

MARKET ENTRY TO JAPAN

Case: Merkityskirjat Oy

Abstract

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Title of publication MARKET ENTRY TO JAPAN Case: Merkityskirjat Oy		
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Abstract <p>The purpose of the study is to explore the potential of an independent children's book publishing company to internationalize in the Japanese market. The aim of the study is to answer the question: What opportunities does an independent small publishing company have for internationalization? The study was carried out in cooperation with the case company Merkityskirjat Oy.</p> <p>The study consists of two main parts: a theoretical and empirical part. The theoretical basis is formed by the foreign market entry theories, methods, introduction of the Japanese market and introduction of the case company Merkityskirjat Oy. The geographical focus has been limited to the Japanese market, because there is already successful Finnish children's literature there.</p> <p>In the empirical section of the study, the author utilized the qualitative approach. The empirical part is formed by data analysis, analysis of the entry strategy and discussion of the results. In this thesis the data was collected through an email survey. The empirical part ends with a conclusion including the answers to the research questions, discussion of the validity and reliability of the thesis and finally the suggestions on further studies.</p> <p>The study indicates that an opportunity for internationalization would be a partnership or joint venture with a local company. This would allow Merkityskirjat Oy to integrate better with the target country, to know its market and to accumulate more relationships. Internationalization is not dependent on the size of the company and there are opportunities as long as a suitable market is found.</p>		
Keywords Market entry, internationalization, children's books, Japan, Merkityskirjat		

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1 INTRODUCTION

1.1 Research Background

The motives for starting an international export business vary widely across industries. For example, internationalization enables a company to grow its business. However, some companies may, in principle, have better opportunities for internationalization than others in the same field. Internationalization has previously been seen as a natural part of a company's growth and development process, but today it may even be a necessity, if the company is to remain in business. Finnish companies have a need to export abroad, as a country with a population of five million has limited marketing opportunities. (Pirnes & Kukola 2002, 89.)

Finland's country image is exceptionally good in Japan. Nordic design and Finnish products have been very popular among the Japanese consumers who are very solvent and quality conscious. Finns and Japanese often find each other to be quite similar, despite the long geographical distance. (eComGrowth 2018.)

According to eComGrowth (2018), the Japan-European Union Free Trade Agreement, which entered into force in February 2019, will make the Japanese market even more accessible for Finnish online merchants. In this agreement the main change was the reduction of customs tariffs. There are six hundred and thirty million people living in this new free trade area. Japan is Finland's second largest trading partner in the Asian markets.

The study was carried out in cooperation with the case company Merkityskirjat Oy. Merkityskirjat Oy is a company established in 2018 and was born out of community and collective creativity. The first community book was partially funded by the Mesenaatti.me crowdfunding service. (Paakkari 2018.) And although the company has no previous international experience, the company sees the Japanese market particularly interesting.

In 2017 two men - Ervasti and Pikkujäämsä, came up with a cartoon series that started with a fun idea. Eventually the cartoon series ended up being published in Japan. The series combined cartoon animal figures and quotes, which were believed to have a positive effect on mental health. (Timonen 2019, B4.)

1.2 Thesis Objectives, Research Questions and Limitations

Thesis objectives

Every study has an aim or purpose. This purpose guides the strategic choices of the research. The purpose of the study can be characterized as either proactive, mapping,

explanatory or descriptive. One study can include multiple purposes and it is important to know that the purpose may also change as the research progresses. (Hirsjärvi, Remes & Sajavaara 2009, 137-138.)

The purpose of the study is to explore the potential of an independent children's book publishing company to internationalize in the Japanese market. In addition, from the company perspective, the aim of the thesis is to examine what kind of customer potential there is and which distribution channels to use. The topic is important, as the question of when and how to internationalize is topical for many small and medium enterprises (SMEs). As previously mentioned, internationalization may even be a necessity today, if the company is to remain in business (Pirnes & Kukkola 2002, 89). For SME getting a market mapping done via thesis may also be a cost issue. The topic came as a wish from Merkityskirjat Oy and most importantly the topic is topical for them, as the company is thinking of internationalizing to Japanese market someday. Japan as a target market is also topical, as it has become such an important country to Finland businesswise. Over the past months Japan has also been seen actively in the news. According to Sirén (2019, A28) Finnish exports to Japan are said to set a new record this year.

With the help of this thesis, the author wants to develop her own knowledge and understanding of the market mapping and internationalization. The thesis gives the author access to the marketing strategies and internationalization process of international companies.

Research questions

No matter what kind of researcher you are, there are a few general challenges that every researcher faces. For example, finding a workable research topic, understanding that your category is always theoretically saturated and recognizing the feedback loop between topics. A functioning research question means a question that can be answered, and information can be found. The research questions need to be related to each other and be substantively relevant. (Silverman 2005, 90.) Traditionally, it has been stated that when conducting research, the problem of research must be carefully thought out and formulated before data collection (Hirsjärvi et al. 2009, 125).

The main research question is:

- What opportunities does an independent small publishing company have for internationalization?

To achieve the answer to the main question, the following sub-question is used:

- What distribution channels should an independent small publishing company use when internationalizing?

Through these two questions, this study aims to identify the opportunities of an independent small publishing company to internationalize to Japanese market.

Limitations

The thesis has been commissioned by Merkityskirjat Oy, and for that reason the destination country, Japan, has been chosen. Thus, the study is limited to the Japanese market and not the Asian market, on a whole. The limitations were made to Japan, because there are already successful Finnish children's literature in the Japanese market. Japanese children read a lot and are also interested in translated literature (Puukka 2009).

According to Niskanen (2010, 36), the popularity of Moomin books began in the 1960s with publishing company Kodansha's book translations. Almost all Japanese libraries have original children's picture books made by Tove Jansson, translated into Japanese. The Magician's Hat Moomin book was translated into Japanese as early as 1965, according to Puukka (2009).

1.3 Theoretical Framework

The theoretical framework guides the empirical part of the study. In theory-based research, the most important theories, concepts, and models are selected before acquiring empirical data. (Tuomi 2007, 128.)

The purpose of each research is to answer a research question. Both methods (qualitative and quantitative) aim to collect, analyse and report data systematically. (Ritala 2019.) Researchers want to eliminate the discussion between qualitative and quantitative methods. Rough divisions are used as general guidelines when conducting the research. Some researchers claim that most of the confusion among researchers is due to differences in the definition of qualitative and quantitative research. (Hirsjärvi et al. 2009, 135-136.)

Research can be exploratory, descriptive, predictive or explanatory, but one research might have more than one meaning. Qualitative and quantitative research are complementary. Every research includes both qualitative and quantitative aspects. (Hirsjärvi et al. 2009, 136-138.)

The thesis is based on the following theories, which are the Uppsala theory, the Network theory and Born Global theory. First the author goes through the Uppsala theory, where the idea is that internationalization takes place in stages and assumes that the company knows the local conditions (Törmänen 2017). Then the Network theory is explained. In this

theory the idea of the internationalization is based on social exchange theories, where a company always works with other market players (UK Essays, 2018). Lastly the Born Global theory is covered. In Born Global theory the psychological distance of the target market may not be relevant. Company's operations may start internationally at the same time, or even before the domestic operations, and from the outside base their vision and mission primarily on international markets (Johansson & Vahvaselkä 2010, 69). Chapter two also covers theories of foreign market entry methods: exporting, licensing and joint venture.

1.4 Research Methodology and Data Collection

The thesis is carried out by first telephoning on the 14th of October 2019 to the persons selected for the study. In the phone call the research and its purpose are explained in order to engage the respondents with the research. The aim is to increase the response rate and the reliability of the survey. After the telephone discussion, the study participants will receive an electronic survey form by email. After receiving the replies, if needed, the participants are still interviewed to complete the answers in the survey. This increases the reliability of the study.

Reliability in research means its repeatability, and its ability to give non-random results. Although the research aims to avoid errors, there are variations in the validity and reliability of the results. When conducting qualitative research, reliability can be improved by accurate research description. Accuracy applies to every aspect of research. Honest descriptions of places, events or people are at the heart of qualitative research. The same degree of accuracy applies to the interpretation of the results, since the author must have a basis for her interpretation. Interview citations and other authentic documents help the reader understand the research reports. (Hirsjärvi et al. 2009, 231-233.)

According to Hirsjärvi & Hurme (2010, 184-185), a good interview frame is used to improve the quality of the data collection. Thinking about alternative sub-questions can also deepen the themes. The quality of the interview is improved by keeping a diary. During the interview, one can write in the diary, for example, observations on the interviewee's behavior or difficult questions. These markings facilitate the interpretation of the results. In addition, transcribing the results as soon as possible after the interview improves the quality of the material.

A supplemental call after receiving the answers will be carried out as a theme interview. A theme interview is an intermediate of form interview and an open interview. The subject interviews are clear, but the form and order of the questions are missing. (Hirsjärvi et al. 2009, 208.)

The thesis is a qualitative study because it was intended to understand the phenomenon under study, i.e. the Japanese market. Qualitative method has been chosen because qualitative research aims at describing and exploring real life as comprehensively as possible. Qualitative research also seeks to uncover or discover facts rather than existing claims. (Hirsjärvi et al. 2009, 160-161.)

In qualitative research the target group is chosen carefully and for that reason methods that bring out the perspectives and the voice of the target group are preferred. Such methods are for example group- or theme interview. Suitable research questions are structured or open questions. With these formats the interview can be more specific to certain areas but also the depth is different than in normal survey. (Hirsjärvi et al. 2009, 204-206.)

In quantitative research, as the target group is bigger than in qualitative research, suitable research questions can be asked through different surveys online, via email or by mail. With these forms' information can be collected about facts, behaviour, activities, attitudes or values. Factual information can be asked more precisely in multiple choice question, and questions that require reasoning can be asked by using open or Likert-type scales. (Hirsjärvi et al. 2009, 196-197.)

1.5 Thesis Structure

Figure 1 clarifies the structure of the thesis. The thesis begins with an introduction, followed by a theory of foreign market entry and the Japanese market. After this the case company Merkityskirjat Oy is introduced and the empirical analysis of the research is presented. Finally, the conclusion is reviewed, and the thesis concludes with a summary.

