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Entry strategy to Germany for case company Suomen Retkitukku OY

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Thesis
Autumn 2019
Degree programme in international
business
Oulu University of Applied Sciences

ABSTRACT

Oulu University of Applied Sciences
Degree Programme in International Business, DIB16SP

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Title of Bachelor's thesis: Market entry strategy

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Term and year of completion: 2020

Number of pages:43

This thesis is made for an Oulu based company specializing in hunting and outdoors equipment and clothing. The company is Suomen Retkitukku OY and they have interest in entering the German market. The outcome of this thesis will be suggestions for an entry strategy the starting phase to enter the market. The author did his professional training in the company and his exchange period in Germany, so the natural decision was to marry those two into a project.

The company is doing B2C sales. The following questions will be answered in the thesis. What kind of entry strategy is the most suitable for the case company? What products should the company specialize in the new market? The thesis will consist of a theory part that opens up the theory behind market entry modes, competition and risk analysis as well as a macro environment analysis. The empirical part will be these theories applied into the case as an actual market entry strategy suggestion.

The research methods used are brainstorming and observation. Also, unwritten knowledge from the company employees will be used. Also, some of the authors own knowledge about the company will be used that was gathered when working there.

Main result of the thesis is that the competitive situation at this field of business in Germany is relatively high and market entry therefore quite difficult. Because of this a low risk entry mode indirect exports should be used as a testing tool for the products in the market and if proven successful then later a different entry mode should be chosen with more control.

Exploitability - conclusions, development proposals, further measures

As a conclusion the initial entry should be done with as low of a risk as possible. The competition in the field is fierce and the best products to start the entry with would be the hunting sector of the business and later on maybe try to expand to the outdoor products as well. If the company decides to use the suggestions of this thesis further research should be done to make sure that everything is considered and that the analysis is done for the current environment of the market.

Later on, the best action would be to change the entry mode into something that the company has more control over. If big investments are to be made, then they should be targeted to the hunting sector first and after establishing a position in the market then grow the outdoors side of the business.

Keywords: International, entry, exporting, B2C, niche, strategies, entry strategy

CONTENTS

1	INTRODUCTION.....	6
2	MARKET ENTRY	8
2.1	Motives for internationalization.....	8
2.1.1	Proactive Motivations	9
2.1.2	Reactive motivations	9
2.1.3	Indirect and direct export mode	10
2.1.4	Contract manufacturing	13
2.1.5	Licensing	13
2.1.6	Franchising	14
2.1.7	Management contracts	15
2.1.8	Turnkey contracts	16
2.1.9	International joint ventures	16
2.1.10	Foreign direct investment	18
2.2	Choosing the entry mode.....	18
2.2.1	The Naive rule	18
2.2.2	The pragmatic rule.....	19
2.2.3	The Strategy rule.....	19
2.3	Factors influencing the choice.....	19
3	BUSINESS POTENTIAL ANALYSIS IN A TARGET MARKET	21
3.1	Competitor analysis/ Porter’s five forces model	21
3.1.1	Bargaining power of customers	22
3.1.2	Bargaining power of suppliers	22
3.1.3	Threat of substitute products or Services	22
3.1.4	Threat of new entrants.....	22
3.1.5	Rivalry among existing competitors.....	23
3.2	Macro environment analysis tools/ PESTEL analysis	23
3.2.1	Political Factors	24
3.2.2	Economic Factors.....	24
3.2.3	Socio-Cultural factors	24
3.2.4	Technological factors.....	24
3.2.5	Environmental factors.....	25

3.3	The Swot analysis.....	25
3.4	Internal factors (Strengths & weaknesses)	25
3.5	External factors (Opportunities & Threats).....	26
4	GERMAN BUSINESS ETIQUETTE	27
4.1	Meet & Greet.....	27
4.2	Values	27
4.3	Gift giving	28
5	ENTRY STRATEGY	29
5.1	Business potential and possible clients/ Added value to customer	29
5.2	PESTE analysis of Germanys outdoor/hunting industry	30
5.2.1	Political factors	30
5.2.2	Economic factors	30
5.2.3	Socio-cultural factors	31
5.2.4	Technological factors.....	31
5.2.5	Environmental factors.....	32
5.3	Applying porters five forces.....	32
5.3.1	Bargaining power of the customers	32
5.3.2	Bargaining power of the suppliers	33
5.3.3	Threat of substitute products	33
5.3.4	Threat of new entrants.....	33
5.3.5	Intra-industry competition	33
5.4	SWOT analysis	34
5.5	Product analysis/Added value.....	36
5.6	Entry mode.....	36
5.7	Promotion.....	37
6	CONCLUSIONS	39
7	DISCUSSIONS.....	41
	REFERENCES	42

1 INTRODUCTION

The aim of this thesis is to create an international entry strategy for a case company to penetrate the German market. The thesis consists of two main parts. These parts are the theory part and the actual entry strategy at the end of this thesis. At the end of the thesis there will also be a conclusions part where the final outcome will be discussed.

The theory part consists of motives for going international, entry modes, business potential analysis tools and a cultural part about Germany as well as PESTEL and SWOT analysis. Chapter two is about the entry modes where the positives and possible downsides of said mode are. Chapter three is theory on the different analysis used to evaluate business potential in the target market. Chapter four is a cultural part that has some tips and tricks to consider about the cultural side of Germany and are given with the knowledge of the author from he's exchange period at Germany during autumn 2018 and spring 2019.

The problem of the thesis is to research the key factors in expanding to the German market when operating in hunting and outdoors business and what would be the most suitable strategy to enter the market. Because the company has a vast variety of equipment and clothing in its catalogue it is also important to research what kind of products sell best in Germany and therefore what products they should concentrate, or should they focus in all of them.

The research questions derived from the research problem are as follow:

- *What kind of entry strategy would be the most suitable for the company?*
- *What products should the company specialize in the target market?*

Aim of the thesis is to come up with a suggested market entry strategy to start testing a new market in Germany. The suggestions are to help the company make real life decisions on their actions when entering the new market. The end result of this thesis is also supposed to work as guidelines to anyone who has similar problems as a part of their decision-making process.

This thesis is a qualitative study. The research methods used are observation and brainstorming. Also, unwritten knowledge from the employees will be used to benefit the research. The current

situation of the company's activities is mostly clear to the author as he did his internship at the company.

The company this research is done to is Suomen Retkitukku OY. They are an Oulu based company that specialize in hunting and outdoors equipment and clothing and are one of the biggest and fast-growing companies in the field in Finland. The sales are done online, and they also have a brick and mortar store in Oulu as well. The Company has interest in mapping out the business potential in Germany and the possibilities to enter the market. This will be the goal of this thesis.

2 MARKET ENTRY

Entering new markets is one of the best ways for a company to reach new customers and therefore increase the overall performance and revenue of the company in question. There are many variables in entering a new market and therefore all the actions included must be planned carefully. The planning process includes sufficient research on the target market so that the right strategic choices can be made. This chapter will open up different motivations for internationalization and the different entry modes or generic strategies to enter a market. The chapter will also look into the factors that influence the choice of the entry mode.

2.1 Motives for internationalization

Even though the most prominent reason for a company to internationalize is increasing its revenue that usually is not the only reason behind a choice to go international. According to Hollensen (2007,42) The reasons or for internationalization are divided into two groups. The so-called **proactive motives** which are representation of the reasons why a company wants to exploit its unique skills or possible new target markets.

