

Entry Strategy to the Finnish market. Case: ProMehanika ltd.

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<p>This thesis has been created to study and analyse business operations in Finland and Latvia, market entry strategies, and conduct market analysis for ProMehanika. Thesis will investigate the factors of successful sales negotiation, contracting and growth opportunities within these markets and how they can be implemented in an organization.</p> <p>This thesis will provide a market entry strategy for the Finnish market for the case company – ProMehanika ltd.</p> <p>Also, this thesis is commissioned and supported by a company – Ricardo oy (A party of interest and an active customer of ProMehanika ltd.)</p> <p>This thesis consists of:</p> <ul style="list-style-type: none"> • Chapter 1 – Explains the research question, aim, case company’s background and the commissioning company’s part in the study. • Chapter 2 - Study on market entry strategies for ProMehanika’s expansion to Finnish market, e-commerce analysis, and network approach. • Chapter 3 – Market analysis of Finland, Industry and rivals’ analysis, and study on ProMehanika’s supply chain. • Chapter 4 – Research approach and methods, data collection, reliability, and validity of the data. • Chapter 5 – Results of the conducted research. Case study and interview analysis. • Chapter 6 - Conclusion and discussion provide the answer to research question, presents Finnish market entry strategy for ProMehanika, and gives recommendations for further studies. 	
Key words International Trade, Market analysis, Market Entry Strategy.	

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1 Introduction

As the European market becomes more connected, international expansion for organizations become more relevant, beneficial, and easier. For businesses whose goal is to grow, they must expand beyond their borders, especially, when the business is in a limited market area. Compared to U.S. market, European companies are more forced to expand internationally and therefore, the expansion rate is 19 times faster compared to U.S. Mainly, due to U.S. market size being much bigger and the U.S. companies having more possibilities in their local market. As for the European market, which consists of 50 distinct countries, the companies must take into consideration different national policies, regulations, cultures, and languages when expanding internationally. This thesis has been created to investigate the importance of these factors and challenges that companies must take into consideration when expanding internationally between Finland and Latvia. (Vis, 2019.)

1.1 Case company

This thesis will cover and analyse several company models and their international expansion experiences in similar industries, but more deeply ProMehanika ltd.

The company is a leader of Baltic countries in wholesale and retail in its specific field (Industrial segment). It was founded in 2004 by Rimma Zandberga and at that time the name of the company was "IunA Gultņi". Due to expansion of product range and international markets the company changed the name to something more attractive – ProMehanika.

In 2008, Modris Cukurs became the CEO of ProMehanika. At that time, the company was running 8 stores based in Latvia and 4 stores based in Estonia. Over these years, the company has faced a rapid growth each year and currently is running 20 stores in Latvia, 3 in Estonia and several stores under construction in Estonia and Lithuania.

The main product group for the company is bearing, based on which the previous company name was based on. Currently, the product range has grown to working gloves, cutting discs, industrial belts, chains and plastics, seals, chemicals, welding equipment and other products. The main client range consists of industries, such as: forest, agriculture, household, auto, tram, train, and ship.

The company has one of the biggest warehouses in Baltic countries consisting of more than 20'000 product types. It has a cooperation with more than 5'000 active clients in the Baltics and is currently building an online store platform for expansion in European market, including Finland. (ProMehanika, N/A)

The main future target for ProMehanika ltd. is to run 60 stores, out of which 25 would be in Lithuania, 20 stores in Latvia and 15 stores in Estonia. Currently, the company owns majority of their business locations and mainly operates business through retail. Yet, the company has also expressed interest in expansion to Finnish market and is open to different methods for this matter, but no clear strategy has been made for such actions.

1.2 Commissioner

This thesis is commissioned and supported by a company - Ricardo oy. It is based in Loviisa, Finland. The operating name of the company is Loviisan Suurkirppis. It was founded in 2017 by Sami Pertti Naskali who is the CEO of the company up until this day.

Loviisan Suurkirppis is a flea market that rents out tables for customers to sell their personal belongings. At the same time, the company provides wide range of products (non-used), such as: candles, industrial chains, furniture, kitchen appliances and much more.

The commissioner for this thesis has been chosen due to its active partnership with ProMehanika ltd. Ricardo oy is a wholesaler and retailer of ProMehanika products, such as: Working gloves, clamps, cutting discs and hand tools, chemicals, and metalware. Furthermore, Ricardo oy has expressed interest in expanding through ProMehanika's product assortment and become a more involved partner to the company, as well as, grow the product assortment within time. Currently, the companies are under discussion of Ricardo oy to distribute such product groups as: bearings, oils, chains, and other technical components. The partnership started in November 2018 and has been active until this day.

Another reason for this study, Sami Pertti Naskali is currently working with and has experience with many international suppliers and partners from different European countries. The commissioning company is a party of interest in this research and an expert in the industry.

1.3 Research aim and question

The aim of this thesis is to study, analyse and provide ProMehanika with various market entry strategies, business forms and market analysis for expanding in Finnish market. In addition, the commissioner has expressed interest in studying the potential market entry strategies, conduct market and rivals's analysis in Finland and potential sales growth in partnership with ProMehanika. The research should provide both parties insightful information towards different channels of expansion, current market situation and analysis of competitors within Finnish market and recommendations towards successful and more involved partnership. Also, this thesis will introduce the commissioner with ProMehanika's product assortment and its operations in more details.

In international trade, there are many aspects that affect successful negotiations and contracting, such as: culture, legal barriers, foreign government, business operations and the case. The international trade has become more relevant and necessary for organizations than ever before. In the last 100 years, world international trade has grown 4000 times larger, therefore the study of this topic has become more important. (Ortiz-Ospina and Beltekian, 2018)

The companies that are looking forward expanding in international markets are in need to study and analyse the factors mentioned above. Every market has its differences and ignoring them can result into failure of growing one's business. Therefore, the research question of the thesis is as followed: "How can ProMehanika ltd. successfully expand through international trade between Latvia and Finland?"

There are different sales techniques within different industries and markets, however this thesis will mainly focus on ProMehanika's case of trade between Latvia and Finland and how the commissioner can supplement from that. The research should help ProMehanika to establish a more involved presence in Finland in cooperation with commissioner, thus increase the revenue of both organizations.

The next chapter will investigate different market entry strategies, e-commerce analysis and network approach for ProMehanika to conduct international expansion to Finnish market.

2 Market entry strategy

For a business seeking to expand internationally there is an essential need for management to choose the best market entry strategy to succeed. Once the strategy is set, it may be hard for the company to change it as it is one of the least flexible marketing elements. According to Cavusgin, Knight and Riesenberger (2013, 178), market entry strategies can be divided into three main categories: Trade of products and services, Equity or ownership-based international business activities and contractual relationships that can be thus sub grouped into various other strategies.

Table 1. A classification of Foreign Market Entry Strategies Based on Degree of Control.

Low-control strategies		Moderate control strategies		High-control strategies		
Exporting and countertrade	Global sourcing	Licensing, franchising, and other contractual strategies	Project-based (non-equity) collaborative ventures	Minority-owned equity joint ventures	Majority-owned equity joint ventures	Wholly owned subsidiary (FDI)
Minimum	Control available to the focal firm over foreign operations					Maximum
← Limited	Resource commitment					→ Substantial
← Maximum	Flexibility					→ Minimum
← Low	Risk					→ High

Trade of products and services segment is the type of market entry strategy where a company is producing products or services in one country and then exports them to foreign buyer in another country. All operations are normally based and managed in home country. This strategy has advantages, such as: Low market entry costs, low risk, less work, and more flexibility. The strategy also has disadvantages, such as: Low marketing activity control, loss of product quality and warranty or loss of sales, when cooperating with wrong carriers. Yet, this category can be sub-grouped into direct and indirect export that can be seen more in depth below. (Cavusgin et al. 2013, 178.)

2.1 Direct export

Direct export is the simplest market entry strategy and is obtained when a company sells directly to a foreign buyer. Customer may be end users, businesses, governments etc. Piggybacking is the most popular strategy in this segment, and it stands for a company to export to foreign distributors that promote the product in local market. The advantage of piggybacking is the low market entry cost and high promotion ratio if introduced successfully. Usually, in piggybacking the foreign buyer is a larger company with local market presence, distribution knowledge and experience. The foreign buyer might consider importing through piggybacking as local suppliers might not have the products needed for the right pricing. Piggybacking is a good strategy for starting direct exporting from where the strategy can be switched in later stage. If direct export is conducted straight to consumers or businesses, potential profit figures can be higher, yet risk and delivery costs might be higher as well. (CEOPedia, 2019)

2.2 Indirect export

On the contrary to direct export, indirect export is conducted through cooperation with intermediaries in the company's home market. The company sells products to intermediary and the intermediary then distributes these products straight to consumers in foreign markets or foreign distributors which then brings products to consumers. Intermediary takes responsibility for organizing paper works, shipping products, getting paid etc. This is a good market entry strategy for a company due to the low risks and high flexibility. It is also the cheapest market entry strategy, as the company does not need to conduct any export activities, research, marketing etc. The main disadvantages are the low control over sales processes and marketing activities in foreign markets. By conducting indirect export, the company does not gain valuable knowledge over the foreign market culture and this strategy is not the best option to grow large market share. According to Roy (2017), "Organizations of any size can engage in indirect exporting, but it is a strategy often chosen by smaller and newer organizations".

