

Saimaa University of Applied Sciences
Faculty of Business Administration, Lappeenranta
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Internationalization process of a small-sized e-commerce company, Case Company: Handstand-Kloetze

Thesis 2019

Abstract

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Internationalization process of a small-sized e-commerce company, 51 pages, 1 appendix

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The purpose of the thesis was to examine the internationalization process of a small-sized firm and provide a foundation of fundamental aspects of internationalization for the case company. Also, the thesis should aid the case company in the internationalization decision-making process.

The information of the theory part was gathered from literature, scientific articles, and reliable internet websites. Empirical data for this thesis was collected from an unstructured telephone interview with the entrepreneur of the case company and questionnaire conducted among the circus schools in Finland.

The literature review provided an understanding of the firm's initial process of internationalization and a framework for conducting market research. In the empirical part of the thesis, the case company's internal and external data were examined and analyzed.

The market research showed that the case company has demand in the Finnish market. Also, it provided a better understanding of the potential target customers. However, the scope of the market research was limited due to the narrow nature of the Bachelor's thesis. Therefore, more aspects of internationalization are recommended to observe for the case company before entering the Finnish market. Further research was suggested for the case company.

Ultimately, the thesis succeeded in its purpose, and initial insights of internationalization processes were given to the case company. The decision of continuing the internationalization process is merely left for the case company's entrepreneur.

Keywords: internationalization, e-commerce, SME (small- and medium-sized enterprises), market research, handstand

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1 Introduction

1.1. Background

The concept of internationalization of the firm is hundreds of years old. The earliest internationalization theory “absolutely advantage” was created by Adam Smith in 1776 (Mtigwe, 2006, p.6-7). Today, the phenomenon is broadly researched, and many different internationalization theories have created since the year 1776. Nevertheless, in the past, the studies of internationalization have focused on large multinational corporations, which can be categorized as a large and medium-sized enterprise (LMEs). Only a few decades ago, the internationalization of small and medium-sized enterprises (SMEs) had gained more attention from researchers (Ruzzier & Hisrich & Antoncic, 2006, p.477). Most of the existing firms in the world fall in the category of SME. They have a major impact on the global economy by having a significant role in obtaining the gross domestic product and creating jobs (Ludovica, Nicoleta, 2011). The number of internationally operating SMEs has increased in recent year, especially SMEs in developed countries. (Bose, 2016.) Further research of this phenomenon can provide significant value, due to the importance of SMEs in the global economy and increased rate of internationalization of SMEs globally.

To add another layer to this phenomenon, this thesis addresses the e-commerce firm’s internationalization process. Digitalization is the current booming phenomenon in the world, brick and mortals are shifting to click and mortals, e-commerce sales and customer base are growing. Thus, the impact of e-commerce on the global economy is increasing. (Grochal-Brejdak & Szymura-Tyc, 2018). Retail e-commerce worldwide sales has doubled in the past four years and the growth has been forecasted to continue in the future (Statista, 2019).

Consequently, the main aspects of this thesis are internationalization, SME and e-commerce. A case company, which fits in the criteria mentioned, has been chosen for this thesis. The case company is a small-sized e-commerce firm from Germany, which is unfamiliar with the internationalization process and is intending to internationalize to Finland.

1.1 Objectives and delimitations

The goal of the thesis is to examine the internationalization process of a small-sized firm. The key factors impacting to firm's internationalization process will be observed. The aim is to provide a foundation of fundamental aspects of internationalization for a small-sized firm, which is considering internationalizing. Also, the potential demand in the Finnish market will be examined, and the thesis aims to aid the case company in internationalization decision-making.

Delimitations have a crucial part in this thesis due to the broad nature of the studied phenomenon. Narrowing down the phenomenon of internationalization to examining the initial processes of the internationalization, already delimits the topic notably. In other words, the thesis examines the key factors a firm should address before internationalizing.

However, some aspects of the initial parts of the internationalization will not be addressed in this thesis. If the market research indicates that there is no demand for the case company's products in Finland, the choice of entry mode is irrelevant. For this reason, entry modes of internationalization will not be discussed in this thesis. Other aspects, which will not be discussed are market selection, due to the case company already has selected Finland as the target market. Also, cultural differences will not be addressed, due to the relatively close cultural distance between Finnish and German culture. (Hofstede Insights, 2019.)

Market research was conducted for this thesis, and it will be analyzed in the empirical part. Comprehensive market research can easily extend the scope of Bachelor's thesis. Therefore, market research conducted for the thesis required delimitations. The subjectively assumed the least essential aspects in the case company's point of view, were delimited from the market research. The included aspects of the market research were: SWOT-analysis, potential customer base and their behavior, and competitor-analysis.

1.2 Research questions

The main research question of the thesis is:

How can a small-sized German e-commerce company internationalize to Finland?

To support the main research question and obtain a deeper knowledge of the topic, supporting sub-questions were formed:

What are the main motives of SMEs to internationalize?

What are the key factors a small-sized e-commerce company should consider before internationalization?

1.3 Theoretical framework

Figure 1. illustrates the theoretical framework of this thesis.

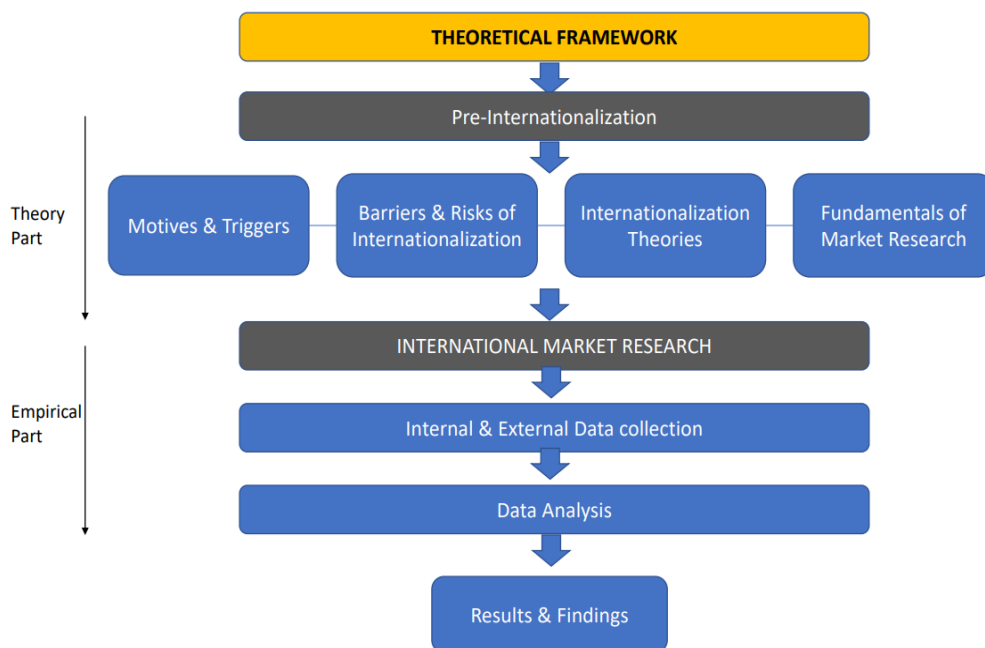


Figure 1. Theoretical Framework.

The purpose of the theoretical framework is to provide a better understanding of the phenomenon studied in this thesis and create a foundation for the empirical part of the thesis.

The theory part consists of four aspects. First, the root cause of the internationalization will be studied under the topic “Motives & Triggers of Internationalization.” The objective is to study the initial reason why firms internationalize, and which factors contribute to the decision to enter international markets.

Secondly, limiting obstacles to entering international markets will be observed. Barriers and risks of internationalization will be introduced. However, every market has its individual barriers and risks. Therefore, the focus is on general barriers and risks of internationalization.

Thirdly, according to literature, internationalization approach of a firm usually follows one of the three following theories: The Uppsala Internationalization theory, The Network theory, and The Born global theory. In this part, these theories will be introduced and studied in small firm point of view.

Lastly, perhaps the most essential part of the theoretical framework is the “Fundamentals of international market research”. The aim is to study the basic concepts and fundamental strategies on how to conduct market research. This part will be the foundation of the market research conducted in the empirical part of the thesis. Therefore, this part is critical in order to conduct the market research successfully.

The central part of literature is Sved Hollensen’s book “Global Marketing.” This book is a comprehensive opus of global marketing and globalization and it addresses several different aspects of internationalization broadly. Other literature for the theoretical framework was gathered from scientific papers, books, and reliable internet websites.

1.4 Research method

Three different approaches to conduct research are a qualitative method, a quantitative method, and mixed methods. Due to the nature of the studied phenomenon, a qualitative method was selected for this thesis. “Qualitative is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem” (Creswell, 2009. p.4). The qualitative strategy used

in the research was a case study. Stake describes case studies as: “a strategy of inquiry in which the researcher explores in depth a program, event, activity, process, or one or more individuals. Cases are bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time”. (Creswell, 2009.) Accordingly, the thesis examines the internationalization process of a case company and aims to understand the whole processes comprehensively.

Qualitative data collection procedures used in this research were unstructured telephone interview and questionnaire. The unstructured telephone interview was done with the entrepreneur of the case company. The purpose of the telephone interview was to gain an understanding of the firm’s motives to internationalize and obtain internal data for market research. The questionnaire was conducted among circus schools in Finland. The details of the circus schools were found from the Finnish youth circus association’s (Suomen Nuorisosirkusliitto) website. The questionnaire invitation was sent to 43 circus schools in Finland, and 17 of them participated in it. The purpose of the questionnaire was to obtain external data for market research. According to Clow et al. (2014) obtained information from a questionnaire can aid to firm’s decision-making and results can be used to describe situations, target markets, and other phenomena. (Clow & James, 2014).

1.5 The case company

The selected case company for this thesis is a small-sized e-commerce company based in Germany. The name of the company is Handstand-Kloetze. It was founded by Christian Meier in 2012. The company produces and sells handmade handstand equipment.

The product selection of the case company consists of four different equipment meant for handstand practice and performance. The circus schools create the highest demand for the products. Consequently, the circus schools are the largest B2B customer group of the case company.

Handstand-Kloetze operates online via the website and does not have a physical store. The customer base of the company consists of B2B and business-to-

consumer (B2C) customers. Due to the specific characteristics of products, the sales numbers of the company are relatively low.

Currently, Handstand-Kloetze intends to grow and expand internationally. The case company does not have previous experience with internationalization. Thus, this thesis aims to support the case company to kick off its internationalization process.

