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Case: Specsavers

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1 INTRODUCTION

This chapter is an introduction to the thesis with an explanation of the study area, the research questions, aim and scope of the project. It introduces the theoretical framework, the research approach and the structure of the report. This chapter starts with background introduction of Finnish optical field and introducing the case company, Specsavers. The aim of this research is to study entry and operations as well as cultural differences.

1.1 Background

For a long time now, the optics field has been one of the strongest areas of specialized trade in Finland. Compared to its turnover, it has had a strong impact on legislation and the division of labor in society. During the past decade, the ageing of the population has influenced the field. Due to this, the turnover in the field has grown more than 50 % in ten years.

At the moment, the optics field is in the middle of one of its most profound periods of change. The development of various chains has stepped into a new phase in the form of international participants. A true price competition has entered the field to stay. This has been evident in the decreasing of the margin for products, and it has permanently reduced the profitability of many businesses to a level lower than before. On the other hand, opticians now have access to diagnostic medicines, which is a starting point for eyesight examinations becoming a new business field alongside product sales. Structurally, the optics field is a combination of special trade and healthcare. As is the case with other types of healthcare, eyesight examinations are strictly regulated and they can be performed in Finland exclusively by an ophthalmologist or legalized optician. Product trade is free, but it can be characterized as fashion sales of technically demanding products.

Large international chains and one domestic chain currently dominate the market. The market leader in Finland is Instru optiikka, which belongs to the Grandvision Group, the second largest is the Finnish Silmäasema and the third is Specsavers.

In addition, field-related statistics include smaller chains such as Fenno Optiikka from Finland and the Scandinavian company Synsam. Together these five chains and their entrepreneurs make up 75 % of the turnover within the field, and nearly they deliver 85 % of the field's product volume to the consumers. In addition to chains, there are a few looser collaborating organizations in Finland, together with independent optician businesses.

The field is characterized by a large number of chains and by the fact that most businesses belong to organizations. The Finnish Association of Optometry's member companies generate approximately 90 % of the turnover of the field. Nearly 90 % of the legalized professional opticians belong to the Finnish Opticians' trade union.

Specsavers is the largest optical practice in the United Kingdom (U.K.), with more than 1,000 stores that together have captured an estimated 40% of the market. Specsavers saw a potential market in the optical market in Finland 2007. Specsavers was the first pure international optical business entered Finland. Specsavers represented the idea of eyewear revolution and the idea of "value for money" in Scandinavia. Pricing was the biggest change that took place after this entry. Finland was not accustomed to the total pricing, which involved both the frame's and the lenses price so called "Two For One"-offer. Specsavers offered consumers something not previously seen in Finnish optical market.

Specsavers used acquisition as an entry mode in Finland. Later all stores were moved under franchising model. The Specsavers 'partnership' franchise model has determined clear roles - Specsavers exists to support each Specsavers partner, delivering product, supply chain, marketing, IT systems and training support that often create the headaches associated with being in business for yourself. This allows the store partners to focus on what they do best - providing the customer service and eye care experience and developing their teams.

Culture is usually specified as shared values and meanings of the members of a society. It affects not only the underlying behavior of customers in a market but also the execution and implementation of marketing and management strategies (Kogut and Singh 1988).

Each of the Specsavers countries and regions has its own personality. In addition, senior management appreciates that meetings must be approached differently in order to move the business forward and successfully follow the values of the company in their operations locally. That was why it was important to study also the cultural distance between British and Finnish. The tendency of companies to start their international marketing activities in countries similar to their own is another example of how culture influences market entry. Specsavers had already entered other Nordic countries before Finland so Specsavers had some background information about the Nordic countries and its cultural distance.

1.2 Research questions, objectives and scope

The aim of this research is to demonstrate Specsavers entry in Finland 2007 and also why Finland was chosen as an expansion area. In the global arena a company needs to find its place, by planning, testing, implementing and evaluating internationalization strategies. Different researchers have developed different tools and theories to describe internationalization of companies and have made different suggestion of how to cope with this changing situation. Uppsala internationalization theory has been used in this research for Specsavers Entry to Finland 2007. SWOT analysis is used in the evaluation of both Specsavers entry and operations in Finland.

The main research questions:

- Why and how did Specsavers enter Finland in 2007?
- Is there cultural distance between Specsavers UK and Specsavers Finland?
- How has the way of operate changed in Specsavers Finland between 2007-2012?

Sub-question is defined to support the main research questions and to help to identify how did Specsavers change the Optical Field in Finland.

Sub-research question:

- | |
|---|
| <ul style="list-style-type: none">• How did Specsavers change the Optical Field in Finland? |
|---|

The objective has been to demonstrate how the foreign company, in this case, Specsavers, entered the Finnish market, and why. The research also focuses on the cultural differences and how they occur inside the company. These results are also detectable in changes of the Finnish optical field and the Specsavers Finland between years 2007-2012.

The study focuses on examining the company's departments and their activities first entry, then the operation section. Conclusion section deals with departmental changes and evaluates their success. These are departments, which are studied:

- Marketing
- Product
- Retail
- Training / Academy
- IT
- Finance

The scope is that the research can be applied to other sectors other than the optical field if entering Finnish market. On the other hand, what lessons could be drawn Specsavers entering Finland, and what was done right and what had to be subsequently changed and adjusted. The focus is still on inside functions of the company. The research can be applied to international company and take into account the cultural differences.

1.3 Theoretical framework

Theoretical framework is formed from secondary sources such as academic books, studies in international business, annual reports, and related authorized websites. Studies and methods have been compared to the company, Specsavers, functions. Statistics can be used to observe changes in the Finnish optical field since 2007. Also, Specsavers' internal reports show the changes inside Specsavers Finland. Deductive method is applied in the theoretical framework where theory leads to information.

1.4 Research strategy and methods

Choosing the right research method requires comprehension of the research purpose, as well as understanding of what type of data will answer the research questions inquire. Researcher's role in a research is to implement the instrument. (Patton, 2002). This study follows qualitative design. Qualitative design allows investigating business issues in depth. Also, it is an appropriate for answering the research questions, which they are about describing and explaining the entry and operation also cultural distance. On the other hand this research involves collecting and converting data into numerical form so that statistical calculations can be made and conclusions drawn. Statistics are used to show patterns.

Observation

Observation is suitable method when information about people's actions, interactions and behavior in certain context is needed and information cannot be provided with other methods (Kumar, 2011). In this research the observation is used for identifying peoples' behavior inside Specsavers and if the behavior is due to culture or individual. Observation is done between years 2012-2013 inside Specsavers Finland, Vantaa Finland and Specsavers Nordic Product Group, Copenhagen Denmark and the target of the observation has been operational activities.

Open-ended interview

Qualitative design research gives the researcher more flexibility in terms of survey questions; interview method was open-ended enquiry. As the name suggests, a structured open-ended interview is a systematic procedure to gather spoken ideas, information, and opinions from participants through personal interview. To be more specific the structured open-ended interview, where a set of carefully worded questions (appendix 2) is created and used for each interview, was used in this case.

People working for Specsavers, six experts in their own field (appendix 1), in Finland, Denmark and UK were interviewed during autumn 2013. Interviews have been the best source of information when it comes to get the information from inside the company (appendix 3), in this case Specsavers, provided the entry point and beyond. Also answers are used to clarify the choices and changes, which have been taken place inside the company.

1.5 Structure of the research report

This study has been divided into five parts that each consists of several chapters. The study starts with an introductory part that provides the necessary background knowledge about the topic of the study and frames the study with research questions, objectives, scope and research approach.

The second part is the literature study that discusses the theoretical background and context of the market entry process. Within the part are preconditions for market entry timing and modes. In this part cultural distance, organization and organizational cultures is studied. Also introduced the concepts of high and low contexts and Hofstede's four dimensions. Because the thesis is about Specsavers entering Finland it was necessary to study the cultural distance British versus Finnish. For that reason there is also background of country risk and openness.

The third part introduces the description of chosen research approach. It is also about the primary and secondary data. The third part also introduces the methods to analyze and interpret the data.

The fourth part consists of the empirical research. Then the current practices of the case company in the market entry process are described. Also entry mode, organization culture, and culture differences between Specsavers UK and Specsavers Finland were explained. Final numerical information was shown about the operation of Specsavers Finland between years 2008-2012. It was necessary to introduce the Finnish Association of Optometry (FAO) and the situation in the Finnish optical field.

The fifth part includes the conclusions of the study. It consists of study results of Specsavers entry and operation in Finland. Cultural differences are identified and prediction of the future is added to this part.

Finally at the end of the study references, interviews, other data sources and appendixes are presented.

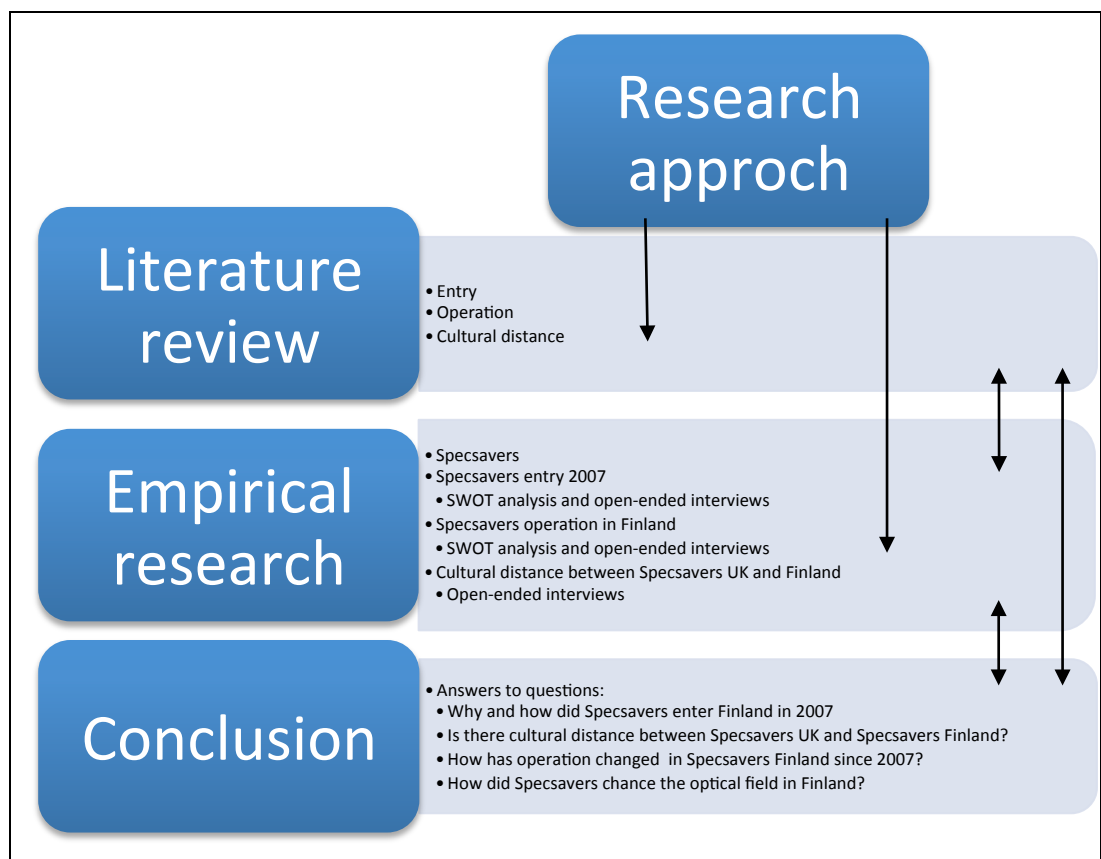


Figure 1. Structure of the research, Authors design

2 LITERATURE REVIEW

Being present and having to enter foreign markets is for many companies natural, while for other it is a new challenge that they have to face. This challenge, known as market entry, consists of three major decisions: where to enter, when to enter and how to enter different markets. Some companies are forced to internationalize in the early stages of their life due to small saturated home markets, while other companies choose to go abroad because of the opportunities new markets might bring (Peng, 2006). Regardless of the motives, once deciding to go abroad and choosing the target market and timing, companies' need to consider the choice of entry modes. There are several entry modes to choose from; however, in specific industries such as retailing the most common entry modes are: wholly owned subsidiary, acquisition, joint venture and franchising. Risk assessment, the level of control and return on investment are some of the main factors that decide the choice of entry modes. Another linked strategic consideration is the growth strategy (expansion strategy) within the target markets that includes the dynamics of entry modes. In this case the often-considered options are whether to grow organically, through strategic alliances or through acquisition of other companies. Acquisition is the fastest expansion strategy, and is often used as a means to achieve product diversification and geographic diversification, but to expand through acquisition can be a costly affair (Hollensen, 2004).

The choice of entry modes is one of the most critical strategic decisions a company has to make in its foreign expansion. A wrong choice can increase the costs of the entry and in extreme cases it may force the company to leave the market. To change the entry mode after a certain period of time is difficult, because a change of entry modes, from one to another, will lead to losses in time and money. This may lead to early defeats in a foreign and unfamiliar environment. Entry mode choice also affects future operations and decisions of the company in the specific market. As an example, the choice of entry modes might influence the future expansion within the market.

Before the entry, companies should study the potential markets, the industry, and needs to make several key decisions including for example differentiation strategy (Porter, 1985). Kotler and Keller introduced major decisions in international marketing (figure 2). According to Peng (2006) and Hollensen (2004), three main questions need to be answered.

- Where to go
- When to enter that specific market
- How to enter that specific market

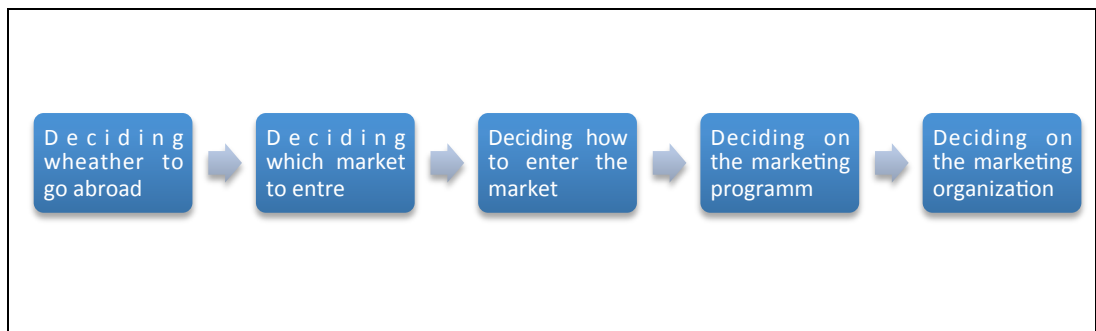


Figure 2. Major Decisions in International Marketing (Kotler & Keller, 2012, page 619)

The tendency of companies to start their entry activities in countries similar to their own is example of how culture influences market entry. Classifying cultures on dimensions has proved to be the most constructive method. Many of the cultural differences are reflected in the type of communication culture used. This is related to Uppsala internationalization theory.

2.1 The Uppsala internationalization theory

Three Swedish professors from the University of Uppsala developed the Uppsala internationalization theory. Johanson and Wiedersheim developed the first model in 1975, which was then further developed from the collaboration of Johanson and Vahlne in 1977. Similar ideas aroused around the same time in other Nordic countries, most notably in Finland by Ahokangas and Korhonen (Antoncic, Hisrich & Ruzzier, 2006).

The idea behind this model is that companies begin internationalization by taking small baby steps, due to insecurities and uncertainty, towards international markets, and thus slowly moving from countries physically closer to the home country to countries with a larger physical distance. The psychic distance means that companies international market which is psychically closer to the home country (Vahvaselkä, 2009). As the company gets more experience in international markets, it will start moving towards countries further away with even bigger psychic distances. Put in another way, the model represents the company's choice of market and form of entry when going abroad (Hollensen, 2004). The model explains the internationalization of a company as learning based, long-term development process (Vahvaselkä, 2009).

The model thus explains the several stages companies go through when internationalizing, moving towards higher and higher commitment to foreign markets. Due to different types of learning, companies start slowly getting involved in international markets (Antoncic, Hisrich & Ruzzier, 2006). According to Hollensen (2004) the main consequence of this model is that companies tend to intensify their commitment towards foreign markets as their experience grows.

Experimental knowledge gained only through personal experience is an important factor in this theory as it is a critical kind of knowledge in international marketing (Whitelock, 2002). In addition to moving to countries further away as the amount of knowledge increases, companies also tend to shift towards more demanding entry modes. The model has four stages that represent the internationalization process of companies:

- Stage 1: No regular export activities (sporadic export)
- Stage 2: Occasional exporting
- Stage 3: Export via independent representatives (export modes)
- Stage 4: Establishing a foreign sales subsidiary
- Stage 5: Foreign production/manufacturing unit

(Vahvaselkä, 2009, 24)

As companies move from one stage to another, the amount of resources and commitment to the process increases. Naturally as the companies' progress in their internationalization process, more knowledge and experience is gained. Thus at every new stage the company is more experienced and has more knowledge than previously. The asset of this model is in its avoidance of too strictly determined stages (Vaahtoranta, 2011), which allows it to be applied to various kinds of companies. It is though important to note that the internationalization theory doesn't take into consideration the market situation and the competition in the market, which are crucial in terms of success in the market.

2.2 SWOT analysis

SWOT analysis is a structured planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective. Albert Humphrey credits the technique in the 1960s.

Setting the objective should be done after the SWOT analysis has been performed (figure 3). This would allow achievable goals or objectives to be set for the organization.

