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UNIT OF BUSINESS AND ADMINISTRATION, KUOPIO

**RESTRUCTURING BUSINESS OPERATIONS IN GERMANY:  
A CASE STUDY**

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Business Administration Bachelor's thesis  
International Business

March 2011

SAVONIA UNIVERSITY OF APPLIED SCIENCES UNIT OF BUSINESS AND ADMINISTRATION, KUOPIO Degree Programme, option Bachelor for Business Administration, in International Business		
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Title of study Restructuring Business Operations in Germany: A Case Study		
Type of project	Date	Pages
Thesis	25.03.2011	65 + 1
Supervisor(s) of study		Executive organisation
Jari-Pekka Jääskeläinen & Anneli Juutilainen		"Case Company"
Abstract <p>Various export strategies and methods can be used when entering foreign markets. When using intermediaries, the company has to choose which sales representatives are best suited for them. One alternative are distributors, who are buying the products from the company and selling them to the end-users on the target market. The goal of this thesis was to study what is demanded from a distributor to be a profitable partner and how the distribution network should be developed in the target market to be more efficient and successful. The case study was done in a SME company from Eastern Finland which is already operating on the target market but wants to improve the performance.</p> <p>Qualitative research methods were used. These included interviews and discussions with the staff as well as current and potential distributors, as well as an analysis of the current market situation and company material. A major research tool for this case study was observational research using empirical data collected by the author.</p> <p>The research findings indicate that the general development of product sales on the target market is positive. Three different categories of distributors emerged on the target market: 1) Distributors who are responsible for a larger area and prioritizing to the products of the Case Company, 2) Distributors who have a larger selection of products on the same field but promotes the Case Company's products and 3) Distributors who simply have the products in their portfolio but who are not promoting the product actively and/ or permanently. Different levels of training and especially discount are offered to the different groups of distributors.</p> <p>The aim for the Case Company should be to implement further distributors of category one, while getting rid of distributors of category three and splitting up the category two distributors among the category one distributing partners.</p>		
Keywords Internationalization, distributor, export, medical devices, case study		
Note		

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## 1 INTRODUCTION

Commonly, most companies working in the field of medical device technologies are relatively mature. Although companies are emerging, it happens less frequently. Further the market for medical devices is changing quickly and sometimes even aggressively due to the increasing number of mergers and acquisitions. Laurell et al. (2010) discovered in their case study about a Swedish small and medium sized enterprise (SME) in the medical technology business, that: “The starting point in the internationalization [...] is the entrepreneurial team and their personal network.” This is also true for the company in this case study, although the main emphasis is not on starting the internationalization process, it is rather on how to restructure business operations in a target country after the initial internationalization process took place. Even so, strategic approaches which can be used when planning the initial internationalization can also be used in this case study. The strategy which is taken into use depends on the goals that need to be achieved and on the direction that needs to be taken.

The aim of this thesis was to evaluate the current status of the Case Company on a selected target market and to review the case specific decisions and actions taken by the company up to this point. Also, the goal was to find novel approaches for a restructured business strategy on this target market. The Case Company is a SME company from Eastern Finland which produces and sells medical devices both in Finland and in multiple countries abroad. Due to confidentiality issues, the name of the company as well as certain company material will not be published. The company has been operating on the selected target market, Germany, before but they wanted to improve the functions and sales on this market further.

Main research questions identified for this thesis were:

**What are the key features any distributor should demonstrate in order to be a profitable partner for the Case Company?**

**How shall the future distribution network in the target market be developed in order to be more efficient and increase success?**

The first question aims to show and outline what kind of business partners or distributors suit and fulfil the requirements of the Case Company. Some of the issues discussed are the customer structure partners and the products they are able to sell. The study will also define what kind of status the partners should have before entering negotiations about a future distributorship for the Case Company.

The second question aims to give an answer to the general underlying issue of how the performance on the target market Germany could be improved. This thesis will answer how the turnover in the target market could be increased and how hidden potential and dark spots on the map could be unlocked. Further the study aims to give ideas on how the Case Company can increase the effectiveness of their sales channels and how they can improve communication with the sales channels and thereby gain a better control and access over the target market. The thesis aims to generate and manufacture ideas and plans on how to increase the productivity and the profitability of the case target market: Germany.

In order to answer the main research questions several other issues have to be clarified. The current market situation has to be analyzed the distributors and their level of activity as well as the profile of potential partners have to be identified. Also the challenges and opportunities for the company need to be acknowledged.

The thesis is divided into five chapters. The current chapter (Chapter 1) explains the main ideas of this thesis, introduces the main research questions and describes the structure of the thesis.

In Chapter 2, the case environment and the Case Company, its products and current markets are introduced in detail. Also, the most important details on the sales markets and channels, especially in the target market, will be explained. Furthermore, the role of the author of thesis in the Case Company will be introduced so that the reader has the ability and the tools to form a holistic picture of the case study environment. This background information is provided so that the need for restructuring the business operations on the target market as well as the scope of the study can be understood. The company background information was obtained from the Case Company's files (confidential) and meetings with the personnel.

Theoretical background for the study is presented in Chapter 3. The used literature will highlight possible strategies and their implications for the Case Company and its field of business. The theory was researched from books and articles mainly concerning internationalization, market entry as well as general marketing principles and strategies. Also, various Internet sources were used. The theoretical sources were chosen so that they mostly concentrate on SMEs and more precisely, the medical device sector.

In Chapter 4, the research methodology is introduced. This chapter describes the properties of a case study, the data collection methods used, the analysis of the results and the limitations of the study.

In Chapter 5, a brief summary of the situation on the target market as well as the results and findings are shown and further discussed in Chapter 6. In Chapter 6, also a new strategic approach to restructure the target market successfully and efficiently is proposed.

## 2 THE CASE ENVIRONMENT

In order to be able to understand the reasons for the restructuring of the target market, and to get a better picture of the Case Company and its history and structures, this chapter introduces the basic details and facts about the company, its products and the overall background for this study. The most important details about the sales markets and channels will be highlighted – special focus being in the target market i.e. Germany, which will be introduced and analysed in detail. Also, the role of the author in the Case Company will be introduced. After reading this chapter, the reader should have a holistic picture of the case study environment.

### 2.1 The Case Company

The Case Company is a Finnish SME company founded over 30 years ago. Since then it has gained a high profile for the developing, producing and marketing of medical instruments and systems for physiological data acquisition and processing. The company and business idea were born when the founder and owner of the company was approached by the Finnish army with a request to develop a PC-based medical device system. From this point onwards the Case Company developed and strengthened its profile, thereby becoming a global contender for innovative solutions in the medical device market.

The excellent reputation the company established from its products and solutions led to its involvement in the NASA's MIR Space Missions and the company was contracted by NASA to develop a medical instrument for physiological data acquisition and processing. This medical instrument was used on the NASA MIR space station missions. Consequently the company is part of an esteemed elite group of companies whose products were successfully used in outer space.

The company is known to be able to meet the rapidly developing demands of the medical community. A clear sign of their strengths and capabilities is the fact that they hold about 80% of the market share for their type of medical devices in the Finnish market. In the whole of Scandinavia the company managed to gain about 50% of the current market share for such products.

In order to further strengthen their profile in their core domestic market, the company has established a road show, which includes information seminars and teaching course sessions. This road show aims to ensure that the end users of their medical systems are completely comfortable with using the devices and the software. Therefore the company helps its customers to gain the best possible competence, so that patients can be given more attention and the results are as flawless and as clear as possible. So far the company has reached over 1.000 end-users of their products with this form of contact. The company's road show is now a recurring event which visits several cities in Finland and the rest of Scandinavia throughout the year.

### 2.1.1 Products

Today the Case Company's product range includes a new generation of medical instruments and software which stands representative for a number of technological innovations in PC-based patient testing. Currently these instruments, together with the different software components, form the core of the company's product range. The company is committed to serve the clients and patients with quality products and services. The devices the company markets and develops are designed to increase the system throughput and save operating costs. The products are developed to assist the doctors and hospitals with developing and maintaining a better and safer testing system for patients.

The Case Company's PC-based medical instrument is the key product for the company. The instrument is connected to a PC or a Laptop by a USB port. There is also a possibility to deliver devices which use a serial port connection. Presently devices with serial port connections are mostly used for original equipment manufacturer (OEM) products. All medical instruments are of diagnostic quality; highly accurate, precise and they also comply with the official worldwide medical standard requirements which provide the end user with the assurance of reliable results.

The new device software, developed by the Case Company, operates within the well known and widely used Windows environment. Therefore it provides easy operation for the user, but also enables flexible parameter selection and comprehensive choice of report formats. A heuristic system algorithm monitors the stability of the system and guarantees repeatable and reliable session results.

The company's medical devices are designed to work both in small healthcare units and in a large hospital network environment with centralized database. The software offers various valuable options for end-users, like the option of having session results transferred directly into hospital information systems (HIS) via local area network or emailed to consulting physician fast and faultlessly. The implemented calibration database provides the end-users with a tool for professional quality assurance and management.

The company's most profitable product is an essential disposable product which is part of the complete instrument system the company produces and distributes. This disposable product is compulsory for the use of the device. The product is only produced by the Case Company and it is only sold through the company's network of official distributors. The disposable product is cost effective for the end-users and the ergonomic design of the part makes it easy to use as well as extremely reliable. The complementary product is a single use disposable product which provides better patient safety by eliminating potential patient to patient contamination. This essential product provides the best protection for the patient, for the instrument and for the operator.

### 2.1.2 Company Structure

The Case Company is based in Eastern Finland and is comprising of several departments. As often with SME companies, it is sometimes difficult to clearly define which employee works with which department. There is a constant or at least frequent level of interaction and interconnectedness between departments. Repeatedly these connections manifest themselves in the form of certain key employees.

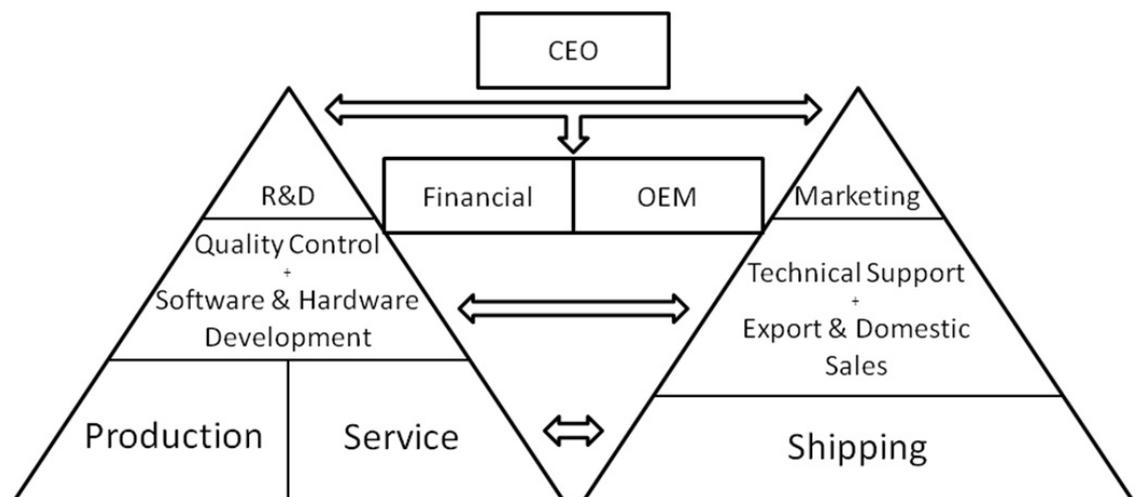
The CEO is in naturally in charge of most key decisions and is providing the main strategic directions. He is supported in his decision making by the key managers of the company - from R&D, OEM, export, finances and the product manager.

The research and development department (R&D) is one of the most essential parts of the company. The department has currently about 30% of the workforce allocated to its resources. The R&D department is responsible for the hardware and software development, each with designated personnel, as well as for production process

planning and design. The quality manager is responsible for the quality control within the department.

Another key department for the company is marketing. The marketing department includes exports and domestic sales as well as the product manager, who is one of the key employees mentioned before. Other task groups in the marketing department include e.g. webpage, brochure/leaflet, product and packaging design as well as the management of operations in the German speaking countries which is supervised by the country manager for Germany, Austria and Switzerland. Altogether the marketing department also employs over 30% of the company's personnel.