1.6 Structure of the thesis

The thesis starts with a theory part, which reviews the current literature of internationalization and aims to examine relevant internationalization theories for a small-sized e-commerce business. The second part of the thesis is the empirical part, which contains the analysis of the market research in Finland. Lastly, the results of this thesis are discussed, and proposed solutions for internationalization are given for the case company.

2 Literature review

2.1 Key concepts

2.1.1 Internationalization

Regardless of the old age of phenomenon internationalization, yet the term "internationalization" does not have a clear and universal definition. Calof & Beamish (1995) clarified the term as "the process of adapting firms' operations, strategy, structure, resource, etc., to international environments" (Kojastehpour & Johns, 2014, p.239). Hitt *et al.* (1994) stated that internationalization stands for "expanding across country borders into geographic locations that are new to the firm" (Kojastehpour et al. 2014, p.239). Generally speaking, a firm is involved in the phenomenon of internationalization, when it is selling, buying, operating, or producing outside the domestic market.

Another similar term, related to the internationally operating firm, is globalization. Both terms, globalization, and internationalization, do not have a clear universal definition. Therefore, the terms are often mixed and not divided as different

concepts. Hollensen (2011) draws the line between these terms by stating that globalization reflects the concept when a firm is operating in multiple countries across the world, whereas internationalization reflects the concept when a firm is operating in limited region or number of countries (Hollensen, 2011. p.6).

2.1.2 Small- and medium-sized enterprises (SMEs)

In literature, firms are often separated in different groups based on their sizes. Two most often occurring groups in literature are SME and LSE. The term SME refers to small- and medium-sized enterprises, and the term LSE refers to large-sized enterprises. Table 1. shows the European Commission’s definition of micro-small- and medium-sized enterprises (SMEs). Everything above the size of medium-sized enterprises is defined as large-sized enterprises (LSEs).

Company category	Staff headcount	Turnover	(or) Balance sheet total
Medium-Sized	<250	≤ € 50 m	≤ € 43
Small	<50	≤ € 10 m	≤ € 10 m
Micro	< 10	≤ € 2 m	≤ € 2m

Table 1. Definition of micro-, small-, and medium-sized enterprises (SMEs). (European Commission, 2012.)

2.1.3 E-commerce

Technology has developed rapidly in recent years, and the internet has become a big part of people’s every-day life. Arguably, the most significant technological development in the past years in terms of business is electronic commerce. In other words, electronic commerce - known as e-commerce, refers to trading electronically. Consumers no longer need to visit in stores to buy a product or service. Today, the internet provides the possibility to shop from home and a product can be delivered right to the home door just by one click.

Along with the revolution of the internet, a new form of service has been born, a virtual service – a service, which does not have a physical presence, only in the

online network. According to Turban *et al.* (2000) e-commerce is transactions involved with buying and selling products, services and information over a network (Barnes & Hunt 2001, p.1). However, Turban's definition does not outline all the potential aspects of how the network can be utilized in business operations. Things such as knowledge and information flows, improved quality of services and distribution of services are left out from Turban's *et al.* (2000) definition. Therefore, this phenomenon could be defined in a broader sense; moreover, in 1998 IBM invented a term online business, also known as e-business. Lou Gerstner, CEO of IBM refers to e-business as: "all about time cycle, speed, globalization, enhanced productivity, reaching new customers and sharing knowledge across institutions for competitive advantage" (Barnes *et al.* 2001, p.1).

In literature, the meaning of e-commerce and e-business (also known as an online business) often varies and mostly they are used interchangeably. In contrast to the definition discussed before, in some texts e-commerce refers to buying and selling tangible products or services via an online platform, whereas online/e-business refers to the usage of an online platform in business operations, where tangible products or services are not involved. To clarify how these terms are defined in this thesis, e-commerce and online/e-business are referred in the following way:

E-commerce: business operations via an online platform, where tangible products or items are involved. For example, a firm, which is only present as an online store, but sells tangible items.

Online/e-business: business operations via an online platform, where tangible products or items are not involved. Social media platforms are a great example of an e-business firm, which only provides virtual non-tangible services.

2.2 Motives and triggers of internationalization

This chapter aims to observe and provide a deeper understanding of which factors motivate and trigger a firm to internationalize to foreign markets.

Usually, by exporting, a firm is seeking financial gains. Nevertheless, making money is rarely a single reason to expand internationally (Hollensen, 2011. p.50). Especially, SMEs often experience either high competition or lack of opportunities in their home markets, which pushes them towards internationalization. Before a firm enters the new foreign market, a mix of motives and triggers usually lead them into the decision to internationalize. (Hollensen, 2011.).

Czinkota *et al.* (1982) stated that there are two types of motives for internationalization: proactive (firm-based) and reactive (environment) (Pett & Francis & Wolff, 2004. p.47). Czinkota *et al.* (1982) described: “proactive stimuli denote the firm’s interest in exploiting internal strengths or opportunities in the overseas market, while reactive motives exemplify a response to organizational or environmental pressures.” (Pett et al. 2004. p.47).

Along with the motives, triggers are also a part of the firm’s decision to internationalize. Hollensen (2011) described international triggers as something inside or outside the firm, which contributes to a firm’s decision to internationalize. (Hollensen, 2011, p.57).

2.2.1 Proactive and reactive motives

Hollensen (2011) has defined the different proactive and reactive motives in his book “Global Marketing” as Table 2. shows. In order to provide a deeper understanding of why a firm decides to internationalize, these reactive- and proactive motives will be examined. (Hollensen, 2011, p.51).

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

Table 2. Proactive- and reactive motives to internationalize. (Hollensen, 2011, p.51).

Profit and growth: Maybe the most common and apparent motive to internationalize, is to gain more profit and growth. Especially within SMEs, profit and growth are the major motives to internationalize. (Hollensen, 2011, p.51)

Managerial urge: This factor relates to a firm's management desire, drive and enthusiasm towards internationalization. Managerial urge can be a general entrepreneur motive such as growth, or more personal motive such as management's background and interests of living or traveling abroad. The managerial urge is a more significant factor in SMEs compared to LSEs. Due to the fact, in SMEs, the decision of internationalization may be made by a single manager, and on the other hand, in LSEs this decision is usually made by the decision-making unit. (Hollensen, 2011, p.51). Thus, the factor "managerial urge" may be the most impactful motive of SMEs to internationalize.

Technology competence/unique product: Technology advantage in a specific field or unique product or service can push a firm to internationalize. If a firm's product or services reach the level of uniqueness that the same offering does not exist in foreign markets, which means there are no competitors in these specific markets, an urge to internationalize can be high. (Hollensen, 2011, p.53). This

factor is usually the driver, for small- and medium-sized technology-based firms (SMTFs). SMTFs can have unique attributes for internationalization. For example, by providing a high-tech online service, it has the potential not to have existing competitors and does not require tangible investments. Therefore, the risks of internationalization can be minimal. (Karagozoglu, Lindell, 1998.)

Foreign market opportunities/market information: Enormously growing markets may motivate decision-makers of a firm to internationalize to these markets. For example, South Asia market has experienced economic growth in past years, which may provide an attractive opportunity to internationalize there. On the other hand, the political changes in Eastern European countries enhance the attractiveness to internationalize to those markets. However, these market opportunities may change rapidly. Thus, to obtain the latest foreign market information, a firm must have its own or outsourced international research unit to conduct constant research. (Hollesen, 2011, p.52). The financial resources of SMEs are often limited compared to LSEs, and international research unit may not be the most important priority to invest. Therefore, arguably the factor “foreign market opportunities/market information” plays a more significant role in LSEs decision to internationalize, compared to SMEs.

Economies of scale – learning curve: By being involved in international markets, a company can climb faster on the learning curve. In other words, by internationalization, a firm can enhance learning and become more efficient and effective in every operation. Also, when a firm expands sales internationally, more production is needed. Increased production usually reduces the cost of production for sales. Therefore, a firm`s internationalizing reduces the total costs of production for sales, which will not only contribute to the higher possibility to create profit in the international market but also the domestic market. (Hollesen, 2011, p.52-53).

Tax benefits: Different countries have different tax rates; therefore, a firm can gain tax benefits by operating internationally. Especially, LMEs with immense turnover can gain significant benefits by operating in a low tax rate country. In the past, this has been used as a strategy to avoid taxes, mostly by LSEs (Bird & Davis-Nozemack, 2018.).

Competitive pressures: The main reactive motive is a reaction to competitive pressure. Competitors growth through internationalization may cause a fear of losing domestic market shares and losing global market shares permanently to its competitors. These situations require actions from a firm. Otherwise, the firm's path has reached the end line. Therefore, in specific circumstances, the competitive pressure can significantly impact on a firm's motive to internationalize. (Hollensen, 2011, p.53).

Domestic market; small and saturated: The small sized or saturated of the domestic market may force a firm to internationalize. For example, a strategy to expand product's life-cycle, used by firms from industrialized nations, is to introduce the product to developing nations market when the product has reached the end of its life cycle in the domestic market. (Hollensen, 2011, p.54).

Overproduction/excess capacity: Incorrect domestic sale forecasting can lead to excess inventory, which may motivate a firm to export sales foreign market. In many cases, especially SMEs, this motive acts as a temporary strategy to internationalization. (Hollensen, 2011, p.54).

Unsolicited foreign orders: A firm may receive unsolicited inquiries from foreign markets, which may lead them to internationalize. Especially, many small exporting firms have become international by unsolicited foreign orders. (Hollensen, 2011, p.54).

Extend sales of seasonal products: Different markets have different times for seasonal products. For example, agricultural products have different seasonality based on the location of the market. For example, an agricultural firm operating in Europe can achieve stable demand around the year by exporting products in the winter time to South Africa or Australia. (Hollensen, 2011, p.55).

Proximity to international customers/psychological distance: Close psychological and physical distance to the foreign market can result in a firm to internationalize. In continents such as North America and Australia, this motive rarely is a major reason for a firm to internationalize (except the United States – Canada). Consequently, in Europe, many countries have close psychological and physical distance, which tempt a firm to internationalize. (Hollensen, 2011, p.55).

According to Westhead's *et al.* (2002) study of small-sized UK firms motives to internationalize, Westhead has pointed out the key reasons:

- Being contacted by foreign customers that place orders
- One-off order (no continuous exporting)
- The availability of foreign market information;
- Part of growth objective of firm
- Export markets actively targeted by key manager/owner

(Hollensen, 2011, p.55).