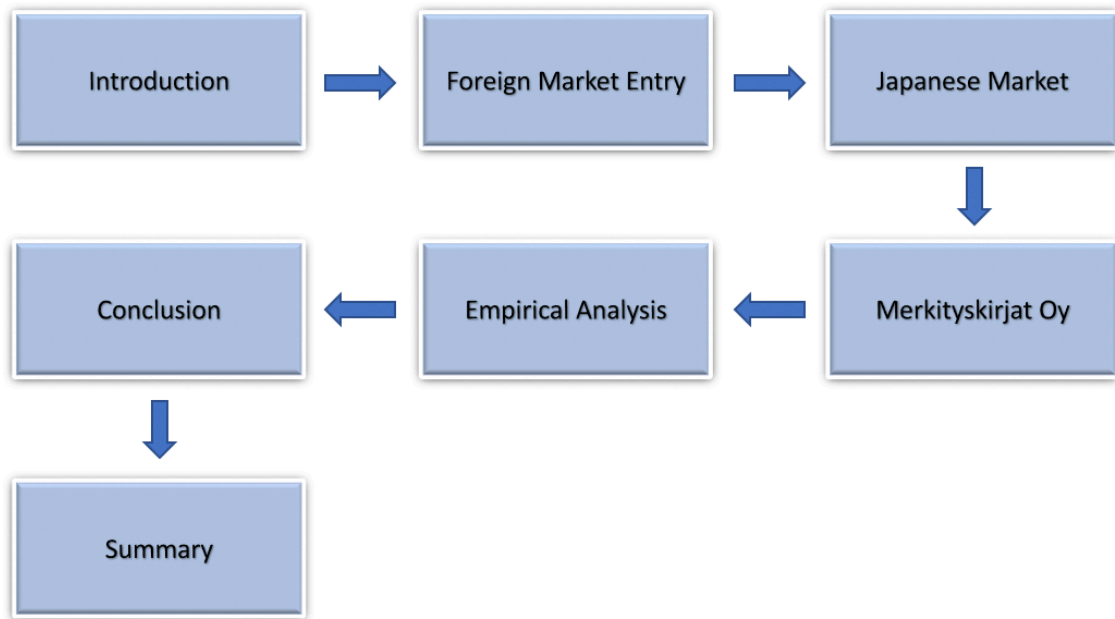


Figure 1 Thesis Structure

2 FOREIGN MARKET ENTRY

In the Finnish economy, small and medium-sized enterprises (SMEs) play an important role as an employer. However, in exports, they are often overshadowed by large companies. The reasons for staying at community level are the lack of financial and intellectual resources to expand sales and marketing. SMEs have the potential to succeed internationally, but it requires the right markets. (Kananen 2010, 7.)

Once a company has made a decision to internationalize, the company's export conditions must be examined. Company's export conditions can be divided into two parts: product requirements and company requirements. A working business idea allows the company to focus on the essentials. The company should consider both its concept and its operational model as well as how it can be implemented in the target country. The business idea may need to be shaped to meet the demands of the international market. It is important to analyze the company's own expertise and how-to bring benefits for the customer. (Pirnes & Kukkola 2002, 92-93.)

Starting a new business requires resources, and especially in the early years, exports can take up more of the company's resources than it generates revenue. Above all, the internationalization of a company requires mental resources. Employee engagement is important as internationalization brings new challenges with it. The staff needs to be trained, as the company needs to have multilingual staff who can create and maintain international relations with the target country. (Pirnes & Kukkola 2002, 92-93.)

Many Finnish companies are already present in the international market. However, for some of these companies, their domestic operations may be so minimal that average consumers do not even know the company. For example, a company may be a subcontractor to a larger company or be part of a large supply chain. Sometimes it is also possible to operate successfully in a niche market. Geographically, the segment may be too small for a multinational corporation, but just right for SME, as they do not operate with the same required rate of return. Export company lists include some small companies that collect the sales revenue from the so-called niche market. All that has to be done is to find the right segment. (Kananen 2010, 7.) Examples of such niche companies are Finnish Hukka Design Oy, Lapin Marja and Åbyn Leipomo Oy. There is a demand in France for these non-mass-produced high-quality food companies. There, chefs are constantly seeking quality ingredients that can stand out from the mass. Service is also seen as an important part of exporting high quality products and often the product alone is not enough. (Töyli 2016.)

Researchers, who are observing the future, are looking for different signals that point in the same direction. By monitoring only one weak signal, a big risk may be taken. These signals are used to map the future, outline possible images of the future, and create new strategies for action. A weak signal can turn out to be a threat or an opportunity but outlined images of the future allow the company to create different paths for development. (Juntunen 2015, 16-17.)

2.1 Foreign Market Entry by a Company

The investigation of the internationalization process began in 1975, when Swedish Johanson and Wiedesheim-Paul studied four major Swedish companies' internationalization processes. According to them, the process was divided into four phases, which are listed below, and each phase increased the risk and commitment to the market.

- In the 1st phase, the company has no regular exports
- In the 2nd phase, exports are already indirect, for example through an agent
- In the 3rd phase, help can be received from a foreign sales company
- In the 4th phase, help can be received from a production plant (Pakarinen 2008, 22).

To avoid uncertainty, some companies internationalize to neighbouring countries, as such countries tend to have similar habits compared to home markets. (Pakarinen 2008, 22.) Today, the market for companies is worldwide (Pirnes & Kukkola 2002, 7). Merkityskirjat Oy, as many other small companies, is also interested in expanding abroad as the number of Finnish speakers creates a limited market in literature. They were particularly interested in Japanese market and according to Puukka (2009), literature is important in Japan. A discussion with the case company owners Aalto and Kangas (2019), revealed that one day the dream would be to go international. Currently, Aalto and Kangas are interested in making a first mapping of potential target markets. The process is still in its infancy stage. However, Merkityskirjat Oy is interested in knowing what ways an independent small publishing company should go when considering internationalizing.

There are many reasons for the internationalization of business exports. For someone it is the result of long deliberation and for another it is the last straw. Foreign impulse can also trigger exports abroad. In practice, this means that someone outside the domestic market is interested in buying the company's products. However, the reason for starting an export business is often related to the company's development path. (Kananen 2010, 11.)

The globalized world and internet are examples of factors creating pressure for companies to internationalize. As the company expands into a new market, the culture of the

area needs to be learned. In the context of internationalization, it is important for small businesses to network, because in that way competition can be faced for example in large-scale production. Networking is about finding a better way of doing things through co-working with local communities. (Pirnes & Kukkola 2002, 90-91.)

Kananen (2010,11) adds that SME can also become international in both export and import. Import is a mirror image of export, which is often overlooked in the internationalization of purchasing, as exports and sales are more often emphasized in this context. If the product succeeds domestically, logically it has a good chance of succeeding elsewhere. In exports, the idea is to expand the market with existing products. The product, service or combination of product and service may be exported abroad. Often a product which has been associated with a service can become more profitable than the original product itself. (Kananen 2010, 11.)

2.2 Types of Foreign Market Entry Modes

In this chapter the author will guide the reader through three different types of foreign market entry modes. First the Uppsala theory will be explained in more detail. Second, this will be followed by the Network theory. Finally, the Born Global theory will be covered.

2.2.1 Uppsala Theory

According to Törmänen (2017), in the famous Uppsala model, internationalization takes place in stages and assumes that the company knows the local conditions. The time-consuming and resource-intensive market discovery process assumes that in order to be international, a company needs to be big. However, today researchers have begun to question the model of progress, as it excludes many other paths to internationalization.

The Uppsala model is a model of internationalization founded in 1977 by Johanson and Vahlne in Uppsala, Sweden. Jan Johanson and Jan-Erik Vahlne were researchers at the Department of Business Administration at Uppsala University in the mid-1970s. At the time, they made experimental observations that differed from established economics and normative, international business literature. Since then, there have been significant changes in the internationalization process, the economy and the environment. For this reason, Johanson and Vahlne updated their model in 2009. The updated version of the so-called U-model added the importance of knowledge of the company and the impact of networking into the internationalization process. The main idea of Uppsala model is to explain and walk through the stages of the company's internationalization process. (Johanson & Vahlne 2009, 1411.)

Figure 2 deals with the internationalization of a company by initially gathering knowledge and skills not only from the domestic market and internationalization but also from the target country. In the transformation phase, commitment increases knowledge and its scope. New knowledge of the target country and its market deepens the learning experience. In the next phase relationships with local counterparts will deepen. Networking is a natural result. (Johanson & Vahlne 2009, 1411.)

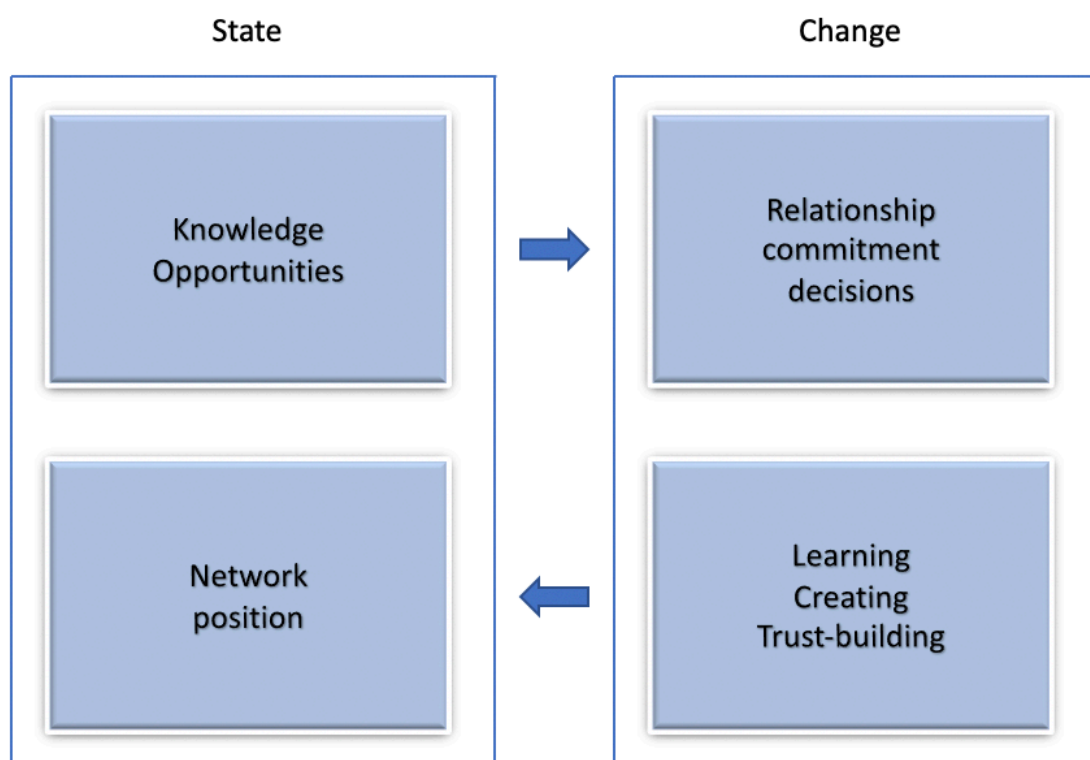


Figure 2 The Uppsala-Model (modified from Johanson & Vahlne 2009)

2.2.2 Network Theory

The Network theory focuses on organizational and interpersonal business behaviour. The theory is based on social exchange theories. In Network theory, a company always works with other market players. By default, companies in the same network are dependent on each other's resources, for example, they share the same customer and supplier relationships. Those relationships are based on financial, legal, technical and personal ties. Network relationships play an important role in the acquisition of essential resources and knowledge. The company's domestic relations can then be used in other countries to establish foreign relations. Both direct and indirect links are important, especially in the early stages of internationalization. (UK Essays, 2018.)

