

Experimental product launch to Kazakhstan

Case company Lammin Ikkuna Oy

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The goal of this thesis work is to set the final price of the window products exported by Lammin Ikkuna Oy to Kazakhstan's market and sell the first product.

Thesis commissioner - Lammin Ikkuna Oy is a small Finnish company that manufactures custom-made windows and doors in Finland. The company export products also to other countries including Russia, Latvia, Sweden, and the USA. At present, the case company has a certain financial issue in local and foreign markets, in the Russian market particularly, after the devaluation of Rubble. The company decided to increase sales by expanding its products to a new market – Kazakhstan.

A new business entity was created between Lammin Ikkuna Oy and Steklo-Service LLP, local glass manufacturing company in Uralsk, Kazakhstan. Regardless of promising opportunities from the new market, the entity has not been active for 2 years. Two main issues that the entity is facing are sales and pricing of exported products.

Action based research method was applied for this thesis. Primary data was collected by conducting an in-depth conversation with company employees, observation and meeting attendances. Secondary data was collected from books, articles, and the Internet.

Certain limitations appeared during the research method implementation. The research method applied only partially due to the number of researchers and researcher's qualification. Derived results were carefully reflected in the final chapter of the research paper. Thesis commissioner is satisfied with the work completed.

Thesis writer has completed his internship in Lammin Ikkuna Ov.

Keywords

The joint venture, assembling line, new market, pricing, export

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1 Introduction

Lammin Ikkuna Oy is a small size Finnish company that manufactures and sells windows and doors. Most of the products are sold in Finland, the company also exports to other countries as well including Russia, Sweden, and the USA. According to the latest report, Lammin Ikkuna's annual turnover is around 16 million euros.

Currently, the amount of sales in the company has been relatively decreased since 2014, because of strong competition in the local market and global crisis that affected on Russian market particularly. Furthermore, the company's business type is seasonal and product volume fluctuates depending on weather conditions. The high season appears to be during summer and low season in winter.

To solve appeared financial issues, Lammin Ikkuna decided to explore its products to a new market - Kazakhstan. Various factors were concerned about establishing the final decision, for example, a business model implemented in Russia might be applied for Kazakhstan as well, the opportunity of creating a joint venture was found in north-west part of Kazakhstan, a Finnish window is a unique product for market, the political and economic situation between Finland and Kazakhstan is flourishing. Although Kazakhstan is an enormous country, the amount of big and developed cities are limited, consequently, the company is targeting only on those, for instance: Almaty, Astana, Uralsk, and Shymkent.

Lammin Ikkuna Oy has established an agreement with a local company in Kazakhstan named Steklo-Service LLP. Both parties had an equal interest in new entity creation. Companies agreed to set a small export of 5-10 pieces of windows to Kazakhstan to calculate the final cost of the exported product, to receive feedback from the first customer, to observe the market reaction in general.

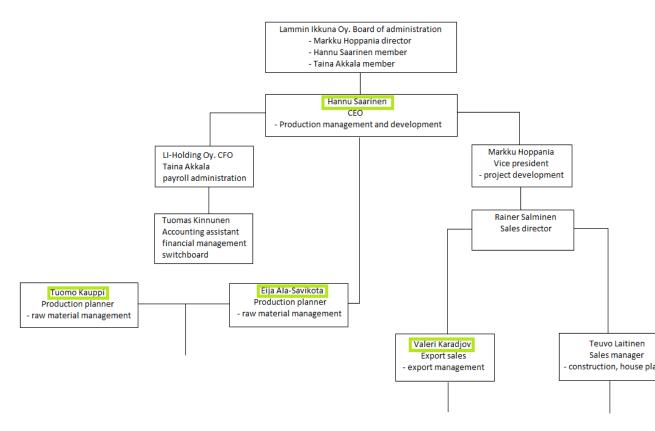


Figure 1. The organizational structure of Lammin Ikkuna Oy, table from summer worker's guideline 2017 (Short version)

Initially, Hannu Saarinen present CEO of Lammin Ikkuna scheduled a meeting with thesis writer to introduce a project related to Kazakhstan. During the first meeting, the thesis writer has requested to start as a summer worker for a better understanding of the product and production process in general.

Thesis writer has started working for Lammin Ikkuna Oy as a summer worker in 2017. Summer worker's guide had been made to introduce new upcoming workers for factory work and made by Eija Ala-Savikota, the production planner. Tuomo Kauppi was the first supervisor for all summer workers.

Further step after finalizing summer work was to complete the internship and write a thesis for Lammin Ikkuna Oy as an export intern with Valery Karadjov, export sales.

2 Case company – Lammin Ikkuna Oy

2.1 Company Profile

Lammin Ikkuna Oy was established in 1969 in Lammi, in the province of Tavastia Proper. The company makes custom-made windows and doors. In addition, the company offers assembling, financial, maintenance and transportation services in Finland. Windows and doors are manufactured in factories based in Lammi and Kangasniemi, relatively. Sales offices are in Espoo and Lammi.



Figure 2. Lammin Ikkuna Oy's official logo (blue color, English version)

The company is continuously upgrading its products. In 1989, Lammin Ikkuna became the first to introduce the electrostatic painting technology for wooden parts in Finland. INNO-SUOMI Award was captured in 2008 for presenting Eko Watti, the first low-energy consuming window type to the Finnish market. In Finland, company products are known for high quality, custom-made orientation and the least amount of reclamations among others. Both products made in the factories are tested according to the VTT Technical Research Centre of Finland and exports are licensed according to CE European Conformity.

Presently, the company has around 110 workers including both factories. Window factory is built as an assembling line. Main raw materials such as aluminum, glass, lumber, arrive from different partners and door factory. Approximately 90 workers are in the factory, rest are in the office managing sales, production processes, and marketing. Production capacity is estimated for 120 units per day. Current CEO of the company is Hannu Saarinen.

