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# An Entry Model of Channel Selection for the Indian Market

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<p>The case company of this thesis is struggling with sales and revenues from its local markets due to rising technological competitiveness in the industry of hi-tech devices and availability of automated solutions in the European markets. Another reason is the tough competition from technological giants and their huge investments into R&amp;D which revolutionized the industry of technology, while leaving micro and macro level entrepreneurs with financial challenges, especially in countries like Scandinavia.</p> <p>The purpose of this study was to provide a robust model for the selection of potential business partners in foreign emerging market (in this case India) as a solution to an existing problem with sales and revenue that the case company is facing over the last few years.</p> <p>The study was conducted using qualitative research methods, including interviews of the CEO of company. Additionally, observations of working in the organization were used for finding the necessary information about the company's needs. The current state analysis helped in the evaluation of important KPI's and brought into light the issues to be considered as vital factors for the theoretical framework. The theoretical framework was built using books and best practice materials, videos from YouTube (about online channels) and other related materials. The main topics were Channel Development plan, Entry strategy for the Indian market, and Emerging markets of the world.</p> <p>The outcome of the thesis is an entry model for the channel Selection for the Indian Market that also provides options of available agreement types that suit the needs of foreign company while putting its feet on the Indian soil. The proposed model should decrease the company's efforts in finding the appropriate channel partners in India and it should help to boost up its decision making while selecting modes of channels and their respective types. Additionally, the second half of the proposed model consists on most suitable agreement types which could be helpful for a foreign trader in far distant country.</p>	
Keywords	Channel Development, Channel Management, Emerging Markets (BRICS), Key Performance Indicators (KPI)

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## 1 Introduction

The thesis develops and presents to the case company an Entry model for channel selection for the Indian market. The research methods used are qualitative and data is extracted from researching the existing knowledge available on channel development and partners and foreign emerging markets in the world (Especially for this case, India). As a result of a comprehensive and detailed research, conducted via the research design, resulted into an entry model with the most suitable choices of distribution channels in the expected foreign entry market. The more details are presented in the upcoming chapters of this paper.

### 1.1 Case Company

The case company of this thesis is A-Lab Oy, a Finnish Hi-Tech company operating from its head quarter in the city of Keuruu - Finland. It has specialization in the field of measurement and control technology, data gathering, and administration in wireless monitoring systems. Additionally, it uses internet to connect real time data from devices of data collection to the screen of user interface, where it could be used immediately for forecasting or decision making purposes. The company promotes its major ideology via four characteristics used as basis for the development of all products and equipment's, which are Innovativity, Technology, Adjustment and Efficiency (A-Lab Oy, 2018).

It is important to mention that the company manufactures the products which are targeting the niche market of users. The table below shows a few examples of the products.

Table 1. Few examples of devices from company



At this stage, the company is developing all of its devices from "scratch to delivery" at its own, which means only logistics and manufacturing is out sourced.

## 1.2 Business Problem and Objective

The company has direct selling partners in Russia, the Netherlands and indirect partners in India, which makes it quite established name in European countries already. As a contrary, for the last 4-5 years, India has been facing financial challenges on annual basis, and it is causing delays in the payments of loans and other liabilities. Consequently, during the internal meetings of administrative decision makers, it revealed that

due to tough technological competition from many new companies, young entrepreneurs, the company is losing its grounds. Plus the demand of products is lower than the production and choice to select from, causing their sales perform badly on quarterly basis. Therefore, it was decided by the governing body that there are several direct and indirect factors causing us to face these challenges and as a result company needs to explore new markets to increase their revenues.

In connection with the above mentioned problem, the company has indirect partners already in India, which are through its partners from Holland. But now new situation has arisen, it wants to establish direct link, network and relationship with the possible potential channels to sell the products. With this in mind, the prime objective of this thesis is *to design "An Entry Model of Channel Selection for Indian Market"* which the company could use in the future to extend its business across the continents.



## 2 Method and Material

This section describes the research approach and shows the research design selected for this study. It also describes the data collection and analysis methods used in this Thesis.

### 2.1 Action Research Approach and Design

This study started by identifying the problem of the company and then choosing the most relevant, related and useful information to propose a solution of respective issue.

In this thesis, Action research is used as the approach to conduct the study, since the company requires solution which can be implemented in future, rather than suggesting theoretical framework around it. There were many possible models and frameworks found during the study. As a result, best practices were chosen for the further considerations by the company as strategy model in the future for Indian market.

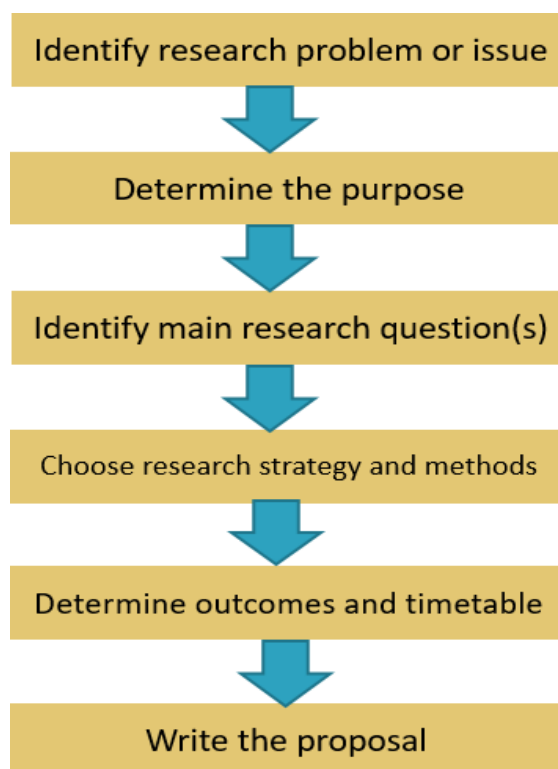


Figure 1. Research design for the thesis

The above mentioned picture is further described as the process of conducting the entire research starting with the Action research plan which consists of three major steps:

- i. Identifying the problem
- ii. Researching to explore the problem
- iii. Finding a possible solution
- iv. Evaluating the final proposals as solutions.

## 2.2 Data Collection and Analysis Methods

Most of data was collected via utilizing qualitative method, for instance, direct interviews (face to face) with CEO of the company. A questionnaire was prepared to acquire information about the current state of marketing, financial and strategic planning, vision and positioning of the company (Appendix 1). The information on the future strategic goals and financial milestones was extremely helpful to design the framework for research. It was further analyzed for the purposes of designing, aligning and creating research structure towards possible solution.

The details of data collected during phase 1 examined the current state of the company. The details are elaborated in the table below.

Table 3. Detail of data 1-3 collections.

Data Round	Contents	Data source	Date & Approach	Outcome
Data 1 Current State Analysis	<ul style="list-style-type: none"> <li><input type="checkbox"/> Evaluation of financial goals and strategy for future</li> <li><input type="checkbox"/> Identifying company's needs</li> <li><input type="checkbox"/> Understanding the needs of Change</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Interview of the CEO of A-Lab Oy</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> 08.07.2019 in Jyväskylä city</li> <li><input type="checkbox"/> Interviewed lasted up to an hour</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Company needs</li> <li><input type="checkbox"/> Analysis on company's marketing situation</li> <li><input type="checkbox"/> Analysing customer segmentations</li> <li><input type="checkbox"/> Study of KPI's</li> </ul>
Data 2 Entry Model for the Indian market (Building the Proposal)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Study of Channel's structures</li> <li><input type="checkbox"/> Research on Possible and potential marketing partners/Channels</li> <li><input type="checkbox"/> India as an Emerging Market</li> <li><input type="checkbox"/> Construction of Strategic model for new market</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> CSA</li> <li><input type="checkbox"/> Books</li> <li><input type="checkbox"/> Online materials on the topic</li> <li><input type="checkbox"/> Youtube videos</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> From August-2019 to March-2020 (Self- study or research)</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Initial proposal in the form of "Strategy model for Entry in India"</li> </ul>
Data 3 Validation of the proposal plus feedback	<ul style="list-style-type: none"> <li><input type="checkbox"/> Changes or updating/Improvement ideas in the proposal after the feedback</li> <li><input type="checkbox"/> Validation of the proposal by the CEO</li> <li><input type="checkbox"/> Follow-ups</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> CEO</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> 10.05.2020</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Final proposal of the "Entry model of selecting channel partner for the Indian Market"</li> </ul>

### 3 Background of the Selected Market

This section looks into the background of the market selected by the case company for the entry. This section brings to light some facts and figures to evaluate India as an emerging market and its suitability for the investors.

#### 3.1 India as an Emerging Market

The concept of emerging markets came into existence during the 1980's during 80s World Bank wanted investors to invest in the developing countries, the term developing countries did not sound very tempting for them, as a result this scheme was not well appreciated in the investor circles. So, the World Bank employee named Antoine Van Agtmael first introduced it to the world as "emerging markets". Since then, it has been floating around the globe.

Now, during the last decades, the criteria for the selection of these markets have been very much dependent on the grading company or organization. In this connection, MCSI (Investment Research Firm Inc.) is a leader in providing analytics services to global investment partners with an experience over 45 years. Its main focus is to analyze the Stock exchange or the market of country, because it helps to motivate investors towards that economy.

In this connection, the criteria used by this organization to evaluate any emerging country is elaborated further in the table below.

Table 2. Criteria to evaluate emerging market (MCSI-Investment Research Firm Inc. 2019).

<b>Macro-economic Variables</b>	<b>Leading indicators and market variables</b>
<ol style="list-style-type: none"> <li>1. Sustainable economic growth</li> <li>2. Monetary policy, price stability</li> <li>3. Fiscal discipline, debt position</li> <li>4. Trade, current account balance</li> </ol>	<ol style="list-style-type: none"> <li>1. Business Cycle: OECD Composite leading indicator (CLI)</li> <li>2. Risk Aversion: CBOE Implied Volatility Index (VIX)</li> <li>3. Interest Rates: US Treasury 10-Year constant Maturity</li> <li>4. The US Dollar: US Dollar Trade Weighted Index</li> </ol>

The exact combination and selection of countries that belong to this block and named as BRICS (Brazil, Russia, India, China and South Africa). These countries are contributing a crucial role as the driving force for the global economy. For this research, the company used for the thesis has decided to target India as their next destination based on their business strategy. According to Enderwick (2007), “we have identified four principal motives to entering large emerging markets such as China and India: to serve markets, to lower costs, to gain access to resources, and for the purpose of learning. These motives are not exclusive and over time may converge.”

### 3.2 Current State of India’s Economy

India has had been an important player in the global trade for many centuries. Europeans, central Asians and Far East Africans have been trading and travelling to this country for spices, cotton, metals and precious stones. In fact, British historians and rulers often referred it as a “Golden sparrow”. India got its final independence from Britain in 1947 and after that it has faced huge jumps and shakes in economical arena. It was during 1990s when the government of country decided to integrate social and democratic economy to more customer oriented approach in businesses.

In addition to that, since the dawn of century, this country's economy has been on rise with huge improvement in the employment rates by bringing 271M people out of poverty levels. "The market for consumer products and services is enormous, and western firms must not ignore rural markets since three quarters of the Indian population live in rural areas. As income levels in rural areas are also rising, companies can find significant opportunities which are relatively untapped (Krishna, 2001)".

According to UNDP (United Nations Development Plan), 2018, this has been phenomenal growth in the economic outlook of the country.

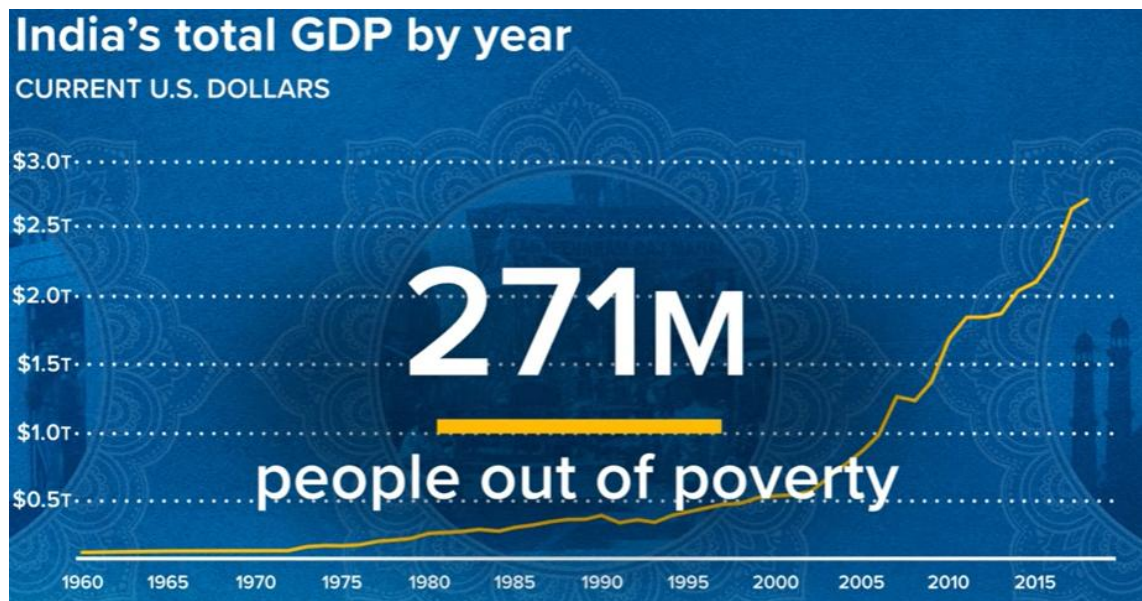


Figure 2. An illustration of economic growth's graph (UNDP, 2018).