2.3 Contractual relationships

Contractual market entry strategy or in other words contract-based strategy is cross-border exchange where relationships are managed between local company and its foreign partner. The two most common contractual strategies are licensing and franchising. Whether a company or individual creates an invention, discovery, music, art, literary works, words, phrases, symbols, or designs, it is known as intellectual property. These assets are protected from unauthorized

usage of other parties by intellectual property rights. Some of the main advantages in choosing contractual entry strategies are: (Cavusgin et al. 2013, 221-222.)

- Moderate level of control over the foreign partner due to the contract created by both parties.
- Besides the exchange of product, additional intellectual properties, services, technical assistance and know-how is used to support the foreign partner.
- Flexibility in combining contractual market entry strategy with other strategies.
- Cheaper market entry strategy that can be switched to ownership-based strategy in later stage by acquiring its franchisees.
- More predictable stream of revenue.

2.3.1 Licensing

Licensing is an arrangement where the owner of intellectual property gives rights to use the product/service to another party for a specific period in exchange for a certain amount of compensation. According to Cavusgin et al. (2013, 223), licensing strategy is very common for high-tech companies willing to distribute the product in foreign markets. The buyer pays fixed amount up front and ongoing royalty, which can be fixed amount or gross profit based of using licensed assets. Typically, royalty may be 2 to 5 percent of gross profit. First payment of fixed amount upfront is due to costs of transferring technology, consultation, engineering, and adaptation to the buyer.

According to Hyatt (2016), “Companies that wish to expand into one or more markets with minimal risk and commitment will find that licensing could be the best market entry strategy”. Licensing as market entry strategy is good choice for companies with intellectual property that might have demand in foreign markets. This strategy requires minimal risks and it ensures the company with stable income from foreign customers. However, licensing as a strategy has some limitations and downsides, such as: Difficulty to research and identify the best foreign customers and come to an agreement with them. Also, the risk of foreign customer to use one’s intellectual property in selfish ways and becoming competition to the initial company.

2.3.2 Franchising

According to Cavusgin et al. (2013, 227), franchising can be defined as licensing, yet more advanced version of this market entry strategy, where franchisor grants the rights to use complete and full business model to the foreign customer (Franchisee). Franchising strategy is most common in international retail expansion. Here are some examples of well-known international franchisors: Subway, Hertz, FedEx, Hesburger (Finland-based franchisor) and Stenders (Latvia-based franchisor). Also, Glowik (2016, 166) points out, that franchisor takes ongoing responsibility for technical, administrative, and commercial assistance. When companies coming to an agreement, usually, franchisee pays fixed start-up fee, gross sales-based royalties, and advertising fees.

Franchising is relatively popular market entry strategy due to its fast target international market expansion potential. Also, for each franchisor there can be one or unlimited number of franchisees. However, there are several drawbacks for this entry strategy such as: limited hierarchical control over franchisee, negative brand image due to poor performance of franchisee and the fact that franchisor may obtain low quality information, knowledge, and reports of local markets. (Glowik 2016, 166.)

2.4 Equity or ownership-based international business activities

Equity or ownership-based market entry strategies can be defined as an organization establishing physical presence in foreign market through full or partial ownership of such assets as: capital, technology, labour, land, plant, and equipment. These strategies can be divided into two segments – Foreign direct investment (FDI), which is a wholly-owned subsidiary and International collaborative venture (Also known as international partnership or international strategic alliance), which is partial-owned subsidiary.

Although, foreign direct investments or collaborative ventures are considered as the most expensive and risky market entry strategies, there are many motives for companies to consider such path: (Cavusgin et al. 2013, 203-204.)

- The presence in foreign market allows the company to be closer and more involved with the customer.
- Compete with local market rivals by weakening their market position.

- Access to raw materials, which is most necessary for such industries as: mining, oil, agriculture or manufacturing.
- Better control over local operations and gained experience from collaborative venture partners.
- Taking advantages of governmental incentives, such as, taxation and subsidies.
- Avoiding trade regulations. Helps companies to avoid tariffs, anti-dumping taxes and other barriers that may apply to export.

2.4.1 Strategic alliance

Strategic alliance is the type of strategy form, where two or more companies come to an agreement of partnership to strengthen each other in the target market. Such companies do not necessarily belong to same industry and are not necessarily competitors, but rather have resources, technology, client database or distribution channels to complement each other's business. These strategic alliances can be divided into two sections – vertical alliance, which can be characterized as cooperation between suppliers and buys, and horizontal alliance, where companies cooperate to add value to their business activities.

Companies may choose to form international alliance due to local firm's market knowledge, expertise, and goodwill. Also, local partner may help overcoming government and public approval to start the business in unknown land. Such international alliance can help companies understand each other market's customer behaviours, customer service, marketing and design taste of customers. Very important aspect in such alliance is customer database that can be shared between the new partners, especially when companies are not competitors, but still have similar customer portfolio. (Glowik 2016, 169-170.)

2.4.2 Joint venture

The main difference between international alliance and joint venture is the fact that in joint venture two or more companies form, share and control a third independent entity. These parties (also known as joint venture parents) contribute with assets and thus share revenue and risks depending on each party's equity share.

Following the increase of international competition, globalization and technology development, joint ventures have become an important mode for international market entry.

Companies may strongly benefit from partnership through sharing the knowledge of technology and management, operational capacities and access to supplier and customer networks. Another reason for companies to consider joint venture when looking forward entering new international markets is the local market brand recognition. Therefore, such company may form a partnership with more popular local brand (Perhaps, not so successful) to distribute products through local firm's brand name. (Glowik 2016, 172.)

Joint venture strategy is beneficial for companies looking forward for fast sales growth in the new market. This strategy may increase the quality of after sales service and the service reaction time. As for such country like India, where the government has set regulations regarding foreign ownership, the government may enforce international companies to form joint ventures with local companies. (Glowik 2016, 173.)

This cooperative venture also has its downside, for example, keeping the balance and trust between the parties, especially, when parties compete in local market, but form a partnership in a foreign market. Such partnership may cause unreliability when sharing technology, managerial, marketing and other information. Another disadvantage may be the complex management structure and dependency on our partner. In the case of China, which has shown itself with poor intellectual property rights in the past, has forced Intel Corporation to keep extra caution when sharing technological development with its partners there. (Cavusgin et al. 2013, 212-213.)

2.4.3 Foreign direct investment

According to Amadeo (2020), Foreign direct investment (FDI) can be defined as an individual or company owning 10% percent or more of a foreign company. If owning less than 10%, based on International monetary fund (IMF), it can be considered as a stock portfolio. Cavusgin et al. (2013, 204-205.) complements that 10% barrier is also set by United Nations to differentiate FDI from stock and bond exchange. Another difference is that FDI seeks for long-term commitment and ownership control, where stock exchange may be interested in faster results. Although, 10% of stocks in the company will not grant the company control package, it may still be enough to influence company's management, operations and policies.

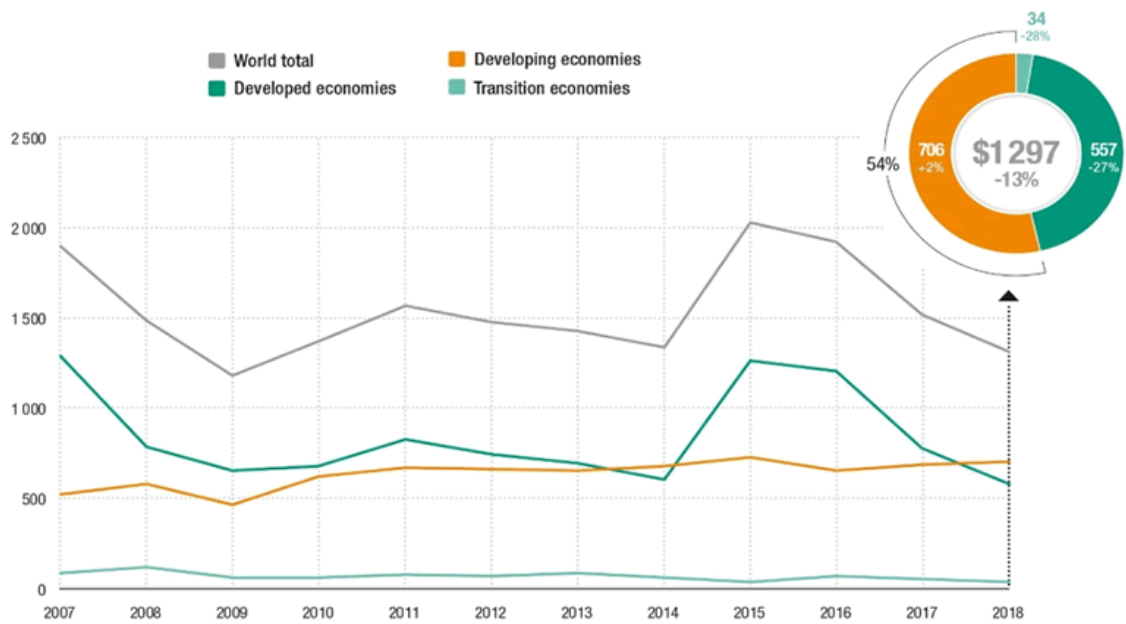
Foreign direct investment can be grouped into three forms: greenfield, acquisition and mergers. Greenfield investment is considered as a company investing to build its own manufacturing, marketing, or administrative facility abroad. Typically, includes the company buying a

land, building facility, and performing business activities. According to van Marrewijk (2007), the global FDI share of greenfield investment is 22%.