In the Network theory, markets are viewed as enterprise networks. It can be concluded that the faster the company is internationalized in relation to the internationalization of the network environment, the more gradual the internationalization is in terms of spatial, temporal and resource commitment. The higher the degree of a company's internationalization is, the better possibilities, company has to integrate internationally for example through mergers or alliances. On the other hand, the later the company internationalizes, the more the internationalization process is dependent on the relationships with the ones whom have already internationalized. This can reduce the influence of proximity but also speed up the international expansion. (Gebert-Persson, Mattsson & Öberg 2014, 15.)

Figure 3 presents the four phases of Network theory internationalization which are listed below:

- The early starter
- The lonely international
- The late starter
- The international among others (Gebert-Persson, Mattsson & Öberg 2014, 15).

According to Hollensen (2011, 81-83), the early starter has no international network. Networking and establishing relationships are in a major role at the early stages of internationalization. The lonely international on the other hand has proper networks with foreign companies and has gained knowledge and experience that others operating in the same field do not have. The late starter is in a situation where the company has already created networks but has a hard time to position themselves in them. Usually in these cases the companies are already in contact with the competitors, and as a result aggressive pricing may make it unprofitable for a new entrant to enter the market.

The company who is international among others is in a position where the existing network may be used to spread to other networks. In order to achieve this position and become successful, the managing of the international activities along the value chain needs to be properly managed. (Hollensen 2011, 83-84.)

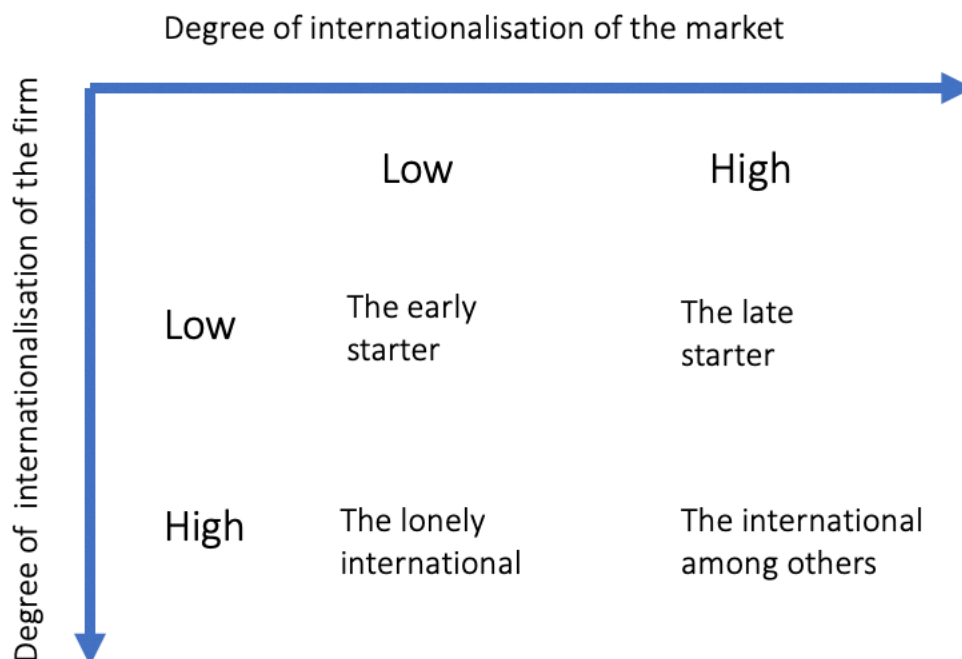


Figure 3 Internationalization in a network perspective (modified from Gebert-Persson, Mattsson & Öberg 2014)

2.2.3 Born Global

Even SMEs with limited resources favor a faster internationalization process, as the opportunities offered by the global niche have increased since 1995. In addition, opportunities to obtain external financing and cooperation with other companies to obtain sufficient resources have increased. Born Global companies can be defined, for example, by using the company's turnover and export percentage. On the other hand, they can be defined by highlighting the international elements of the company, such as the use of resources as a competitive advantage and sales across borders. (Johansson & Vahvaselkä 2010, 69.)

Born Global companies are generally perceived as small businesses with a few employees in addition to the entrepreneur. They are also perceived as having limited company resources and experience in international markets. In addition, they have small domestic markets and niche products for global markets. Born global companies believe that international markets absorb less resources than many think and offer more opportunities than risks. (Johansson & Vahvaselkä 2010, 69.)

Born Global may not be relevant to the psychic distance of the target market, but may start internationally at the same time, or even before domestic operations, and from the outside base their vision and mission primarily on international markets. Born Global companies design their structures, systems, products and financing based on international

activities, and generally more than half of their sales come from foreign trade. (Johansson & Vahvaselkä 2010, 69.)

There are four influencing factors in the process of Born Global internationalization. Those four factors are listed below:

- Entrepreneurship
- Industry
- Globalization
- Networks (Vaivode 2018).

Figure 4 presents the factors influencing the process of Born Global internationalization. At the top, heading the first influencing factor is the entrepreneur. Entrepreneur's skills, network, international vision, experience, resources and many other abilities are identified as success factors of Born Global internationalization. (Vaivode 2018.)

The next influencing factor is industry. Even if industry-related factors are rare to Born Global companies' internationalization, the influence manifests itself as external factors are the international competitiveness, a small domestic market and the international integration of the industry. (Vaivode 2018.)

The third factor influencing the process of Born Global internationalization is globalization (Figure 4). Globalization is considered as an essential influence factor, due to the fact that it has increased the exchange of resources and contributed to economic growth worldwide. Entering international markets has become easier for the companies because of the globalization. Access to the global marketplace is now simpler due to the globalization and has also led to better market integration. International relations are easier to build, and the efficiency of information flow has increased. (Vaivode 2018.)

The last influencing factor (Figure 4) in the Born Global internationalization is the network. Even Born Global internationalization is a step-by-step process that begins with networking and interaction between people. Businesses work with each other so maintaining relationships is very important. New companies in particular are dependent on their relationships. (Vaivode 2018.)

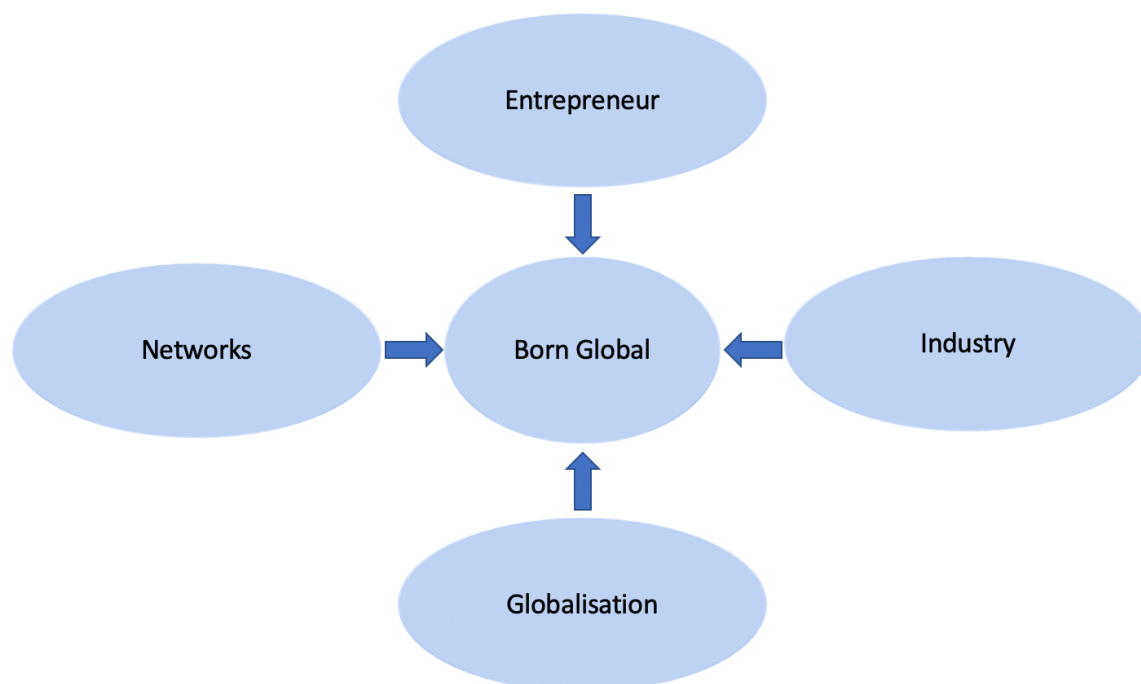


Figure 4 Factors influencing the process of Born Global internationalization (modified from Vaivode 2018)

2.3 Methods of Foreign Market Entry

A marketing strategy, also known as an operational strategy, is an important part of a company's international business strategy. At this point, a method is selected that answers the questions how and where the product or service is manufactured and transported to the target market. Depending on the company, the appropriate method is chosen. The choice will depend on whether the company is expanding overseas for the first time or if the company is already international and expanding into a new market. In this case the author deals with method through a company currently operating in the domestic market. (Äijö 2008, 185.)

Entry method options refer in a broad sense to the company's way of operating in a foreign country. Exporting, contractual and investment modes are the three overall classifications. Within these such broad classifications there are many different variations. (Welch, Benito & Petersen 2007, 3.) According to Äijö (2001, 86), there are nine major international operation options. The author will go through three of them: exporting, licensing and joint ventures. The author chose to introduce these methods because she found them to be the most potential alternatives for an independent small publishing company.

Exporting

Often companies seeking international markets see exports as the only option of internationalization. Indeed, exporting is one of the most commonly used mode for companies in the early stages of internationalization. (Welch et al. 2007, 239.)