2.2 Products

Lammin Ikkuna makes various types of windows with different forms, materials, characteristics, colors, glasses, and fittings. Generally, there are four types of windows: MSE_A, MSE, MEKA, and WATTI.

 MSE_A – wooden-aluminium window type. Depending on the inner sash, shape divides on 2 forms: Pikantti and Elegantti. Elegantti has the beveled shape of the inner sash, while Pikantti has the rectangular shape. MSE_A is a traditional Finnish window type.

The frame structure is finger-jointed. Frame depths can be 110, 131, 145, 175and 200-mm. Window frame and inner sash are made from branchless pine. Insulation glasses are set in the inner sash.

Frame surface and outer sash are made from aluminum, which helps to protect the frame from the weather. Monolithic glasses are set in the outer sash.

The hinges are bolt type hinges. The standard color of the frame and the inner sash is white.

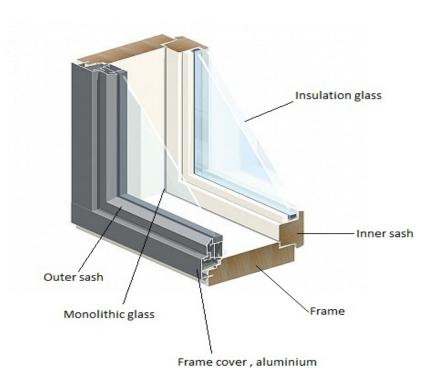


Figure 3. MSE_A – wooden-aluminium window.

- 2. MSE wooden window type. MSE_A and MSE windows are almost identical, except the outer sash material difference. In comparison with MSE_A window, MSE has a wooden outer sash.
- 3. MEK fixed wooden-aluminum window type. MEK has only one wooden sash, frame cover might be wooden or aluminum and fittings are excluded.

MEK is significantly different from previous window types that were mentioned before because the typical Finnish window has two sashes and MEK has one. In addition, it has a different glazing. Depending on the number of glasses, MEK divides into 4 groups: MEK1K, MEK2K, MEK3K, and MEK4K. In relation to a number of K, glazing increases, for example, MEK4K has 4 float glasses while MEK2K has only 2. Similarly, to insulation glass MEK glasses are filled with argon in between.

MEK windows are usually big and they get installed in front of the building or entrance part. Consequently, the frame of the MEK window should be weather resistant.



Figure 4. MEK3K with triple glazing

4. WATTI –wooden-aluminum window type. WATTI window's energy efficiency value is much higher than other windows. Commonly energy efficiency value U is equal to 1 for regular Finnish windows, but because of the air layer between sashes and different type of glasses, it could be reduced to 0.8 or less. For instance: MSE_A, MEK2K or MSE has U=1 or 0.8, but not less.

In the case of WATTI window model energy efficiency value is equal to 0.7 or even 0.6, because of exceptional glassing. Insulation glass is set in both sashes.

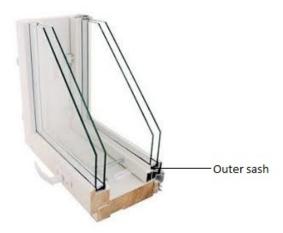


Figure 5. Example of WATTI window model

Lammin Ikkuna also has a department focused on special windows, for example, the company makes fire protective windows, arc type windows, signal windows or window product that needs to be customized for specific requirements of the client.

As a custom-made product, window characteristics and price might vary depending on the final choice of the customer. Prices for the same type product might have a significant difference, for example, Finnish customer might prefer white color, standard fitting, and regular glass MSE_A window, while Russian customer might choose an oak colored, sun protective glass installed MSE_A window with chromed fitting. Besides color and fittings, a form of the chosen window has a crucial effect on the price as well. In Finland, each split in window form is counted as a new unit and depending on the number of units, price increases, for instance, if MSE_A window has four splits it will be constructed as four small windows in one. Each unit will have its own frame part, sashes, aluminum profile, etc.

Finnish windows have extremely high characteristics regarding their energy efficiency, light reflection, and sound insulation qualities. Windows of Lammin Ikkuna are energy efficient in summer and winter seasons, due to the insulated air layer between inner and outer sash.

Lammin Ikkuna plans to attract Kazakhstan's market with MEK, MSE_A and MSE windows for the beginning. The company has more products to offer, but selected window products are easier to assemble, distribute and price.

2.3 Current situation

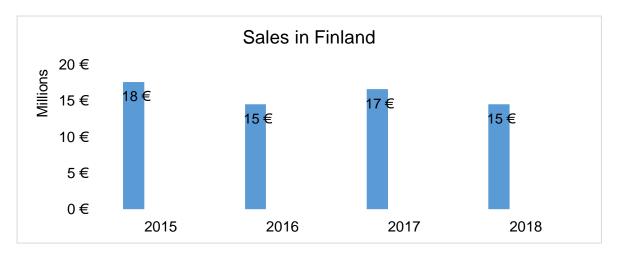


Figure 6. The total amount of local sales (Data requested from Hannu Saarinen)

Figure 6 describes the total amount of sales of Lammin Ikkuna for last 4 years. Sales units are presented in millions.

The chart presents that Lammin Ikkuna had the highest rate of 18 million sales and the lowest of 15 million in 2015 and 2016, respectively. The drop for 3 million has been caused because of competition and had a significant impact on a company's revenue. In 2017, sales in Finland improved by 2 million, but a year later sales dropped to the lowest rate again.

Overall, sales of Lammin Ikkuna fluctuates in the local market and does not have consistent growth. The level of competition inside the Finnish market is increasing day-to-day.



Figure 7. Export sales (Data requested from Hannu Saarinen and Valery Karadjev)

Figure 7 shows the total export sales and direct export to the Russian market of Lammin Ikkuna for last 4 years. Sales units are presented in Thousands.