Acquisition on the other hand occurs when a company purchases another company or facility in a foreign country. An example of successful acquisition is the Chinese company Lenovo, which acquired IBM's pc business for \$1,75 Bn (Including liabilities) and now withholds its research, development and manufacturing facility. Although, IBM did retain 18,9% of the stake and some managerial decision power within the company, it helped Lenovo to rapidly become a global player in the market. (Wright, G. and Agencies, 2004)

Mergers are somewhat similar strategy to joint venture, yet instead of forming legally independent entity, two or more companies merge to form a new, larger company. Such action is most often performed by similar sized organizations due to integration of operations, which is best handled on equal bases. An example is Alcatel-Lucent, where two companies from U.S. and France merged to create the world's largest company in telecommunication industry. According to van Marrewijk (2007), the global FDI share of merger and acquisition is 78%, out of which 97% is handled through acquisition. (Cavusgin et al. 2013, 209.)

In the picture 3 below, one can observe the global foreign direct investment inflow graph from 2007 till 2018 by different group of economies. FDI inflow in developed economies seem to be fluctuating for the time period, yet FDI inflow for developing economies have been growing during this time period and surpassed it by 2018. This phenomenal can be explained due to investors finding developing markets more attractive with higher growth potential. The result of the changes has also caused the global market to become as competitive as never before. In 2018, the key players in foreign direct investment inflow results were such developing countries as: China, Hong Kong, Singapore, Brazil, and such developed countries as: United States, The Netherlands and United Kingdom. (UNCTAD, 2019)



Picture 3. Foreign direct investment inflows, global and by group of economies, 2007-2018. (Billions of dollars and per cent) (UNCTAD, 2019)

The reason for companies to choose internationalization through foreign direct investment is the possibility to set a foot in key market and assure physical presence there, move closer to partners and customers, and develop value chain operations. FDI is equity or ownership-based business activity, therefore it requires substantial resource commitment. For example, some European Union member countries, mainly from east, have set support for foreign investment through tax benefits and infrastructure adjustments for greenfield investments. For the company, motivational factors can be the lower labour costs, higher sales potential, or best-value products in the market. (Glowik 2016, 195.)

Foreign direct investment may also cause higher risks and uncertainty for investors due to vulnerability to local economic changes, political decisions, inflation, recession, and other aspects. For wholly owned subsidiaries, investors may face challenges in coordinating foreign and local operations. Companies may face issues with cultural differences and human management, especially, when markets are culturally and linguistically distanced. For example, United States have shown significant FDI flow to the Netherlands due to English language popularity there. (Glowik 2016, 196.)

2.5 E-Commerce as market entry strategy

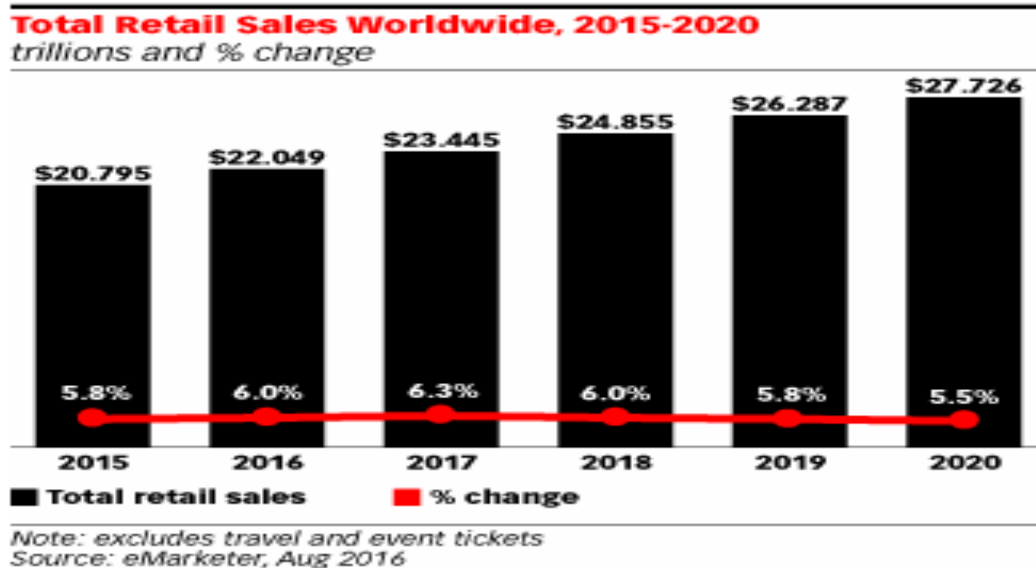
E-commerce, in other words electronic commerce or internet commerce is relatively new market entry strategy, which stands for a product or service traded through the World Wide Web

in return of a transfer of money and data. There are four types of ecommerce models: Business to Consumer (B2C), Business to Business (B2B), Consumer to Consumer (C2C) and Consumer to Business (C2B).

Similarly, to traditional market entry strategies, ecommerce consists of various types of divisions, such as: (Shopify.com, N/A)

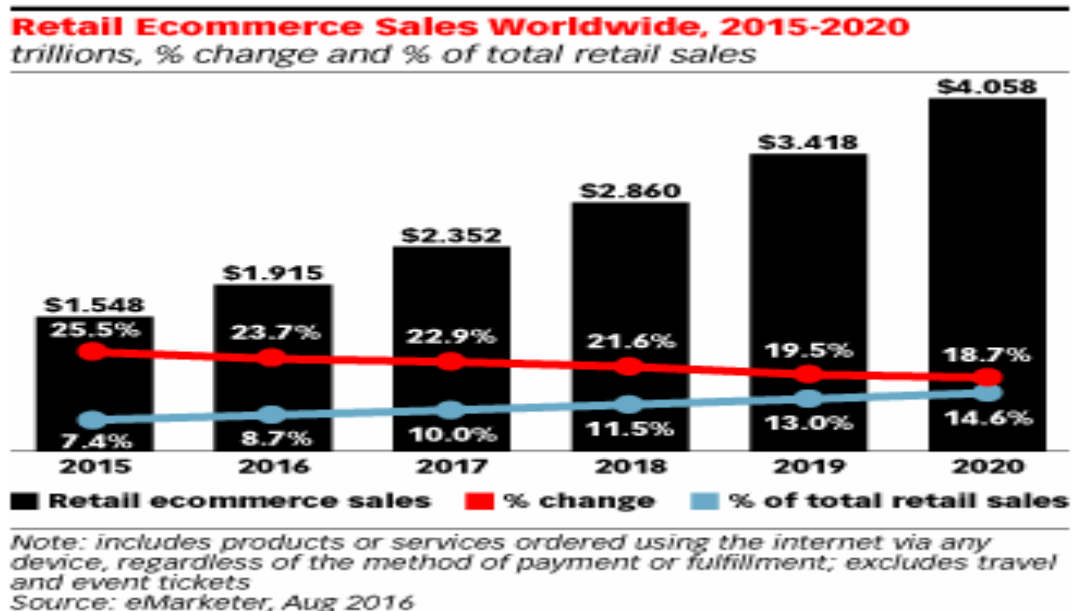
- Retail – Company selling product directly to consumer without any intermediaries.
- Wholesale – Company selling products to retailers through platform, where retailers later sell these products to consumers.
- Drop shipping – Intermediary selling products straight from manufacturer to other companies or consumers. Usually, commission-based activity.
- Crowdfunding – Strategy of collecting necessarily capital to bring the product or service to the market.
- Subscriptions – Purchase of product or service on regular basis until the customer chooses to cancel.
- Physical products – Tangible product that requires inventory and can be shipped to consumers.
- Digital products – Digital products or services, such as: templates, goods, online courses, and media. Can be bought or licensed online.
- Services – Skills in exchange for compensation that is bought online.

According to (eMarketer, 2016.), global retail sales are expected to reach 27 trillion USD mark in 2020, which is the highest figure in the history of traditional retail. Retail is a rapidly growing industry with an average growth rate of 5,5 – 6,3 percent each year since 2015, yet seems to be slowing down in last years, as can be seen in picture 4 below.



