



**LAHDEN AMMATTIKORKEAKOULU**  
*Lahti University of Applied Sciences*

# MARKET ENTRY PLAN FOR A VIETNAMESE INDUSTRIAL COMPANY

CASE: EUROPEAN PLASTIC JOINT STOCK COMPANY

LAHTI UNIVERSITY OF APPLIED  
SCIENCES

Degree programme in International  
Business

Thesis

Spring 2013

Vu Nam Hung

Vu Thanh Tung

Lahti University of Applied Sciences  
Degree Programme in International Business

VU NAM, HUNG & VU THANH, TUNG

Market entry plan for a Vietnamese industrial company  
Case: European Plastic Joint Stock Company

Bachelor's Thesis in International Business 101 pages, 6 pages of appendices

Spring 2013

ABSTRACT

---

The chemical and plastic industries have been hailed as the saviors for many economies in their current economic downturns. Despite the global recession, the plastic industry still shows its attractive opportunities in both output market and material market. Realizing the promising opportunity of plastic materials trading between the EU and Vietnam, the authors proposed an exploratory market research to a Vietnamese plastic masterbatch manufacturer with Finland as the pilot target market.

The main objective of this paper is to assist the case company to decide whether Finland should be in its export market list. The authors, in the interests of the case company, designed their thesis as a market entry plan, which is the step-by-step guide of the case company through most trading barriers so as to reach the customers in the target market without making any tactical mistake. The writers also directed their focus towards the company's competitive advantages, the market profitability and other influencing factors of the market entry process.

Precisely, this work involves: the internal analysis of the case company, in which both its strengths and weaknesses are analyzed; the external analysis of the target market Finland, from which the case company can find its opportunities and also threats in a new environment; and finally the market entry strategies for exporting plastic masterbatch to Finland.

There are several revealing findings in the thesis. Firstly, the Finnish plastic market, thanks to its high growth rate and competition, shows a certain amount of attractiveness to the case company, though it is not an appealing choice at the moment. Secondly, despite some legal issues, the case company can easily join the material distribution network by partnering up with the appropriate local distributors. Finally, the most important outcome is a sound set of strategic recommendations for the case company to perfect itself from the inside out.

Key words: Finland, plastic, industry, masterbatch, market entry, distribution plan

## CONTENTS

1	INTRODUCTION	1
1.1	Background	1
1.2	Objectives	2
1.3	Research questions	3
1.4	Theoretical framework	4
1.5	Scope and limitations	5
1.6	Research methodology and data collection	6
1.7	Thesis structure	7
2	ENTERING NEW MARKET	9
2.1	Hollensen's Five-stage Decision Model	9
2.2	Implementation of Hollensen's Model	11
2.2.1	Internal analysis	12
2.2.2	External analysis	12
2.2.3	Market entry strategy	13
2.2.4	Distribution Strategy	18
3	CASE COMPANY PRESENTATION	27
3.1	Company overview	27
3.1.1	Basic Information	27
3.1.2	Chemical or Plastic	28
3.2	McKinsey 7S Analysis	30
3.3	Product analysis	35
3.3.1	Plastic masterbatch in a nutshell	35
3.3.2	Product portfolio	37
3.4	SWOT analysis	42
4	FINLAND AS A TARGET MARKET	47
4.1	PEST analysis	47
4.2	Porter's Five Forces analysis	55
4.2.1	Porter's five forces framework	55
4.2.2	Competition analysis of Finnish plastic industry	56
4.3	Finnish plastics market	61
4.3.1	EU chemical industry overview	61
4.3.2	Finnish plastic input market analysis	65

4.3.3	Market segmentation	70
5	ENTRY STRATEGY FOR ENTERING FINLAND	78
5.1	Choice of entry mode	78
5.2	Connect with the customers	82
5.2.1	Distribution channel design	82
5.2.2	Intermediary selection	85
6	CONCLUSIONS AND PROPOSALS FOR FUTURE STUDIES	90
7	SUMMARY	92
	REFERENCES	93

## LIST OF FIGURES

FIGURE 1. Theoretical framework .....	4
FIGURE 2. Inductive and deductive approaches (Adapted from Burney, 2008)....	6
FIGURE 3. Thesis structure .....	8
FIGURE 4. The five-stage decision model in global marketing (Adapted from Hollensen 2012, 11).....	10
FIGURE 5. Market entry modes (Adapted from Hollensen 2004) .....	13
FIGURE 6. Distribution channel selection process (Hollensen 2010, 551).....	19
FIGURE 7. External determinants of the distribution channel selection (Hollensen 2010, 552).....	20
FIGURE 8. Five sectors of chemical industry (Cefic 2012) .....	28
FIGURE 9. Case company in relation with chemical and plastic industries.....	29
FIGURE 10. McKinsey's 7S model (Fleisher & Bensoussan 2007) .....	30
FIGURE 11. Case company's structure.....	32
FIGURE 12. Educational level of the case company's employees .....	33
FIGURE 13. White plastic masterbatch (EuroPlast Vietnam 2012) .....	35
FIGURE 14. Plastic mixing process .....	36
FIGURE 15. Divisions of plastic masterbatch .....	36
FIGURE 16. Boston Matrix in a nutshell (Stern & Deimler 2006, 35-37) .....	39
FIGURE 17. Case company's turnovers in period 2008-2012.....	43
FIGURE 18. The case company's international market coverage .....	44
FIGURE 19. Foreign Trade by Countries 2012 (Tulli 2013,32).....	51
FIGURE 20. Porter's Five Forces model structure (Adapted from Grant 2010) ..	55
FIGURE 21. Porter's five forces analysis of Finnish plastic industry .....	56
FIGURE 22. European Chemical Sales by Sectorial Breakdown (Cefic 2012)....	62
FIGURE 23. Customer Sectors of the EU Chemical Industry (Cefic 2012).....	63
FIGURE 24. World Chemical Sales in 2012 (Cefic 2012) .....	64
FIGURE 25. European Chemical Sales by Geographic Breakdown (Cefic 2012)	65
FIGURE 26. European plastic demand by resin type (PlasticsEurope 2012, 8) ...	66
FIGURE 27. European Plastics Demand by Countries (Plastics Fact 2012) .....	67
FIGURE 28. Finnish Plastics Demand by Segment 2012 (Muoviteollisuus 2013) .....	68

FIGURE 29. Recycling and Recovery rate by EU Countries in 2012 (PlasticsEurope 2012).....	69
FIGURE 30. Turnover of RKW Finland Company (Finder 2013) .....	75
FIGURE 31. Turnover of Pyroll Packages Company (Finder 2013) .....	76
FIGURE 32. Market entry modes in relation with control level and resource deployment (Yao Lu 2011).....	78
FIGURE 33. Hypothetical parallel distribution channels for plastic masterbatch	85
FIGURE 34. Presence of Algol Chemicals Oy .....	87
FIGURE 35. Locations of Bang & Bonsomer Group's warehouses .....	87

## LIST OF TABLES

TABLE 1. Factors affecting the choice of market entry mode (Hollensen 2004).	18
TABLE 2. Case company's basic information .....	27
TABLE 3. Product portfolio .....	37
TABLE 4. Case company's SWOT analysis .....	42
TABLE 5. Factors of PEST analysis (Grant 2004, 304) .....	48
TABLE 6. Finland's Economic Statistics 2012 (CIA 2013) .....	50
TABLE 7. Finland's Social Statistics 2012 (CIA 2013) .....	53
TABLE 8. Benchmarks for selecting target customers .....	72
TABLE 9. Factors affecting the level of internationalization .....	79
TABLE 10. Characteristics of direct export and indirect export.....	80
TABLE 11. Decision making matrix for distribution channel structure .....	83
TABLE 12. Final results of the thesis .....	90

## GROSSARY

ABS	Acrylonitrile Butadiene Styrene
AS	Acrylonitrile Styrene
B2B	Business to Business
CEO	Chief Executive Officer
CIA	Central Intelligence Agency
EU	European Union
HDPE	High Density Polyethylene
LDPE	Low Density Polyethylene
LLDPE	Linear Low Density Polyethylene
Ltd	Limited
PE	Polyethylene
PET	Polyethylene Terephthalate
PLC	Product Life Cycle
PP	Polypropylene
PR	Public Relations
PS	Polystyrene Solid
PVC	Polyvinyl Chloride
R&D	Research and Development
SME	Small and Medium Enterprise



## 1 INTRODUCTION

### 1.1 Background

The idea for writing this thesis came up while one of the writers was conducting his practical training in the case company. The main products of the company are compounded plastic additives, which are called “the plastic masterbatch”.

Although the case company considers itself a chemical company, it is producing the input materials for the plastic industry. In order to truly understand every single product of the company, this author had to widen his knowledge about the chemical industry and the plastic industry. It turned out that he had a great chance to get to know more about the importance of plastics in human lives.

Most plastic products are recyclable and convertible into brand new products, not once but again and again. Thanks to that valuable capability, in comparison with other materials, plastics show their advantage and are even mentioned as “the true resource champions”. To be more precise, if plastics are substituted by certain alternative materials, total energy consumption and CO<sub>2</sub> emissions would increase 46% each while 100 million tons would be added to the annual volume of waste across the EU. (PlasticsEurope 2011)

Being aware of the global resource crisis becoming more and more crucial each day, the authors strongly believe that plastics might play a critical role in various industries for at least the next few decades. The authors, therefore, decided to help the case company spread its products globally, starting with European markets as the pilot area. They proposed their idea of exporting to the EU to the board of managers and got accepted. Finland was chosen as the target market for the following three main reasons.

Firstly, from an SME perspective, the economic freedom index and the ease of doing business index of a market should be considered as the most important indices that affect the firm’s decision whether to enter that market or not. Finland is regarded as one of the most largely-free market countries with high level of economic freedom. In fact, according to the 2012 Index of Economic Freedom, Finland’s economic freedom scores at 72.3 point, making its economy the 17<sup>th</sup>

freest worldwide. In addition, despite the negative effects brought by the global financial crisis in 2008, the Finnish economy has quickly recovered and its GDP growth rate started to increase since 2010 (Juhanna Hukkinen 2012).

Secondly, in terms of market attractiveness, Finnish chemical & plastic industry, being the third biggest industrial sector, accounts for 17% of total turnover of the Finnish industry sectors. In addition, this industry has a strong annual growth rate with year-on-year-change of 8.5% in August 2012 (Statistics Finland 2013).

Those positive signs make Finland a good choice for exporters including the case company. From the author's point of view, the case company should make a move immediately to seize this great opportunity.

Last but not least, a successful marketer should be a student of the target market's culture (Zekiri and Angelova 2011, 50). Since the authors have gained certain knowledge about Finnish culture while studying there, they are confident that they can carry out a thorough market study in Finland. Besides, one of the authors has been working for the case company for approximately six months, and he is expected to conduct a long-term exporting plan for the case company in Europe. Hence entering the Finnish market should be considered as the very first step of the case company's expansion throughout the EU market.

## 1.2 Objectives

The main objective of the thesis is to research the Finnish chemical industry to identify the market prospects and threats, as well as to analyze the main players in the industry. Based on the data will have been collected, the authors will cooperate with the case company's managers to perfect their export plan.

The secondary objective is to design a market entry plan with Finland as the target market. Since the plan considers the procedure for entering the market as the most important issue, the authors will concentrate on the choice of entry modes and the selection of distribution channels. However, in the authors' opinion, even when

the case company succeeds in entering Finnish market, it would be a major short-coming if there is no plan for operating the business in the near future. Therefore, there will also be a short-term plan identifying a few most potential customers and guiding the case company to reach them in real life.

### 1.3 Research questions

The research questions listed below are the result of the co-operation between the authors and the case company's representatives. There are two main questions which directly correspond with the two objectives of the thesis. By answering the first research question, which requires a thorough market research, the thesis is expected to be a major contribution to the case company's decision-making process in terms of exporting to Finland. Meanwhile, the answer for the second question will hopefully be the practical guide for the case company to survive in a whole new market.

Here are the two research questions in association with their sub-questions:

1. Is Finland a potential export market of the case company?
  - a. What are the case company's core competences? Is it ready to internationalize?
  - b. What products is the case company providing?
  - c. What are the environmental factors that affect the case company's internationalization process, particularly to Finland?
  - d. How tight is the competition in Finnish plastic industry?
  - e. What are the Finnish market characteristics?
  - f. Who are the target customers and what are their needs?
2. How can the case company successfully enter the Finnish market?
  - a. What is the most suitable entry mode to enter Finland?
  - b. What distribution strategies should be considered?
  - c. Draw a hypothesis export route from Vietnam to Finland.

## 1.4 Theoretical framework

The thesis is partly a market study and partly a market entry plan. As a market study, the thesis considers all factors that would affect the export process of the case company, including both internal and external aspects. As a market entry plan, the thesis is to draw a route of the product from Vietnam to Finland as simple and economical as possible. In order to make the market study most relevant to the entry plan, the authors decided to take Hollensen's global marketing plan approach as the primary reference for the thesis framework. Other business analyzing tools will be selectively applied into suitable parts of the thesis. All the selected theories and tools will be explained in details later on. Figure 1 illustrates the theoretical framework for this paper.

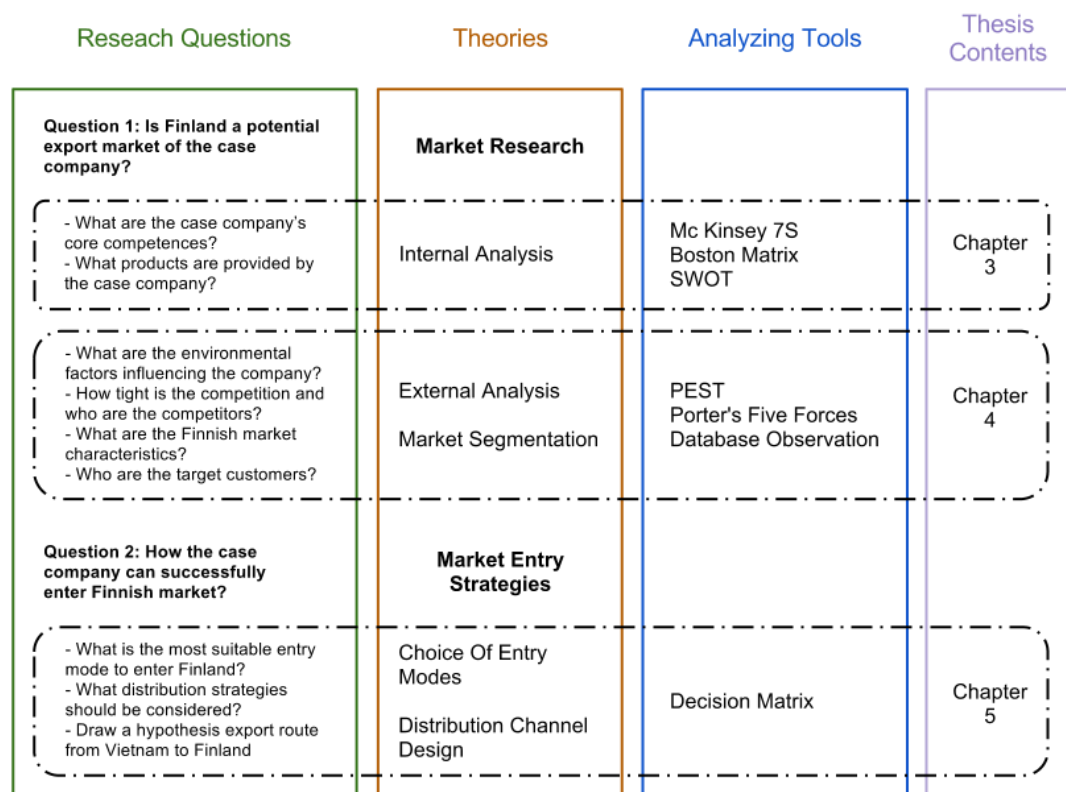


FIGURE 1. Theoretical framework

The internal factors that would be dealt with are the nature of the case company's products, the core competency of the company and the market position of the case company, etc. The external factors including an overview of the target country Finland, the industry background information, the potential target customers and competition, etc. will be discussed as thoroughly as possible. Besides, the thesis also consists of market entry strategies such as suitable entry modes and available distribution channels in Finland so that the case company's managers could plan their exportation more accurately.

### 1.5 Scope and limitations

The authors are about to shed light on the process of exporting plastic masterbatch to Finland. All the relevant information is provided by the case company in order to help the authors get the work done perfectly and smoothly. Nevertheless, there are still certain limitations caused by various reasons.

Firstly, it should be kept in mind that Finland was chosen neither in the interests of the case company nor based on any previous research result in terms of market attractiveness, but rather as a personal initial choice of the writers. Therefore, the thesis is not going to prove that Finland is an excellent export market. In fact, entering Finland might even be an unwise move at the moment. By analyzing all aspects of Finnish market, the authors are expected to solve the confusion by answering the question about whether to enter Finland.

Secondly, in terms of marketing planning, the 4Ps are applied. However, since the thesis is focused mainly on the market-entering stage, the writers will discuss only the "Place" aspect, i.e. the distribution plan.

Last but not least, due to the fact that the business-to-business (B2B) environment has always been difficult for researchers to explore using primary sources, most market information data was collected via the internet. Although some people might be skeptical about the reliability of the data, the authors are quite confident about it since all the electronic sources are highly reliable and recommended by experts and other authors.