In a comparison of LSEs SMEs, Westhead *et al.* (2002) posited that “the bigger the firm, the more likely that it would have cited proactive stimuli/motives” (Hollensen, 2011, p.55). A research conducted by Pett *et al.* (2004) of SME motives to internationalize, found that SME with favorable perceptions of the environment have proactive motives and SME with negative perceptions of the environment have reactive motivations (Pett *et al.* 2004.). However, this study posited that there is no correlation between the firm size and the form of motive (pro- reactive). In this study, reactive motives were key factors to internationalize within larger SMEs. The results of the study and Westhead's claim are in disharmony. Therefore, the size of the firm appears not to be associated with the form of motive (reactive or proactive). Thus, more evidence is needed to make reliable statements.

2.2.2 International triggers

Hollensen (2011) divided international triggers into two groups: internal- and external triggers. Internal triggers are forces which push the internationalization process of the firm inside the company. According to Hollensen (2011), the major internal triggers are (Hollensen, 2011, p.57):

Perceptive management/personal networks: Manager's previous experiences, such as living abroad or working globally, can increase the awareness of opportunities in foreign markets. Therefore, this can act as a trigger for internationalization. (Hollensen, 2011, p.57).

Specific internal event: A particular event may impact on internationalization decision. For example, a new employee from a global firm, overproduction, reduced size of domestic market can aid to internationalization. (Hollensen, 2011, p.57-58).

Inward/outward internationalization: Usually internationalization may start by importing activities (inward internationalization), over time, importing firm has increased the networking with the foreign export firm (outward internationalization). Increased networking and gained foreign market knowledge may trigger a firm to internationalize. (Hollensen, 2011, p.58-59).

External triggers are forces outside the firm, which aids to internationalization. According to Hollensen, the key external triggers are:

Market demand: Demand for a specific product can rise rapidly or surprisingly within a particular market. Therefore, the producer of the product is tempted to internationalize, which may lead a firm to internationalization. (Hollensen, 2011, p.59).

Network partners: A firm's network partner can share valuable knowledge of internationalization, which may trigger a firm to internationalize. For example, such a partner can be a distributor, university and trade association. (Hollensen, 2011, p.59).

Outside experts: Different external experts can encourage a firm to internationalize. For example, export agents, government, banks chambers of commerce may aid to firm's internationalization. (Hollensen, 2011, p.60).

2.3 International barriers & risks

This chapter provides an overview of the most critical barriers and risks of the internationalization process. Hollensen (2011.) has divided barriers and risks of the internationalization process in his book into three groups, general market risks, commercial risks, and political risks. Table 3. shows more of each risk group in detail. Lastly, this chapter aims to examine the barriers and risk of internationalization processes, which are specific for a small-sized firm. (Hollensen, 2011).

Political risks	General market risks	Commercial risks
Foreign government restrictions	Comparative market distance	Exchange rate fluctuations when contracts are made a foreign currency
National export policy	Competition from other firms in foreign markets	Failure of export customers to pay due to contract dispute, bankruptcy, refusal the product or fraud
Foreign exchange controls imposed by host governments that limit the opportunities for foreign customer to make payment	Differences in product usage in foreign markets	Delays and/or damage in the export shipment and distribution process
Lack of governmental assistance in overcoming export barriers	Language and cultural differences	Difficulties in obtaining export financing
Lack of tax incentives for companies that export	Difficulties in finding the right distributor in the foreign market	
High value of the domestic currency relative to those in export markets	Differences in product specifications in foreign markets	
High foreign tariffs on imported products	Complexity of shipping services to overseas buyers	
Confusing foreign import regulations and procedures		
Complexity of trade documentation		
Enforcement of national legal codes regulating exports		
Civil strife, revolution and wars disrupting foreign markets		

Table 3. Political, general market and commercial risks of internationalization. (Hollensen, 2011, p.64).

As can be seen, Table 3. shows a large number of barriers and risks, which firms are facing in the process of internationalization. Johanson and Wierdersheim-Paul (1975) stated that the lack of knowledge and resources are usually the main obstacles of a firm's internationalization process. (Johanson & Wierdersheim,

1975, p.306). A firm, which is considering internationalizing, could use the Table 3. as a tool to increase the knowledge of the internationalization risks and barriers. Thus, it potentially aids in firms risk reduction of internationalization. In addition, every market has unique characteristic and individual barriers and risks (Narayanan, 2015.) Therefore, before internationalizing to a new market, a firm must be familiar with market specific risks and barriers, also, to be aware of the general risks and barriers of internationalization.

In an SME point of view, internationalization barriers are multifold and multidimensional. Narayana (2015) pointed out five most common barriers of SMEs' internationalization and how to overcome these barriers, which are shown in Table 4. (Narayana, 2015.)

Barriers	How to overcome
Knowledge barrier.	Start gathering knowledge instantly and quickly expand to foreign markets. (e.g. Born Globals)
Resource constraints	Taking advantage of managements' team international experience.
Marketing and task barriers	Products must be developed in a way which aids with standardizing production process and reduces adaptation costs.
Procedural barriers.	Both, consulting firms and managerial experience.
Governmental and external environmental barriers.	Support from governmental organizations and policy makers, and participating in promotional programs.

Table 4. Five barriers faced by SMEs and how to overcome them (Narayanan, 2015, p.116).

The key finding of Narayana's (2015) study was that SMEs have found new ways to reduce the impacts of barriers of internationalization. Results of the study suggest that SMEs can reduce the impacts of barriers by inventing innovating approaches. However, according to Narayana (2015) the effectiveness of these approaches still requires more research in order to set them as new trends to counter the barriers of internationalization. (Narayana, 2015.)

Another research conducted by MIT (2017.), examined the export behavior of small and medium-sized firms from the Czech Republic (Breckova, 2018.) The

purpose of the research was to provide a better understanding of the patterns and barriers SMEs faces in their internationalization process. The key finding of the research was that the most significant barrier experienced by the participants (500 small- and medium-sized Czech firms) of the research was regulation/bureaucracy. (Breckova, 2018.)

In line with the thesis, another interesting finding from MIT's (2017) research was the selected market to internationalize by the SMEs. Majority of the Czech SMEs were operating inside Europe. However, interestingly internationalization to Russia has been growing, and the percentage of internationalization to the Middle East has also been growing, despite the relatively far psychological and physical distance (Breckova, 2018. p.47). Therefore, possibly small firms are improving the strategies to overcome the barriers of internationalization and a more significant number of small firms will internationalize to distant markets in the future.

2.4 Internationalization approaches of SMEs

As stressed before in this thesis, over the years the phenomenon of internationalization has been intensively studied and several different theories and approaches of internationalization have been created. In the literature, the most frequently discussed internationalization theories concerning SMEs, are; The stage-, network- and born global theory. (Hynes, 2010, p.90). In this chapter, these theories will be introduced and examined.

The stage model (The Uppsala internationalization model)

The stage model, also known as "The Uppsala Internationalization model," was developed at the University of Uppsala by Swedish researchers Johanson and Wiedersheim-Paul (Hollensen 2011, p.74). The model was created based on the research of four Swedish manufacturing firms and their internationalization process. The Uppsala internationalization model suggests that first, a firm must grow in the domestic market before internationalization, then when the internationalization of firm takes place, it begins by firm internationalizing to markets with close physical and psychological distance. Gradually a firm will increase the knowledge of internationalization and over time, this gained

knowledge allows it to internationalize to more distant markets. (Johanson *et al.* 1975).

Johanson *et al.* (1975.) posited that internationalization consists of four stages, which firms typically follow along the internationalization process. These four steps are (Johanson *et al.*, 1975, p.307):

1. No regular export activities
2. Export via independent representatives (agent)
3. Sales subsidiary and
4. Production/manufacturing

Johanson *et al.* (1975) call these four stages as “establishment chain.” They also outlined that a firm`s internationalization development does not always follow the establishment chain and in some cases, jumps can be expected due to experience gained from other foreign markets (Johanson *et al.*, 1975, p.307).

In relation to SMEs, Hynes (2010) suggested that The Uppsala internationalization model provides many benefits for SMEs. The key advantages of the Uppsala internationalization model for SMEs are:

- Reduced risks of exporting
- Greater control of international business activities
- Reduced commitment of resources for international expansion.

(Hynes, 2010).

The network model

The network model suggests that successful internationalization processes of a firm are dependent on its networks of business relationships (Hynes, 2010, p.90). According to Hollensen (2011), in the network model, first, a firm starts developing networks in the home country, then these networks can act as a bridge to other countries, and gradually the firm continues expanding further internationally. (Hollensen, 2011, p.80-81). Remarkable similarities can be found in the network model and the Uppsala internationalization model.

Business networks of a firm can consist of the following actors:

- Suppliers
- Customers
- Intermediaries
- Members of professional organizations

(Hollensen, 2011, p.80-81).

Hynes (2010) outlined that business networks can provide a deeper understanding of foreign market selection, marketing activities in foreign markets and sustainability of the firm's selected entry strategy. (Hynes, 2010, p.90-91).

Born global model

The two models introduced so far suggest that a firm follows certain stages gradually along its internationalization path. However, not every firm internationalizes "traditionally" by following these stages. In recent years, an increased number of firms has started the internationalization process right after the birth of the firm. These firms are defined as "born global." (Hollensen, 2011.) "The 'born global' or 'global start-up' firm has a global orientation from onset of its business." (Hynes, 2010, p.91). In the born global model, internationalization is an initial part of the firm's growth strategy right from the beginning. (Hynes, 2010.) The born global model provides an opposite approach to internationalize compared to the Uppsala internationalization- and the network model. Figure 2. illustrates these two different pathways to internationalization. Another similar concept to the born global model is "born global again." "Born global again" is a firm operating only in the domestic market, then all the sudden starts to internationalize rapidly to new markets. (Hollensen, 2011).