- Strengths: characteristics of the business or project that give it an advantage over others
- Weaknesses: are characteristics that place the team at a disadvantage relative to others
- Opportunities: elements that the project could exploit to its advantage
- Threats: elements in the environment that could cause trouble for the business or project

Identification of SWOTs is important because they can inform later steps in planning to achieve the objective.

First, the decision makers should consider whether the objective is attainable, given the SWOTs. If the objective is *not* attainable a different objective must be selected and the process repeated.

Users of SWOT analysis need to ask and answer questions that generate meaningful information for each category (strengths, weaknesses, opportunities, and threats) to make the analysis useful and find their competitive advantage. (Helms and Nixon 2010).



Figure 3. SWOT analysis by Albert Humphrey. SmartDrawn

2.3. ENTRY

It is a fact that the choice of entry mode depends on many variables such as: past experience, psychic distance, political/trade barriers, regulations, competition, size and growth of the target markets, control, distribution, committed resources, resources transferred and motivation as well as time limitations. Some of these variables can be influenced by the company, some of them are given by the environment of the company. Those factors are external (target country market factors, target country environmental factors, target country production factors, home country factors) or internal factors (company product factors, company resource/ commitment factors).

2.3.1 Motives behind market entry

Globalization can be determined as business orientation based on the belief that the world is becoming more homogenous and distinctions between national markets are not only fading, for some products will eventually disappear. (Czinkota et al. 2004)

Further motives for internationalization of companies can be divided into proactive and reactive (Czinkota et al. 2004, 218). Proactive are those, which are companies, initiated while reactive are those caused by the environment and lead to response of the company.

The proactive motivations can be described by the following factors: First the major reason companies expand internationally is to gain better profits because foreign markets are often seen as source of higher profits. Also another factor to enter foreign markets is due to the unique product and service that the company has. When a product or a service is not widely available from other international competitors it can motivate a company to venture into that foreign market. From this perspective a company will take advantage of this foreign market that is not available for other competitors. The other factor is the use of tax benefits; some countries use tax concessions to encourage exports to the country that means export activities are more profitable than domestic activities, and that will motivate companies to enter that foreign market (Czinkota et al 2004). Also Hollensen (2004) categorizes the motivational factors into two different motivation groups (table 1). The proactive motives of internationalization represent the internationalization drivers that arise from within the company. These factors encourage the company to seek for new markets, as they have developed valuable assets worth exploring in international markets. Most of the motives are clear and can easily be understood what it means, although some require to be determined more precisely in order to avoid misunderstandings. Economies of scale as a motive means that a company is increasing its output in order to lower its productions costs, making the company more competitive both domestically and internationally. Tax benefits simply refer to how countries like

for instance United States assists exporters by giving certain tax (Hollensen, 2004). Reactive motives on the hand can be described as the passive actions made to respond to changes in the competitive environment. Some companies might receive enquires about their product from abroad, some might find the domestic market to be too small or the product is reaching its end of its life cycle there. Also if foreign markets are seen as relatively close to export to it will act as an encouragement for companies to begin exporting there.

The reactive motivations can be described by the following factors: First the major reactive motivation to enter international market is the competitive pressure. Always companies look for market in other areas when they find that they cannot compete effectively in that area, and that means foreign markets can offer a better alternative. Another reactive motivation for international expansion is overproduction.

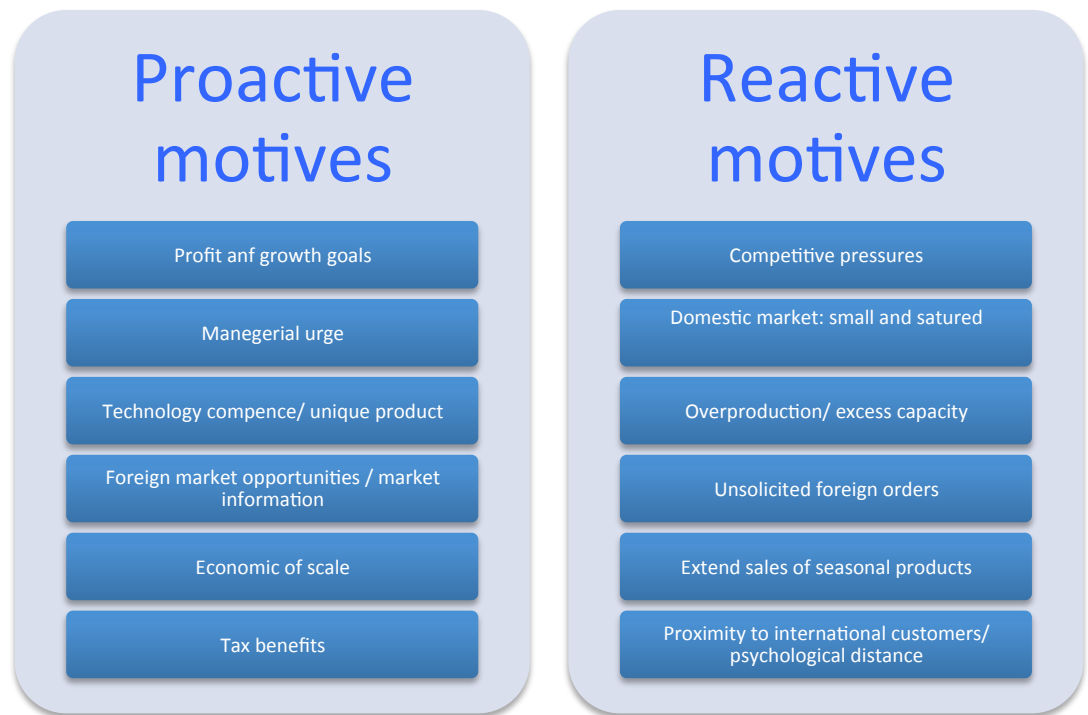
For example when a company has excess capacity the domestic market will get small hence the need for international markets. Also saturated and declining domestic market can force the company to enter international markets in order to survive and to continue operating (Czinkota et al 2004).

Typical reasons for going abroad are according to Peng (2006):

- To reach large economies of scale by selling to more customers in other countries;
- To reduce the risk of overdependence on one country by spreading sales in multiple countries;
- To replicate the success at home in new settings.

Proactive motives tend to be the usual reason for expansion when it comes to larger companies (Hollensen, 2006). Small and medium-sized enterprises on the other hand are more cited to reactive motives, as the competitive environment tends to put expansion pressures.

Table 1. Motives for internationalization (source: Hollensen, 2004, 31)



2.3.2 Choosing the right market

According to Hollensen (2004) global marketing is determined as the company's commitment to coordinate its marketing activities across national boundaries in order to find and satisfy global customer needs better than the competition.

This implies that the company is able to:

- Develop a global marketing strategy, based on similarities and differences between markets
- Exploit the knowledge of the headquarters (home organization) through world-wide diffusion (learning) and adaptations

- Transfer knowledge and “best practices” from any of its markets and use them in other international markets.

According to Hollensen (2004), factors affecting this decision are:

- Internal factors
- External factors
- Desired mode characteristics
- Transaction specific behavior

Similar factors are shown in Peng’s (2006) comprehensive model of foreign entries.

The global marketing strategy strives to achieve the slogan “ think globally but act locally”, through dynamic interdependence between head office and subsidiaries. Organizations following such a strategy co-ordinate their efforts, ensuring local flexibility while exploiting the benefits of global integration and efficiencies, as well as ensuring worldwide diffusion of innovation. A key element in knowledge management is the continuous learning from experiences. The lack of personal relationships, the absence of trust and “ cultural distance” all conspire to create resistance, frictions and misunderstandings in cross-cultural knowledge management.

Market segmentation can be a complicated and expensive endeavor. Or it can be straightforward and inexpensive. Regardless of the approach taken, target market segmentation is essential to efficient brand management and to achieving competitive advantage.

A range of tools are available to help market researchers conduct market segmentation. Basic to all of these tools is a focus on what consumers want or need and how a product or service meets that preference or need. It is imperative that the product or service be differentiated from competitors’ products or services.

As part of this understanding about differentiation, the market researcher needs to articulate why and how consumers will perceive this differentiation when they are considering a purchase.

For calculating the market potential specific information is required; which are the number of possible buyers (N), average selling price (P) and the average annual consumption (Q). These variables can be used to compute a formula, which calculates the market potential for a region,

$$\text{Market potential} = N * P * Q$$

In business planning there are SMART goals by George T. Doran (Management Reviews, 1981) and in market segmentation, there is the MIDAS touch (Pothukuchi, 2005). The two acronyms represent similar conditions and criteria.

SMART goals are characterized by the following:

- Specific A specific goal is clear, unambiguous, and efficiently answers the questions: what, who, why, where, and which?
- Measurable A goal that is measurable is more likely to be attained and also provides information about progress toward meeting that goal. How much? How many? When will we know the goal has been met?
- Attainable A goal that is attainable must be realistic and placed somewhere on a continuum between too easy and too difficult. The importance of this criterion is that it can help a goal to be realized as people strive to answer the question: How can this goal be obtained?
- Relevant A relevant goal helps to propel people forward since it is aligned with other goals and objectives, and because attaining the goal means something to the people who are engaged in the effort to meet the goal. A relevant goal will answer the questions: Is this a worthwhile goal? Is this goal a good fit for the team, for the resources available, and for the strategic plan?
- Timely A goal that is timely will be set to a schedule that conveys a sense of urgency and helps to establish the dominance or importance of the goal so that progress does not get eroded by the day-to-day issues or work

demands. A timely goal will help to answer the questions: Is this the right time to pursue this goal? Can this goal be accomplished in the articulated timeframe?

MIDAS touch criteria for market segmentation are as follows:

- Measurable Groups of consumers must be determined by quantifiable characteristics, which relate to key performance indicators such as size, market share, and share value.
- Identifiable A distinct persona must be generated for each segment and every customer must clearly be associated with only one profile.
- Definable each persona must be easy to talk about with others since it is based on a previously agreed-upon description and definition derived from data, which has been collected and analyzed.
- Actionable ease of persona identification simplifies the generation of actionable insights about the segment, and the ability to test implemented strategies on a segment-by-segment basis.
- Substantial A market segment must be feasible to target based on fiscal, resource, and practical considerations, such as the stability or growth of the segment and the likelihood of its durability over time.

The importance of criteria such as these are that assist the market researcher and to evaluate existing market segmentation, if it exists, and to ensure that the market segmentation plan can be efficaciously implemented. If the conditions are not as described or the criteria are not met, then the marketing team will struggle with activation of the segmentation plan.

Further, not exact articulated market segmentation plan will not enable the marketing team to fit their actions to the consumers represented by market segments. In other words, the marketers will not be able to effectively target their market. Unless a market segmentation process is conducted well and implemented appropriately, the customer centricity of a brand will be negatively impacted.

2.3.3 Entry timing

In addition to the entry mode, the role of market entry timing is critical in emerging markets (Pan and Chi, 1999). However, the direction of the impact is not clear. The literature suggests reasons that early entry into international markets could favor or hurt success.

On the one hand, early entry has many advantages. First, the early entrant can lock up access to key resources, such as distribution channels and suppliers. Second, early entrants have the opportunity to set the pattern of consumer preference (Mitchell, 1999), which may disadvantage later entrants. Third, early entrants can benefit from being the first to exploit concessions and incentives, which governments often offer to attract such entrants (Pan and Chi, 1999). Fourth, early entrants can time their entry to exploit the strategic window of an expanding market and observe and learn market attributes for a longer period. Pan and Chi (1999, p. 360) report that multinational corporations that started their productions in new areas in an earlier year had a higher level of profit than those that began in a later year.

On the other hand, Golder and Tellis (2001) find that pioneers are often not the long-term winners in a market. Using U.S. data, they show that in several categories, “best” beats “first” (Tellis and Golder, 2001). In the international context, pioneers may fail for several reasons. First, companies that rush in first may not be aware of the pitfalls of the newly opened emerging market. Second, returns to the early entrants might be too low compared with their investments, especially because infrastructure is not yet fully developed. Third, latter entrants have a flatter learning curve because they can learn from the early entrants’ errors (Fujikawa and Quelch, 1998). These three factors may be responsible for the failure of many early entrants in some markets (Arnold, 2004).

2.4 Entry modes

Entry modes available for companies to choose are in theory the same for each market. However, there might be some regulations regarding the choice of entry modes (Pelle, 2007).

There is a wide variety of descriptions and definitions of international entry modes. International entry modes have been described as the institutional arrangement that enables a company to enter a market with its products, technology, human skills, management and other resources (Root, 1987) Entry modes are therefore often seen as an element of the whole international entry strategy of a company. Entry modes are the format of foreign market entries (Peng, 2006). It is acknowledged that the decision for a certain entry mode is very important. Once made, the decision is difficult to change or reverse. Accordingly, Quer et al. (2007) state, choosing the most suitable modes of entry in the different countries is one of the most relevant strategic decisions that an enterprise must adopt during its internationalization process.

Deciding on the mode of entry means choosing between several different future scenarios' including differences in responsibility, profitability, investments, risks etc. Different entry modes give company varied degrees of control and require different resource commitments. Choosing the appropriate entry mode is therefore an important decision, especially given the difficulty of changing once the decision has been made. In order to clarify the difference between the most common entry modes used they will be discussed briefly.

Entry modes come in a wide variety of forms. The basic distinction between the modes refers to the equity issue. Most large-scale entries involve 'equity modes' while most small-scale entries involve 'non-equity modes'. The non-equity modes, including exporting and contractual agreements, demand a relatively low scale of investment, while the equity modes normally involve high investments and harder to reverse commitments (Peng, 2009). The importance of this distinction is also reflected in one of the characteristics of a multinational enterprise (MNE). All of the exporting modes are modes in which no employees of the company will be permanently working abroad.

If a company only uses these entry modes it cannot be as a MNE. The contractual entry modes could involve employees working abroad, but normally only require partners locally. Investment entry modes, on the other hand, always require employee involvement in the target country. Peng (2009) confirms that a company that merely exports/imports with no foreign direct investment (FDI) is usually not regarded as an MNE.

2.4.1 Equity and non-equity modes

A foreign entrant determines non-equity modes as modes that do not entail equity investment. They are essentially exporting modes and contractual modes, such as licensing, franchising, and R&D contracts. Equity modes are the entry modes that require ownership involvement in the venture. This ownership can either be partially, like in joint ventures, or wholly, like with direct investments. When a company decides to use an equity mode it still has several alternatives left to choose from. According to Decker and Zhao (2004), equity and non-equity entry mode are distinguished from each other based on the resource commitment level. JVs and WOS are classified as the equity entry mode, while the contractual agreement and exporting activities are part of the non-equity. Contractual agreements consist of license, R&D contract and alliance. Considering an equity entry mode over non- equity requires time and risk due to the chance of failure and diversifying risk by themselves.

2.4.2 Franchising

The term franchising is derived from the French, meaning, to be free from servitude. Franchise activity was almost unknown in Europe until beginning of the 1970s.

According to Quinn (1998), franchising is considered to be a relatively low cost, low control entry mode; franchisors sell the right to market goods and services to franchisees that use the franchisor's brands and business methods. Kleiner and Luangsuwimol (2004) determine franchising as a long-term, continuing business relationship wherein for a consideration, the franchisor grants to the franchisee a

licensed right, subject to agreed requirements and restrictions, to conduct business utilizing the trade and/or service marks of the franchisor and also provides to the franchisee advice and assistance in organizing, merchandising, and managing the business conducted to the licensee. The transaction between franchisor and franchisee is influenced by different factors, such as technical complexity, brand name, unstable environment, cultural distance and opportunistic behavior. These factors affect transaction cost and the mode of operation in global market.

Franchising is a marketing-oriented method of selling a business service, often to small independent investors who have working capital but little or no prior business experience. However, it is something of an umbrella term that is used to mean anything from the right to use a name to the total business concept.

Franchising is one of the most popular and successful strategies for businesses to enter new markets and expand operations. Franchising enables the franchisor to enter a new market with very low risks and initial investment. Franchising systems are facing new challenges every day, such as: legal issues, marketing campaigns, franchisee- franchisor relationship, use of high tech systems, etc. According to Quinn (1998), franchising is considered to be a relatively low cost, low control entry mode. Franchisors sell the right to market goods and services to franchisees that use the franchisor's brands and business methods. In a franchising arrangement, a supplier (the franchisor) grants a dealer (the franchisee) the right to market its products in exchange for some type of consideration, such as a financial commitment and an agreement to conduct business in accordance with the standards specified by the franchisor. Franchising can be determined as a type of business arrangement in which one party (the franchisor) grants a license to another individual, partnership or company (the franchisee) which gives the right to trade under the trade mark and business name of the franchisor, product and trade name franchising.

Kleiner and Luangsuwimol (2004) determined franchising as a long-time, continuing business relationship wherein for a consideration, the franchisor grants to the franchisee a licensed right, subject to agreed requirements and restrictions, to conduct business utilizing the trade and/or service marks of the franchisor and also provides to the franchisee advice and assistance in organizing,

merchandising, and managing the business conducted to the licensee, business format package franchising. Franchising has also been seen as an alternative to individual self-employment decisions to start an independent small business.

International business format franchising is a market entry mode that involves a relationship between the entrant (the franchisor) and the host country entity, in which the former transfers, under contract, a business package (or format) that developed and owns, to the latter. The strategy of franchising has been traditionally associated with the service business, and in particular the fast food restaurant business. However, in more recent times, franchising has been increasingly adopted across a range of other retail businesses. Franchising is considered as a market entry strategy for international retail companies.