## 1.6 Research methodology and data collection

There are two main traditional ways of reasoning a research problem: inductive and deductive. Inductive research approach widens the first observations into broader theories. Since the theory is built up on observations, it often contains uncertainties and always needs further research to be approved. On the contrary, deductive approach processes from general theories to more specific findings (Burney, 2008, 7), i.e. the authors will bring established theories into practices and then identify relevant observations to draw the final conclusions. The processes of both methods are illustrated in figure 2.

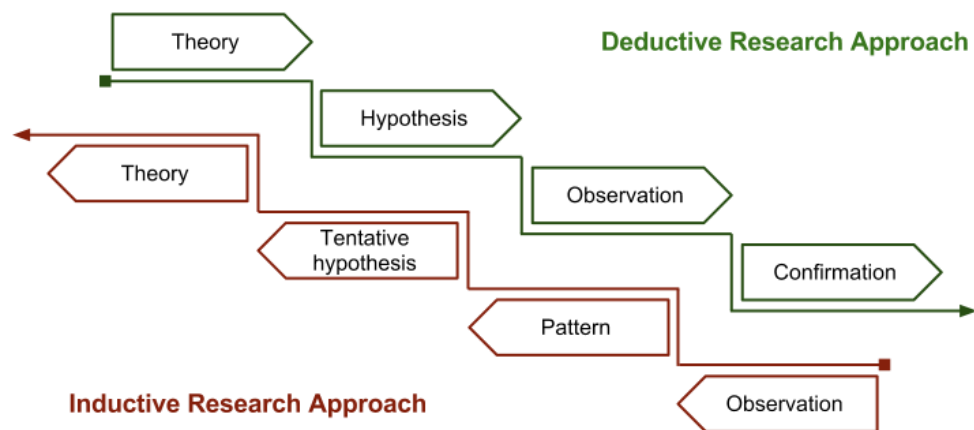


FIGURE 2. Inductive and deductive approaches (Adapted from Burney, 2008)

In this case, the authors' first intention was to help the case company expand their market, which was a general idea. When that idea becomes specific, i.e. carrying out a market entry plan to a certain market (Finland), a deductive research approach is required.

In terms of research method, qualitative research method helps developing initial understanding and getting basic insights for further decision making processes. Meanwhile, quantitative research means using numerical data to come up with

conclusive findings. The authors plan to use mainly qualitative research method in the interests of finding out the prospects of the market.

Research data is collected from both primary and secondary sources. The primary data is mainly based on the authors' observations and interviews. There are five interviews in total: four of which are with the case company's managers and the last one is with an expert from the target market. The secondary data is gathered from published sources such as books, journals, articles and early studies.

It should be acknowledged that the authors have observed a large list of firms that are currently operating in the chemical and plastic industry in Finland. Since there are too many companies and many of them do not have an official webpage, the data collecting process is very challenging. The authors decided to use the online commercial searching tool "Fonecta" which is recommended by many experts. In addition, the authors are to perfect the list by considering other official sources such as member list of Finnish Plastic Association (Muoviteollisuus ry). The writers eventually came up with a list of 315 companies in plastic industry located in Finland. The results of analysis of these companies will be used as a primary source for the later parts of this thesis.

## 1.7 Thesis structure

The thesis is divided into two main parts: the theoretical part and the empirical part. Figure 3 demonstrates the structure of the thesis.

The theoretical part, which presents all the applied theories and models in details, will be handled within Chapter 2.

The empirical part will be carried out throughout Chapter 3 to 5. Chapter 3 deals with the internal factors of the case company, which results in the company's readiness for internationalization. External analysis, including the macro-environment factors of the target market, is presented in Chapter 4. Based on the collected data and analyses from the previous chapters, the authors will design a market entry plan for the case company, which is carried out in Chapter 5.

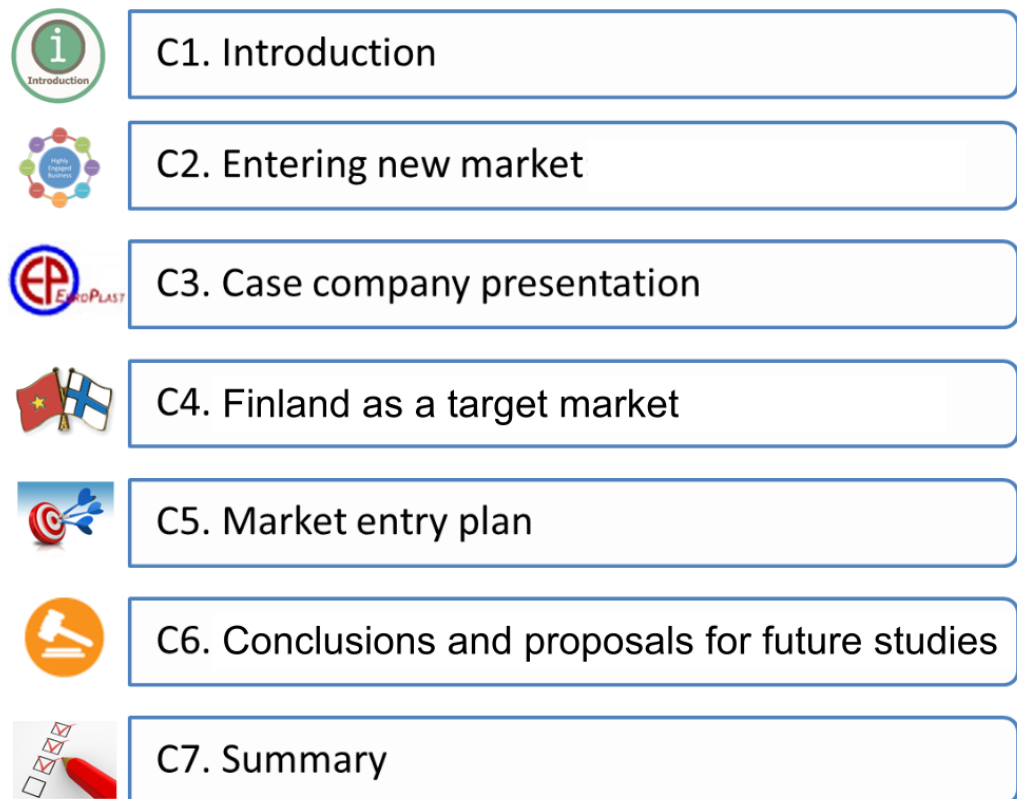


FIGURE 3. Thesis structure

Chapter 6 includes the most important findings and insights that contribute to the case company's decision-making process, as well as several proposals from the authors for future studies. Last but not least, Chapter 7 represents a brief summary of the whole thesis.



## 2 ENTERING NEW MARKET

Internationalization provides a company with international markets, in which the company can increase its competitiveness and facilitate access to new product ideas and innovations, then raise the firm's revenue, experience and brand image. However, internationalization is unlikely to be successful unless the firm prepares in advance. SMEs, with the lack of financial investment resources and international business experiences, should prepare the most appropriate and systematic entry approach; as well as seek for a reasonable way of conducting market research to be able to succeed in the new market. (Hollensen 2012, 20)

As mentioned earlier, Hollensen's entry approach, which is widely applied in many professional studies and real business, will be chosen as the primary reference in this thesis. The authors found this model very well structured and easy to applied into their actual work. However, due to the nature of the thesis merely concerning about B2B marketing, a few aspects of Hollensen's framework will be either excepted or customized to fit the authors' perspectives. By saying "the primary reference", the authors mean that the theoretical framework in this work is an adapted version of Hollensen's model and other supporting theories.

### 2.1 Hollensen's Five-stage Decision Model

Hollensen's model is introduced as "*a systematic process which involves the assessment of market opportunities combined with the internal resources, the determination of marketing objectives, and the plan for implementation of the international marketing mix*" (Hollensen 2010, 19). Hollensen's model aims at providing the readers with a holistic framework for developing and implementing an appropriate global marketing plan. The model consists of five major stages (Figure 4), in which the readers will easily find needed information in accordance with the stage they are currently in.



FIGURE 4. The five-stage decision model in global marketing (Adapted from Hollensen 2012, 11)

Stage 1 – ‘The decision to internationalize’ helps firms identify their own competences by analyzing firms’ current market position and comparing it with that of their key competitors. As a matter of fact that a well performed firm definitely should understand its competitive advantages, the internal analysis plays a critical role in this stage. Besides, building the Porter’s Five Forces analysis requires from firms’ decision makers deep knowledge about the industry in the global market. Eventually, after Stage 1, a company can answer the question of whether or not it should go internationalize.

Stage 2 – ‘Deciding which markets to enter’ contains the analysis of various external factors that are likely to have strong effects on the export process. Those factors, according to Hollensen (2012, 11), are categorized into three big categories, namely Political/Legal factors, Economic factors and Sociocultural factors. The whole process, in which the firm uses the above analysis to identify its most suitable markets, is called International Market Selection.

Stage 3 – ‘Market entry strategies’ provides several most commonly used entry modes, together with the criteria for selecting them. In order to come up with the best choice of entry modes, firms must well understand each of those modes, analyze the influential factors, and then choose proper selection strategies. Picking

suitable partners and developing buyer-seller relationships, which are critical tasks for any business in the early phases, are also discussed in great detail so as to ensure a success for firms after entering a new market.

Stage 4 – ‘Developing the global marketing plan’, obviously discusses thoroughly about numerous dimensions that an actual global marketing plan should consider. Several well-known marketing theories and tools are also mentioned, such as the traditional 4Ps marketing mix and the Booms and Bitner’s 7Ps mix.

Stage 5 – “Implementing the global marketing plan”, by digging deeper into the underlying cultural background of the partners and analyzing the customers’ behaviors, helps firms’ negotiators do their job better. This stage also points out several critical cultural mistakes that have happened before and never should be made again.

(Hollensen,2012)

## 2.2 Implementation of Hollensen’s Model

As mentioned before, Hollensen’s Five Stage Decision model is suitable for the purposes of this thesis – to provide relevant information for a better decision-making process. Still, due to the limited research area of the thesis, only the first three stages in Hollensen’s model are relevant enough to be applied into the research process. In addition, in order to keep both the knowledge diversity of a bachelor’s thesis and the clarity of the research, the writers decided to pick up only the most useful analyzing tools and the best matched theories. Figure 1 has also briefly described how the authors adapt Hollensen’s model into answering the research questions.

In the following paragraphs of this chapter, those chosen theories and analyzing tools will be presented in detail.

### 2.2.1 Internal analysis

Capabilities and resources of a company are the critical factors which must be analyzed and evaluated in order to develop core competencies when entering foreign markets (Hill & Jones, 2008, 22). As a matter of fact, without understanding clearly the strengths and weaknesses concerning internal resources and capabilities, the company does not know how to perform and improve those factors appropriately in order to foster the strategic activities in foreign market, such as distribution, sales, finance and marketing activities. As a result, the company may lose its core competencies and apply inappropriate strategy, which leads to business failure. (Glaister & Falshaw 1999, 115)

Regarding business analyzing tools, 7S Model, SWOT analysis and product analysis, which are regarded as the most popular and effective tool (Ferrell & Hartline 2008, 117), will be applied to analyze the company's internal factors.

### 2.2.2 External analysis

External analysis is the process of assessing and interpreting the information gathered through environmental information scanning (West, Ford, & Ibrahim 2010, 77). An external analysis should consider all dimensions of a certain market, including macro-environmental factors and micro-environmental factors. Such analysis is a prerequisite for the decision-making process of companies in terms of internationalization. (Hollensen 2012)

The variables in the macro-environment can be analyzed in various ways. In this paper, the authors use the PEST analysis to systematically exploit each of these variables.

Meanwhile, the micro-environment, which is often referred to as the industry's competition, includes the forces that affect the case company's long-term competitiveness (West, Ford, & Ibrahim 2010, 78). The competition analysis of the industry examines these mentioned forces, their characteristics and major influences to the industry's competitiveness to be precise. Many analytical

frameworks have been suggested to analyze the micro-environment, but the best matched model to be chosen by authors is the Porter's Five Forces model.

### 2.2.3 Market entry strategy

*“Once a company decides to target a particular country, it has to determine the best mode of entry”* (Kotler 2004, 390). Entry mode has a strong effect on firms' internationalization process when it is used as an institutional arrangement to market its product (Ekeledo & Sivakuma 2004, 68). For better decision of market entry modes, this part contains the main theories about the nature of each mode as well as the influencing factors to the company's internationalization.

#### 2.2.3.1 Market entry modes

From exporting companies' perspective, market entry modes can be classified into three groups, namely export modes, intermediate modes (or contractual modes) and hierarchical modes (or investment modes). Each group has its own divisions which distinguish themselves from each other (shown in figure 5).

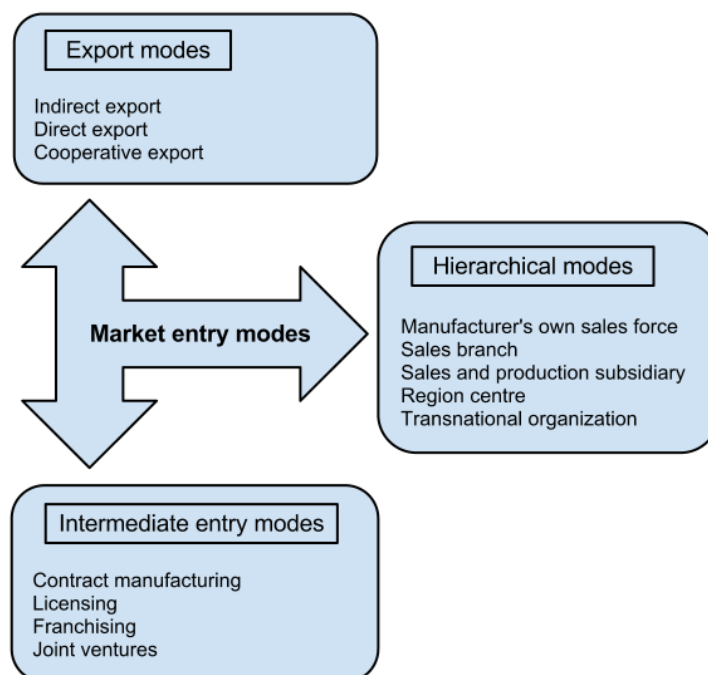


FIGURE 5. Market entry modes (Adapted from Hollensen 2004)

## **Export modes**

Export is the most common entry mode when starting internationalization process. It is considered as the less resources, low risk and simply-controlled entry strategy. (Johnson & Turner 2003, 115)

*“Indirect export entry mode occurs the company is not taking care exporting activities but selling to the intermediary companies or contacting it on order to handle export transactions”.* (Albaum, Turner & Strandkov 2005, 282)

The intermediaries of indirect export are:

- Export agent, broker
- Export management company
- Trading company
- Piggyback

The domestic intermediaries in indirect export distribute the product indirectly through a foreign intermediary or straightly to the end customer (West, Ford, & Ibrahim 2010, 317). It can be similar to domestic sale but the case company does not handle the whole actual export process, and it does not really engage with the internationalization because its product is distributed abroad by others.

Specifically, depending on the level of intermediaries, they will handle different type of tasks, e.g. marketing, advertising, transporting, selling, export procedures and service activities. Therefore indirect export leaves the case company with very little control over how, when, where and by whom the products are sold.

Hollensen also suggests that this method should be adopted for companies with low resources and capabilities to export abroad by themselves. In addition, long-distance export, low demand market and tough may lead firms to the choice of indirect export.

(Hollensen 2012, 219)

*“Direct export entry mode occurs when a manufacturer or exporter sells directly to an importer or buyer located in the foreign market area”* (Albaum & Duerr 2008, 321). Unlike indirect export, in direct export method, exporting companies have

deeper involvement into sales and distribution process (Johnson & Turner 2003, 116). Hence, they can control its foreign distribution channel more effectively.

Direct export is implemented by intermediaries located in the foreign market (West, Ford & Ibrahim 2010, 314), including:

- Distributor
- Agent

In order to successfully engage with foreign distribution activities, firms are required to have high capital investment for physical distribution from domestic countries, high close contact with foreign distributors, and better knowledge of internationalization (Terpstra & Sarathy 2000, 385).

### **Intermediate modes**

The intermediate modes are the vehicle for exchanging knowledge and skills between exporting firms and foreign firms (Hollensen 2012). Ownership and control are also shared between partners across countries. There are four arrangements in intermediate modes:

- Licensing
- Contract manufacturing
- Franchising
- Joint ventures/ Strategic alliances

*Licensing* is an export arrangement where companies, as licensors, use trade mark and copy right of product manufacturing and product brand to prevent foreign firms, as licensees, from exploiting innovation, design, name and manufacturing process concerning product commercially (Zekiri & Angelova 2011, 577). A licensee has to pay for exchanging its licensor's industrial property. Licensing method is recommended for companies which have low transportation resources, low capital investment but popular branded-product, modern technological base applied in the manufacturing process.

In *contract manufacturing*, exporting firm's products are produced in the foreign market by a local manufacturer under a contract (Terpstra & Sarathy 2000, 387). Besides, because the manufacturing process is handled by the local manufacturer in the foreign market, the company's duty focuses on other aspects, i.e. marketing, R&D, distribution and sales. It enables the firm to avoid the labor and managing costs as well as taking care of its production facilities. Manufacturing is an important process and hardly switched in supply chain. Transferring the whole manufacturing process, especially cross-border, requires trust and long-term relationship between two parties (Hollensen 2012, 246).