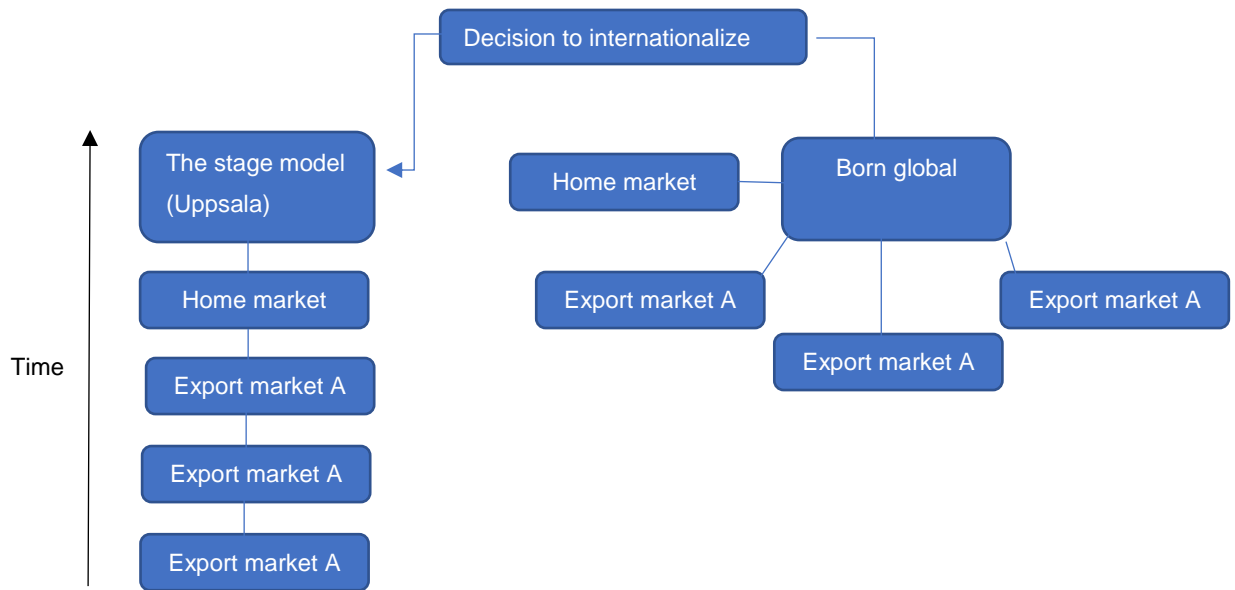


Figure 2. Two different pathways to internationalize; the stage model and the born-global model. (Hollensen, 2011, p.89).

The typical characteristic of a global born firm is a small size (SME), technology-oriented, founded in a developed country and has an entrepreneurial-oriented management team, which views the worlds as a borderless market place. (Hollensen, 2011).

According to Knight (2004), the impact in international trade and the number of global born firms is expected to grow in the future (Hollensen, 2011, p.88). The reason behind Knight’s claim is current trends, which are favoring global born firms. Mainly, the technological development and revolution of the internet are vital factors supporting the born global firms. In the past, even the flows of information were slow and expensive, and mostly only large firms had financial capabilities to occupy such a thing. Today, everything is faster, cheaper and the internet allows to reach consumers around the globe just by one click. E-commerce websites offer an excellent opportunity for young SMEs to expand sales internationally. Thus, today, the number of small-sized global e-commerce and online/e-business firms has increased (Hollensen, 2011, p.90). Kim (2003) stated that online/e-business firms have a better advantage in terms of internationalization, compared to e-commerce firms (Hollensen, 2011, p.90).

Arguably, operating purely online and offering non-tangible services, significantly reduces the barriers and risks of internationalization. A research of 115 UK firms,

which are involved in online internationalization showed that online channel in exporting increases the performance of SMEs. (Sinkovics & Sinkovics & Ruey-Jer, 2013).

3 Fundamentals of international market research

“Market research is a way of investigating and answering questions about human behavior” (ESOMAR & Cees de Bont, 2007. p.37). Market research ensures a solid foundation of knowledge and strategic planning for decision-making. Generally, market research provides the information needed for aspects such as SWOT-analysis, start-up plan, innovation and growth development of the firm. Thus, market research can provide information for many different aspects, or it can be conducted to provide a deeper understanding of specific aspect, such as sales forecasting. (Government of Canada, 2018). In the relation of internationalization, market research can significantly aid in risk reduction and market selection. (Hollensen, 2011, p.174). The cost and outcomes of the inadequate or inappropriate evaluation of the market are always expensive (Rahman, 2003). Therefore, a well planned and executed market research is crucial, especially for SMEs due to often limited financial resources.

In a comparison of LSE, SME market research is usually done less rigorous, less formal and less quantitative way. In many cases, an SME has conducted market research in the domestic market but enters to foreign market without foreign market research and likely discontinues to conduct any research after entering the new market. For some reason, international market research is perceived comparatively insignificant by business executives. According to Hollensen (2011) “the main reason that firms are reluctant to engage in global marketing research is the lack of sensitivity to cross-cultural customer tastes and preference” (Hollensen, 2011, p.175). Table 5. provides a detailed summary of global marketing decision phases and information required in every stage.

Global marketing decision phase	Information needed
1. Deciding whether to internationalize	<p>Assessment of global market opportunities (global demand) for the firm's products</p> <p>Commitment of the management to internationalize</p> <p>Competitiveness of the firm compared to local and international competitors</p> <p>Domestic versus international market opportunities</p>
2. Deciding which markets to enter	<p>Ranking of world markets according to market potential of countries/regions</p> <p>Local competition</p> <p>Political risks</p> <p>Trade barriers</p> <p>Cultural/psychic distance to potential market</p>
3. Deciding how to enter foreign markets	<p>Nature of the product (standard versus complex product)</p> <p>Size of markets/segments</p> <p>Behaviour of potential intermediaries</p> <p>Behaviour of local competition</p> <p>Transport costs</p> <p>Government requirements</p>
4. Deciding the global marketing programme	<p>Buyer behaviour</p> <p>Competitive practice</p> <p>Available distribution channels</p> <p>Median and promotional channels</p>
5. Implementing and controlling the global marketing programme	<p>Negotiation styles in different cultures</p> <p>Sales by product line, sales force customer type and country//region</p> <p>Contribution margins</p> <p>Marketing expenses per market</p>

Table 5. Information for the major global marketing decision (Hollensen, 2011, p.175).

3.1.1 Information needed in market research

In order to conduct a successful market research, a firm must gather enough data. The needed data types are internal-, external-, primary- and secondary data. (Hollensen, 2011).

Internal data: The information what can be collected from inside the firm. For example, detail analysis of the firm is a valuable part of data collection. Often internal data is forgotten in the data collection process. (Hollensen, 2011).

External data: The information outside of the firm, which is overwhelming compared to internal data. Consequently, the vast size of external data may be the reason, why internal data often receives less attention or is forgotten. Forms of external data are for example, macro- microenvironment, competitors, customers, industry, etc. (Hollensen, 2011).

Primary data: The information, which a firm has gathered by itself or by the aid of the third party. This information is tailored specifically for the firm's desires and does not exist in other sources. Therefore, the only way to gather such information is to conduct own research. Typically, this information is gathered by surveys, observations, questionnaires or experimentation. Primary data can be expensive, time-consuming, but properly collected it can provide accurate and reliable information for the problem. (Government of Canada, 2018).

Secondary data: The information, which is available without the firm's own efforts or research. Secondary data is inexpensive and easy to have access. However, the characteristics of secondary data are general and coarse-grained. Therefore, it will not provide specific information for the firm's problem. (Hollensen, 2011).

Figure 3. illustrates how different data types are utilized in an international market research. Figure 3. also shows the important aspects, which a firm must address in order to create an efficient international market research plan.

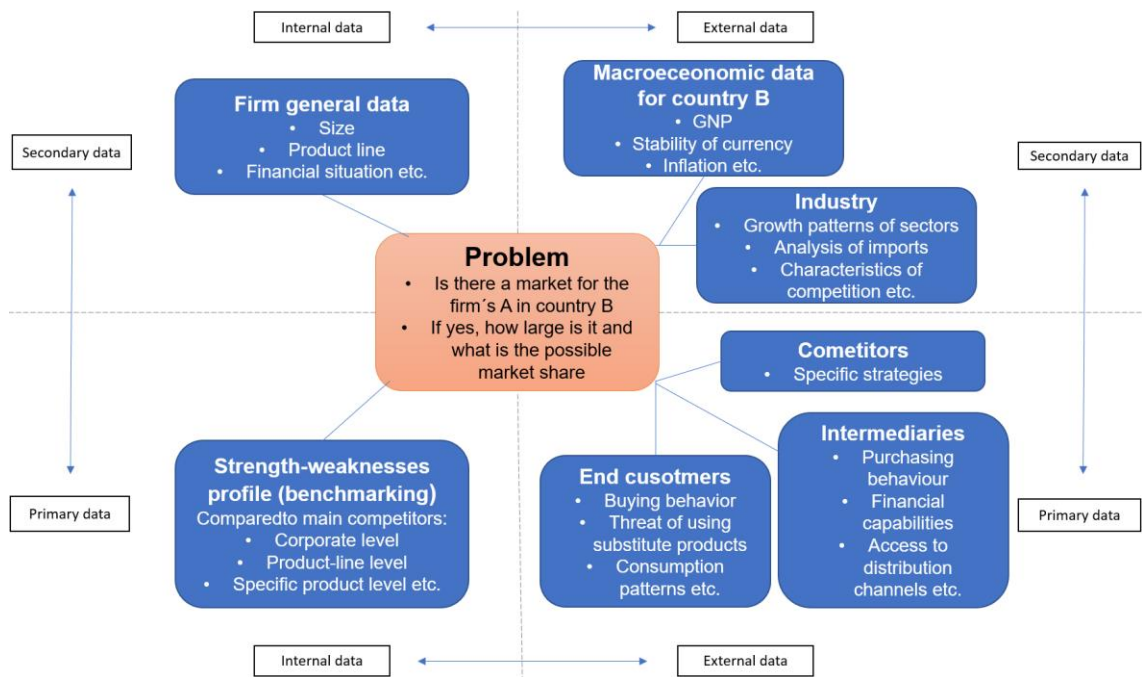


Figure 3. Categorization of data for assessment of market potential in a country. (Hollensen, 2011, p.176).

3.1.2 Primary data acquiring methods of market research

Hollensen (2011) suggests starting the data collection by researching relevant secondary data. (Hollensen, 2011, p.177). However, if relevant secondary data is lacking, a firm or an outsourced firm must gather the data. Generally, primary data is collected by qualitative- or quantitative research. Triangulation research is also another data collection method, which utilizes both, qualitative and quantitative methods. (Hollensen, 2011.)

The main difference between these two most used research methods is: qualitative research aims to solve the research problem by observation and to understand the motives and reasons behind the research problem, whereas quantitative research aims to solve the research problem by purely based on statistics. Therefore, data collection methods often differ in these two methods. Quantitative research requires a large sample, and the data collection method is usually a survey with close-ended questions. Thus, a large amount of data is relatively easy to analyze, and the results are not subjective. On the other hand, in qualitative research method data is acquired by interviews, surveys with open- and close-ended answers. Therefore, the results of qualitative research are more

subjective and give deeper insights into the research problem. More data collection methods to acquire data below:

- Observation
- Experiments
- Surveys
- Contact methods
- Mail
- Online/email survey
- Telephone interviews
- Personal interviews
- Questionnaires

(Hollensen, 2011).