On the other hand, another major factor to evaluate its growth could be access of civilians to the basic needs of life, for an instance, electricity. The figure shows the growth in the number of people to access this utility from 70% to 93% between 2007 and 2017:

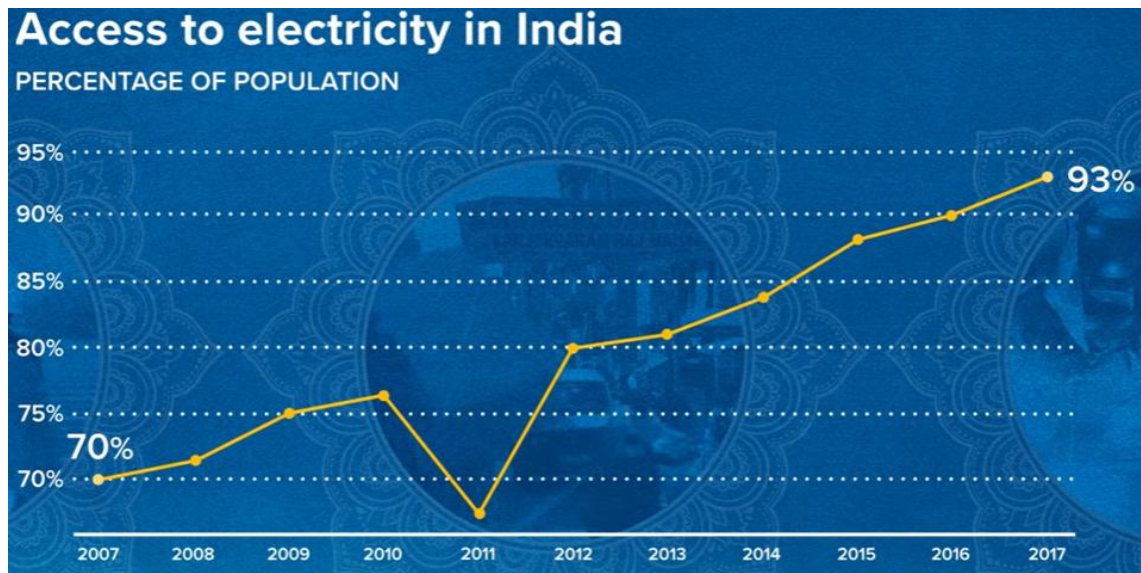


Figure 3. An illustration of country's access to electricity (World Bank, 2019).

Any economy growing at a rapid speed need infrastructural mega projects especially to elevate the living standards of people associated with smaller or rural areas of country. In addition to that according to US Commerce (2011d), “airport and ground handling, education, electric power generation and distribution, food processing, industrial textiles, machinery, and mining and telecommunications equipment have been highlighted as some of the areas with significant growth prospects in India”. On the other hand, Indian government has had always strong economic, political and trade ties with commonwealth countries such as Britain, Australia, Canada and New Zealand and has used it purposefully in the past. According to Sachdeva (2007), “the country has over 50 bilateral investment treaties which have allowed it to attract capital from developed countries” (Sachdeva, 2007).

Foreign investments might find some business areas highly easy to enter and flourish, for an instance, Agriculture, Fashion and Food industries. On the other hand, vice versa situation arises in other field where government is very strict with the implementations of laws e.g. Health, telecommunications and real estate. Since, the country is poorly developed in rural areas towards infrastructure, this might cost companies extra costs of logistics, labor and land usages plus access to daily utilizes can be challenging, e.g. water, sanitation, markets, hospitals are normally not facilitated properly.

## 4 Conceptual Framework for Building the Market Entry Model to the Indian Market

This section discusses how to build an entry model to the Indian market based on the materials, books, videos and other available knowledge on the chosen topic. The goal is to shed light on the possibilities of business ventures abroad through the concepts and arguments by various writers. This section continues from the topics of Emerging markets, BRICS (Brazil, Russia, India, China and South Africa), investing in foreign land and channel development discussed in the previous section. The influential factors which are explaining the elements of foreign markets for businesses are kept on “priority list” in the next part.

### 4.1 Foreign Market Entry Strategies

Businesses always need new ideas to achieve financial strategic goals especially in today’s competitively demanding markets. Going abroad for companies is challenging since, it requires knowledge and skills to handle various internal and external market variables. The risks involved in foreign markets can be hidden until or unless it is tried and tested via full market analysis and with the help of local cooperatives. Mitra and Golder (2002) found that “in the large multinational consumer products companies they studied, knowledge gained by the corporation from working in similar cultural and economic environments around the world was a most important determinant for firms choosing to enter particular markets”. In the same manner, company’s own capabilities must be well aligned with their business strategies for internationalization. Evaluation of resources, processes and audits might help in the right selection of prospective market. Paliwoda (2003) suggests six factors to be taken into account:

- *Speed*: How quickly does the organization want to enter the market and what share will it obtain in the time scale?
- *Cost*: What are the cost of the entry methods and which represent better value?
- *Flexibility*: How much flexibility is needed? i.e. what are the alternatives if things do not proceed to plan?
- *Risk*: What is the organization’s view on risk, including financial, reputation, economic and social?



- *Payback*: How quickly does the investment need to generate a profit, or what level of profit is needed by a certain date in time?
- *Long term profit objectives*: What are the long term plans for the market?" (Paliwoda 2003).

Additionally, all products developed for selling require a proper stream of "selling life cycle", in the case of foreign investment to new market requires extra effort to ensure that it uses right channels by confirming certain requirements of corporate world. Nevertheless, there should be a concrete criteria and model which should elaborate the strategic developments while selecting a channel. In this connection, let's look at few major factors towards the country selection, Isaiah et al. (1968) suggested "the use of a country temperature gradient to classify countries". Their classification system is based on the following characteristics:

- |   |                           |
|---|---------------------------|
| 1. Political Stability                  | 2. Market Opportunity     |
| 3. Economic Development and Performance | 4. Cultural Unity         |
| 5. Legal Barriers/Restrictions          | 6. Physiographic Barriers |
| 7. Geo Cultural Distance"               |                           |

The selection of particular foreign markets is always dependent on the choice of organization's business goals. Simultaneously, Zimmerman and Blythe (2013), present a framework for foreign market entry consideration:

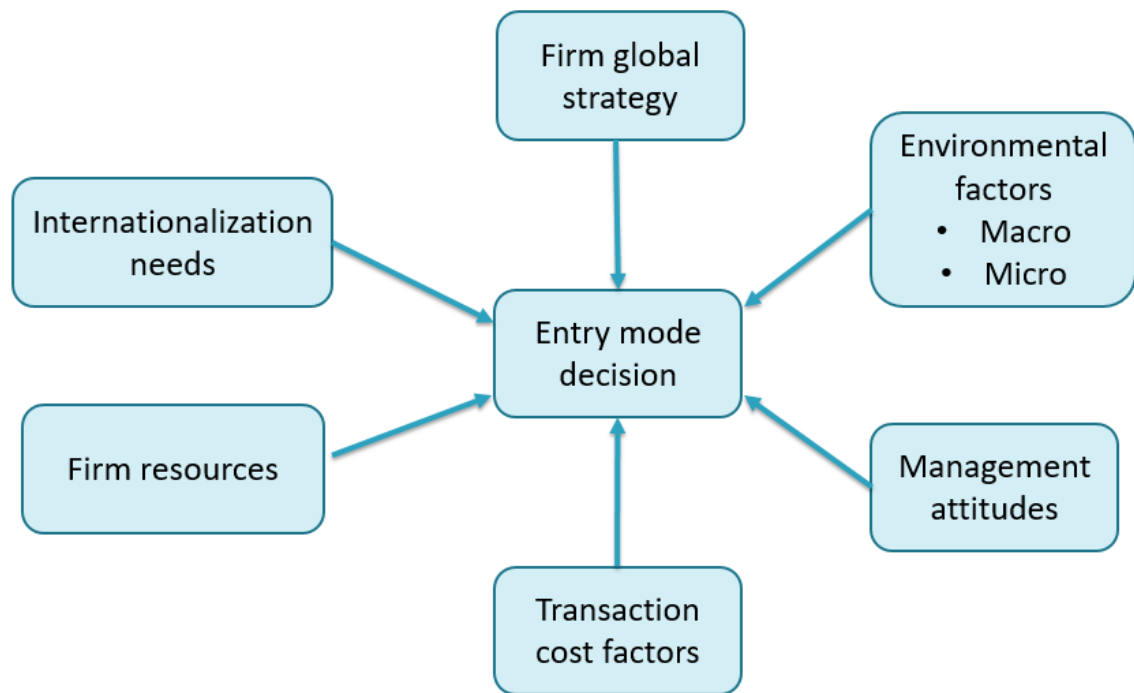


Figure 4. Foreign Market Entry Considerations (adapted from: Kim and Hwang 1992; Bradley and Gannon 2000; Czinkota and Ronkainen 2004; Buckley and Casson 1998).

While evaluation international markets, pricing can be crucial factor, since it has to be evaluated based on certain financial factors. Hollensen (2004) suggest the following pricing strategies:

- Pricing across products (product-line pricing)
- Pricing across countries (standardization v differentiation).

According to Meyer et al. (2009), “doing business with emerging economies brings with it several challenges for companies. New tasks unfamiliar environments, and greater uncertainty mean that a company needs to assume additional and greater risks” (Meyer et al., 2009). The company operating in its own territory is somehow used to with the bureaucracy and understands ins and outs of the local market from its previous experiences. International organizations are now a days providing very important business stats and data to foreign investors which can be extremely helpful in decision making for new entrants in market. Many researchers and firms are using “Delphi techniques” to conduct the market research for a certain country before launching their product. This technique can be extremely useful in generating crucial insights and factual data.

According to Tamer, Pervez and Ayse (2013), the main entry strategies can be grouped into three categories:

- a) Trade based entry modes (including indirect and direct exporting)
- b) Contractual entry modes including licensing, franchising, technology transfer, counter trade, counter purchase, buyback, offset, clearing, management contracts, contract manufacturing or subcontracting, turnkey projects and infra-structural projects
- c) Investment entry modes, including a marketing subsidiaries (which include company-owned sales, service and distribution networks), joint ventures, and foreign direct investments (which include mergers, acquisitions, and holding companies).

#### 4.2 Channel Structure

The financial strength and stability of the organization defines how big or small structure of the channel it could afford? This will be affecting directly to its range of services and customers. Particularly while exporting abroad, many organizations are not interested in handling all the features of sales in foreign land e.g. marketing functions, political policies, foreign exchanges and many local facilitating services. This makes structural configuration very crucial to build the relationship with new markets. At the same time, the relationship of channel members is important to discuss, since inside the channel there can be members belonging to different suppliers but still working in same channel, this can cause "conflict of interest" at some point. Therefore, the structure needs to define the roles of its members beforehand to avoid conflicts in later times. Also, members are ambitious and excited to build their own interests and power behind the scenes (it depends on the cultural working environment a lot). Although, in many developed or western cultures, this issue is resolved via merit systems.

Even though intermediaries can help to access targeted market quickly, easy and at low level costs, still in some cases the role of the channels is more than the availability of the product for an end user. Therefore, the structural alignment, objectives and goals of both the parties should be in alignment and relation with each other. In this regard, O'Shaughnessy (1995) defines that are certain expectations from the role of the distribution channels:

- i. Creating Purchase Opportunity
- ii. Promotional Role
- iii. Service Role
- iv. Social Role.

The right choice of channel enables business to access the loyal customers attached to it. Therefore, in some cases combination of direct selling and using intermediaries can help to reach far more customers and end up with new committed audiences.