Total export sales have been dropped only once in 2016 from 138 thousand until 90. From 2017 until 2018 sales has been increased dramatically, more than 3 times and reached the pick of 450 thousand. Lammin Ikkuna exports products to the USA, Latvia, Russia, and Sweden. According to Hannu Saarinen, the latest export sales in the USA almost doubled the amount of export to the Russian market. USA and Sweden have solid market potential and promising more sales.

Figure 7 indicates that the export rate to the Russian market has been decreasing since 2015. The lowest sales were in 2017 with a rate of 68 thousand. In 2018, sales went up to 90 thousand, the however export ratio of Russian market has declined. As can be seen from the bar chart, in the first two periods sales to Russian market makes 90% of the total export.

In conclusion, the Russian market has a significant share in total export of Lammin Ikkuna, however, demand for a company's product is decreasing gradually.

According to Valery Karadjov, export sales manager of Lammin Ikkuna, in 2006 and 2007 sales in the Russian market was booming, for example the company was selling over 500 thousand euros per year. External factors such as competition, sanctions, devaluation of

currency did not appear and Lammin Ikkuna was one of the first Finnish window companies working with Russian market annually, particularly with the Saint Petersburg area. The company has struggled in the 2008 crisis also, but the economy and market of Russia rehabilitated quickly. In 2014, sanctions of European Union and the USA to Russia shaken the sales again (discussion with Valery Karadjov 18.12.2018).

"One of the biggest competitors of our company Skaala Ikkunat ja Ovet Oy has established an assembling line in Saint-Petersburg" – Valery Karadjov. The competitor started to make cheaper windows with easier and faster access to the market. In addition, a competitor started manufacturing a demanded product specifically for the Russian market. Saint Petersburg, Archangelsk, Murmansk and few other cities are most interested in traditional double sash Finnish window type, but majority part of Russian cities are attracted by tilt and turn window type, particularly in Moscow. However, the quality, lower complaint, and reclamation rate are the strength of Lammin Ikkuna (discussion with Valery Karadjov 18.12.2018).

2.3.1 Features of the Kazakhstan market

Kazakhstan is the ninth largest country in the world. Regardless of its size, it is also one of the most sparsely populated countries with a population of 17 million people. The country is in the heart of Eurasia. The current capital is Astana and commercial hub is Almaty. From 1991, Kazakhstan is an independent Republic country.

Kazakhstan's economy is mostly based on exporting mineral resources, metallurgy and agriculture. Oil and gas manufacturing make 80% of total export, also mining plays a big role in the economy. From 1998 until 2018, the main import partners are China and Russia 16.9% and 37.5% from total purchases respectively. Country imports machinery, equipment, chemical and industrial products, vehicles, etc.

From 1998 until 2008, the country had a leading economic growth in Central Asia with constant grew of GDP by 9.6%. In 2014, the country's currency devaluated approximately by 20% due to massive price fall of oil. From 2010, Kazakhstan is in Customs Union with Russia and Belarus (Focus Economics, Kazakhstan's economy).

Windows and doors are imported from different countries, mostly from China, Belarus, Poland, and Germany. Nowadays, the most popular window products are tilt and turn plastic windows with one monolithic glass. Prices of plastic windows are approximately 3-6 times lower than wooden or wooden-aluminum windows, but the guality is lower as well.

Traditional Finnish window with double sash has not been introduced to the market yet. Kazakhstan has a continental climate and Lammin Ikkuna assumes that Finnish windows will be the perfect suit for the weather. Double sash, wooden frame construction will have superior functional advantages over plastic windows.

More than 150 nationalities are living in Kazakhstan. "According to 2014 census, the ethnic composition of the country is approximate: Kazakhs 65.5%, Russians 23.7%, Uzbeks 3%, Ukrainians 1.8%, and others are Germans, Koreans, Turks, etc. (Wikipedia, Kazakhstan's census). The company will not face issues with localization.

Regardless of a welcoming attitude to foreign companies, doing business in Kazakhstan has its own specialties. For foreign companies, the government does not always make easy access to the market. Companies should be aware of considerable bureaucracy; spontaneous visits from tax officials, police corruption (Doing business in Kazakhstan Baker McKenzie 2018). Important steps to avoid administration issues is to be active in building a good relationship with government officials. In addition, it would be also beneficial for a foreign company to get consulted by a local company in terms of legal and financial issues or Finnish council in Kazakhstan. Furthermore, In Kazakhstan email inquiry, website, presentations do not have the same value as in Finland. Company representatives prefer face-to-face contact or phone calls. Average people do not use the internet for commercial purposes. Trust is the most valuable factor in the market of Kazakhstan.

2.3.2 Assembling line in Uralsk

Uralsk is a city located in the northwest part of Kazakhstan. It is the capital of the West Kazakhstan region. In 2017, Lammin Ikkuna decided to establish a new assembling line in Uralsk and created a joint venture agreement with Steklo-Servis LLP. The entity was called Lammin GF. Assembling line was based inside the factory of Steklo-Service. Traditional Finnish window has not been introduced to Kazakhstan's market yet, therefore regular factory workers are not aware of the new product. Staff who will work on the new assembling line has been trained in Lammin Ikkuna's factory with Finnish professionals. In addition, Lammin Ikkuna has arranged educational seminars in Uralsk to cover the advantages of Finnish windows.



Figure 8. Location of Uralsk in Kazakhstan map

"A **Joint Venture** (**JV**) is a business entity created by two or more parties, generally characterized by shared ownership, shared returns and risks, and shared governance" (Joint Venture, Wikipedia).

The advantages of the joint venture are crucial for both parties in terms of capital requirements, reduction of business risks and market penetration. Both parties will be contributed to a substantial amount of investment in development work, product testing, and marketing. The joint venture allows the investor to avoid market unfamiliarity, to gain an element of protection, to reduce the risk of doing business is a foreign land. The joint venture provides an opportunity to share tangible and intangible assets of both parties in agreed terms, for example, human resource, ideas, technology, management, etc.