Picture 4. Total Retail Sales Worldwide, 2015 -2020. (eMarketer, 2016)

Ecommerce, which stood at 1,548 trillion USD in 2015 is expected to grow to 4,058 trillion USD mark in 2020. This is a very fast-growing industry with a growth rate of 18,7 – 25,5 per cent since 2015. Although, the growth rate for ecommerce seems to be decreasing every year, ecommerce share of total retail is increasing each year. If such growth could be forecasted in the long run, ecommerce might bring very serious change for the total retail industry.



Picture 5. Retail Ecommerce Sales Worldwide, 2015 – 2020. (eMarketer, 2016)

The major growth rate is expected in Asia-Pacific region, where ecommerce is forecasted to climb by 31,5% in 2016. By 2020, Asia-Pacific market share of ecommerce could stand at 2,725 trillion USD mark. Growth in such industry is expected to expand middle class, increase logistics and competition in the industry, increased mobility, and online penetration. (Emarketer, 2016)

2.6 Network approach for internalization

Internalization can be defined as organization's increased involvement in international environment. The rapid increase of internalization and the changes in global market pushes organizations to study and understand the concepts of forming successful relationships within the market and gain the best outcome from one's connections. In this chapter, the author will focus on the network approach for internalization, more specifically, inter-organizational and inter-personal relationship approach. Both studies are useful in terms of understanding potential channels one can use to expand the business through personal and business relationships.

2.6.1 Inter-organizational network approach

Inter-organizational network approach draws the relationships and ties between mutually engaged organizations as: Suppliers, customers, service providers, banks, and other partners. Within the internalization, companies tend to increase the use of their global networks, which leads to lower the uncertainty of foreign markets and strengthen the ties between these organizations. Such ties may and will also influence the decision making and market entry strategies of the organizations seeking international business operations, which on the contrary goes against the study of traditional market entry researches. (Glowik 2016, 91)

Network approach tends to focus on oligopolist business-to-business market environment, yet recently smaller companies have also shown a trend to establish such international relationships and grow globally. The research shows that resource-based joint ventures derive from such international relationships. Groups and organizations gain value and power over each other by controlling and sharing these resources. If successful relationship is established it gives competitive advantage to the partners, in contrary, if the organization is an outsider (Can be observed in the figure below) it is extremely difficult to succeed in the foreign market or even impossible. In the case of ProMehanika and Ricardo oy, the foreign expertise, connections and shared resources may drive the companies to faster growth and successful results. Even to this point, some of the connections and existing clients have aroused through the

connections of Ricardo oy. However, the studies show that such practice may increase the power of resources within joint venture, which can lead to opportunistic behaviours of one side and thus, instability and a failure of the cooperation. (Glowik 2016, 92)

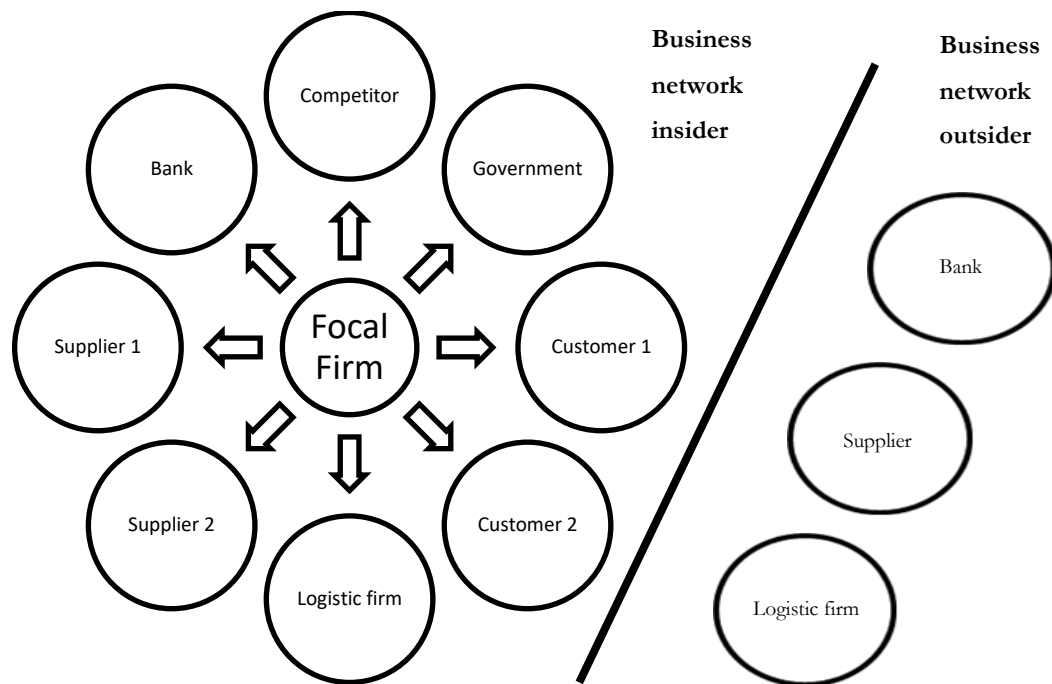


Figure 1. Focal firm's business network

2.6.2 Inter-personal network approach

The modern business environment, where logistics, communication, digitalization, e-commerce, and trade laws are better arranged and accessible gives the small enterprises opportunities for easier foreign expansion. (Glowik 2016, 95) According to Hohenthal (2001, 25), companies that can expand internationally in a quick manner, usually, are in close relationships with their foreign partners.

Inter-personal relationship approach differs from inter-organizational approach in a way that entrepreneurs develop and maintain personal relationships with each other based on experience and trust, rather than legal contracts. Both parties are willing to share valuable market knowledge between each other and learn from it, thus it reduces the uncertainty of the foreign market. When entering foreign markets, the entrepreneur may also gain competitive advantage by learning from the other actors in the network. Based on the study, businesses with previous internationalization experience tend to launch foreign operation faster and more effectively.

The study also describes a relatively new term – International new ventures and born global. International new ventures derive from enterprises that seek to set global foot from the beginning of their business operations. Thus, use their foreign partners and networks to expand their sales in several markets at the same time. Born global concept has similar features and is most often used in technology-based service providers field that can adapt their strategy to the focus on foreign market in faster and less costly matter. (Glowik 2016, 96)

Such strategy could be used when building cooperation within e-commerce business between ProMehnika and Ricardo oy. Ricardo oy has long-term knowledge and experience in the market, thus logistics, local partners, and facility presence. ProMehnika has relatively high product assortment, e-commerce platform under progress and data of product circulation within Latvian and Estonian markets.

3 Analysis of Finnish market

For a company to enter a new market, it needs to have a certain knowledge and data about the environment, competition, business operations and other market specifications in the specific industry. If the company does not have enough knowledge and data about the specific market, it may face difficulties and risks in operating business here. According to Van Hamersvel & De Bont (2007, 37) The main goal of market research is to provide company managers with reliable information for them to make better business decisions based on analysis and data. In the following chapters author will collect and analyse data of ProMehanka's business industry in Finnish environment. Study the Finnish market more in general, then focus on the competitors and their business operations, product assortment and the need for products that ProMehanka has to offer. Finally, study key actors and supply chain for similar products in the specific business industry in Finland.

3.1 Macroeconomic figures

Firstly, to understand the general Finnish market environment, one must study the external macroeconomics data of Finland. This chapter should help ProMehanka and Ricardo oy better understand the market position and the industries within it and thus, help to make better business decisions for entry strategy. Finland is a European Union member country with relatively small population, yet large land area. It operates within euro currency, which is the same as in Latvia. Finland's most competitive industries are manufacturing, forestry, metal, engineering, telecommunication, and electronics. Also, the country operates within biotechnology, cleantech, IT and gaming sectors. With its rich timber and mineral reserves, the market still requires extra imports of raw material, energy, and manufacturing components. According to Moody's analytics (2020), the agriculture industry in Finland covers 2,6% of national GDP, which is less compared to Latvia. The key products in agriculture industry: Barley, wheat, sugar beets, potatoes, dairy cattle, and fish.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	CAGR (2010-2020)
Population in millions	5.4	5.4	5.4	5.4	5.5	5.5	5.5	5.5	5.5	5.6	5.6	▲ +0.4%
Households in millions	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	▲ +0.2%
GDP / Capita in US\$	38,691	40,499	40,882	41,391	41,581	41,746	42,439	43,369	44,584	46,011	47,570	▲ +2.1%
Grocery Retail Sales in million US\$	16,298	17,070	18,503	18,723	18,984	19,573	19,976	20,387	20,807	21,235	21,672	▲ +2.9%
Consumer Spending per Capita in US\$	20,588	21,760	22,327	22,652	23,017	23,339	23,815	24,413	25,166	26,038	26,990	▲ +2.7%
Inflation in percent	1.7	3.3	3.2	2.2	1.2	0.0	1.3	1.6	1.8	2.0	2.0	▲ +1.7%

Picture 6. Market indicators for Finland. (Statista, 2020)

According to Statista (2020), the overall indicators states that the Finnish market is growing from 2010 till 2020 in terms of its population, households, gdp, grocery retail sales, consumer spending, and inflation. In the picture above, one can also observe that within these sectors the tendency of growth can be seen each year over the previous ones. Since 2010, the population has grown from 5,4 million to 5,6 million people, which stand for 3,7% growth within the sector. On the other hand, gdp per capita figures have gone up from 38'691 in 2010 to 47'570 in 2020, which indicates roughly 23% growth within the sector. Similar tendency can be seen in consumer spending category. Although, there has been positive inflation ratios over the years, the overall market growth has been positive, and it seems to become wealthier over the years.