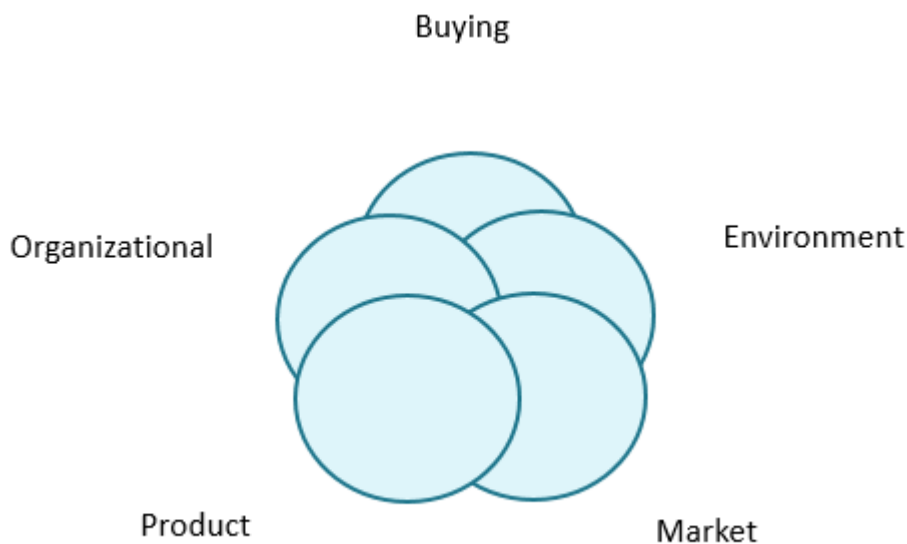


Figure 4. The actual choice of channel (s) can be influenced by five factors (Brassington and Pettitt, 2006).

Even though a specific market research on the available channels in the target country would help before moving there, an open research on the internet could be good option to do a prior research.

For example, the emphasis on “go green” campaign or environmental concern all over the world has put pressure on organizations while choosing their partners. As a result, some are reducing their channels to minimize the risk of being under scrutiny for global warming etc. (especially when dealing with channels in developing countries). Never-

theless, reducing networking partners can be because of repositioning of the business purposes/concern as well, for an instance, to reduce the budgets or pricing. Since, the existence of relationships with partners is directly dependent on the size of business and it reflects impacts on the financial stability of company. On the other hand, there are certain elements which are needed to be evaluated continuously with the passage of time so that the relationship remains strong between both the parties.

### 4.3 Channel Types

In the above discussions it has been established that the selection of channel partner is such a crucial part in the business development and revenue generation process, so that it can affect the whole life cycle of the sales for company and in some cases could affect the brand value of product as well. According to Cavusgil et al., "management in the focal firm must decide the type of partners it needs, identify suitable partner candidates, negotiate the terms of relationships with chosen partners, support the partners, and monitor their performance" (Cavusgil et al. 2014).

The range of possible channel options for abroad businesses can be further explained with the help of following diagram:

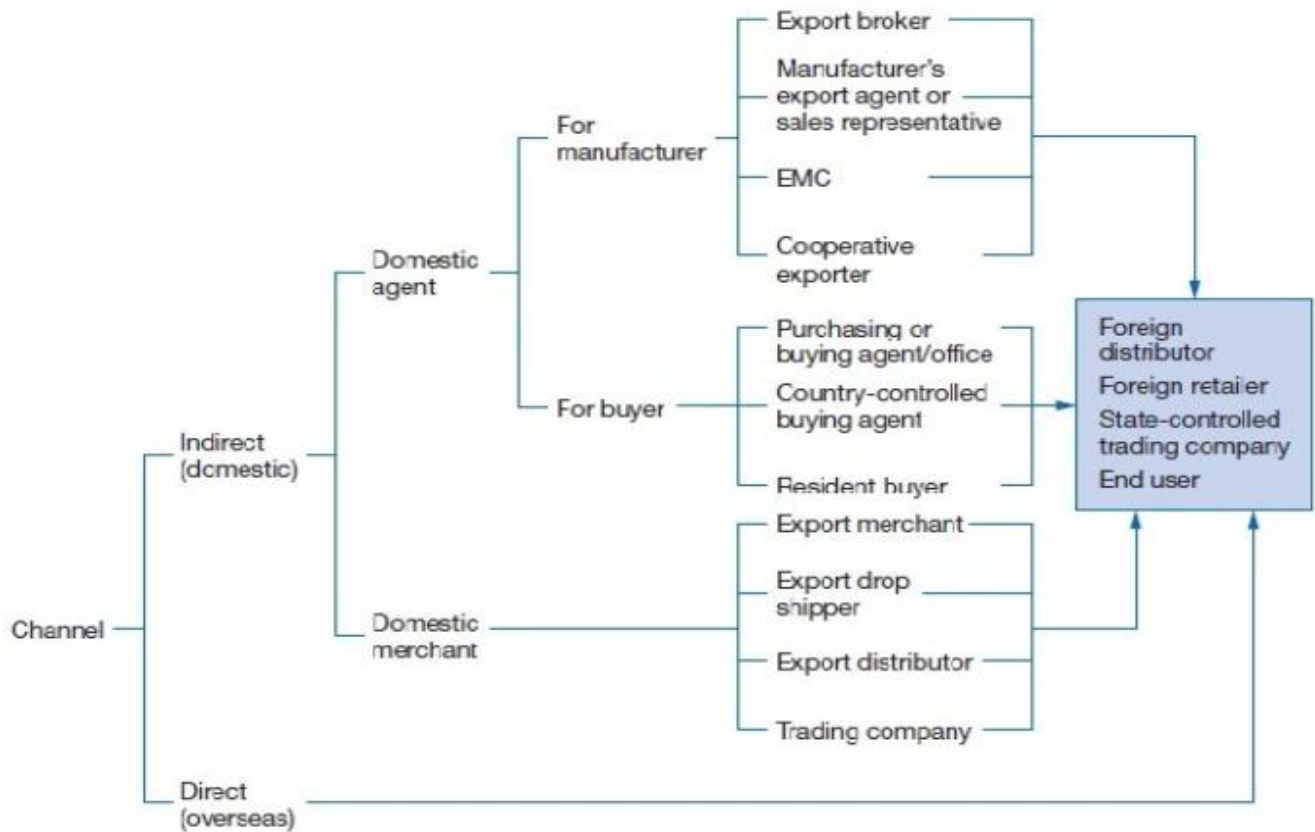


Figure 5. International channels of distribution (Onkvisit & Shaw, 2004).

As seen from Figure 5, a reliable distribution channel can be an ultimate strength for business network and in the creation of competitive advantage over competitors either locally or globally. There is possibility of direct and indirect channels according to the strategic planning to access the market.

According to Czinkota et al. (2004), “a channel of distribution should be seen as more than a sequence of marketing institutions connecting producers and consumers; it should be a team working towards a common goal”. It is totally up to the requirements of organization to choose between them, it is challenging to obtain productive channel partners to ensure financial benefits and corporate objectives are achieved simultaneously. In rare situations, companies might use mix of both the channels in order to reach diverse segments of customers. Now, the question of conflict between different channels occurs, e.g. they might use different marketing strategy and pricing. This can be slightly tough to manage since the brand’s credibility can be affected. At the same time, business models of different channels should be in accordance with the strategic goals of their partners/supplier to ensure the strategic coherence.

#### 4.3.1 Direct Channels

In the case of direct selling, this form of channeling is developed where manufacture contact or sells through their direct partners via agreement and contracts based on international framework and standards. It is important that the channel understands “demand and supply” phenomenon and can fulfill it adequately. Normally, organizations expect from channel partners, a reduced cost towards higher sales and customer’s satisfaction via reaching huge markets (at the same time). This is why, the role of middlemen is not constant variable, and it can vary from business to business.

The selection of right middleman involves strategical managerial approach and it must not only be reaction to pressure of market. The detailed picture of direct channels is already mentioned in the above page and it is now discussed in parts in the following part:

##### **i. Foreign Distributor**

This form of channel is owns the rights for distributing the products of manufacturer in foreign market. Normally, distributor buys directly but can sell it through secondary or intermediary which means the product reaches final consumer through third party. According to Cavusgil et al., “a foreign market-based intermediary that works under contract for an exporter, takes title to, and distributes the exporter’s products in a national market or territory, often performing marketing functions such as sales, promotion, and after sales services” (Cavusgil et al. 2014).

This practice is common where either the countries are far away from each other and the access or demand for the product in the market is not enough. For an example, an IT Company from USA reaches its partner in African country to sell their CRM software, but the demand for such a product is very small and can serve only a niche market. Now, there might be many hi-tech companies which could use this product. In this situation, company from USA needs right distributor to conduct research and connect them with correct end users. In most of the cases, retailers can be distributors as well, it is totally dependent on the co-relation and structure of the market.

Dealing with the direct partner is always beneficial for the brand equity and monetary transactional matters. Additionally, it helps to solve the hustle of infrastructure for the foreign company since, exporting from abroad is always done in huge order and can

end piling up them in host country. In most of the case, distributors are responsible for the warehousing of products and it is part of the cost management in the contracts. There can be additional costs associated, e.g. personnel, accessories and spare parts must be paid attention while designing annual budgetary costs.

## ii. Foreign Retailer

Retailers prefer to be in direct contact with the foreign manufacturers in order to reduce the costs of middleman and obtain discounts based on annual or quarterly sales. Technically, retailers are best option to sell products which can reach huge populations and market share is higher than usual products. "Retailers are a distinctive category of international service firms that usually internationalize through FDI (Foreign Direct Investment) and collaborative ventures" (Cavusgil et al. 2014). For an instance, consumer products are listed as food, garments, vehicles and cosmetics are best suitable for retailing businesses.

According to Onkvisit & Shaw (2004), "if foreign retailers are used, the product in question must be a consumer product rather than an industrial product". This means that understanding the product and its right customers can help to choose the right channel as well. In the case of foreign companies, it sounds expansive to reach retailers by visits. On the other hand, the other means of communications might not be attractive to catch retailers attention although quite cheaper e.g. mailing, email etc. This problem can be solved via business networking.

## iii. State-Controlled trading company

While dealing with foreign countries, it is pertinent to mention that some countries are still run by state-owned industries. This situation is mostly witnessed in social and communist countries. According to Onkvisit & Shaw (2004), "Hungary has about a hundred state trading organizations for a variety of products, ranging from poultry to telecommunications equipment and for both imported and exported products" (Onkvisit & Shaw, 2004). This can be leading to state owned monopoly as well for the foreign investment and is mainly designed by governments to intervene their influence in the businesses in order to keep things in the governmental controls.

In most of the cases, this allows foreign investments only in certain fields, for an instance, exports of raw materials, machinery, agricultural equipment and devices for the



medical care. This can result into neglecting consumer good and items not to be imported to country, which can result into the monopoly of the local generators and manufacturers. Generally state owned businesses and governments use their networks to bring foreign investments leaving private companies out of the competition or sight.

#### **iv. End User**

Selling products directly to the last user or consumer is the most beneficial for any company. It helps in the product, and business development via the analysis of key performance indicators and strengthens in making decisions for forecasting or predictions of sales. Around the globe, when businesses are selling products in their respective local markets, they deal directly with their consumers. For an overseas company, now a day's reaching its user is possible via E-Commerce. According to Gregory et al. (2007), "e-commerce is an environment for presenting, trading, distributing, servicing customers, collaborating with business partners, and conducting transactions using electronic technologies such as the internet" (Albaum, & Duerr, 2011). Many products are sold directly via online platforms. Recently, with the success of Amazon, Alibaba and many European and other international online seller of products are part of this direct selling to the end users.

That being the case, there are few side effects of selling abroad via online systems, e.g. shipping costs and time, freight rules and regulations, and certain countries have restrictions on materials, products which are not known either by the manufacturer and user (who has ordered it without checking its local laws). Last year, Amazon reportedly collected hundreds of thousands packages shipped from Chinese companies to American users, which were either categorized as products of low materials and there were issues of counterfeit rights on logos and trademarks. This has raised concerns over many loop holes in the international trade systems.

Although, e-commerce has stolen huge sales from local manufacturers due to its ease and accessibility to far fetch parts of the world. Additionally, its reliability check is under scrutiny because of fake and mediocre sellers, retailers and distributors using websites for sending products which do not comply with the consumer rights and as a result, final customer suffers from the loss of money. Amazon has recently raised its concern that many middleman has been using its E-Commerce platform under Groceries and Gourmet Food, with Shipped free via Super Saver Shipping or Amazon Prime, have

not been delivering products according to the agreed rules and regulations. This means items being delivered via third party have been received tempered and already expired. Now, it has questioned the reliability of such a huge brand and containing biggest market share in the field of online business. Although, Amazon gave statement that “we require selling partners to abide by strict product quality guidelines and our team have robust proactive system in place to prevent expired goods from being shipped to customers” (Amazon.com, 2020).

#### 4.3.2 Indirect Channels

This section will discuss different options available for the manufacturers to sell or serve their customer in foreign markets with the help of intermediaries or indirect partners. These networks are mostly locally located and companies are surer to rely on them as their credibility can be easily analyzed. These middlemen then send the products to other countries based on their own networks, connections, channels or partners. In this way, manufacturers deal with international audience via indirect support of business partners.

