presence in Mexican territory, and a Mexican company.

The outcome of the thesis was developed as a comprehensive overview of the information gathered after the conducted interviews and the study of the current situation of the label industry in Mexico.

Keywords: Market Analysis, SWOT analysis, PESTEL analysis, Business opportunities, Porter's five forces analysis, Mexican label market, Emerging economy, Label Industry, Finnish label industry, Trade Mexico-Finland.

Table of contents

1 Introduction

The topic of the thesis was chosen based on the authors interest in the label industry in the Mexican market. The theoretical framework of the thesis consists of a market analysis which includes a PESTEL analysis, SWOT analysis and Porter's model analysis. The empirical research will provide a comprehensive knowledge about the current business situation and opportunities in the Mexican market for Finnish companies in the label industry, and finally a conclusion will be presented where the thesis research questions will be answered based on the results obtained from the semi-structured interviews.

The Mexican economy has been recovering positively after the economic crisis of 2008, a growing of about 4% on average and GDP per capita increasing annually at 3% on average. (MHI 2018.)

Mexico's strong manufacturing growth has led to a growing middle class and opportunities for investors becoming a very attractive emerging market for foreign investors. It is Latin America's second largest economy. The country has signed 32 reciprocal promotion and protection of investments agreements with 33 countries, 10 free trade agreements encompassing 45 countries, 9 partial scope and economic complementation agreements within the framework of the Latin-American Integration Association (ALADI), and is a member of the Trans-Pacific Partnership Agreement (TPP). The Mexican government has signed trade agreements in three continents and the country has become a platform from which a potential market of over a billion consumers, accounting for 60 percent of the world's GDP, can be accessed. (Financier Worldwide Magazine 2017.)

Due to the significant growth of the country and Mexico being an important emerging market, the author founds interesting the need to conduct a research about the situation of a specific industry in the Mexican market. There is existing information and researches about the best Finnish industries to invest in Mexico, and all the Finnish companies are already present in the Mexican market. However, after an extent research, (own reflections and own interests) the author decided to focus the thesis work only on one industry, the label industry, especially

the self-adhesive label materials industry, since there are not any related studies performed in this matter.

One of the main goals of the thesis market analysis is to determine how suitable and attractive the Mexican label industry market is for the Finnish companies.

The paper will provide crucial information that is important for understanding facts and analysing the market. The information collected will help to conclude if the label Mexican market has potential that may interest Finnish label companies that desire to enter the market.

The topic is important for the Finnish companies involved in the label industry, thus, they have a better understanding of the business environment in Mexico and the competition. The paper will give a better conception of the Mexican label market, to outlook the potential and opportunities of the area for Finnish companies seeking to operate efficiently and productively in Mexico.

Therefore, a market analysis on the Mexican label industry market will be conducted, including a SWOT analysis, PESTEL analysis, and Porter's five forces analysis will be presented.

1.1 Objectives

The main objective of the thesis is to identify the opportunities that the Mexican label industry market offers to Finnish companies. The sub-objective of the thesis is to analyse the performance of the Finnish label industry companies already present in the Mexican market.

1.2 Research questions

After defining the main objective and sub-objective of the thesis research. The main research question is the next:

- What are the opportunities for Finnish label industry companies in the Mexican market?

Additionally, the research has two sub-research questions:

- How does the future look for the Finnish label industry companies established already in Mexico?
- What are the challenges that Finnish companies may face when establishing a business in the label industry in Mexico?

1.3   Limitations and Delimitations

Since the topic may be quite extensive and there are many issues that could be researched and discussed, it is important to set some limitations and delimitations for the thesis research.

The paper includes an analysis of the current relationship between Finland and Mexico from the economic perspective, and also includes a description of the business opportunities in Mexico and useful information for Finnish label industry companies interested in establishing their business in Mexico.

Although the paper includes a general overview of the label industry in the empirical part of the research, the outcomes are remarked about the label industry in a particular market, in this case it is in the emerging Mexican market. Furthermore, the analysis and overview about general business opportunities in Mexico provides conclusions focused only on the label industry. Another section of the paper is about the common challenges that Finnish companies may face when establishing a business in Mexico with a special focus on the label industry. The research does not analyse any deep cultural perspective.

2   Research methods

2.1   Qualitative method

During the qualitative research the author conducted semi-structured interviews allowing an open conversation and emergence of new ideas to discuss and inclusion of open-ended questions. Three interviews were conducted. The three companies interviewed prefer to stay anonymous and they will be referred to as Company X, Company Y and Company Z. Company X and Company Y are Finnish label industry companies with operations in Mexico, and Company Z is a Mexican local label company. By doing this the author was seeking to get their point

of views and experience in the field of the label business industry in Mexico from different perspectives.

2.2 Empirical data collection

The empirical part of the research is based on theoretical books, other thesis works, research articles, magazines, journals, previous papers about the topic, information provided from the interviewed companies and the authors own analysis and comprehension of events that have occurred in Mexico and that affects the situation of the label industry.

Primary data was collected in the form of semistructured interviews. Semi-structured interviews allow the researcher to have an open interview, but at the same time guided by a framework of themes that are important to cover during the interview. The list of the themes and questions that should be covered during the interview is created usually in a particular order. (RWJF 2008.)

The semi-structured interview guide list of themes provides a clear set of instructions for interviewers and can provide reliable and comparable qualitative data (RWJF 2008).

Since semi-structured interviews often may diverge from the interview guide list themes, the author tape-recorded the interviews and transcripted these tapes for the following analysis. The interviewer followed the guide list of themes and questions but at some themes the conversation took a different path when felt needed and when it was appropriate.

As secondary data the author only analysed existing numerical and statistical data to support some of the outcomes of the paper.

Content analysis is the qualitative analysis method used in the research and consist in analysing the content of the interviews based on the themes of the interviews, which are based on the market analysis theory.

Content analysis is a research technique used to make replicable and valid inferences by interpreting and coding textual material. (University of Georgia 2012.)

3 Mexico as an emerging country

Mexico is Latin America's second largest economy with about 120 million inhabitants. (INEGI 2018). In terms of purchasing power parity, Mexico ranks 11th worldwide, and in terms of exports it is the 12th largest worldwide (Financier Worldwide Magazine 2017).

The service sector is the Mexican economy's dominator, contributing with approximately 63 % of the total GDP in 2015. The most significant contributors of the service sector are social activities, financial institutions, real state and public administration. During the financial crisis and recession in 2009 the GDP growth rate of Mexico was declined to – 4,7 percent, but the Mexican economy managed to recover with a significant growth rate of 5,1 percent during 2010. This important growth was impulse by a dynamic external demand and domestic demand. Mexico has a perfect strategic geographical location that allows unlimited business opportunities with the world. Mexico's good location and supportive governmental policies strengthen the industrial activities. (Lucintel 2016.)

Mexico is listed as one of the top 5 easiest countries in Latin America to do business with. During the last years the creation of important reforms had created new trading opportunities. (World Bank Group 2018.)

Mexico is an emerging market since its economy has grown in a fast speed and it has maintained a steady annual growth in the past recent years. Mexico is not considered a developed country because its gross domestic product rate does not reach the minimum of 12,000 U.S dollars required to qualify as a develop country. Mexico's current GDP is 8,208 U.S dollars (The world bank group 2018). Even Mexico's GDP gaining reduced during the global recession, Mexico's growth is strong and is expected to keep rise through at least 2018. (DePersio 2018.)

Mexico has rich oil and natural gas reserves. As mentioned above the economy successfully runs on a well-diversified base by increasing investments in the service sector. However, Mexico is facing challenges, such as a negative current account balance, trade deficit, and fiscal deficit. (Lucintel 2016)

The economic output of Mexico's economic cannot be compared to the developed countries, but it is still growing faster than many of them, and Mexico could be placed among the most attractive emerging markets globally due to its large domestic market where income levels average thrice that of China, it has a relative young population and because it is export oriented manufacturing sector. Nevertheless, since there is still a poor economic management, the country has received less attention compared to China, India or Brazil as an emerging country. The creation of new initiatives to address drug related violence, poor governance and political instability will probably help improve Mexico's profile in the world in a future. (Thomas White International, Ltd 2018.)

