

Target Market Selection Process for a Software Company

Case: SuperApp Oy

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ABSTRACT

Digitalization is one of the main contributors in the growth of the IT industry. The growth is particularly visible in the software sector which has become one of the fastest developing industries in the world. In Finland, it can be seen in the success of firms such as Supercell and Rovio in the mobile gaming sector. Finland is known for its technological development, which is a good starting point for exporting the Finnish know-how to global markets. That is the core theme of the thesis.

The main objective of the study is to assist the management of the case company, a Finnish software start-up SuperApp Oy, to determine the most potential foreign market to enter. The study is designed as an international market selection process for the case company, adapting distinguished theories of internationalization and target market decision process. Essentially, the aim of the international market selection process is to determine the most potential foreign market considering criteria such as cultural factors, demand potential and the intensity of competition.

More closely, the thesis consists of theoretical part which addresses all the relevant theories concerning the following empirical part, the target market selection process. In addition, an internal analysis of the case company SuperApp Oy is provided in order to add value to the empirical part as a whole.

The results of the research indicate that the most potential foreign market for the case company to enter is the United Kingdom. This conclusion was reached by screening process which assisted in eliminating less potential markets.

Key Words: Digitalization, internationalization, market selection, software

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TIIVISTELMÄ

Digitalisaatio on edistänyt koko teknologiateollisuuden kasvua, etenkin ohjelmistoalan, josta on tullut yksi nopeiten kehittyvistä teollisuudenaloista maailmassa. Suomessa kasvu näkyy peliteollisuuden toimijoiden, kuten Supercell ja Rovio, menestyksessä. Suomi tunnetaan teknologisesti kehittyneenä maana, mikä on hyvä lähtökohta suomalaisen osaamisen viennille globaaleille markkinoille. Tämä on opinnäytetyön keskeinen teema.

Työn päätavoite on auttaa case-yritys SuperApp Oy:n päättäjiä määrittämään potentiaalisin kohdemarkkina ulkomailla. Opinnäytetyö on suunniteltu prosessiksi, jonka lopputulema on kohdemaan yrityksen liiketoiminnan laajentamiseksi. Prosessi, jonka tavoitteena on valita SuperApp Oy:n kannalta sopivin kohdemarkkina, soveltaa tunnettuja teorioita kansainvälistymisestä sekä kohdemarkkinan valinnasta. Valintakriteereinä tutkimuksessa käytetään tekijöitä, jotka liittyvät kultuuriin, kysyntään ja kilpailutilanteeseen.

Opinnäytetyö koostuu teoriaosuudesta joka käsittelee empiirisen osuuden kannalta relevantteja teorioita. Yritysanalyysi case-yrityksestä esitetään tämän lisäksi tuomaan lisäarvoa tutkivaan osaan.

Tutkimustulokset osoittavat, että potentiaalisin kohdemarkkina SuperApp Oy:lle ulkomailla on Britannia. Tähän lopputulokseen päädyttiin seulontaprosessin avulla joka auttoi eliminoimaan vähemmän potentiaaliset markkina-alueet.

Asiasanat: Digitalisaatio, kansainvälistyminen, kohdemarkkinan valinta ohjelmisto

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1 INTRODUCTION

This chapter aims to introduce the reader the background of the thesis, the research approach, strategy and problem. It will be followed by a presentation of the data collection- and research methods used in this thesis. Finally, the chapter introduces the reader the theoretical framework applied in the thesis, as well as the structure of the study.

1.1 Research background

History

There are various reasons Finland is known of its technological development. The first GSM network was launched in Finland 1991. Two years later, the first person-to-person SMS message was sent in Finland. In 1998, the first downloadable content, a ring tone, was launched in Finland. Primitive versions of mobile payments for vending machines and parking were initially tested in Finland and Sweden, but the first commercially produced version was launched in Norway back in 1999. (Kettunen & Paukku 2014, 91-105.) The core theme of this thesis after all, is exporting the Finnish expertise to foreign markets.

The software industry has been growing since the first mass-produced computers by IBM were sold in early 1960's, and will continue growing as industries keep digitalizing. In the mid 1970's, with the rise of the personal computer, PC, the software industry expanded greatly. As PC's found their way into offices and homes worldwide, the demand for games and applications for PC's grew significantly. (Laudon & Traver 2012, 105-106.)

The internet expanded from 1990 onwards (Laudon & Traver 2012, 106). PC's became more advanced, and so did mobile phones. The transition from second generation mobile systems (2G) to third generation mobile systems (3G) in the beginning of the 21st century marked the spot for the success of mobile software industry. 3G technologies allowed us to transmit data significantly faster than before. In practise, this meant that video calling, fast web-surfing, online tv, high definition video watching and

gaming online were made possible on mobile devices. (Qualcomm 2014.) As 3G technologies emerged, it brought along smartphones. By the end of the year 2015, there were 2,5 billion smartphone users worldwide. (KPCB 2016.)

Present

In 2010, the app, *application software*, was selected as a word of the year by the American Dialect Society (ADS 2011). Apps are used on smartphones by individuals for entertainment, education or simply to make their lives easier. Pre-installed software such as web browsers, calendars, and email clients are apps, where giants Facebook and Twitter are. The digital economy influences major sectors in the world economy such as retail, transportation, healthcare, and education. Unconventional solutions in the software market are changing the way companies work, interact with the market, and in general, do business. (OECD 2015.)

Companies have started to cash in the potential of mobile applications. Promotional apps such as campaign games have become a part of firms' marketing strategies, ways for bringing in customers. (Burke 2014, 6.) Another way companies use mobile applications nowadays are solutions designed to use inside the organization. Storing company documents, social collaboration between teams and for example an employee helpdesk can all be built in an app. (Wood 2014.) However, companies rarely have the resources nor the knowledge to develop such apps in-house. When they come across a problem like this, they turn to a digital agency. Digital- or advertising agencies have technological competence, yet, what they might not have is specific knowledge for building that particular application. Digital agencies usually have a network of technical partners, who are able to execute technologically specific requests and provide assistance when the agency cannot handle all the orders coming in. (Lappi 2016.)

The software industry is constantly creating new types of markets. Innovators have shown that the range of new products and services in the

industry is almost endless. New solutions emerge constantly through R&D which shortens product life-cycles; firms are continuously set to develop better technologies and ways of working. (Äijö, Kuivalainen, Saarenketo, Lindqvist & Hanninen 2005.)

The research

Preliminary research concerning the home market environment of the company has been conducted. The results indicate that the home market of the case company is reaching the point of saturation. Additional acquisition of domestic customers and forming profitable partnerships has become increasingly challenging. Given the fact that digitalization of industries is a trend in an increasing manner, saturation of the domestic market may not be the most crucial reason for the company to internationalize. There is a great potential to be exploited in the international market, which is an opportunity the company recognizes. The products the case company offers are delivered digitally, which is a factor that minimizes the initial cost of exporting abroad.

It is advised that SuperApp Oy initiates the process of expanding its operations to foreign markets. Preliminary contacting of potential clients in foreign markets has already been started, as well as tentative research on working with subcontractors abroad. Adding to that, the company has previously introduced some of their own products to the international markets, but have not had significant success yet. The company needs to increase its sales revenues and expand in order to meet operational goals set by the management.

1.2 Thesis objectives, research questions and limitations

The main objective of this thesis is to research and select potential target market areas outside Finland for the case company SuperApp Oy to enter. Market potential and threats, as well as competitors in those markets will be analysed. Based on the market analyses and the selection process, a target country will be recommended.

There is one main research question that arises from the objective of the thesis. The answers to the research question are expected to make the decision making regarding market selection easier for the case company in the future.

The emerging research question and the sub-questions are as follows:

1. What is the most potential target market for the case company to enter?
 - a. What are the prospects of the case company in terms of internationalization?
 - b. What criteria should be considered in the screening process of potential market?

Limitations

As stated above, the purpose of this study is to research and select the most potential target market for the case company. The author of this thesis, in co-operation with the management of SuperApp Oy, has decided that the starting point of the research is that the company has already initiated the internationalization process. By initiated the author refers to previous studies made in the company which indicate that the company is reaching the point where it is ready to internationalize. It is recognized by the author that there is significant theory published on the subject of internationalization. Although, what is relevant to this thesis is presenting only the key information on the topic for the purpose of creating basis for the market selection process itself.

Hollensen's (2011) five stage decision model, the primary reference of the study, consists of five steps from which only the first and second one are relevant for this thesis. The step three: Market entry strategies, the step four: Designing the global marketing programme and the final step: Implementation are irrelevant to this thesis which is why they will not be addressed. However, the author realizes that the three steps excluded from this study make a significant further research in the future.

In order to keep the content compact and reader friendly, the author intentionally does not present all the theories and information regarding each topic. Only relevant theory to the objectives of this thesis will be introduced. More comprehensive research on internationalization- and market research theories is advised when conducting further research on the subject.

1.3 Theoretical framework

The research in the thesis primarily consists of international target market selection process which requires marketing research in a global context. As a marketing research, the paper takes into consideration all the internal and external factors that have an effect on the internationalization process of the case company.

For the theoretical part, the author has chosen Hollesen's *Global marketing: a decision oriented approach* as the primary reference. The paper's theoretical framework will adapt mainly the ideas and theories presented in Hollensen's (2011) study, yet a variety of other analysing methods and tools by other distinguished international business professionals will be used.

The theoretical part starts with vital concepts concerning this study: Internationalization approaches, and the five stage decision model by Hollensen. Other theories explained in the theoretical part include market analyses, global marketing research and international market selection process. The final concept addressed is the market screening model. The purpose of introducing such concepts is to build basis on the empirical part, the research. Figure 1 illustrates the main theoretical framework of the thesis.

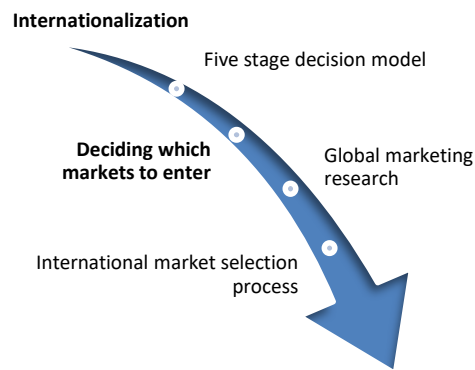


FIGURE 1. Theoretical framework.

Figure 1 illustrates the theoretical framework the thesis is based on. The theories presented start from more general; internationalization, and narrow down towards the core theory, international market selection process.

1.4 Research methodology and data collection

The two broad methods researchers often refer to are inductive and deductive reasoning. Figure 2 summarizes deductive and inductive reasoning.

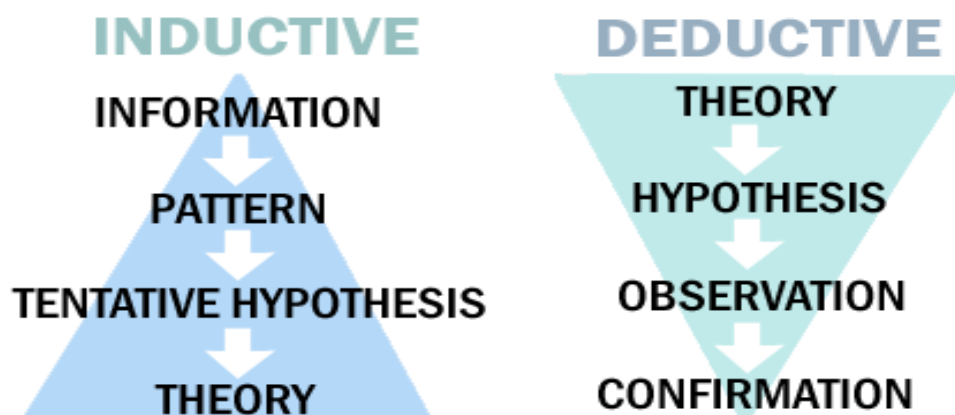


FIGURE 2. Deductive vs. inductive reasoning (Adapted from Saunders, Lewis & Thornhill 2012, 48)

In brief, inductive reasoning moves from specific findings into broader theories, deductive vice versa. This thesis is based on deductive reasoning. It will begin with the theoretical framework conforming Hollesen's theories, and step by step narrowing towards a specific conclusion of which foreign market the case company should choose for entering in the future. (Davies, 2007, 235.) Both of the methods are visualized in Figure 2.

When carrying out a research into behaviour patterns of people, there are two distinct paths to choose from. Both of the different paths require the same research skills, but not in the same particular order. The paths are usually referred to as qualitative and quantitative research. (Davies 2007, 9-10.)

Quantitative research is conducted to answer questions through scientific procedures. The sample size in a research of that nature needs to be rather big in order to produce more reliable numerical data, statistics. The other way of doing research, qualitative, is mainly exploratory research. It provides the researcher insights into the problem and helps in developing a broader hypothesis. Although there is no guarantee that any research will produce completely accurate data, but scientific procedures are more likely to accomplish that. (Davies 2007, 9-10.)

Data collection

The data used is based mainly on secondary data which is collected by studying published material, books, articles, studies and statistics by governments, research faculties and the case company SuperApp Oy. However, primary data will be generated through ongoing dialogue between the author and the management of the case company as well as the author's own observations and studies conducted during the internship spent working for the case company. Therefore, the qualitative data used to conduct the research is collected mainly by ongoing dialogue and from

the observations made. Quantitative data is collected from published statistics and later analysed.

1.5 Thesis structure

Broadly, this thesis consists of two parts, the theoretical part and the empirical part. The theoretical part is divided in two: internationalization strategies and deciding which markets to enter. Figure 3 illustrates the structure of the thesis.

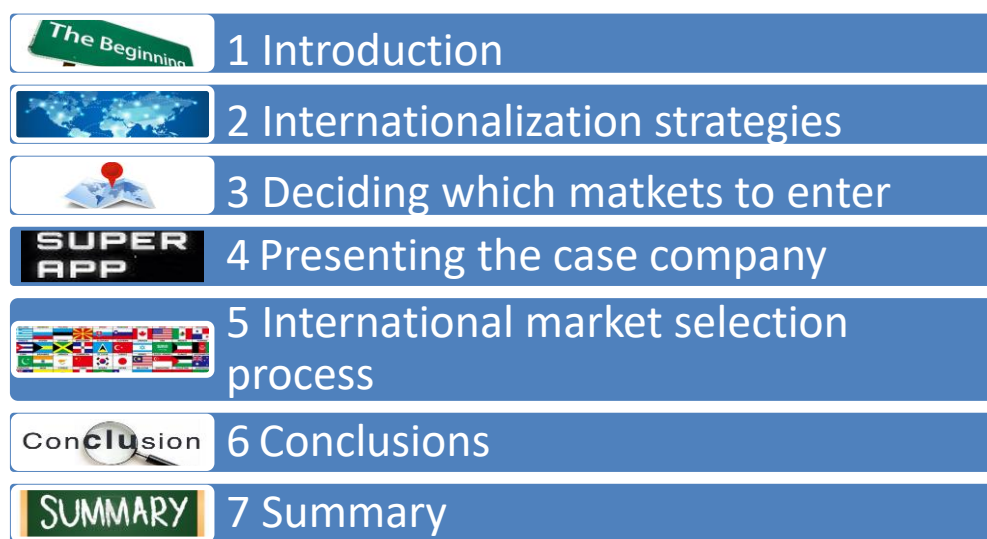


FIGURE 3. Thesis structure

The theoretical part, chapters two and three, will include detailed versions of the theories and models applied in order to build basis on the actual research.

The empirical part will be processed in chapters four to five. The current state and internal matters of the case company will be evaluated in chapter four, the main theme being company's readiness for internationalization. This is followed by chapter five, which presents the research of potential international target market for SuperApp Oy. The author, in co-operation with the management of the case company, has come to the conclusion that the outcome of the market selection process will be a key finding regarding the future of the company.