3.2 Demand and existence of ProMehanika's products in Finland

For many years ProMehanika has been operating in Latvian and Estonian market through retail and wholesale operations, yet couple years ago the company has taken measures in Finnish market. Currently, the company operates wholesales through piggybacking strategy in Finland. In other words, ProMehanika is in search for local partners through which it can distribute the products within Finland. These local partners are more experienced in terms of sales, legal aspects and have a client circle. To succeed in penetrating Finnish market and compete with local distributors, one must study the current market situation there, competition, business operations, need for the products and services, thus the existence of these products in Finland.

The overall assumption of the market situation in Latvia is that there are relatively more, yet smaller companies in size within the industry of ProMehanika. As can be observed in the appendix below, some of those are the most revenue generating companies operating in Latvian and Baltic market, yet besides them there is a large quantity of smaller and relatively out of date distributors in the regions. These top 3 largest companies operating in Latvia generate approximately 40'000'000 € together. The product assortment is similar in comparison what Finnish and Latvian distributors have to offer. The companies, both in Latvia and Finland, have full assortment of bearings, chains, belts, seals, lubricants, metalware, tools, and other products as these seem to be the most essential within this industry. A very special case within this industry is Motonet. The company seems to successfully combine the industrial segment with house electronics and supplies, fishing, hunting equipment and a strong focus on motorcycle spare parts. One major difference between Motonet and other major distributors in Finland is the fact that Motonet focus on B2C sales, rather than B2B.

The biggest distributor and direct competitor of ProMehanika product assortment in Finland is a company called Etra. This company operates 40 stores throughout the whole Finland and has generated 250'700'000 € revenue in 2019. It mainly operates in B2B sales field. Etra was formed in 2007 by several Finnish companies merging. Today, Etra employs 1550 people and is by far the market leader in Finland. Etra distributes almost full assortment of what ProMehanika has to offer, yet in addition the company offers: Car accessories, Packaging materials, hydraulics, material handling and furnishing, building maintenance and cleaning, electrical and compressed air tools. (Etra, N/A) In comparison to Etra, ProMehanika has set foot into motorcycle spare part segment, which is a growing industry in terms of product assortment and sales for the company.

Another worth mentioning difference in business operations in Finland and Latvia is the online sales presence. Currently, the major distributors in Latvia are not operating online sales, although ProMehanika's e-commerce platform is under development. The company is expected to launch the online sales in the next 1-2 years, yet online stock is available for clients under contracts. On the contrary, major Finnish distributors have a strong position in online presence. Motonet, Laakeri-center, Laakeri-netti, and Etra have a developed and performing e-commerce platforms with order options. All these major Finnish distributors have full product information available, except for Laakeri-center and Etra that only provides the pricing and additional information to registered clients. (Etra, N/A)

Overall, the product assortment and business operations are similar within Latvia and Finland. The total revenue of the major distributors in Finland generate approximately 610'000'000 € in revenue excluding the smaller companies that have not been taken into consideration for this research. Therefore, one could assume that there is a relatively large market capacity and demand for ProMehanika's product assortment. These distributors represent different product brands in Finland, yet most of them are also available within ProMehanika's assortment. The major difference is the sales strategy, which must be taken into consideration for ProMehanika to succeed in Finland. Also, the additional product assortment mentioned above that some of the major Finnish distributors offer for their clients, could be potential growth opportunity for ProMehanika in Finland and perhaps also in Latvia.

3.3 Key actors and Supply chain

For an organization to optimize its business processes, maximize customer value and gain competitive advantage in the market, it must create and study a business process analysis within the company. Supply chain management is a tool that illustrates and studies all product and service flow regarding the organization, starting with raw materials, manufacturing, middle parties, logistics, until the product or service reaches the end user. The goal of supply chain is to optimize every step the supplier takes to make business more efficient and economically reasonable. (Hayes, 2020)

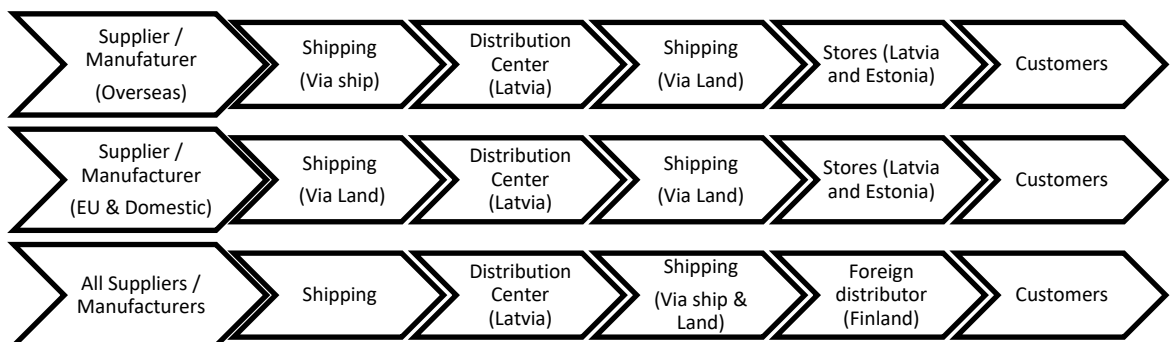


Figure 2. Supply chain of ProMehanika

Many organizations have different supply chains and for many they can be very complicated with many middle players, yet the case of ProMehanika is very simple and straight forward (See Figure 2 above). The company is always seeking to avoid every possible middle player, cut the costs and optimize its business processes. Majority of the product assortment that ProMehanika distributes within Latvia, Estonia, and Finland, are obtained straight from the

manufacturer. This model gives ProMehanka a competitive advantage in terms of pricing strategy, cut unnecessary costs and helps to expand to Finnish market.

In the case of other Finnish distributors, the companies are performing a similar supply chain, yet some of the suppliers and product brands differ within their product assortment. ProMehanka's biggest distributor is currently located in Japan and represents Koyo brand, yet Etra and Motonet distributes SKF brand that is in Sweden. (Etra, N/A)

The major difference in supply chains of Finnish distributors compared to Latvian distributors and ProMehanka is their online sales presence. By taking this measure, the companies have managed to cut off one channel in their supply chain. Instead of distributing products through their shops, they can distribute products straight from distribution centre to customers. There is no evidence of financial reasoning for this action, yet the online sales presence may increase the overall sales and cut the costs of operating physical stores in the land.

4 Research approach and methods

This thesis was carried out by using case study approach and qualitative research method. The following chapter compares the similarities and differences of qualitative and quantitative research methods and describes the choice of qualitative method use for this project in more details. In addition, interview questions, data gathering, and reliability of the research will be explained and analysed.

4.1 Research methods

The most used research methods are qualitative and quantitative. The use of these two methods depend on the goal the research aims to achieve. The quantitative method emphasises collecting numerical information through observations of frequency, intensity of behaviours and participating responses to survey questions. Such method was not used within this research due to specification of the study.

The qualitative research, on the other hand, focuses on behaviours, attitudes, and opinions. Compared to quantitative research collecting numerical information, qualitative research is conducted by more in-depth group and individual discussions and interviews. (Krishnaswami & Satyaprasad 2010, 6-7) Author chose to use the qualitative research method and conduct interviews with industry professionals to collect more in-depth and reliable information towards organizations' operations, plans, and opinions.

4.2 Data collection process and analysis

This thesis was carried out by qualitative research approach, in other words, author did conduct interviews with two professionals in the industry. One professional is sales director of ProMehhanika – Tija Špaca. The reason for this interview is to collect data of ProMehhanika's current operations in Latvia and Estonia yet find the future goals of the organization's plans towards entering foreign markets. During the interview, author did also put emphasis on online sales potential as a tool in Latvia and Estonia, thus entering a foreign market. This thesis case study is ProMehhanika and its operations in Baltics and Finland.

Another interview was conducted with ProMehhanika's client, thesis commissioner CEO of Ricardo oy – Sami Naskali. The purpose of the interview is to study the business operations within Ricardo oy, supplier relationships, contracting, e-commerce presence and future for the

organization. Interview was conducted due to commissioner's interest in the research, future cooperation and strengthening relationships with ProMehanika.