Reactive motives are companies' reactions to pressure and threats in the home market or pressure in markets abroad and wants to adjust the company's methods according to those factors slow and over time in a passive manner (Hollensen 2007, 42). The table below showcases the different motives described by Hollensen.

Table 2.1 Major motives for starting export

Proactive motives	Reactive motives
<ul style="list-style-type: none">● Profit and growth goals● Managerial urge● Technology competence/unique product● Foreign market opportunities/market information● Economies of scale● Tax benefits	<ul style="list-style-type: none">● Competitive pressures● Domestic market: small and saturated● Overproduction/excess capacity● Unsolicited foreign orders● Extend sales of seasonal products● Proximity to international customers/psychological distance

Source: adapted from Albaum et al., 1994, p. 31.

FIGURE 1. Major motives for starting export (Hollensen 2007, 42).

2.1.1 Proactive Motivations

As stated earlier the biggest motivation for a company to go international is making more money. This is true especially in the case of small and medium sized companies that are at the point where they are getting interested about exporting. Attitudes towards growth usually change according to the experience gained during efforts in the past. However, it is important to keep in mind that the difference between planned and actually realized results are usually very different. So, company's management should not be too eager to judge the success of the venture too early. There are many variables that can affect the ventures profits suddenly e.g. changes in exchange rates.

Another important proactive motivation is economies of scale. This means that when a company enters the global marketing environment it has the potential of increasing the output of the company and climb faster on the learning curve. According to Hollensen (2007,43), it has been shown that when a company doubles its output that can cut down the production costs by 30% in ideal conditions. This can have an effect on the domestic competitiveness of the company because increased production internationally can help in reducing the costs back home. Usually at the initial phase of internationalization exploiting the economies of scale means searching for export markets and later on this can turn to subsidiaries and production abroad.

2.1.2 Reactive motivations

According to Hollensen (2007,45) **Competitive pressures** is the most common reactive motivation and the primary form of them. When a competitor in the domestic market starts to benefit from economies of scale by being successful abroad a fear may rise that a company will lose its market share domestically.

Domestic market small and saturated

There is a possibility that a company may be pushed into foreign market because the market at home is very highly competed or really small. This means that the company cannot sustain a sufficient business at home and therefore main part of their strategies are export activities. This

kind of behavior is typical to companies with really special kind of goods and with small segments nationally or across the world. (Hollensen 2007, 46.)

This holds true to Retkitukku because their products are really specific and niche oriented. Retkitukku therefore has motivations to internationalize to expand their customer base to selected countries and increase their revenue streams that way.

Proximity to international customers/ psychological distance

Many times, when companies do business in their neighboring countries or countries that are otherwise near them e.g. Sweden and Norway the company does not necessarily view the activities in the other country as global marketing. On the contrary the activities are seen as a natural expansion of business with no other considerations except the fact that part of the products is being transported to other countries. Many European firms become international marketers because their neighbors are so close. E.g. a company from Belgium needs to go only 100 km to be in multiple foreign markets (Hollensen 2007, 47).

Also cultural variables, legal factors and other sociological occurrences can make a country seem “psychologically close” as is the case with Finland and Germany because the culture of both of these countries are similar and the legal and political views are very much alike since they both are a part of the EU. This situation can be mirrored to Retkitukku going to Germany.

2.1.3 Indirect and direct export mode

When company is exporting it means that the goods or services the company is producing are sold outside the borders of the home country where the lion’s share of the company’s activities are taking place. Market entry by exporting is fast and low to medium risk approach to internationalization of a company with the major risk being that the importer does not pay for the delivery. This risk can be avoided by asking for the payment beforehand by using a credit slip or export credit insurance. Exports are an aiding factor in developing a company’s international

competences and the ability to innovate because the company has access to information that is located in the markets abroad. (Glowik 2016, 157.)

If a company does not have a lot of experience in exporting and doing business abroad all together the first time of foreign interaction is recommended to go forward with the so-called indirect export mode. This means that instead of doing business personally with a partner in the target country the company hires a middleman to recon the desired area for potential importers. These middlemen usually take a commission of around two to fifteen percent of the value of the contract. (Glowik 2016, 157.)

The advantages of indirect exporting are that the risks to begin operating internationally is really low almost nonexistent. Also, the company doing indirect exporting does not have to be involved in the export process that much and therefore it is easier to concentrate on the business back home. Also, if the marketing fails abroad the mother company has limited liability because that has been done by someone else. Involvement with logistics can also be fairly low depending on the intermediary in question. And perhaps the best part about indirect exporting is that one can test their products for potential in a market. (Delaney 2019, Cited 20.11.2019.)

The disadvantages of indirect exporting are shown in the picture below.

Disadvantages

- Your profits are lower.
- You lose control over your foreign sales.
- You very rarely know who your customers are, and thus lose the opportunity to tailor your offerings to their evolving needs.
- When you visit, you are a step removed from the actual transaction. You feel out of the loop.
- The intermediary might also be offering products similar to yours, including directly competitive products, to the same customers instead of providing exclusive representation.
- Your long-term outlook and goals for your export program can change rapidly, and if you've put your product in someone else's hands, it's hard to redirect your efforts accordingly.

FIGURE 2. The balance small business.com (The balance small business 2019, Cited 20.11.2019).

Unlike with indirect export in direct export company creates a personal relationship with a party in the target market. This means that more resources are needed because of factors such as travelling and actively negotiating contracts. However, the first-hand information gained from operating in the market abroad can overcome the cost of active export management. (Glowik 2016, 157.)

In direct exporting the willingness of carriers to commit to the export process with resources is a has a strong influence on the way that the logistics work. This means mainly delivery schedules between the exporter & importer. This makes the carrier's part in the process very important. Another important institution that have an effect on the overall efficiency of the exporting process are banks. Because the fee and loan policies and transfers of timely payments are a result of the commitment level of the bank. (Glowik 2016, 157.)

When doing direct exporting the after-sale services are much more effective because the company is working hands on with the market, so they have the ability to offer excellent after sales service. By using direct exporting, the unnecessary middlemen also drop out of the picture. Only selected and needed middlemen are operating and taking a slice of the profits. Also, through direct exporting the control over the product price in the region is much higher. This can lead to increase in the company's good reputation because they can offer good quality products with relatively low prices. (Account learning 2019, Cited 12.10.2019.) Disadvantages of direct exporting are described in the picture below.

- It requires more time, energy and money than you may be able to afford.
- It requires more "people power" to cultivate a customer base.
- Servicing the business will demand more responsibility from every level of your organization.
- You are held accountable for whatever happens. There is no buffer zone.
- You may not be able to respond to customer communications as quickly as a local agent.
- You have to handle all the [logistics](#) of the transaction.
- If you have a technological product, you must be prepared to respond to technical questions and to provide on-site start-up training and ongoing support services.

FIGURE 3. The balance small business.com (the balance small business, 2019, Cited 20.11.2019).

2.1.4 Contract manufacturing

In contract manufacturing (original equipment manufacturing) entry mode a company outsources the entire manufacturing process to the target area. What this means is that another company will produce parts or the whole final product abroad. This practice is really common with companies producing electronics such as phones.

The main advantages of contract manufacturing are that it enables the company concentrate on the core competences of said company e.g. research and development and marketing. Contract manufacturing may also enable a significant lowering of costs because of factors like low labor costs. It also is a fast way to enter new markets through the contracted firm abroad.