Disadvantages of joint venture: profits are shared, shared technology can be used beyond the joint venture, local management of a joint venture can be unknown. An obvious disadvantage of sharing capital obligations need to share profits generated from the actual operation of the joint venture. One party's mastery of the other's technology can lead to improvements of that technology beyond the intended services of the joint venture. Potential conflicts among the management teams might appear because of management styles of local party and expectations of investing party (A Short Course in International Joint Ventures, Alan S. Gutterman, p4)

For Lammin Ikkuna creating a new entity with Steklo-Service has a big impact on market entry. Market research issue will not bother Lammin Ikkuna, cheaper resources from Kazakhstan, both parties will share risks and costs. The only significant disadvantage might

appear as miscommunication between two parties. Any appeared misunderstanding or uncertainty of goals might lead to contract termination, financial and reputational loss to competitors.

Steklo-Service LLP is one of the largest companies in industrial processing of glass in Kazakhstan. The Company has been operating since 2001 and made many successful projects in Kazakhstan. One of the big projects, Barys, indoor arena for ice hockey was completed in the capital city, Astana. Starting from 2010 Steklo-Service started exporting products to Russia. Products made in Steklo-Service satisfies Lammin Ikkuna with quality and price.

Due to the Plan, Lammin Ikkuna supplies Lammin GF with window parts. Transportation until Uralsk, customs regulations should be managed from Lammin Ikkuna's part. The company assumes that a truck filled with window parts might minimize the transportation cost and increase sales. Lammin Ikkuna plans to send products through transportation company from Lithuania or if demand will be exceptionally high then company organizes with Steklo-Service a truck going back and forward to Uralsk.

Steklo-Service is responsible for the final assembling of sent products with own glass, support in sales and promotion. As a large manufacturer of glass, Steklo-Service has an enormous network in Kazakhstan, especially with construction companies. Steklo-Service has appointed a person who will be helping Lammin GF in the promotion, sales, and customer search specifically for Lammin Ikkuna's products. Lammin GF should find required dealers; establish a selling process in Almaty, Astana, and Uralsk. Additionally, Lammin GF and Steklo-Service should participate in construction fairs, exhibitions for branding and marketing of the final product.

Various meetings were arranged for final product pricing. Lammin Ikkuna is interested to keep the suitable price for Kazakhstan's market by using relatively cheap workforce and glasses from Steklo-Service, Steklo-Service would like increase sales inside the local market and possible expansion in the European market, Lammin GF is interested in sales, promotion, and branding.

Currently, the theoretical part of the joint venture agreement is identified. Parties separated tasks due to their capacities. All the numbers for final product calculation are taken from the company data, transportation cost and possible in transit threats are estimated, the tax percentage is taken from secondary data. Although the theoretical part is established, it has not been tested in the real case yet.

2.3.3 Pricing and Cost estimation

Price is one of the most important factors of the competitive situation, which has a direct impact on the exporting company's sales and profitability. Price is also the most flexible element of the marketing mix which can be quickly adapted to environmental changes. Moreover, the consequences of price changes are more direct and immediate than those of any other marketing mix instrument, as they result in subsequent customer and, in most cases, competitor reactions (Stöttinger, 2001)

Pricing is the fastest way and easiest way to increase competitiveness. Factors such as high competition, trade customs, payment rules, cultural and language barriers should be taken into consideration for the pricing process. In addition to those factors, exporter always at risk of lack of information, so it requires constant monitoring of received data.

Export pricing should be always paying attention to two main factors: External environmental determinants and internal environmental determinants, which both affect crucially on pricing competitiveness.

External environmental determinants focus on the frequency of price change in the market, considers flexibility according to the currency exchange rate, evaluation of consumer behavior as well as customer value, customer sophistication in each of foreign markets, distribution channels and constant monitoring of competitor's pricing.

Internal environmental determinants emphasis on the size of the company, product differentiation, exporting experience and production cost.

As a small manufacturing company Lammin Ikkuna should focus mainly on customer value and consumer behavior other factors such as exporting experience, distribution channel will have an analogous process as in the Russian market. As it has been discussed before, double sash windows have not been introduced to the market yet, there is no strong competition in wooden windows in Kazakhstan yet.

In the new entity's case, to achieve a suitable price for Kazakhstan's market two main factors should be cheaper in comparison to Finland: workforce in Uralsk and glass cost from Steklo-Service.

1	А	В	С	D	Е	F		
1								
2	Cost estimation (Draft version)							
3								
4	Window parts for MSE_A and MSE	100 %						
5								
6	Transportation from Lammi-Uralsk	10 %	? Depending on volume					
7								
8	Custom tax rate	10 %						
9								
10	Work cost in Uralsk	?	Depending on volume					
11	Glass cost from Steklo-Service	?	Depending on volume					
12								
13	Profit	20 %						
14	VAT (In Kazakshtan)	12 %						
15								
16	Final cost	152 %						

Figure 9. The trial version of cost estimation

Figure 9 shows a draft cost estimation of the final product in Kazakhstan. As can be seen from the table, work cost, glass cost, and transportation fluctuate depending on production volume. The bigger volume the less cost will occur. Other fixed costs are taken from secondary data.

If Steklo-Service finds the first small suitable project, transportation cost would be quite high because of minor volume, only two pallets of window parts. The workforce in Uralsk is estimated to be at least 5-7 times cheaper than in Finland. In addition, Steklo-Service sells glasses for 50% cheaper compared to companies in Finland.

To be sure, on the final product price, Lammin Ikkuna will implement the first order and check the outcome for further negotiations with Steklo-Service. As previous experiences show the external cost might always appear, such as products damage during transportation, reclamation, etc.

3 Method

3.1 Research methodology

Research is a scholarly, scientific, and systematic investigation to establish facts or principles, or to collect information on a subject to be presented in a detailed and accurate manner (Habib, Md. Mamun, et al. Research Methodology - Contemporary Practices: Guidelines for Academic Researchers, Cambridge Scholars Publishing, 2014).