Case study approach was conducted to analyse ProMehanika and its rivals within Baltic market and Finland. For this research, the author did study the companies' business operations, sales figures, locations, e-commerce presence and the product assortment that the companies have to offer. The purpose of this study is to deeply understand the organizations' current business operations, the presence and influence within the markets. Also, this data gathering will help ProMehanika to better understand the need and existence of these products in Finnish market.

The data gathering for this thesis was conducted through academic books and articles to study theoretical framework. Also, gathering data from website articles and visual material to create the study more comprehensive and up to date. Part of the data gathering did have a direct link with the case company and commissioner, such as case study of ProMehanika ltd. and conducted interviews with industry professionals. The other part, is relevant, but not directly linked with the case company or commissioner, such as theoretical understanding of the comparative markets, market entry strategies, e-commerce studies, network approach etc. This data gathering will ultimately lead to the market entry strategy of Finnish market for the case company – ProMehanika ltd.

4.3 Data reliability and validity

Due to the very specific industry that ProMehanika is operating in, the data collection was rather difficult and challenging. There was limited information available towards ProMehanika's rivals in Baltics and Finland. Interviews were conducted with parties of interest in this thesis research, which gave a clearer understanding of organizations operations and business plans, yet additional information on other parties were unavailable. Also, the overall ProMehanika's industry statistics were not available due to their specification and absence, which would have made the study more precise and reasonable for the case company and commissioner.

Another factor that influenced the research was unavailable information of pricing strategies of different distributors. These companies are mainly operating in B2B customer sales; therefore, the pricing would be only available to their registered clients. Otherwise, the organizations are not willing to share such information with public. Such research would have given valuable information for ProMehanika's and Ricardo's business plans.

Overall, data gathering, and analysis were made through academical material, online articles, and available industry statistics. The information is rather reliable and up to date. Many different market entry strategies were analysed, compared, and discussed. ProMehanika's international growth strategy was taken into consideration when analysing the future opportunities for the organization. Advantages and disadvantages of every potential strategy were studied. Further on, network approach method was studied to give ProMehanika and Ricardo oy a better understanding on how to use available connection on bringing competitive advantage to the organizations. Finally, overall market research was conducted for Finland, the product need and existence in Finland was analysed, and supply chain model created for ProMehanika and recommendations given on how to optimize the future operations.

The interviews were rather valid and reliable due to interviewees professional background and interest in this research. ProMehanika's sales director – Tija Špaca is directly responsible for domestic and potential sales operations in Latvia and abroad, yet the person has the most experience within the organization. CEO of Ricardo oy – Sami Naskali is closely connected with ProMehanika's operations in Finnish market, yet has shown interest in making more closely connection with the company and potential cooperation for expansion in Finnish market. Case study was conducted by analysing the biggest players in the industry in Finland and Latvia. Information was taken from organizations' online platforms and financial databases.

5 Results

The aim of this thesis was to study the overall Finnish and Latvian market operations within ProMehanika's business industry. Furthermore, the author studied and researched potential market entry strategies for ProMehanika's internationalisation plans to Finnish market, e-commerce as modern tool, network approach for finding new business opportunities and finally, the overall Finnish market analysis, ProMehanika's specific business industry and the supply chain of the organization. For this study, the author conducted 2 interviews with professionals in the industry, Sales director of ProMehanika – Tija Špaca and CEO of Ricardo oy – Sami Naskali. Furthermore, case study research was conducted for the major rivals of ProMehanika within Baltic and Finnish market. This chapter contains analysis of the conducted case study and industry professional interviews, and contains insightful discussion over these topics.

5.1 Case study

For this research, the major rivals of ProMehanika in Finland and Baltics were studied and compared in regards of their size, locations, turnover, online sales presence, target groups, and product assortment. The research also gave an answer to existence and need for ProMehanika's product assortment in Finland. When looking at the situation of ProMehanika's rival organizations, one can see and compare the market size of major players within the industry in Latvia and Finland. As mentioned previously, the major companies performing in Latvian market generate approximately 40'000'000 € turnover together. On the contrary, major companies performing in Finnish market generate approximately 610'000'000 € turnover. These figures do not represent the overall market size of the industry as only the biggest organizations were studied and taken into consideration, yet it represents the size and influence these companies have within the market. Rather, one could consider that the organizations operating in Finnish market are rather less, yet bigger and more influential compared to Latvian market. More precise research could be conducted if the industry statistics and other information would be available.

Another major difference between Finnish and Latvian organizations is their presence in online sales. In the appendix below, one can see that the major distributors in Finland are all actively participating in online sales, however the organizations in Latvia are currently not in that stage yet. Currently, ProMehanika is in the process of building its e-commerce platform, thus it may help increase the sales figures in the local market and help penetrate international markets. The current ProMehanika's online platform allows clients to see the product

assortment, read information, and view the pricing of them, yet it does not allow clients to form online orders. Companies that are more focused on B2B sales in Finland, such as, Etra and Laakeri-center have available online stock, where clients can view the information of products' manufacturer, measurements, materials and other additional information, yet pricing and online orders can be carried out only by registered clients. Motonet is the only major distributor in Finland that has available full information of products assortment within their online platform, although the company's sales strategy is more towards B2C and the product assortment differs from other major distributors in some ways.

Table 2. Major distributors' turnover per location in Finland and Baltics.

Company	ProMehanika	Alas Kuul	Ignera	Motonet	Laakeri-Center	Etra
Turnover €	10'500'000	21'466'386	7'840'000	350'500'000	6'092'000	250'700'000
Locations	23	6	6	34	7	40
Turnover per loca- tion €	456'521	3'577'731	1'306'666	10'308'823	870'285	6'267'500

Depending on the company, the business strategies of these organizations are different in terms of business locations, yet successful results can be obtained in different ways, as can be observed in table 2 above. When studying Alas Kuul and Ignera, one can notice the smaller number of locations these companies are operating, however the turnover is relatively similar or bigger. Perhaps, the reason for this action could be the client focus the business is targeting. By having less locations, yet higher turnover per location, author assumes that the organizations are more B2B focused in comparison to ProMehanika. When studying market situation in Finland, similar trend could be observed from organizations' locations. Laakeri-center has managed to generate 6'092'000 € in revenue by operating 7 location. These figures can be converted to 870'285 € revenue per location. In the case of Motonet, the revenue generated per location reaches up to 10'308'823 €, whilst Etra revenue per location is 6'267'500 €. There are several circumstances that can influence these figures, such as, number of employees, client range and targeting strategy, yet product assortment, but more about that in the following chapter.

As mentioned earlier, bearings are the main business product assortment that generates the most revenue for ProMehanika. In 2019, bearings generated more than 50% of the company's revenue. Therefore, it is extremely significant to study the product brands the organizations distribute within Latvian and Finnish market. As can be seen in the table 3 below, ProMehanika represents relatively big assortment of bearing brands. The most popular within the company are Koyo and Nachi bearings that are represented by Japanese manufacturer. FAG, ZVL, and ZKL are also relatively popular brands within the company, yet these brands are represented by EU manufacturers. Alas-Kuul mainly represents SKF bearings that arouse from Swedish manufacturer, yet Nachi, FAG and INA is also represented. Ignera represents a big variety of different brands, yet INA and FAG are the most popular within the organization. Motonet represents relatively small assortment of bearings though their shops, yet only Koyo and SKF brands are represented. Laakeri-center distributes varies types of brands, including INA, FAG, NTN, and FYH, which is the same that ProMeahina distributes. Etra, which is one of the market leaders within this industry in Finland only represents SKF brand. This information expresses an opportunity and a threat to ProMehanika due to the differences in distributed brands within Finnish market. One could argue that different product portfolio gives the organization a competitive advantage, yet others might argue that the buying habits of Finnish clients are more towards known brands.

Table 3. Major distributors' represented bearing brands (Etra, N/A)

Company	ProMehanika	Alas Kuul	Ignera	Motonet	Laakeri-Center	Etra
Represented bearings brands	<ul style="list-style-type: none"> • Koyo • Nachi • FAG • Timken • CX • SNR • INA • ZVL • ZKL • Fluro • Asahi • Fersa 	<ul style="list-style-type: none"> • SKF • Nachi • FAG • INA 	<ul style="list-style-type: none"> • INA • FAG • SNR • Timken • Craft • Fersa • FKL • Harp • Fluro • Beco • Kinex • ZVL 	<ul style="list-style-type: none"> • Koyo • SKF 	<ul style="list-style-type: none"> • INA • FAG • NTN • IBC • FYH • HFB • JWT's • ISB • McGill • Sati 	<ul style="list-style-type: none"> • SKF

	<ul style="list-style-type: none"> • FYH • GPZ • ZWZ 					
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All the studied organizations in Finland and Baltics operate within similar product assortment, yet some differences can be seen. Such products as: Bearings, chains, belts, seals, plastic and metal components, chemicals and tools can be seen in the organizations' product portfolio; thus, these products seem to be the basis and foundation of these businesses. When studying organizations operating in Latvian market, some additional products can be seen in Allas Kuul and Ignera portfolios. Besides previously mentioned products, Ignera also distributes electric motors and reducers. Allas Kuul on the other hand distributes Electric motors, vacuum tools, pneumatic tools, welding equipment, compressors etc. ProMehnika's competitive advantage within Latvian market is the moto-cross spare parts and more-in depth involvement in the sports industry.