2 INTERNATIONALIZATION

In his best-selling book, "The world is flat", an American journalist and author Thomas Loren Friedman addresses globalization. It is true that most of us are almost excessively familiar with the concept, yet the metaphor the title of the book offers, is apt. Friedman, the New York Times columnist, and a three-time Pulitzer Prize winner describes the world as a level market for businesses where everyone has an equal opportunity to compete. Due to the rapid flow of information, factors of work and capital, there is no permanent geographic centre of the world anymore. (Friedman 2005, 3-4; Bradley 2002, 8.)

The possibility, even necessity, of increased sales, reducing labor costs, and the saturation of domestic market are reactive reasons Small and Medium-sized Enterprises (SME) decide to internationalize. More proactive reasons to include internationalization into competitive strategy are for example utilizing growing and developing markets, allocating activities in the value chain into more competitive regions, or capitalize on economies of scale. (Forbes 2015.) Bradley (2002,11) suggests two more reasons why companies internationalize: they receive requests from potential foreign customers, or, a firm simply chooses to follow the competitors abroad.

On the other hand, while global trade is growing, the competition is inevitably intensifying. As companies see their domestic market reaching the point of saturation, they are constantly looking to expand into new, foreign markets. In reality there are only a few industries that are safe from foreign competition. By delaying the internationalization process, companies put themselves in danger of missing out the business potential of developing and growing markets. (Kotler & Armstrong 2010, 588; Bradley 2002, 146.)

Internationalization brings great opportunities but also great risks. However, in the long run it is probably more risky not to internationalize at all. (Forbes 2015.)

SME's often lack financial resources and international experience, and as a result, the success of the internationalization process highly depends on the international market research conducted (Hollensen 2011, 12; Bradley 2002, 3). The author will use Hollensen's approach to market selection process as the primary reference for this thesis as it has been broadly applied into real businesses worldwide. Although the case company aims to enter B2B (business to business) markets instead of B2C (business to consumer), the management of the company, along with the author of this paper find Hollensen's model highly applicable to the international strategy of the company. Due to the field the case company is operating, some adaptations to Hollensen's approach will be made. In order to add value to the theoretical part of the thesis, the author will use a variety of other recognized sources regarding the research to converse with the primary reference.

Internationalization theories

The following paragraphs of this thesis will introduce the reader some of the most distinguished theories related to the subject of internationalization. Although the starting point of this thesis is that the decision to internationalize has already been made in the company, some key approaches to the subject of internationalization need to be presented in order to form a clearer understanding for the reader.

This study focuses on selecting the target markets to enter for the case company SuperApp Oy. The author of this thesis recommends further research on the subject of entry modes to foreign markets which are not addressed in detail in this study. The purpose of introducing internationalization strategies is to build basis on the international market selection process which is the key topic of this study. The theories on the topic of internationalization chosen to be presented in this chapter have the most relevance to this particular study in the opinion of the author.

In the following chapter, three general internationalization strategies, *Waterfall*, *Sprinkler* and *Wave* approach will be presented.

2.1 Waterfall-, sprinkler- and wave strategy

A key decision a company initiating an internationalization process has to consider is whether to enter foreign markets one at a time or simultaneously. The strategy selected depends on the industry and the qualifications of the company. There are three general strategies to choose from: Waterfall, sprinkler and the combination of the first two, wave. (Keegan 2014, 234; Kotler & Keller 2009, 640.) The three strategies are introduced to the reader in the thesis in order to clarify the decisions the case company has to make in its internationalization process. Figure 4 is presented to illustrate the three strategies.

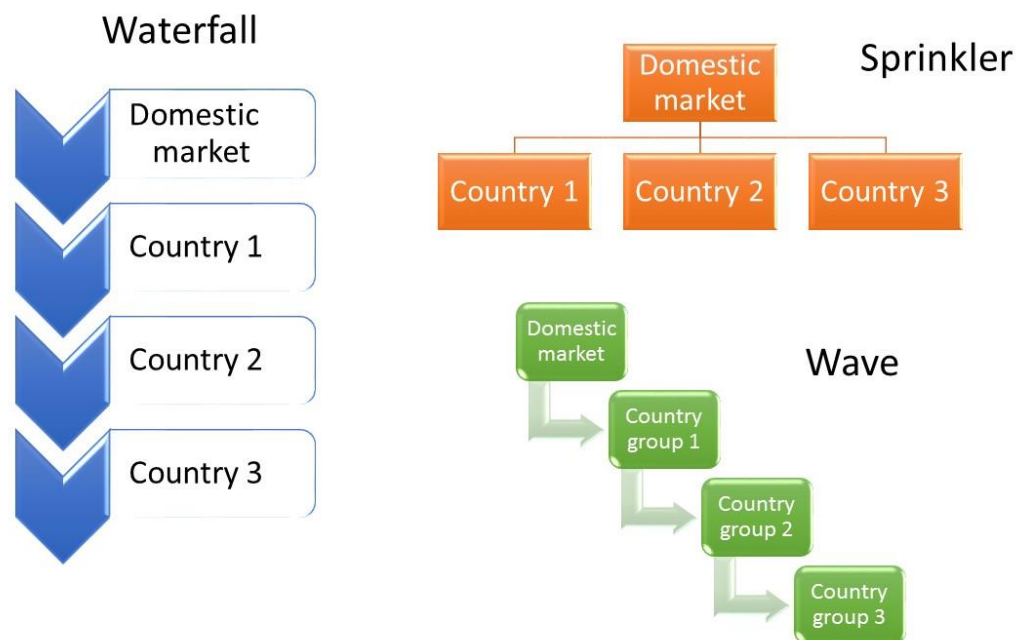


FIGURE 4. Waterfall-, sprinkler-, and wave strategies (Adapted from Lymbersky 2010, 59-62)

The Figure 4 presents three different internationalization strategies, each of which have its own characteristics. The three will be discussed in detail in the following paragraphs.

Waterfall strategy

According to waterfall strategy, market experience is first gained in the domestic market before moving to foreign markets. Foreign operations are started from a country with low physical- and cultural distance, only gradually moving towards more distant markets. By initially focusing on the home market and step by step expanding to foreign markets through increase in market commitment minimizes the risk. Simply exporting company's excessive production capacity by selling abroad does not require large investment in comparison to setting up production abroad. In case the export market gives positive reactions, it is less risky to set up a sales office or production in that particular market. This is quite likely the most common entry approach for small firms when initiating internationalization simply because the risk is rather small. (Onkvisit & Shaw 2009, 299; Vahlne & Johanson 2013, 195; Lymbersky 2010, 59).

While the waterfall approach to internationalization of a firm is widely applied by businesses, the criticism cannot be bypassed. Focusing on one market at a time may cause revenue loss, as there could be a corresponding- or even higher market potential somewhere else. Waterfall strategy is not always optimal as the desire to keep international operations simple, alongside with a non-diversified product, possess the threat of making company's marketing strategy unresponsive. (Lymbersky 2010, 59.)

Sprinkler strategy

This approach suggests new markets are to be entered simultaneously. Although it is often viewed as a riskier strategy, it is supposedly more suitable for products with shorter life-cycle. Such products include e.g. technological products as solutions and applications are constantly replaced with improved ones. As markets are entered simultaneously, the knowledge acquired from market responses could be limited to only certain markets depending on the scale of the markets entered. This often

results in market data and experience that cannot be used in the other markets. (Kotler & Keller 2009, 640-641; Lymbersky 2010, 60.)

Although this approach requires a higher level of risk-taking, global competition, especially in the field where the case company operates, pushes companies towards sprinkler strategy (Kotler & Keller 2009, 640; Vlerick Business School 2010).

According to Lymbersky (2010, 60), entering multiple markets at the same time is likely to result in higher volume of sales in contrast to entering only one market at a time. In addition to maximising sales, it is possible to achieve competitive advantage in multiple markets at the same time. On the other hand, implementing sprinkler strategy requires increasing personnel- and financial resources in the short term. Furthermore, if the market entries are unsuccessful, it is likely to result in major financial losses.

In the service industry, especially in the field SuperApp Oy operates, technology, the importance of geographical processes and presence can be reduced. Due to fast flow of information, 'here and now trade' is an increasingly recognized form of doing business given the fact that the technology is put in place together by skilled people. In their study concerning Internationalization of software businesses (2005), Äijö et al. have made a key remark according to which Finnish software firms often start their operations by providing Finnish customers with tailor made software. The internationalization process of a software firm often starts as a result of restructuring of a business, or developing a new software that has demand in the international market.

Wave theory

A combination of the two strategies presented earlier is called Wave strategy. The theory suggests that at first, key markets with similar characteristics are entered simultaneously. If the first foreign market entry, the first wave, is successful, the company applies a second wave towards more culturally and physically distant markets. After the second wave, the

third selection of target markets is significantly different from the domestic market of the company. The logic behind entering countries gradually is that the expansion can be supported with the returns of the previous expansion. The wave strategy mirrors the waterfall approach, and like in the latter, the manner of expanding gradually is always a learning process for the company. (Lymbersky 2010, 62.)

2.2 Five-stage decision model in global marketing

Hollensen (2011) introduces the reader a five-stage model, a process which aims to develop a global marketing plan. Figure 5 illustrates the five stages in the global marketing process and highlights the importance of the steps one and two.



FIGURE 5. The five-stage decision model in global marketing (Adapted from Hollensen 2011, 7)

In his study, Hollensen has a decision oriented approach which is structured along to the five major decisions marketing staff face in connection with the global marketing process. A firm's competitiveness

globally is highly dependent on the end result of the global marketing plan which the five stages represent. The core purpose of the global marketing plan is to generate competitive advantages for the firm. (Hollensen 2011, 174.)

Application of the model in this thesis

The following chapter aims to explain how the Hollensen's five-stage model will be applied in this thesis. Although the decision model consists of five steps, only the first two will be introduced in the study. The study aims to answer the question which markets the case company should enter. Therefore, the final three stages starting from market entry strategies should only be addressed in further research.

Stage 1 – 'The decision whether to internationalize' aims to help companies to assess their readiness for internationalization. It consists of two core elements: analysing their own position in the market and comparing it with that of their competitors. The first stage of the decision model offers internationalization theories, tools for developing the company's international competitiveness, as well as analyses regarding firm's global competitiveness. (Hollensen 2011, 6.)

Stage 2 – 'Deciding which markets to enter' introduces the reader to the principles of global marketing research. The key learning outcome in this stage is that global marketing research should be linked to the decision making process of the management of the firm. The decisions concerning entering new markets in SME's are often done after only a simple assessment of the situation rather than a proper analysis, which may result in a failure in the internationalization process. In addition to the global marketing research, this stage highlights analysing the political, economic, and sociocultural environment regarding entering new markets. (Hollensen 2011, 174.)

Another fundamental part of the stage 2 is the international market selection process which is the main theme of this thesis. Understanding the selection process is important because it can be a major determinant

of success and failure in a company's internationalization process. The decision highly affects the nature of global marketing programmes applied in the chosen countries. This stage presents a systematic approach to international market selection. (Hollensen 2011, 261.) In the following chapter, the author introduces the reader the main theories regarding target market selection process. Also, the most relevant market analysing tools concerning the study are presented.

3 DECIDING WHICH MARKETS TO ENTER

An initial decision a company has to make when entering foreign markets relate to its international marketing policies and objectives. What volume of foreign sales is targeted? Majority of companies start small and aim to increase the proportion of foreign sales in a composed manner. Some firms make a calculated choice to keep foreign sales as a smaller part of the business, yet other businesses may see international sales as equal or even more important than domestic sales. (Kotler & Armstrong 2010, 588; Keegan 2014, 234.)

Another important question is how many markets the company wants to enter and how fast it wants to expand as operating in too many markets too soon could result in a failure in the internationalization process. Having to act in too many different kinds of markets at the same time has the potential to cause adversity as the market knowledge per market could end up being too thin. Vice versa, focusing in too few markets could mean wasted opportunities and revenue loss. (Kotler & Keller 2009, 640; Vlerick Business School 2010; Kotler & Armstrong 2010, 588; Bradley 2002, 146.)

Third important decision is what types on markets to enter. A market's attractiveness depends on factors such as the product's suitability to the market, geographical- and cultural distance, general income, population and political climate among with many others. One matter businesses deciding target markets have to consider are the emerging markets that offer tempting challenges. (Kotler & Armstrong 2010, 588; Keegan 2014, 234.)

The following chapters concentrate on main theories, information and processes that ultimately result in a priority list of target markets or single market to enter which is the main outcome of this study.

3.1 Market analyses

The international marketplace and customer needs and wants is an ever-changing, complex environment. Actors that work with or against the

company in the market include customers, suppliers, competitors and the public. Environmental forces such as economic, demographic, natural, political, cultural and technological forces present marketing opportunities but on the contrary, pose threats. In order to build strong marketing strategies, understanding the environment in which marketing operates is vital. (Bradley 2002, 3.)

Decision makers in the company need to be opportunity seekers as well as environmental trend trackers. Being aware of the marketing environment has a significant effect on the ability to build and maintain relationships with the target customers as well as the existing customer base. Market analyses and -research are ways for marketers to gain information about the marketing environment around them. By studying the environment closely, strategies can be adapted to the market to meet customer demands alongside market opportunities and threats. The marketing environment consists of microenvironmental and macroenvironmental forces, internal and external respectively. Hence, marketing analyses can be divided generally in two. Analysing the internal factors, e.g. the company itself, competitors and customers, and the external factors such as demographic, cultural and economical factors. (Kotler & Armstrong 2010, 582-583; Keegan 2014, 58-59.)

Internal analysis

Conducting internal analyses is vital for a company regardless of the desire of going international. A detailed analysis concerning company's internal strengths and weaknesses should give a firm a sense of its core competencies and desirable improvements. The goal of internal analysis is to help a business to meet the requirements of potential customers in their target markets. (Business Dictionary 2016.)

Internal analysis examines company's resources that are available for carrying out work activities and processes relative to its goals and objectives. These resources include financial, human and intangible resources and physical assets. In order for company to get the maximal

value out of them, they must be processed. The key question regarding the performance of a company is how effectively it is able to transform those resources, inputs, into products and services, outputs. (Trinity Web Works 2014.) In the thesis, the primary business analysing tool used will be McKinsey's 7S analysis.

Thomas J. Peters and Robert H. Waterman, former employees of a reputable management-consulting firm McKinsey & Company, introduced this framework in the late 1970s. The framework can be described as a watershed, because it changed how people think about organizational effectiveness. In their book, *In Search of Excellence*, the two consultants describe the framework as a constellation of interrelated factors that have an effect on organizations' ability to change. There is no hierarchy between the factors which suggests that a great progress in one part of the factors cannot be reached without working on the others. A change in one affects each of the others. (Kotler & Keller 2009, 95.) In the framework there are seven factors all of which start with the letter "s". The factors are divided in two, soft factors and hard factors. Hard factors form the top of the figure: strategy, structure and systems. Shared values, which is the center of the constellation, style, staff and skills are considered soft factors. Figure 6 illustrates the 7S framework

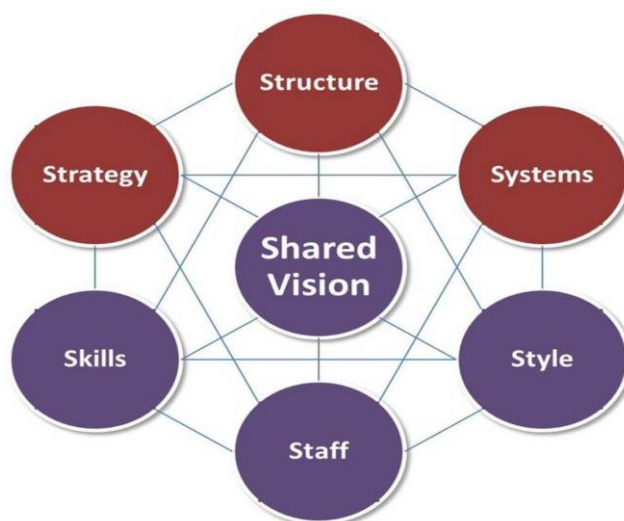


FIGURE 6. McKinsey 7S framework (adapted from McKinsey&Company 2008)

The purpose of using the 7S framework in this thesis, for its part, is to assist the reader to understand all the vital elements of the case company. Analyzing the case company with 7S framework provides the managers a beneficial summary of the current position of the organization. It provides the directors assistance in implementing change in the organization and reaching its goals when entering a foreign market.