*Franchising* is considered as one form of licensing. Its usage includes not only transferring the right uses of products but also managing and monitoring business performance of franchisee in foreign market (Daniels, Radebaugh & Sullivan 2009, 687). In short, franchising is divided into two major types:

- Product and trade name franchising
- Business format 'package' franchising

The business package includes: marketing planning, quality control, financial support and management instruction of franchise.

*Joint venture* is a long-term partnership and collaboration between Export Company and foreign company, which both create assets and share the risks (Branch 2006, 490). Two forms of joint ventures are:

- Contractual non-equity joint venture
- Equity joint venture

In joint venture, both companies collaborate with others to achieve their business objectives, hence market knowledge, control over operations, technology and product quality will be developed significantly (Zekiri & Angelova 2011, 577).



### **Hierarchical modes**

In hierarchical modes, company wholly owns and controls its foreign entry mode (Hollensen 2004, 335). The degree of control in foreign market depends on which supply chains functions can be performed. The tasks are performed based on the responsibilities and capabilities between company and the subsidiaries as well as which level of international market company want to develop. He argues that 75 percent of supply chain tasks performed by company in practice can be regarded as nearly full-control, or called hierarchical mode.

Compared with export modes, if a company wants greater influence and control over supply chain in hierarchical modes, then creating its own foreign subsidiaries is highly considered. Sales force is another option, which requires only operating cost. Besides, a company can also transfer its supply chain functions to the local management in its foreign market. There are different stages of hierarchical mode, which perform different levels of supply chain functions:

- Domestic-based sales representatives
- Resident sales representatives/ Foreign sales subsidiary
- Sales and production subsidiary
- Region centers
- Transactional organization
- Establishing wholly owned subsidiaries
- Foreign divestment: withdrawing from a foreign market

(Hollensen 2004, 335)

#### 2.2.3.2 Influential factors analysis

Each entry mode has advantages and disadvantages based on its characteristics. Exporting firms, by determining the influential factors, have to choose suitable market entry modes. Those factors are divided into four groups, namely: internal factors, desired mode characteristics, transaction-specific behavior and external factors (see table 1). This process should be dealt with carefully, since it strongly affects the future of the company's' internationalization. (Hollensen 2004)

TABLE 1. Factors affecting the choice of market entry mode (Hollensen 2004)

<b>Internal Factors</b>	<b>External Factors</b>
<ul style="list-style-type: none"> <li>- Firm size</li> <li>- International experience</li> <li>- Product/Service</li> </ul>	<ul style="list-style-type: none"> <li>- Sociocultural distance</li> <li>- Country risk/ demand uncertainty</li> <li>- Market size and growth</li> <li>- Direct and indirect trade barriers</li> <li>- Intensity of competition</li> <li>- Lack of available intermediaries</li> </ul>
<b>Desired Mode Characteristics</b>	<b>Transaction-specific Factors</b>
<ul style="list-style-type: none"> <li>- Risk averse</li> <li>- Control</li> <li>- Flexibility</li> </ul>	<ul style="list-style-type: none"> <li>- Tacit nature of know-how</li> <li>- Opportunistic behavior</li> </ul>

Among those factors, the company's control level is the most influential factor because it may lead to financial risks and returns (Blomstermo, Sharma & Sallis 2006, 213). Exporting firms tend to seize as much control over their market as possible. However, there is a pay-off between the control level and the resource commitment of the companies. Based on how much control level a company wants versus the resource it wills to commit, the entry modes will be chosen.

#### 2.2.4 Distribution Strategy

Distribution plan is defined as a vital element in creating value and has a direct bearing on marketing (pricing, promotion, packaging, sales force logistics) and delivery, installation, repair and servicing, as well as outbound logistics (order processing, warehousing, and inventory) (West, Ford & Ibrahim 2010, 311).

An effective distribution plan can create competitive advantages as well as contribute to the success of product in the foreign market (Blythe & Zimmerman 2005, 208). Furthermore, the marketing channel is viewed as one of the key marketing decision areas that a firm has to pay attention to (Rosenbloom 1995, 5).

It is defined as “the external contractual organization that the company operates to achieve its distribution strategies”. To be more specific, also added the performances of distribution in supply chain are represented below (Blythe & Zimmerman 2005, 208):

- Distribution can add value to the product by increasing utility
- The channel is the firm’s major link to its customers
- Choice of channel influences the marketing strategy
- Building appropriate channels takes time and commitment
- The distribution system determines segmentation and targeting issues in many cases
- Conflicts may arise between the exporting company’s goals and those of the distributors, particularly in the global market

In the real business practices, there is no ideal distribution plan; it can be modified by different types of firm depending on different markets and external factors (Petersen & Welch 2002, 150). Hence, the authors will conduct a suitable distribution approach to the distribution channel selection. Figure 6 illustrates the approaching process.

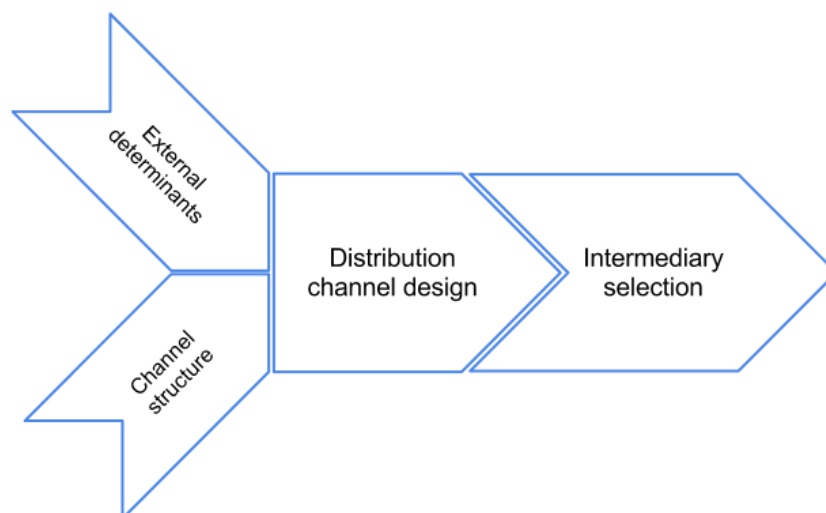


FIGURE 6. Distribution channel selection process (Hollensen 2010, 551)

In this framework, the authors focus on designing a feasible distribution channel based on external determinants and channel structure strategies. After the design has been done, the intermediaries will be selected if needed. The whole process from determining the affecting factors to selecting partners will be present as the distribution plan for the case company.

#### 2.2.4.1 External determinants

In order to design the right distribution channel for Case Company, the authors was required to take into account a number of environment influences, collected by Hollensen.

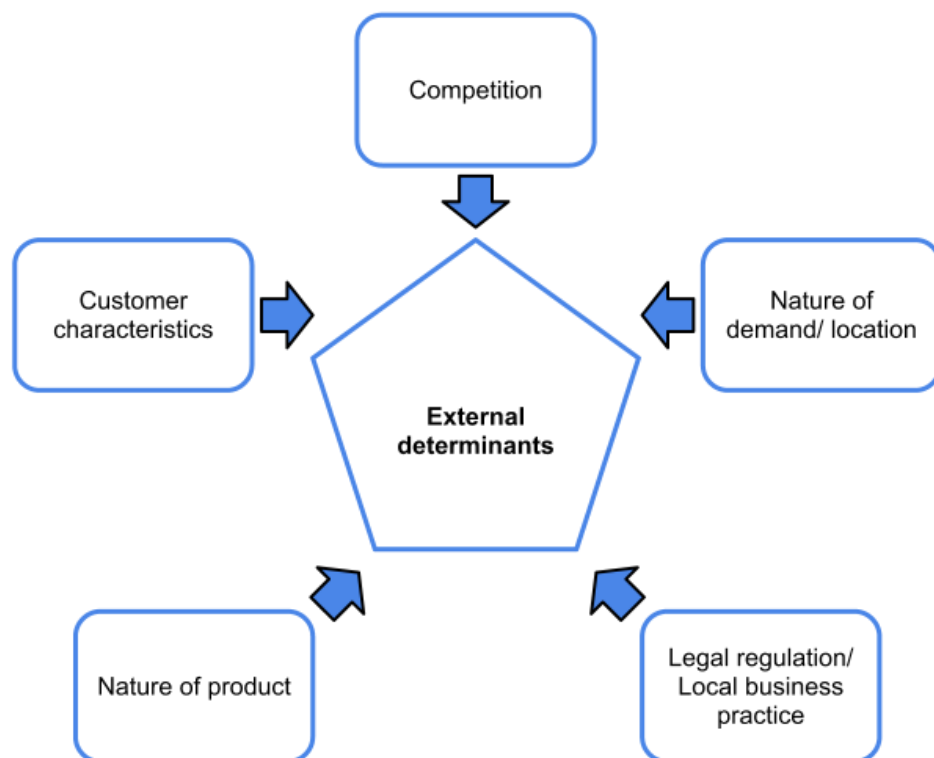


FIGURE 7. External determinants of the distribution channel selection (Hollensen 2010, 552)

*Customer characteristics* are the keystone in any channel design. Factors which must be taken into account when conducting the distribution:

- Size of customer
- Geographic distribution
- Shopping habit
- Outlet preferences
- Usage patterns of customer

In addition, the industrial product channels tend to be shorter than consumer product channels because its customers are less geographically dispersed and the product quantities are always bigger. (West, Ford & Ibrahim 2010)

*Competition* also determines channels to be chosen. If there are competing products and substitutes served in same channels, the competitiveness will be harsh. Furthermore, in a small foreign market where amount of distribution channels is limited, local competitors, who have agreement and long relationship with the wholesalers may become potential barriers and exclude the newcomer from the key channel. He suggested the alternative of using different distribution approach and find out competitive advantages.

*Demand* of customer significantly affects amount and length of distribution channel needed. In fact, nature of demand depends on product perceptions, which are influenced by customer's income, customer's product experience and product's life cycle position.

*Nature of product*, by strongly affecting the market coverage strategy, also plays a key role in designing distribution channel. If companies believe their products are more valuable and prestigious than almost competitors in foreign market, channel should be shortened and narrowed. Specifically, for the products which are sold in heavy bulk (such as chemicals), durability of product, type of customer service, special handling requirement, transportation and warehousing cost should be highly concerned about. Therefore, in this case, direct selling is recommended.

*Legal regulations* are the foreign country's specific laws that decide the use of distribution channels. It strongly affect channel coverage, especially the product, which is sold in exclusive channels has dominant position in market may be held back by EU anti-trust authorities.

(Hollensen 2010, 553)

#### 2.2.4.2 Distribution Channel Structure

##### **Market Coverage**

Market coverage (or Distribution Intensity) is the method of evaluating and creating the distribution network and deciding concerning number of intermediaries. The level of market coverage and the amount of intermediaries are significantly influenced by the Company's marketing strategy. There are three different approaches for Case Company to create a distribution network to meet its coverage goal (Hollensen 2007, 511):

- Intensive coverage
- Selective coverage
- Exclusive coverage

*Intensive coverage* means spreading the product through as many outlets or intermediaries as available. This approach enables company to distribute product through the largest number of different types of intermediaries and the largest number of individual intermediaries of each type. (Hollensen 2007, 511)

By contrast, *exclusive coverage* means choosing one intermediary in each market. It is applied when customers are characterized as “discriminating” in their taste for products and seek to satisfy some of their needs with high-quality, though expensive products. Moreover, they require a high level of customer service from the channel they choose.

*Selective distribution* involves a producer using a limited number of intermediaries in a foreign market to sell products. An advantage of this approach is that the producer can choose the most qualified or best-performing intermediaries and focus effort. Consequently, Case Company can easily control its selling channels.

However, less intensity is likely to result in greater marketing control, more loyal, and motivated distributors and less horizontal conflict in the channel, that is,

conflict between channel members at the same level. (Clarke & Wilson 2009, 353)

### **Channel length**

*“Channel length is determined by the number of levels or different types of intermediaries”* (Hollensen 2010, 555). Lengthening the channel means increasing the number of intermediaries in distribution system. Long channels are suitable for convenience goods or mass distribution. However, the longer the channel is, the higher the price would be for end customers.

By contrast, when a distribution channel is shortened, its current members will be cut out (Jaffe & Yi 2007, 204). Since a short channel minimizes the costs for intermediaries, it tends to be associated with exclusive market coverage strategy.

### **Control/Cost**

Control of in distribution channel is a big concern to company when conducting channel structure. It represents the ability to influence decision and actions of channel intermediaries. The control degree of a company is decided by several factors, such as:

- Function of available channels
- Regulation which governs distribution activities
- Assigned roles for channel’s intermediaries

The more intermediaries involved in distribution channel, the less control the company can have over the flow of products to the end customers. However, having few intermediaries mean that the company must provide almost all distribution activities itself, which requires the company to have strong financial resources and physical facilities such as warehousing and shipping, etc. In this case, using sales force as a supplement channel could help the company resolve the dilemma. (Hollensen 2010, 557)

### **Degree of Integration**

Integration is the method of gathering all channel members into a utilized integrated channel system, which operates under one leadership and one set of goals. There are two types of integration, namely vertical integration and horizontal integration.

*Vertical integration* means that the company expands its business with other partners in different level of the same distribution channel. This integration type helps firms look for more control over its intermediaries.

By contrast, *horizontal integration* is the process when a company integrates with other firms that are at the same level with it of the same distribution channel. This type of integration encourages firms to share resources such as facilities or production technology.

Getting many companies under one leadership is not an easy task. It is even more difficult when the goals of the members often conflict with each other. However, since creating long-term relationships and bilateral cooperation are the key factors for success of channel operation, integration between firms are increasingly applied in today's distribution. (Hollensen 2010, 558)

#### 2.2.4.3 Intermediary Selection

Selecting the most potential distribution channels can be done by evaluating each channel's objectives against a set of criteria, which is suggested by Hollensen (Hollensen 2007, 516). In his idea, the list of criteria should correspond closely to the Case Company's own determinants of success, which contains all the factors which are important to beating the competition. The five bases for selecting the possible partners are: Financial and Company strengths, product factors, marketing skills, commitment, facilitating factors. Their elements are also listed in the following text.

Financial and company strengths:

- Financial soundness
- Ability to finance initial sales and subsequent growth



- Ability to raise additional funding
- Ability to provide adequate promotion and advertising funds
- Product and market expertise
- Ability to maintain inventory
- Quality of management team
- Reputation among current and past customer

Product factors:

- Quality and sophistication of product lines
- Product complementarity
- Familiarity with the product
- Technical know-how at staff level
- Condition of physical facilities
- Patent security

Marketing skills:

- Marketing management expertise and sophistication
- Ability to provide adequate geographic coverage of the market
- Experience with target customers
- Customer service
- On-time deliveries
- Sales force
- Market share
- Participation in trade fairs & trading associations

Commitment:

- Willingness to invest in sales training
- Commitment to achieving minimum sales targets
- Positive attitude towards the manufacturer's product program
- Undivided attention to product
- Willing to commit advertising resources
- Willing to drop competing product lines

- Volatility of product mix
- Percentage of business accounted for by a single supplier
- Willing to keep sufficient inventory

Facilitating factors:

- Connections with influential people
- Working experience/ relationships with other manufacturers
- Track record with past suppliers
- Knowledge of the particular business
- Government relations
- Proficiency in English

(Cavusgil, Yeoh& Mitri1995, 81)

### 3 CASE COMPANY PRESENTATION

The information for this chapter was mostly gathered from the case company's internal sources. To make the information more reliable and objective, the writers used both the documents for internal circulation and staffs interviews.

#### 3.1 Company overview

Today's technology allows people to easily find almost everything they want, but the fact remains that it is difficult to exploit a company from outside, especially in emerging countries where the internal information is hardly public. Therefore, this paragraph is written for the purpose of providing the accurate information about the case company to the readers.

##### 3.1.1 Basic Information

Established in 2007, the case company's business idea is to provide the plastic industry with high quality chemical auxiliaries, i.e. plastic masterbatch. Table 2 briefly shows a few essential pieces of information about the case company.

TABLE 2. Case company's basic information

Official name	European Plastic Joint Stock Company
Short name	EuroPlast Vietnam
Company form	Joint stock company
Established	September 2007
Business branches	Chemical compounds, Plastic masterbatch
Business type	Manufacturing, Import-Export
Number of employees	260
Company's turnover	€16.7 million (2012)

Thanks to appropriate investments in modern technology and equipment, the company quickly found itself on top of its market niche as well as became a phenomenon as one of the fastest growing SMEs in Vietnam in period 2008-2009. Today, it still remains firmly the domestic market leader and starts looking for potential international markets.

### 3.1.2 Chemical or Plastic

It is such confusion for an outsider to define what type of business branch or which industry the case company is operating in. The company's products are a mixture of chemicals, yet they are plastic granules. Even the case company listed itself as a company running in both chemical and plastic industries. However, it is not that the company does not fully understand its business, but it is rather a marketing trick, which the authors will explain in detail in the following text.

There are five sub-sectors in the chemical industry, namely Consumer chemicals, Specialties, Petrochemicals, Basic inorganics and Polymers. Figure 8 describes those breakdowns in a more detailed and illustrative way.