Exports can be roughly divided into indirect and direct exports. A common feature of exports is that the product or service is produced domestically and exported either directly or through intermediaries. Direct export refers to the direct export of a product or service to the target country and the intermediaries operating abroad. Indirect export, on the other hand, means that domestic intermediaries are used before exporting abroad. (Äijö 2001, 90.)

Äijö (2001, 91-92) adds that “exporting can be a valid option if the more demanding options for internationalization are not realistic”. When the company is lacking resources or experience, export can act as an affordable way to test the target market and start internationalization due to low costs. Export also serves as an alternative when the product or service cannot be produced abroad. In addition, the conditions in foreign markets may be such that other paths for internationalization are not possible.

Licensing

According to Keegan (2014, 111), licensing is a contractual agreement where a licensor allows licensee to use for example trademarks, patents and other assets in order to get royalty payments or other forms of compensation. A contractual agreement includes an analysis of how the assets will be priced and what may be offered for a license. In addition, analysis includes a grant of whether the company has rights to use and sell the products or just to produce it. Also, Welch et al. (2007, 97) clarify that licensing does not involve selling the trademark, but only the rights to its use.

When thinking of internationalization modes, licensing is often described as low-risk, low-cost and low-commitment option especially for companies starting out international activities. On the other hand, it is also a high-risk activity as a partner may become a potential rival. (Welch et al. 2007, 135.) There are many limitations to licensing, for example in marketing and sales, and for this reason as a general principle, licensing is rarely recommended as the first way for a company to internationalize (Äijö 2001, 97).

Joint Venture

The operating concept of a joint venture is, as its name suggests, a coalition of several companies. These types of businesses often have a specific reason why they are

established and are often short-lived. When internationalizing, it may be strategically wise to have a local business partner from the target country. Knowledge and cultural awareness are growing while costs and risks are halved. In some cases, the only way to integrate in the target country is through a local partnership. (Kananen 2010, 77.)

In joint ventures, partners also own part of the company and participate in its management and strategic planning. The disadvantage here may be not only different opinions but also different goals. For its part, the joint venture benefits from the fact that its partners bring more technology, money, staff and raw materials. Here too, the reverse side is the distributed profits. (Äijö 2001, 106-108.) Keegan (2014, 251) adds that joint venture with a local counterpart is considered as more extensive form of participation than for example licensing or exporting.

2.4 Difficulties and Achievements

There are two types of barriers to exporting international trade. States can create barriers themselves, for example through customs, different quotas and national standards. On the other hand, obstacles may be natural, such as those related to the country's culture, customs, habits and location. (Kananen 2010, 19.)

According to Äijö (2008, 49), the biggest difficulty for international success of Finnish companies is the lack of reliable customer relationships, i.e. the companies are unknown in the target country. Finnish companies also often have very little market knowledge of the target country's culture, distribution and competition. In addition, the staff's language skills, international experience, inadequate funding and lack of marketing expertise have made internationalization more difficult. Long distances to markets, regulatory and trade barriers, and countermeasures by competitors in the target country are also perceived as challenges for internationalization.

The international strength and success of Finnish companies is mainly based on quality products. For example, the technological level and quality of the products are perceived as superior to competitors. Customer service, customer relationship management and collaboration are also seen as important, but they are not the biggest strengths. (Äijö 2008, 48.)

3 JAPANESE MARKET

It is estimated that there will be 4.6 billion people in Asia in 2030, compared with just over 3.1 billion in the rest of the world (Juntunen 2015, 94). The focus of the economy will shift to Asia and the markets of formerly industrialized countries will begin to decline (Juntunen 2015, 84).

Japan, as a market, is one of the largest in the world when measured in terms of gross domestic products (GDP). Japan is a special market because the majority of the population is homogeneous, i.e. native Japanese, meaning they share a common cultural background and language. In addition, Japan is a large country with 123 million inhabitants. The country is densely populated, which in practice means that potential customers and customer groups are easily reachable from a distance. The good thing about the Japanese market is that if you succeed there, you can also succeed in other Asian countries. This is because Japanese trading houses act as major investors in other Asian countries. (Pirnes & Kukkola 2002, 147.)

The unifying factor between Japan and Finland is that they are both rapidly aging and they both are economically developed countries. The negative population dynamics in the countries are due to the relatively low birth rate of children and the country's strict immigration policy. (Juntunen 2015, 107.) According to Puukka (2009), Hiroko Suenobu, a Japanese literary in Finnish literature, sees many similarities in the thinking of Finns and Japanese. Nature and natural phenomena are considered sacred by both nationalities.

3.1 Business Environment

According to Korhonen & Lintunen (2001, 11), in less than a hundred years the countries of Asia have undergone a similar social transformation that took centuries in Europe. Societies have shifted from agriculture to industry in just a few decades.

Tight labour markets and visible labour shortages are some of the challenges facing the Japanese economy. The country's declining and aging population is also putting pressure on, for example, country's health services, which are already the most expensive in the Organization for Economic Cooperation and Development (OECD). Because of the high demand for care workforce, the Japanese government is working to facilitate the admission of foreign health professionals in addition to robotization. (Team Finland 2019.)

Japan's Prime Minister Shinzo Aben's economic policy program has aimed to turn the country's economy back on a growth path. The program consists of monetary policy, fiscal stimulus and structural reforms. As a result of the accommodative monetary policy,

interest rates have fallen, and stock prices have risen. The focus of 2019 economic policy has been on creating growth. (Team Finland 2019.)

Efforts are being made to improve productivity, for example, in new technologies (Productivity Revolution), facilitating women's access to the labour market (Human Resource Development Revolution) and restoring people's confidence in the social security system (Fiscal Consolidation). Growth requires structural reforms. For example, the government plans to apply artificial tax reliefs to companies in various areas to increase productivity, in the hope of wage increases, to apply artificial intelligence, the Internet of Things and ICT solutions. In addition, plans are being made to increase childcare facilities by raising wages for carers and by making early education free of charge. (Team Finland 2019.)

Japan has talked a lot about multilateral free trade but is still focused on finalizing regional or bilateral agreements. Simplification of customs processes and almost complete elimination of customs duties will facilitate business growth and business expansion. Traditionally, Japanese market access has been influenced by Japan's own standards, certifications, licenses and heavy bureaucracy, and it is planned to reduce in the future. (Team Finland 2019.)

3.2 Market Attractiveness

In recent years, the Japanese economy has grown steadily. Finnish exports of goods to Japan amounted up to 1.3 billion euros but imports were only around 700 million euros. Japanese companies are interested in investing in Finland utilizing the expertise of Finnish companies in areas such as digitalisation, health and well-being, start-ups and the creative industries. Finland's renown and excellent country image support inter-country relations, as well as close air links and the EU-Japan trade partnership, which entered into force in early 2019. (Team Finland 2019.)

Figure 5 explains Finnish exports to the Japanese market in the past 10 years. Sirén (2019) tells that according to Business Finland, in the last two years Finnish exports to Japan have broken records by more than 1.4 billion euros. As a result of the EU-Japan Free Trade Agreement, which entered into force in February 2019, records will be broken also this year.

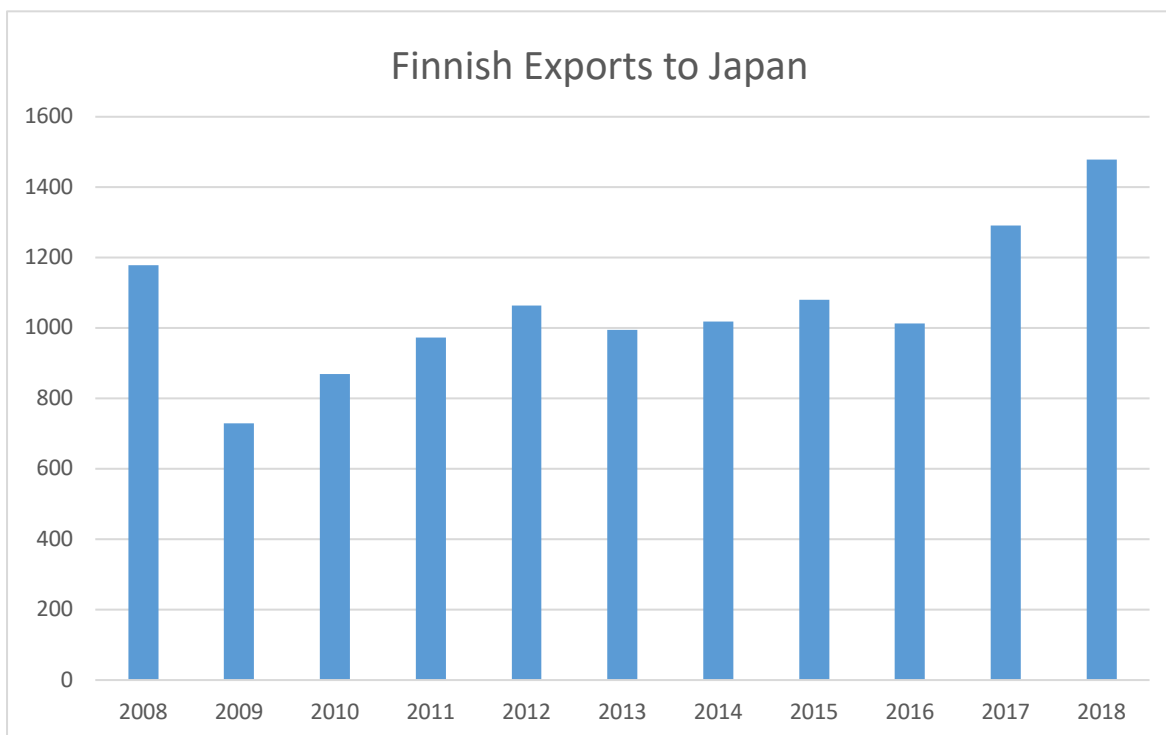


Figure 5 Finnish Exports to Japan (modified from Sirén 2019)

Figure 6 illustrates the cultural differences between Finland and Japan. There are six dimensions that measure the similarities and differences between these two chosen countries and cultures. First four cultural dimensions are created by Professor Geert Hofstede. Rest of the dimensions have been added later with the help of Gert Jan Hofstede, Michael Minkov and their research teams (Hofstede Insights 2019). Professor Geert Hofstede is a known Dutch social psychologist, who studied pioneering cultures across modern nations (Hofstede 2019). Hofstede is also a respected professor who has done one of the most comprehensive research on how culture affects workplace values (Hofstede Insights 2019).

