



# **Detergent market research & market entry plan for Haarla Oy**

Tuomas Mäkinen

BACHELOR'S THESIS  
January 2021

International Business

## **ABSTRACT**

Tampereen ammattikorkeakoulu  
Tampere University of Applied Sciences  
International Business

Tuomas Mäkinen:  
Detergent market research & market entry plan for Haarla Oy

Bachelor's thesis 45 pages, appendices 3 pages  
January 2021

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This thesis was commissioned by Haarla Oy. The company has been in the chemistry business for decades, providing customers with raw materials, mostly in Finland and Europe. They have not had segmented detergent side for their chemistry operations, and now they wanted to differentiate the segment. The objective was to research the detergent industry market in Finland and make a market entry plan for Haarla.

The author works for Haarla himself, being the person hired to expand the chemical side. He has familiarized himself with Haarla's operations and customers by working for the company. The author has idea of the market's trends, values, and perceptions.

Based on the research, it was found that the Finnish detergent manufacturing industry is competitive but standing on strong foundations.

The findings suggest that Haarla has capacity to enter the desired detergent manufacturing supplier market. By utilizing their strong economic situation, Haarla can expand to desired detergent market. To maximize their potential, Haarla must work toward achieving representations and focusing their efforts where needed as they advance.

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Key words: market entry plan, market research, business-to-business

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## 1 INTRODUCTION

Understanding the customer is vital in today's business-to-business market. Thus, researching the segment is very important before making a market entry. Customer experience has been neglected as a metric in the past. Now, it is rightfully in its place, affecting markets. Customer insight, customer-centric focus and personalized experiences are key points in customer experience. A customer is a person who wants to feel valued. Continuous feedback ensures any challenges are faced before they become severe. (Willott 2019)

This thesis aims to open the Finnish detergent industry, from a supplier's point of view. Haarla has been slowly gaining more ground on the detergent industry side, and now they want to fully expand their portfolio and grasp the segment. Applying current market data to theories and models, this thesis aims to offer plan and recommendations for the expansion.

Haarla were not fully aware of the whole market, situation and expectations for the supplier. Haarla has not been able to put effort from the company side mapping the market out so far. Thus, this thesis will study, and open questions posed by the situation. The results will then be used by the salesperson expanding the chemical side on Haarla.

By eliminating wasteful focus and maximizing the effort put in the right place, a company can be efficient when expanding. This thesis was commissioned to help this.

## 2 THESIS PLAN

The following thesis plan introduces the topic of the thesis, the aim of the thesis and the purpose for the thesis. It will introduce the methods, concepts in a brief manner. Data gathering methods will be explained, as well as the structure.

### 2.1 Thesis topic

The topic of this thesis is a market research and an entry plan for Haarla Oy. It focuses on how Haarla can understand the surfactant markets and the customers the best way possible. By knowing what the customers (detergent manufacturers) want, Haarla can enter the market in an already desirable state. The main point of the thesis is to research the existing Finnish detergent industry, mostly the manufacturers of the end product, but some supplier market will be covered as well.

The need for a market research for Haarla comes from a need to develop the detergent side of Haarla's chemical team. Haarla has been selling raw materials for detergent manufacturers for a long time. The segment, however, started to grow and as the chemicals used in detergents differ so much from chemistry in other fields, it had to be separated eventually. Haarla wants to do more than to just supply basic chemicals to their customers, but also the special chemicals and products. Haarla wants to be an expert and to help the customers make good choices.

The main research of this thesis is to map out the qualities desired from a supplier such as Haarla in this field. One of the big questions is that what does the average customer want and need from a supplier. Whether the most important factor is expertise, good lead-times or great communication, this thesis will study this topic. As Edward McQuarrie describes market research to be *exploring*, this thesis will explore the detergent industry, to open one's eyes and broaden the vision (McQuarrie 2005).

This topic has not been studied a lot. Finnish detergent markets are rather small as much of the product comes from international brands (Unilever, Proctor &

Gamble, et cetera) and the need for one has not existed before for any company like for Haarla now. The studies are also discouraged by limited information. As most detergent companies are privately owned, they do not have to publish their financial statements publicly. This means that it is rather challenging to determine market size and the manufacturers' market shares.

Lastly, a market entry will be planned for Haarla.

## **2.2 Thesis objective, purpose and research questions**

The objective of this thesis is to create a market research and an entry plan for Haarla Oy. The main research question is *“How can Haarla enter the Finnish detergent industry in the best way?”*

The sub-questions to support the main research are;

*“For whom are the manufacturers producing and what do they need?”*

*“What needs to be done internally within Haarla to succeed?”*

Thus, the objective to research and formulate a plan is supported by the sub-questions that make it easier to understand the needs and respected values of the industry. In the modern day, when the customer is the king and some raw materials can be bought from alternative sources, Haarla wants to be the good choice.

A business wants to create a monopoly in order to thrive to the fullest. As Peter Thiel states, a good rule of thumb is to be at least ten times better than the closest competitor (Thiel 2014). Reaching a goal such as this would be the ultimate target for Haarla in this field. It does not need to be something new, just by improving something, one can escape competition. As an example, if someone needs to order a chemical from abroad as it is not available domestically in Finland. They might face language barrier, high prices and booking troubles with a transport company, as well as long lead times if orders are irregular. If a company solves all this, if an order can be made just to one place and it is then delivered to your business at expected date, it will probably

mean a world of difference for them. Haarla wants to eliminate any and all of these quirks by being the end-to-end partner.

### **2.3 Concepts and Theory**

In this thesis, a number of theories and concepts are used. These theories will be introduced and explained. By explaining the concepts, it is easier for the reader to understand and follow the thesis.

Theories that are used in this thesis are Michael Porter's value chain model, as well as the Porter's Five Forces which will both be explained briefly in this plan. They help form the second part of the thesis which is the market entry plan.

The thesis also includes a SWOT analysis for Haarla, comparing them to other suppliers on the market.

### **2.4 Working methods and data**

This part briefly explains the data collection methods, theories and models used in this thesis, and how do they apply for this research and data.

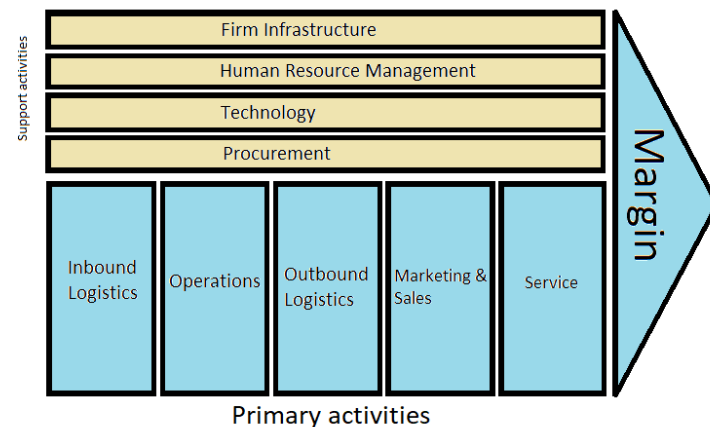


### 2.4.1 Porter's Value Model

Michael Porter's value chain model will be introduced briefly. It will be studied and applied in a more detailed manner later in this thesis.