Finnish distributors, on the other hand, distribute even larger variety of products through their organizations. Besides previously mentioned products, Laakeri-center, in addition, distributes electrical motors. Etra, in addition, distributes full assortment of safety equipment, welding equipment, Electrical tools and accessories, compressed air tools, different variety of machines, building maintenance and cleaning tools, hydraulics, hoses, packaging material, electrical equipment and car accessories. Above mentioned are Etra's product categories, yet under these categories the company provides larger assortment of products in comparison to ProMehnika and other distributors in Latvia. A special case is Motonet, considering that the organization operates more in B2C field, thus the product assortment differs drastically. The organization has managed to combine previously mentioned foundation of products, yet, in addition, provide fishing, hunting, active lifestyle, bicycle and water sports equipment, moto sports and car accessories and spare parts, as well as, construction and renovation materials, electronics and home supplies.

5.2 Interviews

Two interviews were conducted for this thesis to study more in-depth view and opinions about ProMehnika's and Ricardo's business operation and future business plans. The first interview took place with sales director of ProMehnika – Tija Špaca. The topics were mainly related to person's work responsibilities, company's structure, sales techniques, e-commerce presence and business contracting.

Tija Špaca's main business responsibility is related towards business shop management. The person takes care of the shop daily operations and under her leadership are each shop's manager and their employees. As can be observed in the interview below, all international operations and foreign shop managers take training and recommendations from the best performing shops within Latvia. Also, not significant difference in shop management and sales techniques are expected from sales abroad.

During the interview, Tija Špaca expresses absence of foreign sales operations and sales strategy, nevertheless that the company does not have a market entry strategy for internationalisation towards Finland. Although, the person mentions that the organization is open for new opportunities and willingness to cooperate with potential partners.

When picking up e-commerce topic, sales director of ProMehanika admits that such strategy would give a competitive advantage to the company. The person believes that the business environment is expected to become more intense and competitive within time, therefore e-commerce is a must to stay in the leader position and grow sales. The presence of online sales could also be more reasonable and attractive for clients in regions to receive their goods to their address.

The business structure of ProMehanika works such that shop managers do not take full responsibility of attracting new clients, although their income depends on shop performance. For this reason, sales representatives come in the operations, organise visits to clients, represent product portfolio of the company and actively attract new leads. For setting contractual relationships with new clients, the company uses standard Latvian contract format, and both, shop managers and sales representatives can perform this task.

The second interview took place with the CEO of Ricardo oy – Sami Naskali. The interview was more focused towards person's work responsibilities, supplier relations, contracting, e-commerce presence and plans, as well as, future business goals and cooperation with ProMehanika.

Sami Naskali takes full responsibility of business operations within Ricardo oy, sales operations, warehouse rental etc. The person has had many years of experience in managing business operations, sales, and international orders. Currently, Ricardo cooperates with several business suppliers located in China, Spain, Estonia, Poland, Finland, and Latvia. The business

operates in used product sales, as well as, imports and sales of new household and industrial products. Sami Naskali admits that in the most cases suppliers reach out to him personally, which is also the case of ProMehänika, yet sometimes such suppliers are searched online or through personal connections and recommendations.

For supplier contracting and legal matter in Finland, the organization uses standardized sales contracts from its lawyer's office. As for the international orders, the company tends to use either sales contracts or legally binding email offers. The contractual relationship between Ricardo and ProMehänika is currently also handled through sales offers via email.

During the interview, Sami Naskali points out that the company is currently constructing an online sales platform which is expected to be launched at the end of 2020. The goal is to increase the sales of 10-15% in the early stage, focus more on new product sales, yet also used products. Ricardo oy is currently cooperating with matkahuolto delivery services and provides their services within its shop, therefore it gives the company a competitive advantage in online sales industry. Such circumstances also give new potential business opportunities for ProMehänika in cooperation with Ricardo oy.

Finally, the CEO of Ricardo oy expresses interest in cooperating with ProMehänika and believes that the organization has a lot of business potential within Finland and in cooperation with Ricardo oy.

6 Conclusion and Discussion

The aim of this thesis was to study and create the best market entry strategy for ProMehänika in Finland. There are numerous ways to carry out these activities internationally, yet blind and reckless steps can bring the company losses and miss out opportunities. For businesses to successfully expand internationally, one should research all aspects about the target market's potential entry strategies, market situation and different channels for expansion, as well as study rivals' business operations and their presence in the market.

6.1 Conclusion

The biggest rivals of ProMehänika were studied and analysed in Finland and Baltic countries, which bring us to a conclusion that there is a need and existence of products that the company can offer to Finnish market. The market in Finland is relatively large compared to Latvian market and the distributors are relatively stronger and more advanced in terms of size, product assortment and online presence, therefore a strong competition shall be faced here.

Expansion to Finnish market has its risks and opportunities. When studying bearing brands, the author noticed that ProMehänika has relatively different assortment of product brands that could be a competitive advantage for attracting new clients, yet a risk of clients' old buying habits and suspicion over ProMehänika's products. Also, the major rivals of ProMehänika have a bigger variety of product categories within their portfolio, which could lead the company to either specialise on its current product assortment or increase it over time, thus increase the overall sales. Finally, there could be a risk of expanding in Finnish market due to the strong positions and sizes of competitors. Taking into consideration that such rivals as Motonet generated approximately 350'500'000 € revenue in 2019 and Etra generated approximately 250'700'000 € revenue in 2019.

The most important factor for this study was the market entry strategy, where ProMehänika must choose the best option to successfully enter the Finnish market. Author recommends ProMehänika to choose the strategy carefully, because these factors are not very flexible and takes relatively much effort and finances. Currently, ProMehänika is conducting direct market entry strategy in Finland, more precisely – piggybacking, where one of the most successful foreign business partners is Ricardo Oy (Commissioner). Piggybacking is a popular and great option for starting exports in foreign market due to low costs and high promotion, yet to

strengthen position and gain more control of foreign activities, ProMehanika might consider developing more involved strategy for future operations.

Not every market entry strategy is suitable for ProMehanika. For example, Licensing might not be a good option, because the company's business is not related to intellectual property. Also, franchising might not be an option, because previously in the research one could see that franchising is the best conducted within restaurant, bar, grocery, and household industries. ProMehanika's business specification is more complicated and technical compared to previously mentioned ones.

Author believes that equity and ownership-based market entry strategies could be the best potential future steps for ProMehanika when setting a ground in Finland. Such strategies involve strategic alliances, joint ventures, or foreign direct investments. They are the most risk-taking strategies and the most expensive to carry out, yet the most rewarding, controlled, and influential. Similarly, to where ProMehanika stands now in Baltic market by collaborating with other companies in similar fields, Finland could be the case of cooperation with other businesses as well. Such activity could help ProMehanika to use its network and better understand the local market operations, gain clients through cooperation, and share costs with local partners.

There are different players within Finnish market, such as, rivals of ProMehanika, businesses in similar industry or other organizations that could supplement from cooperating with ProMehanika. Although, one currently active client has expressed the interest in cooperating with ProMehanika and grow the business together. Ricardo oy could be a potential future partner due to its presence, experience, client range and business premises in Finland, in addition, the company is in the final stage of developing its e-commerce platform and willing to distribute ProMehanika's products through this channel. The company has already shown active participation by distributing ProMehanika's products within Finnish market and interest to work more closely. More involved steps to set foot and have the organization's presence in Finland, such as, joint venture or strategic alliance could be carried out in this case.

E-commerce is a relatively new and growing trend in such business industry and one can observe many companies putting much effort on developing it. Although, the retail industry is currently much stronger and is expected to stay this way for many more years. When Latvian and Finnish companies from the same industry are compared, one can observe the Finnish companies to put more effort and presence on e-commerce sales. Author believes that e-commerce is not a must for ProMehanika to succeed in Finnish market, but it could give the

company a competitive advantage and become beneficial in growing sales, yet once the system is developed, it is relatively easy and cheap to scale it for international markets.

6.2 Discussion

During the process of constructing the thesis, research objectives and questions changed several times due to specification of the business industry and lack of available information for this study. The most difficult part was to determine the industry ProMehanka is operating in and the similar kind of companies that ProMehanka is competing against due to the product assortment, that different companies distribute in different ways and in combinations with other products. Another difficulty was the lack of publicly available information for industry, market, and business analyses, such as, overall statistics of Finnish and Latvian market within ProMehanka's industry, product statistics or pricing levels in Finland and Latvia. Such information would have led the author to more precise and relevant research, thus give more value to ProMehanka and Ricardo oy.