In other words, research is a step-by-step process of gathering, sorting and analyzing data to provide a solution for an existing problem or to find an answer to a question. The researcher is allowed to choose any topic in any field to conduct research depending on his or her interest. Obviously, to implement a practical and valuable research work, the researcher should have experience to some degree in a chosen field. Despite the qualification, experience, knowledge of a researcher, research work itself will be directly dependent on the purpose of research. Depending on purpose there are two main research types: basic research and applied research.

Basic research focuses on the fundamental principles and testing of hypotheses for the development of new and/or revised theories and repositioned theories (Habib, Md. Mamun, et al. Research Methodology - Contemporary Practices: Guidelines for Academic Researchers, Cambridge Scholars Publishing, 2014, p6). Basic research emphases primarily on solving theoretical problems rather than practical. The main purpose of basic research is to expand knowledge, create or invent something. Basic research has no practical value for any organization, examples: Discovery of the magnetic field in physics, the invention of x-ray etc. Basic research might be conducted accurately by a doctoral degree researcher or higher level.

Applied research is a study that is designed to apply its findings to solve an existing problem with the application of existing knowledge towards a specific organization (Habib, Md. Mamun, et al. Research Methodology - Contemporary Practices: Guidelines for Academic Researchers, Cambridge Scholars Publishing, 2014, p7). An ultimate goal of applied research is to solve an existing problem within the concrete organization, time and circumstances. Examples of applied research: adding additional food to the menu of Burger King to increase income, pricing a certain product transported from an Asian country to European, etc.

Other existing research types: Evaluation and performance monitoring research, exploratory, descriptive, casual, qualitative and quantitative, funded, academic, etc. Basic and applied researches are fundamental research models which have led to the development of other research types. However, the concept of research purpose is constant which is the discovery of something new or improvement of the current situation by solving the occurred problem.

3.2 Action based research

Action based research – research initiated to solve an immediate problem or a reflective process of progressive problem-solving. Action based research requires a researcher to take active participation in solving an existing problem while conducting research on it. Action research is a type of applied research method. It is very important to underline that action research is the outcome of action learning. Consequently, research type always involves action learning, but not vice versa.

Action based research consists of the spiral of following self-reflective cycles:

- 1. Identification of an existing problem
- 2. Development of plan
- 3. Implementation
- 4. Observation and evaluation of outcome
- 5. Reflection
- 6. Repeating the process

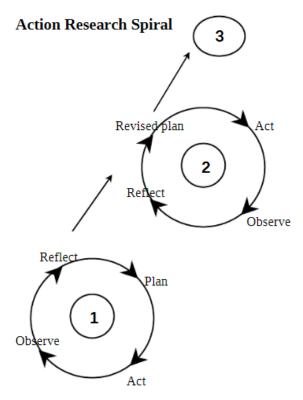


Figure 10. Example of a spiral action research cycle from Zuber-Skerritt 2001, p15

In comparison with other research methods, action research has a relatively short history. Kurt Lewin, the founder of social psychology has developed the idea of action research in the 1940s. There is a significant difference between traditional research method and action research method. The system or more accurately scheme of traditional research method is constant and appropriate under certain circumstances, whether action research is more experimental and might adjust its cycles or even create a new cycle of action depending on the situation. On the other hand action research always requires constant involvement from the researcher's side.

Kurt Lewin states: "Action Research is applying scientific thinking to real-life problems (classroom problems for teachers) and represents a great improvement over teacher's subjective judgments and their limited personal experiences." Action research in social science direction or participative action research, for the most part, focused on organizational development or organizational learning which requires a collaborative approach and honest contribution from all participants. It is preferable to the researcher to be part of the group or organization for conducting action method research.

Since then action research was used in other different fields of application: administration, organizational change, community development, empowerment, national development, and teaching. Action research has been found to be a practical research methodology in business and management research in recent decades. Most of the Ph.D. and master's degree level students have invented or applied various self-reflective cycles of action research, for example A two-cycle model (Perry and Sankaran 2002), combination of action learning and action research (Perry & Zuber Skerrit) and tree-cycle model developed for Ph.D. program.

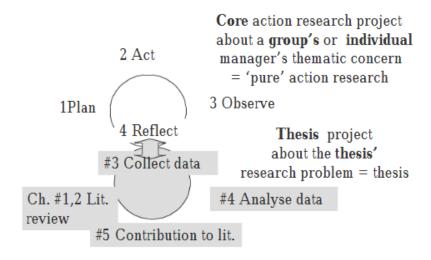


Figure 11. Perry and Sankaran 2002

Framework illustrated in Figure 10 developed by Perry and Sankaran for DBA students helps to carry out both projects related to work and studies.

A core part of action research or emancipatory action research method was selected for this thesis work. Indeed only emancipatory action research can unequivocally fulfill the minimal requirements for action research ... having strategic action as its subject matter; proceeding through the spiral of planning, acting, observing, and reflecting; involving the participation and collaboration in all phases of the research activity (Carr and Kemmis 1986, p7).

Action research does not necessarily have to be participatory or follow a single framework structure. As long as action research includes a cycle of planning, action, and reflection it might be applied in different frameworks. The more cycles have been made the more accurate reflection would be.

3.3 Selected research method

Action based research method was selected for this thesis work. The research model is used mainly in social science direction. Nevertheless, the research method was also applied for the improvement of organization development and business as well.

Reasons why the researcher found action-based research attractive and useful:

- The practical part of the research type
- Possibility to understand the existing issue in organization in-depth
- Research type is problem-focused and future-oriented
- Possibility to conduct qualitative and quantitative methods for gathering data
- Allowance to apply the researcher's own solution to the existing problem and analyze the outcome
- Reflection of studied topic and recommendations for further researches or improvements
- Project-based learning

Researcher relies on this method in accordance with his position in the organization as an intern.