Every research approach and contact method has its advantages and disadvantages. In international market research, the research method, data collection method can vary, there is no one correct way to conduct a market research. A firm must profoundly analyze the goal of the research and what type of information is required to achieve the goal. Factors, such as the type of the market research, target market, population of the research and cost of the research will determine the most suitable research- and data collection methods. Therefore, it is advised to the firm to study these different methods in order to define the best methods for their primary research. Most important factors of data collection are that data is acquired correctly, effectively and at a reasonable cost. (Hollensen, 2011).

However, acquired data is useless, if the data is not adequately measured and analyzed. Thus, the analysis and measurement of data is a critical part of market research. The measurements to measure research is its reliability and validity. Ideally, research is highly valid and highly reliable. "If the same phenomenon is measured repeatedly with the same device and the results are the same then the method is highly reliable (reliability). If the measurement method measures what it is supposed to measure, then it is highly valid (validity)" (Hollensen, 2011, p.192).

4 Market research – The Finnish market for handstand equipment

The theory part of this thesis provided a framework of key aspect and strategies of how a small-sized firm can start the internationalization process. The purpose of the empirical part of the thesis is to provide information into that framework.

Market research was the base of the empirical part. The market research was conducted in Finland by the author. The purpose of the market research was to investigate the potential demand for the case company's products and gain a better understanding of the behavior of potential customers. Figure 3. was used as a framework for the market research. However, two aspects from Figure 3. were left out in this research; "Macroeconomic data for country X" and "Intermediaries" -analysis. The reason for this was a limited time-frame and the narrow scope of the Bachelor's thesis. The delimitations were based on the assumption of which factors are assumingly the least important in the case company's point of view.

The empirical part starts with the introduction of the data collection methods used in the research. Then the results of the collected data will be analyzed. Finally, the research will be summarized in the conclusion part and the limitations of the research will be mentioned.

4.1 Data collection of market research

The first and the major aspect of a market research is to define the problem, which is intended to solve. In other words, the problem clarifies the core purpose of market research (Clow et al. 2014). As discussed before, the aim of the market research conducted for this thesis was to clarify the potential demand for the case company's products in Finland and customer behavior of potential customers. Ultimately, the expectations are that the results of the market research will provide an excellent foundation to create an effective strategy to internationalize to the Finnish market.

The market research was conducted by using a qualitative approach. As Figure 3. illustrates, assessment of market potential in the country requires primary data,

secondary data, internal data, and external data. In other words, according to Figure.3 a variety of different data and data collection methods are required to conduct a market research successfully. Therefore, a qualitative approach was the most suitable for the research.

The primary data was collected by using two different qualitative data collection methods. First, the entrepreneur of the case company was interviewed via telephone. The purpose of the unstructured telephone interview was to obtain internal data of the firm and investigate the main motives of the case company to internationalize.

Second, an online questionnaire was conducted among the potential customers in the Finnish market. The target group of the research was chosen to be the circus schools in Finland. The size of the target group was below 50. The individuals for the target group were chosen based on the case company's internal data of which B2B (business-to-business) customer group was the largest. The online questionnaire had a close-ended and open-ended question. The response rate of the questionnaire was 40%. What is an acceptable response rate of a survey or questionnaire? It is controversial, and there is no universal rate for it. According to Richardson (2005) in social research postal survey's acceptable response rate is 50%. (Duncan, 2008.) Consequently, this suggests that a response rate of 40% would not count as acceptable. However, the response rate of the questionnaire was relatively close to the acceptable rate set by Richardson (2005). Moreover, Richardson (2005) did not mention if factors such as methods of the research, sample size, the nature of the sample, etc., impact on which rate would be regarded as an acceptable rate. Ultimately, the author considers the response rate of 40% to be acceptable in this research and the author considers that it will not impact on the research reliability significantly.

4.2 Motives and triggers of the case company to internationalize

In the theory part, different motives and triggers of internationalization were observed. This chapter will examine if the observations from the theory part have a connection with the motives and triggers of the case company's intentions to internationalize.

The data to observe this aspect was obtained from the unstructured telephone interview with the entrepreneur of the case company. According to the telephone interview, the case company's main motives and triggers to internationalize are:

Profit and growth: This was the first motive arise in the interview. The case company's primary motive to internationalize is to expand sales, grow the customer base and increase the profit.

Unique product: Secondary data research showed that the case company's product has low competition or zero competition in the Finnish market. Therefore, it can be concluded that the case company's products have a high level of uniqueness in the Finnish market. Thus, along with the "profit and growth," this was the second significant motive of the case company to internationalize to Finland.

Perceptive management/personal networks: The case company founder's personal experience living abroad, and international networks were the initial cause, which triggered the idea of internationalization. According to the case company's founder, without personal international networks, the internationalization of the firm would likely not be even considered.

Other factors did not arise in the interview. According to theory, the case company's motives to internationalize were proactive. The reactive motives did not have an impact on the case company's intention to internationalize. As can be seen, the literature review had connections with the collected empirical data. The findings of the telephone interview can prove the statement that profit and growth is a dominant motive of SMEs to internationalize.

However, data of a single interview does not have validity and reliability to generalize the statement to be proven, but in case the company's point of view, this was confirmed.

4.3 Internal data analysis of the market research

In this chapter, internal data for the market will be analyzed. The data was gathered from an unstructured telephone interview with the founder of the case company. Some of the case company's internal data cannot be published in the

thesis, due to the private nature of it. Also, a SWOT-analysis of the case company was created and will be introduced in this chapter.

4.3.1 Case company's general data

The business form of the case company is a sole proprietorship; this means it is run by one person. Thus, it can be categorized as a micro-sized enterprise. The case company sells products online and produces the products by itself. Therefore, the financial requirements and risks are relatively low.

In terms of internationalization, running the business by one person set certain challenges. Already the business operations handled by a single person in the domestic market can be challenging, even more, in the international market. Therefore, the size of the case company can be a limiting factor to internationalize.

4.3.2 SWOT-analysis of the case company in the Finnish Market

The concept of SWOT-analysis was created at Harvard University by Andrews and others (Groucutt, 2005, p.104-105). "SWOT-analysis is a framework used to evaluate a company's competitive position and develop strategic planning." (Investopedia, 2019.) The letters in SWOT stands for: **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats.

The necessary data for SWOT-analysis was obtained from the telephone interview and the analysis was created by the author of this thesis.

Strengths	Weaknesses
<p>Unique product</p> <p>Small size allows the flexibility</p> <p>Solid knowledge on the field of the industry</p> <p>Self-producing allows offering quality products at a low price</p>	<p>Small size</p> <p>Limited capability to produce a large number of products</p> <p>Limited time and financial resources</p> <p>Cross-border delivery costs and delivery times</p>
Opportunities	Threats
<p>Competition in market low or non-existence</p> <p>Finland has circus schools; thus it can presume that the demand already exists</p> <p>Along with the circus school, there are other potential B2B customers</p> <p>B2B sales can lead to an increased amount of B2C sales</p> <p>Tax benefits</p>	<p>If the demand is high, the firm may fail to produce the needed number of the products on time</p> <p>High demand can cause the firm to fail to produce the required amount of the products</p> <p>Complexity of trade documentation</p> <p>Enforcement of national legal codes regulating exports</p> <p>Language and cultural differences</p> <p>Difficulties in finding the right distributor in the foreign market</p> <p>Complexity of shipping services to overseas buyers</p> <p>Delays and/or damage in the export shipment and distribution process</p>

Table 6. SWOT-analysis of Handstand-Kloetze in Finnish Market.

The SWOT-analysis in Figure 6. provides a better understanding of the case company's competitive position in the Finnish market. The first thing points out when examining the SWOT-analysis is the "threats" section. As in the theory part, it was stressed that internationalization of the firm includes a large number of risks and barriers. Thus, it can also be seen in the case company's SWOT-analysis the largest segment was the threats.

Despite of the high number of threats coming along with the internationalization, also opportunities are high. Low competition is the most significant in the Finnish market. There is a niche for the case company's products. Another noticeable opportunity of the SWOT-analysis is tax benefits. Due to the case company is operating in Germany and there the value-added tax is lower than in Finland. However, this aspect requires more investigation in a legislation point of view.

According to the market research, no domestic supplier specialized in handstand equipment exists in the Finnish Market. Therefore, the most significant strength of the case company is a high quality, inexpensive unique product. Also, other internal strengths of the case company are flexibility and knowledge in the field of the handstand.

Being a small-sized firm includes advantages and disadvantages. As mentioned, the flexibility is one of the features, which comes along being a small-sized firm. Conversely, the small size limits the firm ability to produce and handle a large number of products and inquiries. Consequently, this can lead to an inability to match the supply with the demand, and consequently, this will result in unsatisfied customers.

Ultimately, the SWOT-analysis clarified many important internal aspects of the case company. The SWOT-analysis can be used as based in the firm's strategic planning development.

4.4 External data analysis of the market research

In this chapter the collected external data will be analyzed. The obtained external data was mainly from primary data sources. The primary data was gathered from the questionnaire, which was conducted among circus schools in Finland. The secondary data was collected from the internet. The aim of the secondary data collection was to investigate the competitors.

4.4.1 Results of the questionnaire

The questionnaire was conducted by using Google Forms tool. The questionnaire had both close-ended and open-ended question. The questionnaire is attached at the end of the thesis. An email invitation of the questionnaire was sent to 43

circus schools in Finland, and 17 of them participated in the questionnaire. Thus, the response rate was 40%. The questionnaire had close-ended and open-ended questions.

In this chapter, the results of close-ended questions will be illustrated by figures. The figures are not overly analyzed statistically due to the research was qualitative. The purpose in a qualitative research is not to focus only on the numbers. The figures are used to illustrate the customer behavior of the target group in a qualitative nature. In the next chapter, these results will be analyzed.

4.4.2 Data illustration

In order to identify the potential demand for the case company's products, the size of the circus schools by students was asked. The average number of students in circus schools was 255. The largest school had 1030 students, and the smallest had 30 students. These numbers can refer to the amount of the handstand products needed in an individual circus school. However, the number of the required equipment for an individual circus may not be high, but the utilization of the case company's products in a circus school can lead to B2C (Business-to-Consumer) sales. For that reason, by identifying the size of the circus schools by students helps to identify the potential demand.