A value chain is a set of activities that a company performs in order to deliver valuable product for the customer. It was developed by Michael Porter as such for his book *The Competitive Advantage: Creating and Sustaining Superior Performance* published in 1985.

The model shows five primary and four support activities for creating value and creating competitive advantage. It is modelled in a way that increasing the efficiency of any of the support activities helps at least one of the primary ones.



PICTURE 1

The value chain, more than anything, helps a company realize that value cannot be measured by looking at the firm as a whole. It needs to be taken into pieces and studied individually to find bottlenecks and the vital points in need of improvements. (Porter 1985)

*Firm Infrastructure* is one of the support activities, which are all there to reinforce the primary activities of the model. Sometimes also known as secondary activities, as they further improve the main activities. The infrastructure part is straight-forward. It includes administrative, legal and accounting activities.

*Human Resource Management* consists of hiring, retaining and training the employees. All operations in a company require human capital and maximizing employee efficiency also affects the company's efficiency by a huge margin.

*Technology* is used more or less in every aspect of the business from end to end. Mostly used in research and communication, both internally and externally, it is very helpful or very hurtful depending on the level of it.

*Procurement* is the acquisition of goods, services or activities from outside of the company. It manages and makes the purchases and is very applicable in Haarla's case.

### 2.4.2 Porter's Five Forces

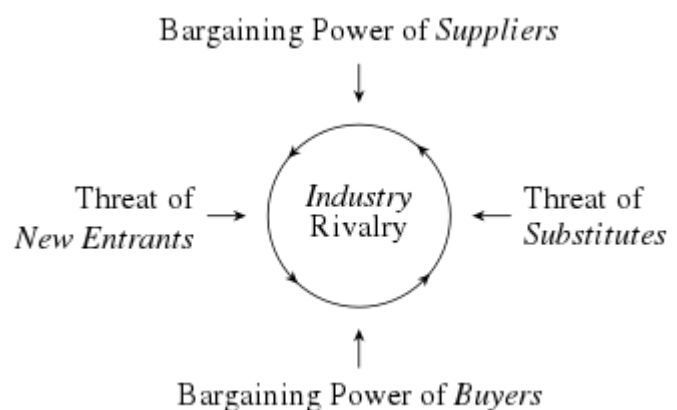
Michael Porter also developed a model for analyzing the competition of a market with his five forces analysis. It measures the competitive intensity of a market, and therefore cannot be used as a metric for market analysis on its own. It is a good supporting theory for this thesis, which takes Porter's five forces as a supporting theory to better map out the market.

By understanding the level of competitiveness in a market, one can determine the attractiveness of it. Thus, it is vital to determine such factors before planning an entry. This introduction will go through the model briefly.

### 2.4.3 The model

Michael Porter states that the less competition there is, the more a company profits in the field. There are many levels of competitiveness from the least attractive *pure competition* to the coveted *monopoly*. The minimum level that can still sustain a company is *perfect competition*.

This, however, is a state of utopia that could never be reached. It still serves as a good benchmark and as a concept, it works well. Perfect



PICTURE 2

competition is when a market sustains itself and everyone involved makes profit. It is, of course, criticized as no company would be happy just retaining the same share and all the customers and consumption would stay the same.

*Bargaining power of suppliers* means the power of suppliers that they have over one's business. How easy is it for them to increase prices? Are there alternatives, is the supply unique? If there are no or very few alternatives, the price and required help from the suppliers can increase rapidly.

This affects one's possible profits a lot. This thesis will study supplier power over Haarla for the selected markets as a part of the research.

*Threat of Substitution* refers to the likeness of one's customers finding a new supplier or a way of doing their business.

In Haarla's case, it would mean that the customer either start producing something themselves, finds a new trader or buys directly from the supplier. This thesis will study the likelihood of this happening and the most likely scenarios.

*Bargaining power of buyers* is the power a buyer has over the prices and service. Is their business vital enough that they can dictate the terms? Are there many competitors for the service one is providing and is it easy to switch?

Nowadays, there are sayings such as "The customer is king" but is it always true? This thesis will study the buyer power in this market regarding Haarla and how it applies.

*Threat of new entrants* refers to the possibility of someone entering the market as a competitor, threatening one's established position. Things to consider are how easy is it to establish foothold in the market, how regulated is it and how appealing it is. This thesis will study how easy it is to preserve a favourable position once the barriers are breached.

*Industry rivalry* means the amount and strength of the competitors on the market. The more there are and the similar their offering is to the company's, the more difficult it becomes to gain any leverage and be unique. One needs to take into consideration, how do the competitors' offering, products and services measure to the ones they intend to offer. If they do compare well, there are minimal profits

and it is always risky since the competitors can cut pricing and gain more ground as the rivalry is intense.

However, if the rivalry is weak or non-existent, one can dominate the markets and be the strong player. (Porter 1979)

## **2.5 Hopkins' domestic market entry plan**

Raymond Hopkins briefly talks about the differences between domestic and international market entries in his book *Grow Your Global Markets A Handbook for Successful Market Entry* from 2017. The chapter focusing on the differences will be studied and applied to Haarla's detergent industry market entry plan as much as it is applicable.

## **2.6 Working methods**

Most of the data for this thesis is collected from big data and shaped with theories and models to gain a clear and comprehensive outcome and an entry plan for Haarla. In addition, some brief interviews are conducted. These include a person from purchasing, product development or operational management from each company interviewed. The companies are already Haarla's customers from the detergent industry. The questions are qualitative, and help to understand the customer's viewpoint, thus helping Haarla to be the best partner they want to be (Sutton & Austin 2015). The data is then analyzed and applied to the theories and models.

Haarla also wants to know if it even is feasible to enter the detergent market at all. If the market is unappealing, Haarla might want to take a different path to expand their company. Reasons for this could be too small of a market, too competitive market, not enough margin for products or if the big international brand have too much power. Haarla wants to know the market and the possibilities before making a potentially expensive experiment. The data from this research will be used to formulate the best course of action for Haarla.

The value chain is used to meter the value Haarla Oy can bring to their customers through their processes and if there are bottlenecks to improve. Breaking the

whole value chain into smaller bits helps to look at smaller individual parts from a different angle and better perspective.

Porter's Five Forces instead is ideal when looking at the analyzed data and while planning the market entry itself. In that part, the big data is already analyzed and available. Then, it is only a matter of applying the information to the theory and analyzing the results. Thus, creating a plan from the analyzed data and theory is easier and leads to better results than trying to formulate a plan from the raw data.