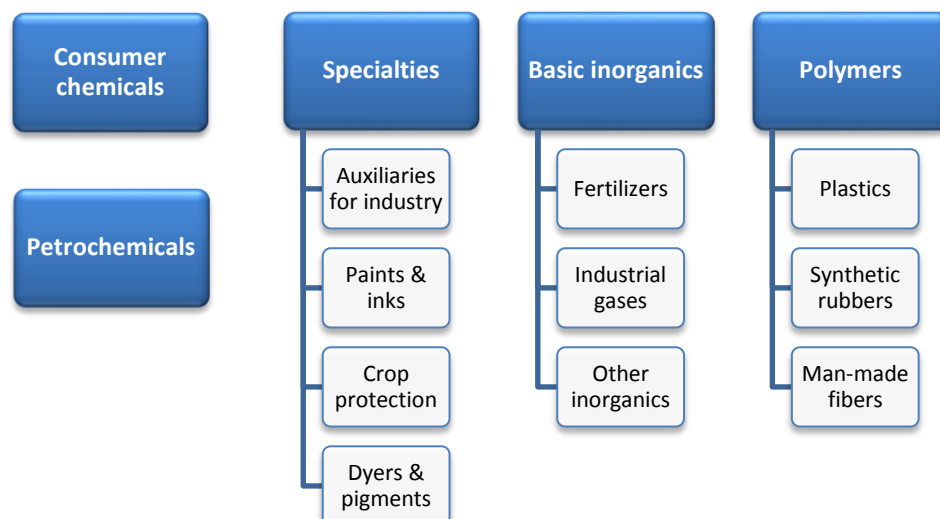


FIGURE 8. Five sectors of chemical industry (Cefic 2012)

Chemical industry's products are, in fact, mostly the input materials for many other industries. In this case, chemical specialties and polymers are the main raw materials for plastic industry. The case company, who is manufacturing plastic masterbatch, should be put in the "specialties" sector.

However, an industry consists of all players in the same field, including new entrants, suppliers, substitutes, buyers and sellers/competitors (Hollensen 2008). Thus the case company, who is acting as a supplier for plastic markets, should also be listed as a player in the plastic industry. To make it simple, the case company could be placed right in the overlap of chemical industry and plastic industry. Figure 9 shows the company's position in relation with the two industries.

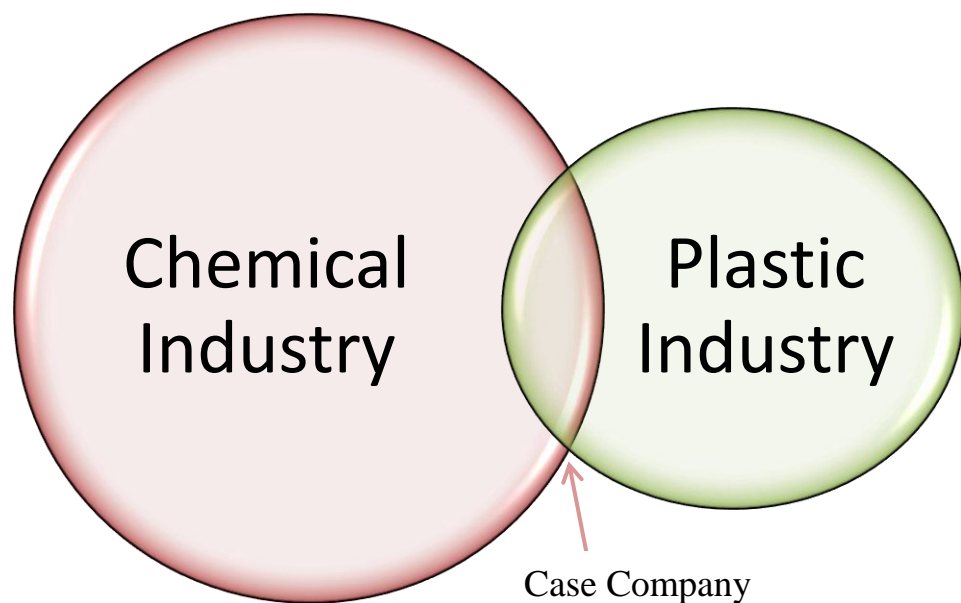


FIGURE 9. Case company in relation with chemical and plastic industries

As mentioned earlier, the company's intention here is to make this overlap their marketing advantage. Since they appear in both industries, they can earn the brand awareness from both markets. Even though they are not selling to other chemical companies, they still can take advantage of the situation, because the more companies know their name, the better brand awareness they would gain. Besides,

the fact that chemical industry and plastic industry are playing critical roles in many big economies can guarantee the case company a fast and stable growth in future, at least for the next few years.

### 3.2 McKinsey 7S Analysis

McKinsey's 7S model is defined as: *"a diagnostic management tool used to test the strength of the strategic degree of fit between a firm's current and proposed strategies It is a management tool designed to facilitate the process of strategy implementation within the context of organizational change"* (Fleisher & Bensoussan 2007). In short, the main objective of this model is to analyze how well the company is positioned to achieve its goals when entering foreign market. Basically, McKinsey 7S model includes seven dimensions regarding organizational capabilities; which are represented in Figure 10:

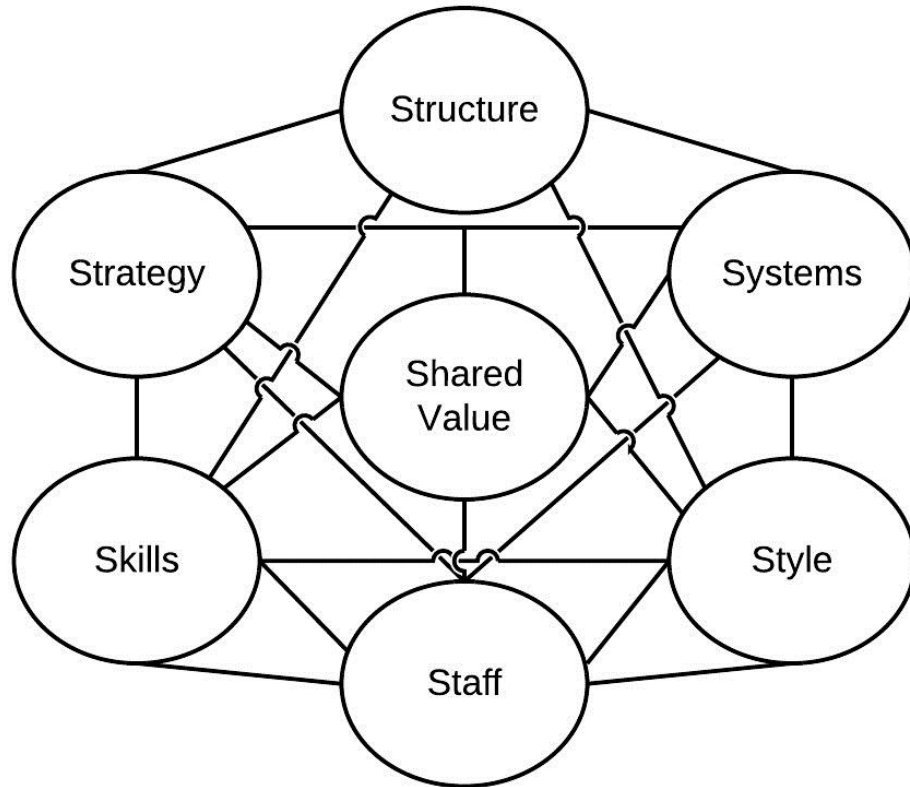


FIGURE 10. McKinsey's 7S model (Fleisher & Bensoussan 2007)

By analyzing the organization using the McKinsey 7S model, the authors attempt to satisfy two targets. On one hand, for the thesis readers, the authors aim to clarify all essential elements of the case company so that everybody would clearly understand how the company runs in a daily basis. On the other hand, for the case company's directors, this analysis is meant to be a comprehensive summary of their current strategies, from which they can review and adjust for the fast-paced business environment.

### **Strategy**

Let the story begin with the company's name. Although the word "European" is placed in the official name of the company, the company is a 100% Vietnamese company. In spite of the fact that it might be a bit confused for ones who look at the name for the first time, there is a reason for the existence of that name. Mr. Hoang Quoc Huy (General Director/ Founder of the case company), shared that in Asia, particularly in some emerging economies like Vietnam, there was a common belief that products from Japan, the US or European countries always have the finest quality. Consequently, he initially came up with the idea for the name that could emphasize the term "products with European standard" in order to show the case company's guarantee of providing customers with top quality products. Until now, differentiating by focusing on developing products' quality has always been the company's primary strategy. The case company clearly shows its verdict on the importance of technology by investing about 10% of the annual turnover in R&D programs every year. (Huy 2013)

In terms of trading strategy, the company is not a born global firm. To be more precise, it was meant to be a mere material provider for other domestic plastic manufacturers in the first place. However, the company's impressive success in domestic market has changed the board of directors' minds. Since 2010, they have defined international markets expansion as the main business mission for the next 5 years, with the goal of being the market leader in at least one foreign market.

## Shared Values

Although the case company is a young tree in an ancient forest, its core values were formed since the very first days. Those values include customer-oriented, quality commitment, technology innovation and sustainable development.

Mr. Vu Duc Hau (Vice Managing Director/ Co-founder of the case company) pointed out the board of directors' desire to build a company that could last through generations. He also stressed that though profits and stake-holders' incomes are important, they must be placed behind the customers' satisfaction and the employees' benefits. From Mr. Hau's point of view, once the desires are satisfied both internally (the employees') and externally (the customers'), profits would automatically come. That perspective also explains the reason why the company is taking its social responsibilities very seriously. (Hau 2013)

## Structure

Since the case company has been continuously growing, the structure of the company has been changed a few times in order to keep the system running smoothly. Figure 11 illustrates the company's latest structure.

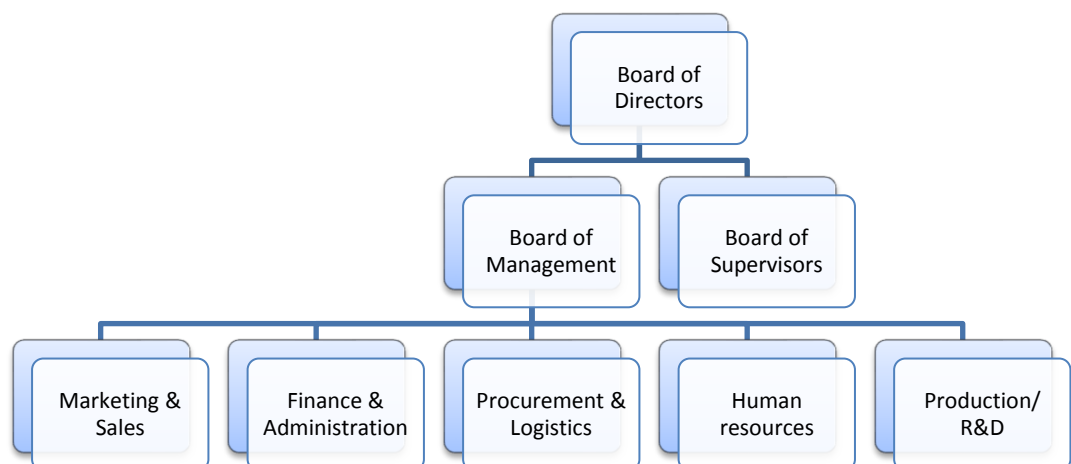


FIGURE 11. Case company's structure



## Staff

The company is currently hiring around 260 employees at this moment who are all well trained for their jobs. Since the average growth rate of the company in the last 3 years is amazingly high (approximately 94%), the company has to work hard in recruiting new professionals in business fields to fulfill its need in long term.

A recent institutional study has shown the educational level of the company's human resources. The result is illustrated in figure 12.

### Educational level of the case company's employees

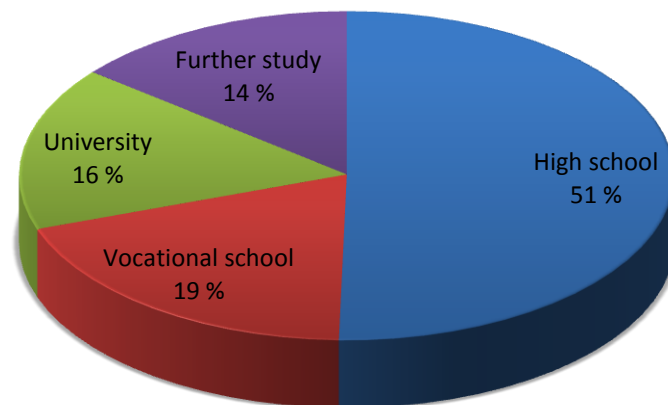


FIGURE 12. Educational level of the case company's employees

It can be seen in the pie chart that more than half of the employees are high school graduates, who are mostly working as plant workers and warehousing staffs. The graduates from vocational schools and universities are divided equivalently into departments such as sales, marketing, accounting and human resources. Managers of all departments, technical specialists who work in R&D department and financial executives must have at least master degree in relevant fields, who account for 14% of total employees. The company's board has already decided to

increase the proportion of highly educated employees for better performance in more professional tasks in future.

### **Systems**

The company is more or less run by the board of directors, who are directly giving orders to the executive level in most processes. Those processes are specialized in different department including marketing and PR, sales and procurement, human resources, logistics, etc. The performance of each task will be evaluated by the manager of that department accordingly.

### **Style**

As a matter of fact, general director, in most joint stock companies in Vietnam, is usually the most powerful person in a company. The case company is not an exception, where the power of the Board of directors is relatively fuzzy and the general director's decisions are final and somehow very rigid. On one hand, every defined strategy will be executed immediately without any obstacle. On the other hand, since nobody would question about anything, a too risky or poorly made decision could lead the whole company to a disastrous situation. The board of supervisors, therefore, should carry the responsibility by putting each and every important decision on the table.

### **Skills**

“Human resources are the case company's most important assets”, said Mr. Tran Van Thin (Human Resources Manager of the case company). Mr. Thin also stresses that the company's main emphasis is on working creatively yet professionally as a team to fulfill the customers' needs. For the best performances, each employee has to be skillful in his/her job. The case company is proud to have one of the most professional international sales team in Northern Vietnam. Besides, the R&D laboratory is taken care of by the best chemists and engineers. This set of skills is one core competence that partly forges the company's competitive advantages. (Thin 2013)

### 3.3 Product analysis

In this paragraph, the writers are going to shed light on the nature of the products as well as their market position. The analysis is also meant to provide the case company's managers with revealing insights into their own product portfolio.

#### 3.3.1 Plastic masterbatch in a nutshell

Before going any further into the products' features, it is very important for the readers to get a big picture of the whole product line. The term "masterbatch" denotes the "concentrated mixture of pigments and/or additives encapsulated during a heat process into a carrier resin which is then cooled and cut into a granular shape" (Performance Masterbatches Ltd). Figure 13 shows an example of white masterbatch in "granular shape".



FIGURE 13. White plastic masterbatch (EuroPlast Vietnam 2012)

In a nutshell, plastic masterbatch is used to add and/or change some desired features into the end-used plastic products. The reason why plastic masterbatch are important is that they act as the deliverers in the process of bringing new feature(s) to the plain plastics. Without those deliverers, the mixing process would require outrageously high heating energy and extremely powerful mixer, which

magnificantly increases the production costs. Figure 14 summarizes the mixing process with the involvement of masterbatch.

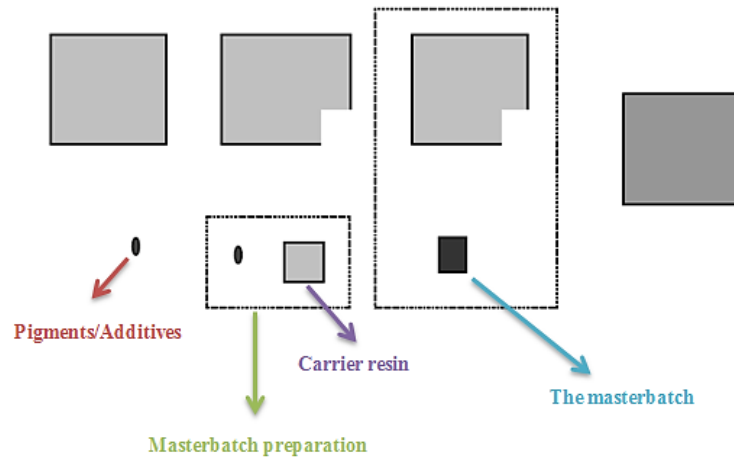


FIGURE 14. Plastic mixing process

There are many kinds of masterbatch. Depending on perspectives of firms, the divisions of plastic masterbatch could be differed from each other.

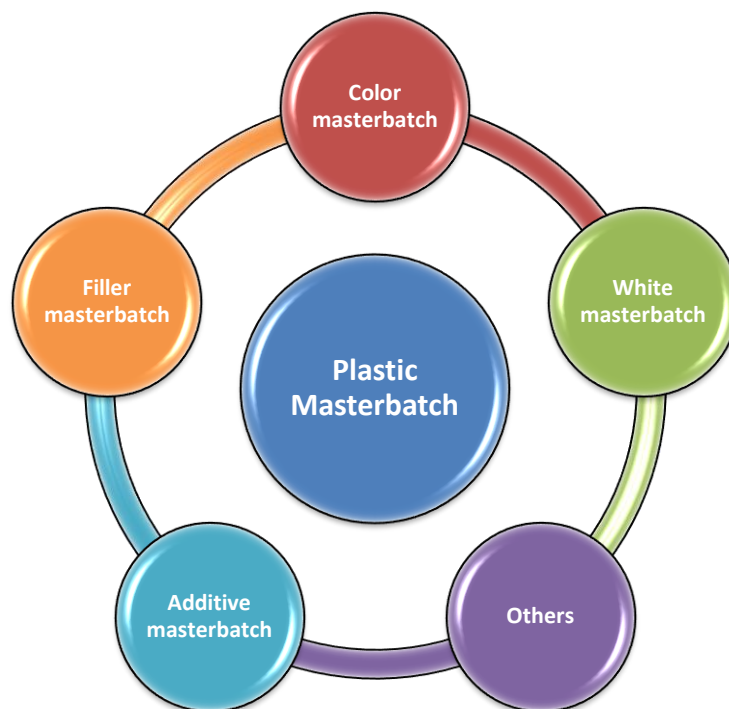


FIGURE 15. Divisions of plastic masterbatch

Figure 15 illustrates one typical example of divisions of plastic masterbatch, in which they are virtually divided into five categories: color masterbatch, white masterbatch, additive masterbatch, filler masterbatch and others.