4   Relations between Finland and Mexico

Mexico and Finland have already had 81 years of diplomatic relations. Both nations signed a Treaty of Friendship in 1936 in Washington, DC. In 1964 resident embassies were established in each other's capitals, Mexico City and Helsinki City. However, it was till year 1983 when an Agreement of Inter-cultural exchanges was signed allowing the creation of diplomatic and strong political ties for both nations that with the years have grown and developed. (Embajada de Finlandia, México 2016.)

New channels of themes such as innovation, forestry, technology, legal cooperation, science, telecommunications and energy has been opened and continue developing with the constant bilateral cooperation of the countries. Mexico and Finland reaffirmed their decision to deepen their relationship, given the potential of their economies, as well as the enormous opportunities that exist for cooperation on multilateral affairs where both countries play an important role.

Mexico is Finland's second biggest trade partner in Latin America after Brazil. Trade and investments are growing very favourably, reaching up to 670 million dollars in 2015. Finland's cumulative investment in Mexico in December 2015 was 683 million dollars, with the presence of 43 companies (13 of them with production plants), mainly in mining, renewable energy, water and advanced technologies. For its part, the Mexican Cemex is the only Latin American company with investments in Finland, but there is a broad legal framework that provides

the basis to encourage greater investments in both directions. (Periódico El Economista 2015.)

Mexico imports from Finland mainly machinery, transportation equipment, miscellaneous manufactured products, chemicals and related products and basic manufactures (Finnish Customs 2016).

In the multilateral area, Mexico and Finland share positions on issues such as combating climate change, human rights, gender equality, disarmament, the rule of law and respect for the principles of international law (Periódico El Economista 2015).

To sum up, the relations between Finland and Mexico are strong and continue to develop. Mexico is a country dedicated to free trade and it has improved its economy through privatization, deregulation and opening to international markets (FINPRO 2007). By doing this, Mexico offers a market with great potential for Finnish companies from different sectors who are looking to invest or to search new business associates in Mexico.

5   The Label industry: situation in Latin America and in Mexico

This section defines and explains the label industry, and mentions the importance of the label industry in general and then continues to explain the situation of the label industry in Latin America and in Mexico.

5.1   Introduction to the label industry

First, it is important to define the meaning of a label. A label is a piece of paper, film, plastic, cloth, metal, or other material attached to a product, on which is written or printed information or symbols about the product or item. The labels provide information about the characteristic of the product and allows the consumer to make an acquainted choice about what they are intending to buy. (Poor 2016.)

The intention of packing and package labels are many, such as physical protection, barrier protection, security, convenience, marketing, information transmission and marketing. Many outstanding innovations in the packaging industry were developed first for military use. (Maloney 2003.)

As for the label industry, the definition can be defined as the manufacturing and processes involved in transforming raw material into different kind of information labelling across a wide range of end uses.

The label industry is a very important and essential industry in the actual competitive world. Packing and labelling is used for the identification of the products, enhances the appearance of the product and provides detailed and crucial information about the product to the consumer. There are distinct uses of the labels for the products in the market. The labels help the consumer to differentiate the products from others and allow the customer to know information about the item they are purchasing. The information in the label may include the ingredient list of the product, instructions about the correct use, recycle, disposal, prices, handling of the product, transportation and another relevant informative text. Another main purpose of the use of labelling and packaging is to exaggerate and beautify the product to catch the attention of a viewer to purchase the product. Labelling and packing encourage potential buyers to purchase the product. (Ochre Media Pvt Ltd. 2018.)

5.2 Label industry situation

After a deep fall generated mainly by the great recession in North America during 2008-2009, the global label market began to show a strong recovery at the end of 2010, reaching ratios of growth never seen in the industry. From 2011 a constant growth rates trend has maintained. (Quirk 2018.)

The label and package printing industry is a constantly changing and adaptable industry due to many factors, especially because of the technical innovation and production development. In the past 10 years the label industry has evolved and coped with new regulations and demands from governments and from manufacturers to final consumers. (Quirk 2018.)

The main driver of growth in the global market continues to be the development of high volumes in emerging markets such as Asia being remarkable in China, India and South America. The more mature markets such as North America and Europe showed limited growth to below the levels of the GDP. (Mandingorra 2014, p.4.)

In the past 10 years, one of the fastest sectors in growth in the label industry has been Latin America. The relative stability and economic growth have resulted in stronger GDP for many of the nations of the region. Mexico and Brazil do not reach relative volumes of business in North America and Europe, but its presence is notorious, and its growth is well marked, particularly among equipment suppliers and materials. (Hrinya 2017.)

There is a competitive label market in Latin America that is long reached and incorporates a multitude of technologies and sustainable initiatives. The label industry in Mexico has remarkably increased due to the strong demand from food, wine-beverages, personal care and pharmaceutics products despite the whole label industry high competitiveness in Latin America. (Hrinya 2017).

Foreign label companies have established their business production plants in Mexican soil where they have seen exponential growth in manufacturing and commercial development (Hrinya 2017.)

Since 2003, the packaging sector accounted for about 2 percent of the gross national product in developed countries. About half of this market was related to food packaging. (Schneider & Kluge & Weiß, Rohm 2010.)

Mexico and Brazil are the two biggest regions of label and packaging markets in Latin America. Both markets have an optimistic outlook for the future regardless the slow economic growth in the areas. A research conducted by the Mexican magazine Label Pack and Canagraf (the national chamber of the graphic arts industry) the amount of label printers in Mexico has increased over the last decade from 400 companies to about 450-550, whereas the growth of the local label and packaging market is estimated at 8 percent. (Quirk 2018)

In Argentina, the installations of presses and ancillary equipment are increasing now that import restrictions have been abolished. Brazil is coming out of recession in small steps, with an industrial production rising after a 2-year slump. There are signs of progress within the country's label and packaging industry and a period of potential growth is coming. Chile remains the region's most stable label and packaging market, due to its highly developed wine export industry. (Quirk 2018.)

In the last years, Mexico, Brazil, Argentina and Chile have been the most attractive countries to focus for multinational converting groups looking to acquire local printers; in 2018 onwards, companies in Peru and Colombia are the most likely targets for these ever-widening networks. Colombia and Peru have two of the region's major success stories in recent years, with their local label sectors benefitting from economic stability and widening competition as new companies move in to take advantage of the sector's growth. (Quirk 2018.)

Ecuador, Paraguay and Bolivia are some of the Latin America's smaller markets. In terms of technological development, Latin America is closer to North America and Europe than it is to the likes of China and India. (Quirk 2018.)

Label industry companies have taken actions to ensure their prosperity in Latin America, and these initiatives fomented the creation of associations like ACOBAN (Asociacion Mexicana de convertidores de etiquetas y banda angosta). ACOBAN has been created to strengthen the Mexican label market by making it more competitive. This organization is comprised of label converters, industrial organizations, educators and suppliers within the industry. ACOBAN indicates that Mexico has three to four large American companies with plants, in addition to various prime label plants. (Hrinya 2017.)

6 Theoretical framework

6.1 Market Analysis

A market analysis is a quantitative and qualitative evaluation of a market that studies the dynamism and attractiveness of certain market in a specific industry.

The market analysis glance into size, value and volume of the market, as well it investigates various customer segments, buying standards, competition and the economic environment in terms of barriers to entry and regulation. (The Business Plan Shop Ltd. 2018.)

The main objective of the market analysis is to understand its evolving opportunities and threats as they relate to the strengths and weaknesses of a specific industry. Some of the aspects of a market analysis are the market size, market growth rate, market profitability, industry cost structure and distribution channels. (Business Knowledge center 2010.)

A market analysis will help to identify and to analyse the opportunities and changes in a particular market thought a reflection on the determinants of the market opportunities and how they provide unique advantages to certain industry. Companies need to identify current and emergent customer needs and gain insight into marketing activities needed to fulfil these needs. Besides they need to obtain information about strategies that immediate competitor pursues or are likely to pursue in given markets. (Kuada 2008, p.18.)

6.2 Pestel Analysis

The PESTEL analysis is a tool used in business to obtain information about the environment of a company. The information can be utilized to forecast possible outlooks of the future that could impact the operations of the business. This framework analyses the influential forces and conditions of a determined environment and is a valuable tool for strategic planning. The PESTEL analysis combined with external microenvironmental factors and internal drivers will help classified the opportunities and threats in the SWOT analysis. (PESTLE Analysis 2018.)