External analysis

An organization must observe key macroenvironment forces and significant microenvironment factors that have an influence to its profit-making ability. Where internal analysis focuses on internal factors, strengths and weaknesses, external analysis assesses opportunities and threats in the market. Macroenvironment forces are external and uncontrollable factors that affect firm's decision making, performance and strategies. These forces include: demographics, legal, political, and social conditions, technological changes and the forces of nature.

Microenvironment factors occur closer to the organization. These include: the general public, customers, suppliers, competitors and distribution channels. (Business Dictionary 2016.)

3.2 Global marketing research

Because of globalization, the world has increasingly become a level market for businesses to compete as stated earlier. However, cultural differences of people and companies, as well as differences on how markets in opposite sides of the planet behave, are still there. In their book *World business cultures: A handbook* (2014, 15), Tomalin & Nicks state that the majority of business people who have doubted the importance of culture in business have learned the hard way. Although it has become more convenient to do business abroad thanks to free trade zones and the rapidity in the flow of information, differences in ways of working are evident. Policies towards deadlines, quality control and management vary depending on the area where business is conducted. That is why in

international marketing, research done in one area does not necessarily apply to the other areas of the world. (Tomalin & Nicks, 15-17.)

Developing a successful international marketing strategy comes down to collecting relevant data. It is increasingly important to gather information of competitors, customers and market environment in foreign markets as they grow more complex and diverse (Tomalin & Nicks 2014, 16). In comparison to researcher observing one market, an international researcher has to gather information on a variety of markets that may differ considerably from each other. (Hollensen 2011, 174.)

In this study, the main tasks for global marketing research concerning deciding which markets to enter are divided in two: The political and economic environment and the sociocultural environment. This is also the approach Hollensen (2011) chooses in his theory on conducting global market research.

3.2.1 The political and economic environment

From economic environment towards local competition

According to Kotler & Armstrong (2010, 582) country's attractiveness is reflected by two economic factors: industrial structure and its income distribution. Industrial structures which influence product- and service needs are as follows:

- 1) *Subsistence economies*: the majority of people work in the field of agriculture, most of the output is consumed in order to survive. Such economy is not based on money, which makes it a very primitive version of an economy. Only few, if any market opportunities exist.
- 2) *Raw material exporting economies*: Rich in one or more natural resources, yet poor in numerous other ways. Most of the revenue is generated through exporting a particular raw material. These types of markets are potential for businesses exporting large equipment, tools, supplies and trucks used in primary production of goods.

Saudi Arabia is an example of a raw material exporting economy as Oil represents 76% of its total export. (OEC 2014.)

3) *Industrializing economies*: Economies where manufacturing accounts for 10 to 20 percent of the country's economy.

Industrializing often creates a growing middle class as well as a new rich class, and a demand of new types of imported products such as steel and heavy machinery. Brazil is an example of industrializing economy.

4) *Industrial economies*: Such economies are the main exporters of manufactured goods and services. These types of economies are potential for the market of all sorts of goods which is due to the high living standard of people.

The other major economic factor to consider when ranking potential target markets in an order is the income distribution. In industrial economies, income is distributed relatively equally. Such economies have a large middle class, with no significant amount of very low-, or extremely high-income households. On the other hand, in subsistence economies like some developing countries and areas in Africa, the majority of households are living with very low family incomes and have a very limited access to technologies available in comparison to people living in industrial economies. (Kotler & Armstrong 2010, 582-583.)

The degree of technological advancement correlates with income distribution and could easily be made the basis for segmentation of potential markets. Technological advancement can be measured by studying statistics on e.g. internet access, smartphone usage and technologies companies use. For instance, a software company planning to enter foreign markets should target markets with a high level of technology among businesses and consumers. It may not be beneficial for such company to enter a market where internet access or smartphone usage per 1000 inhabitants is below the criteria selected (Hollensen 2011, 265-266).

When potential markets are ranked according to economic factors, the degree of local competition in such markets should be examined. By studying public data and statistics governments and research faculties publish, accurate and up-to-date data can be gathered concerning the level of competition in the market. (Hollensen 2011, 263-264.) The author of the thesis has chosen to use mostly secondary data as gathering primary data on potential markets abroad in most cases is beyond the resources available for the research.

Political-legal environments

As countries differ in cultural aspects, they do in their political-legal environments. Country's attitudes and policies towards e.g. government bureaucracy, international buying and monetary regulations are all factors to consider when aiming to do business in a foreign market. (Kotler & Armstrong 2010, 583); Bradley 2002, 130.)

Change in leadership has an effect on government's attitude towards foreign companies in a country. The impact of a change in the political situation can be dramatic in the short run which is something foreign firms should consider. (Onkvisit & Shaw 2009, 124.) Some nations such as Singapore and Thailand offer significant incentives to encourage foreign companies to invest in the market. On the contrary, India has tended to set import quotas, currency restrictions and other limitations in order to make foreign businesses less competitive. (Kotler & Armstrong 2010, 584.)

As for legal environment in general, there is no international law per se that specifies reasonable and legal behaviour of firms participating in international trade. Certainly some exceptions apply for certain international treaties. The problem is, national laws are often in conflict with each other, especially when politics are involved. (Onkvisit & Shaw 2009, 143.) For instance, monthly minimum wage varies widely even inside the EU: A French worker's monthly minimum wage is almost 1500€ whereas a worker in Bulgaria earns a minimum wage of a little over 200€

in a month making the country a tempting area to relocate production. (Trading economics 2016.)

Hollensen (2011, 265) states that potential markets can be segmented simply according to the degree of power the central government has. Major political risks exist in markets of a strong and unpredictable central government.

3.2.2 The sociocultural environment

Culture affects the reactions of consumers and businesses. Each has its own norms and ways of work, as well as communication style. Customs, behaviour, and within a population should be examined before entering a target market. Ignoring such differences could even lead to termination of business relations. (Kotler & Armstrong 2010, 584; Onkvisit & Shaw 2009, 183-184.)

Onkvisit & Shaw (2009, 184) state that culture dictates what kinds of behaviour is accepted in a society. Culture offers guidance for decision making, both, for individual consumers and businesses. For instance, decision makers in East Asian cultures are more willing to compromise in comparison to their North American counterparts.

Cultural distance

Potential target markets for the case company can be ranked according to the cultural distance they possess, which is why the author has chosen to introduce the topic in this thesis. It can be said that initially it would be easier for the case company to begin international operations in a market where the cultural distance is rather low. This is the approach the management of the case company has decided to take.

According to Kotler & Keller (2009, 645), companies' decisions are commonly determined by psychic proximity. For instance, rather than targeting the largest markets, many U.S. firms prefer to do business in countries such as Canada, Australia and the U.K. simply because they feel

more secure with the culture, language and laws. However, choosing target markets based on cultural distance is something firms should be cautious about. The most profitable market opportunities may exist in culturally distant, larger markets that can be entered given that they are analysed accordingly.

High- and low context cultures

The concept of high and low context cultures was introduced by an anthropologist Edward T. Hall in 1976. According to his study, cultures can be divided in two, high- and low context, considering different cultural orientations. Figure 7 summarizes high- and low context cultures.

Characteristic	Low context	High context
Communication	Direct	Indirect
Time consciousness	Time = money	Time = relationships
Family	Nuclear family	Extended family
Values	Independence	Group
Attitudes	Equality	Hierarchical, gender roles
Cognitive style	Linear	Simultaneous
Work habits	Task-oriented	Relationship-oriented

FIGURE 7. High and low context cultures (Adapted from Bradley 2002, 104)

The main differences the two cultures have, are related to the complexity of communication. Low-context cultures rely on spoken and written

language, communication is rather direct. On the contrary, high-context cultures use more elements that surround the message. The situations and cultural contexts where the message is communicated are very important. Considering the means of communication, low context cultures highlight the importance of verbal communication whereas high context cultures place more focus on the non-verbal communication. It has to be taken into consideration that geographical proximity does not always guarantee a similar approach to cross-cultural communication styles. For instance, when comparing mainland China with Hong Kong or Taiwan, differences can be identified. Where China, is considered a clear high-context culture, its eastern areas Hong Kong and Taiwan are distinctly more deal focused and direct. (Gesteland 2002, 38-40; Bradley 2002, 104-105.)

3.3 International market selection process

As stated earlier, the international market selection process is a key theme in this study. Selecting the most potential market to enter, especially in the early stages, is vital as it has the possibility of being a major determinant between failure and success (Bradley 2002, 146; Keegan 2014, 236). This chapter introduces the international market selection process for SME's used in the thesis. The theory used is primarily based on Hollensen's study of international market selection (2011) and does not take into consideration the market selection process for large-scale enterprises (LSE's) as it is not relevant for this study. The work of Hollensen's, as well as other professionals' regarding the subject, will be applied to the international market selection process of the case company.

The objective of this phase in the thesis is to form a relevant screening-down process that results in a most potential target market for the case company to enter. The author and the management of SuperApp Oy will choose the most important criteria to consider when selecting a target market.

International market selection of SME's

Hollensen (2011, 261) offers two broad approaches to international market selection of SME's.

- 1) *Through externally-driven decision:* Foreign opportunities provided by governments agencies, chambers of commerce and other change agents. In such cases, the firm looking to internationalize simply responds to an opportunity in a given market.
- 2) *Through an analysis based on following criteria:*
 - a. low psychic distance: similar approach to language, culture, political system, level of industrial development and education.
 - b. low geographic distance

The second approach reflects the Waterfall approach to internationalization; markets are entered from similar towards greater psychic and geographical distance. It is often the case that the choice is limited to neighbouring countries as both, psychic- and geographical distance, is low. It is likely that geographical proximity results in greater ease in gaining more accurate market information (Hollensen 2011, 261).

Some studies of internationalization, for instance one by Sylvest and Lindholm (1997), have shown that young SME's enter more distant markets significantly earlier than their older counterparts. Older SME's tend to rely on traditional step by step approach, whereas young SME's supported by international networks and competence of their management often leap some of the steps. (Sylvest & Lindholm 1997.)

Building basis for international market selection

There are several determinants a company has to consider when choosing potential foreign markets. Keegan (2014, 236-239) suggests that the main determinants are: political risk involved, market access limitations, factor costs, infrastructure of the country, factor costs and foreign exchange. Bradley (2002, 151) adds the level of economic development- and existing

business in the country, cultural factors and sales potential in the country. The author and the management of the case company have agreed to add technological advancement to the key determinants when choosing potential markets.

Some of the determinants consider the firm itself and others the market environment, therefore the determinants can be divided in two. Figure 8 illustrates the division between the determinants.

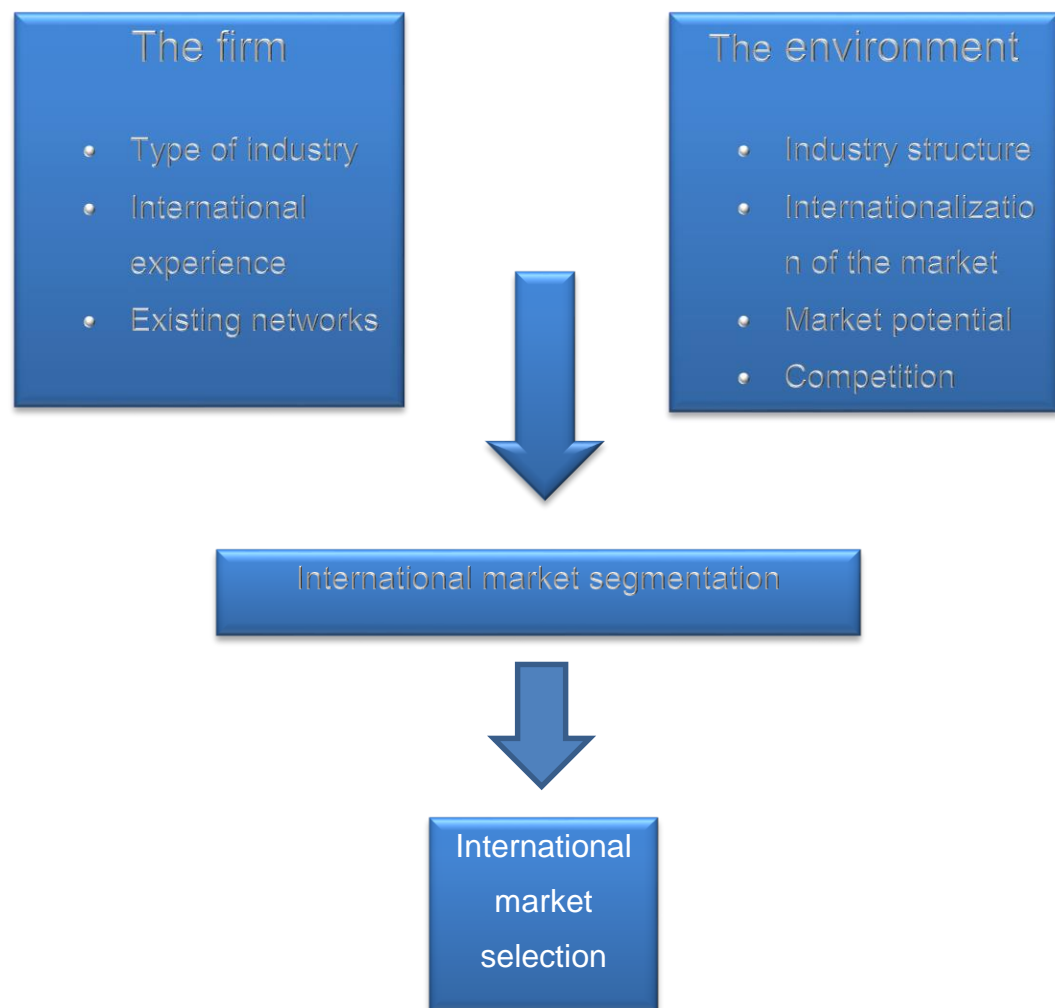


FIGURE 8. Possible determinants of the choice of potential markets
(Adapted from Hollensen 2012, 262)

The first determinant group, the firm, consists of internal resources, experience and knowledge the company possesses. Market environmental factors focus on the structure- and degree of internationalization of the market. Adding to that, it takes into consideration the host country market environment.

3.3.1 Market-screening model

Figure 8 presented how the basis for international market selection is built through potential determinants concerning the firm itself and the market environment surrounding it. International market segmentation in Figure 9 will now take a deeper look into the process of narrowing the choice of potential markets a company has.