According to Onkvisit & Shaw (2004)” indirect partners are divided into two major categories:

##### **A. Domestic Agents**

This type of agents never take title to the goods, regardless of whether or not the agents take possession of the goods. “An intermediary (often an individual or a small firm) that handles orders to buy and sell commodities, products, and services in international business transactions for a commission” (Cavusgil et al. 2014). These agents are further divided into two categories e.g. for manufacturers and for Buyers. In the following section, the details of branch from manufacturers is discussed:-

##### ➤ **Export Broker**

Broker is normally a middleman between buyer and seller, thus it can be a specialist in contractual arrangements and agreements. It is commission based job for many exporters. Since, it is job of broker to connect two different parties, therefore, it needs to have specialized skills and knowledge on certain products in order to find right combination of partners for those items. It can result into specialization of one or two prod-

ucts by the broker though. For an instance, a broker knows factory owner of leather cloths and on the other hand, it might know a potential buyer in Europe, so it can make a deal between the two strong candidates of potential business by asking his price for the deal.

➤ **Manufacturer's export agent or sales representative**

This category is an independent businessman working as an agent or representative for the broker but not a manufacturer himself. Sales person is free to decide the potential market and customer and is responsible to market and present brochures and materials accordingly. Normally, his travel expenses are not bearable by manufacturer and the job is purely commissioned base. It can be contractual based job as well since it is normally continued after certain period of time of contract ends.

"A manufacturer can avoid fixed costs associated with having its own sales and distribution organization when it employs an agent, since the commission is paid only when sales are made" (Onkvisit & Shaw (2004). Although these agents are specialized in certain products, by which they ensure certain rise in the sales for company and hence get their commissions out of it. In some cases, representatives can use several products of same category to sell them in order to produce best sales rewards from popular items among customers. In the same manner, manufacturer can use its agents for pilot projects to analyze the customer behavior, segmentation and orientation.

➤ **EMC (Export Management Company)**

EMC can represent many manufacturers at the same times, since it is independent organization, it does not hold any own products rather acts as a middleman. "A Domestically based intermediary that acts as an export agent on behalf of a client company" (Cavusgil et al. 2014). In other words, it is more of a manufacturer's distributor than its representatives. Additionally, many other functions can come under the umbrella of EMCs, for an instance, it can do market or customer research and analysis, plus help in finding the suitable channel partners. As an organization of certain skills, it deals with patents, copyright, shipping and forwarding jobs too.

According to Cateora & Graham (2005), "the major disadvantage is that EMCs can seldom afford to make the kind of market investment needed to establish deep distribution for products because they must have immediate sales payout to survive" (Cateora

& Graham, 2005). It is important to remember here that EMCs rely their commissions from sales, which means they focus on manufacturer's quantity of good to be sold rather than quality of product. It results into not an ideal situation for marketing in foreign markets.

#### ➤ **Cooperative Exporter**

This type of exporter is manufacturer and sending products to abroad same time, therefore, it is primarily working just like any other agent. It can be middleman between brokers, representatives and agents as well. For example, if it handles logistics for certain business of other exporters that is counted as cooperative exporter. Since, it has interest in marketing of its own products and bearing, sharing of the costs with other exporter, hence two exporter with same interest in the product and market can join hands for this venture.

According to Onkvisit & Shaw (2004), "because of these activities, a cooperative exporter is often referred to as a mother hen, a piggyback exporter, or an export vendor" (Onkvisit & Shaw (2004). Now, the only disadvantage in the relationship between two exporters can be when one wants to promote new product which is competitive to the other. Otherwise the cooperative part is quite suitable and successful in exporting products abroad.

#### ➤ **Purchasing/buying Agent**

"A purchasing/buying agent represents a foreign buyer" (Onkvisit & Shaw, 2004). This agent belong to the country in which the exporter is interested to enter, therefore, he is likely the best choice for the product's sales. It has specialized networks with other organizations which can be potential customers for overseas exporters.

Additionally, agents are also responsible for the logistics and shipping handling in the host country, this can be considered as an advantage by the exporters. By keeping this in mind, relationships based on commission are not continuous in businesses to avoid any risk taking. Since, it is commission based job and agent is responsible to gain best prices for the product of client, it is obvious that he would find the higher price markets.

#### ➤ **Country-controlled buying agent**

This type of agent is considered as an extensive form of the purchasing agent, there is a slight difference in their functionality which is described by Onkvisit & Shaw (2004) as “the only distinction being that a country-controlled buying agent is actually a foreign government’s agency or quasi-governmental firm”. It means that it has governmental authority and power over the machinery in the country e.g. beauraucracy and semi-governmental institutions as well. Therefore, it is necessary for this agent to have permanent office locations to be used as formal offices.

➤ **Resident Buyer**

Another sub-type of buying agent with more specific description of its functionality. “The resident buyer is an independent agent that is usually located near highly centralized production industries” (Onkvisit & Shaw, 2004). Its unique functionality for the foreign exporter could be helping out in the selections of the right locations to set up businesses. Additionally, it continuously follows a certain business sector which makes it capable to suggest product development approach for the exporters. On the other hand, as it is clear that time saving factors is important for exporters and this agent has the information to handle those factors effecting the delays in decision making e.g. pricing, taxation, quality control and legal documentations.

## B. Domestic Merchants

We have discussed so far the middlemen which do charge fees for their services but do not use the title or any other logo etc. of their foreign clients or exporters. Which leave them in less risk taking and slightly away from business developing type of companies. On the other hand, domestic merchants work as a complete organization and wish to build their businesses for good profits in deals with foreign investors.

➤ **Export Merchants**

This form of channel is usually independent in its decision making in selling or buying products from manufacturers. “The export merchant company is free to choose what it will buy, where it will buy, and at what prices. The same freedom exists for sales” (Albaum & Duerr, 2011). In other words, if manufacturers deals with this type of merchant, the whole marketing strategy (sales, marketing, merchandise, logistics, supply chain and services) for the product is handled by merchant. In this manner, the workload on the manufacturer is much lower than merchant.

On the other hand, since dealing with local exporters might restrict their networking and access to larger audience in far distant parts of the world resulting lesser access to bigger markets. Also, they have lesser skills on the product development issues and thus cannot help with the feedback to improve products or return information on the customer's thoughts on products sold to them. "They may carry competing lines, have full control over prices, and maintain little loyalty as they are profitable" (Cateora & Graham, 2005).

➤ **Export drop shipper**

It is a special type of agent which handles the freight, orders, shipment and export at the shipping sight only. "An export drop shipper, also known as a desk jobber or cable merchant, is a special kind of export merchant. As all these names imply, the mode of operation requires the drop shipper to request a manufacturer to "drop ship" a product directly to the overseas customer" (Onkvisit & Shaw, 2004). At the operational scale, the goods come under his ownership only for few hours at the shores while handling the shipments. Now, in this process order from overseas comes through export drop shipper to manufacturers, who receives order with payment and places the shipment to be sent via shipper.

This method is highly used for larger contracts and order (shipments), for an instance, bulk transactions of coals, metals, machinery and other raw materials between two or more different countries. At the shores, then whole process is handled with an extensive effort to reduce the cost of labor and by delivering large amount of consignments. The drop shipper agents are highly valuable in foreign exports because of their vast knowledge in handling supply chain for other countries, and know-how of different tariffs and taxation can reduce hassle of time, money and resources.

➤ **Export distributor**

This agent is considered as permanent source of foreign trade, since it has vast relationship and network in other markets. Normally, this distributor has authorized licenses to sell products in foreign lands. Even, though it is located in the land of the host exporter, it can still sell in other countries via the permissions or contractual agreements with exporters. It has the capacity to handle shipments and other cycles of trade up to

the foreign country. In some cases, it is referred as EMC as well because of its dealing with many manufacturers at the same time.

According to Onkvisit & Shaw (2004), “the export distributor usually sells the manufacturer’s product abroad at the manufacturer’s list price and receives an agreed percentage of the list price as remuneration; that is, the export distributor is either paid by commission or allowed a discount for its purchase” (Onkvisit & Shaw, 2004). Now, we can see that there is possibility of obtaining margin by distributor either from the exporter or then from buyer.

#### ➤ **Trading company**

“An intermediary that engages in import and export of a variety of commodities, products, and services” (Cavusgil et al. 2014). These companies have their headquarters located in most of the business hubs of world, for an instance, Brazil, Dubai, Hong Kong, Beijing, Tokyo and New York, so that they could conduct operations globally. Japan has unique success rate for the trading companies and one of the biggest are there as well.

In Japan, these companies are dealing beyond import and export sector, which means they cover wide range of other business sectors as well. According to Albaum & Duerr (2011), “they also play a central role in such diverse areas as shipping, warehousing, finance, technology transfer, planning, resource development, construction and regional development (e.g., turnkey projects), insurance, consulting, real estate, and deal making in general (including facilitating investment and joint venture of others)”.

#### 4.4 Determinants of Channel Types

Channels can be complex structure to refine, especially when dealing in new markets and involvement of more than one manufacturer is involved. Nevertheless, there are certain set of instructions which can help to evaluate and decide how a channel could be identified as potential candidate for selection while moving to a new foreign market?

##### 4.4.1 Legal Regulations

In every country, there are certain laws which are needed to be abide by its businesses and it can prohibit the use of certain practices as well. “France for an example, prohib-

its the use of door-to-door selling. Saudi Arabia requires every foreign company with work there to have a local sponsor who receives about 5 percent of any contract” (Onkvisit & Shaw, 2004). Although, this practice in Saudi Arabia has turned many locals into millionaires without doing any special thing in business field.

The legal bindings and laws effect the decision making powers of foreign investors resulting into relying on the ongoing infrastructures and social business practices in the country. This can affect the business when orienting the product segmentations and positioning. For an instance, EU has emphasized on the single market strategy for all the member states, it has helped countries to trade freely among other EU countries and access to the local markets and products has raised to an enormous height.

#### 4.4.2 Product Image

The image of product depends on how much effort manufacturer puts into it. If the product has good brand value already, it might not require an essential and expansive approach to reach bigger or new market instantly, since it has value behind it. On the other hand, for new product which is either introduced newly or has never been to new market before, always require an inclusive marketing to scale up sales. “Although intensive distribution may increase sales in the short run, it is potentially harmful to the product’s image in the long run” (Onkvisit & Shaw, 2004). We have witnessed this issue in the branding and marketing approach by bigger companies’ e.g. Aprica, JCPenney and Sears. When they started to sell their products for the common customers rather than niche market who could pay for their items.

#### 4.4.3 Product Characteristics

The nature of item determines how, where and when it should be supplied to customers. The demand and need of it in certain areas of market at the right time should be assessed by both partners (distributor and manufacturer). If the product designed and manufactured to cater certain niche market with selective customers then it should have customized and intensive approach while dealing with new markets. According to Onkvisit & Shaw (2004), "one should always remember that products are dynamic, and the specialty goods of today may be nothing more than shopping or even convenience good of tomorrow". On the other hand, if the product has higher value and cost with low profits then it can be distributed with the help of small channel networks.



#### 4.4.4 Middlemen's loyalty and conflict

A proper channel consists of number of members associated with each other to perform their daily duties and functionalities. There is possibility of diversions, disagreements, conflicts and negativity in relations among the members especially when the channel is increasing its space and structure to accompany more members. This can result into back fire on the manufacturer to produce more demanding results from channel. According to Onkvisit & Shaw (2004), "some members will blame the manufacturer for being motivated by greed when setting up more intensive network. In effect, intensive distribution reduces channel members' cooperation and loyalty as well as increasing channel conflict" (Onkvisit & Shaw, 2004). There is very recent problem with "Apple" company in Japan, where it added additional channels to its distribution network even though it has popular distributors in the right sectors.

Normally, the ethical values between two cultures are always different and takes times and understanding from both parts to move forward their business deals. In this manner, It raises the questions on cultural differences between manufacturer and distributor's country. Relationships are highly important when dealing with foreign companies. Since, the financial ties, documentation and language barriers must be also considered while evaluating each other's contribution towards relationship. Therefore, the more both business partners understand each other, the possibility of loyalty and lesser conflicts reduces.

#### 4.4.5 Local customs

It is pertinent to understand that cultures can practice unnecessary local taboos and customs which may have liable effect on businesses, this can result into joining hands with network channel which might not actual choice for the manufacturer. For an instance, Russia has unique barriers, structural impediments for new companies to enter into market. "The impediments include: horizontal dominance, (significant seller and buyer contraction in regional markets), a high degree of vertical integration and exclusive buyer-seller relationships in certain industrial sectors, geographic segmentation, interregional barriers to trade and investment, and policies that make entry difficult for new firms" (Onkvisit & Shaw, 2004). There are some other factors as well, e.g. huge companies and firms use their powers and networks in the form of bribes to block new entrants. In this connection, developing countries are suffering the most from anticompetitive practices by big and powerful businesses. As an illustration, many pubs and

restaurants with international brands are operating in countries where they have to follow certain local values to protect their existence in foreign ecosystem.