In each mentioned categories, there are hundreds of different products based on various demands of customers. Due to the diversity of chemical ingredients and production formulas, even in the same category, masterbatch products still vary a lot in quality and price.

### 3.3.2 Product portfolio

At the moment, the case company is producing all types of masterbatch, but in different proportions according to the market demands and the company's policy. There are two main product lines in the company's current portfolio, whose names respectively are E-Filler and E-Masterbatch. In addition to the physical products, the company is providing plastic solution, where customers' future needs will be taken care of by the company's R&D system. Table 3 describes the company's product portfolio in brief.

TABLE 3. Product portfolio

Product category	Usage description	Compatibility	Applications
E-Filler			
Filler masterbatch for PE	Reduce production costs 5-50% of mixture	LLDPE, LDPE, HDPE, PP	Transparent film, PP/HDPE pipe, injection, extrusion, etc.
Filler masterbatch for PP	Reduce production costs 5-50% of mixture	PP	Woven/ jumbo bag, injection molding, extrusion, etc.
E-Masterbatch			
White masterbatch	Whiten plastics 2-10% of mixture	PE	Film for packaging and Food & Agriculture industry,

			injection, blowing mold, etc.
Color masterbatch	Dye plastics 2-8% of mixture	PE, PP, PS, AS, ABS, PA, PBT, PET, PVC	Film, injection molding, extrusion, etc.
Other masterbatch	Compounds for engineering, Talc powder, additives, etc.	N/A	Other applications
Plastic solution			
	Provide customers with innovative solutions based on R&D	N/A	N/A

In brief, the E-Filler products are added into the plastics manufacturing for the purpose of decreasing the proportion of base resins, which reduces the production costs.

The E-Masterbatch products have the main usage of coloring plastics. The rest minor part of them contains the engineering compounds and additives for adding special features to the products, such as anti-UV or heat resistance.

### **Boston Matrix**

In accordance with the current business situation, the authors would like to carry out a product analysis using the Boston Matrix for the company's product portfolio. Designed by the Boston Consulting Group in 1970, the Boston Matrix (or BCG Matrix) is a simple yet useful tool for organizations to identify where to put their resources into (MindTools).

Depending on the particular product's growth rate and market share, it should be categorized into one of the four groups: cash cows, pets, question markets and stars (see Figure 16).

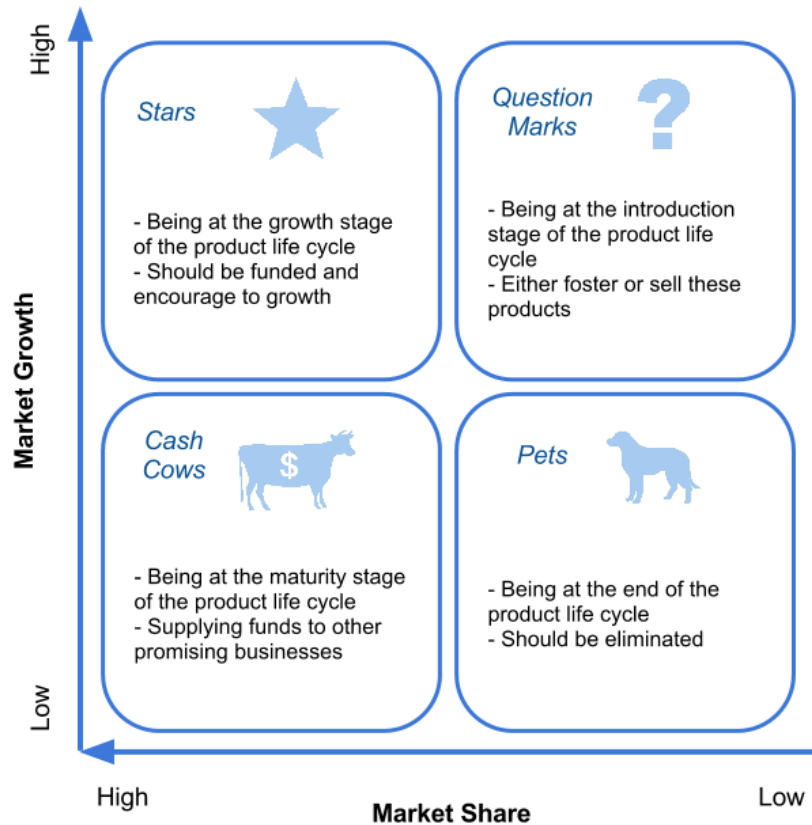


FIGURE 16. Boston Matrix in a nutshell (Stern & Deimler 2006, 35-37)

*Cash cows* are products with high market share yet low growth rate. As they are in the maturity stage of the product life cycle (or the PLC), they generate a stable and large amount of cash. These products can maintain their high market share without any reinvestment. In other words, their generated cash should be invested in other more promising businesses.

*Pets* stand for products in the end of the PLC, whose market share and growth rate are both low. These units should be eliminated, since they are worthless in terms of cash flow.

*Question marks* are the low-market-share yet high-growth products. These products always need huge investment to maintain their market share, because they cannot generate enough cash to reinvest in themselves. If *question marks* do not become the market leaders, when the growth stops, they would turn into *pets*.

*Stars* denote products in the growth stage of the PLC with high market share and high market growth. They are not always showing an accounting profit, because the cash for maintaining the market share might exceed the generated cash.

However, if they can hold the market leader position, they will earn the company a huge amount of cash when reaching the maturity stage.

Eventually, all products will become either *cash cows* or *pets*. The question is how to manage different types of products efficiently and profitably. The Boston Matrix helps the company's managers resolve the question by providing them valuable insights into their products' current positions in the market.

(Stern & Deimler 2006, 35-37)

### **Case company's product portfolio**

In order to precisely place all the products into their market positions, the authors are going to analyze the market share and market growth rate of each product.

#### *E-Filler*

At the moment, the international best-selling products of the case company are the E-Filler products (Ha 2013). The main reason is that the company has advantage in material resources, particularly in Calcium Carbonate, the major component that accounts for 70-85% of E-Filler's ingredients. These products are the main elements for the success in being the domestic market leaders in chemical specialties of the case company. In terms of market growth, despite the shortage in differentiation, thanks to the magnificent growth of plastic industry, E-Filler is still in its growth stage. These high-market-share and high-market-growth products should be located in the *Stars* group.

#### *E-Masterbatch*

Similar to E-Filler, the market growth rate of E-Masterbatch is relatively high. However, although contributing an enormous amount of annual sales revenue for the case company, the products are struggling for more market share. In fact, the case company is facing with very intense competition from international rivals.



Due to the experience curve, the young case company is losing the price battle against its competitors. The situation is improved only when the case company enhances its products' value. In conclusion, with high market growth and low market share, E-Masterbatch is placed in the *Question marks* group.

#### *Plastic Solution Package*

Entirely based on technology innovation, this type of product should be definitely not the strategic product of the case company, since Vietnam is not advanced in modern technology. However, these solution packages sometimes can be very necessary, for examples when the current customers are in need of new products. Low market share, low growth rate, yet the product should not be eliminated. The authors' advice is to maintain the R&D department and promote the solution packages as supplementary products for loyal customers.

### 3.4 SWOT analysis

SWOT analysis is one of the most popular analysis tools which can be used for different purposes in marketing strategy, which covers both internal and external marketing environments (Kotler & Keller 2009, 50). SWOT analysis represents the overall evaluation of a company's strengths, weaknesses, opportunities and threats of outside objects. Regarded as an analyzing tool for the case company, SWOT is performed as:

- **Strengths:** Internal capabilities which help the company perform its strategic activities in foreign market successfully
- **Weaknesses:** Internal attributes which probably prevents the company from implementing its strategies
- **Opportunities:** External forces which enhance the case company's success rate in foreign market
- **Threats:** External forces which create negative impacts for the company

Table 4 summaries these crucial elements of the case company which will be explained in details in the next paragraph.

TABLE 4. Case company's SWOT analysis

<b>Strengths</b>	<b>Weaknesses</b>
Substantial and stable growth High standard products Competitive price Agile manufacturing Modern technology	Limited global trade experience Shortage of qualified staffs Limited brand awareness Unable to fulfill large orders
<b>Opportunities</b>	<b>Threats</b>
Quality and abundant material resources Supports from the government Being the domestic market leader	Dependence on foreign manufacturers Unskilled labor force

## Strengths

First of all, the case company has many internal advantages compared to other competitors in the same market. The company has been growing with a high growth rate during the past few years. Figure 17 describes the changes in company's annual turnovers from year 2008 to year 2012

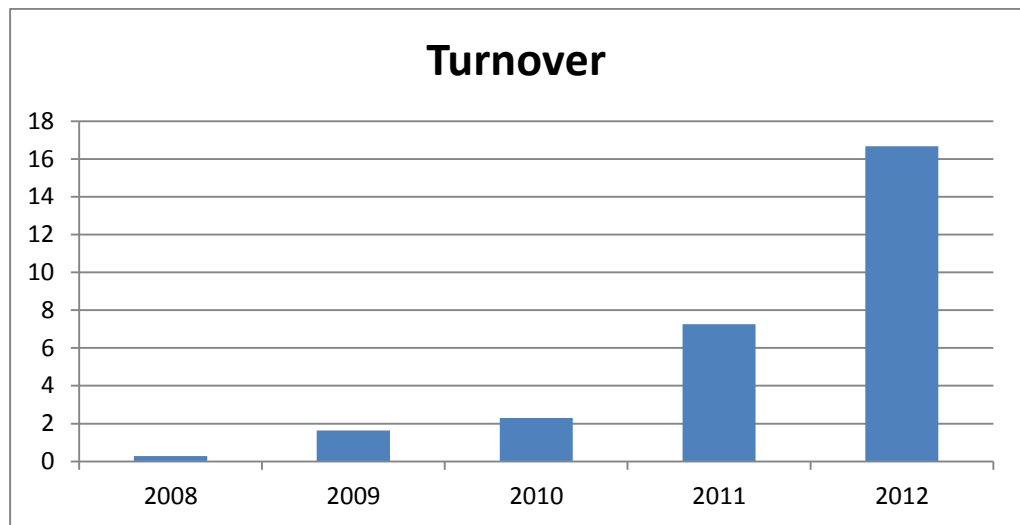


FIGURE 17. Case company's turnovers in period 2008-2012

Obviously, there was an amazing increase in sales revenue since the end of 2010. As can be seen from the chart above, the turnover in 2011 was tripled from that in 2010, and nearly doubled in the following year. In 2012, the company has become approximately 60 times as big as it was in 2008, from €0.28 million to €16.67 million in total turnover. There are two main reasons for this tremendous growth. The first one is that the chemical and plastic industry has been flowering for the past few years, despite of the global crisis (Cefic 2012). The second reason is that the company was focusing on the international market expansion strategy. At the moment, the company has numerous export partners from more than 20 countries across the world. Figure 18 shows the company's market coverage worldwide.



FIGURE 18. The case company's international market coverage

This huge growth not only contributes to the company's attractiveness, but also creates a strong cash flow that helps the company to continuously invest in infrastructure, technology and human resources. As a consequence, the quality of products and customer services goes up magnificently, yet the prices remain competitive thanks to the R&D achievements at reducing production costs.

### **Weaknesses**

On the other side of the fence, the case company still has a lot of things to do with its weaknesses. Young companies are usually in serious need of various dimensions. In this case, those shortcomings are the lack of experience in globalization, especially legal issues; the shortage of skilled staffs; and the limited worldwide awareness of the brand.

Another weakness is that the case company is having troubles when dealing with large orders from huge international corporates. Sadly, this situation is very likely to be seen in most Vietnamese plastic firms. The fact is that, with the same amount of goods, the larger the order is, the smaller amount of logistics cost it would take. Therefore, the incapacity of fulfill this need of customers might let many big potential partners slip away, and worse, even never come back.

Getting through these difficulties is not something that can be achieved imminently, but a long process that requires a tremendous amount of time, money and commitment of the case company's directors.

### **Opportunities**

Talking about the external advantages, there are several undeniable privileges of being a plastic material manufacturer in Vietnam at the moment.

Firstly, chemical and plastic industry is one of the priorities in Vietnam key industry sectors (EconomyWatch 2010), which means it gets numerous supports from the government. According to the "Planning on development of Vietnam plastic industry until 2020, vision 2025", Minister of Industry and Trade has announced the budget for the plastic industry by 2020 is about 6.5 billion US dollars (Ministry 2011, 2992/QD-BCT). The planning also tells that plastic firms could have their investment loans up to 85%, which is such a great chance for firms to invest in infrastructure and improve their financial strength.

Secondly, there is some evidence that Vietnam has abundant and diverse mineral resources. It is also widely believed that the best quality carbonate minerals (i.e. the main raw material sources of the case company) are partly from Vietnam. *"Since our company is exploiting them very efficiently"* said Mrs. La Hue Ha (Sales Manager of the case company), *"we have a big advantage compared to other firms in neighbor countries that have either scarce natural resources"*.

Nevertheless, being a market leader is always a plus in terms of attracting new customers. The reason is, most plastic firms in Vietnam are SMEs with limited financial resource, which makes technology development too luxurious to be invested in. Consequently, whoever leads in technology wins the market. Once the competition in domestic market is under control, seizing the international markets is only a matter of time.

### **Threats**

Even though the majority of raw materials are easily accessible (as mentioned before), there are still some essential ingredients that make the case company

dependent on foreign suppliers. Because of either the technology requirements or the price competition, the case company cannot find any more beneficial way but import.

Another threat is from the domestic labor force. A few years ago, Vietnam and other South-East Asian countries once listed their cheap workforces as a competitive advantage in global market. Since their wage levels are increasing recently and China is still the world's factory, they should be thinking all over again (Bodewig 2012). Nowadays, particularly in Vietnam, while high-tech industrial firms, such as the case company, are demanding educated and trained labor, the current unskilled workforce might be a problematic issue in human resources in the near future.

### **Chapter 3's summary**

This chapter is meant for answering the two sub research questions 1a and 1b.

In terms of core competencies, the case company scores several positive points such as the abundance of Calcium Carbonate resources, good performance in agile manufacturing, adequately skilled working teams and a big portion of domestic market share.

Despite some weaknesses that require time and commitment to be resolved, the case company is ready for internationalization. In fact, it has exported to a number of foreign countries in the world. Still, when aiming at the EU market, the company has a lot of gaps to be filled in.

Concerning the product portfolio, the authors have pointed out their recommended strategies for each of the case company's product lines. To be precise, the E-Filler products should be funded the most to gain more market share, hence strengthen their leading position; the E-Masterbatch products should be selectively developed in a way that has the least competition; and the plastic solution packages ought to be maintained as supplementary products for the current customers.

## 4 FINLAND AS A TARGET MARKET

In this chapter, by carrying out a number of thorough analyses, the authors would like to point out whether entering Finland is a wise move for the case company or not. Those analyses consist of the macro-environment analysis (PEST analysis), the plastic industry analysis using Porter's five forces model and the analysis of plastic market plus its segments.

As explained in chapter 3, the case company belongs to both chemical industry and plastic industry. However, positioning Finland as the target market means that the authors' perspective hereafter lays emphasis on the plastic industry, where the case company and Finnish plastic companies respectively act as the suppliers and the buyers of the industry.

### 4.1 PEST analysis

When starting business in a foreign country, company has to face with the environmental differences from the new market, which are defined as the macro-environment forces or macro-environment factors. These factors represent the "non-controllable", which may bring the opportunities and also threats to the company (Kotler & Keller 2009, 114).

PEST analysis is a very useful business measurement tool which is used to scan and monitor the new environment. Precisely, it helps company to anticipate future difficulties and take action to minimize their effect as well as to spot opportunities and exploit them success fully, they add.

As Kotler and Keller clarify, PEST stands for Political, Economic, Social and Technological respectively. These factors have to be analyzed based on their up-to-date information, statistics and data collection.

The descriptions of these factors are summarized in table 5.

TABLE 5. Factors of PEST analysis (Grant 2004, 304)

<b>Political/Legal</b>	<b>Economic</b>
Current legislation home market Future legislation European/International legislation Regulatory bodies an processes Government term and change Trading policies Funding, grants and initiatives Home market lobbying International pressure groups	Home economy situation and trends Specific taxation to product and services Weather issues Market and trade Industry factors Market routes and distribution trends Interest and exchange rates
<b>Social</b>	<b>Technological</b>
Lifestyle trends Demographics Consumer attitudes and opinions Media views Law changes affecting social factors Brand, company, technology image Consumer buying patterns Fashion and role models Major events and influences Buying access and trends Ethnic/ religious factors Advertising and publicity	Technology development Research funding Associated/Dependent technologies Replacement technology/ Solutions Maturity of technology Manufacturing maturity and capacity Information and communications Consumer buying mechanisms/ Technology Technology legislation Innovation potential Technology access, licensing, patents Intellectual property issues

The elements of each factor will be selected and then represented in the empirical part depending on the limitation of the market's environment and the researching purpose of the Case Company.