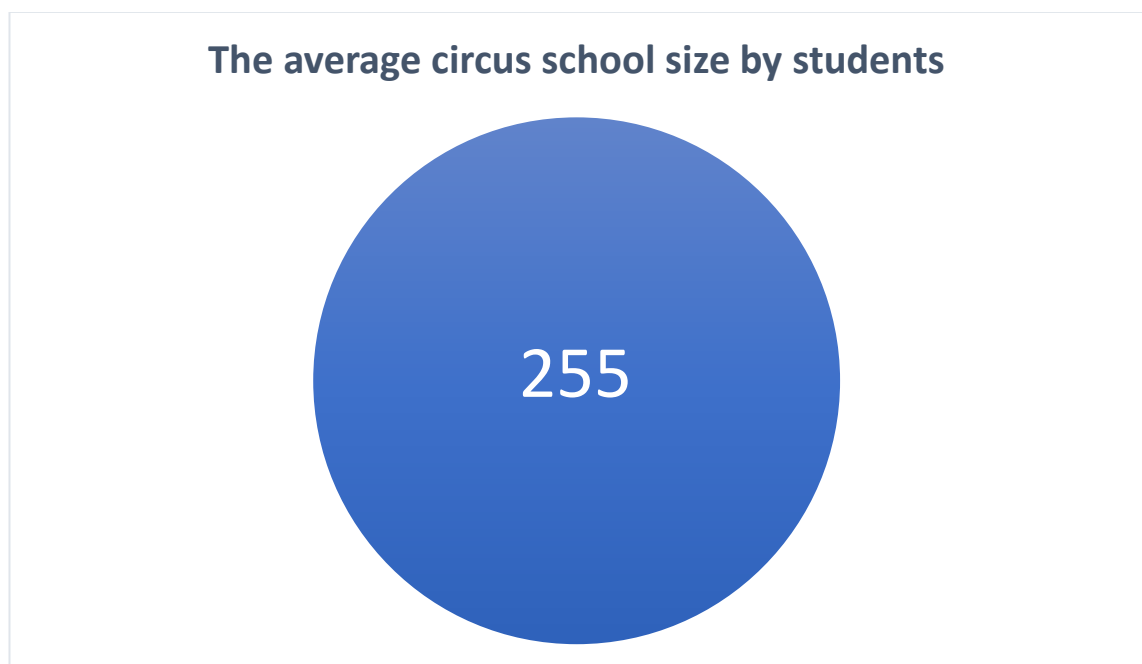


Figure 3. The average circus school size by students.

Handstand is trained in every circus school. In most of the circus school's shows, some form of the handstand is included. Figure 4. and Figure 5. illustrate these numbers:

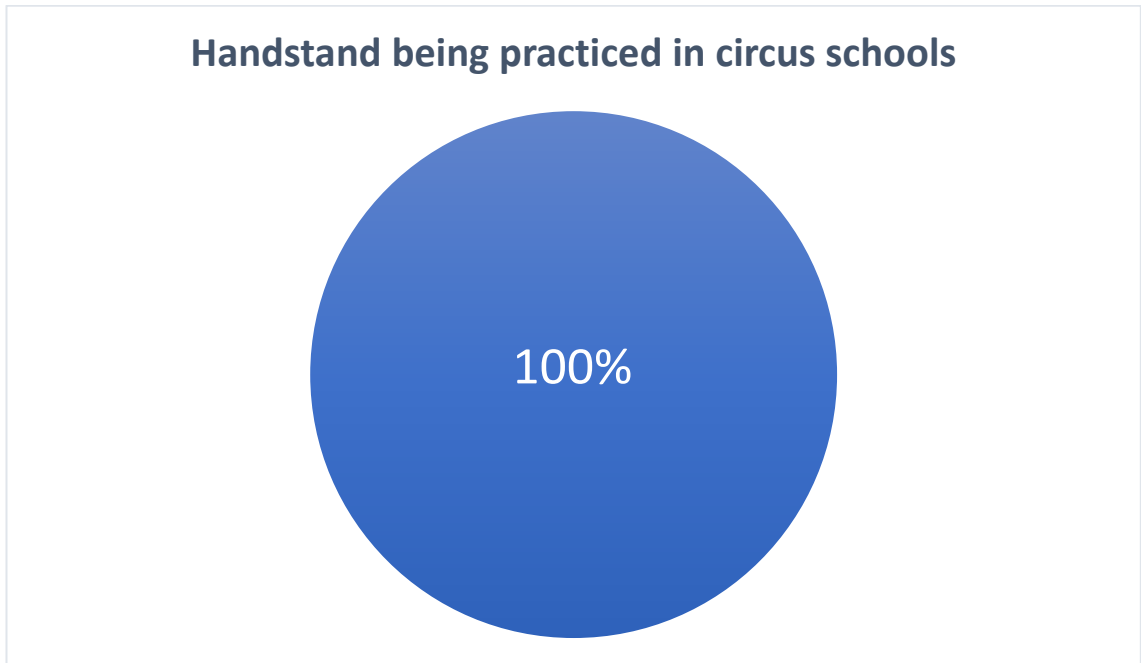


Figure 4. The percentage of handstand being practiced in circus schools

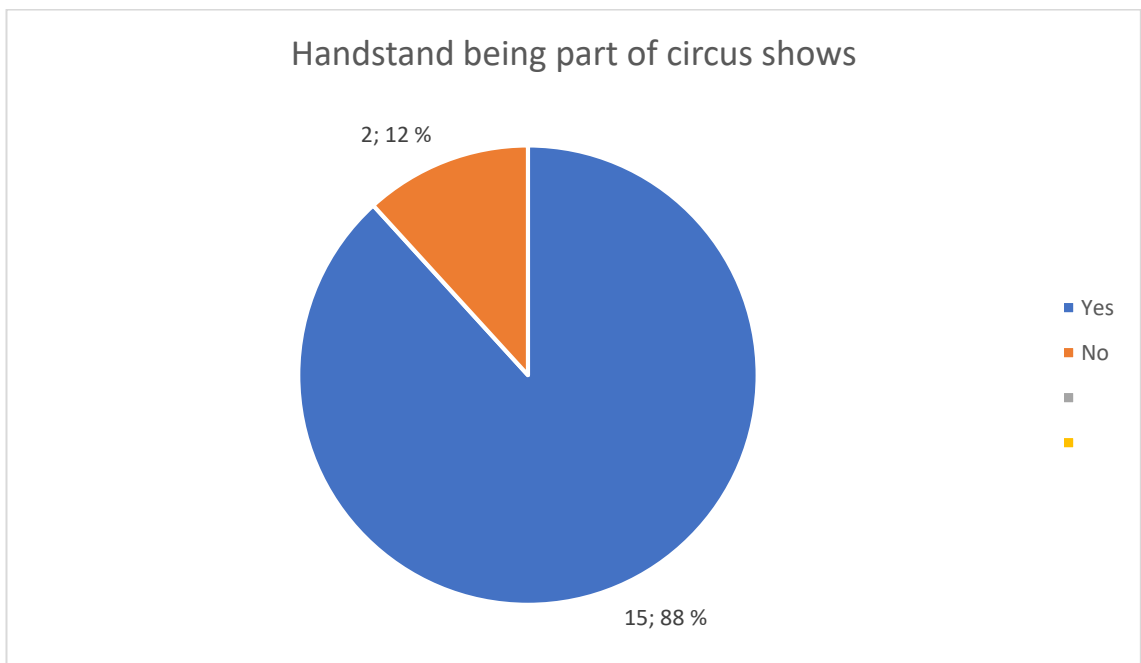


Figure 5. Handstand being part of circus shows

However, only approximately half of the circus schools are using the equipment for handstand. Therefore, this can suggest two different options. Either this will

reduce the demand by half or by introducing handstand equipment to circus schools, which have not been using handstand equipment yet, could increase the demand significantly. Ultimately, the circus schools, which are not using handstand equipment cannot be included in current demand. However, this can be seen as a great opportunity for the case company. The accurate numbers are shown in Figure 7.

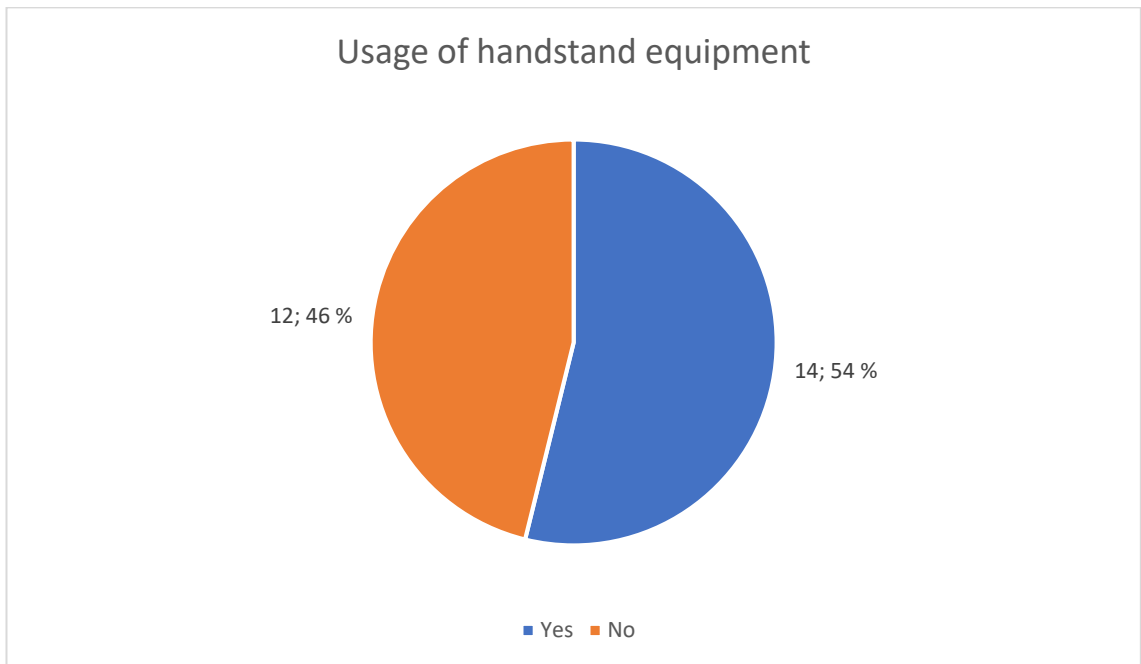


Figure 7. Usage of handstand equipment

As Figure 6. shows, 37% of the target group informed there is a need for more handstand equipment in the circus school. Therefore, it can be concluded that there is a market in Finland for the case company.