According to Perkins (1987) management fee is regarded as the appropriate term in franchising. Franchising covers the total business, including know-how, intellectual rights, goodwill, trademarks and business contracts. The franchising agreement is normally for 5 years, sometimes extending to 11 years. The franchisee is very definitely selected by the franchisor, and its eventual replacement is controlled by the franchisor. The franchisor is expected to pass on to its franchisees the benefits of its ongoing research program as part of the agreement. There is a standard fee structure and any variation within an individual franchise system would cause confusion and mayhem.

Despite, or perhaps because of, the independence between franchisees and franchisors, strained relationships are common. The franchise relationship moves through stages starting with the bliss of the honeymoon (table 2). Then as realizing that partners have their own needs and it is not perfect as it was imaged, both begin to question what have they got themselves into. Finally both parties come understand and accept their strengths and weaknesses. The relationship becomes stronger, more stable and more satisfying, though not without its strains. (Nathan G. 2007).

Table 2. The six stages of the Franchise Factors. (Nathan G. The franchise E-factor, 2007, page 10)



Advantages and disadvantage of franchising

Advantages:

- There is a higher likelihood of success since a proven business formula is in place. The products, services, and business operations have already been established.
- Bankers usually look at successful franchise chains as having a lower risk of repayment default and are more likely to loan money based on that premise.
- The corporate image and brand awareness is already recognized. Consumers are generally more comfortable purchasing items they are familiar with and working with companies they know and trust.

- Franchise companies usually provide extensive training and support to their franchisees in effort to help them succeed.
- The main franchise companies advertise many times products and services at a local and national level. This practice helps boost sales for all franchisees, but individual franchisees don't absorb the cost.

Disadvantages:

- Franchises can be costly to implement. Also, many franchises charge ongoing royalties cutting into the profits of franchisees.
- Franchisors usually require franchisees to follow their operations manual to a tee in order to ensure consistency. This limits any creativity on the part of the franchisee.
- Franchisees must be very good at following directions in order to maintain the image and level of service already established. If the franchisee is not capable of running a quality business or does not have proper funding, this could curtail success.

2.4.3 Franchising Vs. joint venture

A franchise is not strictly a form of legal structure for a business but it is legal contract between two companies. Whilst on the other hand if we talk about joint ventures; it refers to the situation when two businesses agree to work closely together on a particular project and create a separate division to do so. The reasons for joint venture are costs and risks of a new business venture are shared, different companies might have different strengths and experiences and lastly company might have their major markets in different countries and they could exploit it more effectively.

A franchise typically involves less risk than a joint venture, because customers already know and trust the company's image and products. However, if the company is new, in a quickly changing field or trying to sell many franchises, it could be in financial trouble.

A prospective franchise owner can study how well franchises perform in nearby locations or in populations with similar demographics. Furthermore, the owner does not necessarily need the same level of financial expertise as the partners in a joint venture. The franchise comes with a clear plan and support from an established company that invests in the franchise's success to maintain its own success. A joint venture, meanwhile, may involve more risk because the partners introduce a new concept that may not succeed in a given population or location. However, the two parties share the risk by each investing their own assets, which can reduce the burden of the risk on both parties (figure 4).

Entrepreneurs might develop their business skills through a franchise, using the franchise as a training ground for learning how to manage a business. They should look for a franchise in the same industry in which they wish to specialize, to build their knowledge in that area. In the process, they might keep a record of creative ideas for a future business. Because a joint venture tends to involve greater risk, the parties involved should have more advanced financial expertise in order to determine what risks they should take.

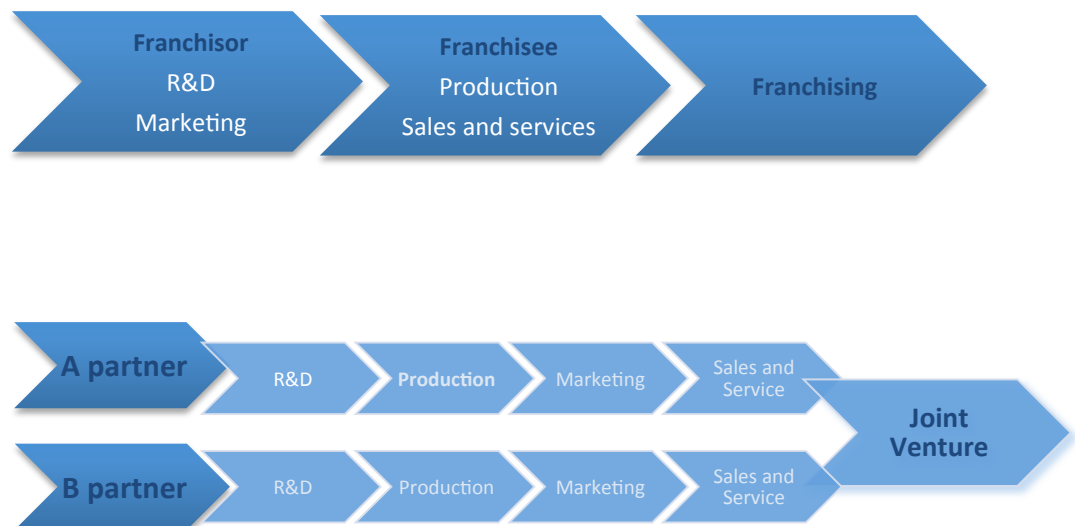


Figure 4. Franchising and Joint Venture. Authors design

2.5 Culture Distance

The underlying cultural dimensions of a society affect its consumption pattern beyond what economic laws predict (De Mooij 2004). Culture is usually determined as shared values and meanings of the members of a society. Culture is the collective programming of the mind that distinguishes the members of one human group from another by Geert Hofstede. It affects not only the underlying behavior of in a market but also the execution and implementation of marketing and management strategies (Kogut and Singh 1988). For example, cultural distance affects how well partners in a franchising interact over the cultural divide. Thus, cultural distance has a direct impact on the effectiveness of the entry. Evidence of failures caused by insensitivity to cultural differences abounds. Cultural differences affect several aspects of company's marketing mix. It affects not only the attribute levels of products and the efficiency of the marketing programs but also how customers derive meanings about the brand or product. Mistakes arising from misunderstandings of brand names are legion.

The tendency of companies to start their international marketing activities in countries similar to their own is another example of how culture influences market entry. Several studies have shown that the sequential path of internationalization is determined by cultural distance to enhance the chances of successful entry (Czinkota 1982). Companies usually begin internationalizing by entering countries that are culturally close to them. Frankel and Rose (2002) show that linguistic similarity is a far more powerful determinant of the volume of trade between countries than economic factors, such as a common currency. Barkema, Bell, and Pennings (1996) also show that cultural barriers punctuate organizational learning, lowering companies' longevity in countries with cultural distance.

For international marketing it is important to understand customers' personal values and accept the norms of behavior in order to market to them properly. At the same time marketers must search for groups with shared cognitions that result in shared views of marketer's offerings and in similar product-related behavior to simplify their task. Such groups may even exist across country borders.

Classification of cultures is necessary to develop marketing and advertising strategies in global marketplace. Classifying cultures on dimensions has proved to be the most constructive method (figure 5). It helps vocalizing and labeling cultural differences and similarities. Many of the cultural differences are reflected in the type of communication culture used.

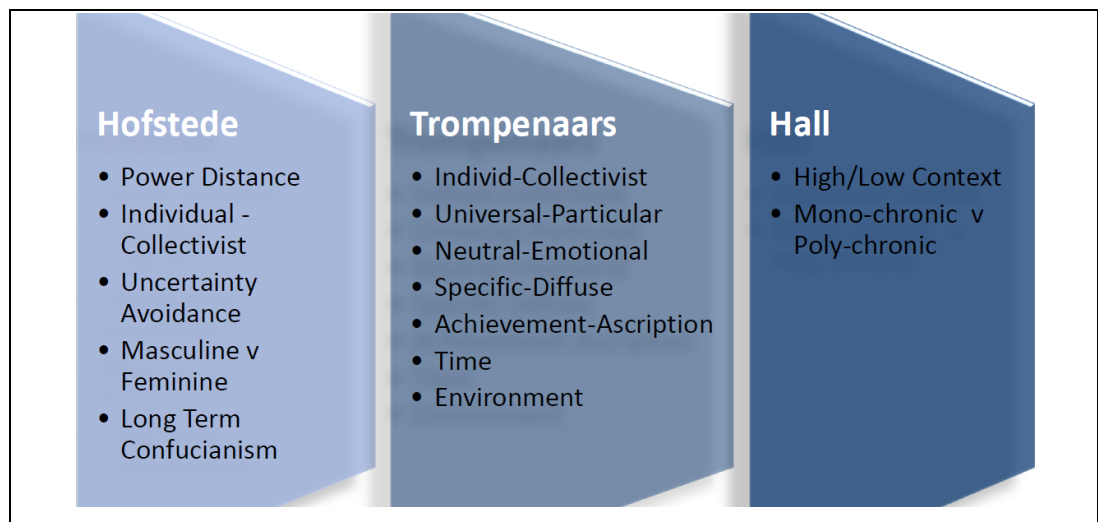


Figure 5. Cultural Distance by Hofstede, Trompenaars and Hall, source: Canning UK

2.5.1 Organization and organizational culture

A company's organization consists of its structures, politics, and corporate culture, all of which can become dysfunctional in a rapidly changing business environment. Whereas managers can change structure and policies. On the other hand the company's culture is sometimes very hard to change. Yet adapting the culture is often the key to successfully implementing a new strategy (table 3).

A corporate culture is determined as shared experiences, stories, beliefs, and norms that characterize an organization. A customer-centric culture can affect all aspects of an organization. Sometimes corporate culture develops organically and it's transmitted directly from CEO's personality and habits to the company employees (Kotler et al, 2012).

The need for a convincing categorization is obvious. It enables us to:

- Predict a culture's behavior
- Clarify why people did what they did
- Avoid giving offense
- Search for some kind of unity
- Standardize politics
- Perceive neatness and order

(Lewes, 1996)

Companies that engage in several international markets and ventures create an international division, organization, to handle all activities. A division manager who sets the goals and budgets and is responsible for company's international growth heads the unit. The international division's corporate staff consists of functional specialist who provide services to various operating units. Operating units can be geographical organizations, world product groups or international subsidiaries (Kotler, Keller, 2012).

Many companies seek a blend of centralized global control from headquarters with input from local and region marketers. According to Kotler and Keller (2012) company's level of international involvement, companies manage international marketing activity in three ways: through export departments, international divisions, or a global organization.

Table 3. Organization and organizational culture, Source: Canning UK

X	Y
<ul style="list-style-type: none"> • Open – Outspoken • Explicit • Decentralised • Short Term • Do it – Perfect It! • Flat Hierarchy • Openly Critical • Decide – Discuss! 	<ul style="list-style-type: none"> • Guarded – Cautious • Implicit • Centralised • Long Term • Perfect it – Do It! • Vertical Hierarchy • Circumspect • Discuss – Decide!

2.5.2. High- and low-context culture

Edward T. Hall (1960) introduced the concept of high and low contexts as a way of understanding different cultural orientations.

Low-context cultures rely on spoken and written languages for meaning. Senders of messages encode their message, expecting that the receivers will accurately decode the words used to gain a good understanding of the intended message.

High-context cultures use and interpret more of the elements surrounding the message to develop their understanding of message. In high-context cultures the social importance and knowledge of the person and the social setting add extra information, and will be perceived by the message receiver (Hollense, 2004).

In other words the general terms high context and low context, published by Edward Hall, are used to describe broad-brush cultural differences between societies. High context refers to societies or groups where people have close connections over a long period of time. Many aspects of cultural behavior are not made explicit because most members know what to do and what to think from years of interaction with each other. Family is an example of a high context environment.

Low context refers to societies where people tend to have many connections but of shorter duration or for some specific reason. In these societies, cultural behavior and beliefs may need to be spelled out explicitly so that those coming into the cultural environment know how to behave.

2.5.3 Hofstede's four dimensions

Hofstede tried to find an explanation for the fact that some concepts of motivation did not work in the same way in all countries. Hofstede based his research on an extensive IBM database from which during 1967-1973 116,000 questionnaires were used in 72 countries and in 20 languages. Hofstede's theory is still useful in the 2000s, even though the cultures are closer to each other. According to Hofstede, the way people in different countries perceive and interpret their words varies along four dimensions (4+1):

Power distance refers to the degree of inequality between people physical and educational terms. In high power distance societies power is concentrated among a few people at the top.

Uncertainty avoidance concerns the degree to which people in country prefer formal rules and fixed pattern of life, such as career structures and laws, as means of enhancing security.

Individualism denotes the degree to which people in country learn to act as individual rather than as members of group.

Masculinity relates to the degree to which masculine values, such as achievement, performance, success, money and completion, prevail over feminine values, such as quality of life, maintaining warm personal relationships, service, care for weak, preserving the environment and solidarity.

Time perspective. Some years after the original study, Hofstede identified fifth dimension. This time orientation is determined as the way members in an organization exhibit a pragmatic future-oriented perspective rather than conventional history or short-term point of view.

As a result Hofstede's model can explain the variety of values and motivations used in marketing and advertising across cultures. It can also explain differences in actual consumption behavior and product use and it can thus assist in predicting consumer behavior or effectiveness of marketing strategies for cultures other than one's own.

2.5.4 British Vs. Finnish

The feudal and imperial origins of status and leadership in England are still evident in some aspects of British management. The class system persists in U.K, and status is derived, in some degree, from pedigree, title and family name. British managers could be described as diplomatic, tactful, laid back, casual, reasonable, helpful, willing to compromise and seeking to be fair. On the other hand under the veneer of casual refinement and sophistication in British management style there exists a hard streak of pragmatism and mercenary intent.

Finnish leaders, like many British leaders, exercise control from a position just outside and above the ring of middle managers, which are allowed to make day-to-day decisions. Finnish top executives have reputation of being decisive at crunch time and do not hesitate to stand shoulder with staff and help out in crises. Both countries subscribe in general to the Protestant work ethic.

Scandinavians are more low-context cultures than English (figure 6). Finns are described to be calm, unflappable, inventive, reliable, good with facts and figures, good at planning and implementation, listen well and modify stance, use scientific truth, cut through hypocrisy and wasting time and summarize well. On the other hand Brits are calm and phlegmatic, like to arbitrate, inventive like Finns, reasonable, avoid offense, diplomatic, think long-term, good at administration, like chairperson's role and fair (Lewis, 1996). Finns have their blind spot: lack of small talk. Shortcoming of English can be mentioned foreign languages and up-to-dateness. The difference between the high- and low-context communication cultures helps understand why styles of acting are so different.

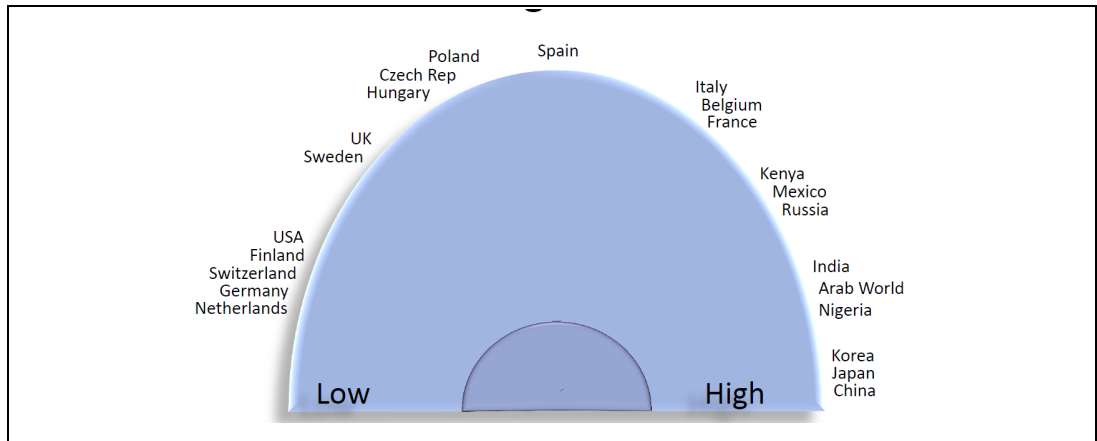


Figure 6. Low Context V High Context, source: Canning UK

Power distance is defined as the extent to which the less powerful member of the institute and organizations within a country expect and accept the power is distributed unequally. Power distance index for Great Britain is 35 and for Finnish is 33 (figure 7). Both countries have low power distance index and there for people are more equal compared to Latin American countries like Mexico.

Index numbers, which are show, are from IBM Database by Geert Hofstede (Hofstede, 2001).

