

# **GLOBAL MARKETING RESEARCH FOR AN INNOVATIVE WELLNESS COMPANY**

Case: Zenestar

## Abstract

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	Number of pages 38	
<b>Title of the Publication</b> Global Marketing Research for Innovative Wellness Company Case Company: Zenestar		
Name of Degree Bachelor Degree of International Business		
Abstract <p>The wellness industry is witnessing rapid growth and its customers are constantly looking for new products and services to improve their physical and mental health. Finnish saunas are well-known around the world along with their health benefits. Many Finnish sauna providers are looking for new markets across the borders to escape the saturated Finnish sauna market. Finding a new market for innovative Finnish sauna/wellness products is the core theme of this thesis.</p> <p>The main objective of this thesis is to help the management of the case company, Zenestar, research a potential market. Zenestar commissioned four different theses to research potential markets to enter. The author chose the United States market. The US has become the center of the wellness industry as one of the top destinations for wellness tourists. The US is too big for single market research, therefore it must be divided into smaller segments such as a single state or city. The author has chosen New York City as the target market. The global market research aims to study the case company's competitiveness in the potential market while considering factors such as the local competition, trade barriers, and the market environment.</p> <p>The framework of this thesis consists of a theoretical part and an empirical part. The relevant theories concerning the empirical part, global marketing research, are addressed in the theoretical part of this thesis. Also, an internal analysis of the case company is utilized to add value to the empirical section.</p> <p>The results of the research point out that there is a demand for products like Zenestar wellness space in international markets. This result was concluded with a competitor analysis that indicated the current market trends and demand for new products.</p>		
Keywords Wellness technology, Internationalization, New York City		

## CONTENTS

1	INTRODUCTION .....	1
1.1	Thesis Background .....	1
1.2	Thesis objectives, research questions, and limitation.....	1
1.3	Theoretical framework .....	2
1.4	Research methods and data collection .....	3
1.5	Thesis structure .....	4
2	INTERNATIONALIZATION .....	5
2.1	Internationalization Models .....	5
2.2	Decision-making Process of Internationalization.....	8
3	GLOBAL MARKETING THEORIES .....	10
3.1	The Core Competencies .....	10
3.2	Political and Legal environment .....	10
3.3	Market segmentation .....	12
3.4	Competitive Analysis .....	12
4	PRESENTING THE CASE COMPANY .....	13
4.1	Zenestar's Background.....	13
4.2	The Core Competencies .....	14
4.3	Product Analysis .....	15
4.4	Wellness Industry .....	16
5	GLOBAL MARKETING RESEARCH.....	21
5.1	Trade Barriers.....	21
5.2	Economic Environment.....	22
5.3	Market Segmentation.....	23
5.3.1	Hotel industry in the US.....	23
5.3.2	Spas in New York City.....	25
5.4	Competitor Analysis.....	28
5.5	The outcome of the research .....	30
6	CONCLUSIONS .....	32
6.1	Answers to the research questions .....	32
6.2	Validity and reliability .....	32
6.3	Suggestion for future research.....	33
7	SUMMARY .....	34
	LIST OF REFERENCES.....	35

# 1 INTRODUCTION

## 1.1 Thesis Background

### **Finnish Sauna**

Saunas have long roots in Finland's history because of its hygiene and health benefits. There are about 3 million saunas in Finland according to an article published by Financial Times (Financial Times 2012). Nowadays sauna is mainly a place to warm up, sweat, and relax, but for the Finnish ancestors, it was much more. For Finns, it was the place where they were born and where they were prepared for their final journey (death). Saunas were used for multiple purposes from agriculture to chores. The health benefits of the sauna were taken into consideration and in history, saunas were called the 'poor man's pharmacy'. In the Finnish countryside, it was common for women to give birth in a sauna. The darkness and warmth of the sauna gave mothers a good place to rest after their labor. (Valtakari 2020.)

There is no proven risk in sauna bathing, taken in moderation, the users knowing their limits. Instead, an article written by Jean-Paul Schmid (2018, 127-129) points out that saunas have been shown to help prevent heart diseases among the Finnish male population. Combined with physical activity, the health benefits of the sauna are even more effective.

### **Zenestar**

Zenestar is a concept, trademark, and product, designed and owned by Hallaus Architects Ltd. The concept got started back in 2017 by a remark made by the company's customer. The 'Zenestar' is a new innovative wellness space that was inspired by historical aspects of Finnish saunas. The case company wants to bring back the multifunctionality of sauna and offer their clients new innovative wellness technology. The 'Zenestar' is a B2B2C company whose main customer group is luxury hotels and spas, and the end-customers are the guests of the hotels and spas. Every 'Zenestar' wellness space is designed to meet customer needs. Extensive marketing research is required to meet customer needs and wants in international markets.

## 1.2 Thesis objectives, research questions, and limitation

The objective of this thesis to research the selected international target market for the case company 'Zenestar'. The research aims to help the case company to reach global competitiveness in the selected market. Market research will be concluded by utilizing various tools and theories to analyze potential customer segments, the local competition, and the market environment.

## Research Questions

There is one main research question that answers the main objective of this thesis. The answers to the research questions aim to help the case company be competitive in the selected target market.

- Is there a potential market for the case company in New York City?
  - What type of market information is required to help the case company to achieve competitiveness in the international market?
  - What barrier will affect the case company's ability to enter the selected market?

## Limitations and starting points

This thesis's objective is to help the case company reach global competitiveness in the target market by concluding global marketing research. A starting point of this thesis is that the management of the case company Zenestar has decided to internationalize, and preliminary research of internationalization is already concluded by the case company. Zenestar commissioned several different theses on the basis of choosing between several markets they could enter. This thesis is based on the United States market specifically the New York City. The US is the largest economy in the world and therefore one of the most potential markets for the case company to enter. The author has recognized that there is a lot of theory published concerning global marketing research.

## COVID-19

During the writing of this thesis, the world was affected by the pandemic situation caused by COVID-19. The pandemic negatively affects the field of business the case company is operating in. It has an impact on economies around the world including Finland and The United States. In one hand, this might cause some inaccuracy in the collected data further on. In the other hand, market research concluded by during the pandemic can help firms prepare for the time after the pandemic.

### 1.3 Theoretical framework

The research in this thesis mainly consists of global marketing research. Global marketing research takes into consideration all the external and internal factors that affect the case company's global competitiveness in the target market.

For the primary reference, the author has chosen Seventh Edition Global Marketing by Sven Hollensen (2017). The theoretical framework mainly adapts theories introduced by

Hollensen's study. In addition, an array of other market analysis methods and tools by well-known business professionals will be utilized.

The theoretical part consists of two chapters starting with theories concerning the reasons behind this study: Internationalization models, and Hollensen's Decision-making model. The following chapter explains global marketing research theories and market analysis models.

#### 1.4 Research methods and data collection

##### **Inductive and deductive reasoning**

The process where a person creates a conclusion and believes their conclusion is true is called reasoning. Reasoning can be divided into two major types, deductive and inductive reasoning (Wilson 2016). Both of the reasonings are visualized in the following figure.

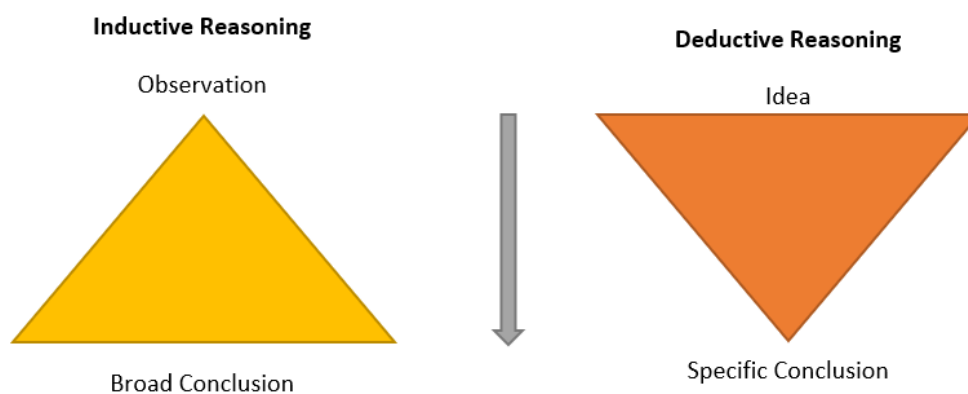


Figure 1. Deductive vs Inductive reasoning (Wilson 2016)

Deductive reasoning begins from a general idea and ends in a specific conclusion. To prove the conclusion to be true, rules, laws, and theories must be utilized. Inductive reasoning begins with observation and ends up in a broad conclusion. (Wilson 2016). This thesis uses deductive reasoning.