There are some possible drawbacks in contract manufacturing. One being that finding a reliable company abroad to do manufacturing might be a bit challenging because there is a risk that the company will produce low quality goods and therefore harm the reputation of the mother company. It is also important for the mother company to choose carefully which products and goods it decides to produce abroad. That way the company can monitor things like delivery punctuality, assembly quantity and the overall quality of the goods. There is also the risk that the manufacturing company abroad will snatch the business idea from the mother company and becomes a competitor in the future.

Example of a company that does contract manufacturing is Apple. Apple designs that phones in the United States but their phones and tablets are assembled in China by a Taiwanese company called Foxconn. This enables Apple to have a big profit margin because the prices of the devices are still fairly high compared to the manufacturing costs.

2.1.5 Licensing

According to Hollensen (2007,332) licensing is a way for a company to expand its operations to a foreign country without capital investment. It is different from contract manufacturing because in licensing the contracts usually last longer and the responsibilities of the licensor are greater because the licensee has more freedom over its operations.

Licensing is an agreement between two companies where a company (licensor) hands over knowledge to the other company (licensee). The knowledge concerns a major part of manufacturing a product or service. The licensor needs to have a patent or trademark for the licensed product/service in order to avoid copying of the product. When used as a market entry mode the licensor gives exclusive rights for the licensee to produce the good/service in the target market usually for an agreed period of time. The terms are agreed upon in written contracts. (Glowik 2016,164.)

Licensing is an easy and fast way to enter new markets and it can help the company expand its operations in the target market fairly fast. The amount of capital invested is not so high, but the return of capital is. There is also a darker side to licensing. The mother company has no control over the actions of the licensee company abroad. This means that the possible success of the product in the target market is totally up to the dedication of the licensee. (Glowik 2016,165).

2.1.6 Franchising

Franchising as a market entry mode is a relationship between the entrant (mother company) and the company in the target market country. The mother company gives the company abroad a business format that has been developed by the mother country under contractual terms. The contract usually holds within every piece of necessary information for one to start operating in a new market within the framework set up in the contract. The contract may involve for example the following things; trademarks/trade names, copyright, designs, patents, trade secrets, business know-how, design of the store and market research for the area. (Hollensen 2007,335.)

During the contractual period the mother company helps the company abroad by giving commercial, administrative and technical assistance. The company abroad pays back by an initial startup fee + royalties based on sales and the costs of advertising. All of these factors are agreed upon the contract. Franchising is beneficial because it offers the combined advantages of up to date R&D activities as well as marketing and economies of scale potential from the mother company and the advantages from market knowledge and cultural awareness from the company

abroad that links to them fine tuning their sales behavior accordingly. (Glowik 2016,166.) The drawbacks of franchising are similar to licensing where the company abroad can cause harm to the mother company by neglecting aspects of e.g. quality and working standards.

A good example of a company that has used and still uses franchising heavily is McDonald's. They started out in the 1940s in the united states and have since grown to a huge company with restaurants all over the world. Their menu is usually pretty similar, and you can usually order e.g. a big mac from almost every McDonald's restaurant all over the world. Exceptions can be countries like India where they had to come up with a new menu because people there don't eat cow meat.

2.1.7 Management contracts

Management contracting is an entry mode where a company sends some of its personnel to aid a company abroad. Usually the aid concerns management, technical & commercial knowledge. In return for the aid the company abroad pays fees in return for the information. Usually these contracts won't be continued after the contract period expires but usually the knowledge is transferred and then the company departs from the area. Advantages and disadvantages of management contracting are described in the picture below.

Advantages	Disadvantages
<p>Management contracting (seen from contractor's viewpoint)</p> <p>If direct investment or export is considered too risky – for commercial or political reasons – this alternative might be relevant.</p> <p>As with other intermediate entry modes, management contracts may be linked together with other forms of operation in foreign markets.</p> <p>Allows a company to maintain market involvement, so puts it in a better position to exploit any opportunity that may arise.</p> <p>Organizational learning: if a company is in its early development stages of internationalization, a management contract may offer an efficient way of learning about foreign markets and international business.</p>	<p>Training future competitors: the management transfer package may in the end create a competitor for the contractor.</p> <p>Creates a great demand for key personnel. Such staff are not always available, especially in SMEs.</p> <p>Considerable effort needs to be put into building lines of communication at local level as well as back to contractor.</p> <p>Potential conflict between the contractor and the local government as regards the policy of the contract venture.</p> <p>Little control, which also limits the ability of a contractor to develop the capacity of the venture.</p>

FIGURE 4. Advantages and disadvantages of management contracting (Hollensen, 2007, 349).

2.1.8 Turnkey contracts

Turnkey contracts describe a process where a company sells a complete “ready to use” package of operations, supply chains, distribution chains, testing and aftersales services. The process is altogether really complex and there are many links in the chain at play. (Glowik 2016,165.)

Usually turnkey happens between two countries with technological rifts between them and the party that is exporting holds a significant amount of specific know-how about a specific product and the technology behind it. This know-how is absent at the importing country. (Hollensen 2007, 386.)

The success of a turnkey selling company is usually the result of qualified workers, less developed infrastructure, security issues and that the number of local suppliers and other service providers. There can also be high risks if the contract is done with a local government in the target market. (Glowik 2016,169.)

The name turnkey refers to the nature of turnkey where the package provided is planned, designed & completed in a way where the client company only has to turn the key to start the project. Turnkey projects are commonly used construction industry and in the automotive industry. Below is a picture describing turnkey project in the construction business.

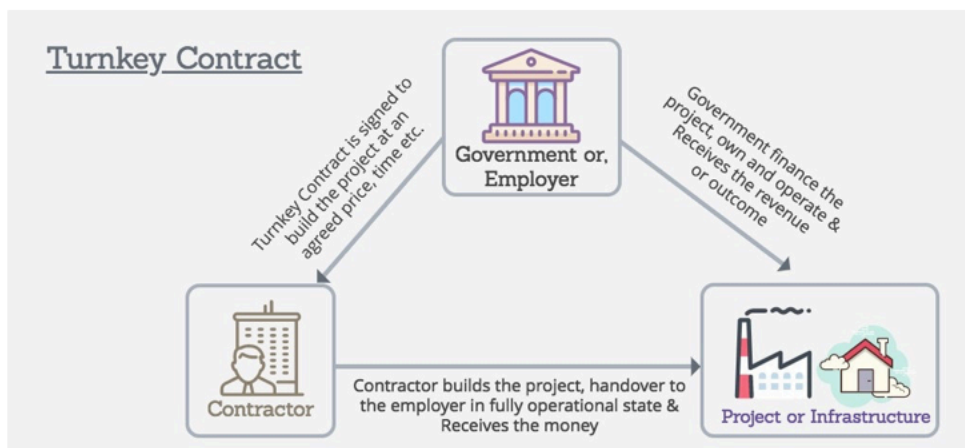


FIGURE 5. Business novice.com, Turnkey contract (Business novice.com, 2019, Cited 22.11.2019).

2.1.9 International joint ventures

International joint venture happens when two companies come together and cooperate in manufacturing a certain product/service with the different so called “joint venture parties”

contributing resources to the final product. This ends up as the joint venture company wherein the two or more parties have responsibilities depending on their share of equity in the joint venture company (Glowik 2016, 172). The most common way is a 50-50 share where the stakes are equally high for every party because the responsibilities are shared equally as well.