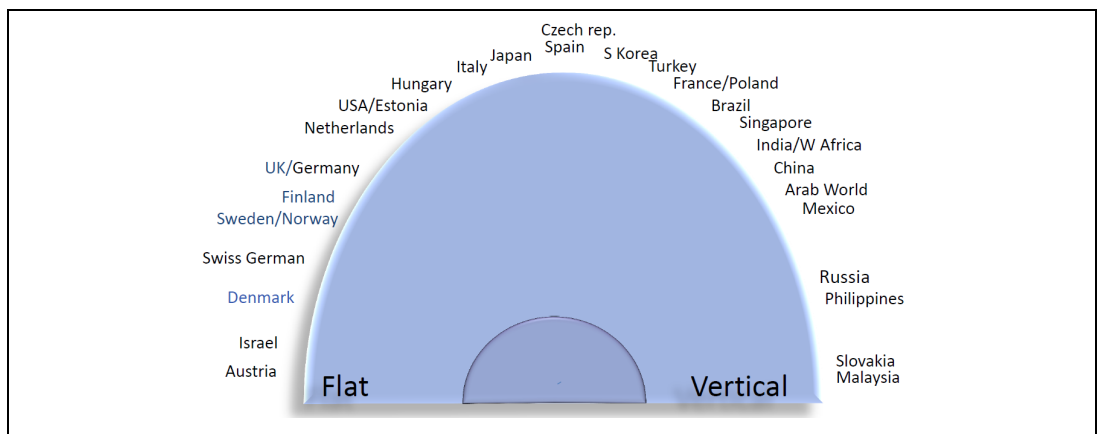


Figure 7. Power Distance, source: Canning UK

Individual index for Great Britain is 89 and for Finland is 63 (figure 8). The higher the number is the more individual people are in the country. For both countries following values are particularly important: tolerance of others, harmony with others, intimate and lose friends, trustworthiness and being conservative.

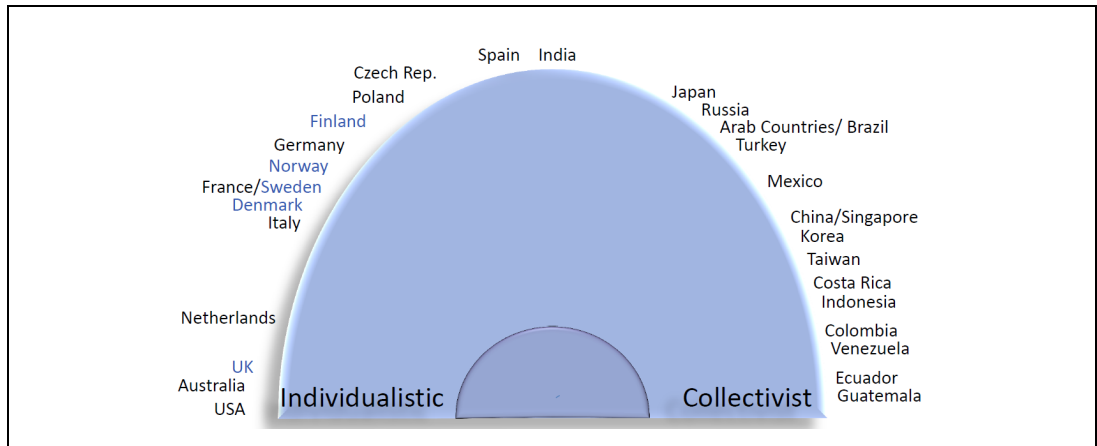


Figure 8. Individualism V Collectivism, source: Canning UK

Masculinity-femininity has been the most controversial of the five dimensions of national cultures; the taboo dimension. This dimension is politically incorrect mainly in masculine countries such as Great Britain, index 66, but not in the more feminine countries such as Finland, index 26. For example in feminine countries parents share earning and caring roles and in masculine countries the standard pattern is that the father earns, and the mother cares. From the managerial point of view it predominates the orientation for conflict resolution through negotiation, the preoccupation for working conditions quality and the social climate. From the point of view of the two dimensions of culture are being characterized by a small hierarchical distance and representing cultures of masculine type. The level of economic development of these countries is determined by the promotion of certain values such as: competition, performance and prosperity.

Uncertainty avoidance index is for Great Britain 35 and for Finland it is 59 both indexes quite low. Note that uncertainty avoidance should not be confused with risk avoidance. In weak uncertainty avoidance countries uncertainty is a normal feature of life, and each day is accepted as it comes. Low stress and low anxiety are familiar. Number in Finland is a little bit higher and it is one of issues at the work places. Also in countries where uncertainty avoidance is weak there are few and general laws or unwritten rules.

Long-term and short-term orientation forms a dimension of national culture. Index for Great Britain is 51 and for Finland it is 38. The future is by definition a long-term problem. In both countries have the same idea about grandchildren and their grandchildren will have to live with the long-term consequences of the present actions.

The class system is still in evidence in Britain but most British people could be called middle class. Humour is a big factor in British life. Yet British people regard themselves as honest, reasonable, caring and considerate. British are known of strategic planning but it does not necessarily increase business effectiveness (Hofstede, 2001). In the British countries it predominates the preoccupation for recruiting and hiring managers, graduates of certain elite education institutions. In Finland society is less built on hierarchy and rules than in UK. The idea of organizational culture in Finland, which is feminine and uncertainty-tolerant country, is greeted with approval, because it tends to stress the irrational and the paradoxical.

2.5.5 Country risk

Erb, Harvey, and Viskanta (1995) determined country risk as uncertainty about the environment, which has three sources: political, financial, and economic. Political risk means that laws and regulations in the host country will be changed adversely against a foreign company. These could be of a regulatory nature, such as the imposition of tariffs, or of a political nature, such as unrest caused by pressure groups (Spar 1997). At its severest, political risks may cause confiscation of assets without adequate compensation (Hawkins, Mintz, and Provisiero 1976).

Financial and economic risks manifest in several ways. They could take the form of recessions or market down turns, currency crises, or sudden bursts of inflation. Most of these issues arise from imbalances in the under-lying economic fundamentals of the host country, such as a balance of payment crisis. Recessions result from business cycles inherent in any economy (Lucas 1987). The origins of currency crises could be a progressively deteriorating trade imbalance or a loss of faith by the international financial system on the country's ability to meet its international debt obligations. Whatever the field of the problem, a fall in the

currency rate will lead to a fall in revenues and profits (Shapiro 1985). Differential inflationary pressures between the home and the host country could also pose a risk. Inflation directly affects the price–demand structure of a company. It can also affect the company indirectly through its adverse effects on exchange rates (Erb, Harvey, and Viskanta 1995; Frankel and Mussa 1980). Country risk can reduce entry success in emerging markets in two ways. First, it can cause companies to lose money suddenly, precipitating a financial crisis. Second, high country risk and past experiences of risk can lead companies to underinvest or delay investments, resulting in lower success over time.

2.5.6 Country Openness

The term openness refers to the lack of regulatory and other obstacles to entry of foreign companies. Openness could either increase or decrease entry success. On the one hand, openness could increase success for three reasons. First, it stimulates demand by increasing the variety of products offered for sale in the market. Second, it increases competition on quality and thus improves the level of quality supplied. Third, as the economy opens up, competition increases efficiency and lowers prices, resulting in further increases in demand.

On the other hand, an open economy is a double-edged sword. Although openness makes entry easier for a target company, it increases competition from other new foreign entrants. Increasing competition affects market success in several ways. First, even a small degree of competition is enough to lower prices significantly. Thus, competition keeps margins low, permitting only the most efficient to survive. Second, competition increases costs of purchases, the hiring of talent, and the marketing of products and services. Competitive pressures are a reason company profitability has been shown to be lower for international markets than for domestic markets (Gestrin, Knight, and Rugman 2001). Third, competition causes companies to lose leadership if they make any strategic mistakes, such as targeting the wrong segment or pricing the product too high, both of which are common mistakes in entering emerging markets. Competitors are quick to pounce on any mistake and prevent companies from recovering lost ground. Thus, increasing openness increases competition and decreases success.

2.6 4P- Market mix

To effectively market a product or service there are four things that needs to get right: Product, Price, Place and Promotion (figure 9). These four elements are known as the marketing mix or the 4Ps by Philip Kotler. The four elements should be viewed as one unit and structured to support each other; Otherwise a companies marketing strategy will be confusing and uncoordinated. As the product is the item being sold to the customer, the thing that will bring in money, its features and design need careful consideration. Whether the company is manufacturing the product or purchasing the product for resale, they need to determine what product features will appeal to their target market. There are lots of different pricing strategies but every strategy must cover at least costs of production unless the price is being used to attract customers to the business (loss leader pricing). A product is only worth as much as people are prepared to pay for it. The Place element of the marketing place is about where the product is made, where is it stored and how is it transported to the customer. The place for each of these things should ensure that the product gets to the right place at the right time without damage or loss. A successful product or service means nothing unless the benefit of such a service can be communicated clearly to the target market. Promotion is any activity to raise awareness of a product or to encourage customers to purchase a product. Advertising is a form of promotion but not all promotions are advertisements (McCarthy, 1964).



Figure 9. 4P-market mix by Kotler. Authors design

2.7 Summary of the literature framework

In summary, the idea behind Uppsala internationalization theory is that companies begin internationalization by taking small steps, due to insecurities and uncertainty, towards international markets, and thus slowly moving from countries physically closer to the home country to countries with larger physical distance. The tendency of companies to start their international marketing activities in countries similar to their own is another example of how culture influences market entry (Hofstede, 2001). To effectively market there are four things that need to get right: Product, Price, Place and Promotion, 4P-market mix by Kotler. Otherwise a Company's marketing strategy will be confusing and uncoordinated. SWOT (Humphrey, 1960s) is an analysis that can be used in the evaluation of the company's operations.

3 RESEARCH APPROCH AND METHODS

This chapter will give a view of the research approach used in this study, including primary and secondary data. Collected data and data analysis are also introduced.

3.1 Research approach

This study is a descriptive study covering the years 2007-2012 and focusing the entry and operation factors and also cultural distance internal Specsavers Finland. Choosing the right research method requires comprehension of the research purpose, as well as understanding of what type of data will answer the inquire. This study follows qualitative design. Qualitative design allows investigating business issues in depth. Also, it is an appropriate for answering the research questions, which they are about describing and explaining the entry and operation also cultural distance if it is more about the internal activities. Research involves collecting and converting data into numerical form so that statistical calculations can be made and conclusions drawn (figure 10).

3.2.1 Primary data

Primary data is information that is obtained directly from first-hand sources by means of surveys, observation or experimentation. In this research primary data is collected by observations and open-ended interviews inside Specsavers Finland and Specsavers Nordic.

Observation

Observation is suitable method when information about people's actions, interactions and behavior in certain context is needed and information cannot be provided with other methods (Kumar, 2011). In this research the observation is used for identifying peoples' behavior inside Specsavers and if the behavior is due to culture or individual. Observation is done between years 2012-2013 inside Specsavers Finland, Vantaa Finland and Specsavers Nordic Product Group, Copenhagen Denmark and the target of the observation has been operational activities. Observations are presented in empirical research section to support the literature material.

Structure of the interview

Since finding out what factors have led to the studied company's processes of internationalization and operations as well as cultural distance, it was necessary to collect information about the individuals' reflections, opinions and personal experiences of the process. To be able to access this kind of information interviews are considered a suitable method. Interviews can be structured into three levels of structure, unstructured, semi-structured and structured. Open-ended interview, which is the type of interview in this research, is semi-structured.

The interview (appendix 2) has been created to direct the interviews to cover the relevant topics. The interview is based on the purpose of the paper and supported by the research questions listed in the introduction. When formulating the questions the focus is on covering the relevant aspects of our topic but without forcing any opinions upon the interviewees or affecting their perspective when discussing the entry and operations of their company as well as cultural differences.

Because of practical restraints, the interviews have been performed face-to-face. All the interviews were documented in writing and the interviews were held in both Vantaa, Finland and in Copenhagen, Denmark during the autumn 2013. Open-ended interviews were made with six experts from Specsavers and who are or were employees of Specsavers Finland (appendix1). All of them gave their consent to participate in the study. The same questionnaire (appendix 2) was used for all the interviewees. Only the answers by the interviewees who were working for Specsavers during the years 2007-2008 (appendix 1) were taken into entry analysis (appendix 3). This is because of their answers were authentic and from their own experience.

Questions numbers 3,4,5 and 6 are about Specsavers entry 2007 in Finland (appendix 2). These responses were used to give depth to Specsavers entry material. Specsavers operation in Finland valued with the questions numbers 14,

15, 16 and 17. Question number 7 is about cultural differences between Specsavers UK and Specsavers Finland.

First the answers were collected to gather under same question. Then the answers were sorted by the topic (appendix 3). Entry and operation answers are used in SWOT charts. In the SWOT chart the number after the answer shows how many of the interviewees gave the same answer or idea. Cultural issues, the answers are presented in section 4.1.3 Cultural distance between Specsavers UK and Specsavers Finland.

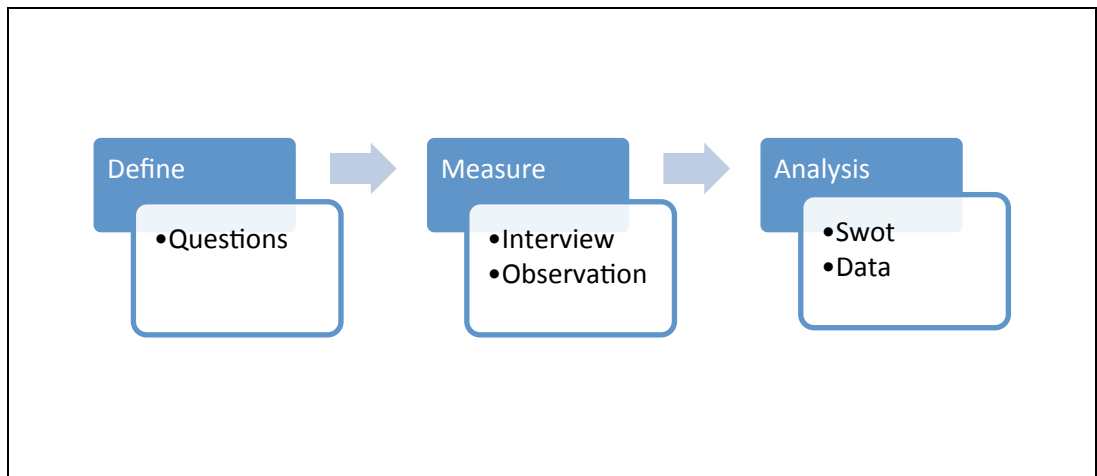


Figure 10. Data collection, Authors design

3.2.2 Secondary data

The research collects secondary data like published material and official reports such as Annual Reports from Specsavers and Finnish Association of Optometry (FAO). The numerical data have been tabulated and modified into graphic representation. These numeric values indicate the numbers of stores as well as turnover of the optical field in Finland during 2005-2012.

4 EMPIRICAL RESEARCH

In this part it is first presented the case company, Specsavers. Next it is studied Specsavers entry motives and mode. Open-ended interviews were used for primary data collecting. 6 experts from Specsavers were interviewed and all the interviews were documented in writing. The interviews were held in both Helsinki and in Copenhagen during the autumn 2013.

SWOT analysis is selected to describe the internal activities during the entry and operation in Finland. Answers from open-ended interview (appendix 2) generate meaningful information for each category (strengths, weaknesses, opportunities, and threats) to make the analysis useful. People working for Specsavers, six experts in their own field (appendix 1), in Finland, Denmark and UK were interviewed during autumn 2013. Answers were taken into account (appendix 3) and presented in the SWOT charts in both entry and operation. The questions gave answers to cultural distance, as well as to the organizational structure. On the other hand observation was part of the research. Uppsala internationalization theory and 4P-market mix were used for obtaining the theoretical basis for this research.

4.1. Specsavers

Specsavers is the largest optical business in the United Kingdom (U.K.), with more than 1,000 stores that together have captured an estimated 40% of the market. It's the fastest growing retailer in Australia and New Zealand, where it's become the number-one optical chain in a few short years. It's also the leading dispensary in Norway, Ireland and Denmark. With its familiar green spectacle-shaped logo (figure 11), Specsavers has been recognized trusted brand in the U.K.. Mary Perkins herself was made a Dame in 2007, in recognition of her services to business and the community in Guernsey.



Figure 11. Specsavers' logo, source Specsavers

The company first introduced its two-for-one pricing in the 1980s. In so doing, Specsavers, through its network of joint venture practices in U.K. (each store is an independent company half-owned by Specsavers), has transformed the way the public in the U.K. buys glasses. Critics say Specsavers' promises of low costs can be deceiving — extras make spectacles more expensive than advertised. But proponents say the company's large buying power helps keep costs low. The company has become so well known that its advertising slogan, "Should have gone to Specsavers," has become an everyday phrase.

U.K. government deregulation in the 1980s allowed opticians and other professionals to advertise their products and services for the first time. Optometrist Doug Perkins and his wife, Mary, both of whom had retired after selling a small chain of value-for-money opticians offices, saw opportunity. They opened the first Specsavers in 1984 in the spare bedroom of their home in Guernsey.

By forming joint venture stores with opticians and optometrists in U.K., Specsavers grew rapidly. It reached 100 stores within the first four years. It grew to 200 stores in 1993, then 300 in 1995. In 2005, it had 700 stores.

Specsavers opened its first stores in the Netherlands in 1997. Sweden, Denmark and Norway followed in 2004 and 2005. In 2006, it opened its first stores in Spain and then in 2007, Specsavers opened its first stores in Finland and Australia, which has become the company's second-largest market behind the U.K.

Today, there are more than 1,500 Specsavers stores in Europe, Australia and New Zealand. Sales were about 1.95 billion Euros year 2011, an increase of 10.3%. That same year, Dame Mary Perkins became the first female billionaire on The Sunday Times' list of the wealthiest people in the U.K. (Shoemaker DeBree, 2012).

Despite its size, Specsavers remains a privately owned business, with no outside debt or shareholdings. The Perkins describes it as a family business with thousands of family members. Dame Mary Perkins emphasizes the importance of creating a good corporate culture, despite the challenges of doing so as a business grows. She sets store by good customer service, strong links with local communities, and an extensive charity program (The Startup team, 2012).