The PESTEL analysis includes six factors: Political, Economic, Social, Technological, Environmental and Legal and all of them are interdependent.
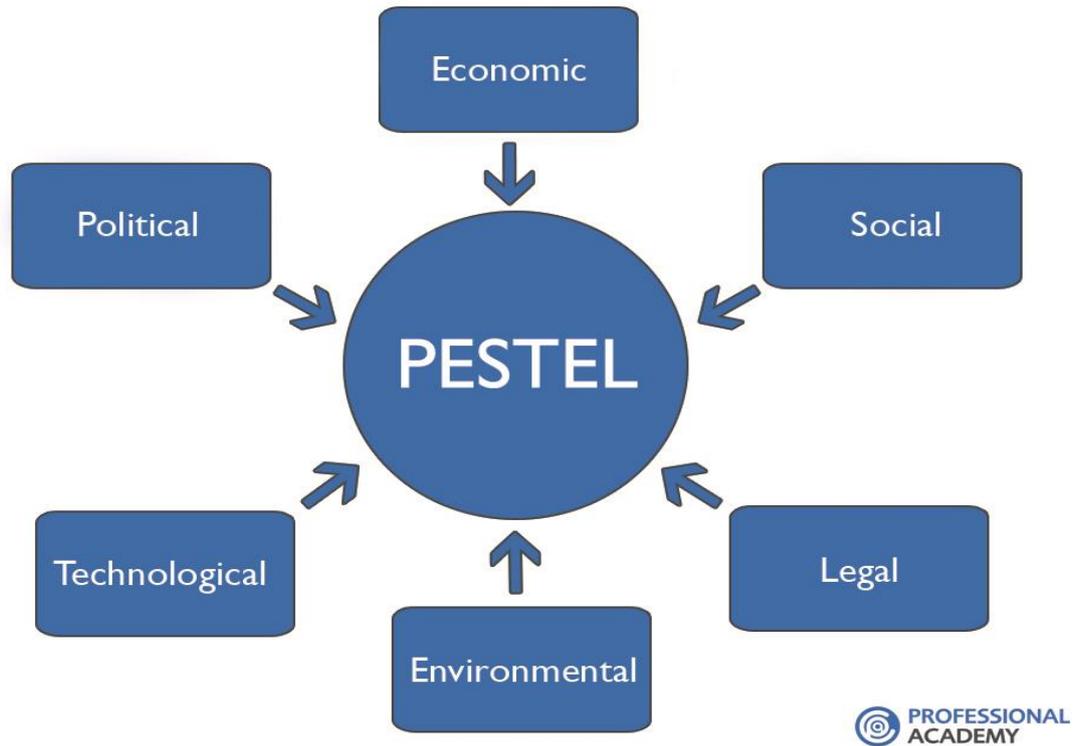
Figure 1 PESTEL analysis factors (Professional Academy 2015)

6.2.1 Political Factors

These factors determine the extent to which a government may influence the economy or a certain industry (PESTLE Analysis 2018).

The state is often important as a direct economic actor, for instance as potential customer, supplier or owner of businesses (Johnson & Whittington & Scholes & Angwin & Regner 2015, p. 22).

It is important that companies consider different possibilities, opportunities and restrictions before expanding and going global. There is a balance between systems of control (governments) and free marketers and that is why it is important for companies to identify optimal zones for sales and productions that will help to determine the location of the business. Macro-environmental factors can affect business strategies and the PESTEL analysis aim is to assess how exactly the factors influence the business performance. (PESTLE analysis 2015.)

15

Some of the political factors included are: government attitudes to employment, consumer protection, the environment, tax policies, trade restrictions, stability of government, entry mode regulations, social reforms and the level of bureaucracy and the level of corruption. (Free management ebooks 2013.)

Figure 2 Political factors (Free management ebooks 2013, p. 12.)

6.2.2 Economic Factors

These factors are determinants of an economy's performance that directly impacts a company or industry and have resonating long term effects (PESTLE Analysis 2018).

Economics refers to macro-economic factors like exchange rates, business cycles and differential economic growth rates around the world. It is important for companies to understand how its markets are affected by the prosperity of the economy as a whole. (Johnson et al. 2015, p. 24.)

Economic factors are metrics that measure the situation of any economic region. The economic situation of a company changes many times during its life-time. In order to implement an efficient strategic plan and an operational efficiency a comparation of current levels of inflation, economic growth, interest rates, credit accessibility, disposable income of buyers, unemployment and international trade should be made. (PESTLE analysis 2015.)

Figure 3 Economic factors (Free management ebooks 2013, p. 13.)

6.2.3 Social Factors

These factors study the social environment of the market, and measures determinants such as cultural trends, demographics, population analytics etc. (PESTLE Analysis 2018).

Social influences include changing cultures and demographics (Johnson et al. 2015, p. 24).

Social factors or demographic factors evaluate the mentality of the individuals or consumers in a determined market. The social indicators such as GDP, inflation and exchange rates are important to the management of the company. They can guide about the good times to borrow and influence in the management decisions. (PESTLE analysis 2015.)

The important social factors to be considered are: population growth rate, wealth distribution, different life styles, career trends, employment levels, education levels and cultural norms (PESTLE analysis 2015).

Social factors and cross-cultural communication play an important role in international and global markets. If these issues are not researched deeply in the area of interest it can cost considerable investments made by the organization and can

be a problem when managing local labour force and promotional issues. (Free management ebooks 2013.)
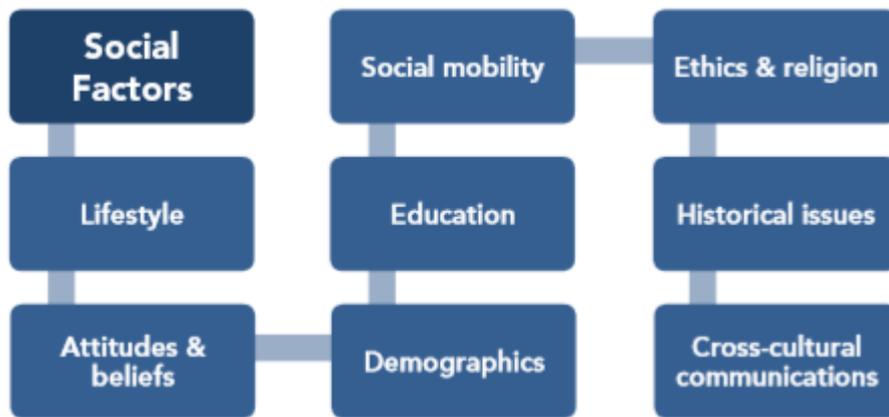

Figure 4 Social Factors (Free management ebooks 2013, p. 15)

6.2.4 Technological factors

These factors are related to technology innovations that may affect the operations of the industry and the market in a positive or in a negative way. (PESTLE Analysis 2018)

It is important for organizations to recognize the potential technologies available and all the technological advancements that can optimize the services and products and prevent those for going outdated.

Recognizing evolving technologies to optimize internal productivity is a great benefit in the management of an organization. There can be disruptive innovations that can cause problems to the businesses and that is one of the main reasons organizations should keep evolving and adapting to these constant technology changes. Due to the rapid pace of change in technology organizations should be ready and have plans to avoid threats and embracing opportunities. (PESTLE analysis 2015.)

Technological factors can mainly be divided into two areas: manufacture and infrastructure areas. When companies take advantage of the opportunities to update or switch their production, they can gain market share and obtain a strong competitive advantage level. (Free management ebooks 2013.)