The Hofstede model consists of six different cultural dimensions representing independent preferences of a country and that distinguish countries from each other (Hofstede Insights 2019). Power distance, as the first dimension, describes the hierarchy found in countries. In Finland, the power distance is low, meaning that hierarchy is more of a formality. Japan's power distance is relatively higher and Japan as a country is hierarchical.

Individualism reflects the country's way of thinking whether things are thought of as a community or as an individual. Finland scores somewhat high and is considered as a very individualistic country. On the other hand, Japan is more of a collectivistic. There the interest of the group takes precedence over interests of the individual.

Masculinity tells what motivates people: whether they want to be the best (masculinity) or enjoy of what they are doing (femininity). Finland's relatively low points indicate the country's femininity and desire to enjoy life. Japan, for its part, is one of the most masculine countries in the world where success motivates people. Japan, as a masculine country, differs from other masculine countries as the competition takes place in groups rather than individuals. (Hofstede Insights 2019.)

Uncertainty avoidance refers to the way a country reacts to the fact that the future can never be predicted. Are you trying to control the future or are you letting it come as it is? In uncertainty avoidance, Japan scores as one of the highest in the world. In Japan, it is important not to "lose face". Japan and Finland both have a high preference for avoiding uncertainty. Both countries have also beliefs and an emotional need for rules to create a sense of security.

Next dimension is long term orientation, which describes how a society maintains links with its own past as they deal with the challenges of present and future. Japan has a high score in long term orientation, meaning that they do long term decisions instead of expecting quick results. Finland, on the other hand, is quite the opposite with a normative culture where quick results are important. (Hofstede Insights 2019.)

Last dimension in Figure 6 is indulgence. Indulgence measures whether the people in the country have been raised to "work in order to live" or "live in order to work". Japan with a low score is considered as restraint culture, where the impulses and desires are controlled. In Japan people live in order to work whereas in Finland, with a relatively high score, people work in order to live. Finland is considered as an indulgent country, where people are willing to use money to fulfill their desires in order to have fun. (Hofstede Insights 2019.)

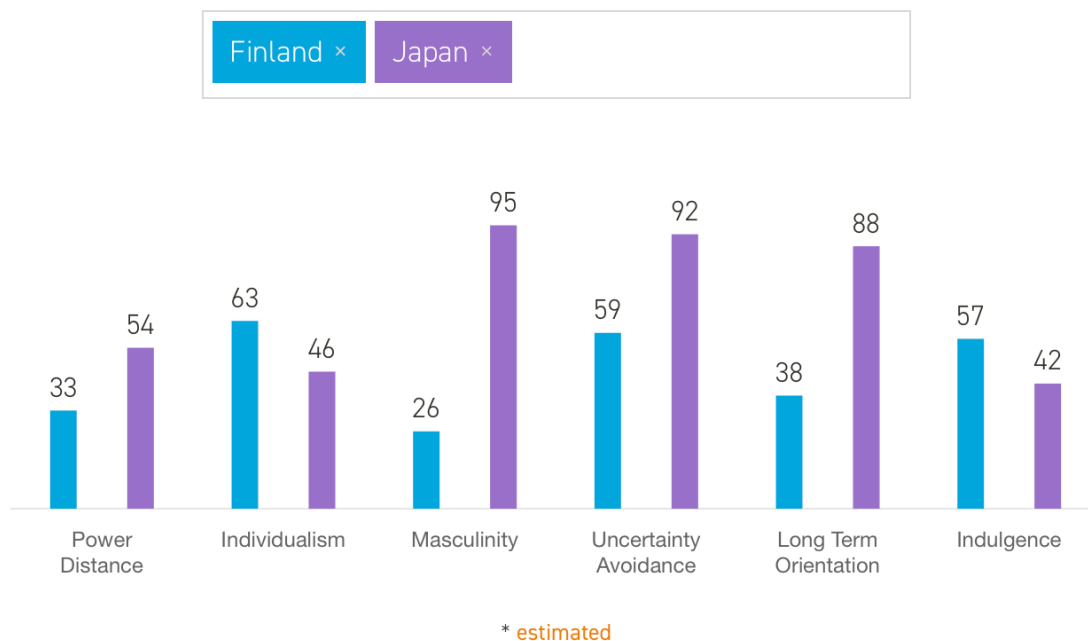


Figure 6 Country Comparison (Hofstede Insights 2019)

3.3 Competition and Demand

The increase of competitiveness is a consequence of the growth in global marketing (Keegan 2014, 270). “Good marketing is the art of finding, developing, and profiting from opportunities” (Kotler, Keller, Ang, Tan & Leon 2018, 53). Global competition is a critical factor in a company’s success. In some sectors, global companies have, as a result of competition, excluded other companies in the same field from the market. (Keegan 2014, 270.)

Culture in competition and demand is reflected in customers’ buying behaviour and habits. The significance of culture becomes more diverse the further you travel. Competition and demand markets are affected by both buyer and seller markets. So-called seller markets mean a situation where there is little competition and the buyer has to adjust to the conditions set by the seller. On the other hand, the buyer’s market, in turn, is a situation where there is a lot of competition and the buyer can make the final purchase decision between different options, regardless of the quality, performance or characteristics of the product. (Kananen 2010, 22-23.)

There is a difference between domestic and international competitiveness, as SMEs have to re-think where their strategy and success is based on. In order to be successful, a company must have unique product innovation, superior service and marketing, as more and more companies nowadays have to think about their cost issues. Rarely does one

company control everything, so it is a beneficial plan to strategize and focus on where the customer thinks the company is better than the competitors. (Äijö 2008, 73.)

Unlike the rest of the world, Japan has large individual consumer segments. For example, by 2025 it is projected that the over-65s will account for a quarter of the total population. This means a high potential buying power for targeted products. (Pirnes & Kukkola 2001, 147-148.)

4 MERKITYSKIRJAT OY

Merkityskirja is a communal children's book that is made in cooperation with trusted Finnish partners. Readers are able to participate in the making and themes of Merkityskirja right from the start. Six-year-old Nella from Espoo, for example, designed a stripe pattern for *Helga Hidalmiina*. Jaana from Järvenpää gave a name for Irene, according to her husband's grandmother. (Merkityskirjat 2019.)

Merkityskirjat Oy is a book series created by mass creativity, so anyone can participate in creating the book. In addition, a number of companies have started to support the innovative children's book series, whether as a sponsor or partner. (Merkityskirjat 2019.) Merkityskirjat Oy's partners are listed below:

- Fazer (business angel of all three books)
- Mehujehu (business angel of the first book)
- Vääksyn Lääkärikeskus (business angel of the second and third book)
- Nivos (business angel of the second and third book)
- Hintsa Performance (business angel of the second book)
- Hyvinvointikeskus Fressi (business angel of the second and third book)
- City of Lahti (business angel of the third book)
- Ice hockey player Raimo "Raipe" Helminen (guardian of the book series)
- Psychotherapist Maaret Kallio (guardian of the book series)
- SEY Suomen Eläinsuojelu (NGO partner)
- Pelastakaa Lapset ry (NGO partner)
- Perhehoitoliitto (NGO partner)
- Sinfonia Lahti (cultural partner)
- Painotalo Plus Digital (printing house partner)
- Painotalo Markprint (printing house partner) (Merkityskirjat 2019).

With the help of partners, Merkityskirjat Oy supports Finnish organization work. Organizations will receive seven euros for each book sold by that operator's theme. For example, the buyer of *Helga Hidalmiina kissojen kunniavieraana* supports the SEY Suomen Eläinsuojelu (Finnish Animal Welfare Association). Merkityskirjat stories always have important themes. The idea of the authors has been to get adults and children to discuss relevant topics even after reading the storybook. (Merkityskirjat 2019.)

Merkityskirjat Oy is a company established in 2018 and was born out of community and collective creativity (Paakkari 2018). Terhi Kangas' dream came true in 2017, when the first crowdfunding children's book *Helga Hidalmiina kissojen kunniavieraana* was

published under the auspices of her another company. The owners of the Merkityskirjat Oy are Terhi Kangas, who writes the children's book stories and Anna Aalto, who illustrates the books. (Merkityskirjat 2019.)

4.1 SWOT Analysis

SWOT analysis is an evaluation of company's strengths, weaknesses, opportunities and threats. In SWOT analysis both internal and external marketing environment are monitored. External environment of the SWOT analysis includes opportunities and threats and internal environment includes strengths and weaknesses. A business unit needs to monitor both key macroenvironment forces and significant microenvironment actors. Political-legal, social cultural and demographic-economic are examples of macroenvironment forces. On the other hand, competitors, customers, distributors and suppliers are examples of microenvironment actors. (Kotler et al. 2018, 52.)

Figure 7 presents the strengths, weaknesses, opportunities and threats for Merkityskirjat Oy. As strengths author has classified passion, attitude and commitment of the entrepreneurs. Small business of two women masters the noble skill of writing and illustration. In addition, exploiting collective creativity in a business is definitely seen as strength.

Merkityskirjat Oy's office is located in Doorroom Oy, which is a co-working space in Lahti. In Doorroom Oy there are about 40 entrepreneurs in various fields of business, ranging from multinational corporations to start-up companies. In a communal space, the creative ideas of an entrepreneur receive different perspectives and approaches from other creative entrepreneurs. (Doorroom 2018.) Merkityskirjat Oy, indeed, has been formed as a result of two entrepreneurs meeting in Doorroom, and uniting their visions. The author sees that the community of Doorroom works in a way like a support network to the entrepreneur. With the support of other entrepreneurs, it may be easier to make bold and sometimes crazy choices.

As weakness of the company, Figure 7 shows the lack of international experience and international network. In addition, in two women business the author sees the scarcity of human resources as a weakness as well as the lack of Japanese language skills. Merkityskirjat Oy is a young company and the current product range is limited. When thinking of internationalizing, a wider product range should be considered, as it may be easier to brand. Merkityskirjat Oy has a working business idea, but without proper product branding it will be a challenge for the company to gain visibility. Naturally, resources should also be used for branding in the target country, when internationalization is topical.

Networking is especially important in the early stages of internationalization, as the knowledge of target market, culture, language and customs is limited. In order to establish partnerships, Merkityskirjat will need more human resources. In addition to the human resources, the manufacturing resources of the product should be taken into account. In the case of non-mass-produced product, its production often tends to be slower and volumes smaller.