This thesis will mainly use secondary data and create a basis for more comprehensive research; therefore, the author suggests further research should be concluded based on the result of this research. Primary data can be collected through qualitative research and quantitative research. In quantitative research, data is gathered from a large group of respondents by questionnaires. Qualitative research integrates a questionnaire with a large number of variables and asks it from a small number of respondents. (Hollensen 2017,193-194).

## Data Collection

The data used in this thesis mainly consists of secondary data collected by studying articles, books, published material, studies, and statistics provided by the case company, government, crowd-sourced reviews, and research faculties. The main objective of this thesis is to conclude global marketing research for the case company 'Zenestar'. The author has recognized that there are enough secondary data to conclude extensive research on the target market. Gathering primary data would be an expensive and time-consuming process. Also, the company is not committed to the selected market yet, therefore concluding research using primary data is not necessary yet. A comprehensive amount of statistics for the researchers can be easily accessed online.

### 1.5 Thesis structure

In brief, this thesis has two main parts, the theoretical part, and the empirical part. The theoretical part includes two parts: chapter two Internationalization Theories and chapter three Global marketing theories.



Figure 2. Thesis structure

Chapters four and five will process the empirical part of this thesis. Chapter four includes the analysis of the current state and internal matters of the company the main theme being recognizing the case company's core competencies. The fifth chapter presents the research of the selected target market and evaluates its potentiality for the case company.

## 2 INTERNATIONALIZATION

During this chapter, the most essential internationalization models will be introduced. This thesis begins on the starting point that the case company 'Zenestar' has ultimately decided to internationalize and stay out of the domestic market. Therefore, for the reader's understanding, certain models of internationalization will be explained. In the opinion of the author, the following theories chosen to be introduced are the most relevant to this study.

### 2.1 Internationalization Models

Markets that once used to be off-limits for new companies are now sometimes the only option for a firm's survival (McDougall et al. 1994, 469-487). Many small- to medium-sized enterprises have succeeded in their international ventures with strategies taking advantage of transforming the global business environment, integrating the global economy, and developed information technology and communications infrastructure. The firms which must succeed in internationalization right from the start-up are referred to as 'Born Global'. (Autio et al. 2000, 909-924).

#### **Uppsala model**

The Uppsala model of internationalization was created at The University of Uppsala in the 1970s by researchers Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977). It has created a basis for many other models of internationalization. In the Uppsala model commitment to the new international markets is done step by step where the first step is always the firm's domestic market. The new market is chosen from geographic markets in which psychic distance is close to the firm's existing market and entry mode is chosen so it includes the least amount of risk. Psychic distance is defined in terms of factors how the existing market differs from the new market. These factors can be for example culture, language, and politics. The new markets to enter are chosen based on the knowledge gathered from current operations. (Hollensen 2017, 83-86).



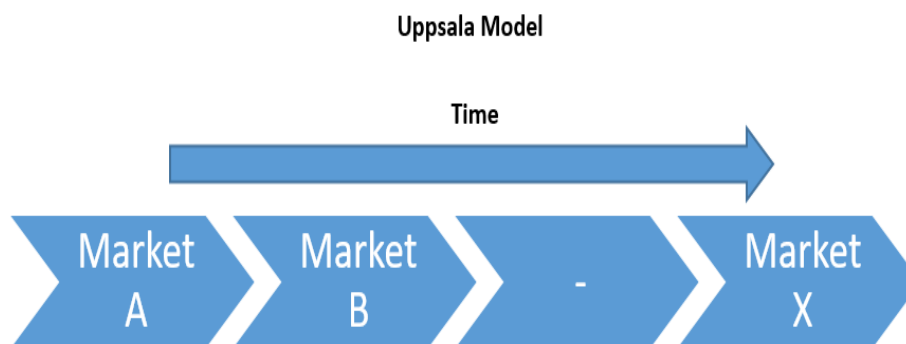


Figure 3. Uppsala Model (Hollensen 2017, 98)

Johanson and Wiedersheim-Paul (1975) created a four-stage Uppsala model in the assumption that companies internationalize step by step. This assumption was supported by data gathered from the study of four Swedish manufacturing firms. In the stage model, higher stages represent an increased market commitment to the chosen international market. The stages are demonstrated in the following figure. (Hollensen 2017, 85-86).

Mode of operation Market (country)	No regular export (sporadic export)	Independent repre- sentatives (export modes)	Foreign sales sub- sidiary	Foreign production and sales subsidi- ary
Market A				
Market B				
Market C				
Market D				
↓				
Market X				

Increasing market commitment

Increasing internationalization

Increasing physic distance

Figure 4. Four-stage model (Hollensen 2017, 86)

Many international business professionals have criticized of the Uppsala model. Nordström K.A. (1990) states that due to globalization, the world is getting more homogenous leading to a decrease in psychic distances between international markets. In addition, knowledge is more accessible with modern technology, therefore building knowledge with the trial-and-error process is no more required. As a result of growing world trade, the absolute number of people with international business skills has increased. Making hiring professionals with international business skills more worthwhile than trying to gain knowledge through the slow trial-and-error process. In his book, Hollensen also presents two other internationalization model 'Transaction cost model' and 'Network model, but author sees these model irrelevant for this study. (Hollensen 2017, 88).

## Born Global

Born global firms do not follow the typical internationalization path where the firm first enters the domestic market. Born global targets the international markets right from the beginning. The term 'born global' can be defined as a company whose goal is to become global right from the beginning without going through a long-term domestic period. (Oviatt & McDougall 1994, 45-64).

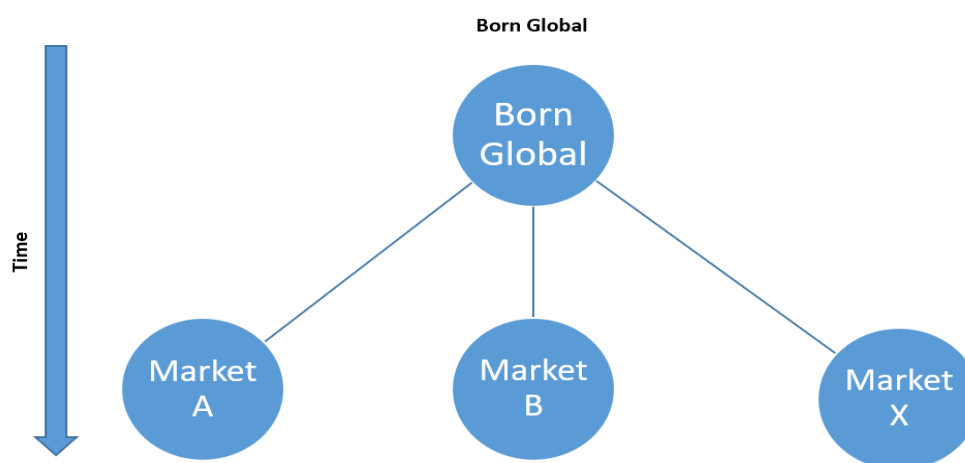


Figure 5. Born Global (Hollensen 2017, 98)

The born global model is made possible with today's advanced IT devices and communication infrastructure that allows quick trade and information exchange over the globe. Born Global firms management often sees the globe as a borderless marketplace. These companies are often small- to medium-sized enterprises offering a unique product or process innovations for their customers. (Hollensen 2017, 94-99).