The company also hosts departments for product assembly, product servicing, product quality appraisal and shipping. These departments combined host about 25% of the Case Company's personnel.



*Figure 1. Company Structure and Connections  
Based on Case Company material (confidential)*

All other employees in the Case Company work in the finance department, with OEM department and with the general management of the company. The management of the company has a key function in creating knowledge hubs which connect certain departments. Some of the hubs are constant, while others are created specifically for important projects and/or to reach certain goals.

Besides these departments and employees of the organisation, which are based in the domestic headquarters, there are also some overseas offices. One of the oldest of these

is established in the United States of America. Currently though, chiefly due to contractual reasons, active operations do not occur within that subsidiary.

Relatively new and a certainly very vital overseas branch is in the growing and expanding market of China, which has become increasingly important for the Case Company. This is attributable not only to the immense size of the market, but also to the fact that overall the GDP in China is increasing rapidly and people earn more even in rural areas. Therefore it is no surprise that the Case Company employs a sales representative for its operations in the Land of the Rising Sun. Currently market activities in China intensify and new distributors advance. Altogether sales and business in general is clearly on the rise in this export market.

One of the subsidiaries has been established in the west of Germany. Currently this branch is inactive and is undergoing restructuring operations. These activities are also part of this thesis and the situation on the German target market will be introduced in more detail in Chapters 2.1.5 and 5.1.

### 2.1.3 Current Markets Overview

The Case Company sells the same products domestically and globally, but there are significant differences in the sales figures. These differences are partly a result of the marketing activities in different target markets and partly due to differences in the different target markets. These differences are often related to market saturation or the general economic situation in a target market. Sometimes such differences are even originated from historical events and decisions which have been made in the past.

As mentioned previously, the Case Company is strongest on the domestic market and in the direct neighbouring countries in Scandinavia like Sweden, Norway, and Iceland. The target areas within these markets are occupational health care segment, private doctors' offices, clinics and university and local hospitals.

It is understandable that since these markets are not exceedingly large, due to the demographic distribution of inhabitants, the company is forced to aspire for bigger markets. Although the Russian market would be geographically closer, there are several trade barriers which make it easier for the company to invest in their European distribution channels. Not least because of the EU regulations, the Central European

markets are comparatively easy to access and therefore form the European gateway for the Case Company. In the past, the company has attempted to enter the market but has had no long term success. Another target and also growth market for the Case Company outside of Europe is China. There are many indications that the market share for the products of the Case Company in China will continue to increase in the future.



*Figure 2. The Global Markets for the Case Company  
Modified from World Map Reference (2006) and Case Company data (confidential)*

In Figure 2 (above), the territories in which the Case Company has distributors to support its sales are highlighted in blue. The Case Company also sells outside of these markets but in this figure emphasis and focus is put only on the markets where intermediaries are officially established to represent the products and brand of the Case Company.

#### 2.1.4 Sales Channels

The Case Company has distribution partners in 30 countries all over the world and as mentioned, the growth markets currently are China and mainland Europe. Since China is on the one hand a key growth market and on the other hand has enormous cultural

and economical differences, the Case Company felt the need to open an Operational Unit in China.

In Europe, the Case Company also faces the possibility of growth, but the markets are much more static, saturated. There is also great competition and often certain markets are already divided amongst the manufacturers. This is a challenge in many aspects, but naturally it eases the market access to a certain level. Therefore the Case Company seldom uses the concept of operational units/subsidiaries within Europe, although it has done so in some cases, the most recent example being Spain.

In most European countries the Case Company has between one and three distributors, all of whom have signed a distribution contract. The target country of this case study, Germany, is standing out in that aspect because in Germany there are currently 15 distributors with either a signed contract or in the process of finalizing the signing of a contract. The reason for the relative high number of distributors compared with other European countries will be explained later on in Chapter 5.1.

Besides the distribution of products under the Case Company's brand, the company also works together with other companies on OEM basis. The Case Company for example produces and delivers OEM products and consumables for company WA. WA is a large international company selling a wide range of instruments and medical devices for the health care sector. The company is based outside the EU. In the global medical device market WA is a well known and respected brand, and it is positive for the Case Company to be associated with this large global player.

There are also other various bigger and smaller companies that produce medical devices which use and sell the Case Company's devices and/or other supplementary products and consumables on an OEM basis. The Case Company also works together with the Scandinavian pharmaceutical company: "OR". The Case Company produces a specially designed product which supplements OR's products. The pharmaceutical company places regular bulk orders for this OEM product.

#### 2.1.5 German Market before Restructuring

In October 2009, the Case Company had 15 contractual distribution partners in Germany. One of these 15 distributors was the Case Company's daughter company in

Germany. Managing directors of that company were the CEO of the Case Company and Mr. DK, a former distributor, who agreed to set the daughter company up and run it from his offices in Germany.

In 2009 the board of the company decided that the situation needed to be reassessed and possibly changed. The main reason for this decision was that the desired level of performance could not be reached by the subsidiary and the profit development was not to the company board's satisfaction. The Case Company also intended to regain better control over the operations in Germany and wanted to make sure that their company policy was followed.



*Figure 3. Distributors in Germany, October 2009  
Modified from Stepmap (2009). Distributor locations from Case Company material (confidential).*

The locations of these 15 distributorships in October 2009 are shown in Figure 3 (above). The blue dot represents the location of the Case Company's subsidiary which was still active at that point in time. The higher density of distributors close to the former subsidiary is quite significant. The relatively uneven and scattered location of

distributors in the rest of Germany might have been one of the reasons for the subsidiary underperforming the expectations of the parent company.

## 2.2 Role of the Author in the Case Company

The author started an internship at the Case Company in November 2009. Since the BBA studies at Savonia University of Applied Sciences were still commencing, it was agreed with the company that the internship work would be recorded by means of a work journal. The aim of this work journal was to keep track of the work hours as the goal for the internship was to reach 800 hours of work in total.

The author's position in the Case Company during the internship was that of a country coordinator for Germany and German speaking countries like Austria and Switzerland. The Case Company organized a supervisor to make the author familiar with his duties and competences in the company as well as with the general work processes there. After the internship the author was promoted to be the Case Company's country manager for Germany, Austria and Switzerland.

The most important task during the first weeks and months of the internship was to get familiar with the products and with the environment in the target markets. Especially concerning the sales channels, the customer structure and the export facilities and practices. Another task was to study the healthcare players in the target market, as well as the health care system, and also the reimbursement logic. It was of further interest to collect basic information on the situation within the target market regarding the number, distribution and logistics of German hospitals, clinics, and private practices with a focus on medical fields which use the Case Company's instruments, as well as general practitioners. An adequate level of information on the situation in Germany concerning the distribution of medical devices needed to be gathered.

Moreover, it was a necessity to learn about the market situation in the medical fields the Case Company is working in, generally, as well as to study the different factions in the markets. It was also essential to gather information about competitors in the target market - special consideration had to be given to direct competitors (same device logic) and the most active/ renowned (established brands) competitors. During that process also information on the different pricing levels in regards to the sales

territory/market as well as in regard of the competitors had to be assembled. The author was also responsible for taking and systematizing orders. Joining a task force to establish a shipping centre in Germany with the goal to reduce shipping costs for mainland Europe was also part of the responsibilities. Another obligation for the author was to provide help with the management of the German version of the company's webpage's as well as to support the creation and translation of monthly newsletters.

The company provided essential reading and information material, for example on precedent market studies and researches, as well as on current market situation and product information. Besides that the Case Company taught the use, features and facts of the products. Further the company also provided sales training with special focus on their product range. Naturally it is beneficial for the company to have a native German speaker when it comes to translation work, but it was also beneficial for the author. The translation of the handbook, and various other documents with product information and details helped the author to get a better and more holistic understanding of the product range and its capabilities and implications.

As country coordinator it was, and currently as country manager it is, also one of the author's obligations to support the company in the organisation of events such as the yearly Medica medical trade fair in Düsseldorf, Germany. The main task of the country manager is to attend the trade fair. At the trade fair the country manager has the responsibility to establish and act as a link between Case Company and existing customers/ distributors as well as with potential future customers/ distributors.

As country coordinator and country manager it is obligatory to be in regular and constant contact with the distributors in Germany. It is an essential element of the duties to support the flow of information between distributor and company, and vice versa, in order to facilitate the benefits of good communication between all the contributors in the distribution chain. Besides simple contact with distributors, it is crucial to find out about the needs, wants and problems of the Case Company's distributors in order to improve cooperation between Case Company and distributors.

There are various reasons for travelling to the target country in order to meet with current distributors and prospective distributors. For instance written communication

is eased and trust is increased after meeting with the contact persons from the distributor companies physically. Another benefit created by the meeting in person is that it enables a screening process which would not be possible if communication was only via phone or e-mail. During the meetings on such travels, new products or features and marketing campaigns are introduced. Further some form of sales or product training can be provided.

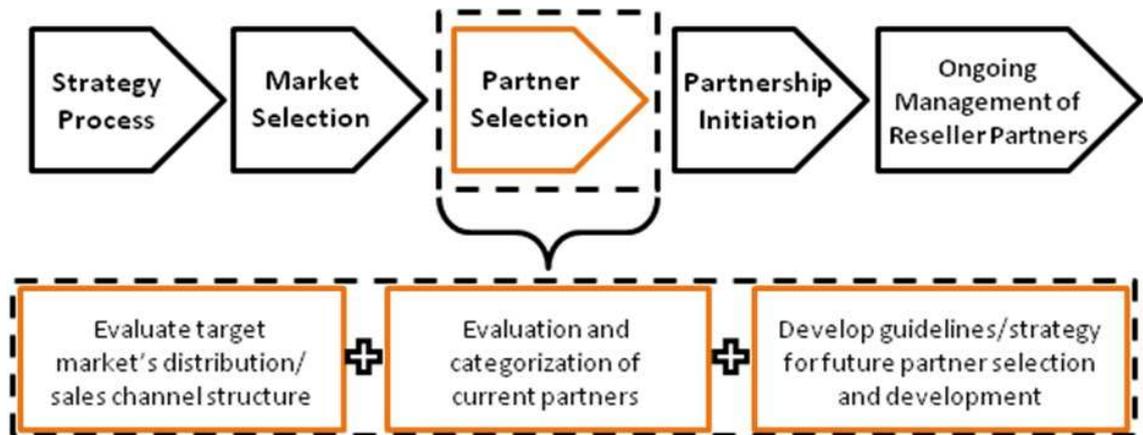
One element of the job description is also to find new and potential distributors in order to ensure that the distribution network reaches as many customers as possible. In the task description which was handed out at the beginning of the internship process it had been mentioned that the region Bavaria in the target country was a potential location for such a search for new distributors. Further the cooperation with pharmacological companies in order to support sales, as well as the follow up on general and specific market development in order to detect possible opportunities for the Case Company is part of the task description. Also the developing of co-operation with opinion leaders in Germany is another task which is assigned to the country coordinator/ manager. All other activities always depend on the current situation and are quite flexible and adaptive.

### 2.3 Scope of the Study

This case study focuses on a specific stage in the market entry process: “Partner Selection”. Within this stage different actions have to be planned and completed. Figure 4 (below) shows the allocation of the stage within the market entry process. Besides that, the steps which should be completed within the partner selection process are also highlighted in the figure.

Any company has to be aware of the distribution channel organisation and allocation of a target market in order to be able to select the appropriate partner. Therefore it is a key process to evaluate the given structures in the corresponding field of trade. If, like in this case, the company already has partners in the target market their capabilities and actions have to be evaluated. This should lead to a comprehensive categorisation of existing partners which at the same time provides a categorisation system for future partners.

The development of an outline for guidelines and/or a strategy process for partner selection in the target market in the future is the final step of this stage. This step is blending in to the next stage in the market entry process, the “Partnership Initiation”. Since the Case Company already has partners in the market, the strategies and guidelines of this process can also be used in order to develop the existing partner relations. (Eloranta 2010, 39 & 60-63)



*Figure 4. Scope of the Study  
Adapted from Eloranta (2010, 6).*

Since the Case Company works in a specific narrow business environment there is no absolute generalization possible. Moreover this case study is concerning only one stage of the market entry process, in this case by means of distributing partners (intermediaries) in the target country. Therefore it has to be indicated that the conclusions and results of this paper may not be generalized. Nonetheless there might a possibility to use certain aspects of this case study even in other business fields; it all depends on the current status on international operations and the requirements a company has when it comes to the quality and profile of their partners.