#### 4.4.6 Control

This factor is very crucial for manufacturers to gain more control over channel in order to have insights of customers. The more distance from customers increases if the power is distributed between more than one channel while delivering goods to them. There is example of "Absolut Vodka" brand which is Swedish company, selling its products in America and Europe with maximum percentage in the joint venture up to 49 percent in order to keep its control over channels of distribution. "In conclusion, there are number of factors that affect channel decisions. Some of these factors are interrelated. Empirically, it has been shown that overseas distribution channel choice is affected by culture and other product constraints" (Onkvisit & Shaw, 2004).

#### 4.5 Characteristics of Channel

The following categories can be considered as characteristics of the channel:

##### 4.5.1 Adaptation

This refers to the flexibility, intention and agility of the firm to adapt new circumstances in the businesses, especially when dealing with company new to the market. An ongoing business on standardize level might not be ready to compromise its standardization for new users or partner and this is where the challenge of adaptability rises. It is not necessary to remember that not all retailers can operate in similar manner in foreign market as it would be in local market, this emphasizes the adaptability factors. In the same way, a certain channel network may need to re-evaluate and redefine itself into new market with better strategy. According to Cavusgil et al.2014, "the firm's efforts to modify one or more elements of its international marketing program to accommodate specific customer requirements in a particular market". The major factors to be adopted in foreign markets are mostly cultural and local customs as barriers, geographical differences also make it difficult to be quickly adoptive to new conditions and circumstances.

#### 4.5.2 Decision making (Length, Width and Number of Distribution Channels)

Channel decisions consist of three major parts, i.e. Length, Width and number of distribution channels. They are further explained by Onkvisit & Shaw, 2004 as follows:

First, "channel length is concerned with the number of times a product changes hands among intermediaries before it reaches the final customer". Channel's length is longer when its products go through several middlemen until it reaches the end user's hands. In the same manner, if there are only one or two distribution channels then its shorter length and if the distributor is selling directly then we defined it as direct selling.

Second, "channel width is related to the number of middlemen at a particular point or step in the distribution channel" (Onkvisit & Shaw, 2004). It can be combination of different wholesalers and agents at the same time are used to perform functions of various kinds. By increasing the number of middlemen, the channel turns to be more intense and hard to manage in long run. Channel can be more specific by selecting it for particular location to minimize the risk of its wider range. Hence, products can be location specific as per demand and middlemen can be location oriented as well to reduce the size of channel.

And the last factor was how many distribution channels a manufacturer can use to move its products to the final customers? It solemnly, depends on the number of products and brands manufacturer is targeting to sell to customers. For an instance, direct selling and middleman can be used simultaneously in order to focus diverse range of customers and their different locations in foreign markets. Geographical and geopolitical situations play an important role in the selection of number of channels.

#### 4.5.3 Ethical dimensions

Donnelly and Linton (2009) describe that "for many organizations the concept of ethics has been successfully use to gain new business. Marks & Spencer launched a high profile campaign in 2008 setting out a highly detailed ethical code". Nevertheless, there are open ethical issues which must be taken into consideration while choosing new channel partner:

- i. False advertisement on the pricing

- ii. Usage of low quality or fake material of the products
- iii. Using cheap tactics to manipulate market trends to affect customer's buying behavior
- iv. Corruption in the forms of bribe to gain influence over channel decisions
- v. Respecting the privacy policy for the employees.

In developing countries, organizations are highly and likely corrupted towards transparency issues with their businesses and it can be challenge for an international organization to trust the ethical values of their new partners. The culture of bribing can be normal practice in many governmental and private sectors. According to Cavusgil et al. (2014), "Transparency is the degree to which companies regularly reveal substantial information about their financial condition and accounting practices" (Cavusgil et al. 2014).

#### 4.5.4 Gray and Black Markets

The phenomenon of Gray marketer is well known to businesses and brands are regularly checking with their authorized dealers to control import/export of their products through this market. The list of business areas gets affected by it is huge and sometimes it can include humans into as well. With the horizons of E-Commerce, big markets are suffering from the loss of their profits when customers buy products via online portals. For an instance, drug industry in Canada is regulated by Government, which means prices are well controlled and standardized. But on the other hand, pharmacies do offer discounted prices to online users which means people in USA buy them online on discounted rates and use in USA. This can be a classic example of gray market activity from the present times of corporate world.

Daniels et al. (2011) describe that "A black market exists when people are willing to pay more for dollars than the official rate. In order for the black market to work, the government must control access to foreign exchange so it can control its price". In simpler words, this type of business sells products on lower price than the set price by the government's results huge deficit and financial losses. In recent times, we have witnessed that the international markets are being affected by the selling and buying of currencies via black market especially in developing countries where inflation rates are

not stable and people are concerned on buying foreign exchange to increase asset values.

#### 4.5.5 Distribution of Services

Services are categorized as products now a days, and requires complete marketing strategy to deliver them to right and needy customers. The various factors of channels discussed above are directly and indirectly can be affected by the way products are delivered. The concept of supply chain and logistics management play a vital role in the marketing model. According to Onkvisit & Shaw (2004), "services can be exported through four distinct modes: cross-border, consumption abroad, commercial presence, and movement of personnel (Onkvisit & Shaw, 2004). Recently, the education sector has evolved by delivering its services to foreign students via using cross-border and consumption abroad strategy with the evolutionary technology of internet and information technology. "The exporter relies on the distributor for much of the marketing, physical distribution, and customer service activities in the export market and greatly depends on his or her capabilities. Experienced exporters go to great lengths to build relational assets- that is, high - quality, enduring business and social relationships - with key intermediaries and facilitators abroad" (Cavusgil et al. 2014).

#### 4.6 Agreement Types

The agreements or contracts are entirely dependent on the needs, objectives and purposes of both the parties joining hands for it. Although, both the parties always agree on certain terms and conditions, entry strategies, and several other factors discussed in the earlier parts of conceptual framework e.g. channel type and its selection also affect business bonding.

There are several types of entry modes which can be used to design and finalize agreements among different or new partners. Even though companies always prefer to clarify certain matters before hand in the contracts, the process of improving ties with partners is an ongoing scenario which must be observed with continuous patches of time. Daniels et al. (2011) explain that "When collaborating with another company, manager must

- Continue to monitor performance.

- Assess whether to change the form of operations.
- Develop competency in managing a portfolio of arrangements.

Contracts are valuable assets to analyze the relationships between two channels and to forecast if there is need to shift from one form to another, after finding that the circumstances or market conditions have been changed.

#### 4.6.1 Export

In this format, one company sends its products to the other company across the border and expect it to be sold without altering the real products. This is the most widely used and popular agreement format around the world. Since it does not require extra work for foreign companies than guaranteeing the quality of its products, therefore, it sounds quite promising and beneficial for huge revenues from bigger markets. Besides, it has its own pros and cons. Many emerging markets during the last few decades have been benefitting only through direct exporting to other countries. China, Australia, New Zealand, Japan, Brazil and India stand on top of the exporting countries list. At the moment, larger companies are biggest exporters in the world, but it does not stop smaller companies from exporting at the same time.

A prominent example can be taken from NIKE. According to Albaum & Duerr (2011), “Nike and other casual shoe manufacturers, for example, use export to do business in North America and Europe, with products actually produced in China, South Korea, Indonesia, and Taiwan by contract manufacturers” (Albaum & Duerr, 2011). In the same manner, other industries of clothing, food and grocery items are grown and developed in Brazil but exported to Europe and other countries.

With the help of E-Commerce and using an intermediary partner, exporter is totally relying on the research and data of the importer. This can be misleading in the future, since both the parties are supposed to be aware of the customer needs at the same time. Normally, exporters move to new land, if sales are getting highly on annual basis and it can be considered as potential market. By then, it can also be possible that the foreign company might end up opening its own office in the country of its importer which will help in the understanding of the local market.

Table 4. Advantages and Disadvantages of Exporting (Cavusgil et al. 2014).

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>i. Low-Cost &amp; Risk</li> <li>ii. Increase Overall Sales Volumes</li> <li>iii. Improve Market Share &amp; Profit Margins</li> <li>iv. Increase economies of sale</li> <li>v. Reducing per-unit costs of manufacturing</li> <li>vi. Diversify customer base</li> <li>vii. Reducing dependence on home markets</li> <li>viii. Stabilize fluctuations in sales</li> <li>ix. Minimize the cost of foreign market entry</li> <li>x. Minimize risk and maximize flexibility</li> <li>xi. Leverage the capabilities of foreign distributors &amp; other business partners located abroad</li> </ul>	<ul style="list-style-type: none"> <li>i. Exporting offers fewer opportunities to learn about customers, competitors, and other unique aspects of the foreign market</li> <li>ii. Without exporting, the firm must acquire and dedicate capabilities to conduct complex transactions, which can strain organizational resources.</li> <li>iii. Exporters must become proficient in international sales contracts and transactions, new financing methods, and logistics and documentations.</li> <li>iv. Exporting exposes the firm to tariffs and other trade barriers, as well as fluctuations in exchange rates.</li> <li>v. Exporters can be priced out of foreign markets if shifting exchange rates make their products too costly to foreign buyers.</li> </ul>

Exporting to other countries require certain documentation, as defined by Daniels et al. (2011), the key export documents include:

- I. Pro forma invoice
- II. Commercial invoice
- III. Bill of lading
- IV. Consular invoice
- V. Certificate of origin
- VI. Shipper's export declaration
- VII. Export Packing list.

There is additional concern available on tariffs based on different countries.

#### 4.6.2 Licensing

According to Czinkota and Ronkainen (2004), licensing constitutes the export of intangibles, typically intellectual property.” Usually, companies sell their licenses to other businesses to use their processes, methods and techniques to build either the same or use them in building different products. In other words, licenses can be for both tangible and intangible items. In the scenario of moving abroad, this option can reduce the efforts to invest in market, research and skills development.

Additionally, in some foreign lands, where direct investments from international companies can be risky and direct involvement of governments can be tricky, in that case, licensing can help to enter the market. The best thing about licenses is that it has limitations of rights to use, which is in favor of the licensee. It protects the original product from being copied or used for unsigned means and practices. For an instance, many developing countries are not good with their organizational structures leaving corruption ruling their firms.



The U.S. Internal Revenue Service classifies intangible property into these five categories:

1. Patents, inventions, formulas, processes, designs, patterns
2. Copyrights for literary, musical, or artistic compositions
3. Trademarks, trade names, brand names
4. Franchises, licenses, contracts
5. Methods, programs, procedures, systems. (Daniels et al. 2011).

This can be defined as relationship between licensor and licensee to gain rights, exploit them effectively and pay compensations to each other. Another term used in licenses is “**Cross-Licensing**”. In most of the cases, it does not involve cash payments, rather both the parties enjoy rights of licenses for certain products.

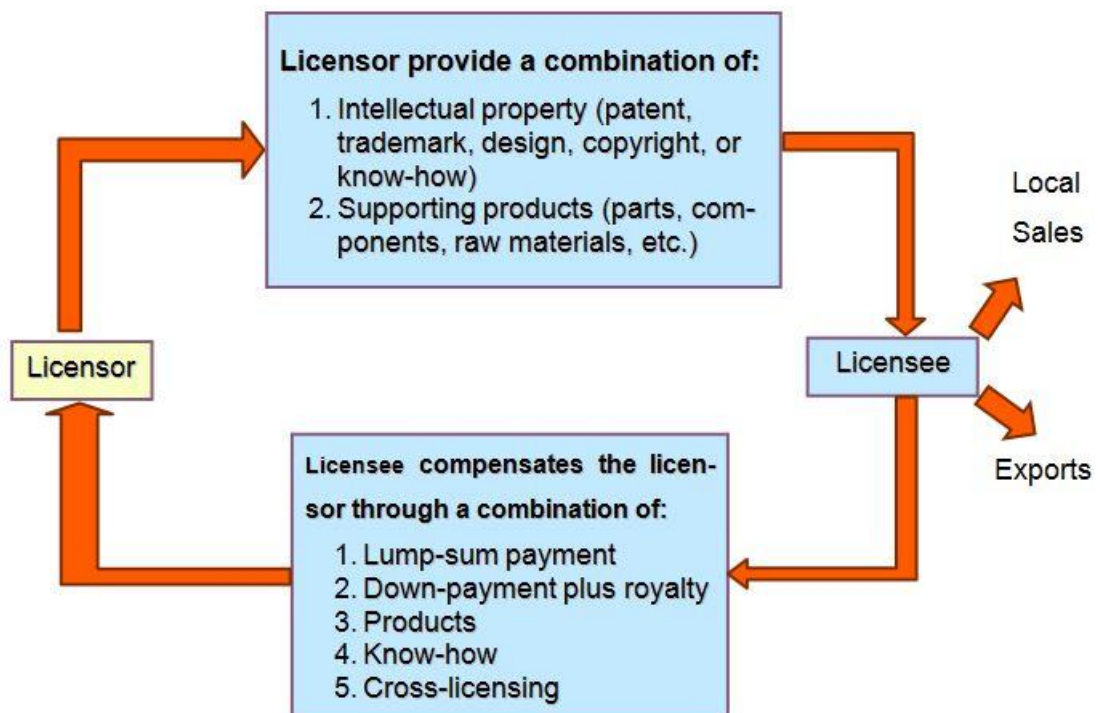


Figure 7. Licensing as a Foreign Market Entry Strategy (Cavusgil et al. 2014).