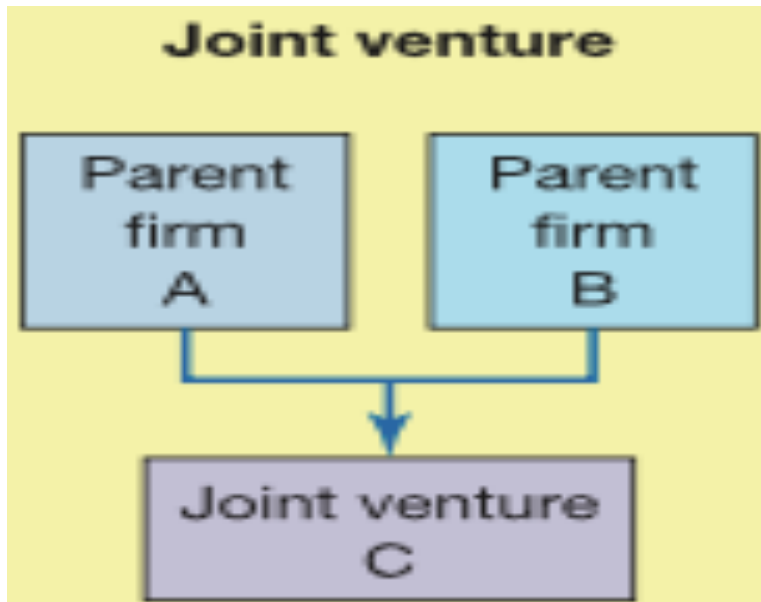


FIGURE 6. Joint Venture (Hollensen, 2007, 339).

The main advantages of joint venture are lowered financial risks in the areas of market, political and all together the failure of the joint venture because there are two or more companies involved. Also, both companies gain important information and contacts in the local market. Because the nature of joint ventures usually is so that the other company provides resources regarding financial resources, technology or products and the other partner skills and knowledge it means that both parties can concentrate on the areas they are the strongest. Joint ventures are also less expensive option compared to acquisitions. The disadvantages include differences in visions between the two partners and contributions to the venture may become unbalanced. Also, as time passes the importance of the venture may to the parent companies might change and therefore lead to loss in motivation. There may be also cultural problems if the other parent company is of a different culture the differences in management culture can lead to conflicts. (Hollensen 2007, 349)

2.1.10 Foreign direct investment

What foreign direct investment means is that a company acquires a foreign business totally including all the value-adding activities, facilities and resources e.g., personnel & technologies. This can be done by buying an existing business or forming a totally new establishment. "Direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment." (QuickMBA 2010, cited 04.11.2019). Foreign direct investment requires a lot of resources like time and money and it demands a strong level of commitment to the process.

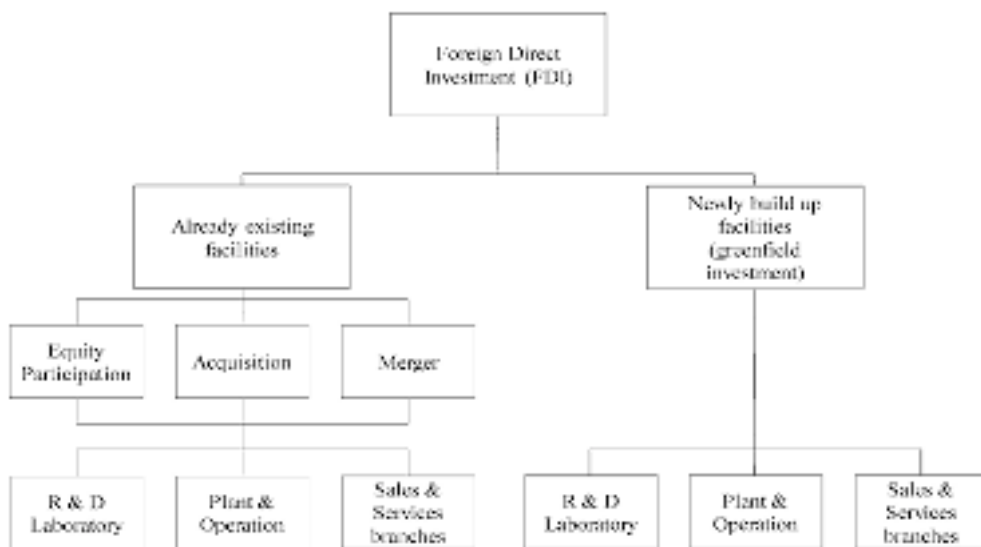


FIGURE 7. (Glowik,2016,194)

2.2 Choosing the entry mode

With the vast selection of possible entry methods to a certain target market it might prove difficult to choose which one to choose. To help with this problem Hollensen (2007,295-296) has come up with three distinctive rules/ approaches to enter a new market. These rules are called the **Naive rule**, the **pragmatic rule** and the **Strategy rule**.

2.2.1 The Naive rule

In the naive rule the managers choose to use a homogenic approach in all foreign markets. For example, they can choose to use only licensing when doing business with customers across the

ocean or use only exports through agents in different countries. This sort of practice can be seen as one sided or narrow minded as there can be different variables in different target markets. This can lead to two major mistakes the company can lose a promising market because they have the rule of only using one strategy. The other mistake is that because of the same rule the managers fail to fully utilize the opportunities in the target market. (Albaum 2008, 292.)

2.2.2 The pragmatic rule

The pragmatic rule means that there is not a single decided and locked in place entry mode, but it can change during the operations. Usually what happens when using the pragmatic rule is that companies start doing business with a relatively low risk entry mode and later on may change the approach regarding the profits and overall success of the venture. Some potential alternatives may still be overlooked thus the chosen mode may prove not to be the most lucrative choice. (Hollensen 2007, 295.)

2.2.3 The Strategy rule

As the name implies, when using the strategic rule all the entry modes are analyzed in order to find the most suitable. The analyzing process includes such factors as availability of resources, risk and non-profit objectives. The entry mode that best combines these factors will be chosen and therefore is strategically the best entry mode option. (Hollensen 2007, 296.)

Also, because different entry modes involve different risks expected costs and profits are also evaluated. This phase can already rule out some options and thus make it easier to analyze the rest of the entry modes. (Albaum 2008,392.)