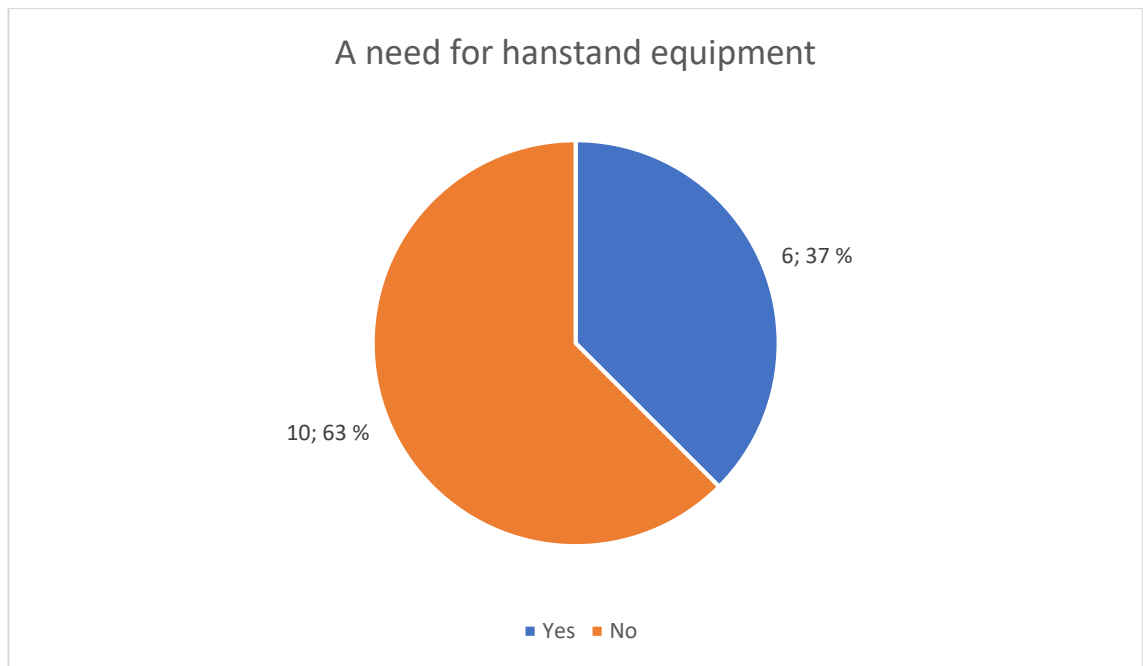


Figure 8. A need for handstand equipment

Figure 6. illustrates the different handstand products used by the target group. The terminology may cause an error in this aspect. There are no universal terms for some of the equipment, and this may have caused an error in the data collection phase. Nevertheless, the interpreted results in Figure 6. show that the most used handstand equipment were blocks, parallettes and handstand-“device”. In the case company’s point of view, the finding is great, since the case company’s product category consists of those equipment.

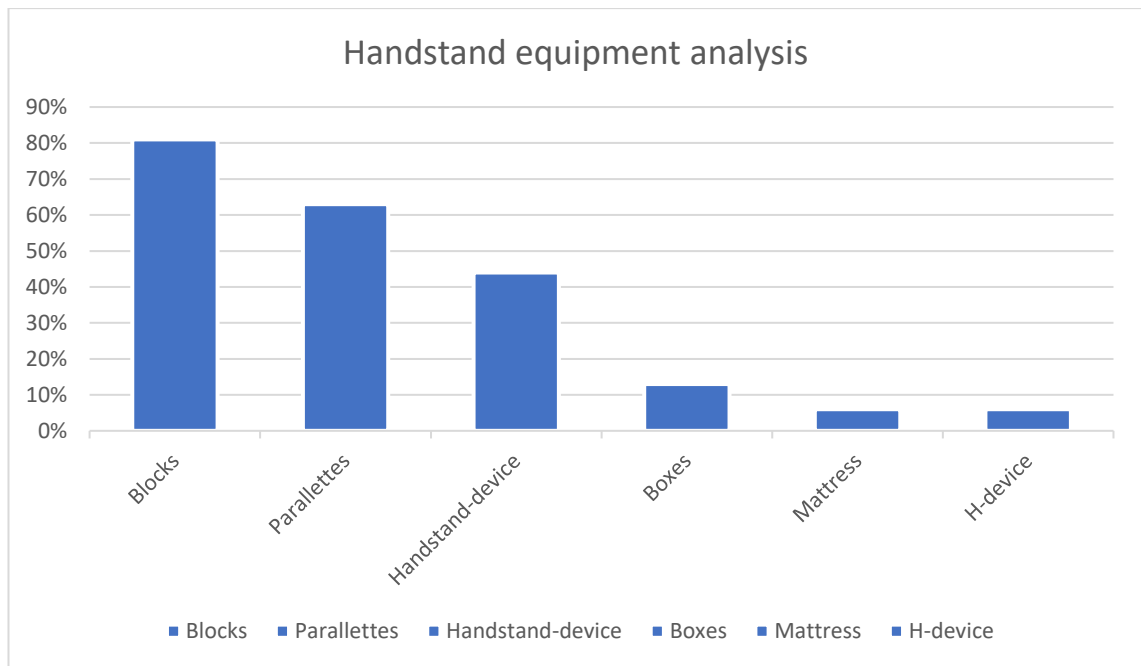


Figure 6. Handstand equipment analysis

To understand better the target group's behaviour, the favored characteristics of the product and supplier were asked. Figure 9. shows the factors, which were asked and the importance of them according to the target group. Quality was perceived as the most important factor of the product. Also, the price was relatively important. Fast delivery, the domesticity of the product and supplier were relatively unimportant. In addition, another important factor arising from the open-ended questions was a supplier's capability to tailor custom products. It was stated that sometimes products must be tailored for the individual performer.

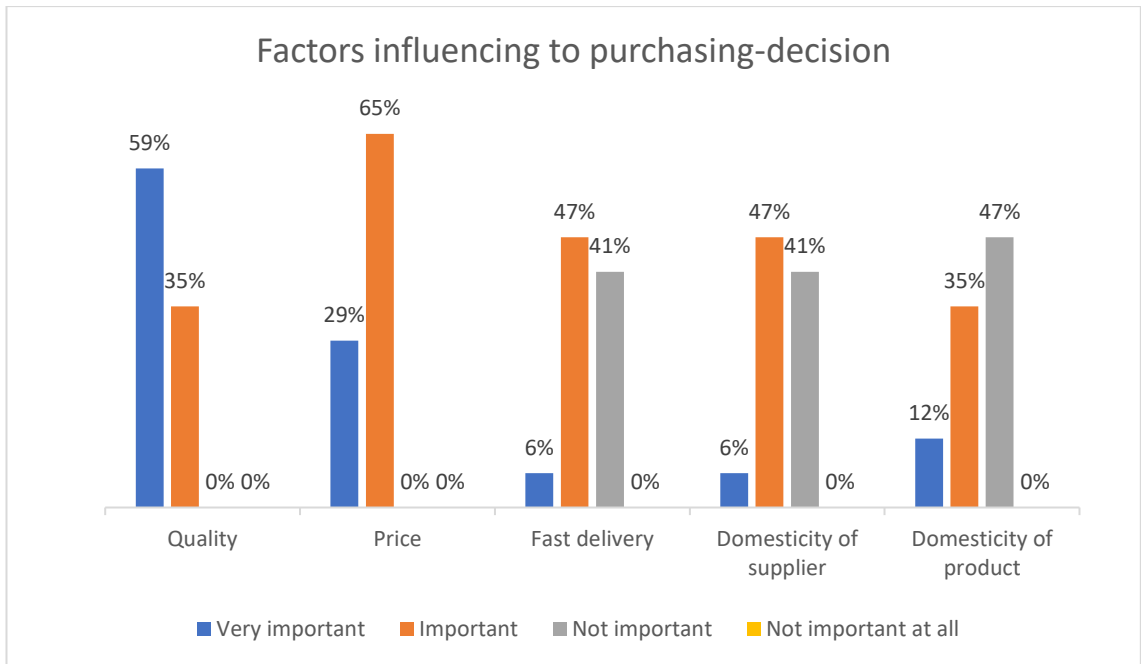


Figure 9. Factors influencing to purchasing-decision.

Figure 10. shows that the majority of the target group purchases the products from the internet. Due to half of the target group creates equipment by themselves. Therefore, Figure 10. may give a wrong impression. Moreover, it can be concluded that the internet is the most used channel to purchase products.

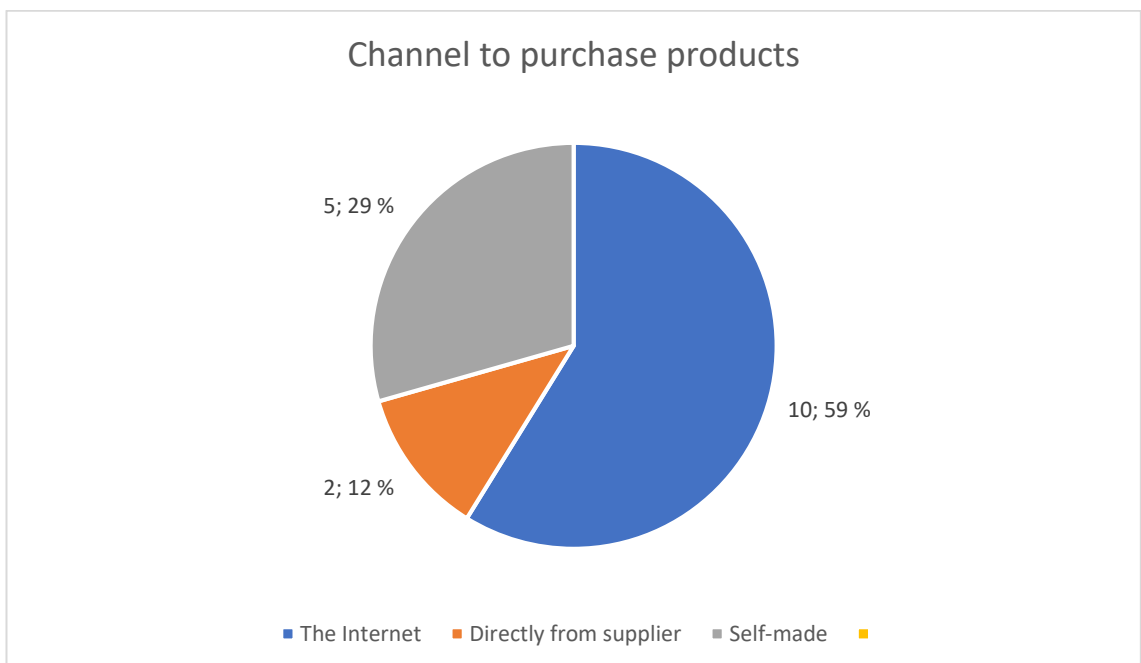


Figure 10. Purchasing channel

Competitor analysis is shown in Figure 10. It was based on the answers to the question: “Which producers’ products do you use?” Surprisingly, this showed that the majority of the target group creates their product by themselves or ordered from a local carpenter. Only two individuals of the target group were using products from aa circus equipment provider. In addition, those suppliers are multinational firms, and the answers of the open-ended question posited that domestic handstand equipment suppliers do not exist in the Finnish market.