Some of the most common technological factors are: new innovations and discoveries, rate of technological advances and innovations, new technological platforms and technological obsolescence (PESTLE analysis 2015).
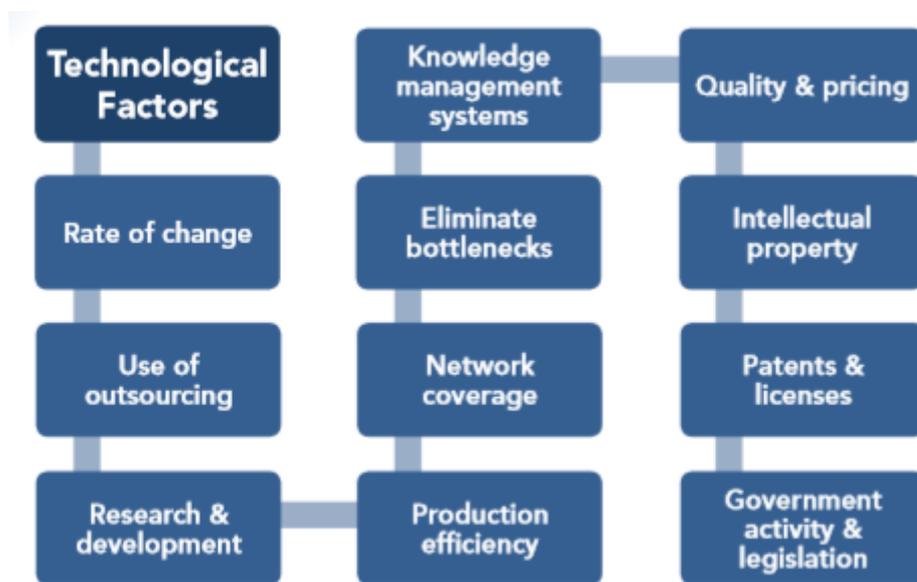
Figure 5 Technological factors (Free management ebooks 2013, p. 16).

6.2.5 Environmental factors

These factors include all those that influence or are determined by the surrounding environment (PESTLE Analysis 2018). These factors have become more important with the globalization as the impact of an organization's actions may be outside its homeland and may incur unquantifiable financial penalties (Free management ebooks 2013).

Governments penalize organizations by levying fines upon companies for polluting and consumers penalize organizations by switching to consume brands that are more ecologically friendly and cause the less adverse effect on the environment (PESTLE Analysis 2018).

Some common environmental factors are: energy consumption regulations, infrastructure, disposal of materials laws, environmental protection laws, attituded towards the environment. Other environmental factors are those related to the weather, geographic location and climate, such as natural disasters, weather conditions that may affect logistics, contamination of soil or water, operations in high temperature countries, etc. (Free management ebooks 2013.)
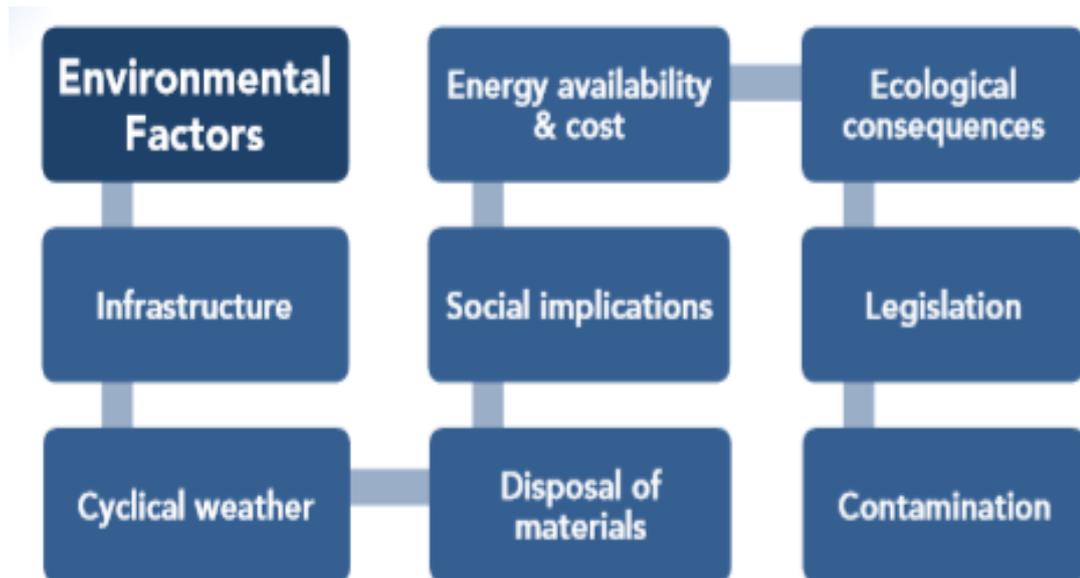
Figure 6 Environmental factors (Free management ebooks 2013, p. 20).

6.2.6 Legal factors

Legal factors encompass legislative and regulatory constraints or changes (Johnson et al. 2015, p. 24).

These factors have both external and internal sides. There are certain laws that affect the business environment in a certain country while there are certain policies that companies maintain for themselves. Legal analysis takes into account both of these angles and then charts out the strategies in light of these legislations. (PESTLE Analysis 2018.)

The legal factors that should be considered are the current and imminent legislation that can affect certain industry in employment, competition, health and safety

issues. It is important to investigate and anticipate possible changes in the legislation of partner countries or before establishing operations in a new country. (Free management ebooks 2013.)

The common legal factors that companies should consider are: employment, competitive, health, safety and production regulations, as well antitrust laws and patent infringements. All these factors have to be considered when formulating a business strategy, since they may affect the way companies operates and have important cost implications. (Free management ebooks 2013.)

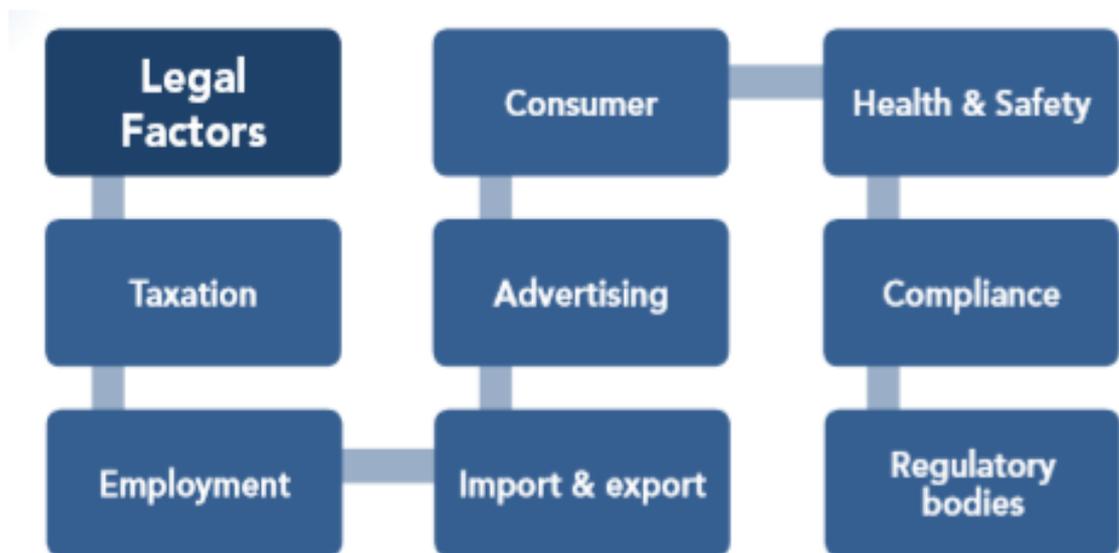Figure 7 Legal factors (Free management ebooks 2013, p. 18).

7   SWOT Analysis

With a market analysis the strengths, weaknesses, opportunities and threats (SWOT) of markets can be identified. A market analysis is a registered investigation of a particular market that is useful to inform the buyer's behaviour within that market and to check the viability of a product or products in the target market. (Surbhi 2015.)

The SWOT analysis is a process that helps to identify the strengths, weaknesses, opportunities and threats of an organisation. A SWOT analysis explores the relationship between the environmental influences and the strategic capabilities of an organisation compared with its competitors. (Johnson et al. 2015, p. 69.)

SWOT provides a resume of the strengths and weaknesses studied in an analysis of strategic capabilities and the opportunities and threats studied in an analysis of the environment. The SWOT analysis can be useful when creating strategic options and assess future courses of action. (Johnson et al. 2015, p. 68.)

The SWOT analysis aim is to identify the extent to which strengths and weaknesses are relevant to, or capable of dealing with, the changes taking place in the business environment (Johnson et al. 2015, p. 68).

Figure 8 The SWOT matrix (Word Press 2016)

The strengths are the characteristics of a certain market which stands out and gives advantage over other markets. The weaknesses are characteristics which makes a market weaker. The opportunities are favourable aspects in the market which adds additional capabilities to achieve one's objectives. The threats are external factors which can potentially put the market in hazard.

8 Porter's model analysis

Porter's model analyses the profitability of an industry. The strength of the five competitive forces can influence the profitability in an industry and can determine the intensity of the industry's competition. (Buckley & Ghauri 2015, p. 118.) The five competitive forces, entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among current competitors reflect the fact that competition in an industry goes well beyond the established players. Customers, suppliers, substitutes, and potential entrants are all competitors to firms in the industry. (Porter 1980, p. 6.)