Consumer needs and wants are turning more and more homogenous. As a result of changing consumer needs and wants innovative products can spread quickly to the markets around the globe. Compared to the stage model where internationalization is done in a step-by-step process, the changing market environment is pulling 'born global' firms quickly to multiple new markets simultaneously. The quick spread is mostly possible because of the internationalization of the financial markets. This allows firms to seek financial support from sources around the globe. (Hollensen 2017. 97-98).

## 2.2 Decision-making Process of Internationalization

A key factor in a successful internationalization strategy is information. Collecting data of customers, competition, and the market environment concerning the target market supports firms' operations in the complex and diverse international market. (Hollensen 2017, 186).

### Marketing Research and Decision-Making Model

Customer needs and wants differ in every country. To obtain success in a new market, a firm must utilize global marketing research rather than just sell what is easiest for a company to manufacture. 'Marketing research' is a process of analyzing, gathering, and presenting information related to the defined problem. Many SME's have a habit of ignoring marketing research when entering international markets. Firms often only conduct domestic marketing research and rely on it when they extend their operations overseas. The reason firms often ignore global marketing research is the management's negligence of cross-cultural matters in customer's preferences. (Hollensen 2017, 186-187).

The Decision-making model created by Hollensen (2017) suggests that global marketing research should be linked within a firm's decision-making process. The following figure 6 demonstrates the firms' decision-making process in internationalization. Stage two 'Deciding which markets to Enter' should include global marketing research to improve the firm's global competitiveness. (Hollensen 2017, 187).



Figure 6. Decision making process (Hollensen 2017, 187)

### **The Utilization of the Decision-making Model in This Thesis**

The Decision-making model by Hollensen (2017) includes five steps but only the second stage is relevant to the topic of this thesis in the opinion of the author. This thesis aims to answer the question if there is a potential market for the case company in New York City. The starting point of this thesis is that the case company is ready to internationalize, therefore the author sees that stage one 'Deciding Whether to Internationalization' is already conducted by the case company. Yet, the author suggests that the last three stages 'Deciding How to Enter Foreign Markets', 'Deciding the Global Marketing Programme', and 'Implementing and Controlling the Global Marketing Programme' requires further research.

Stage two of the Hollensen (2017) decision-making model is 'Deciding Which Markets to Enter' This stage includes global marketing research, which consists of analyzing competition, political/legal risks, trade barriers, and cultural/physic distance of the market. The next chapter introduces the reader to some of the theories and tools used in global marketing research. (Hollensen 2017, 186-187).

### 3 GLOBAL MARKETING THEORIES

Stage two of the Hollensen (2017) decision-making model is 'Deciding Which Markets to Enter' This stage includes global marketing research, which consists of analyzing competition, political/legal risks, trade barriers, and cultural/physic distance of the market. The next chapter introduces the reader to some of the theories and tools used in global marketing research.



Figure 7. Decision making model, Stage 2 (Hollensen 2017, 187)

#### 3.1 The Core Competencies

For a firm to succeed in its target markets it must be able to answer the wants and needs of potential customers. With core competencies analysis, the firm can identify its unique qualities. Well utilized core competencies analysis can help a company to find ways how to improve their business over the competitors. (Hamel & Prahalad 1990, 79-91).

This thesis will use core competence analysis as the main business analysis tool. This model was introduced by two business theorists Hamel and Prahalad (1990). They argue that core competencies are something that firms do uniquely well and in a way that it is hard to copy fast enough to affect competition. They set three tests to identify the firm's core competencies.

1. Competence must provide firm access to multiple markets to sustain growth.
2. Competence must be difficult to imitate. This allows the firm to provide services and products better than the competition. Continuous improvement on these products and services sustains firms' competitive position.
3. The competence must meet customer wants and needs. (Hamel & Prahalad 1990, 79-91).

#### 3.2 Political and Legal environment

There are two major political/legal dimensions that a firm must adapt to internationalize. These two are the home country environment and the host country environment. There is also a third dimension 'the general international environment' that affects both the home

and the host country environments. The home country environment might limit the firm's internationalization as much as the host country's environment. (Hollensen 2017, 219).

The political/legal risks can be divided into three groups 'Ownership risk', 'Operating risk', and 'Transfer risk'. The government can be the reason for the political risk, but sometimes the risks cannot be controlled by the government. The political risk is usually low in stable and consistent countries. Political risks can be reduced by creating a relationship with firms' stakeholders, such as the government, customers, the local community, and employees. (Erevelles 2005, 1-17).

### Trade Barriers

In international trade, it is important to understand the border barriers to understand if it is even realistic to enter a new market. There are two types of barriers in International trade, artificial and natural. Artificial barriers are for example government-created tariffs, quotas, standards, and regulations. It can also be intellectual property rights for brands and patents. Natural barriers include target country location, cultural differences, and customer behavior. (Kananen 2011, 19).

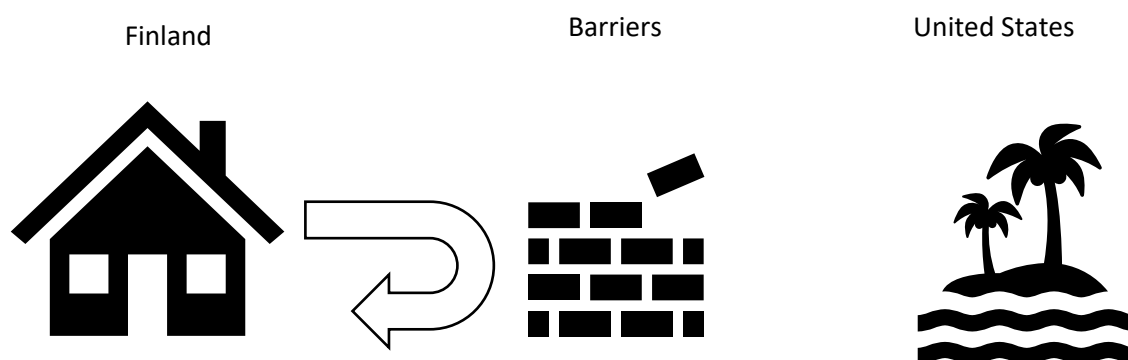


Figure 8. International trade barriers (Kananen 2011, 19)

### Economic Environment

To succeed in new international markets, in most cases a company should choose a country based on its purchasing power and the availability of infrastructure. The key figures determining the purchasing power are the wealth and income of the people. Countries can be classified by their gross domestic product (GDP) which is the value of all domestic products and services produced during a one-year period. By adding, income generated through imports, exports, and the international operations of the domestic companies, form the country's gross national product (GNP). Countries with high (GNP) can be classified as advanced internationalized countries. (Hollensen 2017, 230-233).

### 3.3 Market segmentation

The term 'Market Segmentation' can be defined as being the process of separating the market into groupings of potential customers. There are multiple ways to divide the market into segments. The most common ways are segmenting the market by their geographical, demographic, sociocultural, and psychological factors. Customer needs, wants and purchasing power varies between customer segments, therefore market segmentation has a central part in marketing. Due to this, a firm's management needs to adjust their marketing mix from segment to segment. (Hill & Hult 2017, 521).

### 3.4 Competitive Analysis

Utilizing competitive analysis in a marketing plan helps firms recognize what makes their products and services unique from the competition. With competitive analysis firms can identify gaps for new products in the market, discover market and pricing trends, and find ways to market and sell more efficiently. A key factor to successful competitor analysis is identifying the competitors. Identifying the competitors helps with pricing policies, designs, and provides a foundation for competitive advantage. (Bergen & Peteraf 2002).

The following figure is a simple framework for competitor analysis. The goal of this competitor analysis is to give the case company an overall view of the competitors operating in the selected target market.

Name	Competitor A	Competitor B	Competitor X
Product			
Pricing			
Customers			
Strengths			
Weaknesses			

Table 1. Competitor analysis (Pono 2018)

Due, the size of the United States market and the current COVID-19 pandemic affecting the world economy, the author suggests that further competitor analysis should be concluded in the future.

