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## **Creating and Developing Contacts to Potential Export Organizations Based in Madrid**



# **CREATING AND DEVELOPING CONTACTS TO POTENTIAL EXPORT ORGANIZATIONS BASED IN MADRID**

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## **ABSTRACT**

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The main aim of this thesis has been to give the reader first of all a general knowledge of the main concepts that are contained within it, such as internationalization, exporting and the Spanish market. This is an objective decided together with the commissioner InnoConnections with the aim of being able to find export organizations based in Madrid and that are interested in working in the Nordic / Finnish market.

The process of researching has not been simple, and also it has not lead to the expected results, which were to be able to contact with at least a few organizations and obtain some feedback from them. Most intents of making contact with the given organizations have received no feedback, leading to a series of conclusions that point to the fact that this particular period in time may not be the best to approach the Spanish market, as it is affected by a strong economic crisis which makes all businesses fearful of putting at risk any of their assets.

However, these findings may still be useful to the commissioner as well as other businesses planning to approach such market, as they give an insight to how Spanish companies are actually reacting to this difficult situation and therefore gives the opportunity to businesses to possibly look for other options when trying to internationalize or look for Spanish customers, as at this point in time they are companies that are being very cautious and that may not be willing to extend to other countries as this is often considered risky.

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# **1 INTRODUCTION**

As European countries become increasingly interrelated and find ways to make the most of their potential by trying to expand their markets and access new areas, it is essential that companies are prepared for this process and have the necessary resources to take this step and expand their territories further. For Spain in particular, this process may be the key to accessing new markets and obtain income that is not easy to reach at a local level due to the financial crisis and the restrictions all companies have to face in order to survive.

The subject of this study is: Creating and Developing Connections to potential export organizations based in Madrid. The aim of the research is to find potential export organizations based in Spain, and more specifically in the area of Madrid. The thesis has been commissioned by InnoConnections, which is an organization that aids foreign companies to enter the Finnish market providing them with market researches, distribution channels, information on competitors in general, Identifying potential business partners as well as assistance with the first contact within the Finnish business market.

In order to acquire and make use of the information, I will use qualitative research methods. I will interview people from different organizations based in Madrid and try to find out which companies are interested in exporting to Finland and/or Scandinavia and whether or not they would be interested in the services of InnoConnections in order to begin their business relationship with Finland. The thesis will also contain a basic and general overview on the Spanish current financial and political situation in general, which will simplify the comprehension and analysis of if and how Spanish companies see exporting to Finland as a benefit and advantage. The contrast between the Finnish and Spanish economies and how each country is dealing with the financial crisis

may give an insight as to why Spanish companies may or may not wish to export to Finland.

Also as a source of information I use the knowledge that I have acquired during the years I have lived in Spain and Italy, which both share a similar situation regarding their economies. These sources include TV shows, newspapers or related literature that all have allowed me to acquire knowledge about this country's situation and the different issues that may affect it. Having lived and worked in Spain has also given me an insight on the companies' point of view and as to why they have the attitude that they do towards externalization of their products or services.

The process and outcome of the study will also lead to developing new concepts and ideas of how the commissioner company may create or develop existing marketing strategies towards the target area; there are many theories regarding entering new markets and how to approach different countries, taking into account factors such as the business sector that is being approached, the possibility of cultural barriers or communication difficulties as well as the general situation of the given market at that point in time. The results may also depend on the attractiveness of the market sector in the country where the export is targeted.

Finland is a very strong economy in comparison to other European countries, especially in the Mediterranean area where many are struggling to keep their businesses operating and maintain basic public services. Due to this, it may be an interesting target for possible exporting organization, as it is a nation which has purchasing power and therefore may be more accessible. On the other hand, it is geographically much more distant to countries such as Spain, Italy or France and also has different traditions and necessities regarding products as other countries.



As a starting point, the commissioner already has a few organizations they are interested in, however, there is also an interest towards new organizations in the fields of: sustainable technologies, renewable energy and engineering. To find out more about these fields I will do some research both through the internet and books, to find out background information about these specific areas. I will then try to locate companies that operate in these fields to find out whether or not they are interested in cooperating with InnoConnections.

It is also an interesting point to analyze trends in export to Finland, finding out which industries export to Northern countries the most and why. In order to find out more about this trend, Finnish businesspeople in Spain who are familiar with the market and can point out the main areas that can be related to Finland and suggest reasons as to why this is so, will be interviewed. This will also help the client in concentrating research when looking for business partners in the future.

In order to carry out the objectives of the study the following research questions were aimed to be answered:

- Which companies/ organizations are interested in accessing the Finnish/Scandinavian markets?
- How can InnoConnections cooperate with Spanish organizations in order to promote and facilitate the access of Spanish-based companies to the Finnish market?
- How can the client advertise its services to the companies in Spain and Madrid specifically?