2.3 Factors influencing the choice

According to Hollensen (2007,297) when choosing the entry mode there are four key factors that one should thoroughly consider before the choice. These factors are **internal factors**, **external factors**, **desired mode characteristics** and **transaction-specific behavior**. Internal factors describe the internal situation of the company and considers things such as the company's size,

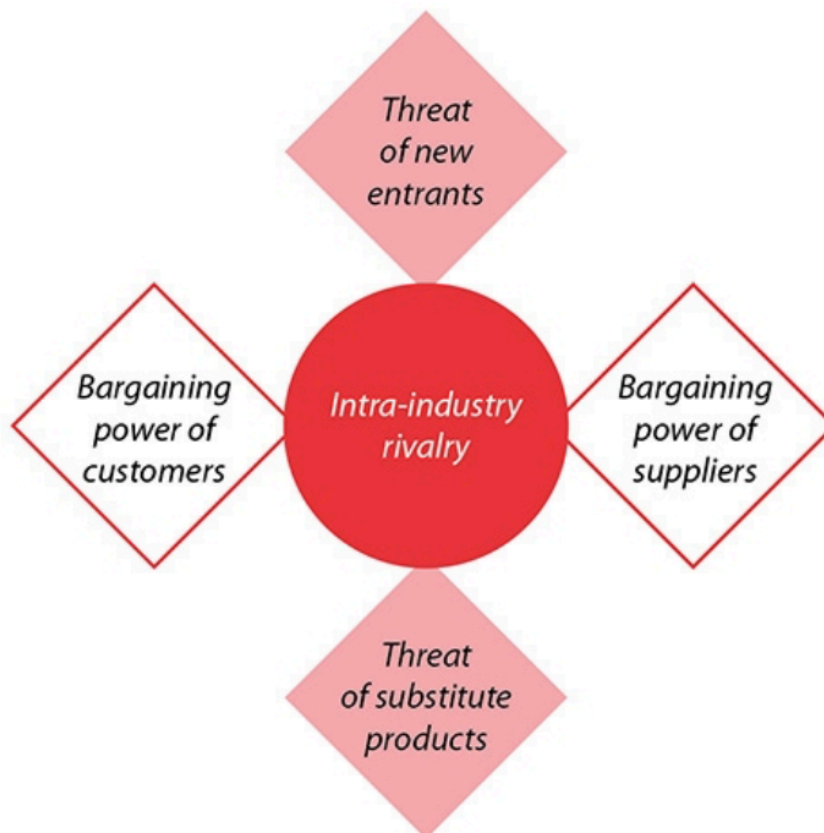
international experience and the product/service itself. On the contrary external factors describe the external environment and include considerations in sociocultural distance between the home and host countries, country risks and market size and growth. Desired mode characteristics is about the properties of the entry mode and transaction specific factors is about know-how relating to the transaction such as contract drafting.

3 BUSINESS POTENTIAL ANALYSIS IN A TARGET MARKET

This chapter of the thesis will concentrate on the analysis of business potential in the potential target market. There are many theories that one could use to determine if there is business potential, but this thesis will look into the most common analysis. These include the PESTEL, Porter's five forces model and the SWOT analysis. The author will open up the different parts of the analysis.

3.1 Competitor analysis/ Porter's five forces model

Porter's five forces model consists of five key factors influencing the competitive situation in the target market. The model was created by Michael E. Porter in the 1970s and is considered as one of the most useful strategic tools to research competitive factors (Chappelow 2019, Cited 25.10.2019.)



Porter's five forces © 50MINUTES.com

FIGURE 8. Porter's Five forces Model (Michaux, 2015, 12).

3.1.1 Bargaining power of customers

What this refers to is the customers' ability in the area to affect the price of the product via negotiating. Usually the result of such power is lowered prices, greater quality or add additional services along the product because the company has to offer more for the customer to pay the same price. (Michaux 2015, 8-9.)

According to Wilkinson (2013, Cited 20.10.2019), the buyer's power is strong when there are more buyers than sellers, the switching costs of the buyer are at a low level, the buyer has a lot of specific knowledge about the product and when there are substitute products available.

3.1.2 Bargaining power of suppliers

Supplier power on the other hand is leverage from the supplier's side by controlling costs or quality of their goods. Low supplier power can make the industry sound more interesting altogether. High supplier power can make the industry repelling. Signs of supplier power being strong are e.g. contracted suppliers, small quantity and low volume orders from the buyer & high level of differentiation/ no substitute products available. (Wilkinson 2013, Cited 20.10.2019.)

3.1.3 Threat of substitute products or Services

Substitute products are basically possible alternatives to a product. This means that there might be some alternations between the two, but the main purpose of the products is the same. E.g. reading news online to buying papers or listening to music from your phone instead of a mp3 player. The threat of substitute products is high when the substitute offers more added value in terms of quality, costs, price or practicality. (Michaux 2015, 9-11.)

3.1.4 Threat of new entrants

New entrants are competitors that surface in the market to occupy a place that has not been in use yet. It is clear that when a new competitor enters the market they should be considered as a potential threat to your company. The new entrants may offer added value compared to your product. They may also have the ability to e.g. produce more goods than your company and that

affects the supply & demand curve. The entry of new competitors can decrease the profit potential of an industry.

3.1.5 Rivalry among existing competitors

Also described as intra-industry rivalry is the center of the model as shown in the picture describing the model at chapter 3.1. This part of the model can be evaluated by investigating all the other parts of the model. The other forces in the model also have an effect to the internal competition inside the market. The results of high competition can be lowered prices and new products introduced to the market as well as improvement of already existing products. (Michaux 2015, 11-12.)

3.2 Macro environment analysis tools/ PESTEL analysis

According to (Mindtools.com) The PESTEL analysis is a tool invented by Francis Aguilar in the 1960s the bread and butter of the PESTEL model is to analyze the key components in macro environment. These include political, economic, socio-cultural, technological, environmental and legal factors. This chapter will open up those factors. Below is a picture of the PESTEL model. PESTEL describes the potential factors external factors that could affect a company doing business in a market.



FIGURE 9. Professional academy.com, Marketing theories PESTEL analysis. (Professional academy.com 2020, Cited 10.10.2019).

3.2.1 Political Factors

Political factors are about in which way and to which extent a certain government intervenes in the economy of a certain country. Examples of a governments ways of intervening are e.g. government policies, political stability/instability in overseas markets, foreign trade policies, tax policies, labor laws, environmental laws. Trade restrictions etc.

These factors can have a significant impact to organizations and how they conduct their operations. An organization needs to be able to respond and adapt to the current and future legislation and adjust their marketing operations accordingly.

3.2.2 Economic Factors

Economic factors that should be considered are the major factors involving an economy. The overall stability of the current economy should be considered meaning is it stalled, growing or declining. Other economic factors include exchange rates, predicted customer income and unemployment rates. (Mindtools.com 2020, Cited 27.9.2019.)

3.2.3 Socio-Cultural factors

“Also known as socio-cultural factors, are the areas that involve the shared belief and attitudes of the population. These factors include – population growth, age distribution, health consciousness, career attitudes and so on.” (Professional Academy 2020, Cited 10.10.2019.)

This means that the company needs to be in touch with the current trends of consumption in the target market in the kind of products the company is offering. That knowledge will in itself already give big suggestions in planning the next move.

3.2.4 Technological factors

Technology has three different ways it can have an impact on marketing and management. New ways of procuring the product, new ways of distribution and new ways of marketing

communications. This means that factors such as web shops and e-commerce are replacing and, in a degree, have already replaced traditional brick and mortar stores. Technological distribution can mean e.g. delivery drones or in a bit more down to earth approach technological delivery surveillance systems that speed up the distribution process. Also, the warehouse management is nowadays digital with platforms such as SAP controlling everything logistics related in the company.

3.2.5 Environmental factors

Environmental factors have become very important in the last decade. Companies need to nowadays pay attention to the sustainability of their products and the fact that their products are with as low of a carbon footprint as possible. Also, rare raw materials should be switched to something else. These points can and should be used as a marketing point. (professional academy 2020, Cited 10.10.2019.)

3.3 The Swot analysis

The Swot analysis is a strategic planning technique to monitor and evaluate a company's strengths, weaknesses, opportunities and Threats. When these factors are known it is easier to adapt to competition and the analysis of these factors also reveals the possible risks involved with the strategy. The analysis can be divided into two main parts which are internal and external factors. These factors will be opened up in this chapter.