## **2.7 Thesis process**

This chapter goes through how the thesis process develops. The first chapter is the Introduction. The second is the thesis plan, which opens the objective and purpose to the reader. It also introduces the methods, theories and models used in the thesis. Chapter three introduces the case company and the target market more. Chapter four includes the data collection and analysis of said data. Chapter five consists of a market entry plan. Chapter number six includes conclusion and recommendations for Haarla.

### **3 THE CASE COMPANY & DETERGENT INDUSTRY IN FINLAND AS A WHOLE**

The following chapter elaborates more on the company and about its industry, as well as the detergent industry in Finland. The whole detergent industry will be studied and analyzed.

#### **3.1 Haarla Oy**

Haarla Oy was established in 1962. It was first built as a partnership matrix by Jarkko Haarla Sr. for the paper and pulp industry. Over the years, Haarla Oy expanded the expertise and knowledge to other fields. It now serves international companies globally and has over 40 million Euros of turnover annually. The partners and customers come from all over the world and include a wide variety of fields. Chemicals, foods, agriculture, mechanical woodworking, nutraceuticals, metal, mining, coating, printing and other more niche products and services.

It is a family-owned company with offices in Finland, Estonia, China, and The United Kingdom. Haarla's idea as a company is to help the customer in any way possible. It can be raw materials, formulating, logistics, blending, consulting or completed solutions. Haarla profiles themselves as a company that have expertise and contacts to handle anything.

#### **3.2 Detergent industry in Finland**

The whole chemistry industry in Finland grosses 24 billion, which includes oil, gas, petrol, and basic chemistry areas in addition to detergents industry.

The growth has been rapid recently, although deceiving due to Sars-Cov-2 in 2020. On a global scale, the detergent industry is anticipated to grow 4-6% annually until 2023. Respective numbers and data for the Finnish detergents industry were not available currently. (Kemianteollisuus Ry N.D.)

No studied data for detergent industry in Finland exist, as it is a small market. Projections are made that the revenue of manufacture of soap and detergents,

cleaning and polishing preparations in Finland will amount approximately 141 million USD, which currently equals to just over 118 million Euros by 2023. These estimates were made by Statista. They measured revenues from 2011 to 2016 and made projections until 2023 using their algorithms.

From 20 or so bigger chemical industry companies (5m+ gross) found, only a handful were producing everyday detergents. The detergent manufacturing industry is not big internationally compared. For example, while Finland's production is expected to be approximately 118 million Euros in 2023, France had over 1.8 billion Euros in production revenues already in 2010 (Statista 2014). Likewise, Belgium is expected to reach over 745 million Euros in revenue in 2023 (Statista 2019).

A great deal of detergents sold in Finnish stores are imported. This makes sense when looking at the figures of production. Finnish manufacturing costs and transport prices are much higher than the mentioned France's and Belgium's. The value added tax rates are 20 and 21 percent, respectively. While Finland sits at 24 percent value added tax, salary costs are higher as well. In France, the average salary in 2019 was 36 547 Euros versus 45 271 Euros in Finland. (Countryeconomy.com 2020)

Trends are clear and mainly caused by environmental awareness and legislation. In Finland, there is a coveted label called the Nordic Swan Ecolabel. The label can be put on one's end product if requirements are met and the right to use the label is purchased. What the label means is that your product is produced sustainably and from sustainable raw materials. In consumer products, it is a well-respected brand and a lot of Finnish people do not use products without the label. The requirements are rather strict and every couple of years, they are made even more so. In coming years, phosphate usage will be prohibited from Swan Ecolabel products as they cause eutrophication in lakes and rivers. This in turn lessens the water quality and causes massive environmental risks, such as fish dying. This will mean alternative materials for phosphates will be used for consumer products, but industrial solutions will more likely stay how they are as The Ecolabel is not as used in industrial chemicals. For example, on the Nordic Ecolabel site only Kiiltoclean alone possesses 10 pages of ecolabel products for consumer usage but Industrial detergents only combine three pages in total, every product from every company.

Nordic Swan Ecolabel is the most known ecolabel in Finland and the 11th most respected brand in the country. (Joutsenmerkki n.d.)

### **3.2.1 Biggest players in Finland & Industry profitability**

The biggest players in the Finnish markets are global brands like Proctor & Gamble, Unilever, Henkel and some bigger Finnish brands. Bigger brands with local production include Transmeri Logistics, Kiiltoclean and Kemvit. All of the mentioned Finnish manufacturers are already supplied by Haarla. Haarla now offers mostly basic chemistry but wants to be able to provide more specialized chemistry to their customers. Such chemicals include, for example, surfactants, fragrances, and rheology modifiers.

As Finnish detergent manufacturers are privately owned, their full financial reports are not public information. One cannot publicly find out their investments, where their spending has been directed or of what the company's revenue consists. This means that a company such as Transmeri Logistics or Kemvit who conduct contractual products in addition to their own production, it is difficult to tell the ratio of sales between products. Some of the detergents are delivered to a contractor abroad, which would cause some inconsistencies in the numbers. However, their revenues and profits are public.

Transmeri Logistics Oy with 10.5 million euros gross revenue has held a steady stream since 2015, not much growth, but stands on solid ground. Seems to be reducing employees after 2017 (latest info from 2018) and net income has been decreasing after 2015 to a point where it was negative 46 thousand euros in 2018. Transmeri Logistics Oy is also a part of Transmeri Ab which has a revenue of 40 million. Transmeri's smaller net income could be due to their acquisitions which they have been doing actively in the recent years. (Transmeri n.d.)

Kiiltoclean Oy is also a part of a bigger company, Kiilto Oy. Kiiltoclean's revenue in 2018 was over 45 million but below the line, it still made net loss of ~600 thousand euros. Their revenue has been slightly increasing until 2018, when it dropped by 2.3 percent. Although they too have decreased employee amount,



their revenue has increased. This could hint towards better production lines and automatization. As a company, Kiiltoclean is doing well and with their Kiilto Oy revenue support (67m with 15% net income) they are standing on very solid ground.

Kemvit has had rapid growth since 2015 by increasing their annual revenue from 1.8m (2015) to 2.7m (2018). Number of employees have been steady with deviation of one person in a span of 4 years. This indicates better optimization and maximizing effectiveness. Their net income has also been positive every year and they could soon be looking at expansions should they be willing to keep up their growth rate. (Vainu 2020)

Innokem is a smaller Finnish company based in Kuopio. Their trump is that they use no phosphates in their detergents which could mean easier and seamless growth when they can proceed with their current formulas in the future. As they are also a privately owned company with no public interim reports, it is yet to be discovered whether they buy or import their raw materials themselves. Their net income was 148 thousand in 2018, and in 2019 fell to 94. This is a smaller company with potential for more special ingredient deals for their product. Although the company is smaller, their variety in products is quite vast and they are importing some car care products from Europe.

### **3.2.2 Regulatory threats**

As phosphate usage is decreasing, its sales will dip in the future. The Nordic Swan Ecolabel regulations affect the Finnish markets greatly. The label is creating ever stricter and as almost every consumer product carries the logo, their regulations must be taken into account.