The plan to interview different companies to see if and how they were interested in the Finnish and Nordic market was not very successful.

After calling an average of four or five companies a day during a couple of weeks, and getting no positive response at all, the most logical and helpful approach to this situation has been to analyze more the reasons why this could be happening and suggest ways that InnoConnections could solve this issue or understand the lack of interest from the Spanish companies. The lack of

responses made it impossible to take another approach to the research, as there was no actual constructive feedback from the Spanish companies.

The option to suggest reasons for this, and possibly consider that Spain is not a good country to select for this kind of objective is also a result, not the expected one, but it can definitely give guidance to InnoConnections, together with other similar projects, as to what markets to select when trying to expand their operating territory.

## **2 INTERNATIONALIZATION OF A FIRM**

Internationalization is a process of international development of companies, whereby new geographical and commercial areas are explored and possible new branches or channels of business are created to foreign countries. The choice to internationalize a firm may result from various factors such as:

- Lack of demand in home country
- Need for specific products in foreign areas
- Profitability
- Company growth or expansion

The process of internationalization may not always be straight forward. It includes several risk factors, which must be analysed before beginning the process. This requires knowledge of the host country's political/economic situation in general as well as other factors which can be analyzed using the PEST-LE analysis as a tool.

### **2.1 Reasons for Internationalization**

The reasons that bring a company to the decision to internationalize can mainly be divided into two groups: push and pull factors.

Push factors are reasons that originate from within the firm's home country and may be negative aspects that "push" the company to look for resources abroad. Pull factors on the other hand, are factors that are present in foreign markets and that represent reasons for expanding the business into a specific market. These can be considered the main reason for a firm to decide to bring their product to a foreign country.

Spanish companies may have various push and pull factors affecting their decision to internationalize. One of the principal push factors present in Spain is the financial crisis, which is creating unemployment and having an increasingly negative effect on almost all national companies. Due to this, Spanish firms are looking to expand their businesses to areas where there is a higher demand for their products, in countries that are successfully dealing with the crisis or that have been less affected by it. (<http://www.expansion.com/2012/10/25/empresas/1351181881.html>)

Between years 2000 and 2008 Spanish exporting sector grew approximately 5% every year and after 2010 the percentage increased to a yearly 7%. This can be considered a great success, considering the difficulties that companies already faced at a national level. The management team of an increasing number of firms are discovering the potential of foreign markets, which allows them to maintain a stable income as well as being able to develop their business, as opposed to having declining results by staying in the national environment.

([http://elpais.com/elpais/2012/10/13/opinion/1350149490\\_333538.html](http://elpais.com/elpais/2012/10/13/opinion/1350149490_333538.html))