The purpose of the research is to answer the research questions in order to introduce the Case Company to new ideas and strategies about cooperation with and search for partner companies in the German target market. In the best case these ideas will lead to a change of the strategic approach in the partner search and acquisition and thereby be able to help the Case Company to strengthen their position on the target market while increasing their sales and profit.

### 3 INTERNATIONALIZATION AND EXPORT STRATEGIES

The medical device sector differs from other business sectors considerably. It is usually much smaller, yet very profitable and has a higher and more consistent rate of growth than most other industry sectors. The rise of prices in this sector doesn't necessarily mean the fall of demand, like it very often does in other business fields, but "above average" profits are possible despite of competition. The growth of the medical sector is driven by general demographic trends, continued prevalence of diseases and the constant need for new medical technology in medicine. All of these make the growth of the business very sustainable. (Burns 2008, 272-284)

Therefore the medical device sector is also unique when it comes to the consumers, buyers and payers for the devices. The customer and buyer is usually the practitioner making the decision of using a certain product but doctor usually isn't aware of the actual purchasing or the cost of the device. The consumer, the patient, however has no say in the decision of which product is used. The payer however, is usually the insurance company. This separation allows a degree of pricing freedom also because the medical device sector normally doesn't get the attention of any policy makers like e.g. the pharmaceutical industry. (Burns 2008, 284-297)

#### 3.1 Risk Perception and Company Performance

For a company, internationalization and operating in the global market mean greater risks and uncertainties, such as risks from government policies, market competition and cultural differences. In order to promote the company's internationalization performance, the company must control these diverse and complex risks effectively. One essential factor is the choice of the target market and the entry strategy so that it minimizes the risk of financial loss. Not all companies find the same approaches risky but the risk perception varies mainly depending on the ability and experience the company has in marketing and in general. Also, it is important to characterize and prepare for the risks as a whole, not just react to risks at present stage. (Xu et al. 2008; Forlani et al. 2008).

According to Acedo & Florin (2006) results indicate that in case entrepreneurs perceive a reduced amount of risk in foreign activities they in turn become more committed to such export operations. Otherwise they might hesitate, but in case they

believe that the moment is opportune and risk is minimized they advance with further stages of planning their internationalization. The authors also believe that the entrepreneurs risk awareness is influenced by cognitive quality of the entrepreneur as well as by the at this point currently available resources. Clearly this highlights the fundamental role the risk perception of the entrepreneur plays for internationalization processes. (Acedo & Florin 2006)

Acedo & Florin (2006) have found out that the pioneering behaviour associated with global growth of SMEs is caused primarily by the proactive character of the individuals as well as their own and private international orientation. Most other factors only play a minor role in this process. Nevertheless the company's profile is also an important feature of the international expansion process. Naturally this also affects the risk perception directly and indirectly. Individual risk perception plays a major role when it comes to the definition of a competitive strategy for internationalization and company performance. (Acedo & Florin 2006)

### 3.2 Export Strategies

There are various export strategies and methods which can be used in order to enter foreign markets and gain or increase market share. Not every method is suitable for every company. Also direct investment which might be the market entry strategy which uses most resources is not always a guarantee for success.

Although generally it can be said that choosing a strategy which demands less commitment might carry a lower risk than strategies which demand more commitment, they will also provide the company with more control and a higher profit potential. (Kotler & Armstrong 2006, 602)

A company must decide whether it wants to utilize indirect exporting involving another domestic company, direct exporting and selling directly to the foreign customer or integrated distribution thus making investments in the foreign market, when penetrating the foreign market. Indirect exporting makes use of the existing international channels of the other company but is usually used just by companies early in their internationalization process. Direct exporting leaves all control to the company itself but requires more work. Integrated distribution usually means that a sales office, a distribution hub or an assembly operation etc. has to be opened in the

target country. Of course the last option is most risky since it involves a major financial investment. (Czinkota & Ronkainen 2008, 414-416)

### 3.2.1 Market Entry Methods

There are basically three different market entry methods which are described in numerous publications on international marketing and export strategies. In accordance with Kotler & Armstrong (2006, 601), every company on the verge of going international has the decision to make whether they want to enter a foreign market by exporting, joint venturing or by direct investment. The Case Company went through two of these methods in the target market Germany.

Initially the Case Company started entering the market by using the method of exporting. According to Kotler & Armstrong (2006, 601), exporting is "Entering a foreign market by selling goods produced [...], often with little modification", this is in a nutshell the primary export strategy the Case Company decided to follow at first. The need for adaptation of the products to the target market conditions developed with the increase of sales in the export markets.

The Case Company realized that it could be more successful if it had a better connection with the target market. Therefore the company decided to increase their commitment to the market by using the entry method of joint venturing. To be precise the company founded a subsidiary under joint ownership. Kotler & Armstrong 2006 describe this form of market entry as "A joint venture in which a company [...] create a local business [...]", which is what the Case Company tried to achieve. Unfortunately this was not as successful as the Case Company had wished for and therefore the joint ownership of the subsidiary was to be dissolved by the end of 2009. Since the Case Company once more uses the market entry method of exporting the theory discussed here will focus mainly on the chosen entry method. (Kotler & Armstrong 2006, 602)

### 3.2.2 Intermediaries

After the basic market entry method has been determined the Case Company needs to decide which of the available sales representatives are best suited in order to cooperate with the company. (Czinkota & Ronkainen 2008, 425-426) The

representatives of a company are not only sellers of the product but also the eyes and ears of the company who should provide feedback from the consumers. The representative should also be able to train the consumer and to explain the use of the product. Regardless of the type of sales force used, the sales representatives should be extensively trained and able to form close and collegial relationships with their customers because the buyer's views on the company are directly based on the representatives. Hence, the choice of a good sales representative is of great importance. (Burns 2008, 289-295)

Czinkota & Ronkainen (2008) distinguish between two alternatives of intermediaries, a distributorship or an agency relationship. The company should understand the differences that might exist in different markets and evaluate the strengths and weaknesses of various intermediary types. A distributor will buy the products from the Case Company and thereby gain more independence than an agent would. Typically distributors are organized along product lines, meaning that they sell in a certain field/area of business. Therefore distributors in theory should be able to provide the Case Company with an array of complete promotion services. (Czinkota & Ronkainen 2008, 425-434; Daniels et al. 2011, 542-543, 656-661) However, as a result of the independency, the use of a distributor might not be as effective as using a direct sales forces, mostly due to the company being unable to exercise same kind of control over them and also, getting feedback is usually slower and less efficient (Burns 2008, 291-292).

Agents on the other hand have less freedom or leeway than distributors. Czinkota & Ronkainen (2008) explain that this is due to the agents working on a commission basis for the Case Company and because agents generally do not handle the goods physically. At the same time this would grant the Case Company the opportunity to control for example, that the end user of the devices and systems bought will receive the most recent or the most appropriate version that is available. (Czinkota & Ronkainen 2008, 425-434)

Clearly the decision which kind of intermediary to use does not only affect the business dealings but it will also have legal repercussions. According to Czinkota & Ronkainen (2008) this is especially true when it comes to "legal implications in terms

of what the intermediary can commit its principal to and the ease of termination of the agreement". (Czinkota & Ronkainen 2008, 425)

### 3.3 Evaluating Distributors

Distributors, as explained in the previous chapter, purchase the products from the manufacturer and profitably sell them in the target market often having exclusive rights to a territory. Distributors usually carry a stock of inventory and handle service calls. A distributor must be able to handle larger buyers, retailers and also small end users in the market. (Daniels et al. 2011, 542)

Therefore a company, when choosing a distributor, should pay attention to the size and capabilities of the distributor's sales force, and they should also get to know the sales records in various product areas as well as the current company representation, products sold and the coverage of the target market. Also important are the warehouse facilities, logistic systems and the record of marketing versatility and promotion success. (Daniels et al. 2011, 542)

### 3.4 Market Segmentation

There is always a possibility for smaller companies to go abroad. In case the company should not have a flexible enough product or should be unwilling to follow on mass customization they still might yet have the opportunity to serve niche markets. Such market segments can be opened up or entered by adapting to the need of the customers in that niche market which seems to promise to be the most valuable for the company. (Stone & McCall 2004, 127-132)

Stone & McCall (2004) have identified the segmentation by means of market clusters to be most efficient for SME's. According to them, companies who want to go abroad are able to limit the number of required product adaptations by finding and recording market clusters from around the world. This approach can also limit the number of marketing variations which are needed for the market entry process. In essence the idea brought up by Stone & McCall (2004) is to use a market portfolio approach.

There are various possibilities to classify the global markets, for example, the markets could be classified by their stage of economic development. Classification in this case

could work according to Stone & McCall (2004) when defining the markets by their state of development or by "geography with markets of reasonable homogeneity" as an example they mention Scandinavia. Another possibility to classify markets is to use the language which is spoken in the target markets, for example, German-speaking countries and areas. And there are various other possibilities like segmentation by the lifestyle of the target markets, or by the attributes of the company's product portfolio and naturally also the usage rates which might sometimes also depend again on the economic or development situation in the target markets. (Stone & McCall 2004, 127-132)

Very often the internal decision of a company whether it wants to standardize its offered product portfolio to different segments within a target country can also be an important factor. Stone & McCall (2004) give as an example the case of "Canon re-positioned its auto-exposure, single-lens reflex camera to appeal to up-market first-time buyers in the US, and to older, technically knowledgeable buyers in Germany, after aiming it at re-placement buyers in Japan". (Stone & McCall 2004, 127-132)

## 4 RESEARCH PROCESS AND METHODS

### 4.1 Research Process

Figure 5 (below) illustrates the timeline of the research process. Various milestones and important stages of the research are indicated in the figure in order to provide the reader with a holistic understanding of the process.

The timeline is split due to the format of this paper into two parts. The first one reaches from November 2009 to the middle of July 2010. The second part continues at the middle of July and stretches to March 2011 where the thesis writing process ends. The main research activity is indicated with an orange bar. This process started in March 2010 and ended with the last interviews being conducted in February 2011.



*Figure 5. Timeline of Thesis Research Process*

## 4.2 Methods

The selection process for a research method is supposed to rely on three main criteria. One of the main criteria is the level of control the researcher has on the actual happenings and the behaviour during the research process. The selection of the research method is also significantly influenced by the type of research questions which are defined for a study. The third factor or criteria influencing the selection of the research method is the question how much the research is supposed to focus on current or future events opposed to research which not only draws from past events, but also make a main subject out of them. (Yin 2003, 1)

The research methods used in this study are qualitative due to the objective of the study and since the information and data gathered in order to answer the research questions, can't be quantified (Ghauri & Gronhaug 2002, 90-91). The research was done as a case study and the most prominent data collection methods were participant observation, live on the job action research as well as semi-structured interviews.

### 4.2.1 Case Study

A case study is a form of empirical research which focuses on an existing phenomenon within its real-life environment, and further the boundaries between this phenomenon and its environment are not plainly visible. It concentrates on the phenomenon under study, analyzing it in detail and not trying to (or not being able to) generalize from the results. The case study usually tries to answer the questions "how" and "why". It has procedural characteristics which include various elements and features, for example, a high number of variables, numerous sources of evidence and theoretical propositions to guide the data collection and analysis procedure. (Yin 2003, 1-18; Thomas 2011, 3-4, 23)

Case studies have often been criticized for many reasons and their validity has been questioned. It has been argued that the case studies are arbitrary and subjective, rely too much on practical knowledge and cannot contribute to scientific development. However, a case study is as scientific as any other form of study as long as it's executed properly and the methods and research questions are valid. Also, it should be remembered that a case study is not a method in itself as such but more a focus on a

certain topic which is studied using certain methods. (Flyvbjerg 2006, Thomas 2011 7-9).

A case study is often used in the business world when studying a single organization or some aspect of the organization. (Ghauri & Gronhaug 2002, 171-173) According to Eisenhardt (1989), case studies centre on the comprehension of certain dynamics and effects which are present in selected business surroundings or activities. In line with this thought, Yin (2003, 3-5) recognises and establishes three different approaches for case study researches: Descriptive case studies, explanatory case studies and exploratory case studies.