Anti-dumping must also be considered if purchasing from China, as well as ethanol laws in Finland.

### 3.2.3 Industry revenue volatility

The detergent industry revenue is steady and slowly growing globally. No spikes or sudden drops are expected as detergents are an everyday commodity which will always have demand.

The production is also expected to follow demand. The problems with production sometimes happen in China. For example, in wintertime, some production sites are shut down by the government due to their big emissions. These emissions are caused by the heating in Northern cities in China and the pollution gets too bad and the officials close facilities. (Reuters 2017)

Additionally, weather can cause production issues in China. As a lot of the raw materials come from the same area in China, the prices are subject to change due to potential storms and other disasters. When a typhoon hits the corn fields, which are used in the base of many products, the price increase can be seen directly in procurement. Less product available with longer lead times is not an ideal situation for Haarla. Situations such as these require that the raw material availability is monitored closely.

These kinds of possible problems cause revenues to increase and decrease year to year.

## **4 THE DATA COLLECTION & ANALYSIS**

This chapter includes the objectives for the research, the plan for the research and data collection methods described. The results of the primary data will be examined. Formerly mentioned theories will be used to analyze the data.

### **4.1 Research objectives**

The topic of the thesis is a market research and a market entry plan. Thus, the objective is to study the field, and the major impactful matters. These include, but are not limited to; the market profitability, competitiveness, legislation, value proposition to customers and how well Haarla currently measures to the relentless market.

### **4.2 Designing & carrying out the research**

From the beginning, it was clear that the study would mostly be desk research. Some supporting data would come from industry professionals to back up statistics and researched data. This data is in the form of customer comments and feedback

Majority of the data regarding detergent industry companies came from public records and Haarla's internal database. Haarla itself will also be studied as a company. The resources and qualities of the company are examined in the thesis.

The desk research was put together from public sources such as YTJ's database, Vainu's database and Fonecta Finder. Haarla's CRM and silent information were also used to

All this data will then be applied to theories and models stated in chapter two. Conclusions and recommendations are based on the interpretations after the data has been applied to the models and theories.

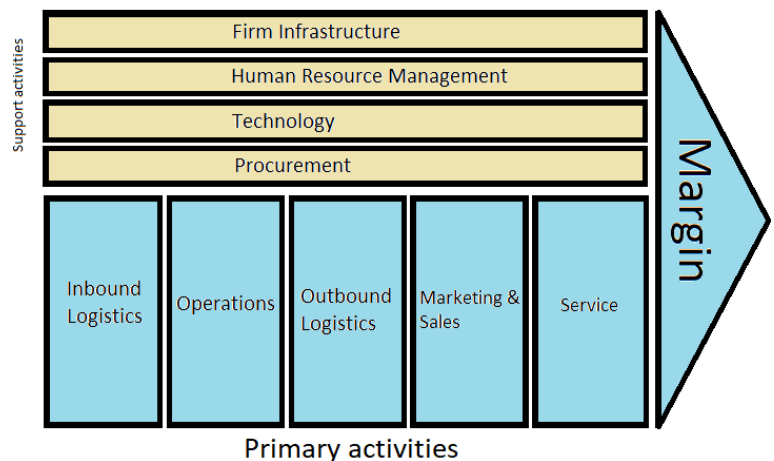
### 4.3 Porter's Value Chain

Michael Porter came up with a model for his book published in 1985. The book is called *Competitive Advantage: Creating and Sustaining Superior Performance*. The model consists of set of activities that a company performs to deliver a product with value.

As Michael Porter's value chain model indicates, there are 9 (+1) value activities. The Tenth field is the margin, also referred as profit. It is not an actual activity, and the size of it is dictated by the previous nine fields. Profit is equal to the difference of the value chain's total value, which is the value of the product to the customer that he is willing to pay for the product and the total cost of the product.

As a disclaimer, the model (below) is modelled after big American companies in the 80s, which produced a large number of goods to be stored. This means the marketing & sales activity is more important and perhaps should be placed as first in the primary activities, as Haarla promotes lean production and in principle, has no extra stock stored.

The activities are divided in two categories, primary and support activities. The primary activities are the ones directly affiliated with the product and its phases. The supporting activities are the company's internal processes and efficiency based.



PICTURE 3. Porter's value chain

#### 4.3.1 Primary activities

The primary activities will be inspected on business unit level. In this case, it means the chemical team of Haarla Oy. It cannot be examined on company or division level, as the scale would be too large for certain operations.

### **4.3.2 Inbound Logistics**

Inbound logistics is what happens before the product is safely stored in a warehouse in this regard. It creates value as it shortens lead times and always creates costs and work. When maintained well, it can bring a lot of value to the chain as smooth and efficient transport and receiving processes can be significantly cheaper and reliable.

Haarla has good inbound logistics with reliable transport lines and substitutes for transport companies if needed. As the supply chain for Haarla is fairly simple, usually directly from the supplier's manufacturing site to a Haarla's warehouse. When moving products inside Europe, there are always multiple options for transport companies which assures that the best alternatives can be chosen, and the supply chain is as efficient as can be. Receiving of goods is made by the warehouse personnel, eliminating any possible parties between transports and warehousing, thus risking another step in the logistics. Inbound products from further (China, South America) are transported via ships and picked up from the harbour by trusted and efficient personnel from Haarla's warehouses, or alternatively by the seller's contracted logistics services, depending on the incoterms. Most cross-ocean transports are conducted under incoterms FCA (Free Carrier), FOB (Free on Board), or CIF (Cost, Insurance, Freight) for Haarla procurements. All of these require the buyer to take the product the last steps into their warehouse. As they are established processes, it poses no problems to Haarla's inbound chain.

Haarla's inbound logistics can be expected to maintain good value due to established processes and relations. They are optimized and bring value to Haarla's processes.

### **4.3.3 Operations**

Operations concern the management of inputs into outputs. This can mean, for example, modifying packaging or products inside a warehouse. Operations consist of, and require, raw materials, labor and energy. Energy, time and work efficient operations are a significant part of a successful business as they usually take up the most resources.

Haarla has many warehouses that are able to produce operations in-house. This is usually repacking, blending, combining products and creating end products from raw materials. An example of this is creating a 50 percent solution from anhydrous product which has purity near one hundred. When inbound & outbound transport and operations are all based in the same place, it removes middlemen and promotes lean processes. Established processes for in-house operations are in place between Haarla and the warehouses, and good communication is used to help to avoid any and all mistakes in production. Majority of this type of production has already been contracted for and fees are paid on a monthly basis, which means very little individual contracts for operations, therefore the production is not hindered by pending agreements to put off the work.

When more specialized operations are needed, Haarla has contacts to production sites where contractual less frequent operations can be handled. These operations are purchased with one-time fees.