## 2.2 Dimensions of Internationalization

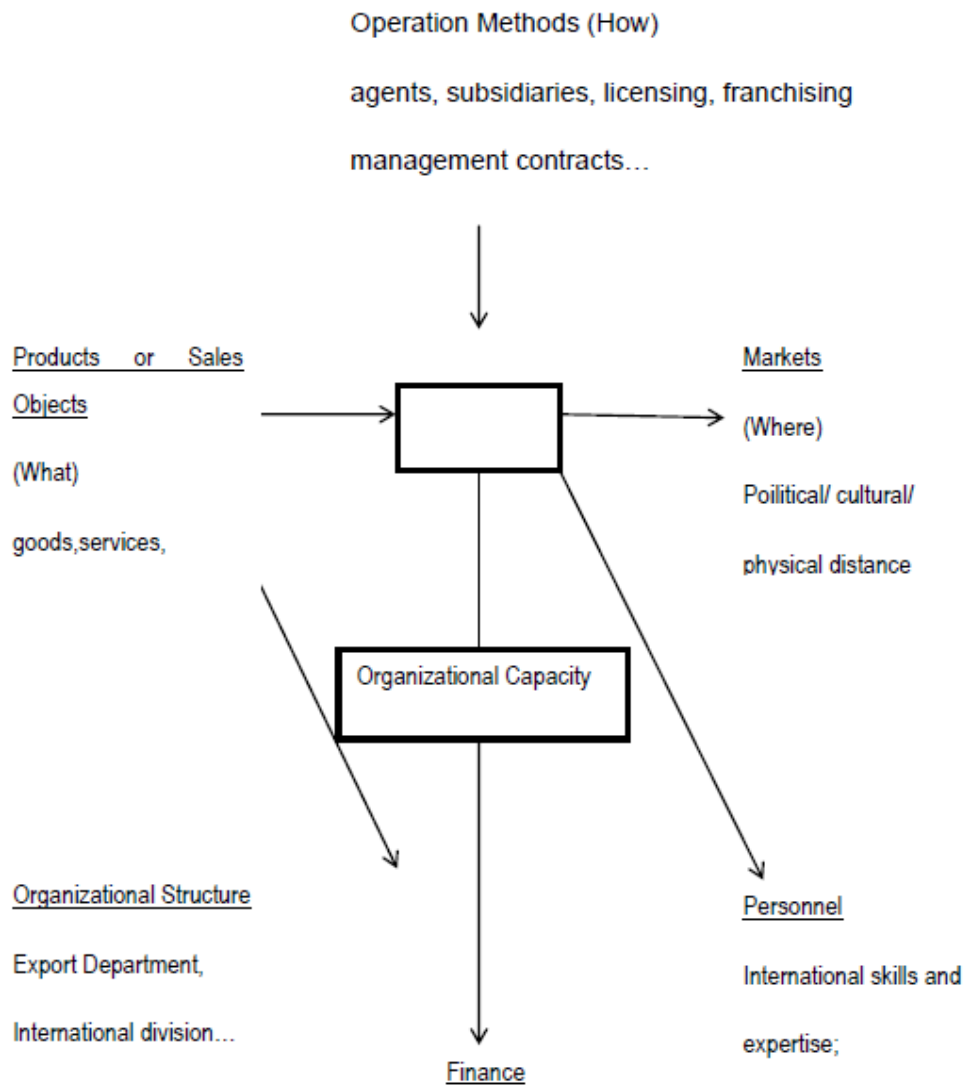


FIGURE 1 Dimensions of Internationalization (Luostarinen & Welch, 1993)

When a company makes the decision to enter a foreign market, it can approach the new area through different dimensions which can be seen in figure 1 and which will aid the firm to successfully enter and adapt to the new market. Each dimension contains a number contributing factors which are used during the process.

As a company becomes increasingly involved in international business relations, it is known that it may change its ways of dealing with the foreign market. This could be due to the fact that more information is acquired as well as the capacity of adapting to the host country's market.

In addition, as a company becomes increasingly involved in foreign operations, it also develops its products and sales strategies either by expanding their existing selection of products or create whole new ranges of goods or services to be offered.

To begin with, it is common for a company to select a target market which is socio-culturally closer to theirs, simply to make the transition process more straight forward. Therefore, if a firm enters a location which is more contrasting to its home country, it can be seen as a more advanced phase of internationalization.

All of the previous dimensions dealt with more external factors which can be considered when evaluating the stages of internationalization of a company, however, there are a number of components which are related to the internal organizational capacity of the firm and which can be just as effective in improving the exporting process if developed correctly.

It may be ideal for a firm to create a whole department which is trained to deal with international relations and exporting processes. In these departments, it is essential to build teams of employees who have the knowledge and capability to adapt as well as expand export channels to foreign markets.

"The growth of international operations inevitably also places increasing demands on the availability of funds to support the various activities. The

nature and extent of the company's financing activities for international operations provide a further indicator of the degree of internationalization" (Price Waterhouse Associates, 1982)

A firm therefore, must also adapt its financial department in order to create the most efficient and beneficial export processes, which requires a high level of expertise from the employees working in this sector.

### **3 EXPORTING**

"For manufacturers exporting is still the most common way of doing business abroad, especially in the early stages of internationalization." (Luostarinen, 1979 )

It is a mean of selling a firm's product or service in markets which are not necessarily close in any way, but that may bring a greater profit.

When selecting a target market, the exporting company must consider a series of factors including the attractiveness of the given market as well as possible barriers it may encounter when trying to enter it.

"The attractiveness of a market mainly depends on growth potential, the sales potential of the exporter's product range, competitive intensity and price level." (Grafers & Schlich, 2005) It is important to define clearly what the goals of the operation are and if it is possible to achieve them, taking into consideration the previous factors. As any export operation requires a certain amount of costs, the financial return that is obtained must be profitable in order to make it a success.

Other risks such as entry barriers may be considered separately. These may include tariffs, procedural rules and laws which may restrict or impede the entry of certain goods into a country. In order to avoid any unpredicted issues and delays, it is essential that the exporting firm acquires as much information as possible on the rules and regulations which apply to their goods before beginning any export operation. This may take some time but it will ensure that

all clients receive their goods on time and without any delivery issues. Some countries may be more flexible than others when allowing goods across their borders, so it is advisable to find a local contact who can point out the main recommendations as to what rules to follow when exporting to a particular country.