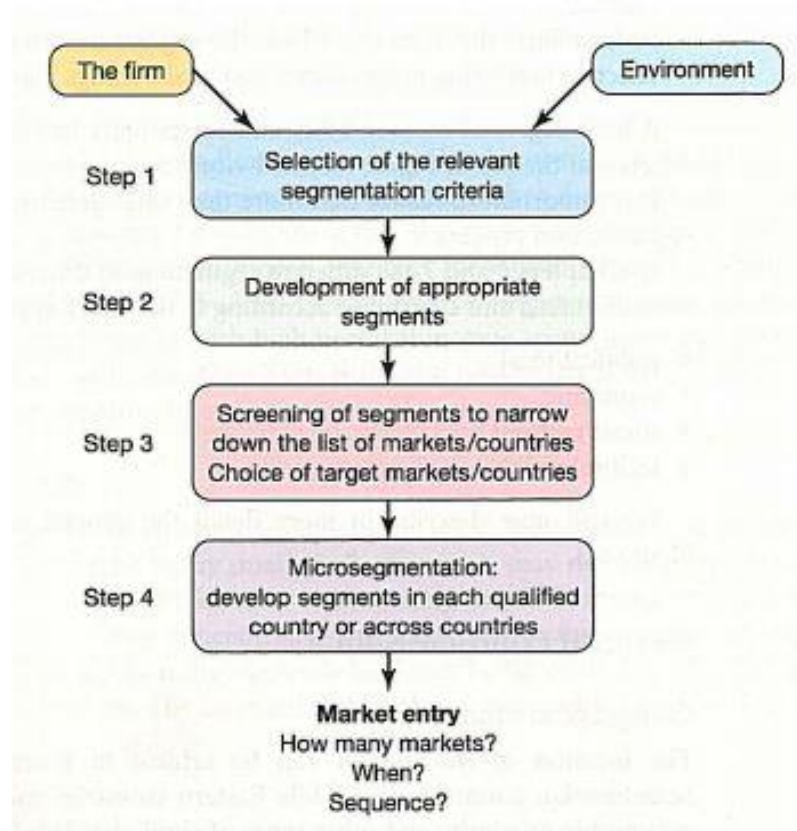


FIGURE 9. International market segmentation (Hollensen 2012, 263)

Narrowing down to a single most potential market consists of four steps. First, the most relevant segmentation criteria must be selected. It will then be followed by development of potential segments, an initial set of target market areas. Step three consists of screening down the market areas according to criteria set earlier, the result being a list of potential target markets/countries. In the final step the results are screened further, the goal being the determination of a single most potential target market. (Hollensen 2011, 263.)

Steps one and two – selecting relevant segmentation criteria

Broadly, potential international markets can be segmented according to two types of characteristics. *General characteristics* are relatively easy to measure as the information is public. Such characteristics include for example: geographical location, primary language used and population. On the contrary, *specific characteristics* possess a low degree of measurability, however, in certain situations the relevance of such information is crucial. Information on culture, lifestyles of people as well as attitudes and tastes are considered specific characteristics (Hollensen 2011, 264). Figure 10 summarizes the basis of international market segmentation.

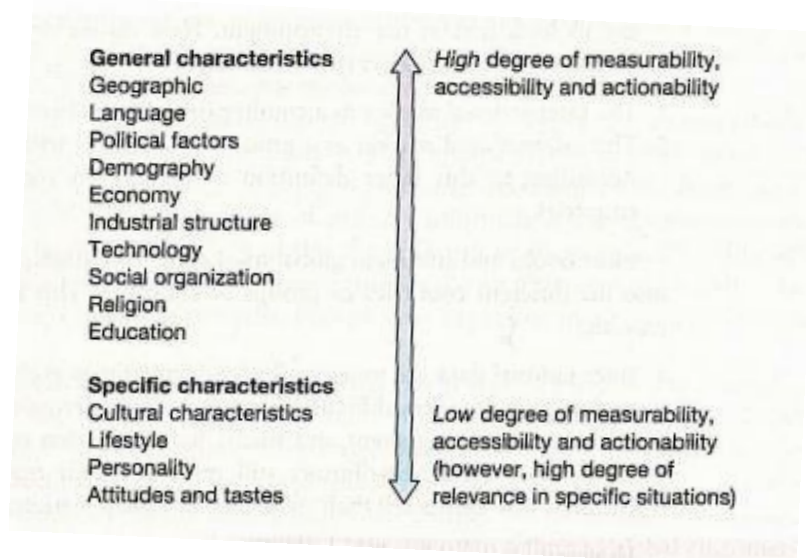


FIGURE 10. The basis of international market segmentation (Hollensen 2011, 264)

By studying statistics available concerning languages used, demographical and geographical factors, economic environment, industrial structure, and the degree of technological advancement, a preliminary segmentation of potential markets can be made (Bradley 2002, 156). In order to screen down towards the most profitable market/markets, specific characteristics of the and local competition in a market must be taken into account. General- and cultural characteristics, the basis of international market segmentation for the case company, will be chosen and analysed in the empirical part of the thesis.

Step three – screening of countries/markets

This part of the screening process can be divided in two:

- 1) *Preliminary screening* is where markets/countries are narrowed down according to the most relevant screening criteria e.g. primary business language used in the market, technological advancement or industrial structure of the market. The criteria used in preliminary screening are somewhat broad, including e.g. population statistics, GNP growth and income per capita. At this stage, by using macro-oriented screening methods, a relatively significant portion of market areas can be excluded as potential markets. (Bradley 2002, 156; Hollensen 2011, 267.) In the empirical part, for each potential market, the three example macroeconomic factors as well as other factors will be taken into account and analysed. To help identifying growing markets, analyses such as Shift-share analysis will be conducted.
- 2) *Fine-grained screening* focuses on the microeconomical factors reflecting market attractiveness and the potential competitive strength in the market. Such factors include e.g. market size and growth, both, total and in a given segment, competitive conditions, buying power of customers, government regulations and psychic distance.

Based on preliminary screening, potential markets are selected into the fine-grained screening. In the empirical part, by analysing countries' microeconomical factors, the list of potential target countries again be narrowed down towards the most attractive ones. (Hollensen 2011, 269.) More detailed criteria used are selected in co-operation with the management of the case company in order to make the study as relevant as possible. It has to be stated that, given the resources available for the research work, not all microeconomical information to make the screening process as accurate as possible, is obtainable. The author will use well-considered estimations in order to find out vital microeconomical information in the fields where it is not available in order to make the study more relevant.

Step four – precise screening

At this stage, presumably the most potential markets are screened down further. Market analyses considering the potential markets left can now be conducted. Factors analysed include for instance: market growth rate, market profitability and competitors in the market (Hollensen 2011, 270; Bradley 2002, 157). According to Keegan (2014, 241) visits to potential markets should be made at this stage to confirm assumptions regarding the proposed market potential. By attending, for example, a trade show in a potential market is a way for company representatives to assess the competition in the market as well as developing contacts with local businesses.

Analyses considering the demand potential of SuperApp's products become relevant at this stage. Considering products, a preliminary limitation has been drawn by the management of the case company. The focus in researching the demand potential of products will be in *business-to-business digital applications*. The reasons behind the decisions are in digitalization globally as well as information gathered from the domestic market. Hence, a major factor at this stage of screening will be the demand of business-to-business digital applications in a given market.

However, the demand for other products such as web sites, mobile applications and web-applications is inevitably an important factor.

3.3.2 Summary of the screening process

The following Figure 11 presents an example of a screening process Hollensen (2011, 274) and Bradley (2002, 155) give in their studies. The models act as a guideline for the empirical part; the screening-down process to find out the most potential market for SupeApp Oy to enter.

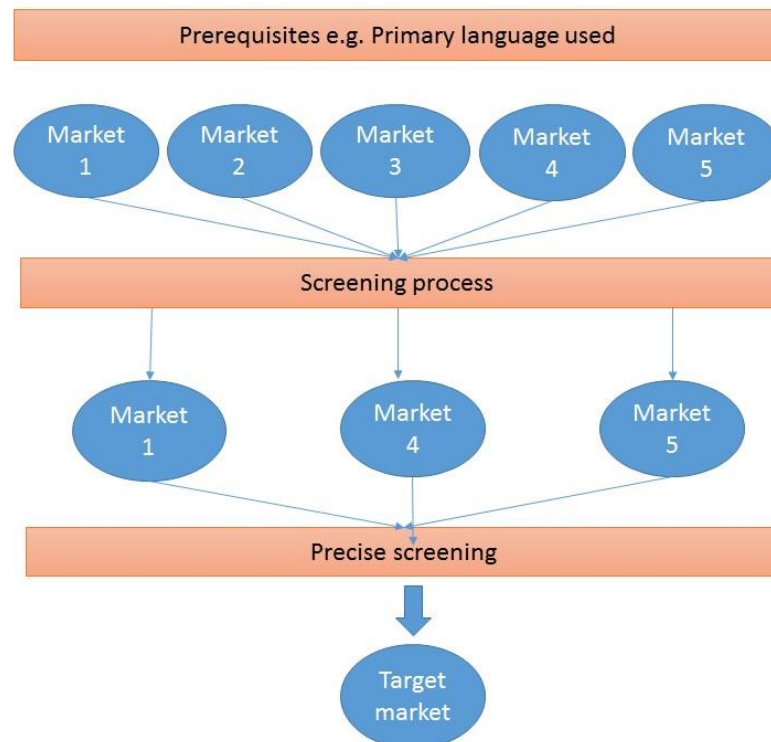


FIGURE 11. The international market screening process (Adapted from Hollensen 2012, 274 and Bradley 2002, 155)

The figure 11 presented above illustrates the international market selection process. From regional macro screening towards market analyses of individual markets, the figure shows how the conclusion of the most potential market is reached eventually.

The objective of the thesis, however, is not to forcefully find out a certain customer group in the most potential market. Instead, given the resources available, the objective is to find out the most potential target country. That simplifies the process and allows the researcher to focus their efforts towards a goal that is the most important for the case company.

4 PRESENTING THE CASE COMPANY

The purpose of this chapter is to help the reader to get familiar with the case company and the nature of the industry. The information was gathered by the author of this thesis while working in the case company in the beginning of 2016. In order to complete some of the information, the management of the case company was interviewed.

4.1 Founding of the company

The case company SuperApp Oy, actually, has its roots in mobile gaming industry. The competition in that particular field of business is extremely intense. Cost of marketing and the expenses of acquiring new users keep growing as the competition and the demands of the customers' increase. In general, the level of investment required has sky-rocketed in the past three-four years. The size of the industry in Finland alone has grown from 165M€ in 2011 to 2400M€ in 2015, employing 2700 people at the end of 2015. (Neogames 2015.) Companies like Rovio and Supercell are only the tip of the iceberg. There were 260 game companies in Finland at the end of 2015, as opposed to 40 firms in 2004. (Tekes 2015.)

The success of the Finnish game industry is based on three major factors. First of all, the technological competence especially in mobile platforms is relatively high partly due to Nokia. Secondly, Finland is a small market in any scale. Due to the size of the domestic market and the nature of the industry the companies are in a sense born global. Third, perhaps the most important factor in the success of the industry in Finland is Tekes, Finland's funding agency for technology and innovation. Tekes had seed funded the Finnish game industry alone with 67 M€ by the end of the year 2014. Over 50 companies received funding from Tekes' Skene-Games Refueled programme between the years of 2012-2014. What can be held as an indicator of success of the programme, is that approximately every one Euro invested through Tekes generated nine to 26 euros to the Finnish economy. (Tekes 2015.)

Two Finnish entrepreneurs, CEO Risto Lappi and CTO Jani Nikula ran a business in the mobile game industry since 2013. The two founders came to a realization that the objectives of the company would not actualize. They were prepared since they knew the dynamics of the mobile game industry, there are only a few games that go viral and succeed in the market definitely. As the strategy of the flagship project of the company did not come through the founders made a decision to set up a new company, SuperApp Oy, in the software sector in the beginning of 2015.

In the early stages, the company hired a programmer and a sales manager both of whom still work for the firm. A strategy was formed the same fall; contact marketing agencies in order to gain long-term customer relationships as a subcontractor for digital projects. Meanwhile, the company was promoted locally by reaching out to companies in Lahti region in order to close projects in a slightly smaller scale. Currently, there are three main services the company offers: premium websites, web applications and mobile applications which will be discussed further in following chapters. The business idea is to provide digital services that require high-level technological competence.

As a result of mutually satisfying co-operations, a few significant partnerships with marketing agencies have been formed. Therefore, the main national coverage of the firm now comprises of the south-east part of Finland. Furthermore, partnerships with agencies in Helsinki and Tampere area have been initiated.

The vision of the company is as CEO Lappi puts it: *“To revolutionize the world with technologies that excite us”* Although the company grows steadily in the domestic market, it needs to start researching the potential of expanding into foreign markets. Following up on that, the question which markets to enter, after all, is the main theme of this thesis. (Lappi, 2016.)

4.1.1 Software industry in Finland

The software industry is a very global environment. It reflects the emerging growth of the world economy faster than most industries, and lately, the outlook of the industry has been positive. (Luoma, Mutanen, Viitasaari, Roiha & Seren 2015.)

In 2014, the Finnish software- and IT-service industry grew 20,6% largely due to SME's and game companies' success as stock-exchange companies strive to cope with structural change in the industry. The game industry alone accounted for two thirds of the growth. Although other software companies, such as the case company SuperApp, grew 7% on average. 20,6% growth in Finland is significant compared to the global growth rate of 7-10% in the industry. (Luoma et al. 2015.)

The industry is headed towards scalable products, such as multi-platform applications, automatization of production and further digitalization of services. The desire to expand plays an important role in the reformation of the industry, companies looking to grow are driving the industry forward. (Luoma et al. 2015.)

4.1.2 Marketing agencies in Finland

The logic behind prioritizing marketing agencies as the most important customer segment is that those agencies serve numbers of businesses nationwide, the market potential exists. Those businesses range from start-ups to mature-stage, stock exchange businesses. Common feature for the businesses is that they usually trust their visual appearance with a marketing agency. Marketing agencies' core competence is to fulfil clients' visual needs, not in all cases the digital needs which include e.g. setting up a technologically challenging website or a mobile application for the company. Using subcontractors is relatively common in the industry. (Lappi 2016.)

Performing a search with a search term "Marketing agency" in Fonecta, a Finnish expert in the field of local information, the search engine gives

3264 agencies as a response. Using the same search term in a web page of a reputable Finnish economy related media Kauppalehti, the response is 1142. The actual number of marketing agencies in Finland is somewhere in the middle, there is no accurate information on the subject published in recent years. Marketing agencies the case company would be able to do business with are of a certain size in terms of yearly turnover. Bearing in mind the geographical limitations, there are broadly 300 relevant agencies in Finland.

4.2 McKinsey 7S Analysis

In order to analyse the internal matters of the company, a 7S analysis presented in the theoretical part is conducted.

Strategy

First of the hard factors, strategy, describes the direction and scope of the company over the long term. How will the company's goals be reached? Michael Porter, a respected American academic, suggests that there are three general strategic alternatives for companies to choose from when pursuing competitive advantage: differentiation, cost leadership and focus. A company chooses to strive for strategic advantage either by lower costs than the competition or by differentiation of products along customer-valued dimensions. At the same time, a company chooses the scope; focusing on selected segments of the market or offering its products industrywide across multiple market segments. Porter stated that only one of the three strategies should be chosen in order to not waste resources, and that the framework can be applied to all businesses regardless of size. Real life implementations of the framework can be taken from for example businesses operating in the air travel industry. *Travelocity* has chosen the differentiation strategy as they offer the most comprehensive range of services. *Lowestfare* pursues the lowest-cost strategy, and *Last Minute* focus on a market niche, travelers who have the flexibility to travel on a short notice. (Kotler & Keller 2008, 95.)

Figure 12 below represents Porter's generic strategies and demonstrates the case company's position in the matrix.