With over 30,000 employees and a total turnover of about 1.95 billion euros in 2010/2011, Specsavers is clearly a vast business. Yet it retains the feel of being a family business, and this is one of its strengths. Specsavers rigorously researches aspects such as locations and partners, and its senior management style seems to be micromanagement in sense, with headquarters closely involved with the day-to-day running of each store. One of the challenges for Specsavers has been to keep growth at a steady and manageable rate (figure 12). Judgment about when to expand and when to consolidate is especially important in the current decade, when the economic landscape in the UK, Europe and the US is so tough.

Specsavers entry is consistent with the Uppsala internationalization theory. Like Specsavers, companies begin internationalization by taking small steps, due to insecurities and uncertainty, towards international markets, and thus slowly moving from countries physically closer to the home country to countries with a larger physic distance. Before Specsavers entered Finland it had already expanded other Nordic countries. When Specsavers got more experience in international markets, it started to move towards countries further away with even bigger psychic distances and cultural distance.

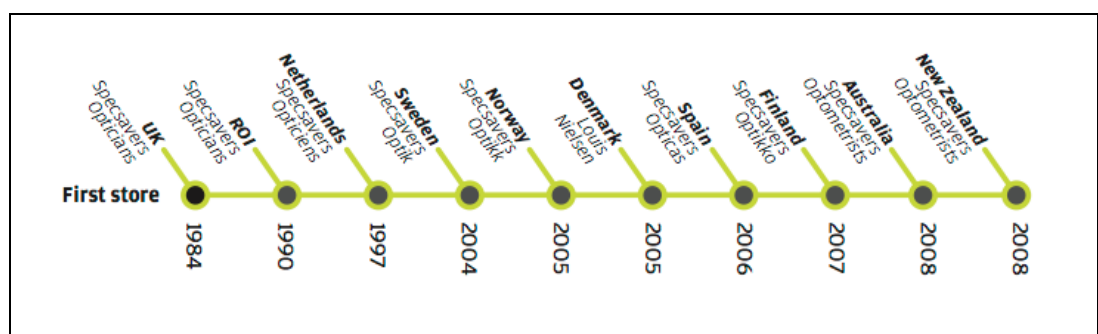


Figure 12. Specsavers entry to new countries, source Specsavers

Company itself determine what kind of image it wants consumers to have about them. Generally speaking, everything what will be seen and is related to company through the name, logo, products, personnel and everything that represents the company, impacts on its image. This only points out the fact that the company has a chance to build up the image, which is attracting their target customers from the perspective of their mission.

When thinking about the Specsavers Company, they have build up the image, which is reaching the consumers, sending them a clear message about the company values and pricing system. It is all about the green and economic way of thinking, like it is taught to the employees of Specsavers.

What comes to marketing, the message of the company name, logo, colors, advertises and “two for one“- basic pricing system is very clear. It is closely related to Specsavers Company values: it is the base of this whole business.

The business is driven by a powerful set of values which is derived from the Perkins family themselves and communicated to employees through road shows and communication sessions for instance at the lunch stage in new markets. “The important thing is we treat people as we would like to be treated”, says Doug Perkins, Chairman & Joint Marketing Director. According the Perkins the six essential values of Specsavers are:

1. Keep it simple. Get it done. Deliver our promises.
2. Treat people, as we would like to be treated ourselves
3. Value for money
4. Long term / led by opticians
5. Develop and train our people
6. Community participation

The basic idea is to sell as many spectacles as possible with low price to achieve a customer delight. The main thing is not selling; it is the whole service.

The Mission statement: Specsavers- the best value opticians satisfying eye care need at affordable prices clearly, simply and consistently, is describing comprehensively the entity.

Communicating values of the business to its franchising partners must be carefully handled; there are over 1600 individual stores around the world run by mixture of opticians and retailers. Each of the countries and regions has its own personality. In addition, senior management appreciates that meetings must be approached differently in order to move the business forward and successfully follow the values of the company in their operations locally.

Specsavers partners know that all extra profits in their stores will go to them; it could be classified as a huge motivating factor. After the Doug Perkins, “The best thing to do is to have regional people running their own business with the ultimate motivation”.

4.1.1 Specsavers entry motives and timing in Finland

Companies often begin their internationalization process by entering physically close markets with similar characteristics as domestic markets. Specsavers had already entered other Nordic countries before Finland. Specsavers saw a potential market in the optical field in Finland. Reactive motives (Hollensen, 2004) were not the option in this case because Specsavers was still doing very well in UK market. It was more like proactive motivations to enter Finland 2007. In addition to the entry mode, the role of market entry timing is critical in emerging markets (Pan and Chi, 1999). Specsavers was the first pure international optical business entered Finland. Early entrants have opportunity to set the pattern of consumer preference (Mitchell, 1999), which may disadvantage later entrants. New pricing system and strong advertising were Specsavers advantage.

Specsavers represented the idea of eyewear revolution and the idea of "value for money" in Scandinavia. Pricing was the biggest change that took place after this entry. Finland was not accustomed to the total pricing, which included both the frame's and the lenses price so called “Complete Pricing”. Specsavers offered consumers something not previously seen in Finnish optical market. The prices

were also much lower than what was used to. To franchise partners Specsavers offered the opportunity to continue the self-employed, but with the support of Specsavers. By year 2007, the Specsavers had already expanded to the Netherlands, Sweden, Norway, Denmark and Spain. The results were promising. Specsavers expanded to Finland by acquiring chains.

Country risk is determined as uncertainty about the environment, which has three sources: political, financial, and economic (Erb, Harvey, and Viskanta, 1995). In Finland political risk is very low compared to some other countries. It is same with financial and economic risk. That might have facilitated Specsavers entry to Finland.

4.1.2 Specsavers entry mode in Finland

Before year 2007 Finland's optical market was quiet and easy-going. In the market there were a couple of bigger and old optical chains and many small private optical stores. There was not really advertising or any kind of big marketing in this field of business. People didn't know how the pricing goes, when it comes to the spectacles and contact lenses. It was known that spectacles were expensive and people didn't go and buy glasses if they didn't really have to. Basically all customers of this business came through the ophthalmologist. For some reason contact lenses in Finnish market is also unknown subject, even feared. So there was also niche of contact lens market.

Specsavers started in Finland in July 2007 aiming to provide Finnish consumers high-quality eye care services and spectacles even 25% under the average prices of optical business level. Two first Specsavers stores were opened in Vaasa and Kokkola in July 2007. During the spring 2008 Specsavers bought, acquisition, Tähti Optikko Group-chain from Kesko and Specsavers chain increased the number of their stores by 30 in Finland. Before this there were 19 Specsavers stores already in Finland. Same year 2008 Specsavers bought 26 stores from Eyen optical chain, so totally at this point Specsavers owned 91 stores in Finland but the chains growth was still going on.

Year 2012 Specsavers had 14% market share in Finland which points that it is 3rd biggest optical chain in Finland. Instru optiikka have still the biggest market share. All Specsavers stores in Finland have optician's service and nearly all of the stores have already ophthalmology service.

Specsavers arrived in Finland by acquiring chains. Acquisition is the fastest expansion strategy, and is often used as a means to achieve product diversification and geographic diversification (Hollensen, 2004). Specsavers awareness among consumers spread quickly. There were about 90 stores in about 3 years in Finland. On the positive side of the acquisition was rapid number of stores, ready for the operating environment, the market share of high-speed, good awareness and strong brand image. Specsavers also has very strong cash, so that external funding was not required for the expansion of Finland. When buying optical chain is also involved stores which do not have such a good customer flows, or business locations is not optimal. Year 2009 there were about 90 stores and 2013 autumn number of stores was 46 (figures 13 and 14). It was part of the strategy, which seeks to maintain the best stores and find better store locations for new franchise owners. Because Specsavers is a volume chain it is very important to have store in good places like shopping centres. This is one aspect of the 4P-market mix (Kotler, 2012). The Place element of the marketing place is about where the product is made, where is it stored and how is it transported to the customer. The place for each of these things should ensure that the product gets to the right place at the right time without damage or loss.



Figure 13. Specsavers Finland turnover 2008-2012, Authors design



Figure 14. Specsavers stores in Finland 2008-2012, Authors design

When Specsavers stepped to the Finnish market it had negative reception from the other optic stores, which is very understandable because of cheap prices of Specsavers. Cutting prices does not fit into the optical business. Optical business even in Finland was not enthusiastic to drop their prices, says Perkins in an interview of Taloussanommat 2009. In this case country openness increased success for three reasons.

First, it stimulated demand by increasing the variety of products offered for lower price. Second, it did increase competition on quality and thus improves the level of quality supplied. Third competition increased efficiency and lowers prices, resulting in further increases in demand.

Among the Finnish statistic center prices of spectacles have decreased about 12% after the year 2007. Spectacle market in Finland has been stable a long time. Instrumentarium is dominating the whole market with its 35% market share and Silmäsema Opticians are 2nd best with 21% the market share (figure 16). This balanced situation has prevailed here too long. Specsavers noticed the potential and marketing niche in Finland and results are amazing already. “Specsavers with its prices is almost too big piece of bite for the competitors in Finland. They have needed to do big changes that they can stay in this revolutionary price fight” by Taloussanomat/09.

Specsavers has their worldwide international concept and all stores need to operate carefully under this concept even for example in Finland 2012 almost all the stores are owned by private entrepreneurs, franchisees. After acquisition 2007 Specsavers stores were changed under franchising. There were only few stores owned by the Specsavers chain year 2012. All national advertising and campaigns are from the chain and the privately owned stores need to support the campaign with the local advertising. The private entrepreneurs stores cannot create their own campaigns, which are different than the national campaigns for example.

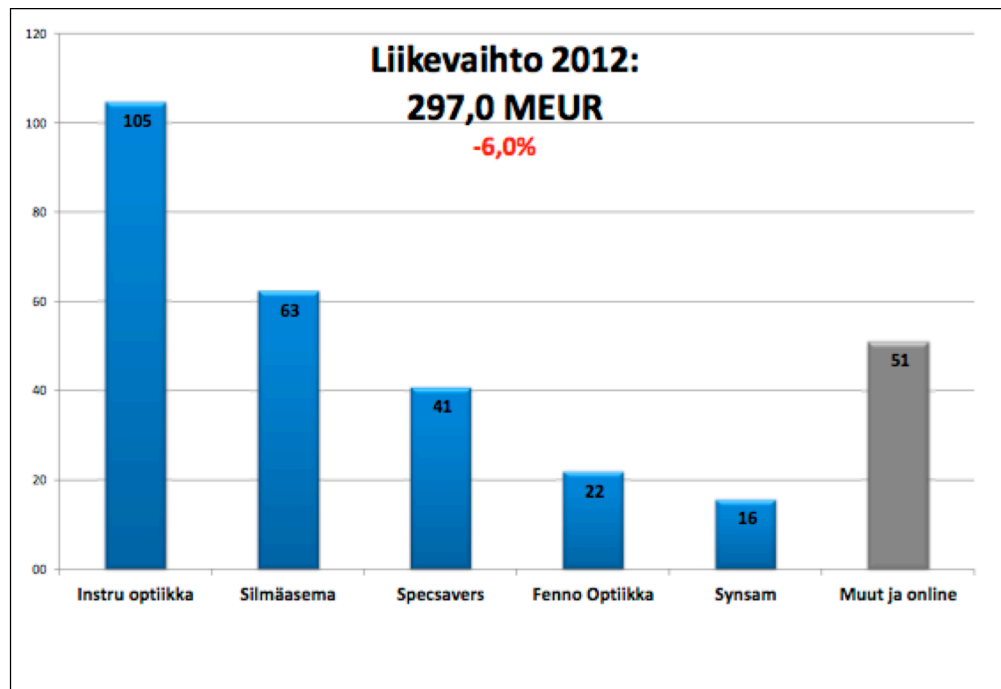


Figure 15. Turnover of the Optical Field in Finland 2012 (FAO press release, 2012)

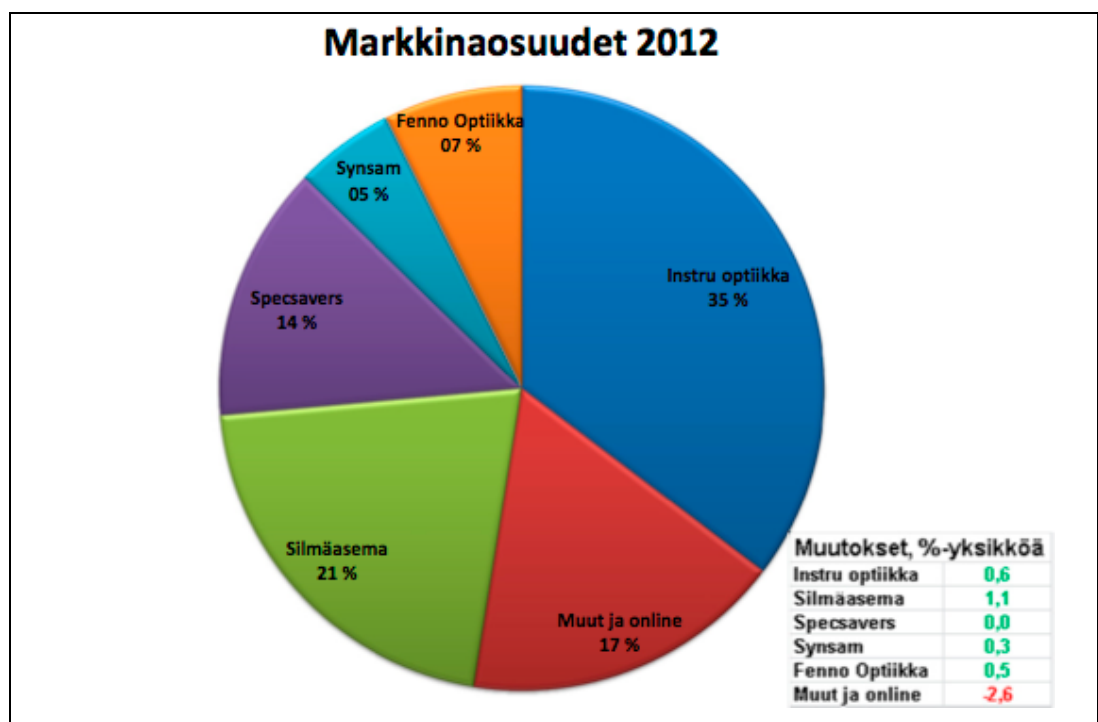


Figure 16. Market Share of the Optical Field in Finland 2012 (FAO press release, 2013)

4.1.2.1 Specsavers internal activities during the entry

The focus here is on examining Specsavers internal departments and their activities during the entry in marketing, products, training, IT and finance.

When Specsavers entered Finland 2007 it started with big marketing campaigns, TV spots, radio and newspapers. Slogan was “Should have gone to Specsavers”. That slogan was really well known in UK. The slogan made people in Finland feel that they had done something wrong when they did business with other opticians. This aspect came up from the interviews. Later slogan was changed to “Specsavers, smart isn’t it”. Very soon Specsavers became well known in Finland. Not only because of the advertising but also because of the media publicity which Specsavers had in the beginning. Marketing is divided in national, regional, local and customer marketing.

Products were at first not very good quality and frames were not very fashionable. There were lots of customer complaints about the products. It was the same issue in every Scandinavian country. In fashion and preferences there are cultural differences between UK and Scandinavian countries. Now a days there are more technical products and more fashionable frames in Finland, so called Scandinavian selection. Maybe Specsavers should have studied this aspect before entry. As the product is the item being sold to the customer, the thing that will bring in money, its features and design need careful consideration. Companies need to determine what product features will appeal to their target market, 4P-market mix.

Initially, retail department had a challenge to get people to commit to Specsavers. Stores came through acquisitions. The acquisition was announced 1st of April. UK and Danish management did not help in this case. Also it was really hard to get opticians to work for Specsavers. Retail's mission is to support stores to achieve sales results, supported that customers receive the best service and that the activities are in line with Specsavers mission.

After Specsavers gave training and induction, people started to trust Specsavers. Specsavers has a very good training path both for head office workers and store employees. Through training, Specsavers is able to have new partners for franchising.

When the consolidated companies, especially international companies, a problem may be the computer programs. So was with the Specsavers. Local IT department in Finland had to make their own software applications, so that for example information is transferred from warehouses to head office or stores. Years later, this is still a problem.

Specsavers entering Finnish optical market was very fast. After about two years there were about 90 Specsavers stores. Specsavers. Specsavers funded all of this through its own resources. External loans did not have to take. Capital adequacy was also negotiating advantage when making for example lease agreements. Acquisitions included poorly performing stores. With them, the Finance Department of Specsavers made hard work until some of the stores decided to merge the other.

4.1.2.2 SWOT analysis of Specsavers entry

*Figure 17. SWOT analysis of Specsavers entry Finland. Authors design.
Confidential information*

Entry is very critical situations. Specsavers entry is estimated on a SWOT analysis (figure 17). The analysis is based on the open-ended interviews (appendix 2) and data from Finnish Optical Association. Only the answers by the interviewees how were working for Specsavers during the years 2007-2008 (appendix 1) were taken into entry analysis (appendix 3). These answers were authentic and from their own experience. In the SWOT chart the number describes how many interviewee responded the same way.

It is easy to get reliable information about the Finnish optical market from Finnish Optical Associations and that is how Specsavers found an opportunity on entering Finland. Specsavers had a new way of pricing compared to other Finnish optical stores; complete pricing. From the beginning Specsavers had a strong advertising on TV, radio and newspapers. Specsavers was funding all this with out any external funding. Expansion was also very fast; in two years there were over 90 stores.