### 3.1 Types of Export Operations

When exporting companies have three main modes of introducing their product into a foreign market, they are selected depending on the number and kind of distributors between the manufacturing company and the final client. The three modes are:

- Indirect export
- Direct export
- Own export

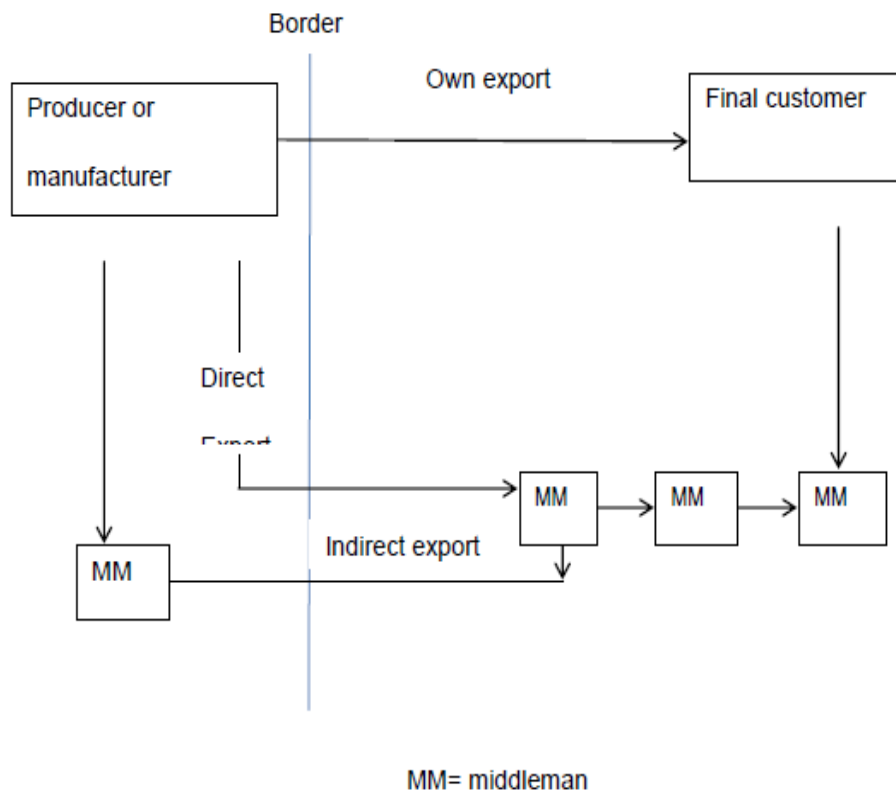


Figure 2 (Luostarinen & Welch, 1997)



### **Indirect export**

Indirect export refers to cases in which the producer is not directly dealing with the export operations. Another company which is located in the the home market deals with the operations for them. There are various types of companies which may undertake this kind of task:

- A distributor company which specializes in export operations
- A joint export organization
- A Public organization which deals with foreign trade which may be specifically dealing with products, a geographical area or a market area as well.
- A foreign firm located in the target country
- Tourists visiting the country
- Ships which travel to another country

“All of these alternatives represent indirect waysfor the industrial firm “to export” its products or preferably to allow its products to be exported. However, these sub-alternatives of indirect exporting differ considerably from each other and that is why the firm should select the one which is most suitable for its current purposes maximizing benefits and minimizing the disadvantages of the method in question” (Luostarinen & Welch, 1997)

### **Direct exporting**

Direct exporting takes place when the exporting company has direct contact with the intermediary in the foreign country. The company itself deals with a number of tasks such as some marketing, orders, sales brochures and travelling as well as organizing transportation, billing etc. This implies that the firm’s experience in international business operations is constantly increasing and is decreasingly dependent on the aid of external firms in order to carry out its exporting operations.

In order to be successful in this mode of exporting, the company should have some previous experience with the process, have a reasonable level both in the

oral and written skills of the foreign language of the target country, have a specialized department or team who takes care of the mediations and tasks regarding the exporting as well as having regular export operations going on throughout an extended period which makes sure the information and contacts are always updated.

### **Own export operations**

"Own exporting applies when there is no domestic or foreign middleman between the producer and final customer" (Luostarinen & Welch, 1997)

Because it involves no middlemen, own exporting may be the most demanding and requires constant travelling and keeping in touch with the clients that purchase the product. In order to be successful the exporting firm must be competitively stronger than local competitors and have better knowledge about final clients than local distributors.

This type of exporting has many advantages like the possibility of creating long and stable relationships with the final customer as well as control and knowledge of the development of the market area in which the product is sold.

### **3.2 Export Barriers and Risks**

As a part of the internationalization process, starting any export operation also requires the capacity of managing risks and barriers that come up along the process. It is both a tool and a competitive advantage for a firm to be able to handle risks and overcome entry barriers in foreign countries. A company, whether it is a new one or an already existing firm which is beginning its export operations, always has to take into consideration the need for extensive research before beginning the exporting process. The areas to study beforehand may include: marketing strategies, financing plans, cultural values and differences as well as political barriers. These risks can be divided into five main categories.