Overall, the results were close to as expected and in accordance with ProMehanka's current business strategy, yet valuable information towards different potential market entry strategies and Finnish market analysis was conducted. For international expansion, the organization must always analyse all possible opportunities, threats, and different roads it can take for successful operations. Author is confident that the research conducted for this thesis will be beneficial for both, ProMehanka and Ricardo oy to have more clear understanding on possible cooperation and expansion towards Finnish market, yet give useful insight of Finnish and Latvian market and rivals' analysis.

For future study the author would include more in-depth research on e-commerce field of sales in Finland and Latvia. Furthermore, study business reasons, conducted investments and the return on these inputs. One could also analyse the layouts, designs, and the interface of such platforms. It would be extremely beneficial, in the times of ProMehanka and Ricardo oy developing its presence in online sales. Such study was not conducted due to focus on more traditional market entry strategies and since online sales is currently not the mayor factor in successful sales growth. More in-depth e-commerce studies would include Latvian and Finnish companies' analysis from a different perspective, more interviews and case study on online platform operations.

To sum up, the author sees this thesis research beneficial for ProMehänika to study different aspects and see different views of potential market entry strategy in Finland, instead of blindly following modern trends or copying competitors' practices. There are no simple steps to be taken when choosing such business strategy, therefore being prepared and knowledgeable of all possible actions can only lead the company to more successful market penetration. Also, this thesis study process is beneficial for author's personal career development and opens new opportunities in continuous academic researches.

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Appendices

Appendix 1. ProMehhanika competitor comparison

Company Category					
Turnover	€ 10'500'000 (2019)	€ 21'466'386 (2018)	\$ 7'840'000 (2018)	€ 350'500'000 (2019)	€ 6'092'000 (2015)
Employees	~ 90	~26 – 50	38	1317	44
Locations	23	6	6	34	7
Online store	No (Coming soon)	No	No	Yes	Yes
Available product information online	Yes	Yes	No (Under progress)	Yes	Yes
Available pricing information of products online	No (Only for registered clients)	No (Only for Estonian website/mark et)	No	Yes	No (Only for registered clients)
Target groups	Mainly B2B / B2C	B2B	Mainly B2B / B2C	Mainly B2C/ B2B	B2B
Operating countries	<ul style="list-style-type: none"> • Latvia • Estonia • Lithuania 	<ul style="list-style-type: none"> • Estonia • Latvia 	<ul style="list-style-type: none"> • Latvia • Lithuania 	<ul style="list-style-type: none"> • Finland • Estonia 	<ul style="list-style-type: none"> • Finland
The most popular brands within bearing	<ul style="list-style-type: none"> • Koyo • Nachi • FAG • Timken • CX • SNR 	<ul style="list-style-type: none"> • SKF • Nachi • FAG • INA 	<ul style="list-style-type: none"> • INA • FAG • SNR • Timken • Craft • Fersa 	<ul style="list-style-type: none"> • Koyo • SKF 	<ul style="list-style-type: none"> • INA • FAG • NTN • IBC • FYH • HFB

product assortment	<ul style="list-style-type: none"> • INA • ZVL • ZKL • Fluro • Asahi • Fersa • FYH • GPZ • ZWZ 		<ul style="list-style-type: none"> • FKL • Harp • Fluro • Beco • Kinex • ZVL 		<ul style="list-style-type: none"> • JWT's • ISB • McGill • Sati
Product groups	<ul style="list-style-type: none"> • Bearings • Chains • Belts • Rubber • Plastic • Seals • Screws, bolts, nuts etc. • Working tools • Moto-cross parts • Gloves • LED • Batteries • Chemicals • Abrasives • Straps • Hand cleaning products • Transportati on rollers 	<ul style="list-style-type: none"> • Bearings • Seals • Lubricants • Belts • Chains • Welding equipment • Metal cutting instruments • Aluminium profiles • DIN standartized parts • Couplings • Electrical motors • Sew gearmotors • Frequency inverters • Compressors and compressed 	<ul style="list-style-type: none"> • Bearings • Belts • Chains • Seals • Electrical motors • Reducers • Working tools • Oils and Chemicals 	<ul style="list-style-type: none"> • Bearings • Batteries • Belts • Chains • Straps • Seals • Metalware • Auto oils and chemicals • Auto accesories • Electronics and home supplies • Fishing equipment • Active lifestyle • Hunting and hiking quipment • Moto sport 	<ul style="list-style-type: none"> • Bearings • Chains • Sprocets • Belts • Pulleys • Electrical motors • Locking devices • Switches • Racks • Gears • Straps • Gaskets • Seals • Rubbers rings

		<p>air equipments</p> <ul style="list-style-type: none">• Vacuum pumps, blowers and cups• Pneumatic components• Hand cleaning products• Chemicals• Transportation rollers		<ul style="list-style-type: none">• Bicycles and parts• Construction and renovation• Working tools• Work clothing• Water sport supplies	
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Appendix 2. Interview with ProMehanika SIA Sales Director Tija Špaca

Interview:

1. Could you describe your daily work responsibilities?

- I have a lot of responsibilities within this company. Mainly, I am responsible of daily operations in ProMehanika shops in Latvia.

2. What does ProMehanika shop structure look like? Who is responsible about what?

- I am responsible about shop operations in Latvia. Every shop has its shop manager who takes full responsibility about shop operations and the manager of a shop is also responsible about employees working in each shop.

3. Who are the employees in your responsibility?

- All 18 shop managers. Approximately, about 40 employees working in these shops together. Also, I have an assistant in office for handling work.

4. Are there any specific sales strategies or methods that you teach sales people to achieve the best results?

- We have some methods that we teach them, but then every sales person executes them differently. Also, we give them a lot of paper and online material to learn from.

5. How does the sales methods, customer service and shop design differ in Latvia, Estonia and Lithuania?

- The methods should be similar, because Estonian and Lithuanian shop managers occasionally come to Latvia and learn from the best performing shops' experience.

6. When operating a shop abroad, are there supposed to be any change in the concept of shop design?

- Lithuania and Estonia shop managers take matter in their own hands to design the shops. Not significant difference is adjusted in their shop performance.

7. How does the company handle sales abroad?

- The company is not mainly focused on opening sales abroad and is not actively searching for clients there, but if one appears, the company does not say 'No' to the client. Also, based on my experience, the company is always open to new clients and cooperation with other organizations abroad.

8. How could the online shop sales affect the operations in physical stores?

- Online shops will eventually attract more customers to shops and make the sales more convenient to customer's location.

9. How do you see the change of shops design, sales strategies and concept in the next 5 to 10 years?

- I believe, online sales will take more part in the business. Within time, market might become more competitive and smarter, therefore businesses might face a lot of challenges and e-commerce could give ProMehnika a competitive advantage.

10. Are the shop managers or sales representatives responsible of attracting new clients to the company and do contracts?

- Shop managers are not exactly responsible for attracting new clients, but they usually sign cooperation contracts when new clients appear. Sales agents are more responsible for searching new clients, visiting them, introducing our product portfolio etc. Once again, sales agents is a different section in our company and they are not under my responsibility.

11. Does the contracts made with new clients have some specific format? (WTO, European or Latvian standard?)

- Typical Latvian standard.

Appendix 3. Interview with Ricardo Oy CEO Sami Naskali

Interview:

1. Could you describe your daily work responsibilities?

- I do everything here. Starting with renting warehouse area, trailer rental and run sales operations within the shop.

2. What type of product suppliers do you have for your business?

- Second hand, import companies, paint factory and many more suppliers all around Finland.

3. Where are these suppliers from?

- From China, Spain, Latvia, Poland, Estonia and Finland.

4. How do you find suppliers for your business?

- In most cases they find me. Sometimes I search on internet or personal recommendations from friends.

5. How would you describe a successful supplier?

- Supplier that I can trust. Delivery time and price/quality ratio is the most essential aspect in this business.

6. Do you use sales contracts with your suppliers? Are the contracts based on some regulations? (European, WTO or Finnish standards?)

- Yes. Finnish standart from my lawyer office. In some cases, legally binding email offer can be used for international orders. The company clearly states the offer and full product information to which I accept and the trade is completed.

7. Do you have e-commerce (Online sales) at the moment?

- Not at the moment. In the process of building one, but it is expected to launch at the end of 2020.

8. How do you think e-commerce could affect your retail business?

- It will mostly affect new product business, not the second hand business as much. I estimate the sales growth of 10-15% in the beginning.

9. Where do you see your business in 5 to 10 years? Business structure, product portfolio, potential partners, etc.

- To sell the business with good profit [Laughing]. I believe, more products will go online and even the second hand products. People will register, book a table online or physically, take pictures, put the prices and publish. It could be a good combination with current physical business. As I run matkahuolto in my shop, therefore I will be able to organise home deliveries for clients. Also, ProMehänika has a lot of potential within Finland, cooperating with me, and be present of my online platform. I believe, I can sell a lot of products from ProMehänika's assortment.