The author considers Finland's exceptionally good country image, quality of the products and domestic production as opportunities (Figure 7). Finnish products are very popular among the quality conscious Japanese consumers (eComGrowth 2018). Merkityskirjat are made in Lahti from the beginning until the end. When everything is produced locally, it is easier to monitor the reliability, quality and responsibility of the production. Despite the geographical distance, Finns and Japanese often find each other to be quite similar (eComGrowth 2018). The author considers the connection between these two cultures as an opportunity. Merkityskirjat Oy has an incredible number of partners and corporate angels in Finland. When internationalizing, as possible opportunity would be to find a well-known Japanese corporate sponsor.

As threats in Figure 7 the author sees the popularity of audiobooks as well as the competition. In order to avoid the biggest threat, competition, the company needs to invest properly in branding. Of the Finnish literature, Moomins are already particularly successful in the Japanese market. The popularity of the Moomin books began already in the 1960s (Niskanen 2010, 36).

According to Kananen (2010, 22), culture in competition reflects in customer's buying behaviour. In addition, the global recession may affect to the purchasing power and can be seen as a threat. By 2025, one of Japan's largest consumer segments will be over 65-year-olds. (Pirnes & Kukkola 2001, 147.) In terms of children's literature, this target group can be seen both as an opportunity but also as a threat. Over 65-year-olds may have grandchildren whom they want to pamper. Negative age distribution and low fertility rates is also a threat as the target population is shrinking.

Often when company's strengths, weaknesses, opportunities and threats are evaluated, it is possible to see that the analysis works vice versa. For example, threats turned upside down are opportunities and while examining weaknesses, they may be turned into strengths if looking at them from a different perspective.

SWOT analysis

	Strengths	Weaknesses
Internal environment	<ul style="list-style-type: none"> - Passion and attitude - Skills in writing and illustrating - Employee engagement - Collective creativity - Business idea 	<ul style="list-style-type: none"> - No international experience - Lack of resources - Lack of international network - Language skills
External environment	<ul style="list-style-type: none"> - Finnish country image - Quality of the products - Domestic production 	<ul style="list-style-type: none"> - Audio books popularity - Competition (e.g. Moomin)

Figure 7 SWOT analysis case: Merkityskirjat Oy

4.2 Products and Services

Merkityskirjat Oy currently has an online store where all their products are sold. There are also a few stores where the books can be bought. In the online store all three books of their trilogy are available. (Merkityskirjat 2019.) The trilogy is listed below:

- The 1st book published 2017 is called *Helga Hidalmiina kissojen kunniavieraana*
- The 2nd book published 2018 is called *Helmeri Hessunpoika löytää lajinsa*
- The 3rd book published 2019 is called *Helgan ja Helmerin viikonloppuveli* (Merkityskirjat 2019).

The third book was published on the 2nd of November 2019. In addition to this, the store sells a variety of postcards and other products, in which the characters in the books venture. (Merkityskirjat 2019.)

For every book bought, seven euros goes to charity. For the purchase of the first book of the trilogy (*Helga Hidalmiina kissojen kunniavieraana*), seven euros supports SEY Suomen Eläinsuojelu. From the second book (*Helmeri Hessunpoika löytää lajinsa*) the support is allocated according to the theme to Pelastakaa Lapset ry's Eväitä Elämälle-program in support of children's physical activity. For the purchase of the most recent book

(Helgan ja Helmerin viikonloppuveli) seven euros goes to Perhehoitoliitto. (Merkityskirjat 2019.)

The following Image 1 presents the production of Merkityskirjat Oy. Image 2 shows a moment from the publication of the third book. Both images are taken by the author.



Image 1 Production of Merkityskirjat Oy



Image 2 Publication of the third book of the trilogy

5 EMPIRICAL ANALYSIS

In this part of the study the empirical analysis is covered. It consists of three parts: data analysis, entry strategy analysis and result analysis. First, the author introduces the data analysis and how the data has been collected. Then, the author will analyse and discuss the entry strategy and results of the research. Each subchapter is discussed in more detail with the discussion of the topic concerned and method used.

The essence of the study consists of analyzing, interpreting and drawing conclusions from the collected data. The analysis of the data reveals the answers to the research problems. Analyzing the data can be roughly divided into two parts: an explanatory and an understanding approach. The most typical ways of analyzing qualitative research are content separation, typology, theme design, and discourse- and discussion analysis. (Hirsjärvi et al. 2009, 221, 224.) This particular study seeks to address issues through with an understanding approach.

5.1 Data Analysis

In the case of empirical research, it is often only after so-called preliminary work that conclusions can be drawn from the material. The choices made at the beginning of the research process influence on how the material is interpreted. The core of the study consists of analyzing, interpreting and drawing conclusions. In the analysis phase it becomes clear what kind of answers the author gets to her problems or how the problems should have been set. (Hirsjärvi et al. 2009, 221.)

The research was carried out by first telephoning the persons selected for the study. The author carefully selected the target group and methods to highlight the target group's perspective and the voice (Hirsjärvi et al. 2009, 204-206). Six people with international relations with Japan and/or with literature were selected for the study with careful consideration. The purpose of the phone call was to engage respondents with the research with the aim of increased response rate and reliability. Four out of six selected people were reached by a phone call. In addition to a few phone calls, the other two were contacted via text message and email. However, the author could not get contact with them.

After the telephone or text message discussion, the study participants received an electronic survey form by email. The survey included seven short questions, which the author will go through in more detail in the following chapters. Almost all respondents responded to the survey within a week. After the author received the replies from the target group, the original plan was to still interview the participants to complete the answers in the

survey. However, the author found the answers specific enough and did not see the need for a phone interview. Questions used in the survey were open questions. With open question format the interview can be more specific to certain areas but also the depth is different than in normal survey. (Hirsjärvi et al. 2009, 204-206).

Figure 8 presents the timeline of data collection of the thesis process. The process started already during the spring 2019, when the author was doing her internship in a coworking space called Dooroom. There the commissioning company Merkityskirjat Oy approached the author with a possible thesis topic. After accepting the topic, author got a chance to get to know the company and its products better through different events such as Kasvu Open. Actual thesis process was in its infancy and during the summer the only thing happening was brainstorming.

Officially the process kicked in off September, when the author started collecting secondary data. After secondary data was collected in October, the primary data collection, in this case the small survey, was started. During October and November, the data was analysed.

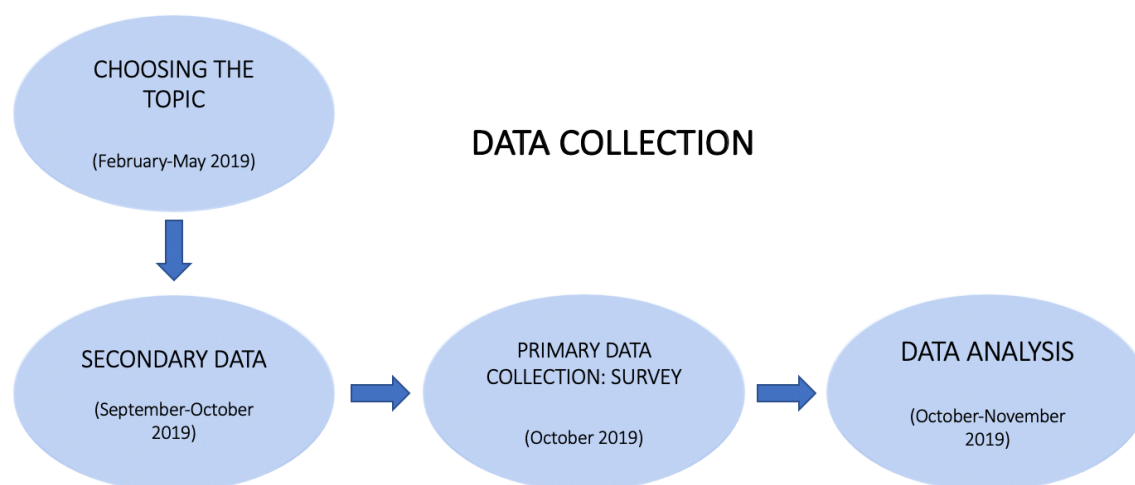


Figure 8 Data collection timeline

5.2 Analysis of Entry Strategy

The basis of empirical analysis is the description of the material. The idea is that the questions of who, when, where, how much and how often, can be answered. There are also many ways to do the description of the material. A strong description means that the reader is able to thoroughly describe the phenomenon being studied. Similarly, the mere description of facts is considered to be a weak description. As another important part of

the analysis is the categorization of the material, as it creates a framework or a basis from which to interpret the material later. (Hirsjärvi & Hurme 2010, 145, 147.)

Choosing entry type to Japanese market

When a company is thinking about internationalization, it is good to go through different options. Roughly dividing there are three types of internationalization: careful and relatively slow path, by avoiding risks and costs (Uppsala theory), a collaborative path (Network theory) and a high-risk, fast and resource intensive path (Born global). It is difficult to present any universal method of selecting a model of internationalization, as choosing one is always case-specific. Influential things about choosing the right method are for example the company's strategic goals or resources. (Äijö 2008, 111-112.)

The author examines the types of internationalization from the perspective of an independent publishing company Merkityskirjat Oy. The author chose the Network theory for the market entry strategy in this research. The choice was made considering the fact that the company has no previous international experience. The Network theory is based on interpersonal business behaviour and the main idea is that companies work together and are somewhat interdependent. Working together and building relationships is particularly important in providing the necessary resources and knowledge. (Essays, UK 2018.) The author feels that this path of internationalization could work well for an independent small publishing company that operates in mass creativity.

According to Äijö (2008, 49), the biggest difficulty for international success of Finnish companies is the lack of reliable customer relationships. Merkityskirjat Oy does not have yet the experience in international markets, so it is important to start from the networking. In addition to Network theory, a joint venture type of partnership with a local company would be beneficial in gaining market knowledge, improving Japanese language skills and gaining the knowledge of the local competition, for example. Getting a local partner also helps the company to integrate in the Japanese market faster. Äijö (2008, 49), continues that Finnish companies' lack of market knowledge of the target country's culture, language and competition has made internationalization more difficult.

Managing every aspect of internationalization at the same time, requires a large number of resources from the company. The author feels that the Network theory kind of internationalization would be a smart choice for a young company.

Choosing entry method to Japanese market

According to Pirnes & Kukkola (2002, 148), assisted importing, licensing, joint venture and establishing one's own unit are four the most common routes to entering the Japanese

market. The author examines the methods of market entry from the perspective of an independent publishing company Merkityskirjat Oy. According to the author, suitable and safe approach to entering the Japanese market would be a joint venture, as the risks and resources are halved, and common benefits shared.