4 Product launch to Kazakhstan

In December of 2018, CEOs of Lammin Ikkuna Oy and Steklo-Service LLP had a final meeting in Helsinki in which thesis writer participated as well. Various issues were discussed: the price of the product, customer profile, further plans, strategy, organization, feedback, etc. Lammin Ikkuna has presented software for window product calculation for the Russian market to demonstrate the pricing process. However, an accurate price could not be set for Kazakhstan because the software does not include prices of Steklo-Service glass, transportation cost until Uralsk, work cost in Uralsk and VAT. Steklo-Service promised to find a suitable project for 5-10 windows in Uralsk.

After implementing a qualitative method for gathering data about Lammin Ikkuna Oy, company's current situation, market entry plan, etc. thesis writer has concluded the following factors:

- 1) Lammin Ikkuna must take action to move the process further; the company needs to be active and committed to selling their products;
- 2) Steklo-Service is a glass manufacturing company in Kazakhstan that is not as interested as Lammin Ikkuna in promoting or selling new products. Furthermore, Steklo-Service is a supporting part of the entity, which will be activated only in case of an established contract between Lammin Ikkuna and client or construction company in Kazakhstan;
- 3) The entity between Steklo-Service and Lammin Ikkuna was created in 2017, but no results have been provided. Some misunderstanding has appeared in communication. One of the main reasons might be a factory upgrade by Steklo-Service or lack understanding in agreement form Lammin Ikkuna's sales department part or poor estimation of market requirements;
- 4) People who were trained in Lammin Ikkuna's factory have not been active for a year. They might have already forgot learned techniques, so for the first order company will send already assembled windows only without glasses. Staff in Steklo-Service will add their glasses and provide installation service.

At the current phase of implementation, Lammin Ikkuna decided to enter to Kazakhstan's market in two ways. The first option is to continue supporting Steklo-Service with additional information, business plan upgrade and motivate them to find the first customer. The second option was proposed by thesis writer to make proper market research by offering

Finnish window product to construction companies, architects; sending email inquiries and attempt to establish a first purchase in the Almaty, commercial city of Kazakhstan.

4.1 Planning Phase

Finding the first customer might be a significant issue and time-consuming process. As it has been mentioned before, Finnish windows are not familiar with the market. Steklo-Service has a stable base of customers in Kazakhstan, but the company itself is oriented on glass manufacturing. Projects made by Steklo-Service do not include any wooden product. The company is aware of Lammin Ikkuna's product, knows the market, but never had an experience in the window business. In addition, Steklo-Service only agreed to assemble, and glaze sent window parts. Sales support will be provided only after the arrangement of the first order in Kazakhstan. Lammin Ikkuna must provide a market entry person who will be responsible specifically for finding the customers, networking, establishing new connections, visiting construction companies, architects to promote and sell Finnish window product.

Construction companies that are focused on modern architectural buildings might be interested in products of Lammin Ikkuna. Finding the first customer is one of the goals of thesis work. As it has mentioned before email inquiries from the unfamiliar company have almost no value in the market. Calling would be a good option only in case of the close location of the company, in fact, cold calling is used only for setting up a meeting. The only effective solution is to send a person from Lammin Ikkuna to meet the construction companies, architectures in Kazakhstan. Thesis writer has proposed on customer search in Almaty and Astana during March of 2019. Following requirements were asked from Lammin Ikkuna: visit cards, flight cover, booklets, brochures, window layout, online materials, creating an official company mail address and at least two weeks period in Kazakhstan.

As a new market entry specialist, thesis writer had planning and training session of 45 days before a flight. Created a table of construction companies including address, phone number, current projects, and websites. Hundreds of email inquiries were sent to construction companies as a proposal from Lammin Ikkuna, selling techniques have been improved as well as negotiation skills, presentation skills, and product knowledge.

Α	В	С	D	E	F	G	Н
Companies	Location	Address	Mail	Phone	Name of contacted person	Official website	Note!
LLP RIFSAED(Институт жилища)	Astana	010000, Turan av 75	info@niitep.kz	7 (7172) 50 64 77	Reception	https://www.niitep.kz/en/	Other phones
BASIS A	Almaty	Abai Ave., 210 (corner of Tlendieva st.)oth	bazisgip@mail.ru	7 (727) 2 777 777	Reception	http://en.bazis.kz/contacts	Other addresses
Keruen	Almaty	050051, ул. Луганского, 139	info@keruen.com	7 (727) 262-31-51	Reception	http://www.keruen.com/	Other phones
Elite Construction	Astana	Syganak St. 29 Astana	info@eliteconstruction.kz	7 (702) 881 36 85	Reception	https://www.elitecons.com.tr	Other phones
Элитстрой	Almaty	21, Askarov Str., Almaty	khan tengri sales@elitstroy.k	7 (727) 315 64 64	Reception	http://www.elitstroy.kz/en/	Emails do not work
		Samal md 3, Mendykulova str. 25					"Asyltau" residential complex 3 rd
BI GROUP	Almaty	Egizbaev str. 7/9	infosales@bi.group	7 (7273) 315-033	Reception	https://www.bi-group.org/en	1st floor
ALMATY VILNIUS ARCHITECTS	Almaty	22 A, Ospanova Street Almaty, 050020	almaty@av-architects.com	77778305577	Sales	http://av-architects.com/	Other phones
ALMATOWN	Almaty	г. Алматы, ул. Аскарова 8, ЖК «Apple Town	marketing@appletown.kz	7 (727) 227-77-77	Reception	http://lappletown.kz/	Не наши строили
		Navoi-Ryskulbekov str.,					
ASTANA KURYLYS	Almaty	13 Taugul-2 micro-district	astanakurylys@inbox.ru	7 (727) 254 76 23	Reception	http://ak.kz/?lang=en	Other phones
Фонд Недвижимости Самурык КАЗ	Almaty	г. Алматы, пр. Райымбека, 481 В	info@fnsk.kz	7 (7172) 57 55 33	Call center	https://fnsk.kz/rus/kontakt-cent	Other phones
Ангар Казахстан	Almaty	050010 г. Алматы, ул. Зенкова, 24	info@angar-kazakhstan.kz	7(727) 390-72-80		http://angar-kazakhstan.kz/kont	Строительство ангаров
Найза-Құрылыс	Astana	пр. Н.Тлендиева, 4, строение 1	info@naiza.kz	7 7172 70 16 05	Reception	https://naiza.kz/ru/	
		Алматы, Аль-Фараби проспект, 13 к1в,					
Корпарация MAG	Almaty	37а офис; 2 этаж	no	(727) 341 00 70,		http://mag.kz24.online/	Архитектурное проектирование