### **Country risks**

Country risks are issues that the exporter has to take into account regarding the possibility of government and political restrictions to incoming products, the economy of the target area which includes exchange rate fluctuations and inflation and social risks such as wars or issues in bureaucracy such as corruption. In many cases, the only way to be aware of and avoid these issues is to hire a specialized agency who gathers all the necessary information which is not necessarily available to businesses and can aid the exporter to deal with the risk management.

Furthermore, exporting firms may require its employees of the sales department to travel to the given countries in order to obtain a first-hand impression of the local customs and business situation.

### **Foreign Costumer Risks**

“The exporter evaluates risks caused by the foreign customer, but also by other contracting parties (e.g. suppliers, members in a consortium or a joint venture), at first with a view to their attribution to the private or the public sector of their national economy. (Grafers & Schilch, 2006)

The main risks related to foreign clients are insolvency or unwillingness to pay in some cases. It is very challenging for exporters to prevent these risks and to have true and objective data on the clients companies, as many small and medium-sized companies have not been analysed by an internationally recognized auditor and therefore do not have updated financial evidence of their financial status.

### **Contract Risks**

These are risks related to the contract as a whole and individual clauses found within it. It is important that all the parties agree and understand every part of the contract in order to avoid any misunderstandings or conflicts at any time during the transaction. Due to different ways of understanding the contract and

possible language barriers, issues may occur when dealing with delivery times, payment deadlines and other such details.

### **Risks involved by the Object of Trade**

There are risks related to the actual functionality of the exported goods, which may be caused by differences in user habits between foreign and domestic users. This may cause conflicts when dealing with the warranty period and clauses.

These risks increase particularly when dealing with perishable goods, as the client may use any delay as an excuse for not accepting the goods or demanding a price reduction due to the quick deterioration of the quality of the goods.

### **Carriage Risks**

“On their way to the foreign customer, goods may be damaged or lost or may be arrested or seized by authorities of any transit state or by authorities of the country of destination itself.” (Grafers & Schilch, 2006)

This applies to all kinds of goods and generally the exporter has the possibility of getting an insurance which covers costs related to this type of risk. It is also useful to be familiar with any regulations that possibly restrict or prohibit the transit of certain types of goods.

## **3.3 Promoting and Encouraging Export**

In order to successfully begin exporting operations, companies need a number of resources, both financial and knowledge-based. Each firm has to be responsible for arranging teams or individual staff members who use their skills to acquire as much data as possible and develop a strategy before beginning to export.

However, there are public organizations which will also enable companies to access data through their systems and which offer help to businesses that are

looking into starting exporting. One example could be the Chamber of Commerce.

The Chamber of Commerce in Madrid supports and helps businesses that are in the first phases of internationalization and organizes various events such as trade fairs, exhibitions and seminars to enable interaction between businesses of various sectors and nationalities. It also processes documents for export and offers advice and consultation on foreign markets, which offers an accessible way for companies based in that area to be prepared and build strong strategies for any export operation.

Finpro is another organization which is present in various countries and which promotes the internationalization of Finnish companies.

Finpro's current strategy involves actively expanding and developing its international network and services to meet the changing needs of the business world, developing its expertise in foresight, project management and conducting business, including resource management. Finpro also activates and assists companies that are the most growth-capable and seeking international success to benefit from recognised international business opportunities through a process of long-term co-operation. Networking with different actors is an important activity for companies intending to develop their international business operations. (Finpro, 24.03.2013)

Although it is an organization which focuses on the internationalization of Finnish companies, it may offer some useful tools to foreign organizations looking into exporting to Finland as well.

### **Team Finland**

As a part of their joined effort to promote Finland as a country and potential business partner, several institutions have formed a project called Team Finland, to gather and distribute information on Finland. In Spain, this project is run by the Finnish embassy in Madrid, Finpro, the Finnish institute in Madrid, Visit Finland and the Chamber of Commerce. The main aims of Team Finland in

Spain are to strengthen Finland's image as a country, the organization of common projects as well as the anticipation of changes and possible trends and opportunities in the market. The main focus of the projects are areas like cleantech, smart cities, audio-visual arts and architecture, but they are adapted to the needs of the market.

Team Finland was started in 2012, making it a very new project which still has room for development and a lot of potential. However, a schedule for 2013 has already been planned and the focus is on creating and implementing a strategy in order to carry out future projects and reach the set objectives. Although Team Finland is mainly composed of official institutions such as the embassy, it is important that all the possible help and collaboration is obtained from any other institutions as well, such as private companies, educational institutions and other organizations. As Finland has Team Finland as a way of promoting the image of the country, Spain also has a similar project: Marca España.