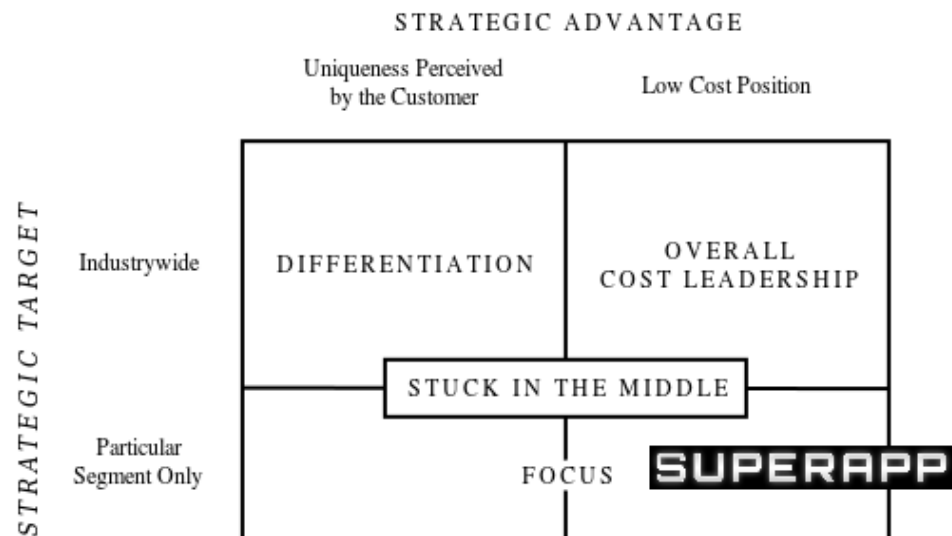


FIGURE 12. Porter's generic strategies (Adapted from MindTools 2016)

By automatizing internal processes, the case company pursues efficiency in terms of the use of resources. In practice, this means the company is able to offer their products slightly cheaper in comparison to the competition. Meanwhile, as the level of automation in production increases, it allows the case company to concentrate more on quality control and customer service. In terms of strategic advantage, this positions the company to the right side of the matrix, *low cost position*, rather than uniqueness perceived by customer.

Instead of training and maintaining a variety of technological skills, the company has chosen to define core competences and focus on them. A concrete example is that the case company has chosen to produce websites only for WordPress platform instead of every platform available. SuperApp strives for being the industry leaders in the few technologies

chosen, which regarding Porter's matrix, means that they have chosen *particular segment only* for their strategic target.

An internal objective in terms of project business activity is to reach seven-figure turnover in three years. The goal will be reached by growing the number of key partners, as well as increasingly closing own projects directly to customers. Finding additional customer segments in order to increase sales revenues is an important factor to consider, especially when the current segments are maturing. The author recommends an extensive further research on the subject of finding new profitable customer segments in the domestic market as well as globally.

Structure

The core structure of the company has remained relatively unchanged since the establishment in the beginning of 2015. Figure 13 demonstrates the current organizational chart.

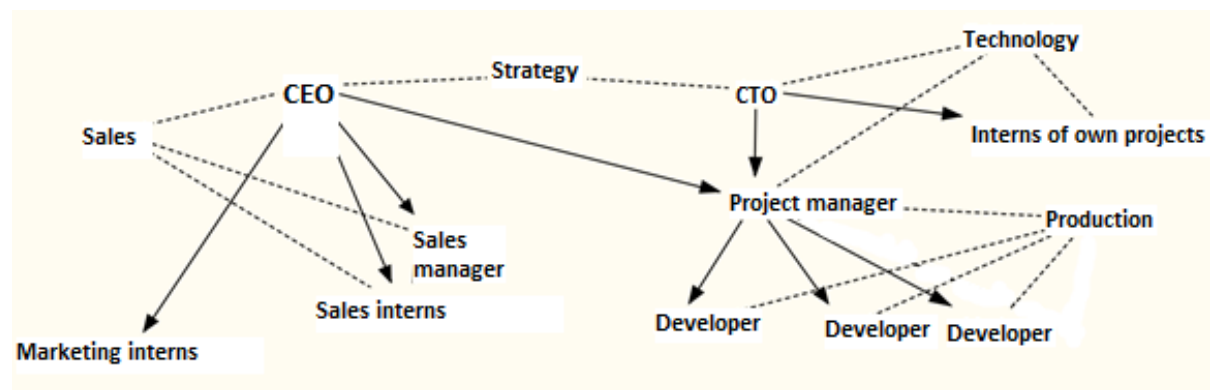


FIGURE 13. Organizational chart of SuperApp Oy (Lappi 2016)

Systems

As figure 13 below illustrates, the CEO of the company is supervising the sales and marketing units and acts as a director of operations. He makes the strategic decisions in the company alongside with the Chief

Technology Officer, who is in charge of the production and technology sides of the business. The chart can therefore be divided into three layers: CEO and CTO; managers; sales- and marketing people and web-developers.

Style

As the size of a company grows, it forces the directors to put emphasis on leadership to manage the growth. SME's typically lack carefully planned leadership, as decision-making and leadership is often based on feels, old habits and even luck. (Äijö et al. 2015.)

As mentioned earlier, CEO and CTO are the main decision makers in the case company, they are in charge of the strategic lines. As the company keeps growing in terms of yearly turnover and personnel, there is a need for growth management plan. The company aims to acquire a mentor in the board of directors, who has the contacts and expertise to scale a business of this kind. Another action the company has taken is to train a full-time project manager, which allows the CEO and CTO to put emphasis on strategic alignments and leadership instead of project management. Overall, the working atmosphere in SuperApp is good, internal communication is rapid and the employees feel trusted. Employees are given different kinds of projects and rewarded regularly in order to enhance work motivation.

Staff

At the moment, the company currently employs around ten employees, consisting of web-developers, sales- and marketing people, as well as sales- and project managers. The company is growing steadily, which requires recruiting capable employees in various work tasks in the near future.

As the number of orders for especially WordPress implementations has been increasing, recruiting of competent web-developers is ongoing. The company works closely with universities and universities of applied

sciences such as LAMK in order to provide students with internships especially in the field of marketing. Hiring interns has proved valuable for the company in marketing and sales, as well as testing the output of web-developers, which allows the company to increase the quality of their work.

Skills

The technological competence in the company is at a high level and it is constantly developing. In production, SuperApp uses only latest technologies that have been proved the most functional. The output of the production unit is always tested carefully, meanwhile the managers have control over every ongoing project to ensure high quality. To bring additional value to clients, the directors of the company possess a comprehensive understanding of a variety of industries due to their backgrounds ranging from construction industry to business consulting.

Shared values

Shared values form the center of the 7S matrix, they determine the way a company works and solves problems as an organization.

There are two key values the case company wants to highlight: customer satisfaction and fluency. Especially when working in the network of subcontractors of a marketing agency, customer satisfaction is the single most important value the case company strives for. The collaborators must be able to trust SuperApp as a technical partner. Delivering a product in time is a key component in maintaining high level of customer satisfaction along the supply chain all the way to the end user. Fluency refers to the level of communication quality the company possesses. SuperApp aims to differentiate from other software houses by communicating flexibly and quick. The clients value fluent communication, which the case company is known for. (Lappi 2016.)

4.3 Product analysis

This paragraph aims to introduce the reader the product portfolio of the company, own products of SuperApp and the main product categories the company focuses on. Also, the major references will be introduced.

4.3.1 Product portfolio

SuperApp has broadly two client segments, marketing agencies and other SME's. To marketing agencies, the company acts as a technological partner, subcontractor. Clients are provided with highly focused projects. The tasks range from two-hour minor updates on a website, to two-month, large scale web-service projects. Other businesses the company serves range from SME's to larger stock exchange companies. To this segment, other businesses, the company offers highly productized services in forms of mobile- and web applications. Both of the two segments bring along challenges. As for working with marketing agencies, the key for long-term partnerships is maintaining high quality in each project. Meanwhile, generating and satisfying demands presents a challenge for the segment of other businesses. (Lappi 2016.)

SuperApp focuses on providing three types of solutions which will be briefly introduced below:

- 1) WordPress web pages
- 2) Web applications
- 3) Mobile applications

WordPress web pages

WordPress is a publishing software based on technologies such as PHP and MySQL. It can be installed on a web server and viewed on proprietary web site or hosted in the cloud. When it was launched in 2003 it was merely a free platform for blogs. Since then, WordPress has evolved to be a complete content management system that allows the installation of different widgets, plugins and customizable themes. As of April 2016,

WordPress was used by more than 25% of the most popular 10 million websites on the internet, which makes it the most popular content publishing and management system in the world. Firms such as eBay, General Motors and The New York Times use WordPress as the platform of their company web site. (W3Techs 2016.)

SuperApp focuses on WordPress web pages because of the reasons mentioned earlier. Moreover, there are some other advantages to consider. The platform is convenient for the user to manage, content updates such as image- and text updates, are easy to make. In addition, WordPress offers plugins for Search Engine Optimization to channel traffic, potential customers, to a website. As internet searches on mobile devices have already bypassed searches on desktop, it has become increasingly important to put emphasis on the user experience of mobile users of web sites. (Google 2015.)

Web applications

A web application is a software ran in a web browser. Conventional web apps include; e.g. webmail, online retail sales, instant messaging services and company intranets. The general idea of web applications is that they bring software previously distributed as local applications into browsers. The difference between an interactive web site and a web application is flickering. Web sites referred as web applications have similar functionalities to desktop software applications that run on desktop and do not require an internet browser.

Mobile applications

As introduced earlier, mobile applications are software applications designed to work on mobile devices such as smartphones and tablet computers. Smartphones, therefore apps, require an operating system to work. The three main operating systems smartphones use are Android, IOS, and Windows. The market shares are 87,6%, 11,7% and 0,4% respectively (IDC 2016). Explanation to Android's dominance is simple,

four out of five of the most sold smartphone brands worldwide use Android as their operating system.

Smartphones were introduced to the mainstream consumers in the year 2007. Apple's first iPhone was the first commercial smartphone that used touch screen input instead of a keyboard. Naturally, the first mobile applications were tailored for iPhone Operating system. A year later in 2008, the first smartphone to run Android operating system, HTC Dream, was released. In 2010, Samsung introduced its Galaxy S Android smartphone, the first major competitor for iPhone. As the market share of Android phones grew, the need for cross-platform functionality increased greatly. (IDC 2016.) For the reader, relevant information is the concept of a native mobile application, which is discussed in the next paragraph.

Native applications are coded in specific programming languages which are tied to one type of operating system. Most video games can be seen as native mobile apps, for example, games made for Playstation do not run on Xbox. Similarly, mobile applications programmed in programming languages that support Android operating system do not run on iPhones. Due to the high technological competence the company possesses, it is possible for SuperApp to provide customers with both, operating system specific native applications, and widely scalable applications that operate on Android as well as IOS. (Techopedia 2015.)

4.3.2 Own production

This section introduces some of the applications the case company has published. This information is useful as it makes it easier for the reader to understand the operations of company and its' technological competence.

As stated above, the history of SuperApp is in the mobile gaming business. The founders of the company have previously published two mobile games, *Jump & Run*, and *Zeta Fighters®*, the latter of which has been sold forward since the publication. In addition to the games, an

application worth mentioning is the *Super Screenshot App*. The applications will be introduced shortly below.

Zeta Fighters®

Zeta Fighters is real-time multiplayer space shooter game for iOS and Android phones and tablets. Technologically Zeta Fighters is a highly complex mobile game and an extremely good reference of the technological capability of the company. Figure 14 below presents in-game footage of the game.



FIGURE 14. Zeta Fighters® (SuperApp 2016)

Jump & Run

The idea of the game is rather simple, jump over obstacles by tapping the screen and try to survive as long as possible. As a game it is nothing players have not seen before, but the potential exists within its' ability to be used as a campaign game. By modifying the graphics, the obstacles can be changed into branded soda cans or any consumer products. Marketing gamification has become a trend in advertising in recent years as companies in increasing numbers are promoting their brands using mobile

games. (Burke 2014, 6.) Adding to the game's potential in marketing, Jump & Run reached 10 000 downloads in a short period of time which demonstrates that the case company knows how mobile games are marketed effectively.

Super Screenshot App

This application was the first product produced under the name of the case company SuperApp. It provides a convenient way to capture, modify and share screenshots to Trello and Dropbox in IOS devices. The app is free to download, yet the extra features in the premium version encourage customers to upgrade into the 2,99€ version.

4.3.3 References

Marketing wise, one of the keys to acquiring clients in this type of business is the reference list. Inevitably, a convincing reference list increases the reliability of the company in the eyes of potential clients. A reference in this context stands for a client of the case company. (Lappi 2016.)

The main references presented on the web site of the case company include companies ranging from local SME's to stock exchange companies. One of the key references is the web service done for Finnish bus corporation Koiviston Auto. SuperApp provided the company with a new web site with online sales of tickets. The second reference the author wants to highlight is the online annual report done for a Finnish stock exchange company Suominen Oyj, the global market leader in nonwovens for wipes, hygiene products and medical applications (Suominen Oyj 2015). Relevant information for the reader regarding this reference is the fact that more and more companies are publishing their annual reports online beside the traditional paper document. Publishing the report online allows companies to use means of creative presenting e.g. animations and video to make the report more digestible in order to engage stakeholders.

5 INTERNATIONAL MARKET SELECTION PROCESS

This chapter presents the research concerning target market selection for the case company. It aims to answer the research question “What is the most potential target market for the case company to enter?” The study aims to answer the question by empirical research on foreign markets, which results in a screening down process towards the most potential market. The following chapters present the prerequisites for the target market selection, preliminary- and fine-grained screening, and finally the precise screening.

The target market selection process is based on the author’s own observations utilizing the theories previously introduced in this study. The data for the research is mainly collected as desk research. Reliable public statistics by governments and research organizations are widely used at this stage instead of in-depth analyses before the determination of a single market (Hollensen 2011, 261). Primary data introduced in the research was generated by ongoing dialogue between the author and the case company.

5.1 Prerequisites

SuperApp is a growing-, yet a relatively young company. As presented earlier, there are currently around ten people working for the firm. In the office, English is the primary language used as there are employees from several countries. However, the decision makers, the management, are Finnish.

The author held discussions with the management of the company in a meeting concerning this research and it was decided, that English should be the official language used in the target market. There are various reasons the potential markets are initially limited in this manner. The most important has to do with the size of the case company; the firm’s resources are very limited at this stage of its growth and hiring sales force

with the knowledge of a third language (other than Finnish or English) is not possible at this point.

The industry sector and the business of the case company allow reduced physical presence. Solutions SuperApp provides for clients are delivered digitally, therefore, the company can operate globally from Finland at least in the short term. Given the financial limitations and the nature of the business, setting up a local subsidiary and hiring local workers in the target country is not a necessity, nor a possibility, at this stage. In practise, to ensure fluent communication, contacting potential clients in a target market will be done in English which is the primary foreign language of the sales organization of the firm. The decision to target markets with English as an official language limits the choice of potential markets significantly. Figure 15 illustrates the areas of the world where English is the primary language of the majority of the population or an official language.

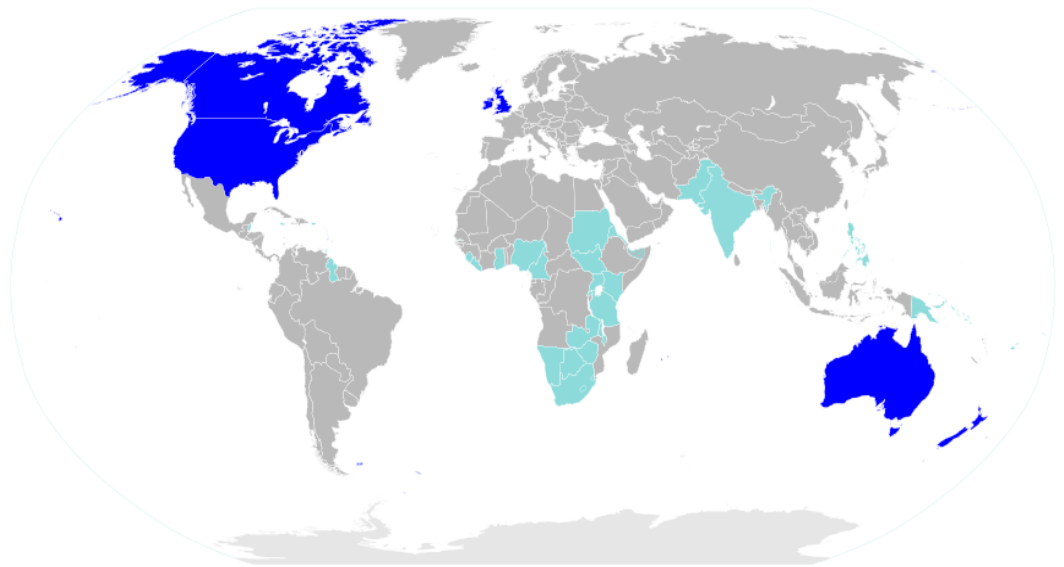


FIGURE 15. The English-speaking world (Adapted from Ethnologue 2016)

Countries painted in dark blue, USA, the UK, Australia and New Zealand, are countries where English is the primary language of the majority of the

population. The other countries marked, for instance numbers of nations in Africa, still have English as an official language dating back to the British Empire. (Ethnologue 2016.)