A case-study approach was chosen for this study due to the properties of the research questions and aims of this thesis. Since this study focuses on one problem or phenomenon (improving of sales by correct choice of a sales channel) in a specified environment (Germany) and since the results are not necessarily to be generalized to other environments, the choice of a case study method was logical. This study has some elements of a descriptive case study, mainly because the background information and the detailed explanation of certain issues and problems in the context of the research. But mainly this case study is what Yin (2003) describes as an exploratory case study. The reasons for that are that the author aims to gather information on the research questions and problems, while at the same time creating new ideas theories and strategic approaches. (Yin 2003, 5-9)

#### 4.2.2 Data Collection – Interviews and Company Materials

##### *Interviews*

One of the most used data collection method for qualitative and case studies is an interview, which was also the most important data collection method in this study. (Ghauri & Gronhaug 2002, 171-173). A semi-structured interview is flexible, allowing the researcher to bring up new questions as a result of the previous answer and also, allowing the respondent to explain his or her response. (Saunders et al. 2007, 312-329) Thus, personal semi-structured interviews with both the staff in Finland and current and potential distributors in Germany were used to gather information and opinions on the company in general as well as on the current status of the distribution channel in Germany. The selection of interviewees was based on the availability of the

distributors for interviewing and the pre-selected and available key personnel from the Case Company. The key personnel from the Case Company were chosen by the author bearing the tasks and duties of the selected group of people in mind. Naturally the implications and actions of these key persons concerning export operations of the Case Company in general and the selected target market in particular were also considered beforehand. The interviews were conducted with each interviewee personally and the data was recorded by note taking. The questions were created by the author. A set of questions given to the company personnel can be found in Appendix 1. The questions asked from different distributors were more specific to a certain distributor depending on their current status in the company sales network and the area of business. These questions and answers are discussed in Chapter 5.

The thesis contains in total 10 Interviews with distributors, prospective distributors and other partners, further there are 4 interviews with key personnel of the Case Company. These are main sources of information, but there have been influences beyond these interviews and cases which have had an impact on the final conclusion and findings in the research process. It is common that in a case study or any other research there are experiences which might be hard to analyse but they still have an influence on perceptions, findings and approaches. The level of research via interviews with distributors and Case Company employees that is displayed in this case study is sufficient to come to conclusions and make comprehensive findings. This is especially true, since there is still the literature study, the experiences from the observational research and the daily work at the Case Company which together build up a coherent and holistic case study background.

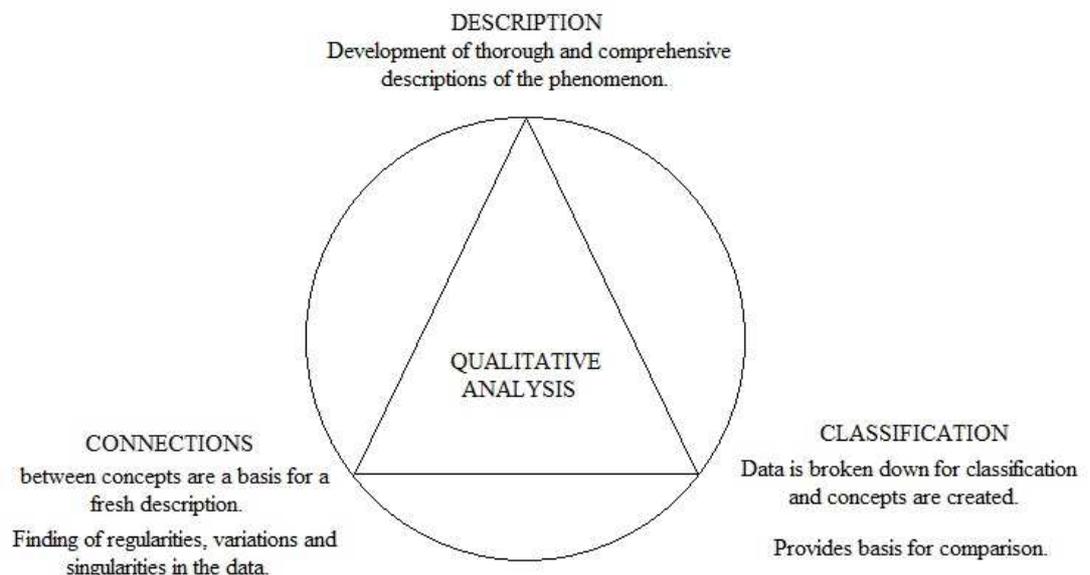
### *Company Material*

In addition to interviews, material from the Case Company was also used as a data source for this thesis. Due to confidentiality issues, these materials are not listed in the reference section but they are mentioned when used as a source for figures or text in this thesis.

### 4.2.3 Data Analysis

The problem with analyzing qualitative data is that it is not expressed in numbers and thus, cannot be analyzed statistically. Analysing the evidence or information obtained

from case studies is difficult and not very well developed or instructed. There are different techniques and strategies to choose from but the most important thing is to have a general strategy for the analysis. One of the main strategies is to rely on theoretical propositions, which helps to determine which data to keep and which data to discard. Another strategy is to develop a case description to help organize the analysis. Different analytic techniques, such as pattern matching, explanation-building and time-series analysis, can then be used as part of either of the mentioned general strategies. Pattern matching means comparing empirically based patterns with predicted ones, thus obtaining either expected outcomes (no alternative patterns) or rival explanations. Explanation-building is mainly based on building an explanation about the case and identifying causal links. The problem with this technique is that one easily is drifting away from the original topic of interest. Time-series analysis identifies proposed sequence of an event ("how and why") supposedly leading to a certain outcome and compares this to the trend obtained from the research. Regardless of the strategy or technique used, a good analysis should be relied on all the relevant evidence, take into account all interpretations, address the most significant issue of the study and also take into account the prior expert knowledge. (Yin 2003, 111-136)



*Figure 6. Qualitative analysis process  
Adapted from Dey 2005, 31-56*

Dey (2005) describes the qualitative data analysis as a circular process (Figure 6, above). The purpose of the analysis is to interpret, explain and understand (what, how, why?) the data. While the description of the topics, to which the data refers, lays the basis for analysis, the analysis creates new descriptions and a fresh view on the data. The core of the qualitative data analysis is the classification of the data, creating of concepts from these classifications and establishing connections between them, which again create new descriptions. Classification is needed in order to figure out what needs to be analyzed and it lays the foundations upon which interpretation is based. When the categories are connected logically, it is possible to find patterns in the data which again create new descriptions. (Dey 2005, 31-56)

In this study, the analysis process was not based on definite theoretical instructions or rules but follows the principles described above. The main strategies used for the analysis could be described as case description and explanation building. The company's history and current situation on the target market, including its strengths and weaknesses as well as the environment on the target market, were analyzed and, are discussed in other chapters of this thesis. The interviews with distributors didn't have pre-planned questionnaires per se, but semi-structured interviews were used. This led the author to ask questions or discuss matters arising from the discussion or the distributors' answers in general, which affected the original research questions. However, the questions were made so that the opinion of the interviewee would be clear and the risk of different interpretations would be minimized. The Case Company personnel were asked a series of questions but all of them had different questions to answer depending on their field of expertise and also in this case, the process was more a discussion than a strict interview. Summaries from these interviews and meetings were written immediately after they were conducted, thus trying to avoid the loss of important information or opinions. The meetings and interviews revealed some patterns and key themes which are reviewed in detail in the results, main findings and conclusions. The analysis was based on these interviews as well as on the prior knowledge on the company and its distributors.

#### 4.3. Limitations

This case study is about a certain field of business and a defined target market. The situation is so that the market has already been entered in by the Case Company, and now an update in strategy and structure should be performed. This background of the

case at the same time limits the usability of the results beyond the Case Company, but also presents such a special case that it is doubtful whether this study can be used as a research basis for other companies in other fields of business.

A special limitation in this case study is that the author might be biased to a certain degree, due to his role in the company. Since the author is responsible for the target country, the interpretation of the research results gathered by observation and interviews might be biased towards the authors expectations and own ideas prior to or besides the research process.

Since the interviews were taken in open and free form, in-between the regular daily work of respondent and questioner, it is possible that not every participant was always able to pay full attention and answer the questions as precisely as possible.

During the interviews, the author made notes of the answers and added questions in the process. Therefore it is possible that the documentation of the answers is incomplete because no other means of recording them, like for example a tape recorder, was taken. However, in this case it seemed more natural, less intrusive and therefore more beneficial for the outcome of the interview to not make it too formal and remain appearance as a colleague asking advice and opinions rather than as a researcher trying to uncover past events in order to find some solution for the future issues. Tape recorders can have the effect that the person being interviewed gets self-conscious or is reminded that his or her words will be heard by others over and over again, hence leading to excess formality and guarded answers. Also, the recorders can make the interviewer lazy since he knows there is always a possibility to go back to the answers in case something was missed or not understood. The notes made based on tapes are still notes made by the author, so they are very likely to contain most of the same information and interpretations as hand-made notes. Therefore the author decided to not use any kind of intrusive or obstructive means of recording the interviews. (Fry 2009)

## 5 RESULTS AND FINDINGS

Within the following sub-chapters the results and experiences gathered during the research process will be described and the findings will be highlighted. Firstly the background research for the case study will be introduced in order to familiarize the reader with the circumstances that led to this case study. This will be followed directly by the written record of the information gathering with the help of observational research. The next sub-chapter 5.3 will familiarize the reader with the research results and findings through the distributor/partner interviews that have been conducted during two separate visits to Germany, the visit of a partner in Finland and the attending of the world's biggest medical trade fair in Germany. In the last sub-chapter in this category the interview results and findings from interviews with key Case Company personnel will be established.

### 5.1 The Case Company in Germany – Results from the Background Research

At the start of the internship and the thesis process in 2009, Germany had 15 distributors. Currently, the number is still the same but there have been some changes. As mentioned back in Chapter 2, it seems that the distribution situation in Germany differs from that of other European countries. However, this is not actually the case but there is a kind of diffusion which can be easily clarified. Out of the 15 distributors the company has or had during the case study, there was only one actively distributing the Case Company's products and the 14 others were working as sub-distributors to this one strong distributor. So what is different between Germany and other countries? The answer is there is no difference, at least not, if a similar approach would be applied to other countries, i.e. having contracts with sub-distributors with the current distributors, the company might also reach comparable total numbers of distributors in these countries (Eloranta 2010, 72-73).

The sales volume in Germany has risen in 2010 and the turnover has reached a very respectable level. Number one reason was the decision to keep the discount for DK, the former Case Company's subsidiary co-owner and now biggest distributor for the Case Company in Germany, on the same level as in 2009. This was undoubtedly a splendid incentive for the distributor. In the following months DK tried to increase

market share and get good deals, since he was able to keep the entire turnover after paying for the products.

It can be argued though, that this particular distributor was already in the past more motivated to co-operate with the Case Company than others. For the Case Company that initially presented a win-win situation which was utilized. Later this resulted in the founding of the subsidiary for the Case Company, which currently is more or less on hold and does not actively operate at this point in time.

Novel strategizing processes are nowadays crucial for a new venture in a new technology-based sector and the success depends on decisions on core activities and the focusing of investments as well as locations of activities and relationships with other players. (DeClerq & Sapienza 2005; Onetti et al. 2010) Since the board of the company made the decision to dissolve the “expensive” subsidiary, the responsible decision makers in the company needed to decide how to continue operations on the target market. One of the important decision factors was that they wanted to once more utilize the commitment of their key distributor. The Case Company wanted to avoid losing DK in the process of separation from the subsidiary. Therefore it is quite understandable that the Case Company gave DK the consent to keep the discount levels of the subsidiary for the initial transition year 2010.

## 5.2 Observation - Results

As described in Chapter 2, understanding the role of the author in the Case Company while conducting the study and utilizing the participant observation as one of the main tools for the thesis work. Therefore, the development and growth of the author in the position are important when developing new ideas and discovering and identifying problems and/or synergies as well as possibilities for the Case Company.