## 4 PRESENTING THE CASE COMPANY

The purpose of this chapter is to introduce the reader to the case company Zenestar and the wellness industry. The information in this chapter was collected by desk study and from data provided by the management of the case company.

### 4.1 Zenestar's Background

In the growing cities around the world, every square meter of space is expensive. Businesses must take advantage of every meter they have to generate profit. Zenestar wellness place is a modern sauna that can be used with or without the heaters for purposes like yoga, exercise, relaxing, or just as a traditional sauna. Zenestar sauna differs from a traditional sauna with its multifunctionality. The idea for a new innovative sauna was born in 2017 when a customer pointed out that every Finnish sauna looks alike and could be reformed to be used for more multifunctional purposes. A competitor supply review and subjective experiences of saunas around the world by Zenestar management proved this to be true.

In 2020, the world's largest hotel chain Marriott International opened its first hotel in Finland. The hotel Courtyard by Marriott has 229 rooms and a gym open around the clock, but it does not have a sauna (Marriott 2020). It might sound weird that a huge hotel in Finland does not have a sauna, but there is a reason for it. Building a wooden sauna is often expensive and it requires a lot of space. Besides, traditional sauna does not have many other usages than enjoying the heat. When the heaters are off, customers do not use the space, and keeping the heaters around the clock would be expensive. Therefore, the operating hours are often low.

Zenestar wellness space can be used for multiple different purposes. Traditional wooden benches have been replaced with more multifunctional benches and surfaces, which can be adapted for customer needs. Heaters can be turned on and space can be used as a traditional sauna. The temperature of the space can be set up to 100°C. With lower temperature space turns into great yoga or exercise space. All the spaces include a screen with Zenestar virtual personal trainer and exercises. Exercise programs consist of multiple workouts and yoga sessions designed by Zenestar.



## 4.2 The Core Competencies

The three tests set by Hamel and Prahalad (1990) to recognize a company's core competencies are:

1. Competence must provide firm access to multiple markets to sustain growth
2. Competence must be difficult to imitate. This allows the firm to provide services and products better than the competition. Continuous improvement on these products and services sustains firms' competitive position.
3. The competence must meet customer wants and needs.

Four competences answers to this test:

**First**, Finnish sauna providers are experts in sauna construction due to strict legislation set by the Finnish government. Finnish saunas are safe, high quality, and made to last a long time. What distinguishes the case company from other Finnish sauna providers is that Zenestar is not a Finnish sauna, but a wellness concept that can be used as a traditional sauna and for many other purposes. The case company designs, delivers, and installs the wellness space for every customer, and also maintains and improves it regularly.

**Second**, Zenestar wellness space can be customized to meet consumer needs and wants in every market. Customization also allows customers to promote their brand image with the design of the wellness space. The materials used to build the wellness space are refined with patented techniques from sustainable and ecological sources.

**Third**, Zenestar is a Business-to-Business-to-Consumer product, which primary customers are luxury hotels and spas. The end-customers are the guests of the spas and hotels with the Zenestar wellness space. Zenestars' competitive advantage is its multifunctionality. The wellness space can be used by guests looking for a relaxing traditional sauna, but also for many other purposes such as working out, yoga, meditation, and many other activities.

**Fourth**, Every Zenestar wellness space has a screen with virtual SaunaFlow programs and a guiding video to assure guided private practicing for every end-customer.

### 4.3 Product Analysis

The following chapter will introduce the reader to the product portfolio of the case company and to the industry they operate in.

#### **Product Portfolio**

Zenestar product portfolio currently includes two versions of the Zenestar wellness space, an exercise program, and some sauna accessories.

**Cabana** is a small cabin that can be easily installed both outdoors and indoors. The surface area of the wellness space is 7 square meters, and it is designed to be used by only one person at a time.



Figure 9. Cabana® (Zenestar 2020)

**Reno** is a renovation concept for existing sauna baths. The size of the wellness space is 10 to 60 square meters.



Figure 10. Reno® (Zenestar 2020)

In addition to wellness spaces, Zenestar offers its customers sauna accessories, which includes:

- Smart wellness mats with music and vibration.
- A textile line made of natural linen.
- Woodline made of birch veneer.
- Natural honey-based cosmetics.

### **SaunaFlow**

Zenestar Saunaflow is an exercise program, currently containing five different programs. The programs are a combination of core exercising, chi gong, pilates, and yoga.

## **4.4 Wellness Industry**

The term 'Wellness' is defined as "the active pursuit of activities, choices, and lifestyles that lead to a state of holistic health." by The Global Wellness Institute (2018). The GWI states that ten wellness sectors create the 'Wellness Economy'. The economical sizes of these figures are presented in the following table 2.

Wellness Economy Sectors in 2015 and 2017	Market Size (Billion US\$)		Average Annual Growth Rate
	2015	2017	2015-2017
Personal Care, Beauty, & Anti-Aging	990	1082.9	4.10%
Healthy Eating, Nutrition, & Weight Loss	647.8	702.1	4.10%
<b>Wellness Tourism</b>	563.2	639.4	6.50%
Fitness & Mind-Body	542	595.4	4.80%
Preventive & Personalized Medicine and Public Health	534.3	574.8	3.70%
Traditional & Complementary Medicine*	199	359.7	-
Wellness Real Estate	118.6	134.3	6.40%
<b>Spa Economy</b>	98.6	118.8	9.80%
Thermal/Mineral Springs	51	56.2	4.90%
Workplace Wellness	43.3	47.5	4.80%
<b>Wellness Economy</b>	<b>3724.4</b>	<b>4220.2</b>	<b>6.40%</b>

Table 2. Wellness economy sectors (GWI 2018)

In 2017 wellness economy was valued at 4.2 trillion US dollars, and it is estimated to grow fast in upcoming years. The wellness sectors are dynamic and interconnected, creating a wellness economy (GWI 2018.) In the opinion of the author, the most relevant sectors for this research are 'Wellness Tourism' and 'Spa Economy'. The Zenestar wellness space is created for luxury spas and hotels which land on these two sectors.

### **Wellness Tourism**

Wellness tourism is a significant segment of global tourism. It is a rapidly growing sector that was worth 639 billion US dollars in 2017. It is estimated that travelers made around 830 million wellness trips in 2017. Wellness tourism does not only create opportunities for wellness businesses, but also other business industries. Wellness tourists cannot avoid general travel expenditures such as transportation and food, therefore increasing wellness lifestyle also creates opportunities for other businesses. Most wellness trips were done in Europe with around 292 million wellness trips in 2017. Second, most trips were done in North America with 204 million wellness trips in 2017. Even Europe leads North America with the number of trips, North America still had higher wellness tourism expenditures in 2017 with 241.7 billion US dollars compared to Europe's 210.8 billion US dollars. Asia is the fastest-growing geographical sector of the wellness economy, due to the high demand created by strong economies and a growing middle class. (GWI 2017).

## Wellness Tourism Survey 2020, USA, and Canada

The survey concluded by the Global Wellness Institute in 2019, measured the needs and intentions of the US and Canadian wellness tourist. The survey had a total of 225 respondents, of which 61 % were from the USA and the rest 39 % from Canada.

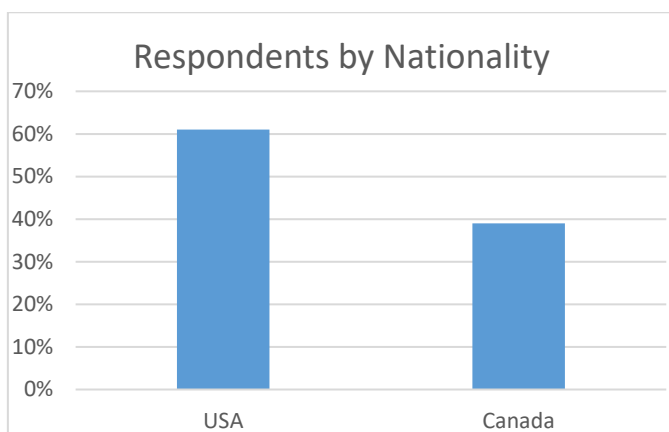


Figure 11. Respondents by Nationality (GWI 2020)

The survey pointed out that North Americans tend to prefer local wellness trips. The top destination travelers want to visit for a wellness trip was the USA with 29 %. The second most popular destination was Canada with 19 %, then Italy, Switzerland, and Mexico, all three with 13 %. The USA had second-most annual wellness trips and highest wellness travel expenditures in 2017. High costs of international travel might explain this phenomenon. Spending less money on flights and other expenses leave travelers more money to spend on wellness activities in the domestic market. Further research should be done.