5.2 Preliminary screening

The purpose of preliminary screening in the research is to eliminate less potential markets according to criteria chosen. At the preliminary stage the criteria used are in a sense general characteristics that do not go into specific market information. This can be seen in the Figure 10 for instance. The criteria chosen for preliminary screening were selected in co-operation with the management of the case company:

- 1) *English as a primary language used:* the prerequisite for the selection process was that English is an official language. However, in many cases, English being an official language does not guarantee that the language is used by businesses and individuals as their primary language (CIA World Factbook 2016; Comisseo Global 2016). The case company plans to conduct business from Finland in the short term, which in practise means that the target market has to be an English-speaking market in order for the communication to be fluent.
- 2) *Size of the market:* One of the main reasons the author chose to conduct this research was that the company needs to increase sales revenue. The opportunities exist in the digitalizing global markets, which need to be examined. In preliminary screening, the research does not go into more detail. In practise, that means the amount of potential clients in a market are assumed to correlate with the size, the population, of the market. Therefore, countries with the population of under 5,5 million which is the approximate population of Finland, are to be addressed cautiously.

English as a primary language

In 2015 there were 54 sovereign countries and 27 non-sovereign entities where the official language used was English. In order to eliminate market areas that are not relevant, the research concerns only states and entities where English is the primary language of businesses and individuals. For instance, with the population of 200 million people and English being an official language, Pakistan could be considered as a potential market. However, by examining statistics, it can be said that English is definitely not the primary language businesses and citizens in Pakistan use. Instead, the case company would most likely have to hire Punjabi- or Sindhi- speaking sales force in order to form business relationships with local firms. (CIA World Factbook 2016; Comisseo Global 2016.) Therefore, market areas where English is not a primary language are excluded from the further research.

At least at this stage of research, the amount of potential clients is assumed to correlate with the population in a market. Hence, Table 1 presents largest sovereign countries and non-sovereign entities with English as a primary language according to population.

TABLE 1. English as a primary language according to population

COUNTRY	POPULATION (millions)
India*	1247
USA	320
Pakistan*	199
Nigeria*	182
Philippines*	103
UK	63
South Africa*	54
Canada*	35
Ghana*	27
Australia	24
Hong Kong*	7
Singapore*	5
Ireland	5
New Zealand	4
Puerto Rico*	4
Jamaica	3

Table 1 above presents the selection of possible target market areas according to the prerequisite, *English as an official language*. The nine countries selected for preliminary screening are painted black, the seven others were excluded from further research. The reasons for elimination are as follows:

- 1) English is an official language, but not the primary language used: Pakistan, Nigeria, Philippines, Ghana, Hong Kong, Puerto Rico. Entering these markets would require hiring foreign sales force, which is something the case company is not ready for.
- 2) English is the primary language, but the market is too small: Jamaica. The author decided to exclude Jamaica already at this

stage as the market size and overall technological development are major weaknesses. The market sizes of Ireland, New Zealand and Singapore are addressed in the following paragraphs.

The nine countries bolded in the table were selected for further research and screening. The USA, the UK, Australia, New Zealand and Ireland (generally) are countries where English is the primary language used by individuals and businesses. In Canada, 59% of the people consider English as their primary language, and 85% have the working knowledge. 10% of the South Africans speak English natively, yet it is spoken throughout the country. In addition to the countries mentioned, the author has chosen to examine the potential of India as it is the second largest country in the world by population, rapidly developing economy, and the fact that English is spoken by approximately 125 million people. Finally, Singapore was chosen because English is the primary language of businesses and government. Although there are three additional official languages in Singapore, it is spoken primarily by approximately million people. Moreover, Singapore's investment potential and status as a highly-developed economy cannot be bypassed. (CIA The World Factbook 2016; Commisceo Global 2016.) Figure 16 summarizes the remaining nine countries to be examined before considering the size of the market criterion.



FIGURE 16. The remaining nine countries.

After the *English as a primary language* -criterion, the Figure 16 presented the qualified nine countries for further research. In the next paragraph, *the size of the market* -criterion is addressed.

Size of the market

As stated earlier, the case company needs to search for bigger markets outside their domestic market in order to increase sales revenue. Bigger markets in countries sharing similar industrial structure and development presumably present more business opportunities than the smaller domestic market. SuperApp pursues growth in the future. In order for the business to grow, along with the increase in the domestic market share, the company needs to examine the potential of substantially larger markets abroad.

Regarding the language used in the market area, Table 1 summarized the qualified nine countries. At least six of the market areas are significantly larger than the Finnish market. Therefore, the author chooses to concentrate on those markets, eliminating Ireland and New Zealand at the preliminary stage although they are both highly developed countries with an undeniable market potential for SuperApp. However, measured by market size, they are not as potential as India, USA, the UK, South Africa, Canada, or Australia. What the Table 1 does not inform the reader is that although the market size of Singapore is evaluated similar to Ireland and New Zealand, its importance for international business cannot be ignored. According to the World Economic Forum (2016), Singapore is the second-most competitive country in the world as well as the most technology-ready nation. (World Economic Forum 2016.) For those reasons the potential of Singapore has to be considered among the seven most potential countries listed above.

For the purposes of this research, focusing on larger markets is more relevant as the objective is to find the most potential target market. In order to screen the potential markets further, the next sub-chapter presents the process of fine-grained screening. Figure 17 now presents the seven most potential countries left to examine after the criterion of market size was considered.



FIGURE 17. The remaining seven countries.'

After the criterion *size of the market*, the seven countries chosen for fine-grained screening are: India, the United Kingdom, Canada, South Africa, the United States, Australia, and Singapore. The next chapter presents the process of fine-grained screening.

5.3 Fine-grained screening

The next part of the screening process focuses on evaluating the microeconomical factors of the selected seven most potential target markets using the Networked Readiness Index report. In addition, the author decided to consider cultural distance as a criterion at this stage. Therefore, the criteria concerned at this stage are:

- 1) *The World Economic Forum's Networked Readiness Index (NRI)*: The annual research measures countries' development regarding technological development. It is considered as the most comprehensive and authoritative assessment on how information technology impacts nations' competitiveness and overall well-being. The NRI will be addressed in detail later on.
- 2) *Cultural distance*: This criterion takes a closer look at the cultures of the potential markets. The possible cultural differences can quite possibly delay, weaken or even prevent the process of acquiring customers in a target country (Onkvisit & Shaw 2009, 187). Moreover, it has to be examined to what extent geographical presence is necessary to conduct business in the market area.

Networked Readiness Index (NRI)

The NRI was initially developed by Harvard University's International development center, more precisely Information Technology Group. Nowadays it is a project within the framework of Global competitiveness and risks team of the World Economic Forum and the Industry partnership programme for information and communication technologies. The annual report is a result of co-operation between the World Economic Forum and INSEAD which is consistently ranked among the leading business schools in the world. The report has measured the drivers of the revolution of information and communication technologies globally since 2001. In order to remain relevant, the index has gone through adjustments and modifications over the years. (Baller, Dutta & Lanvin 2016; QS World University Rankings 2016.) Figure 18 presents Finland's country profile as an example of the NRI.

Finland

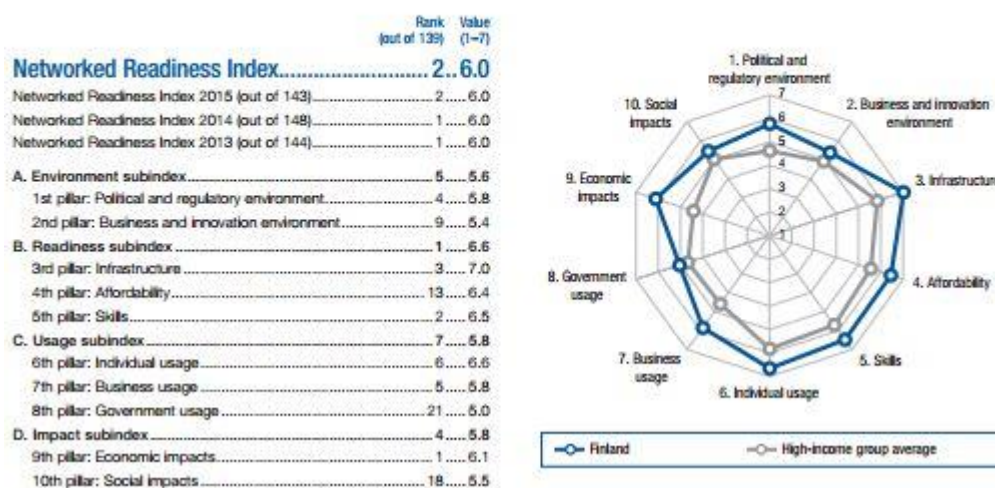


FIGURE 18. Networked Readiness Index 2016 country profile of Finland (Baller et al. 2016)

The country profile of Finland, as of the other 138 countries are presented in the report. The profile states the following sub-indexes: environment, readiness, usage and impact. There are ten pillars under the sub-indexes which would be addressed in detail in the second part of the country profile.

In 2016, technological readiness of countries was measured with 53 indicators in 139 different economies valuating each on a scale of 1-7, one being the worst and seven the best. The countries were ranked according to the 53 indicators measuring the Information and Communications Technology (ICT) environment offered, the readiness- and current level of usage of ICT. What makes the report useful for the purposes of the case company, is that it assesses the readiness and level of usage of ICT in three sectors: individual-, business-, and government level. The last two sectors are highly relevant to this study as the governmental level inevitably has some effect on the business usage level.

It aims to assist in identifying market areas where the technological readiness is at a high standard; such markets provide business opportunities for firms offering digital solutions like SuperApp. The annual report published is helpful to decision makers particularly in SME's, as the resources required to conduct such analyses are often out of reach. (Baller et al. 2016.) Figure 19 presents the Network Readiness Index map.

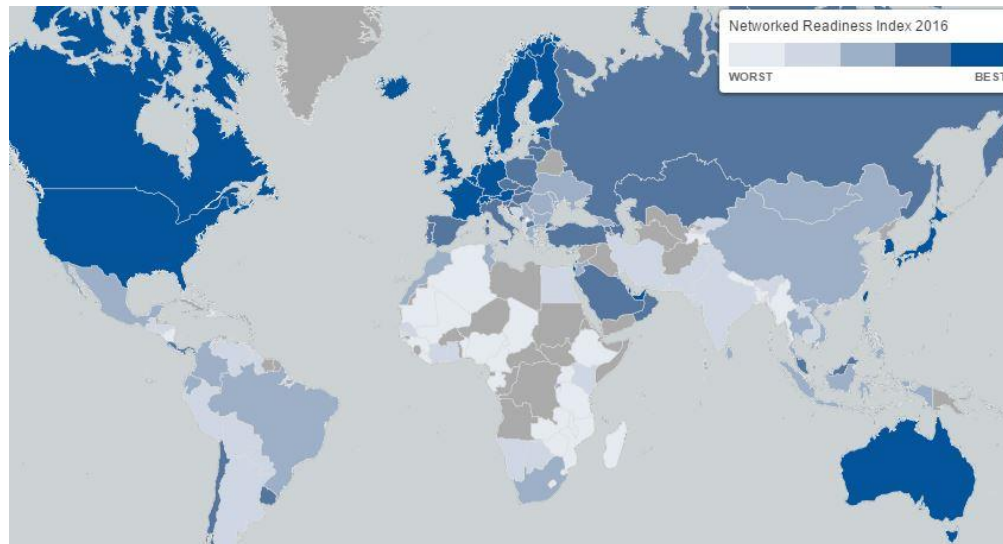


FIGURE 19. Network Readiness Index map (Baller et al. 2016)

The map illustrates technological development globally according to the report in question. Countries that have the best NRI values are highlighted in dark blue, on the contrary, economies marked with the colour white have the lowest scores regarding technological readiness (used as a synonym for Networked Readiness). Nordic-, high-income Asian-, and Western European countries as well as the USA were ranked the highest. The NRI rank correlates highly with per capita income of the nation which has been a trend since the foundation of the index.

As this research concerns mainly the business use of ICT, the author finds it remarkable that the business use and readiness is assessed with six different indicators. Due to the comprehensive and respected nature of the report, the author and the management of SuperApp decided to choose the factors, or indicators, of NRI as one of the key criteria as the screening process advances.

At this point of the selection process, the remaining seven most-potential target markets are listed in a spreadsheet and evaluated with attributes concerning the usage- and readiness for ICT technology of businesses. Table 2 summarizes the results.

TABLE 2. NRI as a screening criterion.

NRI as a screening criterion								
Potential market	Business usage indicators (global rank)						Average	NRI global rank
	1	2	3	4	5	6		
India	102	50	59	108	77	48	74	91
USA	3	2	7	17	2	14	7,5	5
UK	14	10	17	2	1	21	11	8
South Africa	28	32	47	35	64	19	38	65
Canada	29	23	12	23	13	25	21	14
Australia	22	25	20	26	25	24	24	18
Singapore	16	19	9	13	24	4	14	1
	1= firm-level technology absorption							
	2= Capacity for innovation							
	3= ICT patents applied/million pop.							
	4= ICT use for b2b transactions							
	5= b2c internet use							
	6= extent of staff training							

The Table 2 above illustrates the screening process according to NRI as a screening criterion. The potential countries are ranked according to business usage indicators as it was decided that SuperApp aims to target businesses rather than individuals as customers in the potential market selected. The NRI report analysed 53 different indicators, six of which addressed the business usage. Seven more indicators considered governmental usage and the economic impacts of ICT, yet the results after examining business usage show that further indicators are not relevant. Marked in red, India and South Africa appear to be far behind from the five other countries in terms of technological development and readiness of businesses to make use of ICT.

India's overall NRI rank was 91 out of 139. Despite of improvements in its regulatory-, business-, and innovation environment, the overall rank has decreased. The reasons to India's bad overall score have a lot to do with the education of individuals; a third of the population is still illiterate and similar share of the young people have not enrolled to secondary

education. Only 15% of Indian households have access to internet despite the fact that India ranks eighth in affordability of ICT. Nevertheless, the lack of infrastructure is a major issue India needs to solve before it is ready for a technological revolution of any stature. (Baller et al. 2016; Schwab 2016.)

This year's NRI sees some sub-Saharan African countries among the ones that have improved the most including South Africa with the increase of ten positions to 65th. South Africa's success was driven by improvements in affordability and infrastructure. In fact, South Africa ranks relatively high in firm-level technology absorption, 28th globally. However, South African business executives feel that innovation and business environment is showing signs of deterioration. The lack of government usage (ranked 105th out of 139), can potentially undermine the impacts of improvements made. The government needs to start putting emphasis on promotion and efficient use of technology. (Baller et al. 2016; Schwab 2016.)