The first few months of the study were used to getting to know the case environment, products and co-workers. Getting a holistic picture of the situation in Germany, such as figuring out which of the current distributors had a valid contract and which did not. The company provided a detailed list of all distributors in the medical field in Germany, which were known to the company. The list also contained information on the previous contacts with the distributors, the current standing in the relationship and what further steps should be taken. The problem, however, was that the list was old

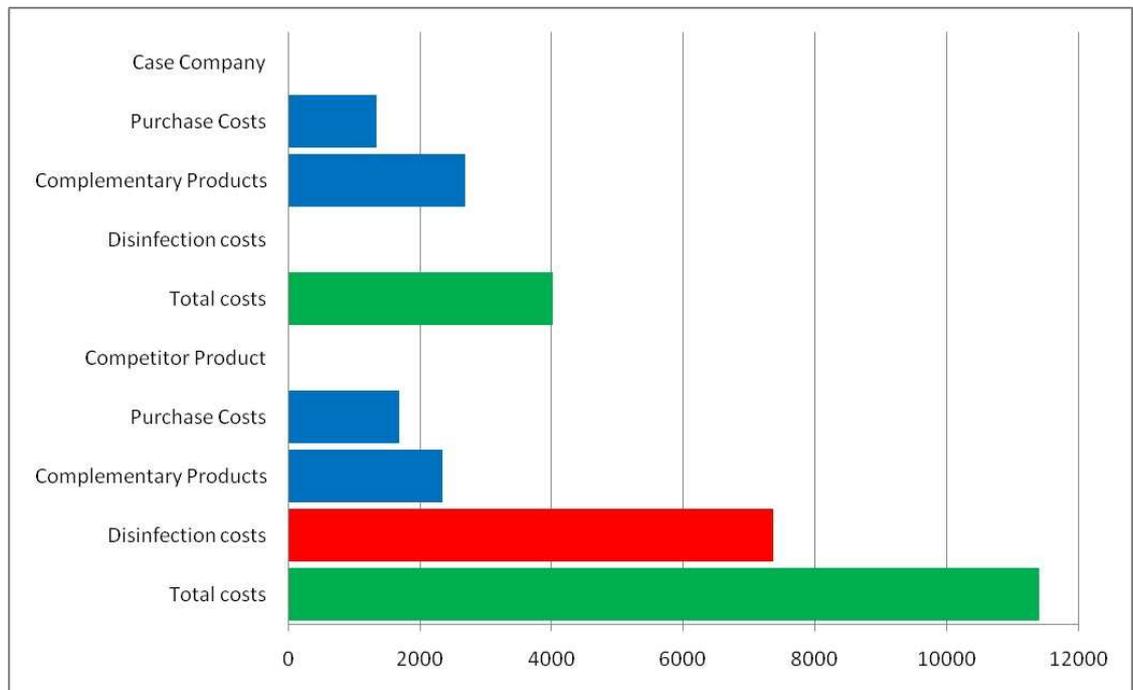
and had not been updated for almost two years. This caused some complications and an obvious dependency on information acquired from DK (former managing director of the subsidiary). Since DK had been returned to his status as a normal distributor there was a discrepancy between this status and the level of insight he has on operations of the Case Company. It has been a difficult situation but even though the Case Company in some cases had to rely on DK's goodwill he still proved to be a valuable source of information. The company also provided documentation of the market study done previously in Germany as well as numerous documents on the Case Company's products, technical features, sales arguments and more. Also a list of duties and responsibilities was given. Thus, starting the work process was relatively easy.

After the internship period, the author has worked in the Case Company with a standard work contract and joined the weekly meeting for the marketing department. The continuing work has also enabled the author to hear issues and stories from other target markets, which has been valuable not only for the work but also for the thesis process and research.

One issue which reoccurred regularly is the problem of having distributors which fail to instruct end-users on how to correctly use our devices. This can lead to problems not only because of the quality of the test performance, this might also in the worst case cause wrong results and wrong interpretations and therefore to wrong treatments or diagnosis of the patients. Moreover this might even lead to patient cross contamination. On the financial side this might create a situation in which the distributor does not earn enough money with the products, for example if the distributor only sells the devices and his customers reprocess the disposable components. If the distributor allows for this to happen he is automatically losing out on the main benefit of selling the Case Company's products. This main benefit is the continuous effortless revenue of the sales from the essential disposable system components. (Burns 2008, 292-297; Biemans & Brencic 2005)

Often such problems are dependent on the market situation. Meaning that if there is a country with low income level and/ or healthcare system which will not reimburse the end user effectively, there consequently will be the problem of misusing the Case Company's devices and accessories. (Paliwoda & Marinova 2007) Although in

Germany the reimbursement for the performance of medical test might be relatively high compared with other countries, many end users are still hesitant to use the Case Company's devices due to the seemingly high costs of the disposable part. In reality the disposable part saves costs for the end user, since there is no need for sterilisation or disinfection.



*Figure 7. Cost Comparison over 5 years of use.  
Adapted from Case Company data (confidential)*

In Figure 7 (above), a cost-comparison of a competitor's standard desktop medical device with a Case Company device is shown. The costs are indicated in Euro. The graph shows the total costs within 5 years operation time, at 400 tests per year, including the costs for disinfection of the device. Purchase costs mean the initial cost of the medical device. Complementary products record the costs over 5 years for the for example disposable or reusable parts depending on the device. Disinfection costs record the costs of the disinfection of the device including labour and materials costs. Total costs are the sum of all costs for 5 years use of the device.

In the medical device field, from a distributor's viewpoint this way of creating revenue is not very common. Of course there are many medical devices which have either disposable or consumable accessories, but usually these consumables or disposables are very cheap and therefore low revenue products. This is why the main

revenue for a company often yields from the sales of the device rather than from the continuous sales of disposables like with the Case Company's system.

This barrier of misunderstanding might be in part responsible also for the poor performance of some of the distributors in Germany. The impression that they do not fully understand all the benefits they receive when selling our products is imminent.

### 5.3 Interviews and Meetings - Results

Keeping in contact with the distributor is an essential part of the work of a country coordinator/manager as well as for the relationship between the company and the distributors. Therefore, it is important to visit the current and potential new distributors also in person. This was also part of the thesis and research process.

The aim of the company visits was to gather as much information as possible concerning various elements of the export operations of the Case Company. It was in the interest for both the Case Company and the thesis research to find out whether there are any issues or problem cases which need to be resolved. Also, it was a very rewarding and valuable experience to be able to directly engage with the distributors and to interact with them in person, not just via email, newsletters or phone communication. In addition, the goal was to find out what the Case Company could improve in the eyes of the distributors since it is a very valuable for an company to find out what the business partners think and to be ready to change certain aspects of co-operation if it becomes necessary due to some arising issues and with foresight to future development.

Naturally, the company has a strong interest to train the distributors in product handling and sales argumentation. This is also part of the duties of a country manager when interacting with distributors. Moreover the company wants to use such distributor visits to inform about new products and developments. This will help to keep up the base of mutual open communication. Open mutual communication is something from which both manufacturer and distributor will benefit if they manage to recognise and utilize it.

In the following subchapters, the distributor visits and the trade fair visit (Medica) are reviewed. The setting of each visit is introduced and feedback, impressions and ideas gathered are discussed.

### 5.3.1 March 2010 Germany

The first trip to Germany for the Case Company took place in March 2010. The tour took altogether 5 days and was supported and accompanied by the company Export manager.

#### *PK Consulting Company*

The initial meeting was with a consultant company that has been working for the Case Company in Germany. This consultancy company has initiated contacts to possible distributors and also kept track of the first negotiation stages. Further PK Consulting had conducted a research study of the specific medical device market challenges in Germany.

The head of the consultant company, Mr. PK, discussed about their work for the Case Company in the past and gave answers to some specific questions about performance of certain distributors which PK Consulting had recommended and/or acquired for the company during their contractual work. Mr. PK also divulged general information and his personal opinion on DK. DK used to be the Case Company's strongest distributor in Germany. At the time of the consulting company working for the Case Company in Germany DK was one of the managing directors of the Case Company's subsidiary.

According to PK's experiences this managing director has not always been as cooperative as desired, but it can be assumed this was also partly due to the fact that the consulting company did part of the work that which DK deemed to be in his responsibility.

His opinion on the reasons for the poor performance of two distributors he had acquired during his time was asked for. He stated that in his opinion there had been "a lack of communication and training" which led to these distributors underperforming. He also mentioned that in his opinion he made the initial contact with some of the strong performing distributors. When asked about possible distributors and contacts

that have not been followed yet he indicated three prospects from the list of distributors the consultancy has kept for the Case Company.

Summarizing it can be said that the meeting was very positive and in a friendly and open atmosphere in the private home of the consultancy's managing director. This meeting also provided a valuable second view on the situation in Germany at that time which enabled the forming of a complete and unbiased opinion and view on the circumstances.

*Main Finding 1: Quality needs time*

Any contact has to be cultivated over time. It is not enough to agree for an initial meeting, or even get a signed contract. The contact with partners and customers has to be continuous in order to yield long term success. Long periods of not keeping in contact might be the reason for some of our current partners' inactivity or obvious disinterest. (Rundh 2006)

*Distributor: DK, former Managing Director of Case Company subsidiary in Germany*

The meeting with Mr DK took place in his premises in order to discuss about the Case Company's operations in Germany in general and also about some cases and issues when it comes to the distributors and the subsidiary of the Case Company.

DK named two companies with whom he thinks the Case Company should end the co-operation. Both of these companies are SMEs that supply a whole range of different products for medical facilities and laboratories. As reasons he mentioned low sales volume and using competitors products to compete with other Case Company distributors.

It was further inquired if he had any leads in Austria since our current distributor there did not seem to be very active. DK admitted that he has no great connections to Austria, also due to the travelling distance, and that the current distributor in Austria was occasionally ordering product accessories from him. The idea of having an Internet shop on the company webpage was not welcomed, he stated that this would cause "trust issues" with the current distributors.

DK voiced his opinion that the company should use the technical capabilities of the device and create an upgraded “Master” version which utilizes some hardware components in order to capture the ambient factors automatically and therefore ease the use of the whole device for the end user.

Moreover, some issues concerning the subsidiary were discussed. One topic was open invoices and the matter of sending out reminders and who is responsible for that now that he is not anymore the managing director. Besides that he gave us a short overview on the account situation and outstanding money for the subsidiary. DK also predicted that the general development and turnover would pick up in the 2<sup>nd</sup> quarter and that the low sales of the 1<sup>st</sup> quarter would definitely be outperformed.

During the meeting certain special offers for the German market and his wishes for the pricing of certain product services, like upgrading the software and exchanging an old or broken device were also conferred.

Towards the end of the meeting the reimbursement logic in the German healthcare sector was reviewed. The doctors in Germany are awarded funds from the health insurance agencies, for a prevention test they receive 5.95 Euro per test in average. There is also a more complex reimbursement logic which awards the doctors with 80 Euro per patient; this is connected with some requirements which have to be met before this reimbursement technique is executed. In case this additional complex reimbursement logic is used there is an additional 1 Euro per test awarded to the physician.

Lastly product features which are regularly demanded in Germany were discussed. But it was agreed that there is too little benefit and too much costs for the Case Company to develop most of these features. One thing DK suggested which would be relatively easy to achieve is to make a special “paediatric” software version for Germany, since there are potential customers in that field.

#### *Main Finding 2: Key intermediary*

DK is a very committed and active distributor. He is also very independent and some of his ideas are not easy to implement for the Case Company. Nonetheless DK represents as a “model” distributor and he can stand as an example for other

distributors. But it has to be acknowledged that his case is special and not easily transferable to other distributors.

*Distributor: Mr. RS, small enterprise*

One of the first topics discussed was the current software update which he was not yet informed about. It was told to him that he had the possibility to register online at our website to download the newest software version for his demo device.

RS is of the opinion that our prices are slightly too high for the German market. He thinks this goes for the devices as well as for the accessories. When asked on what this opinion is based on, RS claimed that he based it on the pricing of our competition and also on that of products from other fields of treatment or diagnosis.

During the starting process of the Case Company's operations/ sales in Germany there has been misleading and contradictory information amongst the distributors. One of the main issues from that time according to RS is that the reusing of disposable accessories was endorsed on several occasions. There is no hard evidence on that though and no way for the Case Company today to check if these allegations are in fact true. Today however, the relation between sold devices and disposable parts sold is positive enough to exclude the possibility of a continued misuse of the system in the target market with almost complete certainty.