3.4 Internal factors (Strengths & weaknesses)

The strengths of a company are the factors that separate it from its competition. These can include e.g. strong brand, loyal customers, unique technologies and so on. Basically, anything that gives the company an edge in the market.

The weaknesses are the factors that disable the company from performing at the maximum capacity. These factors can include things such as high level of debt, lack of capital and a poor supply chain.

3.5 External factors (Opportunities & Threats)

Opportunities are external factors that can help the company to perform better in a market. “For example, if a country cuts tariffs, a car manufacturer can export its cars into a new market, increasing sales and market share.” (Chappelow 2019, Cited 25.10.2019). Threats are the opposite side of this where the same kind of external factors can cause harm to the company’s performance. These factors can include e.g. rising cost of materials and increasing competition.

4 GERMAN BUSINESS ETIQUETTE

This chapter of the thesis will concentrate on the different cultural aspects of doing business in Germany. It is important to know about the culture and habits of the destination country when planning to expand a business there because that will enable the negotiations flow more easily and less mistakes in etiquette will be made. Even though Germany and Finland are similar in etiquette it is still important to highlight the different aspects of German business etiquette.

4.1 Meet & Greet

Meeting and greeting in German business culture are fairly formal and it can seem blunt and rude. The reason to this is the conservative and hierarchical culture of Germany. The power distance in Germany is visible in everyday life e.g. when contacting your superior via email you need to use a correct form to address the person this could be for example “Dear ***tittle*** Mr. Schindler” and then continue to the point. This type of behavior is highly recommended at least for the first few times or when the contacted says that there is no need to be so formal. This culture changes from company to company and some people are not so strict about formalities therefore one should follow the example of others and see the situation of said company and its formalities for oneself. Meeting in real life is of course a bit different. The meeting starts and ends with a firm handshake and a polite smile. Germans usually like to go straight to the point in business meetings and they don't like too much small talk. However, if one wants to discuss about some matters and break the ice a little bit before the meeting, soccer and travelling are good topics to start talking about. Germany's Nazi past is still a huge taboo especially with people older than millennials and there should not be talk about that even as a joke. Religion and politics are also a bad topic because they might be potentially controversial topics and therefore the overall mood of the meeting could be ruined. (internations.org, 2018. Cited 12.8.2020.)

4.2 Values

Punctuality is a very stereotypical but also really important part of German business values. Germans have the tendency of scheduling their lives really tightly and they have a habit of

compartmentalizing their lives. This means that has been planned is to happen on that exact minute e.g. trains departing. Arriving in business meetings on the minute is expected and it is even better to be ten minutes early. This behavior also mirrors to the work ethic of Germans e.g. when doing projects with Germans it may seem that that the project does not move forwards and that nothing is happening. This is not the case as Germans are detail oriented and focus on producing good results. This also means risk aversion and these two things together may make it seem that the project is not going anywhere. Most deadlines and schedules are still met. (Business culture.org 2020, Cited 20.8.2019.)

Professionalism is important to Germans. This means that titles, references, diplomas and certificates are taken seriously. If a person has a lot of academic credibility and good qualifications, they usually command a lot of respect. (internations.org 2018, Cited 12.8.2020.)

Germans do not consider **Bluntness** as being automatically rude. Being straight forward and direct with the issue is just a part of their culture. This means that the Germans give critical feedback and don't try to be subtle about it. This also means that when German coworker says that he/she is going to think about an offer they mean what they say. If the negotiations reach a wall most Germans want to come up with a compromise that will mutually benefit both parties. Germans are interested in creating long lasting mutually benefitting partnerships that are conducted with **Fairness and Loyalty**

4.3 Gift giving

Giving gifts in Germany is similar to much of the other countries in Europe. Gifts are usually good quality, but their value is not tremendously high. A good example of a gift in Germany is a good quality pen or some sort of liquor bottle. Nowadays gifts are not in a crucial part of the business meetings as the German business culture is moving towards a culture of getting straight to business. This means that the formalities are in a lesser part of the actual business meetings. Outside of the business meetings gift giving is still a custom in Germany and some sort of small gifts are expected when visiting each other.

5 ENTRY STRATEGY

In this chapter an actual entry strategy suggestion will be created based on the theory that has been written before. All the aspects of market entry will be thought through and an entry mode will be chosen. Since the case company has a wide catalogue of products a product analysis will be done as well to choose what product(s) are the most suitable for the beginning of the venture in Germany.

5.1 Business potential and possible clients/ Added value to customer

First of all, the population of Germany is almost 83 million. Out of those 83 million people 15.2 million people were customers in the sports & outdoors e-commerce sector according to (Statista.com 2020, Cited 15.1.2020). Given these numbers it is clear to see that there is a huge market for outdoors products in Germany. Retkitukku being an B2C company basically all of these 15.2 million people are possible customers. However, the competition of the market is very fierce and German people accustomed to their own huge services (e.g. Globetrotter & Amazon) it is difficult to get their attention with a foreign and unknown company.

Other sector of Retkitukku's business is hunting gear and equipment. There are approximately 300 000 hunters in Germany. This is a significantly smaller percentage of the outdoors industry compared to trekking and hiking. This means that more effort should be put to this sector. This supported by the fact that the own brand of Retkitukku is Alaska 1795 and the heart of those products are high quality hunting suits and clothing. (Realtree.com 2015, Cited 20.1.2020.)

The biggest thing that Retkitukku can bring added value to the customer is by promoting its Nordic background. The words Scandinavia and Finland should be used on every marketing material available aiming to Germany. The fact that the products are designed in Oulu is a huge factor in the marketing because that can be used as a sign of high quality.

5.2 PESTE analysis of Germanys outdoor/hunting industry

5.2.1 Political factors

The political aspect of doing business between Finland and Germany is fairly simple because they both are part of the European Union. The political stability in Germany is at a good level and probably will remain so for a long time as it is one of the biggest EU countries when it comes to economy. The political balance of the EU as a whole will probably undergo some sort of transformation because of Brexit.

Germans are enthusiastic about outdoor activities such as trekking. There are not really significant political factors at play when it comes to the outdoor industry. This is because outdoor activities are in their very nature activities that everyone is able to do.

Hunting is a long tradition in Germany and the laws regarding it are clear and simple. There have been incidents in the past where left-wing anti-hunting community has sabotaged hunting parties in Germany stating hunting is murder. (Anderson 2001,37). These kinds of things can have an influence for the tradition but so far hunting is still alive and well. The hunting seasons in Germany differ between the states. This might cause a problem to seasonal marketing.

5.2.2 Economic factors

The outdoor industry in Germany is huge. One of the biggest outdoor retailers Globetrotter resides in Germany and that is usually the first place for Germans to look for outdoors gear. Also, amazon offers a wide catalogue of products. These points mean that it is really hard to stand out from the competition.

German hunting society generates high revenues that are a follow up to hunting. Basically, this means that the hunters pay a lot of money yearly on hunting for licenses and gear. German hunters are mostly a bit wealthier as the common folk and they demand good quality gear. Also, the consumption of game meat is really common in German restaurants and the amount of meat sold to them is really high.