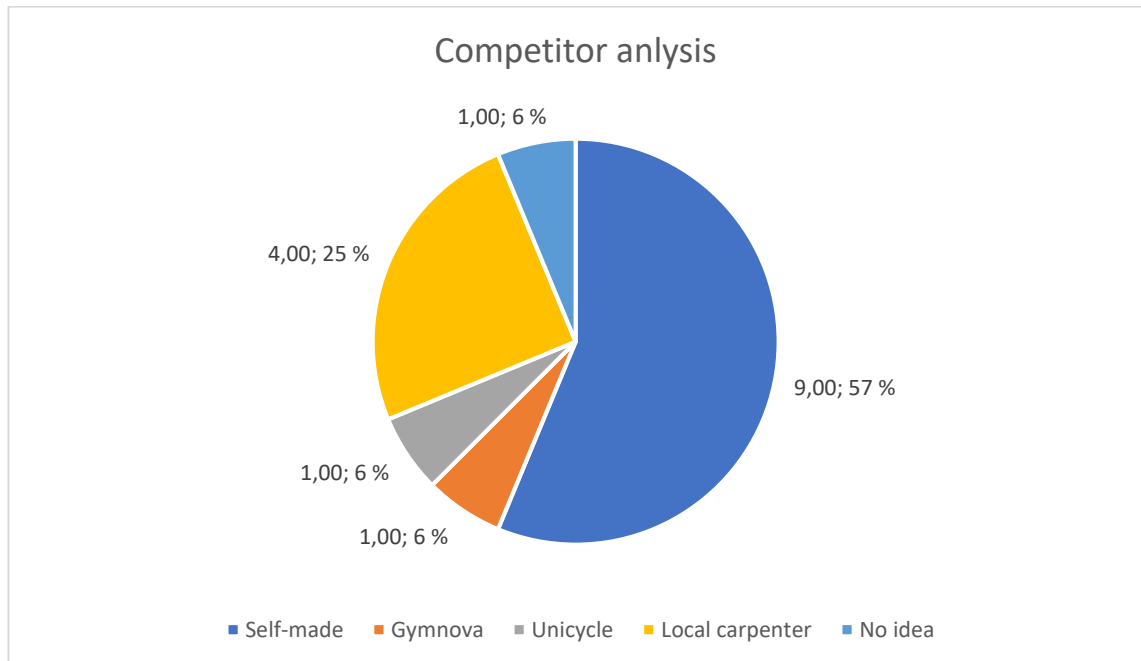


Figure 10. Competitor analysis.

In addition, none of the target group had heard about the case company before.

4.5 Conclusion of the questionnaire

The main goal of the questionnaire was to identify if there is a market for the case company’s products. The two other important aspects of the questionnaire were to understand the customer behavior of the potential customers and identify the competitors of the market.

By measuring the results of the questionnaire with qualitative measurements, it can be concluded that there is a market in Finland for the case company. Therefore, the questionnaire successfully achieved its primary goal. However, the potential market size cannot be identified based on this research. Accurate identification of the market size would require comprehensive quantitative

research, and even then, the market size may be impossible to identify accurately. However, if the case company intends to identify the potential market more than this research provided, it is suggested to do further investigations.

Another important aspect the questionnaire aimed to identify was the customer behavior of the potential customers. The most significant finding was that the majority of the questionnaire participants purchase/would purchase equipment from the internet. Therefore, this suggests that most of the potential customers would purchase equipment from an e-commerce store rather than a brick and mortar store. Another major finding was the low level of competition. The findings from the secondary data research also confirmed this statement. Thus, only one e-commerce store selling handstand equipment in Finland was found on the internet. The findings also suggest that the potential customers value the quality of the product the most, even over the price. In addition, the domesticity of the product, the domesticity of the supplier and even fast delivery time, were valued relatively unimportant. Surprisingly, the majority of the target group was making the equipment by themselves. This would refer that there is a market in Finland, however, it cannot be defined how many of those participants prefer self-made products over the store-bought. Therefore, statements cannot be provided based on this finding.

In summary:

- The demand exists in the Finnish market
- The competition in the Finnish market is low or non-existing
- Online platforms are preferred for purchasing equipment
- Potential customers value quality products
- The domesticity of the product or producer was relatively unimportant
- Fast delivery was relatively insignificant, but it could have possibly a positive impact
- Producer's flexibility to tailor custom equipment may be an important feature

4.6 Limitations of the market research

Due to the narrow scope of the Bachelor's thesis and limited time frame, delimitations had to be set on the market research. Therefore, subjectively less essential aspects in the case company's point of view were delimited from the research. In a more comprehensive market research, analysis of market entry strategies and macroeconomics of the target market would have added value to the research.

4.7 Recommendations

Since the market research showed that there is a demand in the Finnish market, the case company should continue to investigate how to internationalize to Finland. The market research conducted for this thesis had limitations and typically, a market research is more comprehensive. Therefore, if the case company intends to internationalize to Finland, it would be suggested to observe the following aspects, before internationalizing:

- Macroeconomics of Finland
- Barriers and risks between Germany and Finland
- Legislation and regulation between Germany and Finland
- Strategy to enter the market
- Target customers of selected market
- International marketing

5 Summary and discussion

The goal of the thesis was to examine the internationalization process of a small-sized firm and the main research question was: How can a small-sized German e-commerce company internationalize to Finland?

Now by understanding what the concept of internationalization refers to, a small-sized German e-commerce company can internationalize to Finland by simply expanding part of its business operations to Finland and have legal rights to do so. These business operations can be selling, buying, producing, etc. However, the answer to the main research question is relatively narrow. Therefore, the sub-questions were created to support and provide more depth into the main research question.

The first sub-question was:

What are the main motives of SMEs to internationalize?

At first, this thesis started by observing the main motives of SMEs to internationalize. The literature review suggested that different proactive and reactive motives push SMEs towards internationalization. The results of the empirical part showed that there was a connection between the literature review and the case company's motives to internationalization. However, the reliability of this finding was low due to the telephone interview was conducted only to case the company's founder. Therefore, the finding is only relevant for the case company's point of view and the statement of SMEs motives to internationalize in general, would be highly unreliable and nonvalid.

The second sub-question was:

What are the key factors a small-sized e-commerce company should consider before internationalization?

After reviewing the main motives of SMEs to internationalize, the thesis focused on examining the key factors SMEs should consider when expanding internationally. In the literature review, three aspects were examined in relation

to this sub-question: risk & barriers of internationalization, theories of internationalization and foundations market research.

First, an examination of the risks and barriers of internationalization showed that many different aspects could hinder a firm's international operations. When a firm internationalizes to a new market, it will face a wide range of general and country-specific barriers and risks. The literature review posited that technology development has allowed SMEs to create new strategies to overcome some of the risks and barriers. Especially, e-commerce and online/e-business firms have a great competitive position in this aspect. It can be concluded that barriers and risks are an important factor, which is suggested to investigate by a small-sized e-commerce firm before expanding internationally.

Second, the observation of three popular internationalization theories did not significantly provide insight into this sub-question. However, these theories can provide a basic knowledge of how firms internationalize. A firm, which is considering internationalizing, can identify itself from these theories and follow those steps in their internationalization process. Therefore, observation of the internationalization theories can provide a framework for an internationalization strategy. Based on theories observed, if the case company will internationalize to Finland it would follow "the stage model" theory, however, if it would continue internationalization rapidly to new markets after expanding to Finland, it would follow the "born global again" -theory.

Finally, the market research received the most attention of these three aspects. In the literature review, the fundamentals of market research were observed, which provided a solid foundation to conduct a market research in the empirical part of this thesis. Arguably, conducting a market research before internationalization is the most crucial factor a small-sized firm should not only consider but also execute before internationalization. A market research can provide valuable information when done correctly. Therefore, there is an underlying risk if a market research is done incorrectly. For example, based on an incorrectly conducted market research, the outcome of the internationalization can be catastrophic for a firm. In addition, a market research can be tailored to

provide information for specific aspects. For that reason, the researched problem must be clarified properly.

In summary, this thesis provided general information on a small-sized e-commerce firm's internationalization process and valuable information for the case company. The main focus was to aid the case company with the internationalization process. Therefore, the general observation of the SMEs e-commerce internationalization aspect was less comprehensive. The most important findings of the thesis for the case company were the discovery of the demand in the Finnish market and the deeper understanding of the potential customers. Consequently, the findings of the thesis suggest that the case company continue with its internationalization processes. The next steps of the internationalization process were mentioned in the recommendations chapter.

The process of literature gathering showed that studies of the e-commerce/online/e-business internationalization are minimal. Thus, further research on this topic would be topical.

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Appendix 1. Questionnaire questions template (English translation)

1. Name of the circus school:
A:
2. How many students participate in your school?
A:
3. Do your circus school's shows include hand standing?
 Yes
 No
4. Is hand standing practiced in your circus school?
 Yes
 No
5. Do you use handstand equipment in your school?
 Yes
 No
6. Which equipment you use for performing/practicing handstand?
A:
7. Which producers' products do you use?
A:
8. Where do you buy the products? (you can pick multiple options)
 Internet
 Directly from supplier
 Brick & mortar store
 Other:
9. How the following factors impact the purchasing decision of the equipment:

	Very important	Important	Not so important	Not important at all
Quality:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Price:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The domesticity of the supplier:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The domesticity of the product:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10. Another factor, which?
A:
11. Do you have a need for handstand equipment?
 Yes
 No
12. Which products would you be interested to purchase?
A:
13. Have heard of Handstand-Kloetze before?
 Yes
 No