Specific discussions during the meeting revolved around software configurations and needs in Germany as well as transportation costs for smaller deliveries from Finland. RS also asked for a distributor support file which contains for example a cost comparison for the long term use of devices from the Case Company and its competitors. His sales network and his customer segment were also discussed. Overall RS was happy with the change of direction concerning the distribution in Germany.

*Main Finding 3: Create a distributor kit*

The Case Company needs to create and establish a distributor kit which should always contain the latest information and support the distributor's sales by giving him all the tools he needs to promote our products and services. Naturally such a distributor kit needs to be kept up to date and should at least once every year be sent to each

distributor. Keeping the distributor up-to-date is very significant for continued success in any market.

*Distributor: AH, Small Enterprise*

AH was interested to get more involved in the service aspect of the Case Company's products. According to AH it would be very beneficial for them if they could perform official servicing for their customers. He was especially interested in the servicing of the calibration system component and asked about the official regulation for quality assurance and control.

One of the particular topics he was interested in was the extrapolation of certain values by the software. AH said that he wants to know the logic behind this when he is discussing the product with customers. AH had a couple suggestions for improvements in the visualisation of the tests process. Moreover he suggested creating some additional help for the personnel using the software.

The current pricelist he had available for the products was from 2007. He also did not have the newest software version available. His company has around 1500 customers of which approximately 75% are general practitioners; others are health clinics, specialists, paediatricians and hospitals. AH would like to see more marketing campaigns, even if they are only regional.

Summarizing it can be said that AH can be a positive asset for the Case Company. HE has good ideas and understands the products and ideas behind them, plus he thinks about the customers and the selling process in great detail.

*Main Finding 4: Give responsibilities*

It is desirable for distributors with competent personnel to take part of the servicing into their own hands. Currently this is not an option but maybe in the future the Case Company can try and license these services to qualified distributors and therefore gain additional revenue. Naturally this can only be done if it is in accordance with the quality control the Case Company needs to keep track of. (Luostarinen & Welch 1997, 31-36; Kotler & Armstrong 2006, 602)

*Distributor: HG, SME*

HG had one of his technicians join our meeting. Therefore we had also a rather technical discussion about our products. We discussed for example some special German needs for the patient data window. Further HG highlighted the importance of having marketing materials and handbook in German language.

In much the same manner as other Case Company distributors also HG was interested in the possibilities for them to take over part of the servicing. He even went so far as to suggest that they could take care of servicing for the Case Company in the whole of Germany. He specifically expressed interest to become a service station for Case Company products in Central Europe.

They did not have the newest pricelist yet and they also had not received the new software update. HG was interested to have a software version which differs a bit from the three standard options the Case Company offers. The main reason for this was the need of his customers which lies somewhat in between the available preconfigured versions of the software.

HG's sales territory is in and outside of the capital Berlin and also covers certain parts of eastern Germany. During the last marketing campaign he sent out about 200 info letters. HG believes that increased presence at local trade fairs/doctoral conventions and in journals, as well as contact with opinion leaders would help to increase the Case Company's market share in Germany.

He had an interesting plan to outsource certain medical tests in order to create a service for patients in areas which have less and less doctor's offices. He plans to cooperate with doctors offering them the service to conduct tests and send the results to a hospital for analysis which then informs the doctor about the test results.

*Main Finding 5: Listen and Act*

Several requests or findings from other distributor visits are reoccurring. These reoccurring issues are a clear indicator for a serious need of a reaction. If certain issues or problems are addressed to us independently by a number of distributors they need to be solved or otherwise handled, even if the Case Company might not see a great need for it. The fact that several partners see the same need or problem should be

enough to make the company consider taking action. (Varner & Beamer 2005, 339-340)

### 5.3.2 June 2010 Germany

The second visit to Germany which also took altogether one week took place in June 2010. This was at the same time the first distributor visit which the author organized and attended independently.

#### *Aspiring Distributor: MP, Small Enterprise*

MP was mainly interested in the prices and discounts the Case Company is able to offer. MP said that they understand that providing information is an essential part of any agreement that might be signed.

MP is of the opinion that the professional most sophisticated version has no potential to sell in Germany. The argumentation was that it is not good or complete enough for the specialists or hospitals and it is too sophisticated and expensive for the average physician. In reality that argumentation can be negated by the performance and numbers from the domestic market where the professional version in fact sells very well with hospitals and specialists.

Moreover MP also felt that the pricing of the disposable product parts is going to prevent selling the Case Company's products in the target market. This was quite surprising since MP seemed otherwise quite competent in that specific field of medical treatment.

Unfortunately the overall impression MP left was not a positive one. After all the information which was delivered already ahead of the meeting MP still seemed poorly prepared for the meeting. It is to be assumed that they have no interest or that the discounts offered are too low to raise their interest. On the other hand it could be that the discount offered was too low compared with the comparable higher difficulty of selling the Case Company's medical device systems.

*Main Finding 6: Partner Check-List*

Searching for new distributors is cost intensive and even though a certain screening process happens before any company visits are agreed it cannot always be guaranteed that there is a positive outcome. The possibility of creating a checklist for prospective distributors should be reviewed. (Luostarinen & Welch 1997, 20-24)

*Distributor: SM24, SME*

SM24 does not only work as a wholesaler for medical products, but they also take care of logistics and warehousing for other companies. Therefore it might be understandable why they are not performing as good for the Case Company as they are capable of. It seems to some extent they have too much other operations going on, and that is why the Case Company's products are not selling better in their territory.

SM expressed their belief in the quality of the Case Company's products. When asked what they see as the main reason for the disappointing performance in their target market SM said that it might be that the device is too small and therefore fails to give a reliable impression to their customers. Generally SM can not specify why the sales of the Case Company's products are not any stronger in their sales territory. But they see a similar problem/ situation with the device of a different manufacturer and a different medical field. This device's sales are also on the same "low" level as the sales of the Case Company's device. SM therefore perceives evidence that the size and inconspicuousness of the devices lead to a lack of trust of their customers in those devices.

These are very interesting statements, given that SM24's sales representatives should have been able to easily diminish any doubts or hesitations of their customers due to the size of the medical device. Either they did not receive up to date product training or then SM24's personnel is too busy with other tasks due to their expanding operations in the logistics market.

During the meeting the current logistic situation of the Case Company in Germany was also discussed. SM24 stated that they look forward to order from the Case Company directly as soon as a cost and time effective delivery from within Germany or the neighbouring central European countries is possible. For the time being SM24 will continue to order from DK who naturally has a stock in Germany.

They have three sales representatives which are travelling to their customers and which are responsible to represent the Case Company's products. It is a shame that none of them was available for the meeting because it would have been of major interest for the Case Company to get to know what is the status of knowledge about the Case Company's products amongst those representatives.

*Main Finding 7: Target Key-Personnel*

Once again this meeting is proof that good distributor training is indispensable. For future meetings with distributors that perform under expectations it must be made sure that the distributors' key personnel is present for the meeting. Another finding from this case is that it might be useful for the company to create an optical diversification between the three software systems that are offered, so that the higher value, more professional version is also of higher value in its appearance. (Foerster & Kreuz 2007, 109-113)

*Aspiring Distributor: K&D, Small Enterprise*

The next visit was to K&D GmbH which is located in the south east of Germany. First, the Case Company's products and the most important and significant features of our portfolio, were discussed with the executive managing director of the company Mr. K. He thought that the safety that the Case Company can guarantee with the products if used as instructed is a great benefit and selling argument. In contrast to other distributors so far, he was of the opinion that the prices are quite acceptable and can rather be a bit higher even.

K&D is an example of a small SME operating in a relatively small area and with a fixed customer base which is relatively static and does not grow too much. K told that the reason for their success in their relatively small area is that they offer superior service, they know their customers and their needs from A to Z and they gained the trust of their customers and therefore build a lasting business relationship with them.

After this initial meeting, a meeting was held with Mr. D who is the technical expert of the company who is responsible for selling their medical devices and for providing technical support to their customers. So he is actually the main sales person of the K&D GmbH and the main technical support operator in personal union.

Therefore he of course wanted to see the device and software in action and he was assessing and commenting every process. D was voicing his opinions, telling what is good and what needs to be improved in his view. Overall he was impressed by the device and its capabilities but he also identified one big problem: The localisation of the software and the handbook. Since certain parts of software and handbook were not yet translated to German language he thought it cannot sell, at least not in their sales territory.

Both of the company owners were very open, friendly and also honest. They told right away what they want and think and they did not hold anything back. The climate of the meeting was thus very constructive. K&D could in certain aspects be a good partner for the Case Company. They might not make big sales but the honest positive and negative feedback could be of value for the Case Company.

*Main Finding 8: Localisation Is the Key*

Localisation is a key necessity when trying to sell products and/or increase market share in foreign markets. This was one of the findings which were clearly of such importance, that a reaction to it could not wait for this thesis paper to be done. Therefore a translation process started and was completed for the whole software and handbook right after this visit to Germany. Today the software and the handbook as well as short instructions can be all found in German language. In the near future the Case Company will also introduce an online support in German and Finnish language. So far the online support has only been available in English language. (Daniels et al. 2011, 446-449)

*Aspiring Distributor: SMS, Small Enterprise*

Unfortunately, the owner of SMS to whom the contact had been made with previously, was not available for the meeting. Therefore, the meeting was held with one of the SMS's sales representatives. The meeting did not take place at SMS's office but near to the sales representatives home, which actually was beneficial logistically.

The sales representative knew part of the Case Company's products from before when he was working with another company that distributed the Case Company's products. He was not aware though of the new features and possibilities revolving around he

software. Their idea would have been to offer the device for rent or for free and then get some kind of contract for continuous sales of the disposable parts of the system. In general this is an idea that supports the business idea of the Case Company so such activities in general are supported by the Case Company. Although in the past these rental activities have not been successful on the German market they have been followed by success in other countries.

Further and future cooperation was agreed with the sales representative during the meeting. Their benefits and also their obligations were explained and a good start offer was promised to be sent to them. The company is surely not the biggest but they have a good sales territory and a good connection with the target market for the Case Company's products. Altogether the cooperation promised to be positive for the Case Company and therefore we a contract was agreed to be sent for verification and signing.

#### *Main Finding 9: The Right Price*

There are different approaches possible in order to sell the Case Company's products. Which approach is beneficial to which distributor or which target country depends on a variety of factors. In any case the distributor has to be motivated to sell the products. This usually means that there has to be a clear financial benefit for the distributor, otherwise he will not focus his activities and efforts on promoting and selling the Case Company's product range. So the bottom line is that in order to be successful the price has to be right - but not necessarily the lowest on the market - for both, distributor and Case Company. (Foerster & Kreuz 2007, 145-148; Kotler & Armstrong 610-611)

#### 5.3.3 September 2010 Finland

The main distributing partner in Germany, Mr. DK, came to visit the Case Company and discuss about the general development and plans for 2011, as well as to enter into pricing negotiation for the upcoming year 2011.

During the meeting, future plans of DK to expand the product range he offers to his customers were discussed. This would be a smart move and a good move even for the Case Company. The reason simply is that DK would not give less attention to the Case Company products, but in opposite to that he would have the possibility to increase sales. That is because DK then would be able to offer a complete package for

the end users with the Case Company's products being a vital component of that product assortment.

It could be safely predicted that the sales of DK in 2010 would reach a level that is satisfying for the Case Company, especially considering that 2010 had been a transition year. Actually Germany as such performed so well that it was amongst the top 5 of the export markets for the Case Company. A surprising development which might in part also is due to the fact that the German economy as a whole recovered fast and efficiently from the economic crisis.

DK has also managed to sell some devices to schools and universities, which is naturally a good way to place the Case Company's products and raise awareness for them. Further DK plans several advertising campaigns in professional journals and similar publications. Goal of these advertisement campaigns is for once to make the product more known and on the other hand to find new distribution partners in Germany.

DK once more suggested that the Case Company shall rethink the pricing strategy because in his opinion certain prices are too high and hard to explain to customers. He especially sees potential to improve the pricing with the second configuration of the system/ software. DK hinted that comparable products of competitors are sold cheaper even though there is no proof for it and it is relatively hard to compare the products precisely.