As Figure 7 illustrates there can be several options under licensing term, where company can offer difference licenses to licensee, who is then paying according to the pricing set by licensor and then there is second part showing various possible payment methods which are used to pay back to licensor. This being the case, it solemnly depends on the mutual needs of both the companies, to decide their expected possibility to buy licenses. Additionally, licensed items can be obvious to be easily copied to be sold in market under new name of the company or products.

To control this feature of theft and copyright, there is another term being used by many multinational firms while operating abroad, i.e. "Franchising". Franchising is an extended form of licensing, where an "arrangement in which the firm allows another the right to use an entire business systems in exchange of fees, royalties, or other forms of compensation" (Cavusgil et al. 2014).

#### 4.6.3 Management Contracts

These contracts are usually designed for foreign company to gain compensations for selling its managerial skills abroad. According to Cavusgil et al. (2014), "an arrangement in which a contractor supplies managerial know-how to operate a hotel, hospital, airport, or other facility in exchange for compensation" (Cavusgil et al. 2014). There are primarily examples available from modern multinational companies in management which illustrates that company can assist others via online services as well.

For an instance, cloud services is an example where managerial operations are handled, recorded and supervised by third party vendor with expertise in management. In many local companies, the aptitude towards hiring or out sourcing certain functionality or process of organization is on the rise. HR companies are getting popularity among multinational companies where they hire labor workforce from Asian and African countries for European and American markets and it does include the whole process of recruitment and settlement. According to Onkvisit & Shaw, (2004) "Management contracts may be used as a sound strategy for entering a market with a minimum investment and minimum political risks" (Onkvisit & Shaw, 2004).

#### 4.6.4 Joint Ventures

This feature helps overseas partner to establish or introduce its product by using the platform of an established and ongoing business partner. Usually, it includes sharing

resources, research and market share at a lower cost than actual value of entering into new market. In this way, foreign investment can boom rapidly in the country, since the risk of time management is reduced with the help on an established company. According to Cavusgil et al. (2014), "a focal firm that creates and jointly owns a new legal entity through equity investment or pooling of assets" (Cavusgil et al. 2014).

In the modern corporate world it is not difficult to get the market, customer research, analysis and segmentation even before entering the new land. There is plenty of authentic data source available for foreign companies, few examples are illustrated as follows:-

- i. Governmental portals for new businesses/investments are continuously updated on information for each sector in the country
- ii. International organizations are spending time and money to build information banks for investors.
- iii. Trade organizations of different industries have their own networks to conduct researches on market and customer behaviors to predict market growth and inclinations.
- iv. Electronic newsletters, business journals and directories can provide necessary information as well.

At the same time, data buying can be costly, data selling has been expansive in the past and now, there are certain rules and restrictions in European Union and many other countries which could be adding limitations on open data sources. Hi-tech research companies from developed countries have been approached in past by biggest market shareholders from developing countries to join hands in ventures where both the parties could contribute their skills and expertise to achieve mutual goals. For an instance, poor countries have huge potential in mining, healthcare, agriculture, aviation and science and technology as booming industries, if foreign joint ventures could join hands to utilize those natural resources in free-corruption manner.

According to Daniels et al. (2011), "Consortium is when more than two organizations participate" (Daniels et al. 2011). This happens when companies want to move abroad

with very little resources or investments in their hands, since, collaborating with many hands help in the dividend of risks and investments.

#### 4.6.5 Manufacturing

This contract type involves where manufacturing is outsourced in foreign country by the original manufacturers of products. Normally, factors of local market's competitiveness, demands, law's binding's force to manufacture abroad plus some countries offer low cost of manpower which make foreign investments easier for them. Simultaneously, the biggest benefits for manufacturing abroad includes cheaper raw materials, warehousing, energy resources, machinery, logistics and tax relaxations by the governments. According to Onkvisit & Shaw (2004), "multinational corporations have been investing more and more overseas, with Asia and Latin America as their prime targets. It should be pointed out that the importance of cheap, unskilled labor in attracting manufacturing investment has diminished in recent years and is likely to continue" (Onkvisit & Shaw 2004).

In other words, the needs of developing countries remain the same for direct investments in the form of manufacturing but the investors might prefer skillful labor at lower pay rate because of the available competition in the market, in the form of manpower in other countries as well. Recently, Mexico has low labor costs (workers) but at the same time it has lower exchange rates, plus its unskilled workers make it worse by creating defective products and resulting into lower and slow increase in the wages. By keeping this in mind, the modern alternative foreign manufacturing is seen in the form of automotive factories in countries where electricity and energy consumption is cheaper. This has tremendous effect on the economy of host country especially by adding revenues into Tax nets and marketing to attract new investors.

#### 4.6.6 Assembly Operations

In most of the conditions, when companies are interested to establish in foreign land, they might export all parts of product to be assembled in other country or then some parts can be exported and developed in assembly factories. It is dependent on the business needs of organization. The rise of globalization and huge influence of cheaper spare parts industry has made it difficult to build a product with items from same company. For instance, automobile industry has many assembly factories in several coun-

tries, although the original brand might be from Japan, but it is assembled in USA with parts from Italy, Germany, and Korea etc.

According to Albaum & Duerr (2011), “whether by choice or by pressure applied from outside, foreign-based assembly may represent one stage in the evolutionary process of a manufacturer changing from a domestic-oriented company to a truly multinational marketer” (Albaum & Duerr, 2011). Companies design their foreign assembly factories based on the cheap labor, cost savings, tax heavens and other incentives that governments offer them in order to promote foreign investments. With this in mind, companies do not share their knowledge and skills via assembly points in different countries, it is rather treated as mass production unit. In many countries low cost local production of parts can be crucial element while choosing certain countries. This potential point is used by many countries as marketing tool to attract more foreign investments into the country.

As stated by Onkvisit & Shaw (2004, “a host country objects to the establishment of a **screwdriver assembly** that merely assembles imported parts. If a product’s local content is less than half of all the components used, the product may be viewed as imported, subjected to tariffs and quota restrictions” (Onkvisit & Shaw 2004). Inside the EU, European Commission is responsible to dictate what percentage of parts in a product should be used to announce it as “Made in Europe”. In recent times the assembly units for automobiles have been using 45% of local content to be considered as manufactured locally.

#### 4.6.7 Turnkey Operations

“A turnkey contractor is a focal firm or a consortium of firms that plans, finances, organizes manages and implements all phases of a project and then hands it over to a foreign customer” (Cavusgil et al. 2014). This options is highly used by construction companies, industrial equipment manufacturers and consultation organizations including larger projects for plants, mills, factories and related to advanced technologies such as telecommunications and IT.

For an instance, during the last decade, Pakistan has been heavily developing and investing in the development of its infrastructure throughout the country and it was mostly done via sub-contracting to builders. In this case, governments are involved directly in the projects and interest in obtaining higher value is huge. In the case of

technological projects, the training of the personnel at the end of project must be given to continue the development of the project.

#### 4.6.8 Acquisitions

This option is mostly used by multinational companies because of huge investments that they can use to acquire rights of company in another country with full control over management and administration. The biggest advantage of acquisition is rapid entry into new market with established customers, products and technological usage. According to Cavusgil et al. (2014), "Renault acquired a controlling interest in American Motors in order to gain the sales organization and distribution network that would otherwise have been very expensive and time-consuming to build from the ground up" (Cavusgil et al. 2014). As it is clear from the example that huge companies use this option to establish their feet at rapid speed. The exchange rate of currency for buyer can increase or decrease the value of acquisition.

The legal hurdles can be disadvantage and entry barrier in some cases, not all governments are friendly with acquisitions. For an instance, the concept of **Greenfield** enterprise can be more suitable since it creates new jobs and increases tax collection. By keeping this in mind, it supports local talents and provide them opportunity to excel more, acquisition on the other hand, replaces older administration with new foreign rules and administrator which can be result into revolting behavior for many employees. In countries like Singapore, the flexibility and relaxation in laws for startup companies is so high that companies are investing in their regional office to be located there.

As Onkvisit & Shaw (2004) describe it, "a special case of acquisition is the **Brownfield** entry mode. This mode happens when an investor's transferred resources dominate those provided by an acquired firm" (Onkvisit & Shaw 2004). By keeping this in mind, in the new acquired organization the buyer must reconstruct the organizational structure to keep both the new managerial teams intact with each other. Besides, There are several other issues with acquisition, just few of them can be complex political and social circles of host country, management of two different cultures inside one organization and geographical barriers. Therefore, in some cases rejecting or exiting the deal would be ideal decision.

#### 4.6.9 Strategic Alliances

Alliances play a vital role in foreign lands, since, not every company possess ideal resources to set its feet in new markets. Now a days, the most popular areas of businesses for this category are Technology, Sales (Revenue), Manufacturing ability and brand equity.

According to Daniels, Radebaugh & Sullivan (2011), the objectives can be:

- i. **“Scale alliances** aim at providing efficiency through the pooling of similar assets so that partners can carry out business activities in which they already have experience
- ii. **Link alliances** use complementary resources so that participating companies can expand into new business areas.”

There are many options available for alliances, subjective to the mission, objective and strategy of company's needs. In this collaboration of two or more organization, both the parties can be in the same country or at a far distance from each other. This function is quite similar to joint venture, since their nature of operations are same. Donnelly and Linton (2009) stated that “a strategic alliance is a commitment between a numbers of organizations (minimum of two) that agree to work together for a specific purpose (s). It is a collaborative agreement where organizations work with each other to develop, or improve a product, or exploit a specific market”. Recently, we have witnessed that European Union and United States of America have been allied to each other in defense, technology and welfare projects, even they are two different continents. Similarly, Japan and USA have been strategic partners in defense, where US provided support to Japan in the fields of army, border and land protection services.

On a larger scale, United Nations is a global organization, which has member countries from all over the world. All the member states agreed on the charter of the United Nations before becoming its member, which reflects agreeing on its values (Democracy, Education, Justice and Anti-Corruption etc.) designed to benefit the whole world. In the same manner, businesses have been using this opportunity to develop business in foreign land by sharing and agreeing on mutual benefits. For an instance, a company establishes supply chain in Italy with its partners, with cheap, quick and effortless collaboration rather than creating all channels from scratch internally.

#### 4.7 Conceptual Framework for the Study

The topics and key elements selected for the CF study were conceived from the data collections 1-2. Initially, the very first interview with CEO (as part of the data collection-1) helped in the understanding, construction and selection of the vital factors, which were main players driving the organization to move abroad. Therefore, CS was designed in such a manner that it could address the inputs, conclusions from interview and the use those conclusions to decided right topics from the existing knowledge to address the problem sufficiently and do fetch results from it (as a proposal). Simultaneously, the previous experience of company dealing with different business partners in foreign country helped to evaluate the most appropriate agreement types.

To being the elaboration of the chapters related to the CS, starting from chapters from 3 to 4.6.9, show the range of topics from the study of foreign market, channel development, types, characteristics, determinants and their agreement types. Since, this is related directly with the foreign trade and at the same time their direct/indirect effects on the businesses.

Having said that, chapter 3 raises the importance of the foreign emerging markets, their economical, geographical and demographical advantages plus the influx of the multinational companies during the past few years, which creates basis for the importance of their existence for the new businesses. The initial concept of how to select foreign country for business? was obtained from the research paper published by "Litvak and Banting" by explaining the criteria of major factors influencing the selection of foreign market. This idea was not continued in the research, since the CEO finalized the Indian market already and hence it was not required to work on the other possible markets.

Simultaneously, the Indian market is elaborated by point of view of emerging market and as a potential candidate for the case company. It has been discussed earlier that the company has sub-contractor (indirect partner) in India and it has exchange valuable profit/revenue's growth the case company. This is one of the major reasons that case company showed higher interest in moving to India.

Chapters 4.3 to 4.5, are showing the study on the Channel types, determinants and their characteristics (this study will lead us to select correct channel partners in the later part while suggesting the proposal) to find most suitable channel partners, their evaluation (based on advantages, disadvantages, and other scenarios) and to provide more



knowledge on their suitability for the foreign traders. The criteria to evaluate each channel partner, types, determinants and their characteristics is referenced in the text above from different sources (books) in order to keep the authenticity of the concepts intact for the company (A-Lay Oy).