As stated, before the economy in Germany right now is stable. 70% of the gross domestic product of Germany comes from services. Industry has a 29% share and the rest is agriculture. Germany is famous for its engineering prowess and German cars are considered to be a status symbol in many countries. These manufactures such as Mercedes-Benz, Audi and Porsche are also doing important work environmentally because they try to develop the cars in a direction where carbon emissions are as low as possible. The percentage of unemployed and non-educated 20-24-year-old population is the lowest in all the G7 countries. The challenges at the moment are low employment of refugees and the fact that the work force in Germany is ageing because of heavy robotization of the industry sector. (Pestanalysis.com 2015, cited 30.1.2020.)

5.2.3 Socio-cultural factors

The social and cultural aspects were mainly discussed in chapter 4. However, there are few points that should be considered when it comes to the PESTE analysis. Sports are a really big part of the German socio-cultural atmosphere. As a matter of fact, it was sports and football in particular that finally broke the decades long shame of the Nazi past in a way and enabled Germans to wave their flags in tournaments again. Derived from this Germans enjoy spending a lot of time outdoors in their unique nature.

Generally, the view towards German hunters is respecting as it is an old traditional profession and dear hobby to many people. This attitude might change with new generations as veganism and ethical thinking against hunting starts to get more popular every year. If this becomes really common it might naturally cause a problem in the sales of hunting equipment.

5.2.4 Technological factors

Technologically Germany is very advanced and doing a lot of research to advance in the field even more. Because the automotive industry is in such a high value in Germany a lot of funds are given to that industry and therefore many advances in technology finds its way into society. The car manufacturers are coming up with ways to incorporate computer-based assistance systems and even nanotech materials to make driving safer in the future. On some areas Germany is still lacking

e.g. their internet network is becoming heavily outdated and that is a problem in modern society where so many things are done in the internet. (Pestanalysis 2015, cited 30.1.2020.)

5.2.5 Environmental factors

There are many agencies overseeing hunting in Germany to assure that the laws are followed. These include; The Ministry for Consumer Protection, Food and Agriculture, The Ministry for Environment, Nature Protection and Reactor Safety, The federal Agency for Nature Conservation & The German Hunting Association. The high level of surveillance and strict laws ensure that hunting is done environmentally friendly and with proper respect to the game. German hunters are considered as environment preservers because they help to keep the forests livestock healthy. (Angloinfo 2020, cited 30.01.2020.)

5.3 Applying porters five forces

In this part the author will apply porter's five forces theory to the case. The five factors will be gone through individually and dissected in a way where the main issues/incentives can be seen. This analysis is perhaps the most important one in the thesis. It gives a picture of the industry in Germany. This analysis will concentrate on the hunting equipment/clothing business.

5.3.1 Bargaining power of the customers

The bargaining power of the customers is relatively high in the hunting sector. This is because the number of hunters is low compared to the population of Germany. This means that companies may be forced to lower their prices and conduct R&D to come up with even greater quality goods. This is supported by (Michaux, S, 2015, 8). Also, even though the products might differ in the eyes of their developer they are still fairly standardized in the eyes of the customer so the customer usually will choose the more affordable alternative.

5.3.2 Bargaining power of the suppliers

The supplier bargaining power is at the middle point of high and low. It is not particularly neither of those but at a stale. The suppliers don't make the industry sound particularly interesting, but they are not pushing away entrants either. The products are not highly differentiated, and the supplier does not have a monopoly.

5.3.3 Threat of substitute products

The threat of substitutes at the moment is not that high because the technologies used in hunting suits is already quite sophisticated. Even though there is constant R&D going on to make the product better there still probably will not be a huge innovation in the field that would totally revolutionize the suit. This change already happened when the old gentleman style hunting suits for the most part changed to the more functional modern waterproof materials.

5.3.4 Threat of new entrants

Threat of new entrants is present but not enormously high. New entrants can always come to the market with a product that has something better to offer than the competitors. This could be a feature on the product, the background of the product etc.

5.3.5 Intra-industry competition

The competition in the hunting sector is fairly high. The main factors causing this is that there are quite a few companies offering hunting clothing and some of them fairly big companies e.g. Grube.EU. These kinds of bigger companies can offer lower prices than other smaller companies and this naturally increases competition.

Another big factor that increases competition is the fact that the products available are not that highly differentiated meaning that a consumer may choose a similar product with maybe one missing feature because it is cheaper. Most modern hunting suits aim to achieve the same goals those being a good and functional fit, light weight and water repellency. These goals are usually

met with different solutions but in the view of the customer it is all the same. Low level of differentiation increases competition. This is supported by (Chappelow 2019; Michaux 2015, 10.)

Also, there is a lot of R&D going on to constantly improve those previously mentioned goals of functionality. This means that there are quite a lot of new products launched. New products usually offer something better than the products that they are replacing and that attracts customers to try them out. This means that everyone has to do pretty much the same amount of R&D and product launches to stay relevant in the industry

5.4 SWOT analysis

The main **Strengths** of Retkitukku are firstly its Finish background which can be used as a very big marketing point and is sure to attract some attention towards the company and the product they offer. Marketing phrases such as “designed and tested in the capital of northern Scandinavia” which is a modified version of the slogan of Oulu create a picture of high quality which leads us to the next two strengths of Retkitukku. These are high quality products with affordable prices & a highly experienced staff.

The products are developed and tested at the company headquarters in Oulu Finland by a team with long over 20 years of experience in the field. Many of them are hunters and trekkers themselves so the products are designed with practical point of view to make sure that the products are functional and high quality. The smallest details are considered e.g. to make the fit perfect. The prices of the products are affordable and that of course is a strong card to play in the competitive market. Retkitukku is a factory outlet which means that the products are sold to the consumer directly. This means that the delivery time is short, and this is a great advantage as well.

Retkitukku has a strong financial backing because it is a part of a Swedish investment company called Nalka Invest. This may help ventures outside Finland easier because Nalka Invest is a huge company and therefore it has less trouble spending money on the necessary costs of international ventures.

When it comes to **Weaknesses** USP (or unique selling proposition) of being able to offer the best prices for the shortest delivery and good quality needs a bit of fixing when entering international markets because right now it works perfectly for Finland but not for Germany.

Another weakness is that even though Retkitukku's Alaska brand clothing and suits are really good quality they still are not superior to every other option in the market. This is the same problem encountered in the five forces analysis where it was stated that the products in the industry is not highly differentiated in the eyes of the customer. There either has to be really low cost or something really special in the product to stand out.

Finally, because Retkitukku has not ventured in Germany before that means that they do not have any kind of strong brand image there. It will take some time to build a brand and a lot of resources are needed before the brand is at a sufficient level.

The main **Opportunities** are the size of the market and the ability to grow the brand a lot. The Market in Germany is the same as in Finland for the hunters alone about 300 000 according to (Realtree.com, 2015, Cited 20.1.2020). This means that there are quite a few possible clients for the products Retkitukku has to offer. And possibly after the hunters have been brought knowledge about the company then at some point, they may begin to want to try the outdoors equipment Retkitukku has to offer and once those flood gates open, they open for a huge market. The 80 million people of Germany. This is the second main opportunity. The potential for huge brand growth. This is really long term and first the venture with the hunting side needs to be a success.

Threats in this case are firstly the competition in the industry. As analyzed in the five forces model there is not significant interest to enter that market. Germans are traditional people and they many times want to stick with something that has been trialed and tested. This means that buying products from a new Finnish company in their country might not be the first action they take, and it takes a lot of effort to make the Germans interested in the products.