Porter's competitive strategies seek to explain the generic strategic positions a company can take to generate competitive advantage (Blythe 2009, p. 42).

The collective strength of these five competitive forces determines the ability of companies in an industry to earn, on average, rates of return on investment in excess of the cost of capital. Every industry has a different strength of the five forces and it may change according to the evolution of the industry. (Porter 1985, p.4.)

The strength of each of the five competitive forces is a function or technical characteristics of industry structure. Buyer power influences the prices that firms can charge. The power of buyers can influence cost and investment, because powerful buyers demand costly service. The bargaining power of suppliers determines the cost of raw materials and other inputs. The intensity of rivalry influences prices as well as the cost of competing in areas such as plant, development, advertising, and sales force. The threat of entry places a limit on prices, and shapes the investment required to deter entrants. (Porter 1985, p. 5.)

Companies, with their strategies, can influence the five forces. Saying this, if a firm can shape structure, it can basically change an industry's attractiveness for better or worse. (Porter 1985, p. 7.)

In Figure 9 we can see Porter's five forces model illustration of the competitive conditions in an industry (Porter 1985)
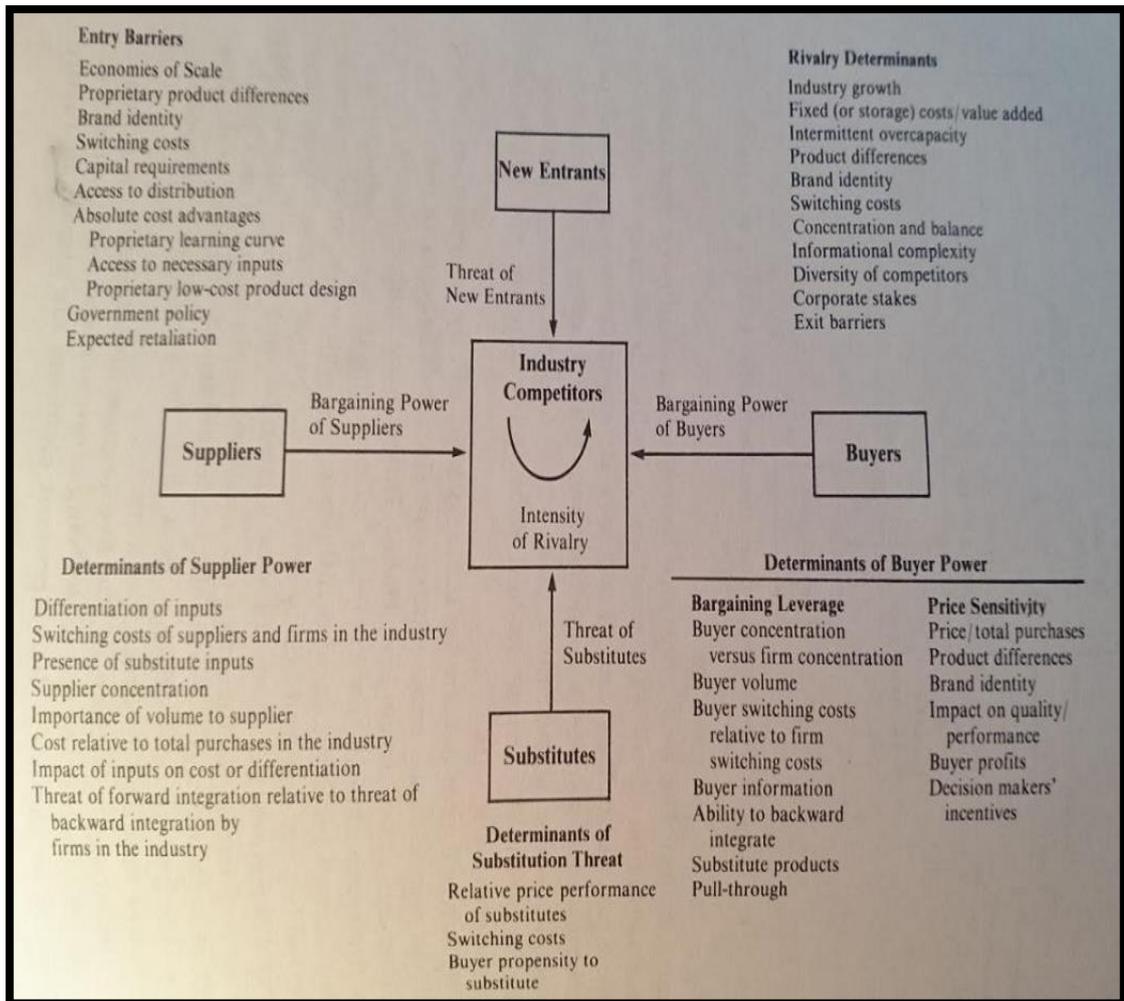

Entry Barriers

Economies of Scale
Proprietary product differences
Brand identity
Switching costs
Capital requirements
Access to distribution
Absolute cost advantages
    Proprietary learning curve
    Access to necessary inputs
    Proprietary low-cost product design
Government policy
Expected retaliation

Rivalry Determinants

Industry growth
Fixed (or storage) costs/value added
Intermittent overcapacity
Product differences
Brand identity
Switching costs
Concentration and balance
Informational complexity
Diversity of competitors
Corporate stakes
Exit barriers

New Entrants

Threat of
New Entrants

Industry Competitors

Bargaining Power
of Suppliers

Bargaining Power
of Buyers

Suppliers

Buyers

Intensity
of Rivalry

Determinants of Supplier Power

Differentiation of inputs
Switching costs of suppliers and firms in the industry
Presence of substitute inputs
Supplier concentration
Importance of volume to supplier
Cost relative to total purchases in the industry
Impact of inputs on cost or differentiation
Threat of forward integration relative to threat of
    backward integration by
    firms in the industry

Threat of
Substitutes

Substitutes

**Determinants of
Substitution Threat**

Relative price performance
    of substitutes
Switching costs
Buyer propensity to
    substitute

Determinants of Buyer Power

Bargaining Leverage	Price Sensitivity
Buyer concentration versus firm concentration	Price/total purchases Product differences
Buyer volume	Brand identity
Buyer switching costs relative to firm switching costs	Impact on quality/ performance Buyer profits
Buyer information Ability to backward integrate Substitute products Pull-through	Decision makers' incentives

Figure 9 Elements of Industry structure

8.1 Threats of entry

New entrants to an industry bring new capacity and a need to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. Especially when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition. (Porter 2008, p. 26.)

The threat of entry into an industry depends on the present barriers to entry that exists, and the reaction from existing competitors that the entrant can expect. If barriers are high and the newcomer can expect sharp retaliation from entrenched competitors the threat of entry is low. (Porter 1980, p. 7.)

Present companies in the market react to the threat of new entrants into the market by keeping their prices down and trying to boost investments in order to deter them; all this limits the profit potential of an industry. Possible new entrants are held back by entry barriers. The heights of these barriers to entry are determined by the willingness and preparedness of the incumbents to react to newcomers. (Porter 2008, p. 26.)

There are six major sources of barriers to entry:

1. Economies of scale. These economies deter entry by forcing the aspirant either to come in on a large scale or to accept a cost disadvantage (Porter 1998, p. 24).

2. Product differentiation. Brand identification creates a barrier by forcing entrants to spend heavily to overcome customer loyalty, for example, advertising and customer service (Porter 1998, p. 24).

3. Capital requirements. The need to invest large financial resources in order to compete creates a barrier to entry, especially if the capital is required for unrecoverable expenditures in up front advertising or R&D (Porter 1998, p. 24).

4. Cost disadvantages independent of size. Settled companies may have cost advantages not available to potential rivals, regardless what their size and attainable economies of scale (Porter 1998, p. 24).

5. Access to distribution channels. The newcomer on the market, must secure distribution of its product or service. (Porter 1998, p. 25).

6. Government policy. The government can limit or even deny entry to industries with such controls as license requirements and limits on access to raw materials (Porter 1998, p. 25).