In this context, the chapter 4.6 is based on the explanation of the available agreement types that are available and highly recommended to use for the foreign traders. It is valuable to notice that these types can be complex and diverse in their range and therefore, agreement types should be in coherence with the types of channel partners selected. So, the complexity and diversity among the channels and agreement types, which is quite technical and requires professional knowledge of the international trade and economics must be dealt with great care while choosing among them. Also, the current situation (Financial, technological and human resources) of company will play vital role in the selection of agreements. This has been mentioned to the CEO already in the discussions during the data collection interviews.

Therefore, there is a visual representation of the conceptual framework in the below figure 8, highlighted the most relevant options for the case company.

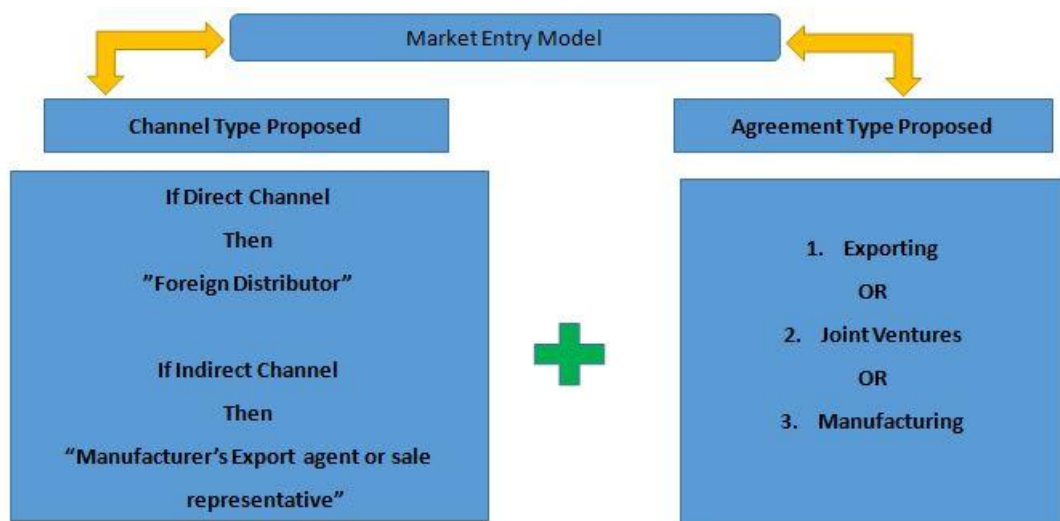


Figure 8. Conceptual framework of this study.

Firstly, as the Figure 8 shows the "market entry model" as the headline of the plan, since, company does not have direct base in the Indian market, it has to have entry level partnership into new market. The model is further divided into two major elements of channels and agreements types. It requires both the mentioned elements decid-

ed/finalized in business development strategic plan while as part of the initial strategy for in foreign market.

Secondly, the most importantly it would require the best option of the channel partner based on its business needs (Financial, Technological, Human Resources, Vision and mission). This selection can be challenging for the new company, since, there are many direct and indirect factors effecting the dynamics of each channel (therefore, above mentioned chapters on the channels can be helpful in this selection process).

Thirdly, agreement types are the most technical feature of the model. As a new entrant, company must consider financial factors very carefully. The channel partners must have good understanding of their financial needs in order to continue partnerships.

The proposed model in the next chapter 5, explains more in detail the selections of the each category based on their criteria, needs from CSA, data collection and CS.

## 5 Proposal for the Market Entry Model to the Indian Market

This section merges the results of the analysis stage and the conceptual framework towards the building of the Proposal.

### 5.1 Overview of the Proposal Building Stage

This section presents the steps in the Proposal building for this study. The proposal is designed on the basis of business needs of the company to fulfil the expectations after migrating and having foreign distributors.

Firstly, In order to building a robust solution in the form of final solution to the existing problem of the company, the initial CSA was conducted by meeting the CEO of company and asking him questions from the best knowledge available at my disposal, so that I could get deeper and inside look of the ongoing things in the company. This data collection under type-1 was quite helpful also towards the selection of the topics to be used for the research purposes on the relevant and related topics from the fields of modern corporate and business world.

The process of proposal building started after the study of the materials being selected for the research purposes, for an instance, books on Channel Management, Channel Development, Emerging markets and Doing business in foreign market were the highlighted topics for the research. Even though books did not have enough latest materials on the channel development section yet, on the other hand, current videos from different YouTube channels organized by tutors and companies were having great deal of scholarly teachings on the selected topics. Nevertheless, the authenticity of the references used in those videos were double checked via libraries catalogues (meaning that all the material was referenced properly in the videos).

Secondly, while building the proposal a conversational connection with the company was developed by exchanging the email messages with the CEO to keep him up to date with the research topics and ongoing outputs. He had been reading the drafts of thesis off and on and gave his comments especially on the "types of channel partners", which is further explained in the proposal part. One of the most important that the CEO was always concerned, was the issue of budgetary/monetary status of the company, at the moment, company cannot afford to have direct investments, manufacturing and

head or regional offices in foreign markets, which helped to choose the business partners which are supporting our partnership requirements.

Thirdly, it is pertinent to mention that the company has already indirect partnership with a Dutch business partner, which is manufacturing in India via another agent (for manufacturing), so CEO mentioned that now A-Lab Oy (case company), would prefer to have direct business partners in India with full control over marketing, manufacturing, licenses and other financial decision making aspects under its direct control. This point has been kept in close deal while streamlining the most important factors in the selection of the business partners types and their agreements.

The proposed entry model was presented to the CEO of company on 15.05.2020 in the city of Jyväskylä, Finland (Headquarter is in Keuruu city though). Presentation and meeting continued over an hour. There were questions, comments, feedback and few changes asked to be made in certain parts of the writings. Otherwise, the overall layout and proposal was expected graciously.

## 5.2 Inputs to the Proposal Building (Data 2)

The main inputs for this proposal building were: Data 1 (findings from CSA, earlier), and CF (input from literature), as well as Data 2 from the key stakeholder, CEO (from this round of data collection). Inspired by these inputs, this Proposal was built.

Data 2 round concentrated on identifying suggestions from the key stakeholder, what the key stakeholder proposed should be done to develop the entry model to the Indian market. The proposal building was also guided by suggestions from literature and best practice on building the entry model to the Indian market. Table 6 below shows the inputs for the stakeholder.

Table 6. Key stakeholder suggestions (findings of Data 2) for the Proposal building (in relation to findings from the CSA and the Conceptual framework).

No.	Input from literature (CF)	Suggestions from stakeholders for the Proposal, summary (from Data 2)	Description of their suggestion (in detail)
1	Channel & Agreement Types must be selected after evaluating their advantages and disadvantages carefully.	- Assign a new team/member for the sales department to target the Indian market.	<p>- This new proposed model will be used as soon as possible in order to start their business in the Indian market. Since, their plan is to establish as major player in the field of hi-tech devices in India. Although, the CEO of the case company mentioned that it will continue their relation with subcontractor company in India.</p> <p>- Since company has also prior experience in the same agreement types for foreign partners, therefore, the same proposed options would be used for Indian market.</p>

As seen from Table 6, the key groups of suggestions relate to implementation of the proposed model along with the assigning new sales team for the new market so that its challenges, needs and requirements are fulfilled properly. CEO of the case company agreed completely that this model should be implemented as a new and separate project rather than using the same human resources from marketing team. This has elevated the importance of the research/thesis for the company.

### 5.3 Proposal for the Entry Model of Channel Selection to Indian Market

Figure 9, shows a list of proposed options which will help company to make wiser decision while moving to a new market as an entrant business partner.

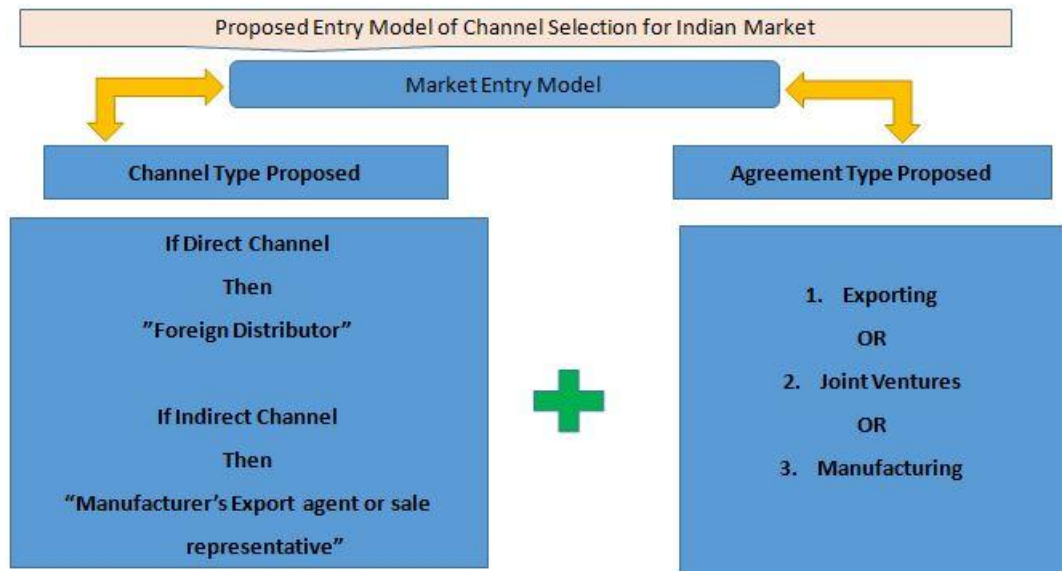


Figure 9. Proposed entry model of Channel selection for Indian market (Source: Onkvisit & Shaw, 2004)

As seen from Figure 9, the entry model proposes the channels and the agreement types elements.

First, in relation to the channels, there are major two types of channels direct and indirect and they are further divided into their sub-categories as explained in detail in the chapter 4.3 under direct and indirect channel. The Figure 5. International channels of distribution (Onkvisit & Shaw, 2004). has mentioned each sub-category under the umbrella of channel types. Now, in the proposed model both the options are considered as viable e.g. Direct and Indirect, and for the each category, its sub-category is selected as one best option for the test case (based on the CSA, available literature and data collections).

As an explanation, "foreign distributor" is chosen for direct channel (whereas, its advantages and disadvantages discussed in the chapter 4.3) in accordance with its relevance, relativity to the financial goals of the case company. By choosing "foreign distributor" as partner in foreign land, company can save:-

- Its finances on human resources, investments in the research to study the local markets, customers and other dynamics (competitors, culture, distribution strategy, marketing etc), and also the issues of buying selling rights in foreign land can be handled by their direct business partners. In other words, case company

can start this partnership with lesser financial background and lesser resources of international marketing.

- Simultaneously, these distributors have relations, networks in the local markets especially in international cargo and logistics, which are essential to be handled while sending goods across borders. Foreign distributors gain higher possibility of foreign investments, when they can ensure full understanding and responsibility of the supply chain management.
- While having this partnerships helps in the brand equity and monetary transactional laws, regulations and the deductions of the international taxes. Having local business partners can save millions of Euros in this case.
- This option of partnership also helps in the land management, warehousing, human resources and extra costs of product development based on the customer's customized needs. The distributor in foreign lands must have understanding of the local practices of social, religious, political, demographical and geographical dynamics and can allocate the product based on its demand in the right local markets.

In the same manner, if the case company chooses to consider "Indirect Channel partner" then the most suitable option is proposed as "Manufacturer's Export agent or sale representative". This category includes mostly independent businessmen with higher ratios of connectivity with various business partners in local market. The major reasons on its proposal are mentioned as below:-

- Since, it consists of independent entrepreneurs, their costs are much lower in terms of travel, office and staff expenses, which results into lower margins as middlemen.
- These partners are entitled for the commissions, therefore, the probability of getting things done via them is much higher and trustworthy, because they rely on their reliability acceptance by bigger companies for future deals.
- Sales agents are highly specialized in their fields with knowledge and experience expanding up to years which could be utilized in many sectors via partner-

ships e.g. Marketing, product positioning, customer research and understanding the local traditions, culture and bureaucratic structure.

- Agents can be valuable in the pilot projects as well, where they might be selling products for the research purposed in the improvement of the product development processes, this is usually done before the product is launched.