Operations are not always used in Haarla's sales. While the sales sometimes require modification of raw materials, some materials are sold as bases and need no operation activity. These products leave as they come in the warehouse. They require the inbound logistics of transport and warehousing, as well as outbound logistics to the customer.

In more specialized chemicals, a laboratory environment might be required for certain operations in the future. Some simple tests can be conducted in Haarla's office.

As of now, Haarla's chemical team rather simple operations are well handled in-house and they are efficient, adding value to the chain.

#### **4.3.4 Outbound logistics**

Outbound logistics is the step from the warehousing and transporting the final product.

Haarla has similar streamlined supply lines in outbound as in inbound logistics. When product is sent from the warehouse by the warehouse personnel, there are no middlemen between operations and outbound logistics. The warehouses either transport the goods themselves or employ a logistic company, whom which Haarla has contracts.

In cases of direct deliveries from the supplier to the customer, no operations or inbound logistics take place. In these cases, a transport company is deployed to pick up, transport and deliver the product to the customer. Trusted logistics companies are asked for competing offers, which ensures best deals and most value to outbound logistics of Haarla.

Currently, Haarla's outbound logistics are handled well and efficiently. With simple chemicals requiring only basic trucks to transport, no complex packing or loading methods are needed. Although sometimes the chemicals are hazardous, the logistic companies are prepared and equipped to handle hazardous chemicals as well. Haarla's outbound logistic processes are working and capable of handling a new detergent market. This are is the best optimized part of Haarla's activities studied in this model.

#### **4.3.5 Marketing & Sales**

Sales and marketing value activity is selling products and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients and partners.

Haarla's marketing is currently mainly done through Haarla's website. The site contains solutions for possible customers. The new Haarla's website provides customer with current product portfolio including the index list of chosen products we have in offer. Haarla's marketing is actively striving to keep customers

informed through variety of channels about new products and solutions. Haarla is also using brochures and newsletters to market current and prospectus products to existing customers.

Haarla renewed their website, and it was launched in summer 2020. It now tracks traffic and creates automated leads. More inbound traffic has been registered after the publishing of the new site. Search engine optimization and social media (Linkedin, Facebook) advertising is conducted to maximize targeted marketing.

As Haarla is a business-to-business company, their marketing differs from the one applied to business-to-customer companies. B2B marketing wants to target a narrower segment and emphasis is more on value leads than mass audience.

Haarla's sales personnel are the most important marketing tools for the company. They maintain relationships and advertise Haarla's offerings to customers and potential customers. While retaining customers, they expand and maintain a portfolio. This portfolio is then easy to convert into offerings. The salespeople are always on the lookout to offer current customers additional products. This helps to maximize the customer lifetime value and better relations.

Salespeople determine the pricing for sales for Haarla. The prices given to customers are tailored for each customer for given time periods. Prices are mainly product cost driven, but a lot of additional smaller costs are applied too. For example, logistics, financing, port costs and warehousing. The prices vary depending on customer's order size and familiarity.

#### **4.3.6 Service**

Activities that ensure that the product or service maintain value after the purchase. In this field, it could mean parts supply or product adjustment.

In rare cases of needed service during or after sales, it is most times about delays in the supply chain, which can be caused by number of factors.



Haarla also offers service in anticipating and planning by the customer's needs. Communicating with them, Haarla can procure enough products by asking their usage for given time periods and making deals for those times. This usually means annual deals for products used around the year. Some products are needed rarely, perhaps a couple times a year. For those, Haarla can offer spot order pricing. As those orders are hard to foresee, the customer indicates a need for the product when they can and then the respective salesperson at Haarla checks the current pricing and makes an offer.

Annual meetings with customers are also had, where Haarla's salespeople go and meet with the customer to discuss good and bad and the plans for future, as well as the projected consumptions. Face-to-face meetings are great for maintaining a professional relation. Personal meetings with customers make the whole process and dealing more humane, as opposed to just emails and calls.

Face to face meetings build much stronger relationships. They are also important for loyalty and trust. Yarnfield Park have studied that these meetings are also more focused and productive, in addition to being easier to communicate goals between both parties. (Yarnfield Park 2020)

#### **4.3.7 Support activities**

The second larger category is support activities. They go across and blend into the primary activities. They are internal and aim to support the primary objectives with human resources, technology and managing the company and operations. Divided in to four activities, they each support all primary activities to some degree.

#### **4.3.8 Firm infrastructure**

Consists of activities including accounting and finance, legal, quality management, PR and general management. It is sort of an "umbrella" over all the other primary and support activities, covering and supporting all of them.

In Haarla, this activity is split and handled by people responsible for their respective areas. Most of them are handled by the CEO Julius Haarla, COO Tiina Mustaniemi and Finance Manager Markku Rislakki.

#### **4.3.9 HR management**

Human resource management in Haarla is mainly handled by team leaders and by the COO. Training is done by the COO and team members; no strict protocols are in place and the training is flexible and practical.

It is mainly done as a “learn as you go” protocol. The method gets a hands-on experience for the new worker and is very effective for some.

#### **4.3.10 Technology development**

Technological development consists of everything technological used processes and business. Equipment, hardware and software used between the input and output.

Haarla has good status on the technological side. Updating software and automatization of processes more and more, technological advancement is on a very competitive level. New ways of utilizing technology are also implemented on the new website, with lead generation and easier portfolio access. Warehouses also use modern technology to perform any needed tasks and operations.

Good technological advancements help bring value to the customer by fast service, automatization and invoice handling. Currently, Haarla is expanding automatization constantly. Congruent ERP system with warehouses ensures an automated flow of information directly to the personnel at the warehouses.

### **4.3.11 Procurement**

Procurement is the acquisition of goods or services from another source.

Currently, Haarla sales managers and customer service make the purchases and acquisitions themselves when needed. Haarla has no own division for procurement and the usual purchasing is made regarding raw materials either for direct transport or warehouse storing. Usually, the chemicals come from Central Europe or China. From China, the China office makes the purchases and handles the shipment to Europe.

It works for status quo, if operations and processes change, Haarla might need to reconsider procurement but currently, it works. Issues raise when the same product is sold to many customers by various salespersons. In these cases, the consumption can be very hard to predict and extra care in internal communication is required. The problem has been noted and some customers have been re-assigned to centralize sales around products, rather than around application. The division itself is rather complicated as the customer company uses, for example, one product from chemistry side and the rest from environment side, for mining purposes. This sort of categorizing has proved challenging but Haarla has put more effort in this, seeing as it simplifies a lot of the processes.

## **5 MARKET ENTRY PLAN**

In order to enter the markets in Finland, one needs reliable sources and customers. As Haarla has already entered the detergent markets, the next objective is to expand and specialize.

Haarla's vision is to maximize efforts in the special chemicals segment of detergent industry.

For this, a reliable source for specialized products is needed. Representation would prove astonishingly beneficial where prices are fixed for longer periods of time and availability is not an issue. As Haarla possesses no own production, steady availability is needed.