Specsavers was tested concept and they had stores already in other Scandinavian countries. These all were strengths when Specsavers entered Finland in 2007.

Employees' poor commitment to the company is one of the weaknesses. Kesko sold their stores, Tähti Optikko, and the employees had difficulties to adapt the concept of the new owner. One of the interviewees even mentioned that the mood was that, "Yes, we will change this back to Finnish company. Just wait and see!" Management style was also hard to accept especially when the management was moved from UK to Denmark, Nordic Head Support Office. Specsavers image among the customers was not very good. Customer doubted whether low-price product have good quality. There were also some former Tähti Optikko stores, which were not that profitable. And in the beginning the support from Finnish head office were not that good; Specsavers launched new products and new methods and they were not that well know even in the head office.

Specsavers saw opportunities entering Finland 2007. Other optical stores had higher prices for spectacles and contact lenses. Specsavers offered new products and brands. First it was to attract all age groups, price was the main information. Specsavers has own internal training system and soon it yielded results. People working for Specsavers and Partners started to trust Specsavers. New business locations contracts Specsavers had negotiating advantage being such a large company.

A high cost of investment was a threat despite Specsavers had no external funding. Also labour costs are higher in Finland. Finland is rather small market, only little over 5 million people. Finnish are also very critical customers towards non-Finnish companies. So it was not that easy to accept Specsavers in Finnish optical market.

4.1.3 Cultural distance between Specsavers UK and Finland

A corporate culture is determined as shared experiences, stories, beliefs, and norms that characterize an organization. Specsavers was mixing both global and local thinking in operating in Finland. Operating units and teams can be geographical organizations, world product groups or international subsidiaries (Kotler, Keller, 2012).

In Specsavers Nordic there are several teams like product team, which consists of each country product team members. Each of the countries and regions has own personality. In addition, senior management appreciates that meetings must be approached differently in order to move the business forward and successfully follow the values of the company in their operations locally.

The interviews revealed similarities as well as differences in cultural dimensions and management in Specsavers UK and Specsavers Finland. Specsavers UK employees are more committed and loyal to the company. Perhaps due to respect, that in Finland the stores are purchased from another company, mainly from Kesko, and from different management culture. Workers at a certain level have also been suspicion towards foreign managers. New employees in Finland have seen more dedication to Specsavers concept. The atmosphere has also changed among employees since the impression of the external Specsavers has changed.

Management style is more relaxed in Finland and in UK style is more disciplined. Organization in both Specsavers Finland and UK is quite narrow, but still in UK it is not appropriate to go directly to the senior executive over with their closest supervisor for the audience. As where as in Finland employees have discussions over the organizational level.

The interviewees stressed, however, individual differences in the organization compared to the cultural differences. People in UK are considered more open and straightforward and more retail orientated. This can be seen when the Finnish should do some retail actions, for example the FEETS where the action happens out side of the store. Opticians in Finland have more professional pride compared to retail action.

4.1.4 Resources and structure of the Specsavers' organization

Mary and Doug Perkins have stated that they intend to maintain family control of the company, which currently employs all three of their children in senior roles. When the couple established this company, they both were opticians already. Specsavers is still very much a business with family values to match and they try to keep up these values needed.

Continued expansion in Europe is planned with the immediate aim of being the market-dominating optician in the Netherlands and Scandinavia. They are opening new stores all the time so naturally more enthusiastic and educated staff is needed.

Most of chain stores are operating under joint venture partnership however in Finland the operating model is franchising. Unlike many franchises, Specsavers stores are working under the policy that any Specsavers customer is our customer. It works so that a customer from one branch of Specsavers can expect to get equal service from another branch elsewhere. This organizational structure differs from Specsavers own shares in the franchisee business rather than just providing goods and services under a franchise agreement. Such as in newer territories they operate with a normal franchise agreement. This way of operating is, for example, in Sweden, Norway, Spain and Finland.

All stores have their own franchise entrepreneur even these stores are working under the international concept. This model of operating enables result orientated and hard working environment because in a way, everyone are doing it to himself or herself. All stores need to have at least an optician in the store doing eye tests. This is huge benefit to the chains reputation and helps it a lot on its way to be the leader of the market.

More stores means more employees and this is something that Specsavers takes very seriously and uses to its advantage. Human resources are looked at more like an asset rather than cost of wages. There is a fundamental respect for the employees and various options to help the continuous development of said employees. They are given the chance to work abroad, continue their studies, do job rotations, and apply their minds to solve problems within the company. All of this enables the company to grow quickly.

When it comes to marketing, Specsavers is cooperating with the famous marketing agencies. All countries have their own of course, but the message is supposed to be same everywhere. After all the company can outsource some activities, and it has to, such as marketing.

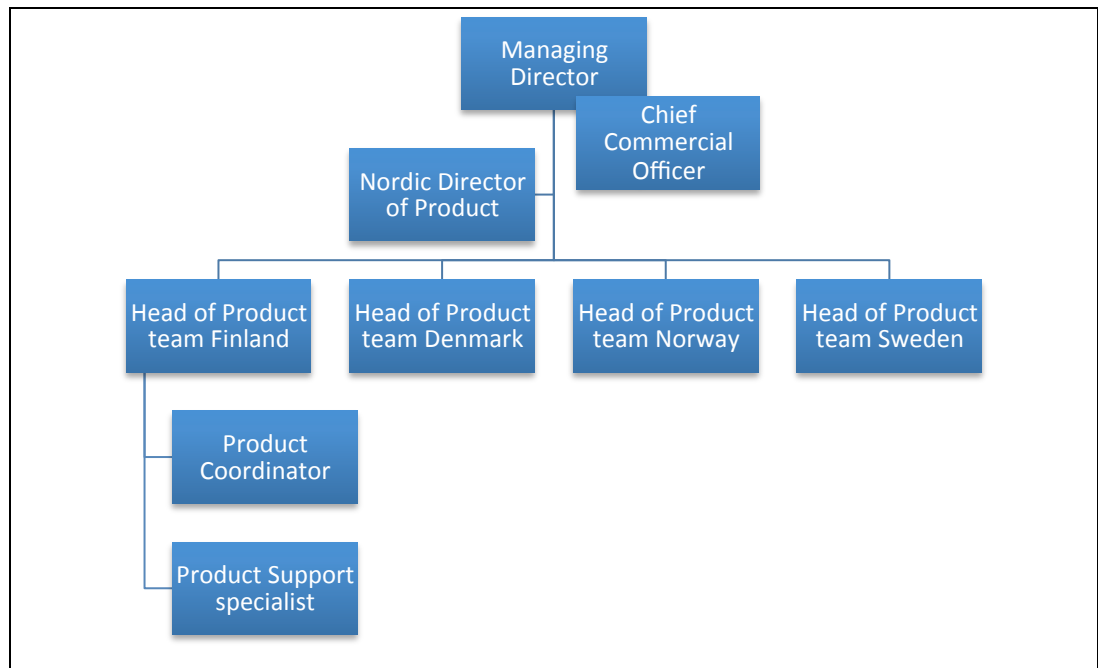


Figure 18. Organization model of Specsavers Product management. Authors design.

4.1.5 Specsavers operation in Finland

Specsavers did develop a global marketing strategy, based on similarities and differences between markets. Nordic countries are more or less similar market areas and these four countries operate together as Nordic Team (figure 18). Specsavers exploit the knowledge of UK market through worldwide learning and adaptations. Specsavers transferred knowledge and best practices also to Finland.

SMART goal in business planning (Doran, 1981) and MIDAS touch (Pothukuchi, 2005) in market segmentation are also seen in Specsavers operations in Finland. Marketing segmentation was first thru “ Value for Money” and complied pricing “ Two for One ”. In year 2013 “Professionalism” was one of the main marketing information and target group +40 years old. Also fashion and design are mentioned in Annual Plan 2013-2014. This is how Specsavers is expanding its

customer segments. It means that Specsavers stores are not only for those who are looking for low-priced spectacles but also good service and designer frames. The importance of criteria such as these are that assist the market researcher and to evaluate existing market segmentation, if it exists, and to ensure that the market segmentation plan can be efficaciously implemented. And ones more the basic idea is to sell as many spectacles as possible with low price to achieve a customer delight. The main thing is not selling; it is the whole service. The Mission Statement: “Specsavers - the best value opticians satisfying eye care need at affordable prices clearly, simply and consistently“, is describing comprehensively the entity.

4.1.5.1 Specsavers internal operations

Since year 2007 some of operations in Specsavers Finland have changed. But also the idea of Specsavers concept has become more evident. Departments marketing, products, retail, training, IT and finance are part of the change.

Specsavers marketing activities has also Scandinavian aspects. The overhaul of Specsavers approach to marketing in Finland is towards regional and local marketing. Local marketing tool was launch to help stores to make local marketing activities. New recall system has evaluated. It is activity to keep the existing customers. Complete pricing has become well known among the customers and also 2 for 1-offer. Complete eye test is also very competitive. Year 2013 Specsavers launch Fundus examination part of the complete eye test. Fundus examination got resistance from eye doctors. In order to attract new customer Specsavers has done marketing collection for children Kids Go Free and for over 60 years there are advertising in the target group publications. Students are a group of Specsavers customers that could get even bigger. Survey shows that students know little about Specsavers contact lenses and frame brands are not previously been attractive (Market Share Dip Surveys Finland, 2012). Online appointment booking is also under development.

Market share what Specsavers has achieved in Finland has been easier. These customers were the early adopters. For the next group of customers low price is not enough. They all demand the best service, the highest quality of products and the finest range of frames and designer brands. Specsavers has had some quality problems. That is why Specsavers has challenged the supply chain to ensure that the quality and product range gets better than before. There is also a new lens coating Super Clean. Specsavers was behind its competitors in lens technology and now it is getting closer to other suppliers in Finland. Contact lens markets are still under-developed in Specsavers compared to other optical businesses.

Year 2012 Specsavers Finland made decision to close and merge some stores. There were 47 stores in autumn 2013 left in Finland. Rest of the stores were all rebranded (figure 19). Right location is one of the main issues when opening new stores. Because Specsavers is a volume business it needs lively retail sites like shopping centres. Specsavers is looking for new partners and the idea of having two partners in the store is very profitable. One is taking care of the business and the other one professional aspect in store.



Figure 19. Silver Specsavers store fit. source Specsavers

I-learn is new way of training employees in store. Training team is creating new ways to raise the professionalism in stores. Some of the sales persons are outside of the optical field. They need even more training to give the best service to Specsavers customers. Interviews show that some technical information have not reached customers because the employees were not aware of them. More training is needed in every level in Specsavers. Still some stores are understaffed. Partners should understand that not investing in staff they are not saving money. They are instead losing sales and profit. Also staff roles and responsibilities need to be remained.

IT programs are still an issue. Specsavers stores are using Linux-system and Open-Office programs, which are inflexible and very time-consuming. Specsavers software are the Solar-7 and Socrates. They are currently used in Finland, the only Nordic country. It would be good to have reconciled programs that would not be so much duplicate work and follow-up would be easier. Programs could also be legible. Cultural differences come to this point. Finland is the leading countries in information technology and, therefore, demands to software are different from the UK.

The Finance department has been working in Finland in order to have profitable Specsavers stores. Some of the stores are closed and connected to other stores. All of the remaining 46 stores in autumn 2013 have been rebranded and investments are paid by Specsavers. The investment has been about € 80 000 per store. Every store has the same fitting so called Silver Spec. Now Specsavers is looking for new business locations in Finland and new franchise partners.

4.1.5.2 SWOT analysis of Specsavers Finland operations,

*Figure 20. SWOT analysis of Specsavers Finland operations, Authors design.
Confidential information*

The SWOT analysis of the Specsavers Finland operations is based on the interviews (appendix 2) and data of Finnish Optical Association (figure 20). Six interviewees were all employees from Specsavers (appendix1). In the SWOT chart the number describes how many interviewee responded the same way (appendix 3).

First focusing on strengths. Specsavers has a strong position on the price dimension. Price is the most important market driver for both spectacles and contact lenses. Specsavers has strong position among 18-29 years. Year 2012 Specsavers was market leader in this age group. They are also intending to visit Specsavers in the future. There is positive development +2% in awareness and preference among the important Specsavers target group 45-59 years old (Market Share Dip Surveys Finland, 2012).

There are a lot of things that Specsavers have yet to develop, and they can be taken into account in section weaknesses. Specsavers should decrease market share on spectacles. There is some drop past years. But Specsavers is still ranked number 2 after Instrumentarium (Market Share Dip Survey Finland, 2012). There is low rating on range and professionalism dimensions. It may be the result of a free eye test. Retirees will appreciate the personalized service and good quality. They are willing to invest in their purchase; cheap price is not necessarily unattractive. Research published in Finland in autumn 2013. In that age group, 60-70 years, Specsavers has weak position both preference and visit intentions (Market Share Dip Survey Finland, 2012). Negative development in market share for 30-44 years old is explained with lack of well-branded products in Specsavers. But after year 2012 there have been several launches with famous designers like Gok Wan (TV star in UK), Bruuns Bazaar (Cloth brand from Denmark) and Osiris by Jørgen Simonsen. Specsavers has a strong complete pricing but among the customers it is only rated as number 4 most appealing offer in market. Specsavers has low preference level. Specsavers is ranked number 4. Specsavers has weak position on the contact lens market. The market share of contact lenses is only under 5%. Same time in Finland contact lenses market share is about 10% of all spectacle wearers. Still there is large gap to Instrumentarium on spontaneous awareness all-together.

Opportunities are of course found in Specsavers operations. Improving range perception because design becomes more important and is the second most important market driver. Communicate free eye test, which is the most appealing to drive visits to the store. It should be also explained what includes to free eye test and complete eye test. It could raise the prestige and professionalism of Specsavers services. Specsavers could also gain customers from Instrumentarium, Nissen and Silmäasema. There are high future visit intentions for Specsavers. Raising visit intentions and preference among 30-44 years would increase Specsavers market share. Specsavers Finland should improve service and professionalism perception in all segments. Contact lenses are also opportunities by increasing budget and other activities. In the future online shopping could increase the over all market share. It is very common to buy contact lenses via Internet.

All companies should be aware of threats and usually most of the threats are from outside. Other optical chains like Instrumentarium and Nissen might challenge Specsavers price position. Specsavers customers might also intent visits for Instrumentarium, Nissen and Silmäasema. Specsavers might suffer of lack of trust in the complete price offer. It might be an impression of bad quality or dishonest promise.

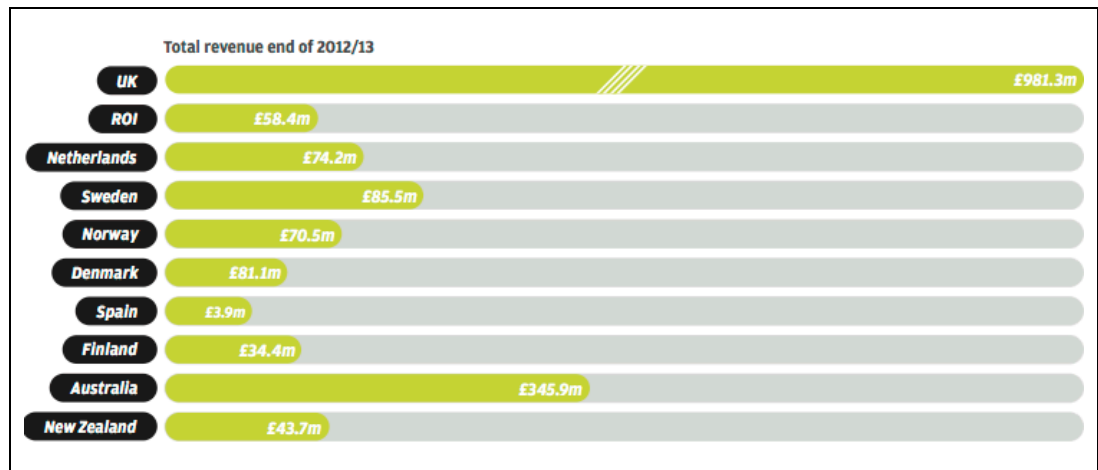


Figure 21. Specsavers total revenue end of 2012/13, source Specsavers

4.1.6 Specsavers and Franchising

When an optometrist decides to go into business they can either run their own independent practice or become a franchisee. There are a number of types of optical retail franchise models including the consulting room only franchise. For a like-for-like comparison, the focus of Specsavers is on the full franchise, which covers both the retail store and the consulting room. Specsavers started its franchising in Finland year 2007. In 2013 there were 60 Specsavers Partners in Finland (partner is a entrepreneur). All together there are 1600 Specsavers Partners all over the world. The total amount of the investment from the partner is 125 000€. Enrolment fee is 25 000€.

Fees are a very important area:

1. Royalty Fee - this covers a whole range of services around the brand, support network, IP and business development.
2. Marketing Fee - this is referred to as a contribution to a Marketing fund or Marketing levy, either way it covers contributions to the marketing of the brand to the end consumer.
3. Administration Fee - every business in Australia needs to pay for the administration of their business. This will include accounting, insurance, legal fees, staff training, software, support, etc.

Specsavers Finland charges Franchising fee of 16,75% per cent, a Marketing fee of 6.5 per cent and IT support fee 1.5% and training fee 0,75%.

The Specsavers 'partnership' franchise model has flourished because roles are clearly specified- Specsavers exists to support each Specsavers partner, delivering world class product, supply chain, marketing, IT systems, training support and all the accounting, administrative and 'back-office' services that often create the headaches associated with being in business for yourself. This allows the store partners to focus solely on what they do best - providing the very best customer and eye care experience and developing their teams.