Another topic discussed during this visit was the discount situation in Germany for the official Case Company distributors. DK was of the opinion that the discounts are too high in general. An understandable opinion if considered that DK is also trying to sell to the same distributors. Maybe even more fought about was DK's discount for the following year 2011. These were hard but honest negotiations and a consensus was found which was acceptable for all stake holders.

*Main Finding 10: Positive Signals for the Future*

DK will continue to be an important part of the Case Company's operation on the target market. He thought hard for his positions and opinions and the company did the same. In the end a position was reached, from which both DK and the Case Company can emerge stronger and better prepared for the challenges of the future.

#### 5.3.4 MEDICA Trade Fair in Düsseldorf November 2010

Medica is the world's biggest trade fair for suppliers and manufacturers of medical products and services. Organized annually, the trade fair is held each November in the German city of Düsseldorf. The fair has about 140,000 visitors from almost every country in the world. Medica hosts more than 4,300 exhibitors from 80 countries. The Case Company has been a regular exhibitor at this trade fair.

The trade fair provides the opportunity to meet with international clientele such as distributors and other stakeholders. These stakeholders include: competitors, partners or prospect partners, various groups of sales agents/ importers and also representatives of marketing agencies. One particularly interesting group of stakeholders are the various segments of end-users from Germany which visit the trade fair and the Case Company stand.

The reactions of the end-users towards the exhibited products provided good evidence for the marketing department of the Case Company. Response has revealed that the devices are indeed competitive and that there are a number of initial advantages which might be useful in marketing and sales activities. Contrary to the experiences of the Case Company distributors like SM24 who, as previously reported, thought that the size of the devices might be a reason for low sales volumes, it appeared that the size was a key factor of interest that helped to raise or maintain awareness of the Case Company and its products. The experiences and reactions gathered at the Medica trade fair suggest that the size of the current Case Company main product is functioning as a competitive advantage or at least as a factor which helps distinguishing the devices of the Case Company from those of the competition.

Findings from the Medica indicate that there might be some basic flaws in the distributor selection, or at least a mismatch between expectations of the Case Company and of the distributing partners. Naturally this could also be an issue which might be solved or improved if it can be sufficiently covered during distributor training sessions. The goal should be that every distributor understands and grasps the fact that the device is small in size but yet powerful in performance and that this provides an ideal starting point for a sales conversation.

*Main Finding 11: Perception*

How do end-users perceive the Case Company and products? How do distributors perceive the Case Company and products? How does the Case Company perceive itself? All of these are important and valid questions which should be answered in order to make sure that the Case Company follows a sustainable brand building strategy. The experience gathered during the Medica indicates that there are certain differences in expectations and perception of certain stake holders. The Case Company should make sure that they enforce/ create a perception which follows their strategy and supports their business development.

#### 5.4 Case Company: Interviews and Insights

This chapter will contain facts and findings from interviews with different employees of the Case Company. A few questions, which were thought to be of importance for this case study, were prepared beforehand (Appendix 1.) The questions also aimed to receive some information from past events at the Case Company.

None of the interviewees had the exact same questionnaire; the questions were different for each person because they were put together with the employee's position and responsibility in mind. The interviews were semi-structured in the sense that the pre-planned questions were used in the order they were originally written but the actual discussion was free and left the interviewee enough room to elaborate. Also, further questions were asked based on the interviewees' answers. The following excerpts from the interviews are reduced to the most important findings in the respective interviews. Each interviewee will be introduced shortly and once again main findings will be highlighted.

*EL, Product Manager*

EL is an absolute key person in the Case Company. He has been a long time employee whose opinion and views are always valued highly by everyone in the Case Company. He is acting as a link between R&D and marketing. Although his main focus is on the technical side of the products and components including of course the software, he also has a valuable understanding for marketing and sales issues.

The German subsidiary did not work out for the Case Company but the intentions were without a doubt good and would the aims have been reached it would have been a full success. EL commented on the situation that one of the reasons why the subsidiary was established was the previous connection with DK as a distributor for the Case Company. According to EL the Case Company wanted to make sure that the profits from the promising German market remained within the subsidiary rather than to give them all up to distributors. EL admitted that the language barrier and the fact that the subsidiary could cross this barrier in an effective and cost efficient way might have been another reason for the Case Company to found the subsidiary. The joint ownership on the other hand was attractive to DK because of the financial security it provided. The subsidiary operated for about 7 years before the co-operation with DK ended.

When asked what are the steps which have to be taken in order to achieve a situation which is as close as possible to an ideal distribution situation in the German target market EL named several important issues which have to be resolved in his opinion in order to achieve any ideal situation. EL said that the technical support for Germany has to be organized so that the Case Company can provide technical support in German online and via the phone. That the country manager is at the verge of taking care of these issues is a step into the right direction for EL.

Further EL strongly believes that there is a need for a distributor/ distributors who can get in contact and have access to the occupational healthcare sector in Germany. The Case Company has good arguments, great potential and a perfect product to serve this customer group.

Moreover EL stresses that "catalogue companies" are not the ideal distribution partners for the Case Company. On the contrary the Case Company is in need of distributors who are able to represent the product portfolio well because the product is not simple, the product needs explaining and especially training for distributors and end-users alike.

*Main Finding 12: Sales require service*

If the Case Company wants to be active on the German market it also has to be active in supporting the distributors and end users on the market. Currently the Case Company is preparing itself to be able to provide that support so that they can be sure

that they provide a good quality support. This will also take pressure off of certain departments and employees in the Case Company and therefore lead to an overall increase performance in the service. (Matzler et al. 2010)

*KM, Export Assistant*

The situation on the German market was shortly discussed with KM. Concerning the aims the Case Company followed when establishing the subsidiary in Germany, KM said that it seemed to be a business trend at the time. Common believe was that in order to be really successful on a foreign market you needed to have some form of subsidiary or some kind of joint venture there. The German market of course was very appealing to the Case Company. The appeal came from the size and also the opportunities the market was able to offer because of that.

For KM a step to the right direction on the German market strategically would be the implementation of a warehouse either in Germany itself or close by in a neighbouring country. This would enable the Case Company to be much more flexible with customer requests all over Europe. Transition times of the goods would be shortened significantly. Besides that also the costs for sending the products would be reduced compared with the current costs the company has when sending from the domestic market. This would naturally also be beneficial for the distributors and end users of the Case Company's products since they usually have to pay for the delivery costs from Finland and for them it would be in most cases definitely cheaper to receive the goods from a warehouse in Germany.

Finally KM stated that it would be of highest importance for the Case Company to establish closer contacts with the distributors. Without the flow of information coming from the users of the Case Company's devices via distributor channel the company is losing out on key pieces of information which are needed in order to develop current and future product according to the needs of the market.

*Main Finding 13: The Logic of Logistics*

It can be difficult to get products onto an export market if the transportation and general logistic costs and the transition time is very high. Therefore it could be a beneficial investment for the Case Company to open up a warehouse in Germany or Central Europe in general. This could lower transition costs as well as the transition

time, which would lead to an easier access to market and end-users. (Daniels et al. 2011, 537-538)

*MD, Export Manager*

Obviously an interview with the export manager of the company is important and valuable for this case study. One of the most important questions directed at the export manager was, if the Case Company's products have a sufficient level of competitiveness for international markets. According to MD this is only partially the case. The company's main product is well manufactured and has interesting features from a technical viewpoint, but from a marketing viewpoint it might not be attractive enough for end users to explore these benefits.

MD expressed confidence that the Case Company has a competitive advantage due to the long experience and history in the field of business. There is enough potential and possibilities to differentiate the Case Company product from others and the products have even potential to fulfil needs of niche markets. Still the company should try to formulate the features and benefits of their products into competitive advantages that are understood and realized by distributors and end-users alike.

From the export manager's point of view it would be desirable if all the distributors have a perfect level of knowledge about the devices and the medical field the Case Company is operating in. The personnel of the distributors should have been trained and therefore be well prepared to promote and sell all the articles of the Case Company's product range. Especially an understanding amongst the distributors and their employees for the profit strategy of the Case Company's medical system is of utmost importance.

Moreover the Case Company should only sell in target markets in which the general economic situation is of such a standard that it allows the use of the whole range of the Case Company's devices and systems and disposables. Also other aspects of target markets have to be considered like the GDP development as an indicator for the level of computerisation in the target market. MD stressed that since the general situation from when the company started to sell the products first has changed so dramatically

the Case Company "needs to define its strategy", because at this point it seems as there is no current up-to-date strategy.

In addition to that the MD believes that "a wider range of products could help the Case Company to reinforce their position in the distributors' product portfolios". It would be important that end-users have the ability to choose from amongst the company's products rather than from competitors' products. But the Case Company should also try to improve their products technically and make the software modular and therefore easier to configure according to the end-users requirements.

*Main Finding 14: Branding*

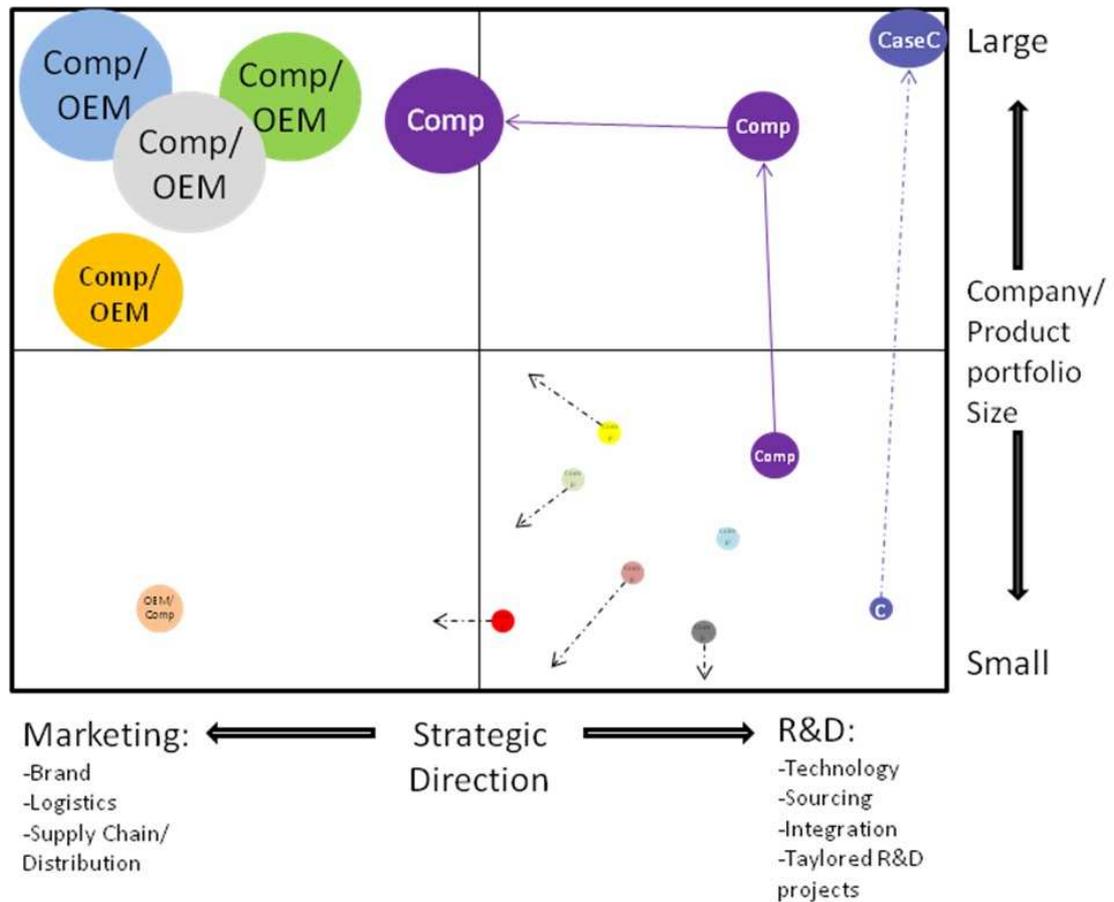
The product appearance and functionality seem to be mismatched to a certain level. The product appears to be small and thereby suitable for private offices. On the other hand the software functions are rather suitable for hospitals and clinical trials. As a manufacturer the Case Company does not appear to have a strong enough brand-image. This is one of the main weaknesses and reasons for low sales volumes. Therefore it is clear that the Case Company has to invest in brand building activities. (Kotler & Armstrong 2006, 243-244)

*TE, OEM Manager*

When asked about past export activities in Germany and on other markets, TE stated that export activities and operations have been restarted several times in the past. There have been export operations since over 20 years. And since then evidently companies/partners, key personnel and overall economic situation in the Case Company changed several times. Therefore it is not surprising that according to TE, the exporting activities have been started or restarted "in waves" several times.