### **5.1 Status quo for Haarla Oy**

Haarla has a serious interest in this expansion to detergent business. They have recruited a dedicated salesman to expand the market. Haarla are willing to invest and have a strong economic backing as a rather big company with good economic status.

Currently, Haarla possesses no representations on detergent industry side. This means that no company can buy any products only through Haarla. Representations such as these are not uncommon, and big manufacturers, mainly from Europe often have distribution deals, where have a country-based representative. This sort of a deal is ideal when a business has been established, or to help it stabilize. However, the terms from the supplier side usually consist of requirements to sell a certain amount of product annually to maintain the deal. This opens possibilities but pose limitations as well. In an ideal situation, Haarla possesses deals such as these for different manufacturers and have established the detergent market with recurring annual deals to both directions.

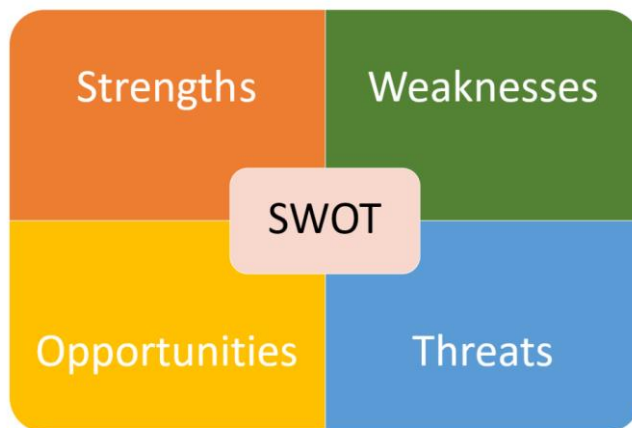
What Haarla possesses now, is a wide palette of customers from many segments. The business is established and is not in risk of bankruptcy due to business expansion of this size.

Haarla is well connected. With long period deals dating back decades, good relations have been in place for extended periods of time. During the years, the connections have been established and then maintained. Haarla also has neutrally good relations, no disputes or conflicts are had with other businesses. Overall, Haarla is a reliable company.

### 5.1.1 SWOT analysis

A swot analysis is a model, a framework tool, that helps to define strengths, weaknesses, opportunities and threats. It can be used to analyze the position of an entity to individually categorize pressing matters and value adding strengths. A SWOT analysis is a good tool to map out a company but should not be solely relied upon in strategic planning.

In this chapter, Haarla's SWOT will be conducted and analyzed, to gain a better understanding of the status quo.



PICTURE 4. SWOT model

### 5.1.2 Strengths

Haarla is a strong domestic company in the Finnish scale. Haarla's strengths are adaptability, agility and good organizational structure that allows good communication internally. This enhances reactivity and teamwork inside the

company. Haarla's chemical team is a rather small entity which keeps it tight and operations are easier to control.

Concerning only the detergent side of chemical team, Haarla has a new person hired to be dedicated solely to expand the detergent side. This person can in time become an expert in the field and have an advantage over others.

When the company has no own production, it can be beneficial as well. Haarla is not as dependent on areal effects and almost always has options.

Haarla's customers are content and good relations are maintained. Haarla brings value to the customer through good service and reliability.

Customer's problem and needs first-mentality is strong internally in Haarla, which makes the company attractive for customers.

Haarla's website can also be considered a strength. Comparing to other detergent industry companies, Haarla's website is very clear. Most of the time nowadays, when new inbound customers come from online, it is important to have low threshold to contact. A sketchy website with very little contact possibilities is off-putting. Haarla have published their new website in summer 2020. There, contact information and portfolios are easily accessible. The new website has gathered substantially more traffic and attention since its release.

Haarla conducts business on personalized level. Compared to many other companies, Haarla salespeople handcraft a lot. Pricing to customers is not given from a set list but calculated each time. Personal visits to customers are frequent and every customer knows how their salesperson looks and are familiar with them. Haarla is a firm believer in face-to-face business.

Haarla is also a small enough company to have all operations monitored closely, which means less vulnerability and possibilities of major disruptions.

### **5.1.3 Weaknesses**

On a company level, when Haarla produces no own goods, they are dependent on the market prices and industry trends. No own production policy is a double-edged sword, thus should also be listed in the weaknesses.

While Haarla's chemical team is small and agile, it poses challenges as well. When lacking the raw manpower of a big company with multiple dedicated workers, rush and stress can become very real. The chemical team is also not yet familiar to the detergent side compared to companies with already existing departments for it.

Haarla is not yet familiar with the specialized chemistry of detergents. A dedicated company might have the answers a customer is looking for already all written down on a cheat sheet, while Haarla must find the answers themselves.

#### **5.1.4 Opportunities**

As Haarla have established their position as a supplier, some of the overlapping market is already there. Haarla does not need to create the segment from nothing, they already possess certain customers (Kiilto, Transmeri...) who are operating in detergent markets. Expanding the portfolio to serve existing customers first is a great opportunity. Maximizing customer lifetime value is important in today's markets and Haarla know this. Having established long-term customer relations with detergent manufacturing companies in Finland through basic chemistry, opportunities for special products are wide open. A company purchaser is always willing to listen to competing offers, especially if they already trust and deal with the offering party.

#### **5.1.5 Threats**

Haarla has dedicated a person to this task to expand the detergent side. Some bigger companies have dedicated multiple. They might also possess representation deals for products. So, there is always a threat of a bigger fish. Bigger companies with even bigger supplier chains than Haarla can be daunting to compete against. Going toe-to-toe with another player, the best optimized and most value adding party is going to win. In this industry, it often is the bigger player with cheaper warehousing and logistics. This, in turn, makes their prices lower and brings up their ability to compete.

Haarla has no own production. This means that Haarla's chemistry team purchases product from place A, the supplier, and delivers it to place B, to a customer. This means that Haarla is the middleman. Often people talk about cutting the middleman. It makes sense if the middleman is there just for the sake of being a middleman. But Haarla focuses on bringing more value to the chain than just being the third party. Usually, it is easier to the customer that they get many products from Haarla and Haarla makes the procurements from various locations, to bundle them for the end customer conveniently. However, if the customer does not feel that Haarla brings enough value to the chain, they might go directly to the supplier. Dealing with the supplier might sometimes save the customer money, and if they are willing and able to do that, Haarla loses a deal.

REACH registration is required in EU countries for chemicals sold over 1000 kilos a year. REACH stands for registration, evaluation, authorization and restriction of chemicals. Reach poses a burden to companies handling any chemicals as they are required to prove certain aspects of the supply chain, to make sure that the chemicals are handled well. (European Chemicals Agency n.d.)

A new product requires a registration and a company like Haarla can do that. This registration is not a simple form that can be filled online, but a process and a costly one. On average, REACH registration costs around 33 000 euros (Brennan n.d.). For a product that is thus far not needed enough to have a REACH registration, it is not obvious that a company can make back the registration costs in margin. Threat of losing money is high in these situations.