## 1. Political

Finland joined the European Union in 1995 and adopted the Euro as its currency in 1999. Finland is the only Nordic country that has become a member of the Eurozone. (Denmark and Sweden are still utilizing their own currency, whilst Iceland and Norway hasn't joined in the EU yet). (Economist 1997)

Finland is sparsely and unevenly populated, but still boasts a modern, competitive and transparent economy with vibrant information and communications technology sectors. The economy remains a world leader in business freedom, with the lowest level of corruption (Miller & Kim 2013). Overall, the freedom in establishing and operating a business is strongly protected under the Finnish law and regulatory environment. Business license registrations in Finland are much swift and favorable as opposed to other countries in the world (Bank of Finland 2012). Additionally, bankruptcy claims are straightforward and economical enough.

Having been a member of EU since 1995, Finland's trade policy is quite similar to other EU's countries'. Finland complies with the average Integrated Tariff rate of European Communities, which stands at 1.6% with specified tax rate applied to each commodity code, assigns charges and special permits (if required) when importing goods into the European Union (Heritage 2013).

## 2. Economic

Among the developed European countries, Finland is one of the most industrialized countries. After the economic crisis period, Finland is considered as a well-recovered country which still maintains its economic development. Table 6 below shows the basic statistics of Finnish economy in 2012:

TABLE 6. Finland's Economic Statistics 2012 (CIA 2013)

<b>GDP Official exchange rate</b>	\$247.2 billion
<b>GDP Real growth rate</b>	0.3 %
<b>GDP per capita</b>	\$ 36,500
<b>GDP by sector</b>	Agriculture 3.3%, Industry 27.1.3%, Service 69.6%
<b>Inflation Rate</b>	3%
<b>Exports</b>	\$72.7 billion
<b>Imports</b>	\$ 72.23 billion
<b>Unemployment rate</b>	7.3%
<b>Investment</b>	20 % of GDP
<b>Budget</b>	Revenues: \$129.4 billion Expenditure \$134 billion
<b>Taxes</b>	52.3% of GDP
<b>Public debt</b>	53.5% of GDP

Finland is highly integrated with global economy. Trade defines its crucial role in Finnish economy as it accounts for over one third of the GDP (EconomyWatch 2010). In addition, European Union accounts for 60% of Finland's trade volume (Stat 2012). Export always contributed more significantly to the country's turnover compared with import.

In 2012, the three most important export sectors of Finnish economy are (Tulli 2013, 10):

- Transport and machinery equipment (32.4%)
- Chemical industry products (23.4%)

- Forest industry products (19.2%)

In addition, the biggest import sectors in 2012 are (Tulli 2013, 11):

- Intermediate goods (33.9%)
- Energy (22%)
- Capital goods (20.3%)

Regarding foreign trade, Russia, Germany and Sweden are the biggest partners of Finland, as shown in Figure 19.

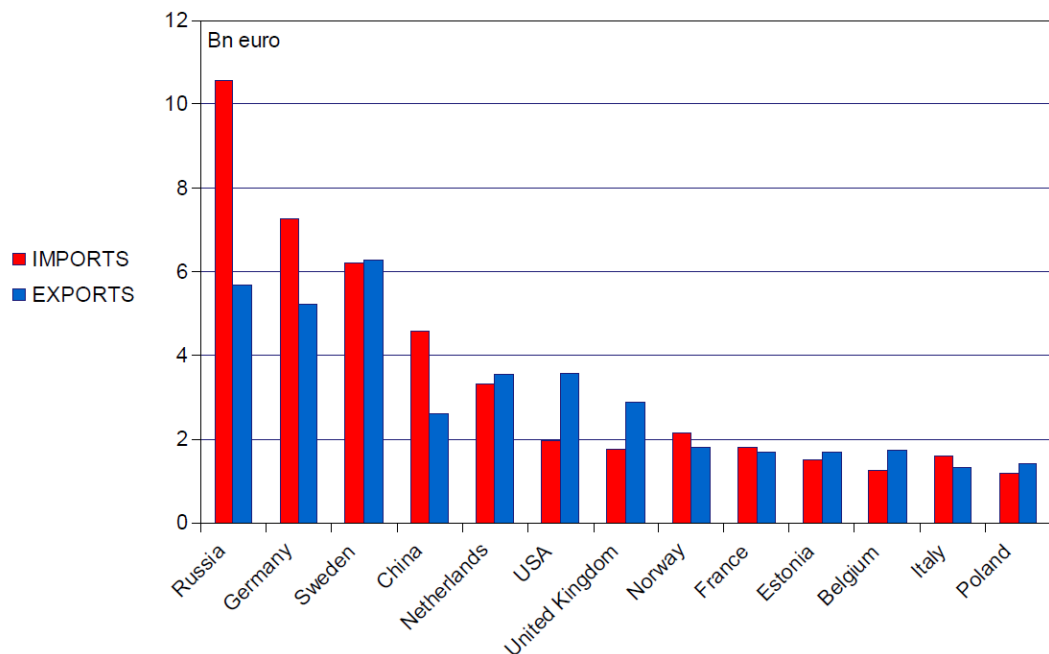


FIGURE 19. Foreign Trade by Countries 2012 (Tulli 2013, 32)

Since the 1990s, Finnish industry has become a developed industry thanks to service and electronic devices development (Steinbock 2004, 8). Globalization has resulted in the reduction of many traditional industries. Industry in Finland now tends to focus on R&D and high-tech electronics applications, whereas craft industries have been widely outsourced to other developing countries.

In pulp and paper industry, many renowned corporations have their headquarters in Finland (Ahlstrom, UPM...). Moreover, Finland economy has been diversifying substantially, with the extension in fields of electronics (Nokia), transportation fuel (Neste Oil), chemicals (Kemira), technology consultancy (Poyry) as well as Information Technology (Rovio – with the well-known product, Angry Birds).

According to the Economist Intelligence Unit report published on September 9<sup>th</sup> 2011, Finland ranked second after the USA in Benchmarking IT Industry Competitiveness (Palkamo 2011). This index was based on 6 criteria including: comprehensive business environment, technology infrastructure, people, legal framework, and public support for industrial research and development, and development environment.

Chemical industry is one of the largest industries in Finland. It creates the products that are applied widely in many other industries, especially in forestry and agriculture (Investinfinland 2013). Furthermore, Finnish chemical industry is also advanced in the manufacturing of plastics, chemicals, paints, petroleum products, pharmaceuticals, biotechnology products and petrochemicals. Biotechnology is considered to be one of the most promising high-tech industries in Finland and it is developing rapidly.

### 3. Social

Finland has recently been recorded as one of the most peaceful and livable countries in the world according to some measures. Additionally, it has the best educational system (Taylor 2012). Further important information about the Finnish society will be provided below (see table 7).

TABLE 7. Finland's Social Statistics 2012 (CIA 2013)

<b>Population</b>	5,266,144
<b>Population growth rate</b>	0.065 %
<b>Age Structure</b>	0-14 years: 15.9% 15-24 years: 12.4% 25-54 years: 38.5% 55-64 years: 14.7% 65 years and over: 18.5%
<b>Religions:</b>	Lutheran Church of Finland: 82.5% Orthodox Church: 1.1% other Christian: 1.1% other 0.1% none: 15.1%

About 5.3 million people reside in Finland, with the majority concentrated in southern region. The biggest cities in Finland consist of Helsinki, Espoo and Vantaa. Other cities with more than 100.000 residents include Tampere, Turku, Oulu, Jyväskylä and Lahti. Finnish and Swedish are the two official languages of Finland. Other main foreign languages which are widely used with high proficiency are English (63%), German (18%) and French (3%). As stated by UNICEF, Finland ranked fourth in the world in the quality of nurturing and protecting children (CIA 2013).

The proportion of women in labor force remains higher than the world's average. There are roughly 2.5 million households in Finland with an average of 2.1

habitants per each (Stat 2011). It is estimated that 75% of Finnish families own a car, and up to now, there have been above 2.5 million cars registered in Finland.

In addition, about 92% of Finns possess a cell phone and 83.5% (2009) have home internet connection. The total expense of a Finnish family per year is about 20,000 Euro, of which accommodation accounts for 5,500 Euro, transportation around 3000 Euro, food and non-alcoholic drinks around 2500 Euro, and finally leisure and entertainment activities cost about 2000 Euro.

#### 4. Technology

The government of Finland has always put special efforts in associating education with researches and innovations for the development of the economy, of which the focus is on information technology. According to records of the European Innovative Scoreboards, Finland has claimed its third position for creative economies in the world, far beyond the average level of Europe and America. And thus, Finland has been recognized by the World Economic Forum as the country of “Innovation Culture”, in which Nokia is a typical example.

Technology and innovation policies are highly emphasized by the government in order to improve competitiveness of Finnish industries as well as to ameliorate living standard in Finland. Besides, policies on technology development and innovation will possibly help the state to attract more investment in R&D.

Consequently, Finnish industries have great opportunities to get access to the most advanced manufacturing methods and tools. Hence, the productivity of industries is relatively high and the utilization of manual labor is decreased to its minimum.

Technologies are also applied in every aspect of daily life in Finland. In 2008, clean and renewable energy sources (mainly hydropower and various forms of wood energy) peaked at around 30.5% compared to the average of EU at 10.3% in energy consumption. In Finland, over 30% of graduate student are in fields involving technology and sciences.

(Dahlman, Routti & Anttila 2006)

## 4.2 Porter's Five Forces analysis

“The art of strategy” is to find an advantaged competitive position, which affects future decisions of company in a foreign market. To evaluate the potential development of a product in an industry as well as its competitive advantages, Michael E. Porter created a powerful model called Porter's Five Forces.

### 4.2.1 Porter's five forces framework

Each of the five forces in Porter's model is a combination of a number of elements. By determining all these elements, the competition of the analyzed industry will be defined. Those five basic forces together with their components are illustrated in figure 20.

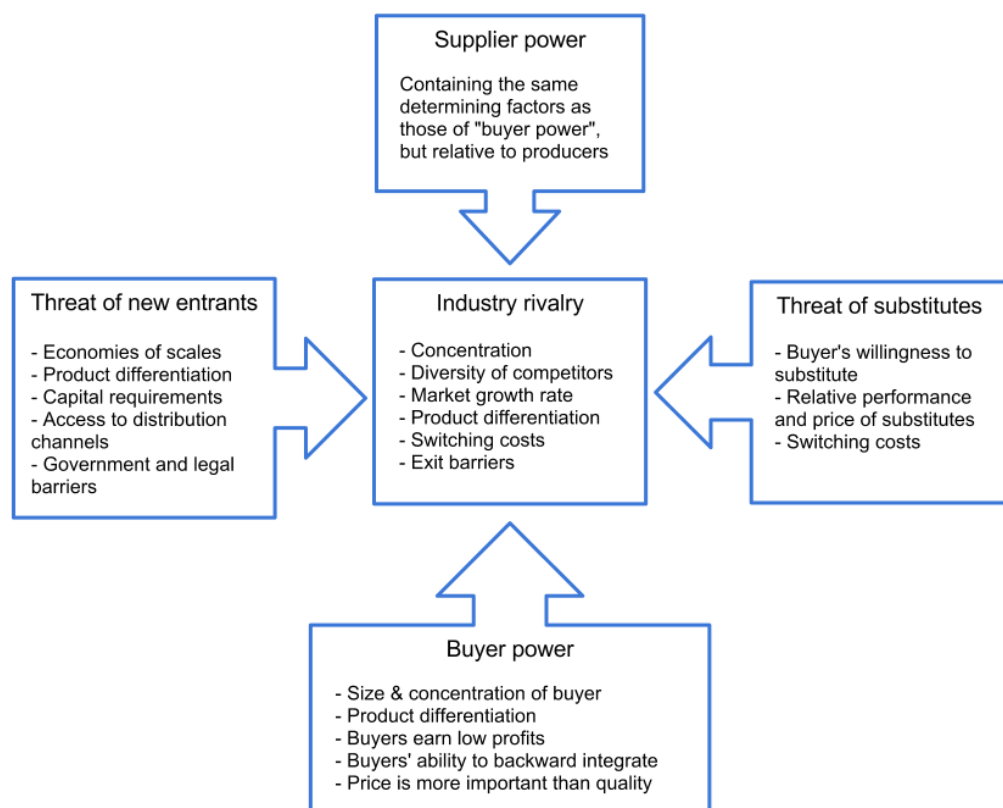


FIGURE 20. Porter's Five Forces model structure (Adapted from Grant 2010)

The goals of using Porter’s model are firstly to point out whether that industry is attractive or not (Grant 2010), and secondly for the firm to grasp the vantage point in order to “defend itself against the five forces” (Hollensen 2004). Therefore, the Porter’s five forces analysis can also be called the competition analysis of an industry.

4.2.2 Competition analysis of Finnish plastic industry

In this part, the authors use the Porter model to analyze the competition of Finnish plastic industry. Each of the five forces will be evaluated by determining the competitiveness level of its elements. The elements that increase the competition level are marked with plus signs (“+”), while the decreasing competition factors are marked with minus signs (“-“). Figure 21 describes the five forces’ ultimate competitiveness levels ranging from low to high accordingly.

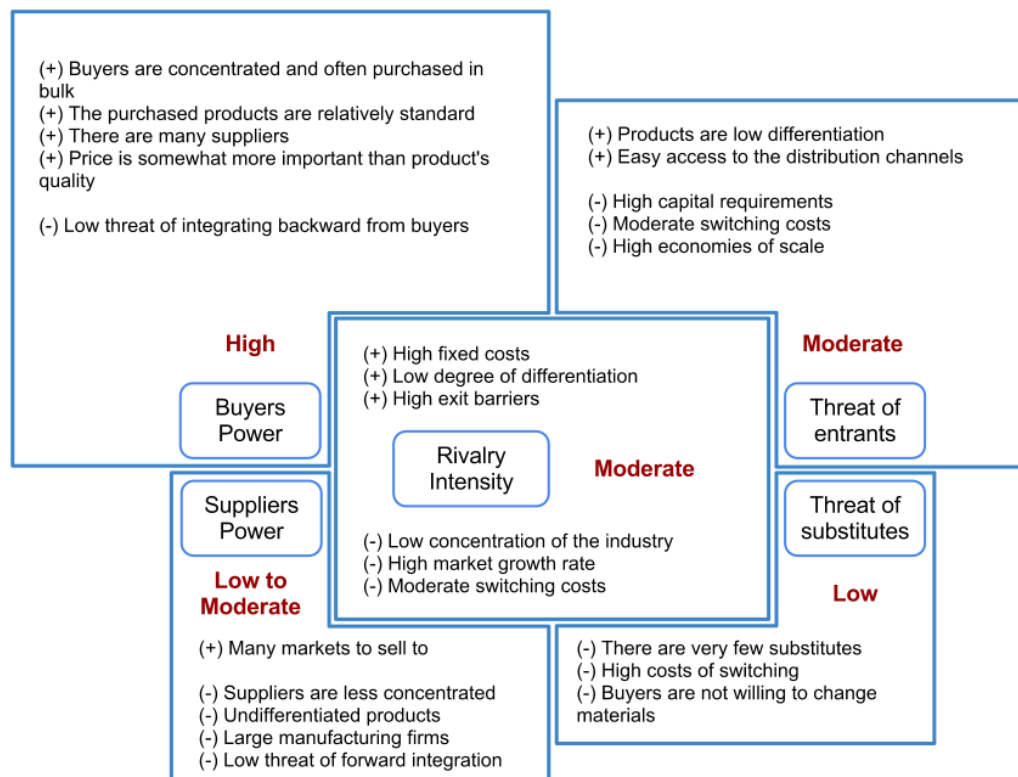


FIGURE 21. Porter’s five forces analysis of Finnish plastic industry



Before getting onto details of each force, the authors would like to draw a border between the two terms: “industry” and “market”. While an industry is “a group of firms that offer a product or a class of products which are close substitutes for each other”, which means that an industry consists of all players in the same field, a market contains only “actual and potential buyers of a product and sellers” (Hollensen 2012). Additionally, according to Grant (2010), an industry contains at least two markets: input market and output market. By contrast, the output market of a big industry might have many customer industries. The plastic industry is a case in point, where the output market is supplying materials to many other industries such as automotive, agriculture and packaging, etc.

This distinction has an important meaning to the Porter’s five forces analysis. To be precise, in this paper, when determining the bargaining power of “buyers”, the authors are mentioning the plastic producers of the output market; whilst saying “suppliers”, the authors mean the material manufacturers of the input market.

### **Bargaining power of buyers: HIGH**

First of all, in B2B markets, regardless of the product, the purchasing quantity is usually large owing to economical reason (Blythe & Zimmerman 2005, 67). As a consequence, the cost of losing even one customer is somewhat big for the supplier. In addition, on account of the environmental safety, most chemical and plastic manufacturers in Finland are concentrated in several industrial zones (Hung 2013). Since the buyer concentration decreases the supplier’s product prices and profits (Grant 2010, 76), the bargaining power of buyers increases.