8.2 Powerful supplier & buyers

The power of suppliers is indisputable. Suppliers can apply bargaining power on participants in an industry by raising their prices or by reducing the quality of pur-

chased goods and services. Customers as well can force the prices down, demand higher quality and play competitors off against each other, all at the expense of industry profits. The bargaining power of the suppliers is particularly high if there are many buyers and few suppliers. The power of each important supplier or buyer group depends on different characteristics of its market situation and on the importance of its sales or purchases to the industry compared with its overall business. (Porter 1998, p. 28)

A supplier group is powerful if:

• it is dominated by a few companies and it is more concentrated than the industry it sells to

• its product or service is unique or different and there are few suppliers

• it is not obliged to compete with other products for sale to the industry

• the industry is not the main customer of the supplier group.

(Porter 1998, p. 29.)

A buyer group is powerful if it is concentrated or purchases in large volumes. They are powerful in sense of bargaining leverage

The products it purchases from the industry are standard or do not require any uniqueness. Buyers can find always alternative products from different suppliers. (Porter 1998, p. 29.)

Consumers are more price sensitive if they buy products that are undifferentiated and where quality is not a must. The buying power of retailers is determined by the same rules with the addition rule that retailers can get significant bargaining power over manufacturers when they influence the consumer purchasing decisions. (Porter 1998, p. 30.)

8.3 Substitute products

A substitute product is a product from another industry that offers similar benefits to the consumer as the product produced by the firms within the industry. The

threat of substitution in an industry affects the competitive environment for the firms in that industry and influences those firms' ability to achieve profitability. (The Strategic CFO, 2018b.)

Substitute products or services can limit the potential of an industry when put-ting a maximum limit of prices. To avoid this situation, the quality of the product must be upgraded, or the product have to be made special. (Porter 1998, p. 32.)

Some of the threat of substitutes that places high risk are:

• if the substitute product is cheaper than the industry product

• consumer switch costs are low

• the substitute product quality and performance are similar or better compared to industry product quality. (The Strategic CFO 2018b).

8.4 Industry rivalry

The intensity of rivalry within competitors in an industry refers to the extent to which firms within an industry put pressure to another and limit each other's profit potential. (The Strategic CFO, 2018a).

Rivalry within existing competitors compete for position using different strategies like price competition, product introduction and advertising contesting (Porter 1998, p. 33). It is important that companies have a good understanding of industry rivals in order to successfully market a product or service. Companies should be well aware of its competitors marketing strategies and pricing to be ready to react and do the proper changes.

Intense of rivalry relates to the presence of different factors:

• Competitors are numerous or are roughly equal in size and power.

• Industry slow growth.

• The product or service lacks differentiation or changing costs

• Fixed costs are high, or the product is perishable, creating strong temptation to cut prices.

• Capacity is augmented in large increments.

• Exit barriers are high.

• The rivals are diverse in strategies and have different ideas about competing and constantly run head on into each other in the process.

(Porter 1998, p. 33.)

9   Market Analysis of the Mexican label market

After studying under the chapter of the theoretical framework, important theorical aspects of a market analysis, the reviewing of the market analysis of the Mexican label market can be continued after the conducted empirical research.

The current situation of the label industry in Mexican market from the point of view of the three label business representatives interviewed comes to a common conclusion that the situation of the market is quite competitive because there are many players who offer similar products and because it is a market where there is a lot of openness on the part of converters and printers from importing for example from Asia. Company Y says that there is a strong presence of American producers and this is due to the proximity from the United States to Mexico. For the plants of the United States, Mexico is the most natural and logical export market, thus there are many American players in the Mexican market.

The representative of Company Y mentioned that the label industry in Mexican market it is a quite established market, meaning that there are not dramatic peaks neither up nor below in consumption. The market could have gone through a crisis about 5-10 years ago, when there was a tendency of sending all the maquila (Maquila is a factory in Mexico established by a United States company to make finished products and ship them to U.S), from Mexico to Asia, the producers decided to make their packing with products from Asia instead of having them produced or assembled in Mexico. (Farlex Inc, 2019.)

Despite these events, there has not been any radical change in volumes of consumption. Company Y's representative mentioned that the clients of the labels tend to establish their specifications according to the supplier, they have and remain with very closed specifications to their products, and this does not allow them to go moving a lot and change from one supplier to another. Company Y's representative pointed out that there are also other topics related to the specialties of the products, for example where there are customers requesting medium or high humidity resistant labels for the use in the brewery industry and in the market there can be only one company that produce those so in this aspect there are not many competitors. There are many other specifications that exist for example the grammage or for the performance in the filling line or for the packing of the product that has to be considered, so the consumer has very restricted specifications to the supplier.

Company X mentioned that additionally, to the reason that the Mexican label market is an established one, another important reason to foreign companies to be interested in establishing their business in Mexico is that Mexico continues to be a country in economic development. There are many expectations that the middle class will grow and when the middle class grows, it also increases the consumption of all different products and victuals. The label market was generated in Mexico by the 60's and since then it has not decreased and has not stopped growing. There is a constant growth in Mexico, not like the growth that occurs in countries like China or in Asia but in general has a greater acceleration if it is compared with markets as mature as Europe or the United States, the growth of consumption in Mexico tends to be a little greater. The proximity with the United States and the existence of free trade agreements with US and Canada allows some expectations that there will continuously to be opportunities that are more maquila type, where both the product and the packaging are made in Mexico and then end up being sold in the United States. Those two reasons make Mexico a bit different positively compared to other countries in Latin America.

According to the three label companies' representatives interviewed, normally the labelling market in Mexico follows a similar trend to the North American market,

but with much lower growth since is a smaller economy. The label Mexican market is a buoyant and growing market.

The Mexican label companies are growing constantly. There are two big international players and a couple of strong local players with manufacturing in Mexico, as well there is also the participation of companies from other countries of intermediate size and technologies.

According to the company Y's representative it is difficult to know the existing number of companies dedicated to labeling in Mexico since there are not official sources and this information is not open to the public in general. The customs agents determine the Harmonized System (HS) of tariff nomenclature, and when the HS code is generated, there are sometimes overlaps of different qualities of the products and it is very difficult to understand which products have really been imported and what is the exact specification. Due to this reason it is hard to know the exact amount of companies dedicated to the label industry in Mexico.

After the conducted research referring to the number of competitors in the market, it is possible to say that there are from eight to ten strong competitors in the market. The majority of the companies are American, European and Chinese.

9.1 PESTEL Analysis

According to the PESTEL analysis after the information gathered from the interviews, the PESTEL factors in the Mexican label industry market can be commented as follows:

In terms of **Political factors**, to a certain extent it is a market that suddenly has its internal challenges that are generated by internal situations that cause fluctuations in the exchange rate or uncertainty especially during the entries of presidential elections. Six months before the general elections nobody wants to make decisions of new projects and it feels in the whole country a stagnation in new developments or projects. However, it is also known that after the elections conducted in July things start to flow. It is a kind of a national psychology with the internal political issues where the businesses have their own psychology of holding on to new business and then move on when there is enough confidence in

the future steps of the country. In December 2018 López Obrador took office and became the President of the United Mexican States for the next six years. On the issues regarding NAFTA, the North American Free Trade Agreement, Company X representative mentioned that European companies need that kind of treaty since that includes Mexico directly. About 80% of the production in Mexico exported to the United States, so the relationship is quite dominated by the US. Basically, there is uncertainty in all the different industries in the country wondering what will happen with the new negotiations with the U.S. President Donald Trump. Regarding the labeling industry, these treaties can have some collateral impact on them, and that is why companies of the label industry must follow this topic very closely.

Another important topic mentioned by Company Y's representative was that many foreign label companies do not invoice in Mexico. They work strictly as representatives in Mexico where they only conduct the negotiations, but the sale is done in all the different production entities. These companies have to consider that for the Mexican companies it would always be more pleasant when a Finnish company would import and sell the product in Mexico. In this way it would offer a more controllable way in terms of costs, because they would not consider the exchange rate, but frankly, most of the companies in the paper industry are invoicing from origin, as for Asians, Americans and Europeans.

All the interviewed agreed that in recent years it has been easier to do business, and for foreigner plants to establish their operations in Mexico. In recent years the Mexican government has focused on making the entry mode regulations and processes easier that are involved during establishing operations in Mexican territory.

However, everyone is waiting to see what will happen and how this will be affected after the change of government with the new elected president in Mexico. If the same logic continues, we could say that procedures will continue getting easier when establishing operations in Mexico, and the politics will focus on making it simpler to attract more foreign investment in Mexico regardless if its Finnish or not. Company Z representative mentioned that the regulations in regard to business practices vary a lot between states resulting in a wide taxation rate rank.