A less significant but a threat nevertheless is the huge surge in popularity of veganism and animal rights activism. If these ideologies gain more ground it is possible that hunting will be restricted in Germany and that leads to less hunters within long periods of time. This in turn leads to no need in hunting equipment.

5.5 Product analysis/Added value

Even though Retkitukku has a wide variety of brands in its catalogue some of them are not optimal to start the entry process with. The best option in Retkitukku's case is to spend the most resources in the promotion of their own brand Alaska 1795. That is the best choice because it creates the least amount of costs and the pricing of that brand is really on point. One can buy a complete package including the Alaska Ranger suit, socks, a buff style scarf and a cap for 219 euros at the time of writing. Retkitukku also offers these packages in three different levels with each having more stuff included. These packages are done to each Alaska 1795 Suit. Many times, there are different camo patterns offered to the products.

The Alaska products also offer the most added value to the customer firstly because of these mentioned factors but there are many other points that can be used in marketing. Perhaps the biggest being the Nordic background of the products. The products are designed in Oulu with a "From a hunter to a hunter" mentality. This is a huge plus when marketing in other countries. The background should be brought up everywhere it is possible as it usually interpreted as a sign of quality when something is made or designed in a smaller city by people that are enthusiastic about the products themselves.

Later on, when the company has established itself in the market it should try to start increasing sales with their outdoor and hiking gear as well. This will however probably be a smaller part of the business because the competition in the outdoors industry is huge and there are many big companies operating in that field. E.g. there is a company called Globetrotter which is part of a big concern that includes actually one of Retkitukku's main competitors domestically Partioaitta. (Seca.ch 2020, Cited 25.1.2020).

5.6 Entry mode

The best entry mode to begin business in the case of Retkitukku is indirect export. This is because Retkitukku does not have experience in with doing business in Germany and some sort of minimal risk testing would be optimal to map out the potential. Luckily this is exactly the case with indirect

exports. An intermediary would be hired to scope out for potential partners in Germany because it is hard to just have a webstore and try to sell from there. When the intermediary finds an interesting candidate for a possible business partner it would then be easy to start doing business through them a later on maybe expand to establishing an own company in the market if the venture goes well.

Indirect export is the easiest and most risk-free way to start international venturing. When business in Germany would be handled by the hired intermediary Retkitukku could focus on building their business in Scandinavia as is their main goal and keep surveillance on how business progresses in Germany. Also, because the hired gun would do the negotiating with pre-determined conditions Retkitukku would not have to worry about all the different socio-cultural considerations such as negotiation behaviors and language barriers.

Indirect exports offer a way to test if the products have potential and demand in Germany. This testing is highly recommended because the competition in the field of hunting and outdoors is high and if one goes to the market without trying out the products that might come with a hefty price tack. At first indirect exports offers a way to not worry about marketing because the partners in Germany would handle it. This is supported by Hollensen (2007,314) This is a double-edged sword and can be considered as either good or a bad thing.

5.7 Promotion

The problem with indirect exporting is that it offers very little ability to be directly in control of the marketing of the product. For this reason, other entry modes should be considered after the initial test period with indirect exporting.

As mentioned before the biggest ace in the sleeve for Retkitukku is the Nordic background. This should be used as much as possible in the marketing materials. A good way to promote the products is by going to different kinds of conventions with a stand and just be there and promote and sell the products. Retkitukku does this in Finland already and therefore it is a familiar practice to them. At the conventions it is easy to bring out all the best features of the products with actual consumer customers and therefore attract their interest.

The websites of Retkitukku should also be translated in German. Their website is already modern and functional so there is not that much work to be done there. Social media should be used to target the wanted audience. In case of Germans the ads would show the retailer that sells the products.

6 CONCLUSIONS

As a conclusion and the authors opinion on the subject is that Germany is maybe not the best possible alternative to expand to in Europe. The price tack for the operation would be big and the profits would not be certain. It would take time to establish a position where there are steady profits. Therefore, the best strategy would be the "Russian strategy" which means not to enter at all. This is derived from the results of the different analysis conducted in this thesis. Those analysis did not in my opinion show particular incentives that would make the German market very tempting in this field of business.games

However, the point of this thesis was not to question if Germany should be entered but give valid suggestions for the strategy if the company decides to investigate and test the market in Germany. If it is decided that the company will enter the German market the best option for an entry strategy that could be used to reach the goal of business in Germany would be indirect exports as mentioned earlier. Germany is a big market and has future potential but the competition is high so the start should be slow and test oriented.

As the PESTE, SWOT and Porter's five forces model shows the biggest risk to entering in this field of business is the tough competition, low level of differentiation in the eyes of the customer. Also, the fact that Germans are creatures of habit and tend to stick with tried and tested products. Hunting business in Germany is stable but not in a huge growth spike. Outdoors business is highly competitive.

The competition can offer similar products with similar pricing but Retkitukku's strength is the Nordic Background and more accurately the fact that they are from Oulu. Nordic quality all together is considered a huge plus and also many foreigners say that Finland is in Scandinavia. This is not the case, but that attitude can be used as an advantage since Scandinavian design is trendy.

The pricing strategy might have to be changed in Germany to match the brand promise in Finland which is to offer the most affordable solutions to the customer's needs. The pricing level is at the same kind of level with the competition but that might have to be lowered a bit to find a place where the sales really start to boost.

At first an intermediary will handle the negotiations with a possible importer in Germany so that a product testing phase could begin. If this appears to be successful, then a switch to direct exporting is recommended where Retkitukku has more control over the negotiations because they are handling it themselves and the products have already been tried and tested.

During the initial indirect phase there is not much control in the marketing but if proven successful and the switch to direct exports or some other entry mode is made later then the marketing should be thoroughly analyzed and fine-tuned to meet the interests of Germans.

Establishing a stable position in the market will take a lot of time even if the entry is a success. The strategy should be re-evaluated to fit the sudden changes in the environment and the venture should be kept under close inspection because it can become very unprofitable very fast.

7 DISCUSSIONS

The goal of my thesis was to come up with a useful suggestion to be possibly used in real life when planning a market entry to Germany. I studied the environment, competition and risks with PESTE, SWOT and Porter's five forces model. Research methods used were observation and brainstorming.

As a result of this thesis I found that the outdoors business in Germany is highly competitive and not the best place to start the market entry. The hunting sector is a different story because the competition and market size are not nearly as big as it is in the outdoors business. The competition in the hunting sector is also smaller and therefore I decided to focus on the hunting sector. However, there is still a lot of competition and therefore the most risk-free strategy should be used in the beginning and maybe later start investing more to the market.

I am satisfied with the work even though the process took a lot longer than I thought it would, but I still managed to finish the study only two months late from the original plan. This study was made with low costs and I learned a lot from doing it. It gave me a practical view on doing these sorts of studies even though strategies and the business this study was about is not necessarily my field of expertise.

The study was made from outsiders' perspective since I do not work in the field. I still hope that this study will give some tips and advice and maybe a fresh point of view to the company. I also hope that this thesis will be of some help to other fellow students doing their thesis studies on similar matters (market entry strategies).

As found out in this research Germany as a market for outdoors and hunting business is competitive and the entry should be planned well. This study is a broad overview of the current situation and therefore if the company chooses to use my suggestions in the actual strategy a deeper research should be done in the factors I have opened up in this research. I would start with starting to look for potential middlemen in Germany and then continue from there.

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