### **Marca España**

“In today's climate of economic crisis, the brand's framing must prioritize economic terms to help in the recovery of growth and jobs. We have started with the conviction that Marca España will benefit all of us because, after all, an improvement in our country's image both abroad and domestically will contribute to boosting exports, attracting foreign investment in Spain, supporting the internationalisation of our companies by fostering the tractor effect of large companies on SMEs seeking niches in the overseas market, raising tourism and, in short, contributing to Spain's economic recovery.”

(<http://marcaespana.es/en/quienes-somos/que-es-marca-espana.php>)

This project has very similar aims to those of Team Finland for its country respectively. It is an attempt to bring together various economic, social and political forces in order to improve and promote Spain's image abroad and to encourage internationalization, which in a time of economic crisis may be one of the only opportunities of growth for a firm, so it is essential that all the

necessary information is given and that the advantages of exporting as a source of income are laid out clearly.

Many small companies are not prepared to take significant risks at this point in time, and if a firm has only operated at national level, it is fairly complicated to make the decision to start international operations when the general financial situation not only of the company itself but of the entire country is unstable. However, those companies that have chosen to export are experiencing a slight relief from the pressure of the national market and have an alternative source of income, when the demand in the home country is virtually inexistent.

## **4 Spain as an Economy**

The economy of Spain is the 13th largest economy in the world and the fifth largest in the European Union. During the last five years, starting in 2008, the economic and financial crisis has left a quarter of the Spanish workers unemployed.

([http://en.wikipedia.org/wiki/Economy\\_of\\_Spain#2008.E2.80.932013\\_economic\\_and\\_financial\\_crisis](http://en.wikipedia.org/wiki/Economy_of_Spain#2008.E2.80.932013_economic_and_financial_crisis), 20.04.2013)

This has put a lot of pressure on various sectors of the economy, most importantly exports, to try to find new alternative sources of income and employment for the country.

### **4.1 Employment Crisis**

From October of 2008, Spain started to experience the highest rise in the rate of unemployment ever, and by July of 2009 1.2 million workers had lost their jobs. By the following year 4 000 000 people were unemployed. A large amount of the unemployment stemmed from the end of a beneficial period in the construction market.

In May 2012, a labor reform was introduced, which aimed at making the labor market more flexible and facilitated layoffs. According to the minister for employment and social security, this reform allowed companies to compromise with workers to overcome the crisis by means of reducing wages and working hours for example, before considering dismissal.

In 2013 the unemployment continues to increase, often bringing whole families which a few years back were able to lead normal lives, to live in very complicated situations and having to give up the most basic necessities in some cases. Also, the unemployment among younger people has risen in some cases to a rate of 50%, this puts even more pressure on families which have more and more people depending on fewer incomes, which in the case in which all members are unemployed, consists of an unemployment aid from the government.

## **4.2 Economic Strengths**

Since the 1990s many companies have become multinational, often expanding to Latin America, which is culturally very close to Spain, and where Spain is the second largest foreign investor. Other common targets for expansion are Asian countries such as China and India. A reason for this may be the rising interest that these cultures have in Spanish language and culture, as well as the necessity to take some risk in order to achieve some profits on the part of large companies.

Fields in which Spanish companies invested include:

- Renewable energy ( Iberdrola)
- Technology companies (Telefónica, Abengoa, Mondragon Corporation, Movistar, Indra)
- Train manufacturers (CAF, Talgo)
- Textile (Inditex)



- Petroleum (Repsol)
- Transport ( Ferrovial, Acciona, ACS, OHL)

Infrastructure is one of the greatest strengths for Spain as an economy, it is the country in the EU with the fifth best infrastructure. Areas which are most developed include high speed rail.

### **4.3 Exports**

The fields where most exports occur in Spain are: machinery, motor vehicles, chemicals, shipbuilding, foodstuffs, electronic devices and pharmaceuticals. Its main export partners are France with 18.3%, Germany with 10.6%, Portugal with 8.7%, Italy with 8% and the U.K with 6.7%. ([http://en.wikipedia.org/wiki/Economy\\_of\\_Spain#2008.E2.80.932013\\_economic\\_and\\_financial\\_crisis](http://en.wikipedia.org/wiki/Economy_of_Spain#2008.E2.80.932013_economic_and_financial_crisis) 20.04.2013)

In the last years, export have grown and according to the Ministry of Industry, have reached levels that were last achieved before the economic crisis. The European Commission's forecasts state that in 2013 Spain will grow a further 4.2% in 2013.