Figure 12. List of companies found on the Internet in Almaty (1/7 of the original table)

The plan must be complex and include numerous action forms: give a personal visit for every possible construction company in Almaty, to make hundreds of cold calling, meeting architects, sharing online materials and leaving visit cards. The action plan needs to be simple, time and cost efficient. In other words, B2B sales, promotion, marketing, and branding.

Expected results are the positive introduction of Lammin Ikkuna to local companies, attempt to make a contract with construction companies, good marketing campaign and hope to make at least one transaction in Kazakhstan.

4.2 Implementation

Firstly, the thesis writer has made a social media marketing campaign before a flight. The Instagram account has been set for GF Lammin named lammingfkz and made around 70 posts in 3 weeks for product and company awareness. Any social media account of construction companies in Kazakhstan were followed by lammingfkz account. Social media accounts of top architectures were also taken into consideration. Inquiries were sent to followers by Instagram account as well.



Figure 13. Instagram profile lammingfkaz

In the period of January 2019, Instagram is the second most used social media channel in Kazakhstan after VKontakte with the rate of 16.33% (Social media stats Kazakhstan, Stat Counter Global stats). Vkontakte is also a decent way of marketing online, despite it is mostly used as a tool of communication it might still have a certain impact on promotion, branding, and marketing.

Lammin Ikkuna has greatly organized website with creative visual content and important product presentation attachments. However, the company has extremely small content on social media channels. Despite an active official Facebook channel in the Finnish language, the company neglected two main channels such as Vkontakte, Instagram targeted for Russian and Kazakh markets. Even Facebook the biggest social media channel has fewer users than Vkontakte in Russia. Lammin Ikkuna has been operating in the Russian market for decades by neglecting these factors. Neglection of social media channels will lead to less attention, obscurity, and unfamiliarity with the brand worldwide. In addition, all the basic necessary promotional activities in the mentioned channels are out of charge.

Secondly, product presentation and company presentation were attached to emails or proposals. Email inquiries were mostly written in Russian language and partially in English for international construction companies, such us BASIS-A, BI GROUP, etc.



Добрый день!

Меня зовут Аманкельды Курбан, я представляю финскую компанию Lammin Ikkunat Оу в Казахстане. Мы производим финские дерево-алюминиевые, деревянные окна и двери на заказ. На данный момент у нас есть сборочная линия в городе Уральск.

Мы хотим сотрудничать с Вашей компанией в качестве субподрядчиков.

Высылаю Вам короткую презентацию о наших товарах и компании. Буду благодарен за обратную связь.

Спасибо С уважением,

Аманкельды Курбан, мл. Экспорт менеджер Компания Lammin Ikkuna Oy Эл. почта: amankeldi.kurban@lammin.fi Тел: +358 469 42 43 23(FI)

https://www.lammin.fi/ru/

Figure 14. Email inquiry sent to all founded construction companies in Almaty and Astana

Out of all sent email inquiries, only two responded. One from international construction company BI Group in Almaty and the other one is from the architect. BI Group Ltd promised to forward the inquiry to personal holding departments and the architect wants to have a meeting in Almaty. Email inquiry has a minimum value in post-Soviet Union countries, especially from an unknown address which has not been followed up by a phone call.

Thirdly, to make an ideal presentation in front of decision makers thesis writer requested people from Uralsk to send the necessary materials to Almaty by post, for example at least 5 window layouts of different models and different colors. A schedule for 11 days trips were created for visiting construction companies, architects, etc.

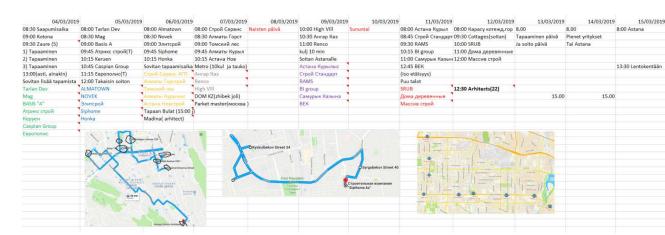


Figure 15. Schedule for the trip.

Because of limited time, the schedule includes only the biggest construction companies, architects and wooden house builders in Almaty. Locations on the city map, addresses, phone numbers, important notes related to final projects of companies are included to Schedule as well.

Transportation in Almaty is cheaper than in Russia. Bus, taxi and other public transportation works every day and more often than in Helsinki. Almaty is the largest city in Kazakhstan with a population of around 2 million people. Seven construction companies are located next to metro stations, it would be even more comfortable to visit them. Map of metro stations in Almaty is attached to schedule as well. Furthermore, Almaty is hometown for thesis writer. Linguistic, cultural or other barriers will not appear.

4.3 Results

Pricing issue was solved immediately after clear communication with staff in Steklo-Service and Lammin Ikkunat. Glass cost, work cost was requested from Steklo-Service. Further data was collected from window calculating software used by Lammin Ikkunat. Excel file created for initial calculation was updated, translated into Russian and sent to staff from Uralsk.

In accordance with schedule, thesis writer has called and visited construction companies in Almaty, but all of them refused to collaborate with Lammin Ikkuna Oy. Main reasons are price, brand awareness and time. The biggest construction company BASIS-A responded that budget allowance for window products in Almaty is 25000 tenge per square meter which is approximately 60 euros and it is for elite building or cottage towns. Price of Lammin's window products exported to Kazakhstan will be at least 5-7 times expensive.