Figure 12. Top wellness destinations (GWI 2020)

The survey results point out that for 60 % of the respondents, the most important thing for the wellness trip is a location connected to nature. Quality fresh local cuisine and quality accommodation are sharing the second and third places both having votes from 51 % of

the respondents. The least important thing on a wellness trip is a connection to local culture with 32 % of respondents voting it.

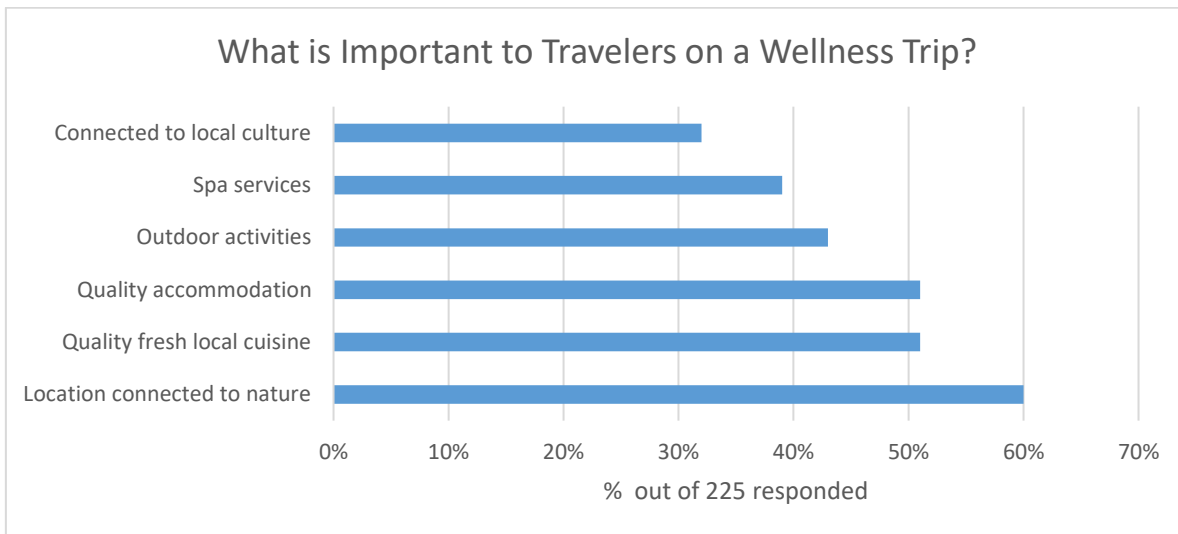


Figure 13. What is important to wellness travelers (GWI 2020)

The top reason for the wellness trip is destress and relax with votes from 55 % of the respondents. In the second place is adjusting or rebooting health and wellbeing focus with votes from 51 % of the respondents. On the last place is diet/nutrition/anti-aging/medical procedures/detox/transformation with votes from less than 10 % of the respondents. Based on these results, most of the travelers are looking for destressing, relaxation, and new health and wellbeing perspectives from their trips.

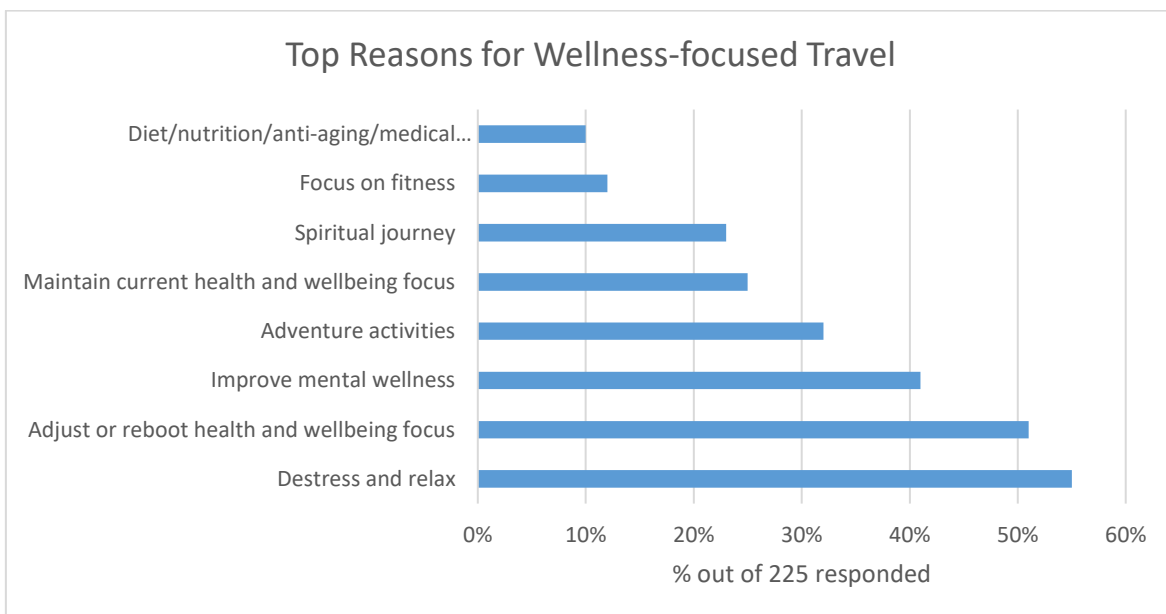


Figure 14. Reasons for wellness travel (GWI 2020)

The results of the survey showed that most travelers are ready to spend more money on accommodation with better wellness offerings. Only 2 % of the responded ‘no more’ on

the survey. The majority with 35 % of the respondents were ready to spend 6-10% more money on accommodation with better wellness offerings.

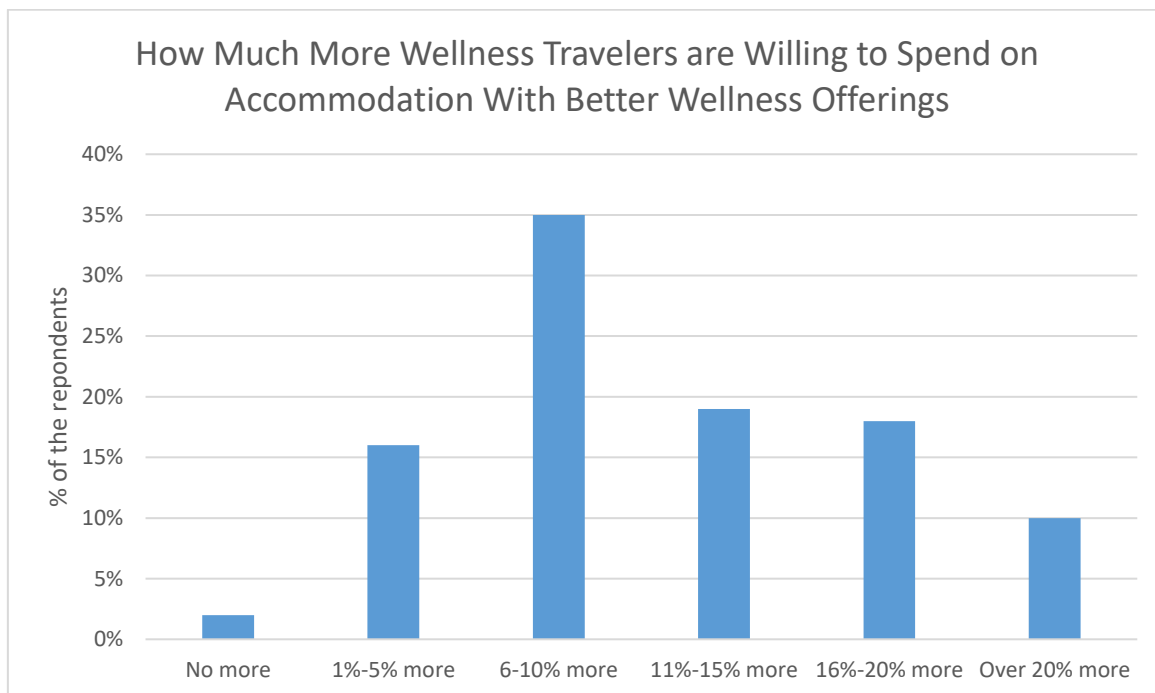


Figure 15. How much more wellness travelers are willing to spend on accommodation with better wellness offerings (GWI 2020)

The results of the GWI (2020) survey point out that there is a demand for wellness innovations like Zenestar in the USA wellness market. 35 % of the respondents are ready to pay 6 %-10 % for accommodations with better wellness offerings. The most important thing for the respondents is a location connected to nature and the top reason for the wellness trip is relax and destress. The Zenestar wellness space imitates nature with its customizable design, helping users relax and destress. Therefore, Zenestar could answer to needs and wants of the wellness tourists.