## **5.2 Market entry**

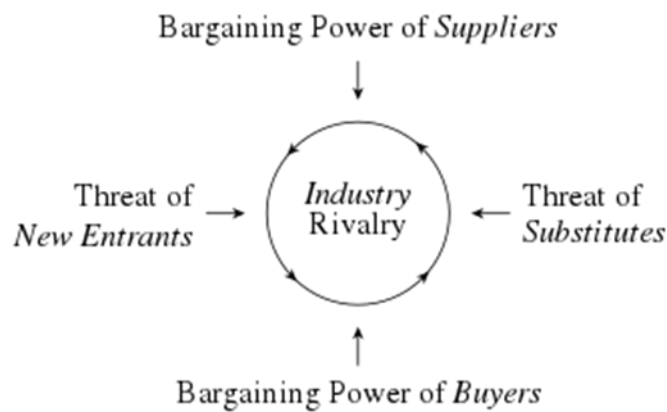
The following part studies the market entry plan and recommendations for Haarla regarding the detergent industry. The data will be applied to Porter's five forces and Hopkin's market entry plan.



### 5.2.1 Porter's five forces

Michael Porter's five forces analysis was published in 1979 in Harvard Business Review. It consists of five different factors that affect a company and their competition in a market. It measures the attractiveness of an industry. Attractiveness in this context means the possibility to make profits. The more attractive the market is, the more it looks like a company can profit from entering and operating in it. In this thesis, it is applied to complement SWOT model.

It consists of five different segments of attractive-affecting forces. Bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat of substitutes and the industry rivalry.



PICTURE 5: Porter's five forces

### 5.2.2 Bargaining power of suppliers

Suppliers for Haarla are the manufacturers of the basic chemicals Haarla wishes to sell. Suppliers also consist of all logistics companies, who offer transport services for the materials. The more unique a resource is, the more can be charged and held out if a buyer has no other options.

For the detergent industry, supplier power is high. As the product require a REACH registration to be sold in EU countries, there are only certain amount of chemicals that can be sold within the area where Haarla wishes to operate currently.

Special chemistry is niche market both supplier and buyer wise. There, the supplier power is even greater. Most of these special product manufacturers have representation deals for areas. They dictate the prices and the representing company either adds their own margin or gets a cut from the price. Even in this situation, the supplier holds the card in their hand. They can always switch to another company to represent them, while the representing company usually needs the deal more. Getting a representation deal adds the attractiveness factor significantly, while competing against them impacts it negatively. With a deal from a bigger supplier of all basic and special chemicals, the workload of procuring the products is way smaller. All products can be purchased from the supplier through already established processes. Without a deal, a seller must procure all products individually, usually from multiple sources and the pricing can be higher. If these orders are spot orders and not blanket deals, the availability and price may be affected.

Most of the suppliers for chemicals are from China. Vast fields of corn and ideal conditions offer good base for production for many products. While some of the industry only operate to Europe by selling through sea freight, these Chinese companies usually operate in Europe through branches located in mainland Europe near the bigger hubs. It makes it easier for the European customer to make purchases since some companies might not have the capacity to handle the customs, clearance and warehousing of full cargo container load.

Contractual freight is also considered in bargaining power of suppliers. As they offer a service, which is considered supplying the chain.

Land-based freight supplier power for Haarla is not as high. The industry is less complicated and very competitive, which drives the prices down by a lot. Haarla moves product around so much, they contract many transport companies and receive competitive price lists from multiple firms. While transporting by land, the product usually moves within EU borders so companies do not nor cannot offer other services than transport for these deliveries. In land transport, Haarla have the bargaining power.

Sea freight is rather similar to land transport regarding competitiveness. Countless vessels leave China daily and there are many big freight companies offering sea freight to Europe. Usually, full containers from China are sold with incoterms FOB or CIF, which means the Chinese supplier contract the transport to the destination port. Supplier power of sea freight companies is rather low as well.

### **5.2.3 Bargaining power of buyers**

Bargaining power of buyers or customers is the degree to which “the customer is the king”. The higher the number of alternatives is, the more power the customer has. Usually in these situations, customer lifetime value is preferred over margin. Loyalty is rewarded with better prices and in Haarla’s field, a lot of existing business can be eventually expanded through growth of consumption or extra products. In a monopoly situation, the bargaining power of customers is close to zero if there are no substitutes either.

In detergent markets, the more special the product is, the more power the supplier side has. Currently, Haarla offer rather basic chemicals with some competition in the field. If Haarla were to be able to offer the niche specialized chemicals, like surfactants and secondary surfactants, the bargaining power would shift. As detergents have been formulated for a certain set of chemicals, it is very hard to switch. Chemicals from different manufacturers are very rarely so similar that they can be substituted with 1:1-ratio. This means that changing a surfactant could potentially be expensive or sometimes even impossible. In this sort of situation, a buyer forfeits a lot of their bargaining power.

Currently, for Haarla’s detergent side operations, buyers possess high bargaining power. Good relations with the customers for many years and bundled sales for multiple products have established loyal relationships. Getting special products bundled with existing sales would strengthen Haarla’s bargaining power. This way, bundles of products would be better for Haarla. The value and margin would come from the special products, while volume with overall bigger revenue from the base chemicals.

#### **5.2.4 Threat of new entrants**

Chemical field has strict regulations and legislation in Europe. Selling, storing, and transporting certain chemicals require certifications. This can create extra costs and make the field less attractive to new entrants.

The market is also rather niche in Finland. As Finland is a country of expensive production, a lot of detergents are imported instead of manufacturing. This means that the market is pretty competitive and overthrowing competitors as a new supplier can be very challenging.

A lot of base chemicals and products are imported from China. These products include raw chemicals like Phosphoric acid, Glycerine or Sodium Gluconate. China exports globally, so the material is not always available and new customers might wait for next quarter or even half a year to have their orders processed. Existing customers have established blanket deals, so they have the priority.

#### **5.2.5 Threat of substitutes**

Some detergent chemicals are hard to replace in production. Others can be substituted more easily. But even when formulas change, chemicals in general cannot be substituted.

Suppliers can be substituted. A manufacturer might want to move in a greener direction, so they perhaps want to change a supplier of a synthetic surfactant for one that produces surfactants from a natural source, like sugar. Singular chemicals can be changed, and some will be completely in the future. For example, phosphates are under strict regulation already and in the future, most likely banned in detergents. As they pollute bodies of water and make them grow algae, which takes away oxygen from fish, killing them. Some states in the US have already banned phosphates in detergents. (Shogren 2010)

To avoid substitution of supplier, Haarla must be able to offer the alternative chemicals to the manufacturers as well.

### **5.2.6 Industry rivalry**

The rivalry is concentrated, but hard. The players in the supplying are not as high in number as in some fields, but the players are definitely stronger in comparison. A lot of products sold are from the same manufacturers, if not produced by the selling party themselves. Multiple companies might offer the exact same product of chemicals with different pricing. Some have purchased them directly from the supplier, some through traders and some are the traders themselves. It mostly comes down to the margins and the efficiency of transport and warehousing.