Second, in relation to the agreements, three major types are proposed:- Exporting, Joint Ventures and Manufacturing. The reason behind offering three major options is that there is very minor and slight difference in their technical functionalities and indirectly it depends on the type of channel partners, therefore, company should have multiple option to choose from. Let us highlight their important features suitable for the case company:-

- Exporting agreements rely highly on the mutual benefits of both the parties, where foreign company does not spend much resources and expects the partner to sell the product without altering it, then profits are shared according to agreed percentages between the two parties. Additionally, this agreement type ensures that most of the major financial matters are handled beforehand (before the exchange of goods start) e.g. commissions, percentages of revenues and costs of shared expenses. Few possible disadvantages can be lesser opportunity to study customer behavior, competitors, cultural norms, dealing with international contracts, exchange rates, financiers and logistics documentation. Table 6. Advantages and Disadvantages of Exporting (Cavusgil et al. 2014) explains more on this topic in details.
- Joint ventures are highly popular among the technological companies and since the case company is hi-tech company, therefore it would be ideal agreement for it. In the same manner, this agreement supports, introducing a developed product from one country to another without altering it (both can develop it together though), using the platform of other partner in foreign land (in this case). Sharing research, human resources and other important knowledge based platforms reduces costs and risks of product's failure. On the other hand, it can cost different in the prices of the product, since quality matters in few countries more than the others which raises price issues. Another issue can be that these ventures are very specific to the business sectors, for an instance, sharing technol-



ogy and research seems quite easy but then sharing the knowledge of those product might cause issues of patents, and other user rights.

- Manufacturing agreements are useful when manufacturing is done in foreign land, it is great source of savings on human resource (labor), electric, water, cheaper raw materials, warehousing, energy resources, machinery, logistics and tax relaxations by the governments and building costs. Besides, the cheaper labor costs for this type of agreements, the biggest disadvantage could be the non-skilled labor working on lower wages, which results into faulty or sub-standard products and causing extra costs or damage to the brand equity.

This model should allow the company to use it in any market/country globally, since the factors mentioned are worldly viable. Since, there cannot be a single factor to be considered as solution to choose final partner/channel. Therefore, company needs to choose wisely among offered choices to ensure selection is according to core strategy, vision and mission of both parties.

#### 5.4 Recommendations to the Company

Initially, the company requires to choose partners and then build relationship or initiate business, this is kept as first step in the process. By keeping in mind the current state of the case company, the proposal is divided into two major steps to be used as practical framework.

Next, the company should follow certain pattern, time frame and analysis of prospective market before landing their feet into new emerging economies. In this connection, the factors discussed in the above sections indicate is need to consider several potential points and then finalize agreements or partnerships.

Finally, a recommendation which can be used as supportive towards thesis results is, in this local understanding of the region, India is a huge country with Agriculture spread all over the country. There can be additional studies on the locations (cities of India) based on their business relativity to the services provided by company. So, in order to target the exact market niche (which is very relevant in this case), there is need to research on agricultural areas with higher need of technology. Then implement the proposed model presented as a result of this research. This has been discussed quite comprehensively with the CEO of company and he has agreed to conduct such research separately before proceeding to agreements.

## 6 Validation of the Proposal

This section reports on the results of the validation and points to further developments to the initial Proposal. At the end of this section, the Final proposal is presented.

### 6.1 Overview of the Validation Stage

The proposal was validated by the CEO of the case company. Although, he was involved in all the part of the thesis and gave his input during each phase of the process. Therefore, when the final proposal was presented to the organization's head (CEO), we had a meeting over an hour and the entire thesis was explained in step by step hierarchy and all the discussion and suggestions were written in notebook.

### 6.2 Feedback and Developments to the Proposal (Data 3)

The feedback was quite positive and encouraging. CEO accepted cordially the "proposed model" and assured that it will used in the next strategic meetings of company, and will be implemented during the start of Autumn-2020 when company starts approaching new channel partners in India. The entire details of topics discussed in the meeting are explained via the table below.

Table 5. Feedback on the proposed model.

Proposal Section	Feedback
1. Channel Type Proposed	<ul style="list-style-type: none"> <li>- Selected types are relevant, related and up to the mark of the needs of company's objective, mission and strategic needs in foreign land</li> <li>- Concrete and directional indication of the exact types is highly appreciated and assured that the process of contacting the channel partners would start by following the proposed options</li> </ul>

2. Agreement Type Proposed	<ul style="list-style-type: none"> <li>- Full confidence in the options proposed</li> <li>- Since company has also prior experience in the same agreement types for foreign partners, therefore, the same proposed options would be used for Indian market</li> </ul>
3. Recommendations	<ul style="list-style-type: none"> <li>- An extra discussion was held on the " frameworks" recommended in the last part of the thesis, CEO has asked to do a presentation to their management team later on the recommendation, so that recommendations could be used wisely in future ventures.</li> </ul>
4. Future employment perspective	<ul style="list-style-type: none"> <li>- CEO expressed strong interest in the usage of this research in the future for strategic planning, and has asked the availability of the writer to join the team for the input and validation of moving in the right direction based on the proposed model presented in this thesis</li> </ul>

### 6.3 Company Evaluation

This section presents the evaluation based on the validation by the CEO towards the proposed model. After the robust research method was used as process to provide the business a useable solution to an existing problem, the final proposal was presented to the organization's head (CEO), which he accepted cordially and without any changes in the "proposed model". It will be used in the next strategic meetings of company, and will be implemented during the start of Autumn-2020 when company starts approaching new channel partners in India.

The most important findings were the exact possible and potential list of channel partners with the detailed information on their agreement types including studies of foreign markets especially emerging economic countries (for the thesis only India was researched). In simplified words, the proposed model would reduce the effort to analyse potential partners by analysing their profiles based on set criteria (discussed in the research part of thesis), and would increase the possibility to choose efficiently from po-

tential candidates (filtering from set criteria) as business partners for India. The criteria set or used for the proposed model was designed by keeping in mind the needs of company, e.g. financial and strategic. Thus, the company evaluated that the thesis has acquired the result that it was supposed to achieve in the end of the writing, research and evaluation. Therefore, the further recommendations are not evaluated in this section, since they address extra work for the research purposes and get into other diverse fields of business.

#### 6.4 Final Proposal

The final proposal " proposed entry model of channel selection for the Indian market" was presented to the CEO of the case company via presentation.



Figure 10. Proposed entry model of Channel selection for Indian market (Source: Onkvisit & Shaw, 2004)

There were no changes asked in the proposal. Rather than that the suggestion of having separate marketing team for new market, was highly accepted by the CEO. Another important thing is that the company has international exposure and experience of working in foreign countries, therefore, all the proposed channel and agreement types would not be huge challenge to deal with. CEO elaborated that the company's experience with foreign countries in the past will be used as well for Indian market, even though, the differences would be very higher in culture and business practices as compared to European countries.

## 7 Conclusions

This section concludes the thesis with important results of the research in the form of proposal, decisions and conclusions from the entire research and highlights them in more precise manner for the reader to understand the entire purpose of the research.

### 7.1 Executive Summary

The purpose of this study was to provide solution to an existing problem that the case company is facing for the last few years. The major challenges are financial and technological competitiveness from upcoming hi-tech companies within European countries. Although, company has been successfully ventured and established itself in big markets of Russia, Germany and many European countries. But, now it was facing a new challenge of lesser investments into its finances besides huge challenge of competitors within Europe in the field of hi-tech devices and industry, which is causing it to become more self-reliance by generating revenues from selling products.

By keeping this in mind, the company could not afford bigger steps in business deals or partnerships to avoid risks of huge financial loses. The thought of providing a robust model for the selection of potential business partners in foreign emerging market (in this case India) came into context since company has sub-contractor partnership with Dutch company in India.

The process of research was started after interviewing the CEO of company (using qualitative research method) and getting insights on the current financial situation, besides marketing, operating, managerial and administrative views on the future's strategy and planning. This meeting was very useful to streamline set the goals very clearly for the further research on the relevant and related topics (based on CSA) from existing knowledge. For an instance, books and materials (from Library), videos from YouTube (online channels) on the related topics were used to design the conceptual framework. Conceptual Framework was further discussed simultaneously with the CEO of case company to get his point of view.

The process to dig deeper into the information from CS to find possible solution or potential possibilities as the solution was time consuming and at the same time, a

valuable learning experience which will be used in the future ventures as well. In this regard, the CSA of the company helped in the evaluation of important KPI's and issues brought them into light to be considered as vital factors for the theoretical framework.

Additionally, Student's own previous experience of working in the organization, was useful in defining and streamlining the strategy for the research and handy towards staying focused on the topic, and finding the necessary information for the company by keeping in mind its needs. Therefore, the major topics for the CF, Channel Development plan, Entry strategy for foreign country and Emerging markets of the world. The section which is not entirely part of the proposed model but was very important player, factor and element in the selection process, was the study of India as an emerging market, channel structures, types, determinants and their characteristics. This section provides the existing knowledge and information, which can easily help to design and evaluate the credibility and authenticity of any country and business channel while considering it for the partnerships purposes.

The proposed model presented to the CEO of case company is expected to solve the very main objective of "moving to the Indian market to establish its business via suitable business partners", furthermore, it will strengthen company's decision making power by providing the most suitable selective modes of channels and their respective types (by keeping in mind it's financial, technological and strategic situation and requirements from international market). This selection was mainly done by comparing all the possible options of business partners for the foreign traders. The proposed types are the most popular and viable options which were found discussed in the existing knowledge section (research).

Simultaneously, the second half of the proposed model consists on most suitable agreement types in the scenario of foreign trade partnerships. This selection would be extremely helpful in saving company's time and resources (while considering the foreign trade in far distant country). As a result, it is reducing company's efforts on researching the selection criteria for appropriate channel partners abroad. The proposed solution/model also provides options of available agreement types that suit the needs of foreign company while putting its feet on foreign soil.

The proposal was presented to the CEO and he accepted and validated all the features of the proposal whole heartedly and promised to implement it as soon as possible (lat-

est by the end of summer-2020). Besides, he offered an employment option to the writer of the thesis so that he could provide his input, knowledge and experience to this assignment in order to bring this project a real success for the company, by considering India as a potential market for business growth.

## 7.2 Thesis Self-evaluation and Research Quality

The initial objective of the thesis was to find a robust solution to an existing problem for the case company. Although, in the beginning, as a former employee of the company I found it quite easy and quick to find possible suitable business partners for the company and let it handle it. But, after the initial research started especially the first interview with the CEO of case company and then the many interesting, diverse and interdependent KPIs were revealed, which caused research to be very specific, focused and targeting very closely certain area of the marketing and business in foreign markets. Reading books on the concept of international marketing can be really fascinating and can cause diversion from the real objective plus the reader can get excited to add extra possible topics into the conceptual framework. This has been happening during the research of this thesis as well.

Nevertheless, this thesis addresses very specifically business partnership (channel development), in foreign country and thus, in its true nature it is quite close to the expected results for the objectives of thesis. The proposed model is divided into two major parts, logically if follow both the selections are made then company has finalized a business partner and can start its business deals, which seems realistic approach and scenario of the real modern corporate business world.

In my opinion, the areas of channel profiling management which was initially part of the proposed model could have been added as well, if there was enough information available in the existing knowledge. Since, I found only YouTube videos on this topic and they were not providing enough background referencing of the materials being used as study reference. On the other hand, international strategy for marketing could have been interesting part of the research or conceptual framework as well to support the relativity of the topic. In the same context, all these topics require equal merge into the final proposal which could lead to bigger proposal and in my understanding case company does not hold enough organizational support to address various operations at the same times especially during migrating to foreign emerging financial market.

### 7.3 Closing Words

This thesis in its entirety has left many learning experiences as a student and they will be utilized and implemented in the working life as well. For an instance, marketing and channel development and strategy, data collection and analytics skills, these are used in all the organizations now a days. Therefore, the relevance and relativity of the thesis as defined in the Metropolia University of Applied Science's motto also that the research must be action based to conclude useful skills and tools for the businesses. An important thing happened during the proposal's validation part was from the CEO of case company, to see his interest in the employment option with the writer of thesis to ensure the strength and success of this project in near future.

As a conclusion part, I would like to specifically pay my gratitude to the Metropolia University of Applied Sciences for providing me the opportunity of studying at this esteemed institute and undergoing the supervision of qualified and recognized tutors and supervisors during the writing of thesis and other educational modules (study, courses etc). Meanwhile, I have had good ending words with the CEO of the case company and his collaboration, cooperation and patience towards the results of the thesis were highly appreciated from my side.



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## Appendix 1.

### Interview Questions

1. What are the current strengths and weaknesses of the company (in terms of Technology, Financial, Skilled labor etc)?
2. Where does company stand with its Marketing Strategy at the moment (long term & short term)?
3. Do you have any latest existing survey (measurable) on the issue e.g. employee engagement survey etc?
4. Already, Company has business-partner in India, what kind of experience it has been with them?
5. Tell us about your prospective regarding dealing with local, political, social and economical factors?
6. Is there any current marketing plan available for campaigns (abroad)?
7. Do you have plans to partner, collaborate with other market players as direct partners (established businesses)?
8. Do you have plans to partner with other market players as indirect partners?
9. Will you be able to manufacture abroad (as your own factory/manufacturing/ assembly unit)?
10. What are your expectations from this study (thesis)?