According to TE the Case Company has to strive for a position in the market where the Case Company can offer a level of expertise that other companies cannot match or achieve. In his opinion the Case Company should move towards a technology-driven company with large emphasis on the R&D. Thereby the Case Company would be able to obtain a competitive advantage which is technology specialisation which concentrates on customers' needs. This would also lead to a situation where competitor companies would increase their OEM purchases at the Case Company. Already now a number of big competitors purchase components and devices from the

Case Company; this could be increased by modularising the products and increasing R&D emphasis.



*Figure 8. Strategic Positioning*

*Based on description/ drawing from Case Company OEM manager (confidential)*

Figure 8 (above) illustrates the strategic positioning development of the Case Company and the market in general on a perceptual positioning map. The Case Company can be seen on right side of the map marked with "CaseC". The arrow introduces the direction of strategic positioning suggested by the OEM manager of the Case Company. The marking "Comp" stands for the competitors for the Case Company. The development of one of those competitors is shown in the map, going from the right lower area, to the right top area and over to the left top area which is contains big companies or companies with a big product portfolio which have a strategy emphasis on marketing. The "OEM" marking in the figure stands for current or possible future OEM customers of the Case Company. Also the smaller dots in the right lower area are possible partners for OEM cooperation with the Case Company, unless the move in a direction leading outside of the figure, these companies have

vanished or will vanish in the future. Other of the small companies will likely be bought and the bigger competitors' will get bigger via mergers and acquisitions.

*Main Finding 15: Prime Manufacturer*

One thing which became quite clear during this interview was that the Case Company needs to gain a better position amongst their distributors. The goal should be to be the only manufacturer for the Case Company's product range or to be at least the "Prime Manufacturer" for the distributors. It is important that they understand the business model and idea behind the Case Company product portfolio; otherwise a partnership is fruitless for distributor and Case Company alike.

## 6 FINDINGS, CONCLUSIONS AND DISCUSSION

The research objectives for this case study were to identify “the key features any distributor should demonstrate in order to be a profitable partner for the Case Company” and to outline “how the future distribution network in the target market shall be developed in order to be more efficient and increase success”. In the following sub-chapters these questions will be answered according to the results and findings gathered during the research for this case study.

### 6.1. Findings and Recommendations

The research led to the categorization of distributing partners. This categorisation can be used for existing partners as well as for prospects. The first category which would signify the premium partners for the Case Company would consist of a committed SME which has a narrow product portfolio and therefore is able and willing to priorities sales efforts to the products and services of the Case Company. The committed SME knows the product inside out. They know technical specifications and can offer an initial technical support to the end users. Besides that they know strong and weak spots of the products and know how to promote and distinguish it from competitors, thereby allowing for sales which would not be possible otherwise.

The second category would be a wholesaler/reseller who has a complete assortment of different devices and products for the medical sector. Besides that the distributor is also convinced about the benefits of Case Company’s products and services, and therefore promotes the products of the Case Company with priority in the medical device product category. Important to mention is, that this distributor has been trained adequately and knows the product well enough to support the sales and minor technical or handling issues as well as the installation of the device and the initial training for the end-users.

In the third category are the wholesalers or resellers who have initial interest which is enough to lead them to sign a contract and take the product into their portfolio. After that they fail to promote the product in the right way, or they just keep the product in their pricelist and on their webpage and wait for customers to ask for it. Sometimes it can happen that distributors only collect as many products as possible to offer a very

wide and deep range of products, without having the capabilities of representing all of the products.

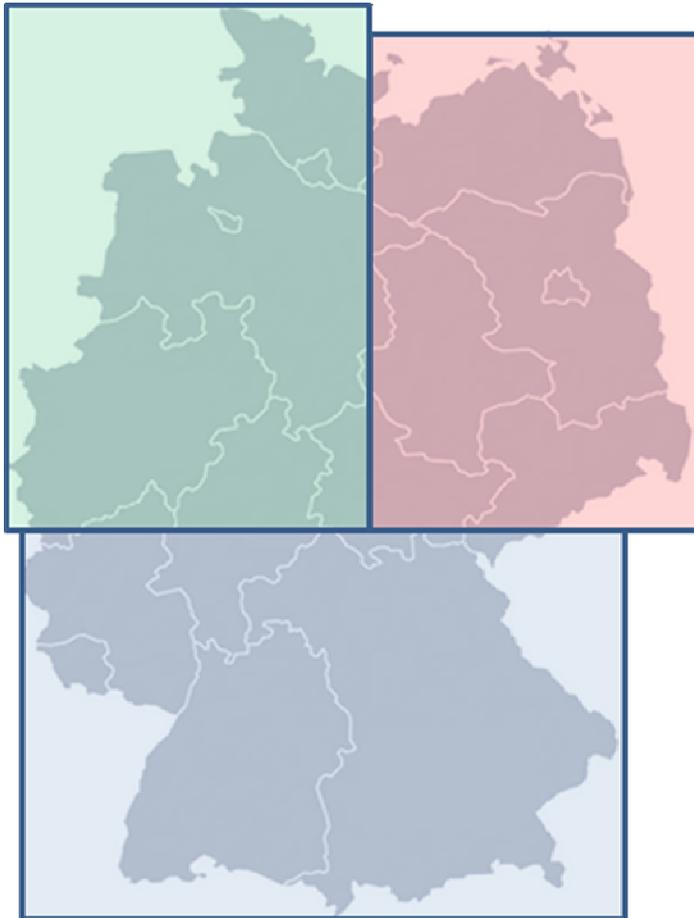
It is obvious the Case Company needs more than just a cluster of distributors; most of all it needs representatives for its products and brand. The Case Company requires distributors who are willing to do more than haggle for a discount and then take the products in to their price list or on to their web page. The company needs active and committed distributors who are willing to stand for the company and its products. Right now the situation in Germany is such that there seems to be only one distributor who fulfils all these requirements and 14 others of whom maybe 4 -5 belong to the second category while the rest belongs to the third and most inefficient group of distributors for the Case Company.

Therefore the research and the results/findings indicate that it is necessary, that in the future the Case Company will find two more distributors of the first category. These should be located so that one is in the north east of Germany, one in the south and the current one will naturally remain in the north west of Germany. The sales territory has to be divided up into three areas while the distributor for the south should ideally also take care of distribution in Austria and maybe Switzerland. All three of the distributors shall receive the same level of discount and support from the Case Company and they shall be granted exclusivity for their sales territories as well as a title. The naming of this title has yet to be decided but it could be something like general or platinum distributor (IDG Communications 2009).

In the Figure 9 (below) the suggested future division of the German target market is illustrated. The area in the west is designated for the existing “platinum” distributor, while the area in the east and south have yet to be fitted with suiting partners. The three sales areas that are indicated in the map are not up to scale and they are just intended to function as a visual help to create a better understanding with the reader.

In effect this means that the current distributors of category 2 and 3 should be divided according to sales territory amongst the “Platinum” distribution partners. As a consequence, this would mean that these category 2 and 3 distributors then might have to re-negotiate their discounts with the newly instated “Platinum” distributors. For the

Case Company this would have the advantage that they only have to deal with three distributors directly. This would save time and costs and of course it should also lead to an increase in turnover/ profit by at least twice compared with the current situation. In the best case the turnover would even triple but it is hard to predict the future development of the economy in general and of the target market in particular.



*Figure 9. Future Germany, 3 distribution areas Sitemap (2009).*

## 6.2. Conclusions

All the evidence from the research and the experiences made point to the direction that the general development of the German sales is positive. But as always in business life, there is room for improvement. The past one and a half years have shown that there are different categories of partners for distribution of the Case Company's products in Germany. Three main categories of distributors have emerged from the research and analysis process for this case study.

The development of the German healthcare system also plays a very important role and it is not yet clear what might happen in the future but it is clear that the system will continue to be altered and changed regularly. It is clear that Germany has to continue to introduce healthcare reforms because keeping the social healthcare system running will cost more and more money. Therefore the German government has to find ways to allocate the available resources most efficiently while find new sources (higher tax, etc) and cutting back on the social element by making the German citizens take more responsibility for their own healthcare.

The German market or any market for that matter is constantly developing and changing, and it is important that a foreign company doing business abroad is informed and up-to-date on the developments in the target market. The effect of cultural differences on the business abroad is not a subject of this case study but even though the cultural difference between Finland and Germany are small, they still affect the Case Company's export operations. Not every concept and idea that works in the domestic environment will also automatically work abroad. The Case Company has realized this and therefore tried different measures in the past to ensure they understand the market environment. The subsidiary and the employment of a country manager from the target country are evidence for the Case Company's commitment to the export market Germany. This will be rewarded, because commitment will lead to success if it will endure any struggles and difficulties in order to overcome them and be successful in the end.

### 6.3. Discussion

As mentioned already before, the results of this research may not be generalized. One reason is the field of business which requires more attention when planning marketing activities or developing products and trading them domestically and internationally. Further the business field also creates higher requirements for the possible partners, whether it is on the domestic or on the international market does not make a difference in that case. In the field of business this research can be of more use, besides the general information's and findings on internationalization which can be of interest even in other fields of business there are some specific issues targeted that are a general issue of interest for internationalization in that field of business. A good example for this would be the partner selection process as such, while it is important

in any business field there are special requirements in the medical device business which need attention and holistic consideration.

The Case Company and especially the operations in Germany should be in any case be able to benefit from this case study. The thesis introduces many findings which can be addressed individually and are valid not only for export operations in Germany but might be even used for export considerations in general. The country manager for Germany will profit for this work directly because it can be used as a tool in the argumentation process to implement the herein suggested strategy for Germany. This will again lead to the Case Company profiting from this thesis since if the findings and recommendations of this case study can be implemented it is likely that financial success will follow.

Already at the start of the thesis process the main concern was, that the research questions and problems were relatively wide. Even though it was attempted to narrow the topic down as much as possible, it still turned out wider than might be indicated good for a BBA thesis. Nonetheless the author felt it was necessary to answer the research questions and problems indicated in the first chapter of this thesis. The main reason was that the usability for this thesis would otherwise be severely limited. The author intends to use the research for his work and implement the results and recommendations after consideration with the Case Company. Further there is even a possibility that a future master's thesis could pick up where this case study left off.

The actual reliability, quality and validity of this case study derive from the approach and the experiences beyond those which are mentioned in the thesis paper. Since the thesis paper only contains those interviews and meetings which were deemed most important and valuable in providing data and clues for the answering of the research questions. But through daily interaction with Case Company staff and distributors not only from Germany but from all over the world the author was able to develop a understand of the subject and processes that enabled this thesis to become a collection of "real" information which enable conclusions and offer findings and clues that build up a reliable case study. The combination of theory and practice is evidence for the quality of this thesis.

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*APPENDIX 1 Sets of Interview Questions for Case Company Personnel*

How did the Subsidiary come to life?

- Which Year founded?
- Aims?

Spain:

- Since when did the Spanish Sales Agent work for us?
- Was he paid by Case Company?

How about the USA Case Company Department?

- When did it start?
- How are we involved with it today?

OEM Partner basic info:

- Since when?
- What about the limitations in sales?

What do you think would be the ideal distribution situation for the Case Company in Germany?

How about the USA Case Company Department?

- When did it start?
- How are we involved with it today?

In your opinion, is the Case Company competitive enough in the export markets?

- Yes / No , what are the main reasons?

In your opinion, what is the Case Company's competitive advantage?

What would you in general see as the ideal situation on any export market?

- Which of the Case Company's current export markets is closest to this ideal situation?

What does the Case Company need to achieve the most, in order to be successful in foreign markets?

What do you think would be the ideal distribution situation for the case Comapny in Germany?