## 5 GLOBAL MARKETING RESEARCH

Before concluding the market research, it is important to investigate if the case company can enter the selected target market. To understand the border barriers of The United States, desktop research using online data was utilized.

### 5.1 Trade Barriers

#### Tariffs

The European Union and The United States of America enjoy the most unified trade relations in the world. Tariffs between the EU and the US are currently under 3 % and do not create a significant barrier for the case company to operate in the US market. (Europa 2020).

#### Intellectual property rights

Intellectual property refers to anything someone has created using their original ideas such as literature, designs, names, and images in a commercial setting. These creations are protected by law with patents, trademarks, and copyright to enable creators to earn recognition or financial benefit from their ideas. (WIPO 2020).

To assure the case company can operate under their trademark in the selected target market, desktop research must be completed. The United States government has a database of registered trademarks. Upon searching the case company's name 'Zenestar' from The US government database, the author discovered that the name Zenestar is already a registered trademark in the US. To operate in the US, the case company must use a different name or by buying the trademark from its current holder.

<b>Word Mark</b>	Zenestar
<b>Goods and Services</b>	IC 044. US 100 101. G & S: Consulting services in the fields of health and nutrition; Health care; Health care services, namely, wellness programs; Health counseling; Health spa services for health and wellness of the body and spirit; Health spa services, namely, cosmetic body care services; Medical services; Medical spa services, namely, minimally and non-invasive cosmetic and body fitness therapies; Providing health information; Providing a website featuring information about health, wellness and nutrition. FIRST USE: 20130900. FIRST USE IN COMMERCE: 20130900
<b>Owner</b>	Zenestar, Ltd. CORPORATION NEVADA 1781 Village Center Cir., Suite 130 Las Vegas NEVADA 89134
<b>Filing Date</b>	26 February 2019
<b>Registration Date</b>	15 October 2019
<b>Registration Number</b>	5887148
<b>Serial Number</b>	88316021

Table 3. Zenestar trademark in the US database (Tmsearch 2020).



## 5.2 Economic Environment

The goal of this chapter is to introduce the reader to the economy of the chosen target market New York.

### US Economy

Gross domestic product is the total value of services and goods produced in a country in a certain amount of time (Cambridge Dictionary. 2020.) The GDP is a good measure to indicate if there is enough purchasing power in the target market. The GDP of the United States was 21,374,418.88 million US dollars in 2019 ranking as the largest economy in the world. The following figure presents the ten states with the highest GDP in the US. California is the rank one with a GDP of 3,1 trillion US dollars which is over ten times more than Finland's GDP. (Worldbank 2020).

<b>GDP by state and region 2019</b>	
<b>Millions of dollars \$</b>	
<b>California</b>	3132800.60
<b>Texas</b>	1843802.70
<b>New York</b>	1772260.70
<b>Florida</b>	1106500.10
<b>Illinois</b>	885583.00
<b>Pennsylvania</b>	808737.50
<b>Ohio</b>	695361.60
<b>New Jersey</b>	634783.60
<b>Georgia</b>	625713.60
<b>Washington</b>	612996.50
-	-
<b>U.S.</b>	21433226

Table 4. Ten highest GDP by state (BEA 2020)

### New York State

New York State has a population of 8.6 million which is more than the population of Finland. The GDP of New York was 1.77 trillion US dollars in 2019. The state's average income per year was 68,668 US dollars in 2018 and for New York City that number was 193,940 US dollars. (BEA 2020).

New York State	
Population	8,550,971
GDP (trillion USD)	1.77
Average Income \$	68,668
Average Income New York City \$	193,940

Table 5. New York State (BEA 2020)

## Travel and Tourism in the US

The US travel and tourism industry was worth 597 billion US dollars in 2018 and had an annual growth rate of 2,9%. Prices for tourism goods and services increased by 2.9% in 2018, mostly due to an increase in prices of gasoline, air transportation, and food/beverage services. (Franks & Osborne 2018).

Travel and Tourism 2008-2018				
Year	Billions of Dollars			Tourism share of GDP (%)
	U.S. GDP	Tourism		
2008	14713	399		2.66%
2009	14449	372		2.54%
2010	14992	392		2.52%
2011	15543	419		2.60%
2012	16197	435		2.69%
2013	16785	466		2.78%
2014	17527	489		2.79%
2015	18225	525		2.88%
2016	18715	539		2.88%
2017	19519	563		2.88%
2018	20580	597		2.90%

Table 6. Travel and Tourism 2008-2018 (Franks &amp; Osborne 2018)

A stable and growing economy is a safe and potential market for new international ventures. With largest the GDP and tourism industry worth 597 billion US dollars, the United States is an important market for the case company. Because of the high average annual income and purchasing power, New York City does not pose many economical risks for international ventures.

### 5.3 Market Segmentation

The two main customer segments of the case company are luxury hotels and spas.

#### 5.3.1 Hotel industry in the US

The United States is home to some of the largest hotel chains in the world. Attaining a big hotel chain as a customer would ensure rapid growth for the company throughout the US market. Currently, the largest hotel chain by the number of properties is Wyndham Hotel Group with 9280 properties (Statista 2020.)

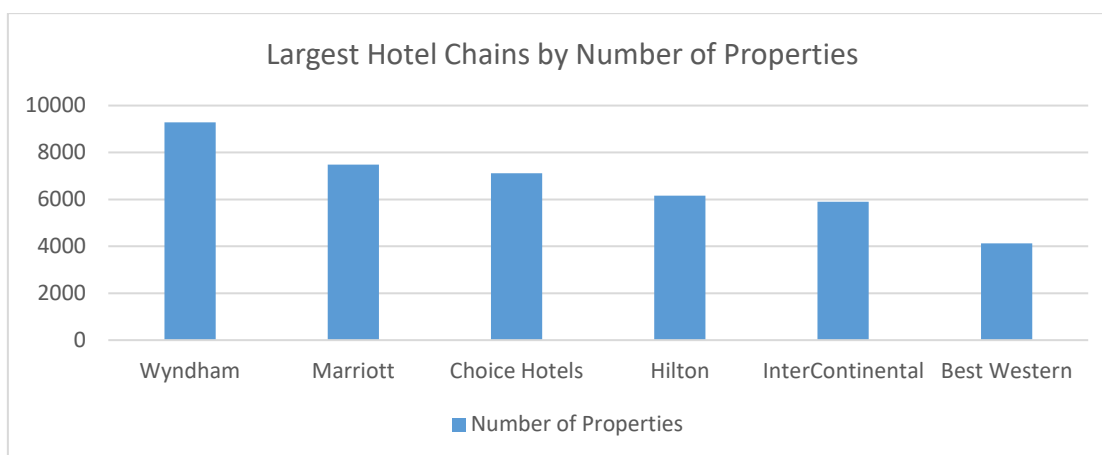


Figure 16. Largest hotel chains by number of properties (Statista 2020)

### Hotels in New York City

New York City has the third-largest hotel market in the US after Las Vegas, Nevada, and Orlando, Florida. The total number of hotels in New York were 696 in June of 2016. Most of the city's hotels are in Manhattan but other parts of the city are witnessing rapid growth in the number of hotels. The hotel industry has a great impact on the city's economy. Tourists spent around 11.6 billion US dollars on lodging in New York City in 2014. (DiNapoli 2016).