Typical characteristics of the business environment during this decade are broader markets, rapid technological development and continuous product development. Managing the special features of global marketing and efficient product development at the same time requires a large number of resources from the company. However, the new market situation seeks to encourage companies to network, to work together while striving for a better expertise base. (Pirnes & Kukkola 2002, 198-199.) A properly assembled group has the opportunity to achieve an innovative and completely new business concept, service, product or any combination of these (Pirnes & Kukkola 2002, 205).

The choice is based on the fact that the company has no previous international experience. Joint ventures are mostly made up of companies based in different countries, as this is an effective approach to network in the target country and gain local market expertise. In a joint venture, both parties achieve benefits that could not have been achieved by themselves. (Pirnes & Kukkola 2002, 206.) As mentioned earlier, in joint venture knowledge and cultural awareness are growing while costs and risks are halved. In addition, getting a local partner would be a beneficial way to integrate in the Japanese market. (Kananen 2010, 77.) The author feels that this path could work well for an independent small publishing company.

5.3 Results and Analysis

At the outset of the empirical part of the study, individuals selected for interviewing were first approached by telephone. On the telephone, the author first introduced herself and explained the purpose of the study and to whom the study was being conducted. After receiving a permission to interview, both the cover letter (Appendix 1) and questions (Appendix 2) were sent to the individuals selected for interview. The questions were designed to support access to answers not only to the main research question but also to its sub-question.

According to Hirsjärvi & Hurme (2010, 135), the material should be analysed and processed as soon as possible after collecting the data. Responses to this survey were therefore processed within one week of receipt. In order to clarify the treatment of the research responses, the author deals with the received answers by theme. Interviewees' responses can be collected and analysed by theme in order to draw conclusions from broader

entities. In practise, this means that in the analysis phase, the characteristics of the data emerge that are common to more than one interviewee. (Hirsjärvi & Hurme 2010, 142,173.)

Figure 9 shows the interview results by themes. The first theme is business in the Japanese market. This chapter will look at what the interviewees think of Japanese or doing business in Japan. It also deals with different ways of doing business in the Japanese market. The following theme includes Japanese preferences for Finnish children's literature and what language is preferred in business in Japan. The third theme deals with the not only the SME publishing company's opportunities to expand into the Japanese market, but also the potential distribution channels. The final theme is the differences between Finland and Japan. This chapter looks at the differences between Finland and Japan when doing business.

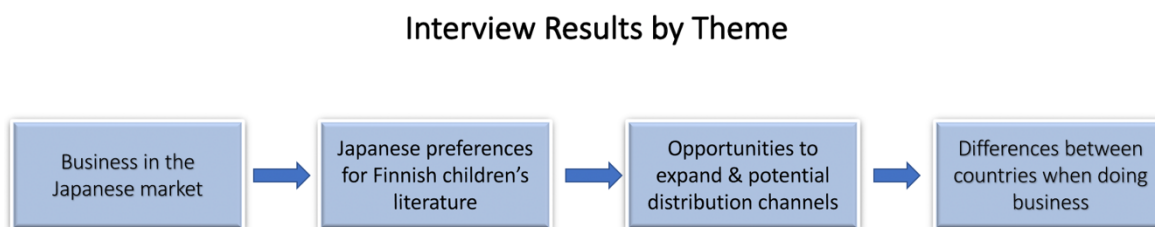


Figure 9 Interview results by theme

Business in the Japanese market

According to the interviewees Japan is the world's third largest economy and has a highly developed market. Finnish companies have great potential in the Japanese market, if the products or services are high quality, distinctive and interesting. Access to the Japanese market is not easy. Japanese consumers are critical, quality-conscious and often conservative. If the company profile and brand is interesting, the market may well open up. Japanese companies can be a bit conservative and decisions take time. Japanese language is important, so Finnish companies need to have enough resources to enter the market.

Interviewees also mentioned that Japan is a very original country. On the other hand, the Japanese are similar in some respects to the Finns. Reliability and punctuality are such unifying features. Due to the fact that Japan is a very hierarchical and formal country, foreigners may find it difficult to enter the culture. Finland has a very positive country image in Japan, which helps Finnish companies.

According to Interviewee 3, A company desiring to enter the Japanese market needs to be prepared to do long-term work in getting to know the market and the local culture, building strong networks and taking into account local preferences. Usually all this takes several years and requires that the product is customized to fit the Japanese market.

One of the most important things is to find the right local partners. It is important to know the Japanese culture and the market as well as the way of doing business. (Interviewee 3.)

In the Japanese market, there are three key consumer trends that are shaping Japanese society over the next few years. Those trends are called: ethical living, loner lifestyle and middle-class retreat. In concept of ethical living, the idea is to encourage consumers to be ethical with their consumption decisions. The loner lifestyle is based on the rising number of single-person households, where single people have a strong desire to shape their homes into a style that suits them. In middle class retreat the idea is to note the changing consumption patterns, where Japanese consumers have become more selective and they are seeking for value in their consumptions. It is important to access the outcome, and the fact what these trends mean to Finnish design and lifestyle companies. (Interviewee 1.)

Japanese preferences for Finnish children's literature

Interviewee 4 mentioned that not only in children's literature, but Moomins are widely known and even often assumed to be Japanese. All interviewees agreed that Moomins are the most famous Finnish children's literature in the Japanese market.

Interviewee 1 said that: What is important is that the literature has clear-out stories and characters. The Japanese are interested in adventure and survival – too much teaching or moralism may not be a priority. (Translated by the author.)

All interviewees also agreed that the Japanese language is considered essential in the Japanese market. English is used in informal contacts but rarely in negotiations. Even most people in business circles speak English, it is important to at least have a partner who knows Japanese. The importance of proficiency in both languages is strongly emphasized. Interviewee 4 stated, that "Japanese people are generally polite and attentive, but their knowledge of foreign languages is limited" (Translated by the author).

Opportunities to expand & potential distribution channels

According to the interviewees the Finnish style appeals to the Japanese. Japan is a large country of culture and publishing (Interviewee 1). However, getting a Japanese partner or agent is considered important as they can help you find the right distribution channel.

“Apart from selling in online and offline stores, taking part in department store fairs is one option peculiar to Japan” (Interviewee 2).

Finland has a very strong brand in Japan, so I would say that also SMEs should definitely try to take advantage of it. Entering the Japanese market usually requires long-term work as well as a local partner, with whom you can build trust and strong network as well as find the right distribution channels. Market and cultural knowledge are crucial, and the product/services need to be customized to the Japanese market. (Interviewee 3.)

Differences between countries when doing business

Unlike in Finland, Japan does not go straight to the point. In Japan, the importance of relationships is greater than in Finland, and time must be set aside for building them. In Japan, it is recommended to find a local partner company, who can handle the businesses of a Finnish company in Japan. In Japanese culture and business, details such as gift wrapping, or arrangement of objects are valued. Japan, like Finland, does not have a self-service culture, but usually has a lot of staff in different positions. (Interviewee 4.)

Market entrance to Japan requires longer-term work and effort than in Finland. Japanese customers appreciate the quality even more than in Finland and they are also ready to pay for the quality. Customizing products to fit the local needs and preferences is more important in Japan. (Interviewee 3.)

Figure 10 shows, the main points by each theme. Business in the Japanese market as the first theme. The main point in this theme is that Japanese value their relationships and building trust is very important in business settings. Japanese are also very quality conscious and do not mind paying more for better quality. The following theme is Japanese preferences for Finnish children’s literature and the main point to remember is that Japanese adore Moomins. Despite the fact this is not in the figure, another important thing to remember is that in Japan, both Japanese and English are needed. The third theme is Opportunities to expand & potential distribution channels. Answer to both of these questions happens by finding a local partnering company. Last theme is the differences between countries when doing business. Main points are that in Japan both market entrance and trust-building take time. Another crucial factors to remember are the rather indirect approach comparing to Finland and already mentioned quality awareness.

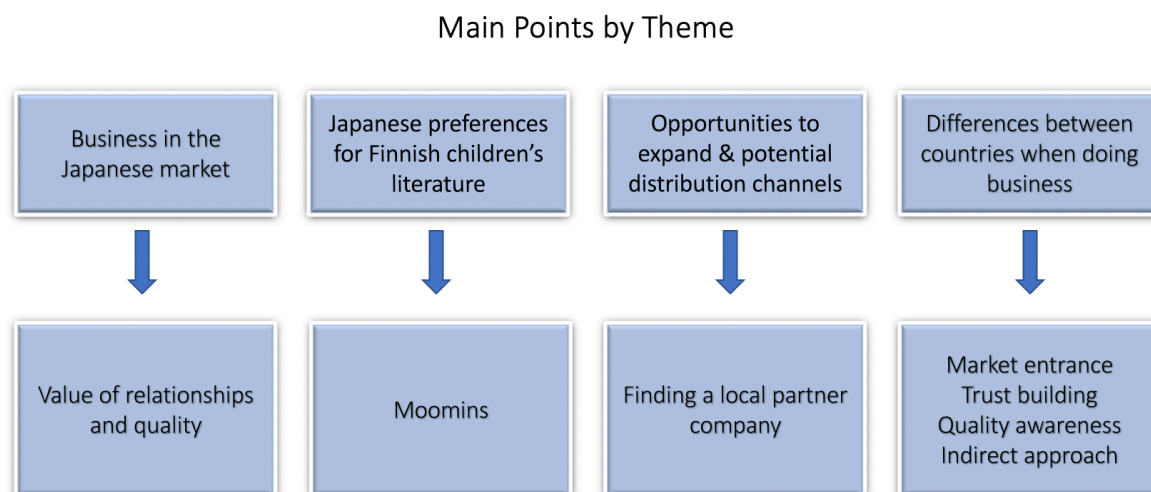


Figure 10 Main points by theme

Analysis of the research process

As honest descriptions of places, events or people are at the heart of qualitative research, the author wants to point out that there were very few suitable interviewees with both substantive knowledge and experience of the Japanese market (Hirsjärvi et al. 2009, 231). Although the sample size is not large, the interviewees in the sample knew their field. The quality of the interviewees, thus, replaced the number. The author experienced that the geographical distance was a challenge, as half of the interviewees lived in Japan.

According to Tuomi (2007, 149-150), the reliability of the measurement is affected, for example, by processing errors during data entry, measurement instrument inaccuracies, and sampling errors. As the researcher interpreted the surveys' answers, there was a sentence in which one of the interviewees stated that one question was unclear. This answer may, in principle, affect the reliability of the study. At that point, however, the author realized the importance of the layout of the questions.