## **5 Spain and Finland**

Finland is not one of Spain's biggest targets for export, due to its small population as well as often the lack of knowledge of business possibilities in Finland. With Finland being such a small country in terms of businesses and population in general, not much information is available for Spanish companies when looking for potential countries to export to. This creates a sense of insecurity and risk, which given the current economic situation in Spain, is not the ideal circumstance for a company to begin exporting. However, there are certain market areas which do export to Finland which are represented in the following table.

<b>Ranking of the main sectors exported</b>	
<b>Position</b>	<b>Sector</b>
1	Industrial Technology
2	Fruits & Vegetables
3	Chemical Products
4	Mechanical and Construction Industry
5	Fashion/ Textile
6	Habitat
7	Raw materials
8	Wine
9	Bread and other similar Products
10	Environment and Energy Production
11	Leisure
12	Information technology
13	Oils
14	Meat Products
15	Fish and Shellfish
16	Non-alcoholic beverages
17	Live Animals and related Products
18	Cultural Industry

19	Dairy Products
20	Other Alcoholic Beverages
21	Live Plants
22	Tobacco

Source

([http://www.oficinascomerciales.es/icex/cda/controller/pageOfecomes/0,5310,5280449\\_5308104\\_5308301\\_0\\_FI,00.html](http://www.oficinascomerciales.es/icex/cda/controller/pageOfecomes/0,5310,5280449_5308104_5308301_0_FI,00.html), 22.04.2013)

Although Finland has a relatively small population, in comparison with many other European countries, its citizens have a very high purchasing power. This is seen as one of the main advantages by Spanish companies, and usually the businesses are represented in the capital city, Helsinki. Market areas which utilize a high level of information technology like pharmaceuticals or biotechnology are some of the main targets for Spanish exporters, which aim at areas like these in which there is more demand, rather than others that do not require such a high level of information technology and skills related to it, as other countries such as East European countries may offer such products at more competitive prices.

Another area in which Spanish businesspeople are investing, rather than exporting, is the energy sector. Due to a constant improvement and increase in the size of energy-producing companies, there is place for both national and foreign investors both at a public and private level. Spanish businesses may consider the possibility of forming joint ventures with local Finnish companies. This may also be an advantage due to the fact that it is fairly difficult to obtain financial aid for any SME which is not Finnish in the country. The fact of being

associated with a local company may be an aid when looking for financial support. Business between Finland and Spain has constantly increased during the last four years and it is foreseen that there will be a further improvement in the future.

## **6 International Marketing**

The original aim of the project was to make direct contact to Spanish companies and interview people responsible for the internationalization process in order to find out if they would be interested in collaborating with InnoConnections to export their products to Scandinavia and Finland specifically. However, due to the lack of positive responses from the companies' part, this next chapter will now focus more on the marketing aspects of this type of international relations and specifically on suggestions for InnoConnections to be able to improve their marketing techniques when looking for customers in this area particularly.

International marketing refers to a firm using an extension of the methods used in the home country to reach customers that are beyond national borders. It is "the performance of business activities that direct the flow of a company's goods and services to consumers or users in more than one nation for a profit." (Intl. Marketing, Geentanjali, Global Media, 2010)

In this case, the commissioner, InnoConnections, offers its services to companies from all over the world, and is always eager to contact with new businesses in order to aid them in the process of entering the Finnish market. It offers information on creating business relationships as well as any other information on the market that the client requires. This is a type of service which can be particularly interesting to those companies which are not necessarily very advanced in the internationalization process and that need some guidance when entering a market that is completely new to them.

In this specific case, the companies contacted by me did not seem to have any interest in the services mentioned.

This could be partly explained by the fact that as a culture, mediterraneans tend to prefer face-to face communication. The fact that I was only able to contact them by telephone, could have affected the level of trust they experienced and therefore lead to the negative response. Also, it is important many times when accessing Spanish market in whatever way, to have some kind of contact within the organization that is being approached. This already established a feeling of trust. As this was not the case, it may have been a reason for the lack of interest, as it was a completely new company which they had never heard from before.

### **6.1 Choosing the Correct Market Strategy**

Depending on the services or products offered by a company, different marketing strategies may be considered. Mass marketing or Undifferentiated marketing refers to a type of marketing which covers an extended market with a singly marketing strategy. This technique offers some advantages as it may be simpler to apply, however, nowadays it is rarely applied as it does not take into consideration specific needs of the target market.

#### **Differentiated or Segmentation Marketing**

This strategy aims at many smaller markets using a specific marketing strategy to target each one. This can be explained by the fact that much larger markets can be divided into smaller and more restricted sub-markets which can consequently be targeted with specific strategies adapted to the needs of the specific target. This strategy is most commonly used by large consumer product firms, which strive to provide specific products that satisfy the needs of each smaller sub-market.