The local government affects significantly the business practices. Some local governments are willing to give incentives, build industrial park areas, build new roads and provide low interest bonds to attract and encourage new businesses to the area.

Regarding **Economic factors**, Mexico is the United States second-largest export market and third-largest trading partner (Expansion/Datos macro 2017).

The economic environment is very stable, companies are not so much afraid of the exchange rate fluctuation issue where the interest rate scared companies in the past years, commented the Company X representative. However, 2018 was a little out of the ordinary regarding the exchange rate and inflation, companies have to consider all costs and keep them in mind. When establishing a company in Mexico it has to be considered that each contract that is made, in its costs has to be taken into account the inflation that normally surrounds 4% but can reach up to 6.5%. Company Y mentioned that the credits in Mexico are not very interesting and another thing to consider are the ways to insure the accounts receivable. It is important to know the clients well, and when choosing them it is good to use a certain filter, sometimes due to the fact that you do not know the customers, or they have a reputation of being late payers. Companies have to consider selling through third parties who in this case, can be agents so there can be a filter in between or they can consider other types of instruments, such as credit houses, etc. European companies enter the market with some reservations in general with Mexico and South America to protect their accounts receivable.

Company X pointed out that in general terms it seems that Mexico is already very much in line with the world economy, and does not have any longer those enormous super leaps that everyone was trembling about what was happening in the economic environment. The economic issue is not something to worry about at this moment, unless there is a dramatic change in the political part, which obviously turns out to affect in the economic part.

In terms of **Social factors**, Mexico is the most populous Spanish speaking country in the world, and the second most populous of Latin America after Brazil (Expansion/Datos macro 2017).

Mexico is the fourth country with the lowest percentage of unemployed people in the world. Unemployment rate is the number of unemployed people as a percentage of the labour force and Mexico has 3,3 %. (OECD 2019.)

About 76 % of the people live in urban areas. Many Mexicans emigrate from rural areas, that does not have many job opportunities like the underdeveloped southern states to the industrialized urban centers and the developing areas along the U.S. Mexico border (Pestle Analysis on Mexico 2013).

Mexico is ranked 54th out of the 190 countries that form part of the Doing Business ranking, which classifies countries according to the ease they offer to do business (Expansion/Datos macro 2017). As a comparative reference Finland is ranked 17th in the ranking.

Mexico has made great steps in enhancing access to education and literacy rates over the past few decades (Expansion/Datos macro 2017).

Company Z's representative mentioned that the population continues to grow, there is obviously the expectation of the growth of the middle class that would represent in this case a much greater growth in all the different aspects of economic growth. According to the responses of the interviewees, the social factors are more or less in the same situation with the economic factors. Economic factors have affected and resulting in a more educated society with a greater ability to adapt to different forms of work, different structures of thought. It seems that there is a wider selection of finding people that can work in the scheme of a foreign company, while this task is not easy, it is not an impossible task either.

Regarding the **Technological factors**, Company Y's representative mentioned that although it is a slow progress, there are certain technological digital printing themes that have become more and more present; and not exactly because they are an ecological issue, but because they are new digital alternatives that allow much more variables in the products. This digital technology offers more personalized products. The digital technology begins to be present in many companies and they are getting more and more interested in this technology since it can offer more variation and more interesting products to their customers. In general terms it seems that the Mexican label industry does not innovate so much in the part

that has to do with the self-adhesive industry but rather the innovations focus in other segments where Mexico remains very innovative and that it is in the engineering part. It is difficult to predict the impact of a new technology on an existing product, obviously the monitoring of the environment for new technological developments is needed. Should be given attention to developments in industries that are not direct competitors, this is because new technology developed in one industry may impact companies and organizations in others. (Pestle Analysis on Mexico 2013.)

Regarding the **Environmental factors**, Mexico has a history of cooperation on environmental and natural resource issues. Severe environmental problems exist due to the rapid population's growth, industrialization and urbanization. Efforts have been made all the time to become more environmentally solid and special attention has been paid to incorporate new initiatives into action. (Pestle Analysis on Mexico 2013.)

Company Y representative says that recycling in Mexico is way behind compared with European countries. A recycling culture does not exist and there is not a good infrastructure to recycle.

The separation of garbage in domestic form is not regulated or practiced in Mexico. There are movements at a global level to reduce the use of plastic, and there are certain types of companies with great influence who want to teach and make people aware of global environmental issues. However, Mexico is far from becoming more conscious about recycling and this may be linked with education. In many levels of basic education in the public sector great efforts have been made to educate future consumers. There is a lot of emphasis on making people, especially the young generations, aware of environmental matters, but the structure does not exist yet. So, it is a great challenge. There are enterprises with environmentally interesting proposals and ecological footprint measures, but they tend to be towards large clients at a global level where there already is an established conscience, and where they have established their own sales challenges and sustainability goals. Company Z mentioned that the environmental factors are not strongly present in the Mexican market, but the label industry uses them as important elements and that adds value to their products.

The Finnish companies already established in Mexico are a good example of companies concerned about the environment and meeting sustainable solutions under their operations. Finnish companies are trying hard to do things differently and be a good example to others.

Regarding the **Legal factors**, business activity is affected by the legal dimension of the general environment. All the interviewees agreed that in Mexico the legal environment facing organizations is becoming more complex and affects businesses more directly. Mexico still has a complex economy when starting new businesses; the system can still be complicated, but these complications are reducing all the time.

Some of the laws that affect business would include legislation in the areas of consumerism, environment, competitive practices and employee relations. The cost of compliance varies widely, many of these costs are passed to consumers (Pestle Analysis on Mexico 2013).

Company Y's representative mentioned that when companies come to settle in Mexico, they usually have a consultant or a lawyer giving directions on how it is done. They advise companies in what kind of corporation should be registered and what impacts they have in terms of responsibility, payment of taxes, and being subject to paying VAT, etc. It depends a lot on what type of operation is going to be established.

Company X and Company Y's representatives mentioned that a real challenge for Finnish companies is always to understand Mexico as a labor market. If you come from Finland, you come with an egalitarian idea that everyone has the same basic education, that they have the same purchasing power, that there is not much variation in the payment of taxes, and you do not have to think much about what you are offering or what benefits you have to consider. This aspect can be a very big challenge for transnational companies when they arrive in Mexico. For example, you can hire someone in customer service and pay three thousand pesos, or hire someone for customer service and pay forty thousand pesos. It totally depends on the logical civic base and these are very intangible issues which companies should take into account.

9.2 SWOT Analysis

Additionally, according to the review of the PESTLE analysis it is important to understand the changing opportunities and threats of the Mexican label industry as they relate to the strengths and weaknesses of the industry. Therefore the need to cover some of the SWOT analysis points it is crucial to continue reviewing the market research results.

Under the Strengths (internal, positive factors) section, positive attributes, tangible and intangible of the Mexican label industry market will be pointed out. Advantages over competitors and added value as a competitive advantage will be presented.

As for the Weaknesses (internal, negative factors) section, aspects of the market that detract from the value offered or place at a competitive disadvantage will be presented. Under the Opportunities (external, positive factors) section, the external attractive factors that represent reasons to do business in the Mexican market will be presented. Finally, under the Threats (external, negative factors) section, external factors beyond the Mexican market's control that could be a risk for the business will be presented. (Berry 2018.)

As mentioned before, one of the main positive attributes of the Mexican label industry market is that it is a market that has not decreased since it was generated, and it is a quite an established market.

In order to understand and to be presented clearly, the SWOT identified points are presented under the next table.