The author reached four out of six selected interviewees on the same day. Indeed, those four people ended up being the whole sample of the study. If the person selected for the interview did not answer the telephone call, a text message was sent to them. The author felt that the interviewees were easily reachable and gladly participated in the survey. Calling the interviewees prior to the interview was perceived as positive, as it committed them to answer the survey. One of the interviewees also showed interest in the topic of the thesis and asked to see the finished work. The author felt the interviewee's interest in the topic as a very motivating factor.

However, the author found the reaching out to literary agents was particularly challenging, as the agents were contacted a few times by telephone call, text message and email. In

the end, the author was not able to get any contact with them. For this reason, according to the author, the literary perspective may have been somewhat narrow. Another factor that may have affected to the availability of the literature agents is the fact that the empirical part coincided with the autumn holiday weeks.

6 CONCLUSION

This chapter of the thesis is strongly related to the findings of the research and conclusion of the key findings. This part is divided into three parts. First the author answers the research question and the sub-question. Then author goes through some theory and practice considering validity and reliability of the research. In this part validity and reliability of the thesis results are also evaluated. Last, the author gives suggestions for further research.

6.1 Answers to Research Questions

The study aimed to identify the opportunities of an independent children's book publishing company to internationalize in the Japanese market. In order to reach the goal of the thesis, the author formed the main research question and sub-question. The answers present the results of the thesis and the Figure 11 below, concludes the main findings.

The main research question was:

What opportunities does an independent small publishing company have for internationalization?

Internationalization is not dependent on the size of the company and there are opportunities for internationalization as long as a suitable market is found. Based on the results of empirical research, the author concludes that the Japanese market, where the company is particularly interested in expanding, is not easily reachable. In Japan, building trust is a time-consuming process, so the internationalization process needs patience. It is recommended to acquire a local co-operation company from the target country, Japan. Before internationalization, it is important to determine about Finnish companies that are already in the Japanese market, local Japanese contacts and the target country.

Internationalization requires resources from the company in addition to the network. Financial, human and experience-based resources are essential, especially in the early stages of internationalization. As weighted attribute of empirical research were the importance of language skills, resources, market knowledge, employee engagement and networks.

As an opportunity, the interviewees saw a partnership or joint venture with a local company. This would allow Merkityskirjat Oy to integrate better with the target country, to know its market and to accumulate more relationships. The joint venture also has the benefit of shared risks and resources.

To achieve the answer to the main question, the following sub-question was used:

What distribution channels should an independent small publishing company use when internationalizing?

According to the author, the empirical part dealt very insignificantly with distribution channels. The main point is that it would be worthy to determine a partner or an agent from the target market. As a target country, in particular, Japan proved to be a relationship country, so networking is considered very important. Earning trust in Japan takes time, so the internationalization process requires patience.

Answers to Research Questions

What opportunities does an independent small publishing company have for internationalization?	Networking in both Finland and Japan
	Resources for example financial and human
	Language skills in both Japanese and English
	Appropriate market and culture knowledge
	Employee engagement
What distribution channels should an independent small publishing company use when internationalizing?	Networking in both Finland and Japan
	Finding a local partnering company

Figure 11 Answers to research questions

6.2 Validity and Reliability

The aim is to evaluate the reliability of a study with all studies. When it comes to the reliability of a measurement, two criteria emerge: validity and reliability. Validity (competence), measures what has to be measured, and reliability (repeatability) measures how accurately it has to be measured. (Hirsjärvi et al. 2009, 231-232.)

Validity is a synonym for the word truth. If the validity is doubted, it means that the author has not clarified everything well enough. (Silverman 2005, 210.) The validity of the thesis has been considered from the beginning. After selecting the topic, limitations, framework and research questions were considered for a long time. The author had a few discussions with the commissioning company to obtain the necessary information on the topics to be resolved. In addition, the author felt that it is important to hear the commissioning company's wishes about the potential interviewees. According to Hirsjärvi et al. (2009,

231-232), validity is the primary criterion for the reliability of the measurement. The fewer measurement errors included in the measurement, the better the reliability.

Reliability in research, on the other hand, means its repeatability, and its ability to give non-random results (Hirsjärvi et al. 2009, 231). Reliability can be defined so that the result is reliable if two different researchers reach the same result in the study. Another way reliability can be understood to mean is that two parallel research methods produce the same result. (Hirsjärvi & Hurme 2010, 186.) During the thesis process the author kept diary of all interviews and discussions to improve the reliability of the research. Author also tried to keep the research description as accurate as possible, since according to Hirsjärvi et al. (2009, 231), accuracy applies to every aspect of research. Author feels that it is important to describe everything as honestly and as precise as possible. For example, in the planning phase of the empirical part, the author thought that the supplemental call to fulfil the answers is needed, but after receiving the answers, decided that it is not necessary. In those cases, it is important to mention about the change of plans and justify the reasons why the author came to this conclusion.

According to Tuomi (2007, 153), triangulation in the context of research material means that information is collected from many different sources. In the research the author sought to collect interviewees from a variety of sources, including the Ministry for Foreign Affairs, Japanese Business Finland and literary agents. However, the literary agents were not reached by the author and for this reason the author feels that the literary perspective has remained narrow.

6.3 Suggestions for Further Research

The purpose of the thesis is to determine the opportunities of an independent small publishing company to enter to the Japanese market. As internationalization process is a broad concept, there are still a great deal of further study topics to be examined. Figure 12 clarifies, the author's recommendations on further research. Based on the findings, the author would recommend investigating the logistics side of internationalization. What would be the most sensible means of transportation and how extensive is the supply chain from the beginning of the product to the customer?

In addition, the resources, costs, customs and other bureaucracy involved in the internationalization would be interesting subjects for further investigation. From literary point of view, it would also be interesting to determine what form the book should be exported.

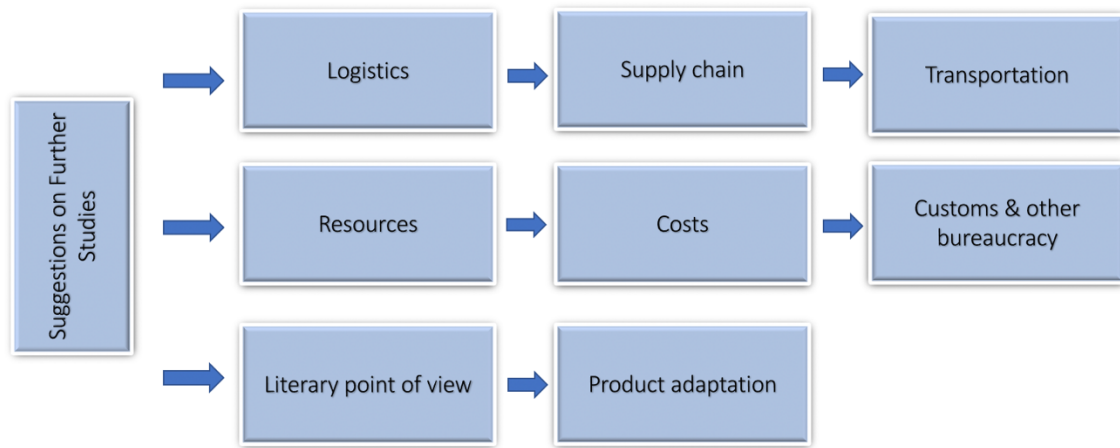


Figure 12 Suggestions for further research

7 SUMMARY

The purpose of the study is to explore the potential of an independent children's book publishing company to internationalize in the Japanese market. The study focuses on the different approach theories and methods of internationalization from the SMEs point of view. The geographical focus has been limited to the Japanese market and not the Asian market, on a whole. The limitations were made into Japan, because there is already successful Finnish children's literature. The study was carried out in cooperation with the case company Merkityskirjat Oy, and also for that reason the destination country, Japan, has been chosen. The author approaches the study with qualitative research methods.

The study attempts to answer the question: What opportunities does an independent small publishing company have for internationalization? To achieve the answer to the main question, the following sub-question is used: What distribution channels should an independent small publishing company use when internationalizing? Through these two questions, this study aims to identify the opportunities of an independent small publishing company to internationalize to Japanese market.

The study consists of two main parts: a theoretical and empirical part. In the theoretical part the foreign market entry is introduced and explained in more detail through the main internationalization theories and methods. In addition, the Japanese market is discovered through market attractiveness, business environment and competition and demand. The theoretical part ends with an introduction of the case company Merkityskirjat Oy.

The empirical part consists of the empirical analysis and conclusion. Empirical analysis includes data analysis, analysis of the entry strategy and discussions of the results. In other words, the empirical analysis determines how the data was collected and analyzed. In this thesis the data was collected through an email survey. The empirical part ends with a conclusion including the answers to the research questions, discussion of the validity and reliability of the thesis and finally the suggestions on further studies.

The results indicate that as an opportunity for internationalization would be a partnership or joint venture with a local company. This would allow Merkityskirjat Oy to integrate better with the target country, to know its market and to accumulate more relationships. Internationalization is not dependent on the size of the company and there are opportunities as long as a suitable market is found.

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Interviewee 3. Attaché. Ministry for Foreign Affairs of Finland. Interview 16 October 2019.

Interviewee 4. Desk Officer. China's economic and trade policy, Japan. Interview 15 October 2019.

APPENDICES

Appendix 1 Cover Letter

Dear Receiver,

I am studying for a bachelor's degree in international business at Lahti University of Applied sciences. Currently I am working on my thesis for Merkityskirjat Oy and my topic is "Market Entry to Japan".

I will collect my thesis material by using the attached questionnaire. For further refine of my answers, I will still interview the people who completed the questionnaire by phone. To facilitate the handling of the material, I would like to record a telephone interview, I hope that suits you.

The aim of the questions is to collect information on:

- What opportunities does an independent small publishing company have for internationalization?
- What distribution channels should an independent small publishing company use when internationalizing?

Your answers will be treated confidentially. The results shall be made public in such a way that the data of any single respondent are not disclosed.

Thank you at this stage for an interesting discussion and for your interest in my research.

Best regards,

Salla Rankila

Appendix 2 Survey Questions

1. What do you think about doing business in Japan? What about the people?
2. Which of the Finnish children's literature is most famous in Japan?
3. What are the ways of doing business in Japan?
4. Are there any differences between Finland and Japan when doing business? If yes, what and how?
5. What is the commonly used language in business?
6. Are there any business opportunities for small and medium enterprise (SME) publishing company in Japan? If yes, how would such company enter into Japanese market?
7. How would SME distribute their products? Is there any recognized channel?