#### **Concentrated or Niche marketing**

This strategy combines some of the characteristics of both mass marketing and segmentation marketing by using one single strategy to apply to multiple

smaller markets. This strategy is mainly used by smaller firms which have identified a small segment of the market whose needs are not being satisfied by larger companies. This allows a smaller company to be successful in a specific and more restricted segment of the market.

### **Customized or Micro-Marketing**

This type of marketing allows the selling company to provide customers with specific and personalized marketing strategies, this requires for the customer to be able to interact with the marketer to some extent and logically the internet has enabled this interaction to be more and more extensive, allowing customers to "build" products that may almost exactly meet all their requirements.

## **6.2 Product or Service Positioning**

The concept of Product Positioning can also be applied in any case to a service as well. It aims at describing and marketing the offered products or services in a way that results appealing to customers and gives the perception that the specific product offered by the company is in some way unique and differentiated from that of the competitors. The same product or service may be marketed in different ways, emphasizing different aspect of the goods, depending on the target market it is aimed at.

## **7 Different Views on Approaching the Spanish Market**

The main aim of the thesis was to begin with, obtain a first-hand opinion and response from Spanish companies operating internationally and see if they would eventually be interested in a cooperation with InnoConnections in order to approach the market of Finland and the Nordic countries. However, due to the lack of response from the actual companies, the final focus of the thesis is

to provide some different views and suggestions on how to try to contact these or other Spanish firms in the future, in order to hopefully at least get some kind of response on which further work can be based on.

Due to the current economic situation in this country, the general attitude of all companies is to be very cautious. Companies which already operate internationally have clear contacts to their target countries and are hesitant to look into any other option, as this would mean facing uncertainty of the level of trustworthiness of the information obtained.

On the other hand, companies that do not export, or that only export to specific countries due to higher demand for example, are not willing to take on any further risk. Deciding to export to a new country would mean having to make an initial investment in research and information gathering, and not being able to have certainty that this investment would then generate sufficient income to cover the costs of this initial investment and turn into a profit.

This overly cautious attitude on the companies' part is certainly understandable, as budgets are restricted and profits are not as high as in previous decades so any excess expense must be cut out if possible. Also, there are unfortunately a number of organizations which use this situation to their advantage and approach companies with scams and dishonest services through which they promise help or ways to increase business but then end up looking for private information and ways to steal from companies. This increases the level of cautiousness even further.

Although internationalization is promoted to some extent in Spain through the Chamber of Commerce and other entities, in my opinion these project could be developed so that each individual company could get a clear and truthful view on the aspects and possibilities of exporting and what areas would be more beneficial in terms of export to each individual producer.

As a general trend, those companies which have been operating internationally for a number of years are more successful than the ones that are based only on local territory. I think this is mainly due to the fact that exporting serves as an

alternative source of income so that the lack of demand that occurs internally in the country can at least partially be substituted with demand in other areas.

For the commissioner of the thesis, InnoConnections, there are various ways that the organization may approach companies based in Madrid, one of them being in this case having a person who speaks Spanish contact the companies directly by phone or e-mail and trying to get answers to questions regarding their level of interest in a collaboration. This method however had no success at all, as not even one company was willing to answer questions about a possible collaboration.

I think it is important that a local entity informs companies of the possibilities of offering products or services abroad. This would in some way represent a higher level of trust and having it physically closer to the company would make it easier to send a representative to the location and personally discuss information. This is much more difficult if trying to do it from another country as in Spanish culture face-to-face communication and interaction is highly valued.



## Conclusions

Having researched and analysed the material gathered and all the information available, the main conclusion I have reached is that at the moment the Spanish market is in a very delicate situation and that it is risky for a foreign company to enter it, also on the other hand it is also risky for a Spanish company to step out of their “comfort zone” and enter a new market like the Finnish one for example. A company like InnoConnections would need to first of all establish a relationship of confidence and trust before they could begin looking at options for a Spanish company entering the Nordic market.

It is also true that the Nordic countries' economy, being more stable, can be beneficial to countries like Spain selling their products, but an “intermediary” like InnoConnections must stress the advantages of it and make sure there is enough information given to the client before they actually begin any agreement. This is also important as it comes from a more cultural aspect of business. There is a quite significant difference between the Nordic and Mediterranean cultures, which needs to be adapted to in order to make the best agreements possible for both sides.

In my opinion, the Nordic way of approaching a possible customer is slightly too direct, whereas the Spanish for example do not appreciate such direct enquiries as to for example asking if they are interested in this kind of services. This I have realised through making numerous calls to Spanish businesses on behalf of InnoConnections, and when having explained the services offered they did not seem interested, without giving any specific reason. This may be a result of a too direct form of contact such as the telephone call, it would maybe be necessary to first install some kind of relationship or even more importantly to have some contact within the organization in order to make your company somewhat “familiar” to the client and therefore more trustworthy.

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