Secondly, plastic materials are often regarded as standardized products, which mean that the level of product differentiation is relatively low. Besides, the high number of international suppliers provides buyers with a broad range of choice for their inputs. Those factors are driving up the power of buyers in the input market.

However, since the number of plastic manufacturers is high relative to that of suppliers (600 companies versus 40 companies in Finland) (Muoviteollisuus 2013); and very few of them have the intention of integrating backward to the

supplying industry (Jalava 2013), the suppliers can rest assured that their positions in the supply chain are not threatened by the customers.

To conclude, the bargaining power of buyers in Finnish plastic industry is high.

### **Bargaining power of suppliers: LOW to MODERATE**

In respect of the high bargaining power of buyers, it is understandable for the authors to presume that the suppliers in the same supply chain have little bargaining power.

In point of fact, the material suppliers are facing with numerous formidable challenges. Firstly, since the suppliers are located worldwide, their concentration is very low, not to mention that they hardly share any information with each other. Secondly, very few of them have enough resources to integrate forward to the output market. Consequently, the buyers, who are concentrated and somewhat more integrated, are the credible winners in terms of bargaining. Additionally, providing undifferentiated products to larger manufacturers drives down the suppliers' bargaining power.

To the contrary, since the chemical and plastic industry is growing quickly in many parts of the world, there are hundreds of potential markets for the suppliers to lay their eyes on.

In summary, the suppliers have a below moderate bargaining power.

### **Threat of new entrants: MODERATE**

Naturally, any profitable industry is facing with the invasion of firms outside the industry. However, the most profitable industries always have their own barriers to protect themselves. (Grant 2010)

One of the most effective barriers in plastic industry is the high capital requirements. To open a new plastic manufacturing plant, one has to prepare not only enormous amount of long-term assets, but also the knowledge of manufacturing plastic and other the legal requirements such as licenses and environmental permits.

Economies of scale are another challenging barrier. Established firms have advantages in research and operating experience, which help them reduce the cost per unit over time. They also have an adequate number of customers, which enables them to operate in large-scale, reduce costs and compete with low price. New entrants, by contrast, have to bear huge operating costs in their early stage. Moreover, switching costs and strong relationships between long-term partners prevent the customers from changing their current suppliers, which could leave the new entrants high and dry. Those barriers are credible threats to whom that are considering entering the industry.

On the other hand, the easiness in producing such undifferentiated products and accessing to available distribution channels are still good opportunities for newcomers. In fact, there are hundreds of new firms are joining the arena every year in chemical and plastic industry (Cefic 2012).

To summarize, there is a moderate level of threat of new entrants.

#### **Threat of substitutes: LOW**

Despite the low differentiation, materials for plastic manufacturing are very hard to be replaced by other substitutes. The reason is that, with each product produced, the manufacturer has already designed a suitable formula and built the plant accordingly. If the materials change, the formula must be changed also, which probably leads to the change of the whole manufacturing plant.

Besides, as mentioned above, the switching costs are relatively high and the customers are not willing to change their suppliers. Therefore, the threat of substitutes is very low.

#### **Rivalry between competitors: MODERATE**

The rivalry intensity between established competitors in an industry is considered the most important force in the Porter model. If the rivalry is very intensive, there will be a price war between rivals, which could lead to the downfall of the whole industry. Meanwhile, when the competition is maintaining low for a long time,

there might be a reason, for example huge barriers that prevent outsiders from joining in. (Grant 2010)

Back to the Finnish plastic industry, there are several elements that increase the intensity of competition. Firstly, as a result of the economies of scale, the high fixed costs push plastics producers to boost their sales by competing with each other. Secondly, on account of the low differentiated nature of the products, no firm has a superior competitive advantage in terms of product design. Last but not least, the exit barrier is very high. The reason is that the initial capital investments for manufacturing plants are huge and firms rather lose for a few years than quit the business. All the mentioned factors are increasing the competition in the industry.

Nevertheless, as mentioned before, the case company's rivals, who are mainly international companies, have low concentration. In addition, the high growth rate of masterbatch market plus the moderate costs of switching supplier loosen the level of competitiveness in the industry.

All things considered, the rivalry intensity between competitors in the plastic industry is moderate.

### ***Recommended strategies***

The most competitive forces so far in Finnish plastic industry are the bargaining power of buyers and the rivalry intensity. The case company, as a supplier in the industry, therefore should aim at increasing its own bargaining power as well as reduce the competitiveness. In order to achieve these goals, the authors have several advices for the case company:

- Develop products for higher level of differentiation
- Look for more customers worldwide, avoid conducting business with very few huge customers so as not to "put all eggs in one basket"
- Consider horizontal integration with other suppliers to create better concentration against the buyers

### 4.3 Finnish plastics market

Having mentioned in the former section of this chapter, the plastic industry contains two main markets: input market (material market) and output market (product market). As a matter of fact, in the interests of the case company, only the input market will be taken into consideration.

In other respects, the plastic material market is also deemed to be one of the chemical industry's output markets. Hence the writers find it necessary to provide the readers with some background information of the chemical industry.

Additionally, being a member of the EU, the movement of the Finnish economy is associated with the development of the other economies in the EU as a whole.

Consequently, the authors decided to put the chemical industry overview into the EU context.

All things considered, there will be two main parts in this section: the first part is a big picture of the EU chemical industry; and the second part is a revealing analysis of the plastics input market in Finland.

#### 4.3.1 EU chemical industry overview

Chemical industry is defined as the business which produces and converts the industrial raw chemicals to the intermediate and end products by using high manufacturing technology rather than physical power (Cefic 2012).

Regarding the limitation on information about the industry, in this paragraph, the authors will consider three main aspects: the breakdowns of chemical products; the categorization of chemical industry's customers; and the comparison of chemical sales between main regions in the world and that between the EU's member states.

## Breakdowns of chemical products

There are many types of chemical product in European market, which are categorized into 5 main types: Consumer chemicals, Specialties, Petrochemicals, Basic inorganics and Polymers (Cefic 2012). Figure 22 illustrates the chemical sales in 2011 in each of the broken down product sectors.

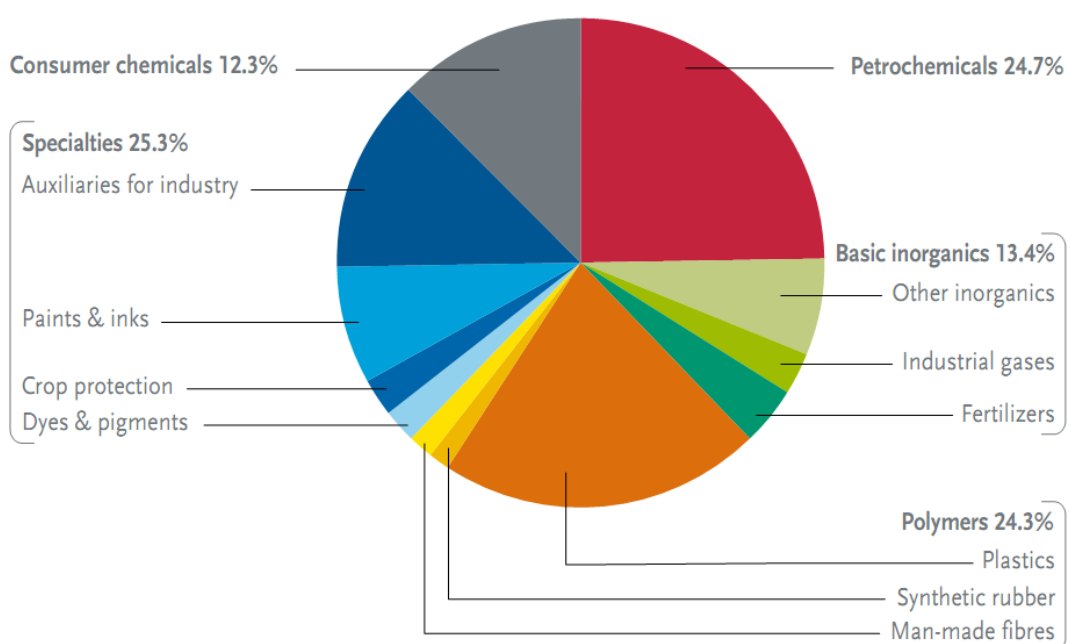


FIGURE 22. European Chemical Sales by Sectorial Breakdown (Cefic 2012)

Petrochemicals, specialties and Polymers are the most successful sectors, which account for 24.7%, 25.3% and 24.3% of the total sales. Specialties are produced in small types of product but it represents the highest amount of sales compared with others. Moreover, Petrochemical, whose sales account for 24.7% is an important raw material used in a potential and economically beneficial industry, which is petroleum. Hence there is no doubt that Petrochemical still continues developing in recent years and future. On the other hand, Polymer supplies its product for a wide range of customers; its demand is predicted to increase despite the effect of economic crisis. By contrast, consumer chemical is affected directly by the global economic downturn because its product, such as soaps, perfumes and cosmetics

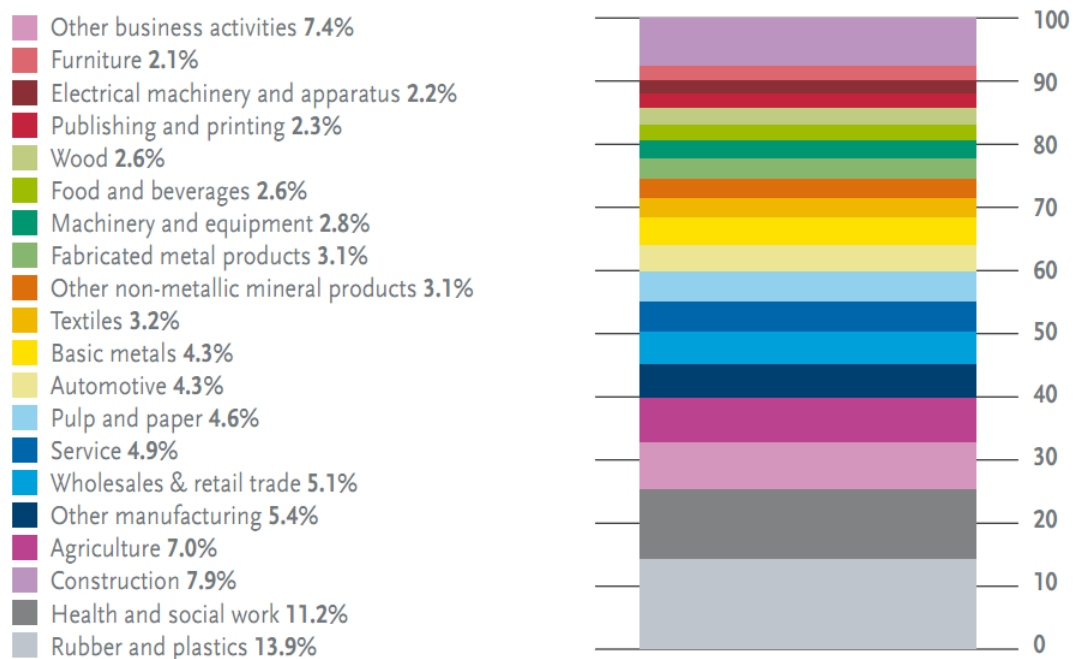
are sold directly to end customers. Undoubtedly, its sales account for 12.3% of the total chemical sales.

### **Categorization of chemical industry's customers**

In Europe, the chemical industry is considered as one of the most competitive and successful industries because it forms the solid ground for other industries.

Additionally, chemical industry contributes significantly to the EU's net exports.

In addition, by supplying materials to a broad range of customer industries as shown in figure 23, chemical industry affirms its importance to the development of most economies.



**FIGURE 23.** Customer Sectors of the EU Chemical Industry (Cefic 2012)

Seen from the above figure, rubber and plastics, healthcare services, construction and agriculture are the three biggest customers with the proportions in chemical products consumption respectively are 13.9%, 11.2% and 7.9%. This data fosters the authors' presumption that chemical industry and plastic material market are strongly correlated with each other.

## Chemical sales

During the global economic crisis period, the total chemical sales of the EU had declined sharply. Figure 24 represents the world's chemical sales in 2012.

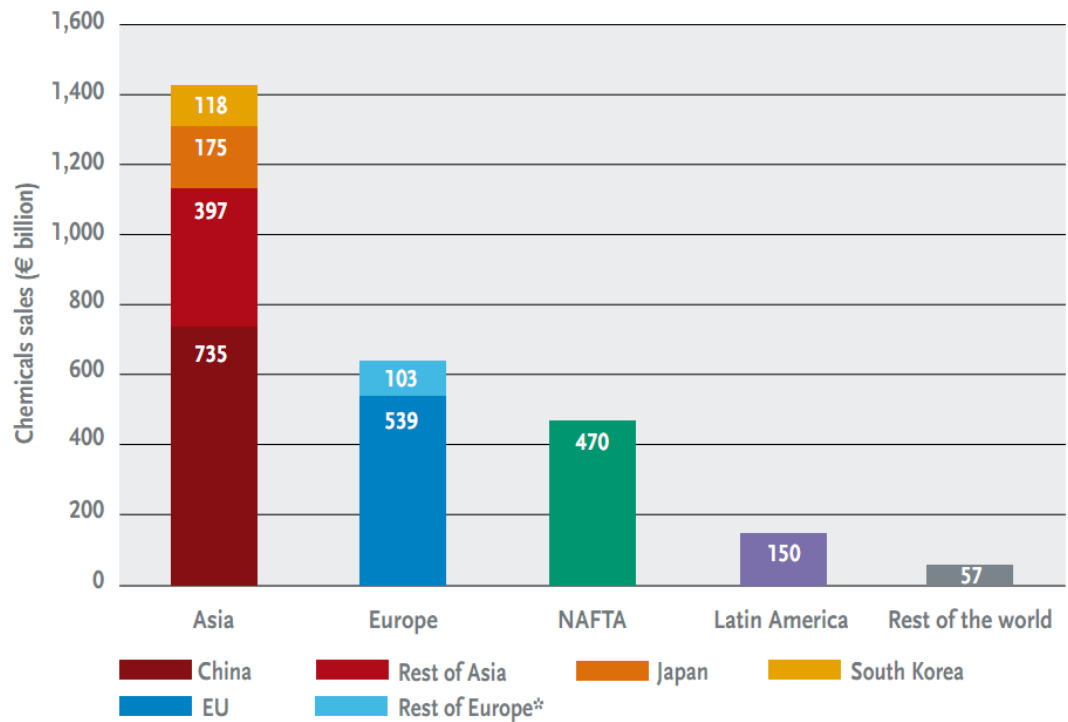


FIGURE 24. World Chemical Sales in 2012 (Cefic 2012)

The world chemical sales reached 2744 billion euros in 2012. The European chemical industry accounts for 19.6% of the total sales, which was valued at only a half of the chemical sales in Asian countries. In fact, only the chemical sales of China are still higher than that of the EU. (Cefic 2012)

According to some experts, the European economies are still affected by terrible sequels of the global economic downturn. Therefore, it is recommended that the EU governments should stay focus on other key industries, such as technology, healthcare services, agricultures, construction and other commodity sectors, which clearly generate more profit; rather than waste their resources in the falling-behind chemical industry. Moreover, in some Asian countries such as China and India,



the governments are attempting to make chemical industry their most profitable sector (KPMG 2010).

In regard to the European market alone, there are big differences in chemical sales between its members as can be seen in figure 25.

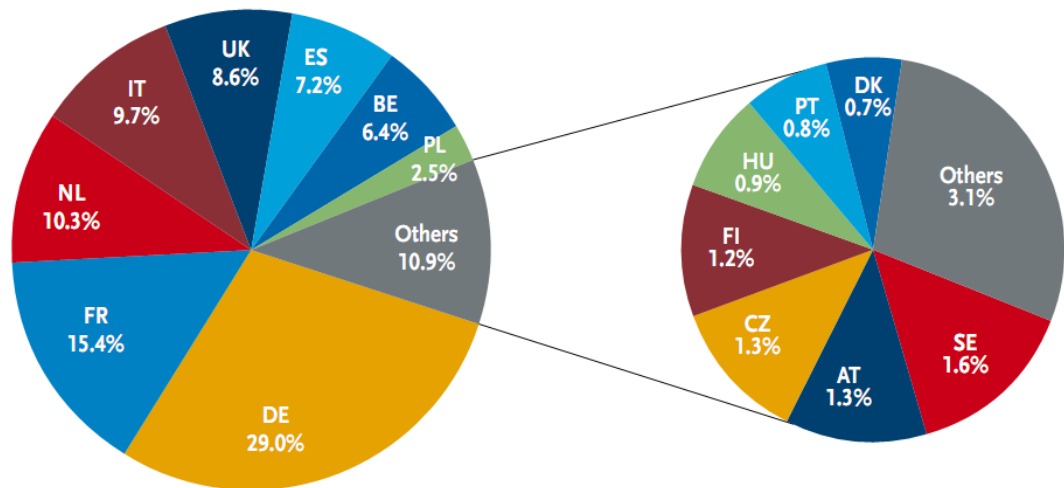


FIGURE 25. European Chemical Sales by Geographic Breakdown (Cefic 2012)

Germany, France and Netherland are regarded as the biggest chemical producers in Europe. In fact, together they contribute 60% to the total European chemical sales while the rest of Europe account for 40%. Italia, United Kingdom, Spain and Belgium are the potential producers while each of them contributes around 10% to the total sales. Meanwhile, Finland is from among the smallest producers with only 1.2% contribution to the Europe chemical sales.