A company can evade competition by possessing representation deals. Then, if a formula needs a certain product, the representing company has much higher chance of getting the deal without competition.

### **5.3 Conclusion and Action Plan**

After applying and studying the data, Haarla's ability to expand their portfolio to detergent industry seems very feasible. The following chapter will explain the interpretation of the results and offer a plan of action for Haarla going forward.

The very base of the research was to understand the market and the industry. This was performed with a research of the industry, conducted as a desk research examining the players on the market.

Haarla must differentiate themselves as a supplier. This can be done in many ways. Right now, Haarla brings value by being a reliable and transparent supplier. The focus should be on the strong suits, as Haarla is currently doing. Another company might focus more on the chemical expertise and manufacturing if they possess the producing facilities. This way, they are more focused on certain type of supplying and might not be willing or capable in performing more widely. As they most likely will have competitive manufacturers, their offerings are niche. Haarla has no own production, thus does not need to directly compete with manufacturers. Haarla as a jack of all trades are more focused on delivering whatever the customer needs. This is very effective for many companies. A lot of smaller detergent companies prefer to order their products from the same

supplier. Since detergent manufacturing requires many types of raw materials, procuring them one by one can be very cumbersome for a small business owner who must focus their efforts. Being able to provide a customer with different types of products for their needs brings value for the customer. As the customer grows, so do the relations and their product needs. Profits too.

Haarla gathers leads from their new website. These inbound leads are high quality, as the customer is already in need of a product. Monitoring the leads closely will yield results. With inbound leads, the customer has a different approach to the procurement process altogether. They have already faced the fact, or at least entertaining the idea that they might to put in work to receive materials and cannot remain in status quo. Haarla's search engine optimization is also credit for their market entry plans, as well as their other operations. These other operations are also important as they are needed to back up the market entry plans financially.

That being said, outbound leads are still not a bad thing. While sometimes requiring some work to convince the customer to hear out the salesman, the idea is the same. More dots need to be connected and the bargaining power feels different for both parties. Both inbound and outbound are needed. Haarla should maintain their drive for outbound customers as they have so far. (Kanner 2020)

The best thing Haarla can do to ensure their competitiveness is to possess a wide portfolio. Being able to provide products with minimized lead times and prices is very important. When the company knows what they can sell and are selling it, the vision and focus becomes clearer. Haarla then knows where they can go and can plan what is the next objective, judging from the products or services they want to offer, yet do not currently possess. Working toward representation deals is also vital for long-term deals and expertise gain.

The customer must be understood to understand their needs and desires. Haarla could further interview their contact personnel to ensure that both parties share the same vision for their relations. Understanding the existing customers will help understand what the market generally is about. The values and priorities for suppliers must be evident so Haarla can work towards those qualities.

#### **5.4 Hopkin's domestic market entry plan**

Hopkins talks about market entry plans in his book *Grow Your Global Markets* from 2017. He lists differences between a company's suggested route to a market in domestic and international markets.

Many things Hopkins discusses in his chapter *Your Global Market Entry Plan* have touchpoints with Haarla's market entry plan. While sales are made domestically, international documentation are needed when importing products from China. He also mentions agents and handling charges, which Haarla also needs to take into account.

Hopkins' book focuses more on the marketing side of business growth, but a lot of the ideas and concepts are still applicable in market entry. Strategy is vital, and Haarla must, too, decide on theirs. Differentiation and support services play important parts in this industry. (Hopkins 2017)

## 6 CONCLUSION & RECOMMENDATIONS

The objective for this thesis was to research the detergent manufacturer market in Finland and to formulate market entry plan suggestions for Haarla. The main focus was on the research, to map out possibilities and the feasibility of the market in Finland. For this, a lot of detergent industry players were studied, and current data were applied to theories and models. Information was also gathered from Haarla's internal database and silent information. The thesis author works for Haarla and has first-hand knowledge of Haarla operations and processes.

The main research question for the thesis was "*How can Haarla enter the Finnish detergent industry in the best way?*". The answer is created and explained in the fifth chapter. Sub questions "*For whom are the manufacturers producing and what do they need?*" and "*What needs to be done internally within Haarla to succeed?*" are also offered answers in chapter five.

The benefit this thesis provides for the case company Haarla is a guide to utilize their position to enter the desired target market and expand their portfolio. The author believes that following the suggestions Haarla can maximize their possibility to enter and operate in the market.

It is also worth mentioning that during research it became evident that the target market data is not very public. Biggest companies in Finland are not public stock companies, which means that they do not have to publish detailed financial reports outside their shareholders.

The whole research and the project were a huge process and the recommendations and suggestions will most likely be further refined by the Haarla personnel to best match their company and vision.



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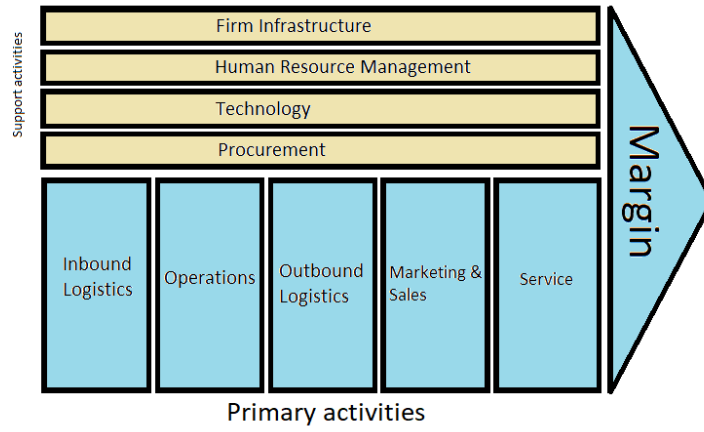
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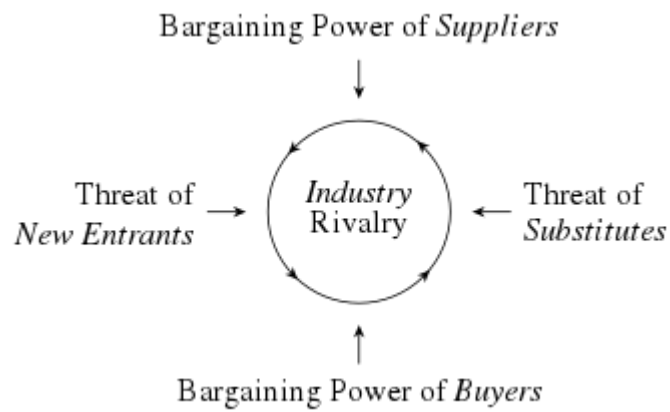
## APPENDICES

### 7.1 Appendix 1 & 3. Michael Porter's value chain model



## 7.2 Appendix 2 & 4. Michael Porter's five forces model

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### 7.3 Appendix 3. SWOT analysis model

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