At this point, the author sees that India and South Africa are too greatly behind the technological readiness possessed by the five other potential markets; the U.S., Singapore, Australia, Canada and the U.K. The presumption is that cultural distance between the domestic market and these two markets only strengthens the decision to screen them out. However, all of the seven countries are still examined in the next paragraph according the criterion of *cultural distance*.

Cultural distance

As learned earlier, high- and low context cultures have significant differences in terms of communication, time perception, work ethic, attitudes and values. Figure 20 illustrates the remaining seven potential markets along with Japan, Finland and Germany as examples.

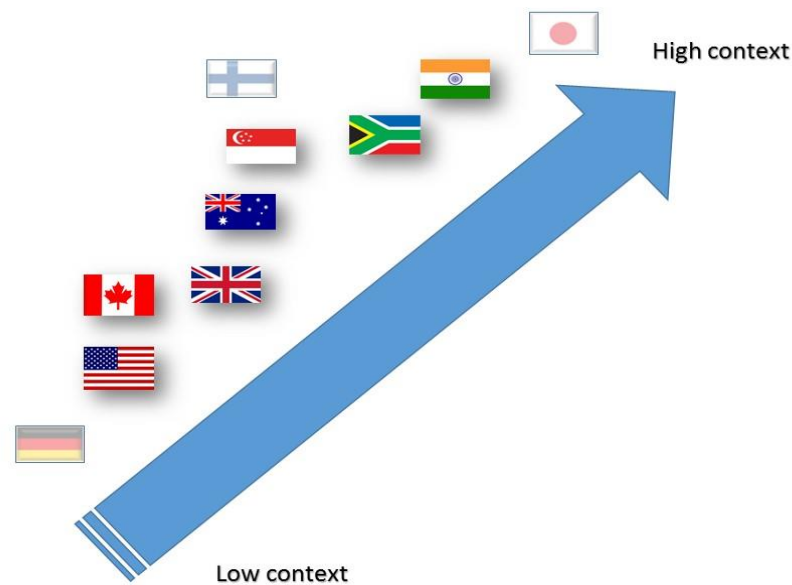


FIGURE 20. High- and low context cultures (Adapted from Onkvisit & Shaw 2009, 187).

Figure 20 above presents the remaining seven potential countries along with Japan and Germany in order to illustrate two extremes. Finland was chosen as it is the domestic market of the case company. The countries in the continuum can be divided generally in three areas: High-context cultures, low-context cultures and a combination of the two. Japan, India and South Africa represent the high context cultures, whereas Canada, USA, and Germany are placed on the low-context end. The cultures of Finland, Singapore, Australia and the UK possess characteristics from both of the two orientations, therefore they are classified as a combination. (Commisceo Global 2016; Onkvisit & Shaw 2009, 187.)

What makes cultural distance relevant for this study are the different perceptions the countries have in terms of communication and attitudes. Problems concerning starting business activities in a high-context market might include:

- 1) *Hierarchy*: Influences of traditions, or religions, as well as caste system have created a culture of hierarchy especially in the high-

context countries. Especially Japanese and Indians tend to involve hierarchical structures to all relationships. For instance, the roles of teachers or managers are very different than in Finland and it might require a substantial time and effort to reach decision makers of companies in those markets. (Commisceo Global 2016; Gesteland 2002, 21-22.)

- 2) *Relationships and communication:* In high context cultures, people prefer to do business with people they know. Long standing personal relationships are often preferred before doing business. As a result, third-party introduction is often required to gain credibility. South Africans, however, put less emphasis on building personal relationships than Indians. Still, they prefer face-to-face meetings over more impersonal communication methods. Another matter that has to be considered is that even though English is an official language in both India and South Africa, it is not necessarily the language businesses prefer. It is highly likely, especially as both India and South Africa are very diverse in terms of languages spoken, that the case company would have to hire foreign staff from the beginning. (Commisceo Global 2016; Gesteland 2002, 21-22.)

Starting business activities in a foreign market requires physical presence to some extent at some point. However, it is assumed that in order to build relationships with businesses in markets of high-context cultures, the amount of physical presence required is more important than in low-context cultures.

The necessity to hire additional, foreign staff in the potential market becomes a reality at some point, yet, SuperApp is not ready for such commitment at early stages. As far as the cultural distance is concerned, the author, based on the theories presented earlier, recommends the case company to focus on markets on the combination- or low-context ends of the continuum in the short term, as they are closer to the domestic culture. The decision to exclude India and South Africa from further research is a result of different factors such as the aspects of cultural distance, yet NRI, technological readiness, is the primary factor. Cultural distance acts rather

as an issue which confirms the assumptions made after the technological readiness was assessed. (Commisceo Global 2016; Gesteland 2002, 21-22.) Figure 21 summarizes the remaining five countries left for further research as India and South Africa are eliminated.



FIGURE 21. The five most potential foreign markets.

Figure 21 illustrates the five most potential target markets for the case company at this stage of research. As South Africa and India were excluded from further research, the countries left to analyse in the following chapter, precise screening, are: The U.S., the U.K., Canada, Australia, and Singapore.

5.4 Precise screening

The final part of the screening process concentrates on evaluating the five most potential markets left. At this stage, the author aims to choose two less potential markets to exclude from the selection before the study examines deeper the final three most potential markets. In order to screen down towards a situation where there are three most potential markets left, relevant screening criteria need to be chosen. NRI 2016 presented above provides comprehensive information on the five markets, and the author believes two of the markets can be credibly screened out using it as a source of information. Later on, individual analyses concerning the three-most potential markets are conducted in order to examine, for instance, market opportunities and competitors.

As learned earlier, the NRI consists of four sub indexes which include ten pillars in total. Finally, the pillars include 53 individual indicators according to which the total score is composed. The relevant aspects from each of

the ten pillars will be combined into a similar table as seen in Table 2. The potential markets will then be evaluated and compared in a spreadsheet along with the pillars and the respective indicators chosen. Factors, such as the ones concerning the overall business usage and government fostering of the industry, are emphasized in the process. Countries are evaluated according to the following criteria:

- 1) *Business usage indicators*
- 2) *Innovation fostered by government procurement*
- 3) *Importance of ICT to the future vision of the government*
- 4) *Government's success in ICT promotion*
- 5) *Overall NRI ranking*

Table 3 summarizes the comparison of the remaining five countries.

TABLE 3. Comparison of the countries (Baller et al. 2016)

Comparison	Global rank in a given indicator					Average
	1	2	3	4	5	
Potential market						
USA	8	11	29	25	5	16
UK	11	34	16	15	8	17
Canada	21	55	49	38	14	35
Australia	24	70	47	55	18	43
Singapore	14	4	2	3	1	5
1= average of business usage indicators						
2= innovation fostered by government procurement						
3= importance of ICT to the future vision of government						
4= government's success in ICT promotion						
5= overall NRI ranking						

At this stage, the author chose to compare the potential markets with five indicators listed above in the Table 3. The score of each indicator is presented as the current global rank according to NRI. For instance,

according to NRI 2016, Canada is currently ranked 55th out of 139 countries in terms of innovation fostered by government procurement. The author and the management of SuperApp Oy estimate that the five indicators chosen are the five single most important factors to consider at this stage of the screening process. Going into too much detail concerning market demand in an individual market is not relevant as the research already shows a distinct difference between the countries marked in red; Canada and Australia and the other three; the U.S., Singapore and the U.K.

On average, measured according to these indicators, Canada and Australia show a significantly different rank, 35th and 43rd respectively, as the other three countries; the U.S., Singapore and the U.K, 16th, 5th, and 17th respectively. The results show that especially in indicators two, three and four, Canada and Australia rank the lowest. The indicators concerning government fostering are important because it reflects on the readiness of businesses to digitalize. The governments of Canada and Australia appear to be slowing down the digitalization by being inactive in terms of ICT development. Based on these findings, the author chose to eliminate the two countries from further research. Figure 22 illustrates the qualified three most potential countries.



FIGURE 22. The three most potential foreign markets.

In the following chapters the remaining three countries presented in the Figure 22 are individually analysed as potential markets for the case company to enter. At this point, the objective is to find the single most potential foreign market, therefore the analyses are more comprehensive. Criteria such as competition, market opportunities, demand potential, and

unique characteristics of the market are analysed in order to determine a target market for the case company. In order to generate basis for the individual analyses, the three potential markets are listed in Table 4 with respective key figures of each country.

TABLE 4. Key figures (Trading Economics 2016)

Key figures			
Figure / Country	USA	UK	Singapore
Population (millions)	321,5	65	5,5
GDP (billions)	17 947	2 849	293
% of world GDP	15,80 %	2,36 %	0,42 %
GDP annual growth rate	1,5 %	2,3 %	0,6 %
GDP per capita (USD)	51 486	40 933	51 855
Consumer Price Index	242	101	99

Table 4 summarized the key economic figures of the three countries analysed. The purpose of presenting the information is to set a starting point for deeper individual research. One of the key remarks concerning this comparison is the fact that the annual growth rate among the three countries in terms of GDP is highest in the U.K. However, U.K. possesses the lowest GDP per capita, the U.S. and Singapore being relatively equal. Concerning the share of each country's GDP in the global economy, the U.S. are by far the most significant.

The following chapters now concentrate on the individual introductions concerning the U.K., the U.S. and Singapore being a potential market for the case company. As the emphasis of this study is the market selection process as a whole and finding the most potential market utilizing the statistics available, market introductions are kept relatively brief, yet, the most relevant information is covered in order to reach a conclusion. The

areas concerned include: general- and economic information, estimations of potential clients in the market, and challenges the given country poses.

5.4.1 The U.K. as a potential market

General information

The United Kingdom consists of four countries: England, Scotland, Wales and Northern Ireland. The western European country is a constitutional monarchy with a parliamentary system of governance. With an urban population of approximately 9 million, the capital of the U.K., London is the third largest city in Europe after Istanbul and Moscow. Other major cities in the U.K. include Manchester, Birmingham, Leeds, Liverpool and Glasgow.

In terms of economy, the U.K. is the fifth largest economy in the world measured by GDP and second largest in Europe after Germany.

According to the World Economic Forum (2016), the U.K. is the 7th most competitive economy in the world largely due to highly efficient goods and labor markets, progressive business processes and digital readiness.

Market potential

As it was defined earlier, the research places emphasis on B2B- instead of B2C markets. SuperApp aims to provide clients from different sectors with B2B software, which can be adapted to any form of business nowadays.

The total population of a country often reflects the amount of private businesses; therefore, it is assumed that the market for SuperApp's products is significantly larger in the U.K. than in the domestic market.

According to government statistics there are currently 5.4 million private businesses in the U.K. at the start of 2015, and approximately 620 000 in Finland as of 6/2016, which proves the assumption accurate. (The Finnish Trade register 2016; Department of Business Innovation & Skills 2015).

The U.K. is geographically and culturally close to the domestic market of SuperApp as seen in the Figure 18 concerning cultural distance for instance. Because of the cultural similarities, it is assumed that the

business culture of the UK is easy to adapt to from the point of view of a Finnish company.

According to the World Economic Forum's global competitiveness report (2016), the U.K.'s ranking in technological readiness and business usage is among the highest in the world. These figures indicate that there is a substantial existing demand for B2B software. On the other hand, this translates into intense competition.

Challenges

In general, factors which have a negative influence on doing business in the U.K. are related to taxation, bureaucracy and inadequate infrastructure and workforce. However, these are factors that do not directly concern the case company as the products offered are intangible and geographical presence is not required. The biggest challenges relevant to this study are related to local competition, which in general is intense. In the report by World Economic Forum (2016) the U.K. was ranked third in terms of the intensity of local competition. Given the high level of technology, this is likely to influence the ICT industry as well. Brexit is likely to have a negative impact on the competitiveness of the economy of the U.K. through the negative impacts only goods and financial markets.

5.4.2 The U.S. as a potential market

General information

The U.S. is a federal republic consisting of 50 states. It is the third-most populous country in the world after China and India with the population of approximately 320 million. Although Washington D.C is the capital of the U.S., New York is the biggest city in terms of population, 8,5 million estimated by the U.S. Census Bureau in 2015. Other major cities include Los Angeles, Chicago, Houston and Philadelphia for instance. In fact, there are over 30 cities in the U.S. with the population of over half a million.

The U.S. account almost 16% of the total GDP of the world economy, which makes it the single most significant economy in the world in terms of GDP. The country ranks third in the most recent Global Competitiveness Index after Switzerland and Singapore respectively. Its market size, innovation, financial market development, and business sophistication are the main factors which influence to the global competitiveness of the U.S. However, the decreasing productivity, lack of efficiency in the goods market and its relatively low rank (14th) in technological readiness are issues the country needs to put emphasis into in order to maintain the high rank in global competitiveness. (Schwab 2016.)

Market potential

When the market demand for SuperApp's products in the U.K. was measured, the example comparison to the domestic market was made. The assumption was made that the amount of private businesses in the U.K. would be largely higher than in the Finnish market. Similar assumption can be drawn here. The U.S. Census (2012) estimates that there were approximately 28 million companies in the U.S. in 2012, yet only a third of which with a turnover of over 50 000 USD. Anyhow, the amount of potential clients in the U.S. could be as much as five times bigger than in the U.K. (The United States Census Bureau 2012.) It has to be emphasized that even though the world is digitalizing, not all of the 28 million companies in the U.S. are potential clients for SuperApp as a proportion of them are small businesses with a non-existent demand for a software of any nature. The comparisons made, however, are relevant to this study as the compared markets are relatively similar in terms of industry structure and technological development. It can be assumed that the actual demand highly correlates with the total number of businesses in a given country. Reflecting the total number of businesses between countries with similar characteristics aims to help the author to arrange potential markets in an order according to demand potential.

Challenges

The general challenges of doing business in the U.S. according to the World Economic Forum (2016) are very similar to the ones of the U.K. Tax rates and regulations and bureaucracy are the major issues. Technological readiness and business sophistication (ranked 3rd and 4th respectively in the NRI) are among the highest in the world which is another similarity in comparison with the U.K. According to a study by Osec (2011), a Swiss business network, 75% of the world's largest software businesses originate from the U.S., which demonstrates the intensiveness of competition in the U.S. It is often the case that smaller firms are acquired by large technology vendors in order for them to gain competitive advantage and diversify. (Osec 2011.) In fact, almost 98% of the ICT firms in the U.S. are considered small establishments with 1-99 employees.

5.4.3 Singapore as a potential market

General information

The city-state Singapore is located in Southeast Asia. It is the southernmost tip of the continental Asia, an island situated south of peninsular Malaysia. It is one of the smallest sovereign states in the world, it's area slightly falls below the size of New York City. There were approximately 5,5 million people in Singapore in 2015, the ethnic make-up of which/whom being as follows: 75% Chinese, 15% Malay, and 8% Indian. Due to the ethnic diversity, there are four different official languages in Singapore: Mandarin, Malay, Tamil and English as the country was once part of the British colonial rule. (Commisceo Global 2016.)

The history of Singapore is eventful. It was declared as a British colony in 1819, and remained under the British rule until the Second World War when Singapore was occupied by the Japanese. In 1945, after the U.S. had bombed Hiroshima and Nagasaki, Japan surrendered and Singapore was once again governed by the British. Due to the rise of anti-colonial

and nationalist sentiments, the self-governance of Singapore gradually increased until the country became independent in 1965. (University of Texas 2007.)

Today, Singapore's GDP per capita ranking is one of the highest in the world, slightly above the U.S. as learned in the Table 3. It has been the second most-competitive country in the world six years in a row according to the annual Global Competitiveness Report by the World Economic Forum (2016). It tops the rankings in higher education and goods market efficiency. Its public institutions are highly efficient, and the infrastructure is valued as the second-best in the world after Hong Kong. Moreover, the government budget has been in surplus since 2010 which is not the case with the U.S. and the U.K. The reasons why Singapore has become an economic success are various. First, its location as a natural harbour is significant; it is estimated that 40% of the world's maritime trade passes it each year. The second major reason is that foreign trade and investment was welcomed relatively early and multinationals found Singapore as a natural hub. (Schwab 2016.)