The New York City Department of City Planning (2017) uses six-tier categorizations to rank New York City hotels. The categorization is based on room rates instead of a general assessment of hotel quality.

1. **Economy:** The hotels with the lowest tier in pricing and service fall into this category. These hotels are often located at the edges of the city.
2. **Mid-Scale:** These hotels are often nationally branded hotels with limited services.
3. **Upper Mid-Scale**
4. **Upscale:** These hotels are primarily full-service hotels with restaurants, spas, fitness centers. This is the most common hotel category in New York City and most of the hotels in Manhattan belong to this category.
5. **Upper Upscale**
6. **Luxury:** These hotels are meant for the global elite. This category includes the most expensive 'five-star' hotels in New York City.

The case company's target customers fall into three of these categories, 'Upscale', 'Upper Upscale', and 'Luxury'. Categories under this have only limited services and mostly do not have a spa section. The categories with most hotels in New York City are 'Upscale' and 'Upper Upscale'. Hotels in these categories are full-service hotels with spa sections. Some examples of hotels landing on these categories: Best Western Premiere, Radisson, Hilton Garden Inn, Kimpton, Marriott, Wyndham, and many other hotels. (New York City Department of City Planning 2017).

Hochberg (2020) lists the best luxury hotels in New York City, in an article published by Business Insider. The list is based on experiences and reviews posted on websites providing crowd-sourced reviews such as Yelp and TripAdvisor. Many of these hotels are part of large hotel chains, like Hilton and Wyndham. Obtaining one of these hotels as a customer could open the rest of the US hotel market for the case company.

<b>Best luxury hotels in New York by Business Insider</b>	
<b>Name</b>	
	The Beekman
	Conrad New York Midtown
	Conrad New York Downtown
	The William Vale
	Loews Regency New York Hotel
	1 Hotel Brooklyn Bridge
	Andaz 5th Avenue
	The Knickerbocker
	The Chatwal
	Baccarat Hotel

Table 7. Best luxury hotels in New York by Business Insider (Hochberg 2020)

### 5.3.2 Spas in New York City

Information in the following table 8 is collected from the website Yelp. It is an American business that publishes crowd-sourced reviews. Customers can rate things such as services, hotels, activities, and many other things on the page. The ratings on the page are secondary data and only reliable if it has a lot of reviews in numbers. The goal of the table is to help the case company optimize its pricing in the New York City market. The companies with a high rating are also potential customers for the case company.

Single Sauna Session in Spa, New York City (Yelp)				
Company Name	Price USD	Yelp Rating (Reviews)	Duration (minutes)	Notices
Reset Float	\$35	5 stars (29)	30	
OM Life	\$38	5 stars (64)	30	Best Yelp score. 5 stars/64 reviews
Sw3at Sauna Studio	\$40	5 stars (18)	45	Good Price value. \$40/45 minutes
Waterbar	\$40	4 stars (7)	30	
Inner Light Infrared Sauna Studio	\$40	5 stars (5)	30	
Eclipse Cryo Float	\$49	5 stars (9)	30	
HeavenLee Float Spa	\$50	4 stars (3)	60	Best price value. \$50/60 minutes
DTX Cellular Evolution	\$50	4.5 stars (33)	60	
Mindful Waters	\$55	5 stars (4)	30	
Gravity East Village	\$55	4.5 stars (38)	60	
Salt + Sweat Wellness	\$60	4.5 stars (13)	60	
HigherDOSE	\$65	4 stars (50)	60	
NAOwellness	\$65	4.5 stars (49)	60	
Area Infrared Sauna	\$65	3.5 stars (22)	60	
Nlighten Infrared Sauna	\$65	5 stars (2)	60	
Area Yoga - Park Slope	\$65	3 stars (2)	60	Worst Yelp score
Chill Space	\$69	4.5 stars (42)	45	Most expensive
Single Session				
Median Price			\$55	
Average Price			\$53	

Table 8. Single sauna session in spa, New York City (Yelp 2020)

To sell the product in the target market, the case company needs to know how much cash flow it could generate for its customers. The table points out that the average price for a single sauna session of 30-60 minutes cost 53 US dollars in New York City. Since Zenestar is much more multifunctional than a regular sauna or infrared sauna, the author suggests that the price for a single Zenestar session can be higher.

Most of the ratings in table 12 are not reliable due to the lack of reviewers. The company with the best rating is OM Life with 5 stars from 64 reviewers. Three other firms with good ratings and a decent amount of reviews are Chill Spac', HigherDOSE', and NAOwellness. These four companies offer their customers innovative wellness and spa technology. The author of this thesis suggests that further research of these small innovative spas should be concluded as a potential market segment for the case company.

The data in the following table 9 is collected from Yelp (2020). The spas in this table sell their services as packages which include at least one sauna.

Spa Day Pass (Includes at least one sauna)				
Name	Price	Yelp Rating (Reviews)	Duration	
Hanbit Sauna	\$25	4.5 stars (4)	6:00 AM - 12:00 PM	Best price value
Paradise Spa & Sauna	\$30	3.5 stars (57)	9:00 AM - 10:00 PM	
Bathhouse	\$50	3.5 stars (43)	2 hours	Most expensive
Wall Street Bath and Spa	\$50	3 stars (206)	12:00 PM - 11:00PM	
Mermaid Spa	\$50	3.5 stars (85)	4 Hours	
BRC Day Spa & Sauna Resort	\$50	4 stars (185)	11 AM - 11 PM	
King Spa and Sauna	\$60	3.5 stars (1061)	9:00 AM - 9:00 PM	Second most popular based on reviews
Juvenex Jade Journey	\$65	3.5 stars (357)	3 Hours	
Sojo Spa Club	\$75	3.5 stars (1635)	9:00 AM - 9:30 PM	Most popular based reviews
Premier57	\$75	3 stars (712)	10 AM - 7:30 PM	
Day pass				
Median Price	\$50			
Average Price	\$53			
Minimum price	\$25			
Maximum price	\$75			

Table 9. Spa day pass (Yelp 2020)

The data of the table indicates that the average price for 'Spa Day Pass' that allows the customer access to at least one sauna costs 53 US dollars in New York City. The spas at opposite ends of the table price range from each other a lot with the most expensive spa being the most luxurious and opposite. All the spas on the list except one 'Hanbit Sauna' can be categorized as luxury spas.

## 5.4 Competitor Analysis

To obtain a complete picture of the market it is important to analyze Zenestar's potential competition in the target market. Well utilized competitor analysis helps firms recognize their competitive advantages. Part of the competitor analysis is to analyze their customers and find potential customers for the case company. The following table 10 presents four products from competitors of Zenestar and their competitive advantages and weaknesses.





Name	TheraSauna TS7754 Far Infrared Sauna	Miracle Sauna: 4 Person Corner	Indoor Sauna QUAD 4	Solide 6-person Indoor Sauna
Price	\$6,765	\$3,759	\$5,750	\$7,500
Competences	Customizable Patented heaters	Safety Easy assembly	Customizable Lifetime warranty	Luxury Sauna Finnish Heaters
Strengths	Made in the USA	Build for high traffic use	Traditional Sauna	Differs from local competition
Weaknesses	The market has multiple similar products	The market has multiple similar products	Lacks multifunctionality	Most expensive
Audience	Hotels and Spas Households	Hotels and Spas Households	Athletes Training facilities	Hotels and Spas Households
Picture				
	Therasauna 2020	Themira-clesauna 2020	Saunasusa 2020	Almostheaven 2020

Table 10. Competitor study

Most of the potential competitor products are very similar design-wise, with wooden surfaces with big windows. The unique saunas are more expensive and target the same customer groups as Zenestar. Many competitors are using Finnish electric heaters in their

saunas and their designs resemble a traditional Finnish sauna. Zenestar would differ from its competition positively. Even the more unique competitor products are only functioning as a sauna, where Zenestar would differ with its multifunctionality. Also, competitors often assemble their products in the US, but the parts come from countries with cheaper manufacturing costs. Zenestar wellness spaces are manufactured in Finland with expertise ensuring top-quality saunas.