The typical Specsavers partner is someone who relishes being their own boss and who instinctively believe that they should profit from their own hard work. Specsavers is always talking to experience optical professionals, be they optometrists, dispensers and / or optical retailers, who have energy, good people skills and a genuine passion for exceptional patient and customer service. Age has not been a barrier.

With the Specsavers franchise model having been built and continuously improved over 27 years, it works exceptionally well. There is undoubtedly a recipe for success and those who take up the recipe, while looking for continuous improvement, will be extremely successful as has been proved in 10 countries.

The first year of the estimated revenue is 350 000- 1 350 000 for one Specsavers store. Franchising agreement is first 5 years and then there is extension for 5 more years. Specsavers Academy is taking care of the Partner training. (Franchising Suomessa, 2012).

Retailers in Development (RiD) program have been developed to provide merchant partners in new and existing Specsavers stores alongside optician partners. Usually in Specsavers store there are two partners optician and merchant partner.

Every year is organized 3-4 RiD courses for each course 12 retail professionals. There are people also from the outside of the optical field. Course will last for 8-12 weeks, after which the participants are transferred in to the Specsavers's partner program. The courses take place in Copenhagen, Manchester, Birmingham, Aalborg, Gothenburg, Oslo and Helsinki. Each participant involved in all these in courses held in different cities. In addition, all the participants are operating in different Specsavers stores abroad. The UK organization's trainers provide training (Franchise News, 1/2013). Cost of the Retailers in Development (RiD) program is about 30 000 € per partner.

As with any business, owners cannot simply 'walk-away' from the business they own and are bound by law on their obligations as well as by the franchise agreement they have entered into. All franchise agreements under the Franchising Code of Practice must have reasonable break clauses, and that of Specsavers is no different. However, the typical way that a Specsavers franchisee will depart their business is to sell their shares in the practice to an incoming partner.

There are advantages of being Specsavers franchising partner. Products, services, and business operations have already been established. Specsavers operates with no outside debt or shareholdings. The Specsavers image and logo awareness is already recognized. Training and support are also available and an effort to succeed. Advertising local and national level. But there are also some disadvantages like royalties, limited creativity on part of the franchisee and franchisees must be very careful to follow the Specsavers image.

Last one can be also advantage if Specsavers is offering the same service and products whatever Specsavers store customer visits. It is part of the concept.

4.2 Finnish Association of Optometry (FAO)

Finnish Association of Optometry (FAO) was established in March 2012 when Association of Optical Retail Outlets, Association of Optical Wholesalers and Optical Information Center / Optitieto Ltd. merged. Members of Finnish Association of Optometry include companies and organizations in the field of optics. The purpose of the federation is to function as a joint organization for the entire field. Specsavers is one of the members and country manager of Specsavers Finland is also member of the FAO board.

Regular members of FAO may include optics corporations or self-employed opticians, central organizations for chains and wholesale and import companies. Each of the member groups has their own committee, i.e. Chain Committee, Wholesale Committee and Entrepreneur Committee, two members of which sit on the federation's Board. This way all of the representatives of the member groups have equal representation in the decision-making.

In addition to the regular members, FAO also has collaborating members, which may include other types of organizations, such as educational institutions and associations as well as certain professionals in the field, such as salespeople in the optics field and dispensing optometrists. They receive products intended for members at a discount price, but they do not have authority to make decisions concerning the federation's issues.

The purpose of Finnish Association of Optometry's operations is to promote success in the optics field. The federation's operations include communications and social influence, advocacy for commerce and the profession as well as research, training and organizing various events.

4.2.1 Optical field in Finland

In Finland, the optics field includes the wholesale and retail sale of spectacles, contact lenses and sunglasses, together with their accessories, as well as services associated with eyesight examinations. There are 473 field-related retail businesses in Finland. The above-mentioned 20,0 businesses operate in 789 locations. The number of field-related wholesale businesses is 71, and they operate in 78 locations in Finland (Statistics Finland 2010). The turnover in the field in 2012 was 297 million euros.

To a large extent, the field operates in the form of chains. The five largest chains are Instru optiikka, Silmäasema, Specsavers, Fenno Optiikka and Synsam. With a few exceptions, the companies in the field are micro-businesses and the turnover of single business locations is small. The turnover per business location of the large chains is clearly higher than that of small businesses.

The purchasing habits of the Finns have changed slowly. The use of spectacles is clearly connected to age. Approximately one fourth of those in the youngest age group wear spectacles, while nearly 100 % of those over 60 have them. Finns buy their spectacles from Finnish optician businesses; the importance of other distribution channels is only marginal.

An important landmark was reached in 2011 when a customer survey showed for the first time that the majority of Finns use one or two pairs of spectacles. Finns still buy their spectacles for the most part only when they really need them. Almost 80 % state the fact that they could not see with their old glasses, that they were not suited to a new use or purpose, or that they were broken, as the reasons for buying new spectacles.

Opticians already perform an increasing part of eye examinations in Finland. However, when compared to other countries, the proportion of examinations performed by ophthalmologists is exceptionally high. There are more than 2700 persons (Statistics Finland, 2010) working in the optical field. Approximately 2400 of them work in retail and slightly more than 300 work in wholesale. There are c. 1300 opticians and more than 500 ophthalmologists active in their professions.

4.2.2 Optical field turnover and number of stores 2005-2012

In this part the optical field turnover and the number of stores have been researched between years 2005- 2012 in Finland. Changes in the optical store ownership and market shares are presented. Backgrounds for changes have also been explained.

Optical field in Finland 2005

In 2005, the gross domestic product in Finland amounted to 2.1% more than in 2004. National demand increased domestic consumption and investment. The optical retail industry evolves into a better than projected. Full-year net sales increased by 3.7% year on year compared to 2004. Retailing in Finland reached an average of 2.2% growth in sales without a car. 2005 was a good year for the second consecutive specialty retail. Specialty retail sales grew in 2005 by 4.7%. None of the specialty retail business has been a drop in sales. The optical field turnover in 2005 was 259 million. The actual amount of optical stores end of the year was 710. Numbers are by Finnish Association of Optometry (FAO).

Optical field in Finland 2006

In 2006, the Optical field turnover was € 274 million in Finland by FAO. That was 6.1% more than in the previous year. Finnish Commerce, retail sales had an average of 4.5%, excluding the car sales. Due to the sale of set-top boxes and flat-screen televisions, home technology trade increased by up to 18%. Also, the watch, and precious metals trading increased by almost 10% and the furniture store about 7%. Wholesale optical industry growth was particularly good 8%, which bodes well for the growth of the retail trade in 2007. Total trade, sales growth exceeded the growth in purchasing power of households' level in 2006. The actual optical stores were 740 in late 2006. The number of enterprises was accordingly 450. The optical field of marketing chains have continued to occur in small changes and ownership changes due to the transition to chains or chains exchanges. Almost 70% of all businesses have different members of the chain.

Optical field in Finland 2007

The optical field value of retail sales continued to grow and in year 2007 grew by about 4%. In 2007, sales were in September, up 7%, but in the last quarter of the year turnover was -5%. The optical field of retail trade turnover in 2007 was 285 million euros. Finnish Trade within the retail trade in 2007 reached an average of 5% growth in sales excluding the car sales. Specialty retail sales increased by 5.7% in the corresponding period, and the most grown up in domestic appliances were home electronics, watches and gold stores and furniture stores. Optical industry trade came to a halt a fall of the previous year's level, which also predicts a slowdown in retail sales growth in 2008. Total trade, sales growth continued to exceed the growth in households' purchasing power levels in 2007. The actual number of optical stores in 2007 was 750. Optician enterprises were estimated to have been 460 companies. The optical retail industry marketing chain has continued to occur, and small changes in ownership invented, due to the accession of the business in some of the marketing chain or conversion to another chain. About 70% of all Finnish optician's stores in 2007 were member of various chains. The optical field of retail competition and the marketing got a new colour when Specsavers started in Finland in the summer of 2007. Specsavers and other so-called low-cost marketing chains attracted a lot of attention. Competition was exceptionally widely discussed in the media. Finnish Association of Ophthalmic Opticians (current FAO) gave over 50 interviews with the matter.

Optical field in Finland 2008

During the year 2008, the optical field faced significant changes in the business and chain operations, and the competitive situation has changed considerably. The retail value of the turnover fell for the first time after the 90's years of recession. In 2008, 2% change in sales, the net sales of approximately 281 million euros. Competition for market share and the average sales price decrease influenced the development of the industry throughout the year strongly increasing. In the autumn developed in the U.S. financial crisis, which quickly spread to the global economic recession. In the end it began to impact on the real economy companies, so lay-offs and redundancies quickly became common. As a result, both business and consumer confidence in the economy collapsed, and it was quickly affected

by consumer demand in the optical field. Finnish trade within the sphere of retail trade, however, reached in 2008, an average of 5.0% growth in sales excluding the car sales. The increase was primarily due to increases in food prices. Specialty retail sales was up by only 0.3%, and best grown in areas were the pharmacy, clock and jewellery trade as well as natural products. The actual number of optical stores in year 2008 was 812 stores. However, the numbers of optical companies are estimated to 450 companies. Total number of stores has continued to increase, but the number of companies falling.

There were significant changes during the year of the retail marketing. In the spring 2008 Kesko sold it's owned shares of Tähti Optikko chain to Specsavers. Same time Kesko also sold chain belonged 31 Tähti Optikko stores to Specsavers. The deal came as a total surprise to the members of the chain entrepreneur, who were offered the opportunity to go to Specsavers chain members, as the new owner Specsavers was not willing to continue Tähti Optikko chain any more. The majority of the entrepreneurs did not want to go to Specsavers chain, as a result of entrepreneurs announced resignation from Tähti Optikko chain. This led to severe and bitter contract disagreement between the entrepreneurs and Specsavers. Contract disagreement was disputed at the Helsinki district court in which the individual entrepreneurs were able to clear Specsavers claim the dissipation of its decision. The parties' direct negotiations led to an agreement in late autumn, the basis of all business owners were given full freedom to break away from the agreement of the former chain. The former managers of Tähti Optikko established in the summer of 2008, a new Fenno Optiikka chain, to which a considerable part of the former Tähti Optikko entrepreneurs joined. Instru Optiikka expanded its offering to join Instrumentarium chain as a franchise entrepreneur and during the year was signed the first contracts. In the autumn Synsam chain and Cazze chain reported of close co-operation, but so far both continued with their own names. (Finnish Association of Optometry, 2009).

Optical field in Finland 2009

The year 2009 exceeded all forecasts, which were based on the global economic recession and Finland's increasing unemployment. The total turnover for specialty business decreased by 6.6% last year and the same time retail business in

optometry increased by 8.7% compared to the previous year 2008. The turnover in the field increased by an outstanding 28% compared to March 2008. One reason for the growth was the especially slow March as regards sales in 2008. At the same time, the successful campaigns of the larger companies in the field, like Intru Optiikka and Specsavers, created the best seasonal growth of all times, which also decreased the level of growth in April to zero. By May, there was a drop to -4.0%, which caused a relapse of the previous bleak expectations.

However, from June onward, the field was able to increase turnover each month by 6-16% and by the end of year cumulative 8.7% increase was registered as a 308 million turnover. The turnover in the field increased by 25 million euros in a year. The total number of optician businesses increased by one percent, which is equivalent to an increase of 12 businesses. There were 824 optician businesses in Finland at the end of the year 2009. At the same time, the number of companies in the field decreased by 2 % making 435 optician companies at the end of the year. Similar development is expected to continue in the upcoming years. Approximately 97 % of all companies in the field are micro-companies that employ less than 10 people. The difference in turnover between the largest company in the field and the smallest one was more than 1,000 times.

New chain businesses and changes in existing chain businesses have hampered comparison between different years for several years now. There were significant changes in the chains in 2009 as well. Eyen, a chain of approximately 40 businesses filed for bankruptcy in the summer and is no longer included in the statistics. On the other hand, Fenno Optiikka, which began operations at the end of 2008, entered the market with a stronghold of 60 businesses. Synsam and Cazze, which were previously separate companies, appeared under one name in the 2009 statistics, representing a coalition of 75 optician businesses altogether. At the same time, about half of the Cazze group is no longer collaborating with Synsam; these businesses have primarily been moved to the group Other businesses, i.e. businesses that do not belong to a chain. Businesses in the Opti+ chain, established in the summer of 2009, are also in the Other businesses group because statistics for the chain are not yet available. Indeed, the Other businesses group grew in 2009; at the end of the year there were 309 businesses in the group, i.e. the most extensive network of optician businesses by far. The number of

locations for the third largest chain, Specsavers, increased last year by 7 % making a total of 92 locations by the end of December. A significant number of the locations owned by the chain became private enterprises in 2009. Silmäasema, the second largest chain in the field, is the only chain that remained unchanged as regards the number of businesses (123 outlets). The number-one chain in the field, Instru optiikka Oy, increased its number of businesses by 10 % primarily due to new franchising units. The total number of businesses increased to 165 businesses, which comprise the company's own Instrumentarium businesses, franchising Instrumentarium businesses run by entrepreneurs, the company's own Nissen chain and Keops businesses.

The 308 million euro turnover from optical retail trade in 2009 was divided between the old and some of the new businesses. Fenno Optiikka is a new chain in the statistics, which took a 5 % slice out of the market share with a turnover of 16 million. The united Synsam Cazze gathered up 22 million euros, which is 7 % of the market share. The number of businesses in the chain and their turnover decreased more than one-third compared to the total for the year 2008. For the first time Specsavers was able to combine the turnover of nearly all of its businesses for the entire year last year, and it reflected strong growth. The chain took a 13 % market share with a turnover of 40 million euros. Silmäasema, the second largest chain for some time, was able to retain its market share of 20 % with a turnover of exactly 60 million euros. Businesses not part of a chain, i.e. Other businesses, increased their turnover along with an increase in the number of businesses, keeping their 26 % market share. The number-one chain, Instru optiikka Oy, was more successful than in the two previous years and once again increased its market share to 29 % with a turnover of 89 million euros last year. In 2009, the average turnover for each optician business was 374,000 euros. However, every Instru optiikka chain was able to reach a turnover of nearly 540,000, while the average turnover for the businesses in the Other businesses group was less than half of that. Indeed, Instru optiikka Oy, Silmäasema and Specsavers make up a group where the average turnover for a business is much higher than the general average.

The magnificent growth in 2009 and the new record high for the total turnover were a success for the field; however, the growth was distributed very unevenly. A type of polarization is intensifying, i.e. the good are becoming better and some are worse off than before (Finnish Association of Optometry, 2010).

Optical field in Finland 2010

The worldwide economic recession that began in the autumn of 2008 and worsened in 2009 developed into cautious growth in several areas of business during the budget period 2010. However, the threat of unemployment and the sharp increase in national debt kept the economy unstable and consumers' confidence in their own financial situation remained low. The collapse of the economy in certain European countries and the need in the EU for crisis financing engendered a great deal of uncertainty and weakened the rate of the euro, from which the export industry indeed benefitted. Contrary of all expectations, growth in the field of optics was extremely favorable (+9,2%) as early as 2009, a time when the overall turnover for specialized commerce decreased (-6.6%). Growth in the area of optical retail sales continued in a favorable manner during 2010. At the end of December, cumulative growth reached +5,2% and the turnover for the field reached an all-time high, 325 million. On the monthly level, the fluctuation was significant compared to the previous year. The rate of growth in March was approximately 18% and the monthly turnover for the field was a striking 37 million Euros; the monthly turnover for all of the other months was 26 million Euros on average. On the other hand, the figures in percentage for January, April, July and December were slightly lower than the previous year. Growth in the field of optics in the year 2010 corresponds to the growth in entire field of specialized commerce. The profitability of optical retail sales has, however, clearly decreased since years back. A financial statement analysis for the entire optic business, which was carried out during the budget period, indicated that fourth of all of the optics business are in deficit (financial information from 2009). The net result of the median enterprise was a mere +1,0% and profitability has decreased c. 1,5% per year for the last five years. The number of actual optician businesses has been just over 800 at the end of 2010. Respectively, the number of optician corporations has been estimated at 430.

The total number of businesses has not changed significantly, but number of corporations is constantly on a slight decrease. There are no significant changes in the marketing chains of retail sales in the optics field in year 2010 (Finnish Association of Optometry, FAO, Press release 2011).

In 2011, the transition was to the new system to collect information on optical field's monthly sales. Monthly from 500 opticians and online stores collected information about what they have been sold to consumers. The report covers about 75% of the product range. The system is very comprehensive. Turnover was 341,3 million euros and it was +2,7% compared to previous year 2010. However there were 789 optician businesses. Reduction was -2.2 %. In 2011, there was also a study that showed that over 50 years old person pays 50% more of his or hers spectacles than the younger person. Age is therefore a crucial factor in how much you pay of pair of spectacles in Finland.

Optical field in Finland 2012

In year 2012 changes are taking place in the field of optics, as services become another significant area of business alongside product sales. The development in the field is reflected in the on-going commotion. In 2012, the turnover in the optics field decreased by 6 %, remaining at 297 million euros. The decrease in the volume of items sold was about 4 %. Managing director for the Finnish Association of Optometry, Panu Tast, states, "The last decade has been a time of growth. Turnover has increased each year and Finns own several pairs of spectacles. At some point, the height of growth will be met at least for a while. Now it seems to have happened between the years 2011 and 2012." It is believed that the aging of the population, especially, will increase the demand for optics services. Tast adds, "Opticians will then be able to utilize their professional skills better. Optics businesses will offer a comprehensive package to its customers, from trends in eyeglass frames to preventive health care."