Market potential

As discussed earlier, as digitalization has become a global trend, companies regardless of industry are increasingly relying on digital solutions by replacing outdated technology (OECD 2015). The assumption of market potential was previously made by examining the total number of businesses. In the case of Singapore's market, similar assumption can be made. The assumption is quite relevant for this research as all of the three countries assessed share similar attributes concerning the industrial structure, economic development and technological readiness. The total number of businesses in Singapore accounts to around 300 000 (ACRA 2016). Technological readiness and -usage among businesses in Singapore is at a high level. As one of the pioneers of technology in the world, digitalization will most likely be fast in the following years which drives the demand for business software forward.

Challenges

Restrictive labor regulations, small innovation capacity and inflation are the main challenges in terms of business making in Singapore. Again, the importance of them for the case company is not significant as it is not assumed that the company would physically enter the market. However, the most relevant challenges concerning the case company are relatively similar to the ones in the markets of the U.K. and the U.S. The competition in the ICT industry is intense in highly developed, high-income countries with a certain level of technological readiness. (Schwab 2016.)

Challenges that concern the Singaporean market more than its western counterparts, are cultural aspects which take influence from Asian cultures. The U.S. and the U.K., are western cultures like Finland, therefore the case company is more familiar with their business cultures. Doing business in Singapore would most likely require certain amount of preparation and patience as there are several matters to consider such as hierarchy and relationship building. In the next chapter, the three remaining countries are compared.

5.5 Comparison of the three potential markets

In terms of market potential

As discussed earlier, the three countries are quite similar economy competitiveness-wise. In the Global Competitiveness Index, Singapore, the U.S. and the U.K. rank 2nd, 3rd and 7th respectively. The three countries share similar rankings in basic requirements; infrastructure and education, efficiency indicators; goods- and labor market efficiency, technological readiness and financial market development, and innovation factors; business sophistication and general level of innovation. The only notable differences relate to culture and the size of the country in terms of area and population. Since the countries share similar characteristics in terms of development, both industrially and as country, comparisons made

earlier concerning the amount of private businesses in the countries are relevant. They will most probably not tell the researcher the actual amount of potential clients in a country. However, the industrial structure (Services 80% and industry 20% in general) and -development being relatively similar in all of the three countries, it provides a directional and comparable estimation across the nations. (Schwab 2016.)

A recent study conducted by the Infocomm Development Authority of Singapore (2015) shows that overall, across all industrial sectors, internet usage amongst Singaporean companies is slightly under 90%. Knowing that the technological development in the two other countries examined in this research is at a similar level as in Singapore, it can be assumed that the internet usage level amongst companies in the U.K. and the U.S. is similar. In practise it can be estimated that 90% of companies in the selected three countries are already using, or at least ready for, digital solutions provided by the case company. (Infocomm Development Authority of Singapore 2015.)

To summarize, the amount of private businesses in the U.S., the U.K. and Singapore account to approximately 28 million, 5,4 million and 300 000 respectively which is highly correlating with the population of the country. The estimations of the potential clients in a country are hypothetical and made with the assumption that the case company could actually serve the needs of all of the companies in the country which of course is not possible in practise. However, the total number of businesses reflects the actual number of potential clients which, inevitably, is bigger in the U.S. than in the U.K. and Singapore.

In terms of competition

Where the actual market potential is difficult to find out given the resources and time available for this research, the level of competition can be estimated more accurately. The statistics of the Government of Singapore and IT -industry outlooks of re-owned trade association CompTIA provide highly accurate and relevant information for this research. It is estimated

that global information technology industry generates USD3,8 trillion in revenue in 2016. Out of the total sum, the U.S., the U.K., and Singapore generate 28%, 4,5% and 4% of the revenue respectively. The dominance of the U.S. can be explained by the fact that the pioneer companies in the industry, such as Microsoft, IBM and Apple, are originated in America. The industry is projected to grow 4,9% for 2016 which slightly over the growth rates of the U.S. and the U.K. Singapore's IT industry, however, is growing more rapidly; 2015 saw a growth of as much as 13,7%. Overall, Singapore's IT-industry revenue has grown rapidly from the USD58 billion in 2010 to USD130 billion in 2015. (Infocomm Development Authority of Singapore 2015; CompTIA 2016.)

Several indicators can be used to determine where the competition is the most intense, or where the competition is the least intense which is more relevant for this study. The approximate number of software businesses in a given country is a factor which helps the researcher form a general view of the competition. It is estimated that the number of software enterprises, companies that gain a significant portion of their revenue from developing software, are 375 000, 50 000 and 30 000 for the U.S. the U.K. and Singapore respectively. Once again, the U.S. stands out from the three as the largest. However, the amount measured in percents is interesting; where the U.S. and the U.K. again appear relatively similar, Singapore stands out clearly. The approximate amount of Singaporean businesses developing software can potentially account to as much as 10%, whereas the approximate percentage of software firms in the other two countries is closer to 1%. The difference is significant, yet, to some extent it can be explained by the fact that Singapore is a small country in terms of area and population, it suits the software sector. Another fact that implies very intense competition in Singapore is the comparison of revenue generated from the domestic market vs. export. In 2010, the revenue of the IT-sector generated from exporting stood at 56%. As in 2015 it had increased to 72% which indicates that the revenue generated in the sector has increasingly come from export operations. That could imply that the domestic market is saturating, and Singaporean firms have increasingly

started to look for opportunities abroad. (Infocomm Development Authority of Singapore 2015; CompTIA 2015; CompTIA 2014.)

The share of software segment of the whole IT-sector is another indicator of the competition. Currently, the shares for U.S., U.K. and Singapore are 21%, 13%, and 10% respectively. Software has the biggest share in the U.S. which can be justified with the recent years' innovations in software and internet services by high-tech companies in the Silicon Valley area in the northern California. In the U.K., however, the domestic supply of software appears to be relatively lower than in the U.S. and Singapore. (Infocomm Development Authority of Singapore 2015; CompTIA 2015; CompTIA 2014.)

To summarize, the U.S. market for software is the biggest amongst the three markets studied as it represents over a quarter in the global revenue of the industry. Because the high proportion and quality of domestic production, the competition is highly intense. Among the three countries studied, the IT-industry is growing the fastest in Singapore, and software represents comparably the largest proportion of the industry which is a sign of intense competition as well. Another sign of the saturating domestic market for is the fact that only 28% of the total revenue in the IT-industry comes from domestic sales. The U.K. market in the software sector is intense as well, however, it appears to be by far the least intense amongst the three countries studied. (Infocomm Development Authority of Singapore 2015; CompTIA 2015; CompTIA 2014.) The next chapter focuses on presenting the outcome of the research.

5.6 Outcome of the research

The U.S. is the largest market for software considering statistics, however, the competition is too intense for the case company at this point. The competition factors, combined with the physical distance, are the reasons which make the U.S. market difficult to approach at this point.

Singapore as the first foreign market for the case company could have the potential to act as a stepping stone to the larger markets in Asia which is something to keep in mind. However, at this point, the degree of competition and saturation in the market appears to be too great of a barrier. Moreover, the relatively low price level Singaporean competitors in the software industry are able to offer is something the case company is not willing to match. The reasons given, let alone the cultural and geographical distance, are reasons the Singaporean market will not be an option at this point. Yet, the highly skilled workforce and the price level are factors that could make it beneficial for SuperApp to look for subcontractors. Figure 23 summarizes the screening process of the study.

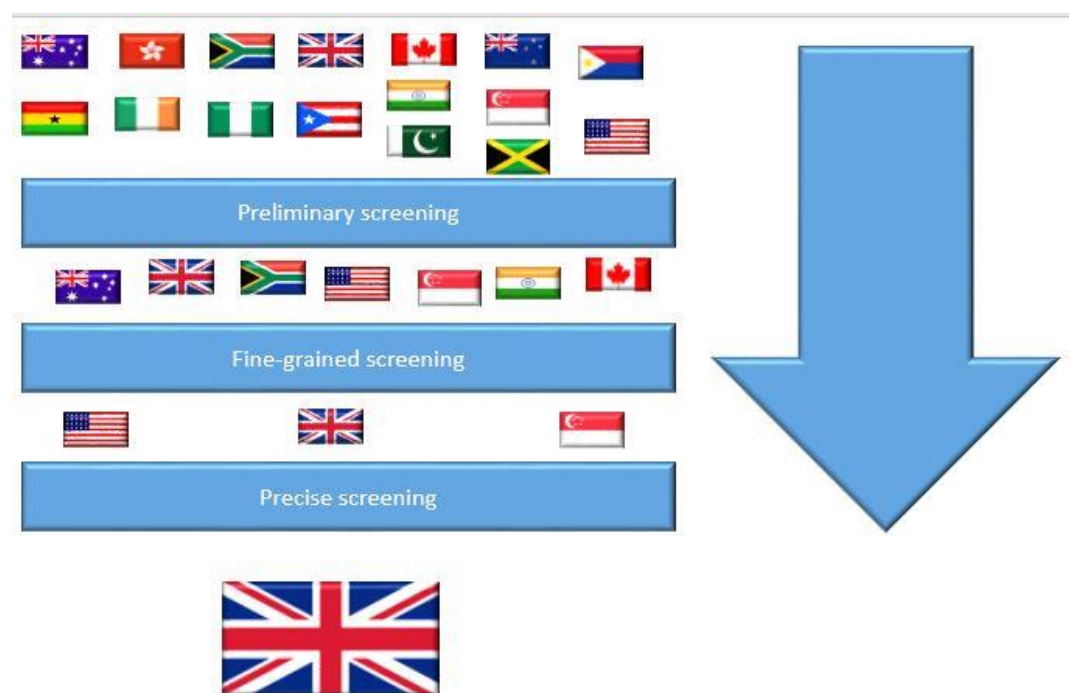


FIGURE 23. Summary of the screening process.

The screening process began from prerequisites which essentially screened out all other countries in the world except Australia, Hong Kong, South Africa, the U.K., Canada, New Zealand, Philippines, Ghana, Ireland, Nigeria, Puerto Rico, India, Pakistan, Singapore, Jamaica and the U.S.

The prerequisite was that English had to be one of the official languages or a primary language spoken in the country. Preliminary screening excluded countries based on market size and the actual status of the use of English language. At this point, Hong Kong, Ghana, Nigeria, Puerto Rico, and Pakistan were screened out because English is not the primary language businesses and individuals of the country. Jamaica, and later Ireland and New Zealand were excluded from further research as the markets were considered too small. In the process of fine-grained screening, the criteria used for screening were the NRI, Networked Readiness Index, and cultural distance. Based on those factors, India and South Africa were removed as they lacked in technological readiness, and were culturally the most distant from the domestic market of the case company. In precise screening, the three remaining countries were assessed based on their competitiveness, demand potential in the market, competitors and cultural aspects.

All in all, as far as statistics are concerned, it would appear that the U.K. market is the most potential for the case company. Taking into account the potential demand, competitors, and cultural factors the U.K. market is more potential and more convenient to enter in comparison to the U.S. and Singapore. The U.K. market is one of the largest in Europe, and the relative supply of software appears to be lower than in Singapore and the U.S. Forming business relationships in the country would not be as difficult as it would in Singapore and the U.S. due to the low geographical distance. However, the possible impacts of Brexit should be studied in further research.

6 CONCLUSIONS AND SUGGESTIONS FOR FUTURE RESEARCH

In this chapter, the author is going to draw a conclusion to this thesis. First, the research question, as well as the sub-questions will be answered. The following paragraph focuses on the validity and reliability of the study, after which suggestions for future research are given.

6.1 Answers to the research questions

The main research question and the sub-questions were presented in the introduction chapter. The sub-questions are answered first in order to find an answer for the main research question. This chapter addresses the sub-questions and the main research question respectively.

What are the prospects of the case company in terms of internationalization?

SuperApp is a growing-, yet, a young company. The current situation is that the firm has to search for opportunities outside its domestic Finnish market. There are two core reasons for this: firstly, the domestic market is rather small, it is increasingly more difficult to find new segments to profitably sell digital solutions to. Secondly, as the output the company provides is in a digital form, it is considerably less risky to start exporting it to foreign markets compared to products crossing national borders physically. Using the extensive distribution channels available, such as Google Play or the App Store, the company has the means to deliver application software for the masses. According to the research, the financial barriers of entry to foreign markets for the case company are rather low considering the planned execution means. It appears that the highest barrier for internationalization at this point is the finding of profitable segments with emerging demand for software. The firm's search of new customer segments is ongoing, however, the author recommends a more extensive research on the subject in the future.

What criteria should be considered in the screening process of potential market?

The theories concerning the subject of international market selection process presented in the thesis suggest that the criteria can be divided in two categories: general- and specific characteristics. General characteristics evaluated in different stages of the research include for instance key figures; population, GDP, geographical location, language spoken, and more comprehensive statistics; different indicators of the NRI and Global competitiveness report. In order to make more specific distinctions between countries, the research considered cultural factors related to cultural distance.

What is the most potential target market for the case company to enter?

The market selection process used in this study was built on theories published on the subject. The main idea was to determine prerequisites for the selection, which would limit the choice of potential countries initially. Then, criteria were chosen in order to conduct preliminary screening. After preliminary screening, fine-grained screening used criteria which required more detailed information in order to eliminate another set of potential markets. Finally, precise screening considered the remaining most-potential markets with criteria and factors which were again more detailed. The criteria used in the process included factors such as the primary language used, market size, cultural aspects, technology readiness, competitiveness and factors measuring the demand and competition in a given market. As a result of the screening process, the author has chosen the United Kingdom as the most profitable market for the case company to enter.

6.2 Validity and reliability

The secondary data used in the study was collected from reliable sources such as government statistics and renown literature. The process and the results were discussed with the management of the case company in order to increase validity. The empirical part was based on widely recognized theories. Because of these factors, the thesis and the results are considered valid and reliable.

6.3 Suggestions for future research

The objective of the study was to find out the most potential market for the case company to enter. The focus was on the selection process and finding a single target market. If the case company was to enter a foreign market, additional research on the possible market entry modes needs to be conducted. As the United Kingdom was chosen as the most potential target market, the author recommends further research on the impacts of the U.K.'s exit from the European Union as well as finding new customer segments in the market.

7 SUMMARY

The objective of the thesis was to examine internationalization, research the target market decision process and ultimately determine the most potential target market for the case company to enter. The first chapter presented the background-, goals-, research methods chosen and research questions of the thesis in detail.

The purpose of the second chapter was to introduce general theories related to internationalization and the main approaches waterfall-, sprinkler-, and wave strategy. As the goal of the thesis was to determine the most potential foreign market, the chapter also addressed distinguished theories of deciding which markets to enter.

The theoretical framework presented aims to generate a starting point for the empirical part which started in the fourth chapter by analysing- and providing information of the case company SuperApp Oy. The core topic of this thesis, the international market selection process, was presented in the fifth chapter. The data for the selection process was mainly secondary, and collected from studies conducted by governments and research faculties. The selection of the most potential foreign market was presented as a screening process, utilizing the available data. Various criteria were used to eliminate less potential countries in four stages, which ultimately resulted in a single most suitable market.

The research questions were answered and the thesis was concluded in the final chapter. In addition, the validity and reliability of the thesis was discussed, and suggestions for further research were presented.

Since the main research question and the sub-questions were answered, the thesis reached its objectives. According to the market selection process presented, the United Kingdom is the most potential target market for the case company. The research showed that there are tremendous differences in the state of competition in the software sector and the IT industry as a whole, which ultimately screened out the less potential markets. However, the author recommends further research on the entry

modes into the U.K. market as well as the possible impacts of the U.K.'s exit from the European Union.

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