### Competitor Pricing

The purpose of this subchapter is to introduce the reader to pricing trends of the case company's competitors' products and services.

The information in the following table 11 was collected from large US retailers Home Depot (2020) and Lowe's (2020). These retailers sell saunas to businesses, but also straight to end customers. Models in the following table are for the smallest version of the competitor's sauna. These saunas can fit 2 persons and are on a par with Zenestar Cabana in size.

2-person Saunas			
Brand	Price	Heater	Retailer
Maxxus	\$ 2,999.00	Infrared	HomeDepot
Radiant Sauna	\$ 3,035.49	Infrared	HomeDepot
TheraSauna	\$ 5,175.00	Infrared	HomeDepot
Aleko	\$ 3,508.00	Electric	HomeDepot
Almost Heaven Saunas	\$ 3,649.15	Electric	HomeDepot
JNH Lifestyles	\$ 1,277.01	Infrared	HomeDepot
SunRay	\$ 1,699.99	Infrared	HomeDepot
Canadian Spa Company	\$ 3,090.44	Infrared	HomeDepot
Southport	\$ 1,979.99	Electric	HomeDepot
Kensington	\$ 1,286.99	Infrared	HomeDepot
Sedona	\$ 1,399.99	Infrared	HomeDepot
Better Life	\$ 1,277.09	Infrared	HomeDepot
Tru Heat	\$ 1,399.00	Infrared	HomeDepot
Roslyn	\$ 2,198.00	Infrared	HomeDepot
Majestic	\$ 2,353.08	Infrared	Lowe's
Heat Wave	\$ 3,378.95	Infrared	Lowe's
Average Price	\$ 2,481.70		
Median Price	\$ 2,275.54		
Max Price	\$ 5,175.00		
Min Price	\$ 1,277.01		

Table 11. 2-sauna retail price (Lowe's & Home Depot 2020)



The table shows that the price range for two-person sauna bought from retailers varied from 1,277.01 to 5,175.00 US dollars. The more expensive saunas on this list do not differ much from the cheapest ones. Often the only factor affecting the price was quality. Most saunas have infrared heaters which seem to be a trend in the US now. The average price for a two-person sauna was 2,481.70 US dollars. Most of these saunas are built in countries with low manufacturing costs which often leads to a decrease in quality. The case company most likely cannot compete with such low prices and has to gain a competitive advantage through other ways than pricing.

In conclusion, the US market does not have many unique wellness space products yet. There is a market gap for products like Zenestar wellness space which will be found by competitors eventually. The multifunctionality and unique design grant Zenestar a competitive advantage over its competitor's low prices in the New York City market.

## 5.5 The outcome of the research

The US is the largest market for wellness products and a single city in the US can be a bigger market than the whole Finnish market. The trade relations between the US and Finland are great and therefore trade barriers are small. Except, the trademark Zenestar is already taken in the US and this might prevent the case company to operate in New York under their brand name.

The US economy is historically stable and currently has the largest GDP in the world. The US tourism industry growing fast, and it is currently worth around 600 billion US dollars. New York is a larger market than the whole Finnish market with a population of 8,550,971 and a GDP of 1.77 trillion US dollars. The US economic environment does not pose significant economical risks for the case company to enter.

New York City has the third most hotels out of all US cities. Most of the largest hotel chains have luxury hotels there and obtaining even one of them as a customer could open the rest of the US market for the case company.

The spas in New York City are divided into two main segments. Spas/wellness centers with more technologically innovative product portfolios and luxury spas with large sauna sections, baths, multiple pools, and restaurants. The average price for both day pass and a single sauna session was 53 US dollars.

The competition in the US market is quite saturated, with most sauna providers only having infrared saunas in their product portfolio. Saunas sold in the US retail market are often manufactured in countries with cheaper labor costs which leads to lower quality of end-products. In addition, most of the saunas have a similar design, wooden walls, and big windows.

Relying on statistics, hotels appear to be the largest market segment for the Case Company in New York City. Considering these hotels are huge corporates, doing business with them can be slow and difficult. Therefore, the author suggests considering spa/wellness centers as the primary customer segment for the beginning of internationalization since they already show interest in new wellness technology. That way growth would be more controlled, and the case company can answer possibly high demand. Considering the long geographical distance, delays in deliveries are possible. Besides, the case company could use this as an opportunity to collect more accurate primary data of the market and strengthen its competitive position over its competitors.

## 6 CONCLUSIONS

This chapter concludes this thesis. The main research question, as well as sub-questions, will be answered first. The following paragraphs will focus on the reliability and validity of the study.

### 6.1 Answers to the research questions

#### **Is there a potential market for the case company in New York City?**

Zenestar's two main customer segments are luxury hotels and spas. New York City has the third most hotels out of all US cities. Most of the largest hotel chains have luxury hotels there and most of the hotels in the city are categorized as upscale hotels. Spa/wellness centers offer the latest wellness technology to their customers and Zenestar wellness space would be a great addition to their product portfolio. Most of the competitor saunas look-alike design-wise and Zenestar would positively differ from its competition.

#### **What type of market information is required to help the case company to achieve competitiveness in the international market?**

Both, internal and external analyses are required to conclude global marketing research. The goal of internal analysis is to recognize firms core competencies to gain a competitive advantage in the market. The external analysis aims to research factors affecting the market outside. These factors are political/legal risks, trade barriers, economic environment, and local competition. To more extent research cultural differences are taken in notion.

#### **What barriers will affect the case company's ability to enter the selected market?**

There are two types of barriers affecting firms entry into new international markets, artificial and natural barriers. Artificial barriers are government-created barriers such as tariffs, customs, and in this thesis intellectual property rights. Natural barriers can be things such as language, cultural differences, and psychic distance.

### 6.2 Validity and reliability

The secondary data used to conclude this research was collected from reliable sources such as government databases, renowned literature, and trusted sites such as Yelp. The theories used in the empirical section of this thesis were based on recognized theories. Therefore based on these factors, the thesis and the results of the study are considered reliable and valid.

### 6.3 Suggestion for future research

The objective of this thesis was to analyze New York City as a potential market for the case company. New York City is only a small part of the whole US market and further research of other states and regions of the US should be concluded. In case the case company decides to enter the US, possible market entry modes need to be researched.

## 7 SUMMARY

The objective of this thesis was to analyze New York City as a potential market for the case company Zenestar. The first chapter introduces the background, objective, chosen research methods, and research questions of this thesis in detail.

The second chapter aimed to present general internationalization theories including the born global model and the Uppsala model of internationalization. As the main objective of this thesis was to conclude global marketing research, the first chapter also included distinguished theories of the international market selection process.

The purpose of the theoretical framework is to support the empirical parts of the study which starts from the fourth chapter in this thesis. The goal of the fourth chapter was to conclude an internal analysis of the company. The main topic of this thesis was presented in the fifth chapter, global marketing research. The data used in global marketing research was mostly secondary data, collected from research faculties, crowd-sourced reviews, and government databases. The global marketing research was concluded by analyzing the market environment, trade barriers, and the local competition utilizing data gathered from online sources.

The thesis was concluded in the final chapter by answering the research questions. Also, the reliability and validity of this thesis were argued, and the author's suggestions for further research on the topic was presented.

The main research question and the sub-questions were answered; therefore, the objective of the thesis was reached. Based on the result of the global marketing analysis, New York City is a highly potential market with little risk for the case company Zenestar to enter. The results of the research pointed out that there is a market gap for innovative wellness spaces such as Zenestar in New York City. The author suggests that further research on other US markets should be concluded and if further internationalization decisions are made market entry strategies should be studied.

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