Figure 16. The official logo of BAZIS-A

The second largest company BI-GROUP was not interested in wooden-aluminium windows at all. The plastic window is easier to install, plus time and cost efficient. Atrix-story and Keruen replied that currently, they do not have any projects available for wooden windows. Other construction companies simply ignored, promised to send to decision makers, politely refused, etc. Some smaller construction companies did not even exist despite the fact that they have active web-pages.



Figure 17. The official logo of BI group

Architects had similar respond as construction companies, most of the time ignored. Wooden house builders in Kazakhstan were interested in window products, however, for this moment, they do not have any active projects.

Regardless of all negative outcomes, the thesis writer has founded a company which is interested in selling Finnish window products. The company called Das Erste Haus which is specialized in selling roofing materials exported from Europe and German window products. Das Erste Haus sells wooden, wooden-aluminum tilt and turn, single sash window types. The company is interested in Finnish windows because of its quality and double sash.



Figure 18. The official logo of Das Erste Haus

Company workers requested to calculate one of their old projects for product price estimation and were not surprised with a price. Further projects which will require double sash window will be sent to Lammin Ikkuna Oy.

Additional interesting founding was a company called Golden Roof LLP an official dealer of Skaala Ikkunat Oy which is a direct competitor of Lammin Ikkuna. Thesis writer had a wrong assumption about market unawareness of Finnish window product. In fact, the Scandinavian style has already been introduced to Kazakhstan's market a long time ago.



Figure 19. Official logo of Golden Roof

Official represent of Finnish company Honka was interested in reclamation work from assembling a line of Lammin Ikkuna in Uralsk. Honka is a Finnish wooden house construction company. Honka has a similar assembling system as Lammin Ikkuna, but they distribute raw materials from Russia to Kazakhstan. Representor had a case when one of the windows were crashed accidentally during the construction work and it took months to repair the single window and costed more than the regular price. He believes that the process would take less time if they had an assembling line in Kazakhstan. Also, represent would prefer to buy Lammin Ikkuna's products if it would cost less than present deliverers.



Figure 20. The official logo of Honka

Thesis writer has left visit cards, window layouts, and electronic presentations to all mentioned wood related companies.

5 Analysis

Double sash Finnish window type has already been introduced to Kazakhstan's market, furthermore, it does not have big popularity compared to tilt and turn window. The element of uniqueness was one of the largest advantages of Finnish window. As has been mentioned before Skaala Ikkunat has already established dealers in Almaty and Astana. Companies distributing wooden windows in Kazakhstan are aware of Finnish window and claim that demand for the product is low.

The average consumer cannot afford the price; the higher middle class is attracted by single sash German wooden, wooden-aluminum windows. The higher middle class in Kazakhstan do not concern the price; they are more interested in the element of know-how, uniqueness, functionality etc. Finnish window product has top intangible assets such as sound insulation or energy-efficiency, however, the requirements of the higher middle class in Kazakhstan are far beyond.

Price of Belarusian, Lithuanian wooden, wooden-aluminum windows is cheaper than Finnish window. Quality is a strong side of Finnish product, however, there is not a significant difference between window characteristics, for example: if sound insulation coefficient of MSE_A is 40-44 Db then for German window is 35-38 Db, for Lithuanian 30-37 Db. Product variety, price, established dealers, market demand is the German window's advantage.



Figure 21. Traditional German and Finnish wooden-aluminum window types

The best solution for Lammin Ikkunat is to establish an office or find dealers for at least 3-5 months with all their product types, equipment, brochures in Almaty and run the similar action process again with a larger group. The company has already invested a significant amount of time, resources in Kazakhstan's market, in case of failure, it would at least

know for 100% that demand does not exist or low to contribute further. In case of success, Lammin Ikkunat might achieve earlier triumph as in the Russian market.

5.1 Reflection

Action based research applied for this thesis work has covered information about construction companies in Almaty, wooden window distributors, competition in market and market demand. Research type has allowed thesis writer to develop the plan, to implement the plan and to analyze results within the real-time, circumstances, companies, people and product.

The biggest challenge for thesis writer has appeared to be a time. Nine days were enough to implement the plan, however, it was planned for the ideal circumstances, ideal transportation, ideal visits, etc. Time has been consumed efficiently but was simply was not enough to discover more.

The second challenge appeared to be the number of researchers involved in the project. The quantity was missing. As can be seen from the Implementation chapter, action research applied for this project was incomplete or implemented partially. According to action research theory, the more cycles of action completed the more accurate reflection will be derived. In this case, only one cycle of action has been completed.

To understand the market demand, to implement sales Lammin Ikkuna and Steklo-Service has to establish a sales office or branch in Almaty and launch a similar action process for at least three months with a larger group. Both companies must implement action based research work with in different directions such as sales, marketing, market demand, etc. Cheaper alternative would be to find settled dealers in Almaty and convince them to sell Lammin's window product.

6 Conclusion

Action based research method has allowed to solve one of the appearing issues of Lammin Ikkuna and provide alternative solutions for a current problem that the organization is facing.

Pricing of window product exported from Finland to Kazakhstan has been resolved, accurately calculated and sent to both parties as an Excel file. Clear communication and persistence were the key tools to fix the misunderstanding between parties.

The entity has not been active for 2 years, because of no sales. Thesis writer has visited Almaty to identify and solve the issue. Finnish window product has received feedback from different construction companies, wooden-aluminum distributers, wooden house construction companies, etc. Market demand, present wooden window products, competition has been identified during the company visits.

Despite the entire process of action taken by thesis writer, no sales have been made in Kazakhstan. One of the wooden product distributors promised to send future projects to Lammin Ikkuna. Further plans for 3-5 months were identified and presented to the company.

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