The number of stores in the optics field fell sharply; in 2011, there were 789, but only 715 in 2012. The decrease of more than 9 % in the number of stores was also evident in a decrease in sales.

The prices of spectacles went down just slightly as compared to the previous year. The average price for all spectacles was now 239 euros. Single focal spectacles cost 164 euros on average and bifocals 343 euros.

Optics chains succeeded in expanding their market share. Intru Optiikka's market share was 35%, Silmäasema 21% and Specsavers 14%. Fenno Optiikka's share was 7% and Synsam 5%. (Finnish Association of Optometry, FAO, Press release 19.3.2013).

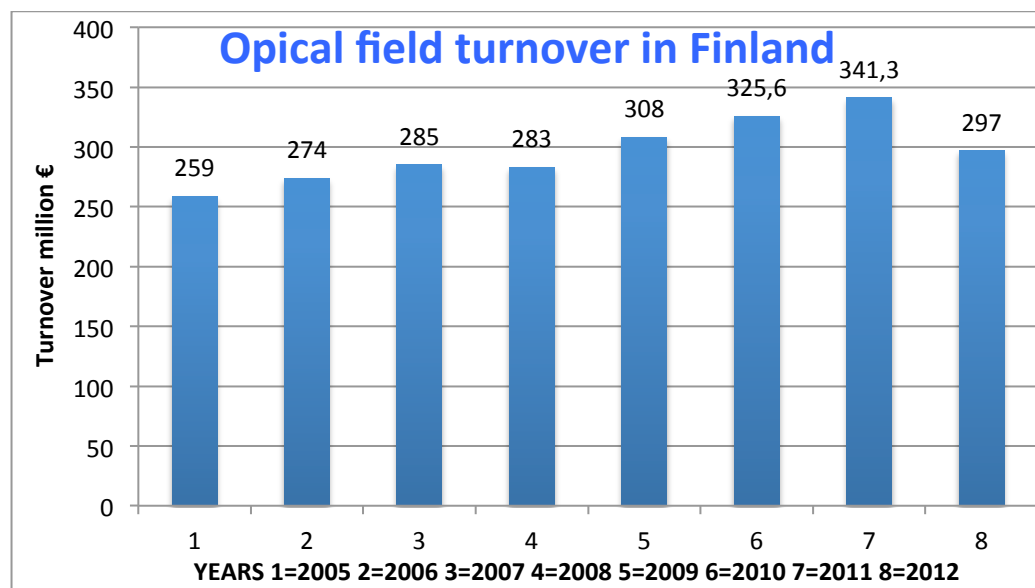


Figure 22. Optical field turnover in Finland 2005-2012. Source: Finnish Association of Optometry, FAO, Press releases 2005-2012. Authors design

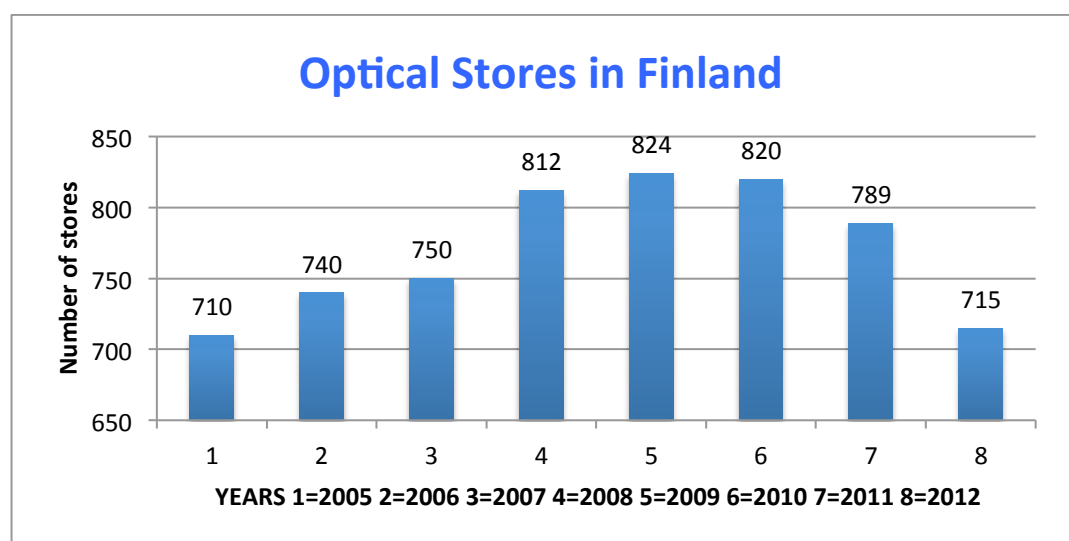


Figure 23. Number of Optical stores in Finland 2005-2012. Source: Finnish Association of Optometry, FAO, Press releases 2005-2012. Authors design

CONCLUSIONS

Specsavers entered Finland in 2007. It started with strong marketing campaign so Specsavers came well known in a short period. After about two years there were about 90 Specsavers stores in Finland. Year 2012 Specsavers Finland had 14% market share which points that Specsavers was 3rd biggest optical chain in Finland after Instrumentarium and Silmäasema.

Specsavers saw potential market in Finland. Reliable information of the Finnish Optical field was able to get from Finnish Optical Association (FAO). Before entering Finland Specsavers had entered other Nordic countries. Specsavers had proactive motivations to enter Finland. Specsavers was the first pure international optical chain in Finland. Specsavers represented the idea of the eyewear revolution and the idea of “value for money”. In Finland customers were not used to total pricing, which included both frame’s and lenses’ price, so called “Complete Pricing”. Specsavers offered costumers something not previously seen in Finnish optical market. Year 2012 another revolutionary pricing was introduced. “Two for One”-offer includes two spectacles for price of one.

Specsavers entry was critical situations. There was pressure from outside behalf of media. Specsavers was labelled as a threat to the entire optical field in Finland. For this reason, other optical businesses had to look at their own activities critically. Competition started to tighten. Some consumers were satisfied with the low prices, but some were suspicious of the quality of the Specsavers products. In Finland, there is a saying on the cheap you will not be good, added, of course, part of the prejudice. In addition, Specsavers was a foreign-based company that took over the Finnish market.

Specsavers did not need any external funding for its entry and operations. A good financial situation helped the rapid progression in Finland and in negotiation situations such as rental agreements. Later, in 2012, launched reform was financed by own funds. All of the remaining 46 stores were rebranded, and the investment was about 80 000 € a store.

Specsavers strengths have been in both entry and operation to provide competitive pricing; “Complete Price” and “Two for One” and 2013 “Complete Eye Test”. Strong marketing and awareness about Specsavers in Finland has help to get market share. Specsavers did not have to test the concept before entering Finland but the concept in Nordic has changed in some parts since 2007. That is mainly because of cultural and fashion differences between Nordic countries and UK. There has been positive awareness in age groups 18-29 years and 45-59 years. Low price attracts young customers but they do not know that much about Specsavers contact lens offers. With awareness of contact lenses in that group could have even bigger market share. 45-59 years old is one of the target groups Specsavers has. Advertising free eye test attracts the ones who are getting their first pair of reading glasses. Also the frame brands and models are more suitable for this age group.

Market share on spectacles is still low compared to Instrumentarium. In Finland Instrumentarium is considered trustable optical chain, number one in some studies, and that is why some customers prefer doing business with them. Specsavers has weak position on spontaneous awareness. Instrumentarium is still leading. Maybe because of the poor commitment of the employees and it has been hard to get professional opticians to work for Specsavers, has been the reason for the image of low professionalism among the customers. Low knowledge among the employees might be because of the low support from the head office, knowledge sharing. Year 2013 it has been one of the priorities to help employees in store and make they professional level higher. One of the improvements has been i-Lear, Internet application. Also knowledge of products has risen after giving more information about the launches. Poor service and poor technical products might be the reason why there is weak position among 60-70 years. These customers value personal service and they are willing to pay more if the product is suitable for their needs. With the acquisition it became stores that had bad business locations and low turnover. It has been a burden on the whole Specsavers Finland. In 2012, launched rebranding has paid off and the remaining 46 stores has better turnover.

Over all high optical retail prices have been opportunity to Specsavers. Still product range needs improvement; better-known brands are needed. Improving service and professionalism would convert higher visit intentions and preferences among 30-44 years and also 60-70 years. Also communicating eye test and fundus examination. Specsavers has done ground-breaking work of fundus photography. Specsavers has provided fundus cameras to Specsavers stores and trained staff. This produced a resistance behalf of eye doctors, but Valvira has given a favourable opinion on the Specsavers functioning. Training is key issues to improve the professionalism among the employees and it is also an opportunity. Increase budget and activities for contact lenses. Contact lens turn over is about 5% and over all contact lens turn over in Finland is about 10%. Contact lens training among opticians and contact lens assistants would increase contact lens sales. If and when Specsavers is going to open new stores in Finland they should be inside shopping centres. Because Specsavers is a volume chain it needs to be there where are more customers. Location is an opportunity. On-line would increase the sales of contact lenses and on-line appointment would facilitate the customers' dealings with Specsavers. Specsavers has already Internet site and Facebook profile. But any new applications could be investigated.

High costs of investments and low turnover could be one of the Specsavers threats in Finland. Labour costs in Finland are high. That is also a threat in low-pricing volume stores. You need to have staff to serve all customers. In the interview it was also notices that some of the stores are understaffed. Partners should understand that not investing in staff it is not saving. Sales and profit are lost this way. Finland is rather small market area only little over 5 million people. It is the smallest market area in Nordic. And Finland has very critical customer base towards non-Finnish companies. Specsavers had to face it when entered Finland year 2007. In the future Intrumentarium and Nissen might challenge Specsavers the price position. Specsavers costumers might intent to visit other optical stores in the future. That is reason for good recall system. Lack of trust in complete pricing and complete eye test are threats Specsavers might have to face. Market share what Specsavers has achieved in Finland has been easier.

These customers were the early adopters. For the next group of customers low price is not enough. They all demand the best service, the highest quality of products and the finest range of frames and designer brands.

Finnish optical field has changed since year 2007 when Specsavers entered Finland. Year 2007 there were 750 stores and Finnish optical field turnover was 285 million euros. Number of stores increased until year 2009 and the number of stores was 824. Finnish optical field turnover was the best in year 2011; 341,3 million euros. Since these years both amount of stores and turnover has started to decrease.

A megatrend is a direction, which can be identified based on what has already happened and which will probably continue. It can be described as the overall direction of development containing both global impacts and more minor phenomena. Phenomena have a recognizable direction of development. A megatrend often includes different and even opposite phenomena and chains of events, but they all have a clear direction of development. The American researcher John Naisbitt invented the concept of a megatrend in 1982. His views are still relied upon, even though the contents of phenomena have changed. The strategy work in the optical field has recognized the directions of development, which are believed to have an impact on the development of the field, and the actions of them in the next few years are made clear and simple to those involved.

Most importantly the following megatrends affect the optical field:

- Ageing of the population
- Networks
- Globalization
- Development of information networks
- Development of the technology
- The ecological aspect
- Urbanization

(Finnish Association of Optometry, 2012)

Traditions in the optics field are strong. The operations have been based on good professional skills, on being well informed, and on finding solutions, which serve consumers. The trade in spectacles and contact lenses is well in hand. There is a will to preserve these issues and to make them yet stronger.

However, new aspects have entered the field, which are considered negative, or there is a will to change the consumers' ideas. Marketing communications advocates for services free of charge in connection with eyesight examinations, while in reality the examination is included in the price of the spectacles bought by the customer. At the moment, consumers do not distinguish between the various levels of examinations made by opticians. They cannot distinguish the difference between a basic eyesight examination and an extensive examination. In the future, the greatest challenge will be to make clear to the consumers what the different service levels mean. A free eyesight examination is a way to get customers, but complex and extensive examinations, which call for specialized professional skills, must be charged for their value.

The actors in the field must create services for different needs, and they must be made concrete to consumers. At the same time, the identity of eye service specialists will be emphasized. Sales have the greatest importance, since traditionally, expenses have been covered with revenue for accessory sales. Chargeable services, which are a part of sales, are not created quickly. After the services have been made into products, the greatest challenge is to train and motivate the salespeople to sell the services also and to create cost-effective site marketing models alongside the existing mass-marketing methods. The service level can be improved more by utilizing customer registers, while customer loyalty is safeguarded at the same time, and facts about customers' visits can be passed on.

A change in the structures of the business was already anticipated above in connection with the impacts of megatrends. The acquisition chain of products will become simpler, room for wholesalers and agents will become smaller, and the competition between different value chains will keep prices and margins down – safeguarding profitability will become a constant worry.

The restructuring of the division of labor was also anticipated in connection with megatrends. In the future optician businesses will have the possibility to integrate eye care in child health centers, schools and health centers, and have a cost effective role in the follow up of eyes that have been operated on. Links to occupational health services will also be created, with or without an active role by the optician businesses. Remote diagnostics will bring a new dimension into the line of services.

Changes make room for various types of business concepts:

- Trade in spectacles with straightforward services and the prices as a means of competition. Operations in the form of competent service with low costs. Supported by Internet-based solutions and trade.
- Specialized eye-care skills, including examination services supported by investments into instruments, and networking with healthcare actors.
- Service for demanding consumers with design products, personalized service and awareness of fashion and trends. The business concepts are listed above in a simplified form. In practice, most optician businesses use a combination of these suited for their own market area. The volume created by chains and networks will create a basis for profitable operations.

However, there are threats in sight. Accustomed ways of working become redundant as actors used to strong commerciality and strict competition appears. Prices and margins go down, and there is a danger that services must also be cut. Businesses die out because they cannot keep up with the competition. Laser surgery will bring changes to the product concept. Division of labor will become important – who sells and provides the services. There is a danger of specialized professional skills becoming scarcer due to cost pressures – even if basic professionalism remains. People with the specialist perspective become opticians but they do not necessarily possess a business perspective. This leads to wasted training and a lack of skilled persons.

A few important issues must be considered when skilled personnel are needed as the future of a business is planned. Professional skills are emphasized and

commercial skills are in a minor role in the training of optometry. This also has an impact on attitudes and creates a need for further training.

The valuing of technical professional skills makes it more difficult for employers with a sales-oriented concept to find suitable personnel. There could be more suitable personnel available if there were more specialization lines in the training of optometrists at the universities of applied sciences. The sales people in the optical field must have access to second-cycle training and a path to further studies in optometry at universities of applied sciences. And those working as entrepreneurs and in posts with responsibility for economic results must have paths to further training in business economics.

There are concerns about how well eye care for children and youth works. There are less eyesight examinations at children's health centers. There are concerns whether disorders are detected early enough. There is a need to build models for cooperation. Also resources decrease in the eye care of school children and skill levels vary to a great extent. Despite this, the development of cooperation with opticians calls for long-term local work.

In the future, Specsavers Finland is one of the equal options among the customers. Specsavers will in future have to change functions, at least in the Nordic countries more technology and skilled direction. However, the employees at Specsavers are required commitment to the concept and to take care of their own professional skills through training. Advertising will continue to have competitive prices, but also about the extent of services and new products and their brand launches. In the future, Specsavers may also have its own educational system.

This study opens up questions for further research. One issue concerning the changes in the future in Finnish optical field and the other issue is that how can Specsavers Finland answer to these changes and demands. The consumer base in the field is large, and in the future it is necessary to identify the various consumers to determine factors for success.

1. Individual consumers:

- Either single consumers or customer relationships brought about as a result of cooperation with an employers' organization
- Voluntary organizations of other third-field actors
- Own staff

2. Co-operation:

- Units providing health care and medical care in municipalities: health centers, children's health centers, schools, nursing homes
- Organizations providing occupational health care that also offer optician services
- Hospitals

3. Influential actors within the society:

- Decision-makers and planners of service structures
- Public media
- Service production in the field is made up various levels of services.

4. Basic services:

- Deliveries of spectacles, sunglasses and contact lenses, repairs and maintenance, accessories.
- Eyesight examinations, adjusting of contact lenses

5. Eye laboratory services

- Retina imaging
- Field of vision examinations
- Screening services
- Technical aids for eyesight and user training

6. Eye surgery services

- Laser surgery
- Cataract surgery

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APPENDICES

APPENDIX 1: Interviewees, confidential information

APPENDIX 2



Open-ended Interview

Name:

Positions:

1. When did you start working for Specsavers?
2. When did you start working for Specsavers Nordic?
3. Why do you think Specsavers entered Finnish market 2007?
4. How did Specsavers enter Finnish market 2007?
5. What was positive about the way Specsavers entered Finnish market?
6. What was negative about the way Specsavers entered Finnish market?
7. Do you think there are cultural differences between Specsavers UK and Specsavers Finland?
8. Are there any product differences between Specsavers UK and Specsavers Finland?
9. Are there any product similarities between Specsavers UK and Specsavers Finland?
10. Are there any advertising differences between Specsavers UK and Specsavers Finland?
11. Are there any advertising similarities between Specsavers UK and Specsavers Finland?
12. How do you find pricing the products in Specsavers Finland?
13. How does the organization profile look like in Specsavers?
14. What are Specsavers' weaknesses?
15. What are Specsavers' strengths?
16. What are Specsavers opportunities?
17. What are Specsavers treats?
18. What is Specsavers' mission?

Thank You for Your time and interest!

APPENDIX 3: Responses, confidential information