Strengths (S)	Weaknesses (W)
• Geographical location next to US and perfect access to other Latin America countries • High demand on labels • Well established label market	• Cultural Idiosyncrasy • Government bureaucracy • Lack of good governance • Exchange rate • Weak rule of law

• Continuous growing label market • Young workforce • Emerging economy • Building of more manufacture plants • Growing of foreign investors and multi-national companies • Production low costs • Human capital volume	• Complexity still when establishing a company • Corruption • Drug war • Lack of infrastructure • Bribery • Lack of technology to produce the required product specifications • Customer service - Delivery times compared with American competitors
Opportunities (O)	**Threats (T)**
• Attractivity and allowance to participate with another mature markets • Competitive market • Growing middle class increase demand • Growing consumerist • Promising NAFTA renegotiation. • Other trade agreements • Local market potential growth • Ecological trends • Green aspects to be as value added. • Development of high expertise in supply chain • Support to new entrepreneurs • Improvement of just in time deliveries – supply chain	• Label Industry has many competitors • Competition from Global majors – Asians, Americans specially. • Political factors - The newly elected president Manuel Lopez Obrador plans to drastically change Mexico's economic policy • Legal factors – Unexpected hurdles to implement reforms • Potential of U.S. economy slowdown • Free trade agreements FTA – Donald trump's government. • Work ethics • Exchange rate – regarding the invoicing • Preference towards American and Asian market • Commercial policy • New players – especially Americans • Continuity of strategies • Changing government policies

	• Adaptation to the Mexican working style

9.3 Porter's model analysis

After the conducted research important points were found regarding the five competitive forces of Porter's model analysis.

According to the interviewees there are always threats of consistent and constant new players in the market, but the market grows so much that it easily accommodates new players. In reality there are not so many new companies entering the market of manufacture of materials for labels, so this is not a big challenge, but the real challenge is with the existing companies that they are constantly investing in new capacity. The self-adhesive industry takes fast decisions according to the current market conditions and this can be a real challenge within existing companies, so the main challenge surprisingly is a question of new capacity rather than the entry of new players. Regarding competitivity there are two big players in the Mexican market, a Finnish one named UPM Raflatac Mexico and an American company called AVERY. All the others are slightly different from these two in technological capacity and productive capacity. This can be a threat in some segments and in some market niches but who covers all the niches and who participates everywhere are these two main leaders' companies.

Smaller companies are in some way a challenge for the biggest companies and force them to renew themselves, but it seems that always the greatest are those who are racing with each other in competitiveness, productivity and innovation and the others just follow the bigger players trends.

Regarding bargaining power of suppliers and sellers, Company X and Company Z's representatives mentioned that the Mexican market is in the situation where the local suppliers have a big bargaining power in the sense that they are able, especially the medium and large companies, to seek non-local supply alternatives. Externally they put a lot of pressure on local manufacturers or local companies to try to adapt and meet to what they can get from external sources.

Regarding substitute products the plastic still has a very strong presence despite the new movements of initiatives in reducing plastic products. There are so many plants that make paper labels as much as plastic labels. The demand of plastic is still higher than the demand of more sustainable products in this market.

Plastic products as a competitor product are not disappearing, because it is a very dynamic material and its use is reflecting in different costs in the production chain, Company Y's representative said.

In terms of rivalry, there may not be something very defined, but obviously companies try to open up more and create more negotiation range by trying to develop their existing products even more by continuously visiting and listening to the demands of their clients and to see the opportunity to develop something new or replace something already existing. Sometimes this is very challenging due to the subject of very exact specifications from the customers' requirements and it is not possible to give a similar or equal product, and this can be reflected in a real challenge in the supply chain.

10 Conclusion

To summarize, the aim of the thesis was to study the business opportunities for Finnish companies in the label industry in emerging Mexican market. The objective was to identify the opportunities that the Mexican label industry market offers to Finnish companies.

In this concluding part of the thesis the research questions will be answered. The main research question is: What are the opportunities for Finnish label industry companies in the Mexican market? The two sub-research questions are: How does the future looks for the Finnish label industry companies already established in Mexico? What are the challenges that Finnish companies may face when establishing a business in Mexico in the label industry?.

Too often firms enter emerging industries because they are growing rapidly, because incumbents are currently very profitable, or because ultimate industry size promises to enter must ultimately depend on a structural analysis (Porter 2004, p. 236).

After the interviews conducted the research questions can be answered. As an answer for the main and second sub-research questions about the opportunities and challenges that Finnish companies may face when establishing a business in Mexico in the label industry, the answer can be resumed as follows: although the Mexican market is a very attractive one and is constantly growing, for new Finnish companies can exist many challenges. The Mexican label market is very competitive. The differences between companies are mainly in the services they offer, delivery times and quality of the product. Another difference between companies is that some companies do not charge certain part of the input cost that will be used to make the product, and this can be a big disadvantage to companies that can not afford to offer this kind of bonus to its customers.

All the companies seek to differentiate, and definitely some companies cannot meet what the others can offer.

To complement the answer of the main research question, it can be mentioned that Finnish label companies should emphasize to operate efficiently and successfully in Mexican market, work a lot in supply chain and to think out of the box. This means, for example, creating certain inventory services that many foreign companies established in Mexican territory do not offer yet. For example, inventory services alternatives, such as warehouse inventories, located at the source or destination. This service suggestion emerges from the distance drawback that can create a disadvantage for Finnish companies, since customers often do not want to have inventory of the products themselves and they are seeking to resolve punctual delivery issues.

Business services concepts have been quite stagnant nowadays reducing the basic ones of packing – delivery option, the new companies entering to the market should look for more creative ways and to improve their supply chain.

As an answer to one of the sub-research questions regarding the future for the Finnish label industry companies established in Mexico it can be said that the future of the label industry in Mexican market seems very promising. This market segment hardly is going to stop growing in the next five years considering the actual trends and from the point of views of the leading companies in the market.

There are consistent investments in the industry and a continuous growth is expected. The representatives of the companies interviewed commented that the percentage growth can be foretold if it is seen in a correlation with the GDP growth, which will probably be around 2-4 % per year.

All the time there are new applications and a rising demand of new and improved adhesive label products.

Companies planning to enter the Mexican market should focus on building their strategy base on green values and in offering alternatives to replace any product that is made with unsustainable sources for a more sustainable product.

The offering of more ecological and sustainable products based on green values is an option that will work as a value added. All the interviewed representatives

think that a more sustainable product catalogue is a key value that can help to conquer new customers.

In general, being close to the market, understand it, offering a wide range of interesting products and being very discipline as a company are some of the ways to enter the market strongly.

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Appendix 1: Interview questions for Company X, Y, Z.

1. When Company X, Y, Z established its operations in Mexico?

2. How many operations Company X, Y, Z has in Mexico?

3. What were the main reasons that motivated Company X, Y, Z to enter the Mexican Market?

CURRENT SITUATION

4. What could you tell me about the current situation of the label industry in Mexican market?

5. What is your opinion about the performance of the label companies operating already in the Mexican market?

STRENGTHS - OPPORTUNITIES

6. What do you consider are the main reasons that labelling companies desire to enter the Mexican market?

7. What advantages the Mexican label industry market offer to Finnish label industry companies?

8. Are there many label companies in the Mexican market already?

THREATS – WEAKNESSES

9. What do you think about the competitiveness within the label industry companies present in Mexican market? (for example, new entrants to the market)

10. What do you think are the major challenges that Finnish label companies may face when establishing business in Mexico?

11. What disadvantages the Finnish label industry companies may have in Mexican market against national or another international label companies?

12. What are the threats of new entrants, substitute products or services, bargaining power of customers & suppliers, intensity of competitive rivalry for the label industry in Mexican market?

* What challenges in Company X, Y, Z has faced?

FUTURE

13. How seems the future of the label industry in Mexico?

14. What are in your opinion the key aspects that Finnish label companies should emphasize to operate efficiently and successfully in Mexican market?

15. What could you suggest or advice to another Finnish label companies that are considering entering the Mexican market?

PESTEL ANALYSIS QUESTION

16. What kind of (PESTEL) Political, Economic, Social, Technological, Environmental, Legal factors need to be considered the most for the Finnish label industry companies that are planning to enter the Mexican market?

* Political factors such as: government attitudes to employment, consumer protection, the environment, tax policies, trade restrictions, stability of government, entry mode regulations, social reforms and the level of bureaucracy and the level of corruption.

* Economic factors such as: current levels of inflation, economic growth, interest rates, credit accessibility, disposable income of buyers, unemployment and international trade.

* Social factors such as: Population growth rate, wealth distribution, different life styles, career trends, employment levels, education levels and cultural norms.

* Technological factors such as: New innovations and discoveries, rate of technological advances and innovations, new technological platforms and technological obsolescence.

* Environmental factors such as: Waste disposal laws, environmental protection laws, energy consumption regulation, popular attitude towards the environment.

* Legal factors such as: Employment regulations, competitive regulations, health and safety regulations, product regulations, antitrust laws, patent infringements.