#### 4.3.2 Finnish plastic input market analysis

Plastic industry plays an important and essential role in life because it increases the living standard by growing the environmental awareness among people, developing sustainable environment, and driving innovative solution. Likewise, in

Finland, the development of plastic industry contributes fairly to the growth of the whole economy (Muoviteollisuus 2012).

Concerning the plastic material market, the authors are about to discuss some essential factors that the case company might be interested in. These factors are: the main material types, the market size, recycling technology, the biggest customer sectors with their demands and locations in Finland.

### Main material types and market size

As mentioned in the beginning of Chapter 3, contributing to a plastic production requires two main components: the resin and other plastic additives. Plastic resins can be categorized in different types based on the different levels and components, which deliver functions for different applications. There are six main categories of resin types, as shown in figure 26.

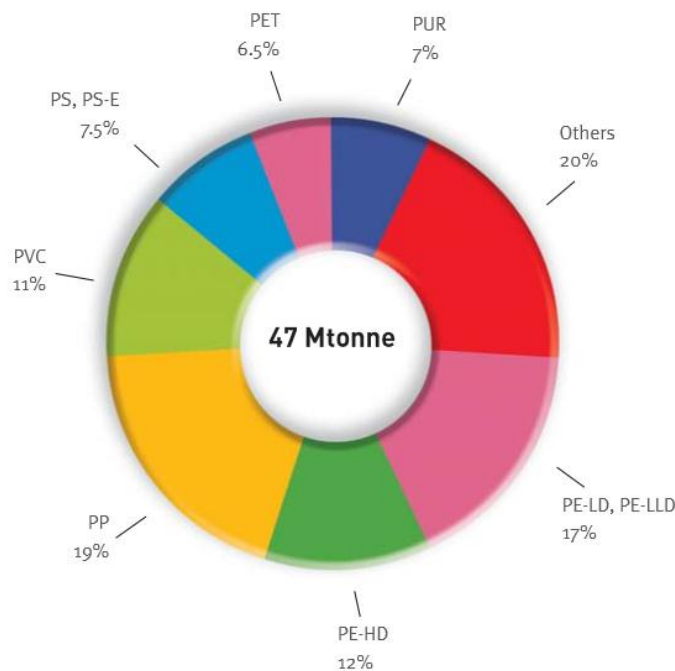


FIGURE 26. European plastic demand by resin type (PlasticsEurope 2012, 8)

The three dominants, which are PE, PP and PVC, have been maintaining their position for decades. In fact they are contributing about 60% to the aggregate

demand for plastics in Europe in 2011; and until now there has been no sign of their downfall. (PlasticsEurope 2012)

Meanwhile, plastic masterbatch, as a major element of the plastic additives, contributes to the plastic industry much lesser than these mentioned resins in terms of quantity. However, the existence of it cannot be denied under any circumstances. The fact is, despite the low proportion, masterbatch plays a critical role in forming the characteristics for most plastic products. Since the technology in masterbatch production is being developed continuously, the added value of using masterbatch is enormously increasing. Consequently, the global market size of masterbatch is getting bigger and expected to reach \$8.5 billion by the year 2017. (Jose 2011)

Finland is a small consumer and producer of chemicals in Europe. Finnish plastic market is relatively small compared to that of other European countries, as shown in figure 27:

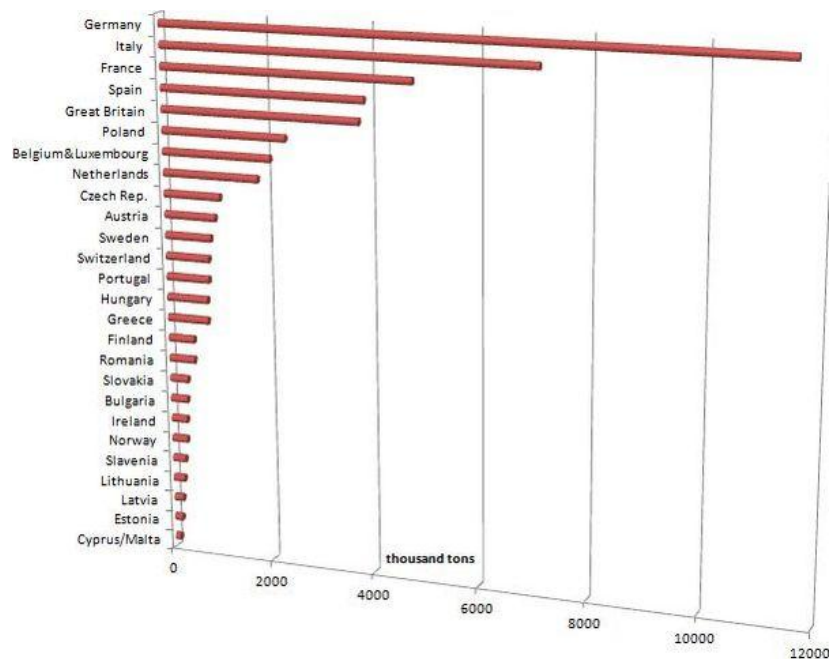


FIGURE 27. European Plastics Demand by Countries (Plastics Fact 2012)

In 2012, Finnish plastics production accounts for 1.4% of the total European plastics production (49.35 million tons) (PlasticsEurope 2012). There are 650

plastics companies with 14,000 employees counted in Finland. The total revenues of those companies were 3 billion Euros. (Muoviteollisuus 2013)

Meanwhile, Germany, regarded as the Europe's leading plastic industry, demanded about 12 billion tons of plastics in 2012 as can be seen on figure 27. It consists of 7,190 plastics companies, with 437,000 employees and together they made 88 billion Euros (Padur & MacDougall 2011). Undoubtedly, it was extremely a far distance for Finland.

### Main customer industries

Each type of these plastics contains specific properties hence has its own applications. In regard of customer industries, there are four main players: Automotive, Electrical & Electronic, Building & Construction and Packaging. Figure 28 shows those players together with their plastic demands.

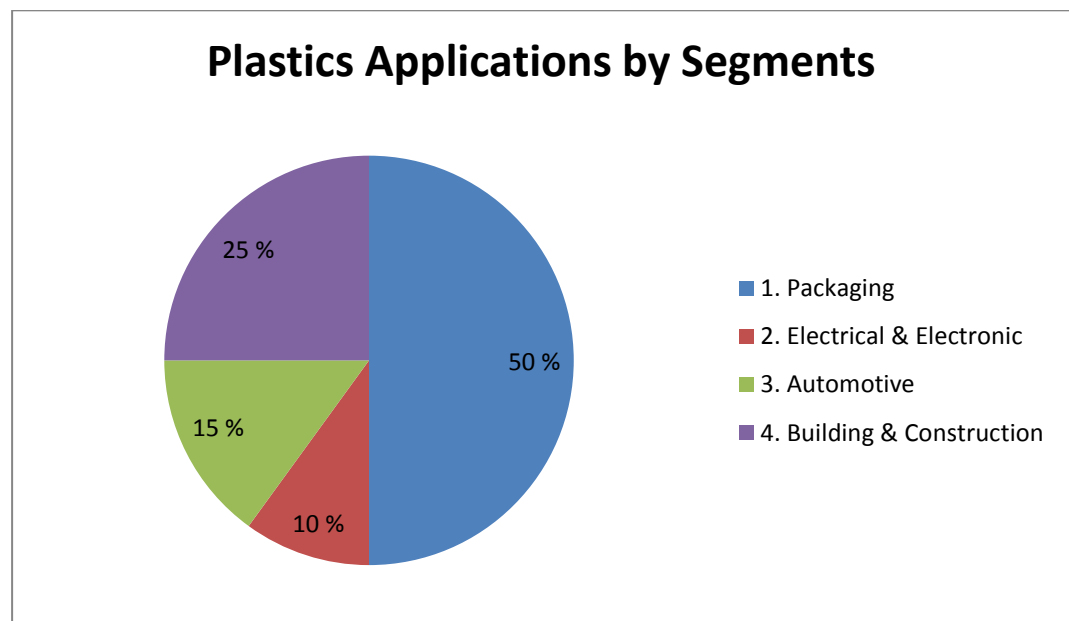


FIGURE 28. Finnish Plastics Demand by Segment 2012 (Muoviteollisuus 2013)

According to Muoviteollisuus, this statistics remained stably through recent years. Undoubtedly, by representing about 50% of the total amount in plastic materials consumption, packaging industry is the biggest customer, followed by building &

construction (25%). Packaging is an important production sector in many industries, especially foods and beverages, personal healthcare services by accounting for 60% of total production volume (Alliances 2012). In addition, plastics are expected to be consumed more in packaging sector in the future. Unquestionably, packaging is considered as the target sector which the case company should be focusing on in terms of export. (Muoviteollisuus 2013)

### Recycling and recovery rate

Plastics waste is regarded as the most valuable resource compared among several types of chemical wastes; hence it should not be wasted. Capturing the full value of Plastics waste as well as chemicals waste is always the biggest concern of European society and chemicals manufacturers. The solution is implemented in different ways depending on different waste management's infrastructure, resources as well as application technologies in different countries. By applying high technology and resources efficiently, Finland became one of the top 20 plastics recyclers in Europe, as can be seen in figure 29.

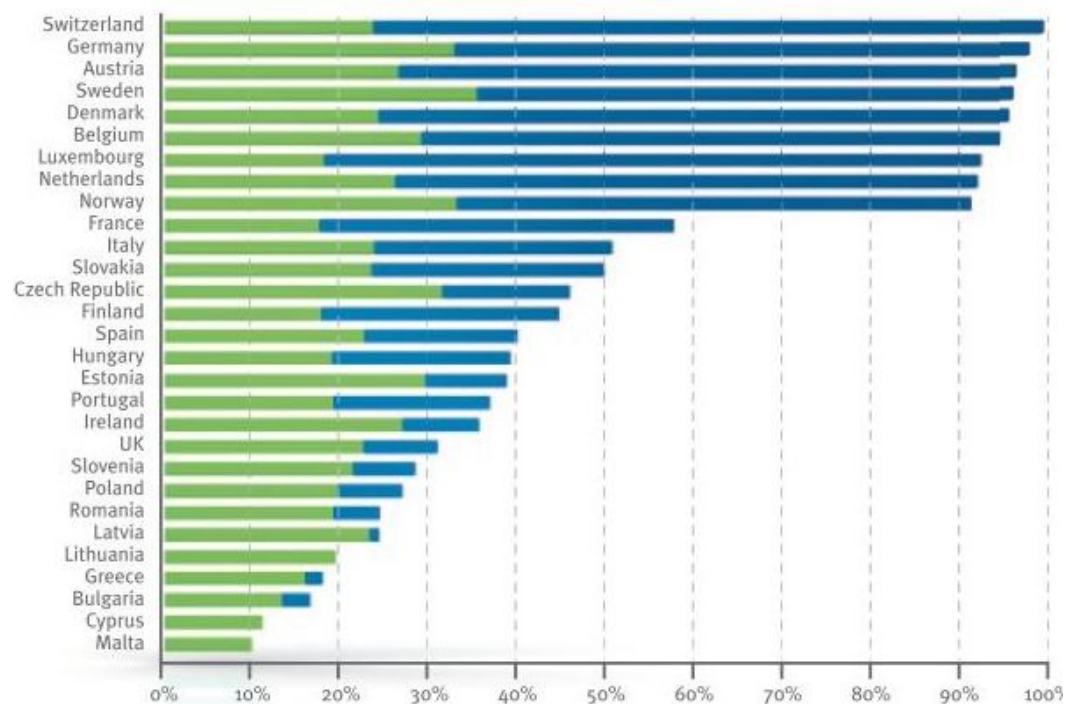


FIGURE 29. Recycling and Recovery rate by EU Countries in 2012  
(PlasticsEurope 2012)

Recycling rate is represented by green color while recovery rate is shown by blue color. They represent how effective European countries use plastics waste resources in 2012. In fact, plastics waste recycling and recovery are becoming effectively concerned while the average performance rate in each sectors are orderly 30% and 40%.

#### 4.3.3 Market segmentation

In this part, the writers are going to screening the Finnish market to figure out the target customers based on several given criteria.

##### **Criteria analyzing**

The criteria for selection are provided by the case company via interviews with CEOs and managers of the case company.

Firstly, as the nature of B2B market, the most crucial factor is obviously the price level. The fact is, when a B2B firm increases their product price by only 5%, it could result a 50% increase in their profit (Blythe & Zimmerman 2005).

Therefore, B2B buyers always try their best to figure out the lowest price for the same product among suppliers. On the other hand, suppliers, for the same reason, work their best to keep the price as high as possible. The process of figuring out the final price depends a lot on other aspects in the contract, such as the delivery term, technical supports and prospect of long-term relationship, etc. Consequently, this factor is very difficult to be determined without a real contract in a particular situation.

The second factor is the business type of partners. Since the case company's core strategy is to expand their market, the ideal partner they are looking for should not be a small local manufacturer, but rather an international distributor who can partner up with them for more customers. Another advantage of selling to distributors is that they usually order in bulk and regularly, which ensures steady revenue for the case company.

The third factor is concerning the business size of buyers. An ideal buyer should have the equivalent financial strength compared to the case company. Too small companies often purchase in tiny orders. Even though there might be many orders, it is still not a good idea in terms of economies of scale. On the other hand, too big orders from oversized enterprises are also an issue to the current production capacity of the case company.

The fourth factor is about the nature of the buyers' products. Since the masterbatch market is not a new one, in fact it has prevailed for decades, most plastic firms know well about this kind of product. Therefore, once they are not using them, it is very likely that they are not going to use them in the near future, and vice versa (Jalava 2013). So far, the case company has admitted that their best-selling products are the materials for packaging market (Ha 2013).

The fifth factor regards the recent performance of partners, which greatly affects their buying behavior. No matter how great the materials are, the facts speak for themselves that poor performing firms are struggling to sell their products, not to buy things, at all.

Last but not least, partners' technology level should be equal to that of the case company. If a partner is technically more advanced, either the two products from both firms are not compatible or the case company's products will soon be outdated and replaced. Nevertheless, low-tech companies tend to be either local or very small in size, neither of which is in the case company's interest. Putting things in the context of high-tech Finnish market, firms with medium level of technology would be attainable for the case company.

### **Benchmarking**

In accordance with these criteria above, the authors have narrowed down the searching range by designing a new set of benchmarks (table 8) for target customers. To be in the list of target customers, the candidates have to satisfy at least 80% of the requirements.

TABLE 8. Benchmarks for selecting target customers

Aspects	Requirements
Business type	Plastic manufacturers Material distributors/traders/importers
Main category	Packaging (Plastic bags, bottles, etc.) Film extrusion Plastic injection molding
Company size	€1-30 million in turnover 50-500 employees
Technology level	Medium
Performance	Annual growth rate >20% Operating profit (%) >5%

The benchmarks are applied on 315 companies which are under the observation of the authors. According to the benchmarking result, 90 companies are suitably qualified with the requirements. Still, the level of relevance varies among those candidates. The authors, therefore, decided to rank them by measuring how well they are fit with the requirements. As a consequence, the 90 companies are divided into three groups A, B and C, of which the degree of potentiality to become the target customers respectively decreases. Group A consists of 21 most potential customers (appendix 1); group B includes the next 41 prospective firms (appendix 2); and group C contains the rest with 28 companies (appendix 3). For better communication and proactive market research, the authors will provide some background information of five target customers in group A.

### **Biaxis Oy Ltd**

Biaxis Oy, established in 1967, is a joint venture with the Sojitz Corporation of Japan. The company is acting as a manufacturer of BOPA (Biaxially Oriented



Polyamide) film products used for all kinds of packaging applications by using one of the most sophisticated co-extrusion techniques in the world (Biaxis, 2013). Production of Biaxis mainly contributes to Wipak group, a leader in developing and manufacturing multilayer films and packaging solutions, which is specializing in food industry and healthcare sector (Wipak 2013).

Biaxis's development has been well performing in recent years. In 2011, its turnover reached 24,919 million euros and operating profit reached 3.9%. Biaxis's head office and manufacturing facility are located in Finland, with 50-99 employees. All in all, Biaxis can be considered as an ideal partner for the case company because of their relevance to the criteria. However, the sophisticated production techniques application may require high product standards, which is a big obstacle for case company. (Finder 2013)

### **Schoeller Arca Systems Oy**

Company is established in 1985. From January 2013, Schoeller Arca Systems (SAS) company and LINPAC Allibert company have joined together to become one global company named: Schoeller Allibert. The company is regarded as the one of the world leaders in plastic reusable transit packaging (RTP). Company is a strategic partner of several big firms, such as Electrolux, Siemens, Heineken and Unilever.

Schoeller Allibert is well-known at modern technology solutions application in production process. Product's quality is always the most concentrated criteria, it is improved in several criteria, which are: cost-efficiency, user friendliness and sustainability, durability and safety, as well as recyclability.

The product of Schoeller Allibert serves several markets, which simply divided into industrial market and consumer market. The company produces several types of plastics product regarding those markets such as plastics pallet, pallet containers, bulk and small containers, which are completely relevant with raw materials supplied by the case company. (Allibert 2013)

The company's facilities are allocated in many countries, including Finland. With 19 employees working in Finland, Schoeller Allibert's performance was not very persuasive in the last few years. Although the company's turnover reached 10,874 million euros with an enormous increase of 10.6% in 2011, its operating profit laid low at 1.3% within the same year. Nonetheless, with completely relevant target products, high market knowledge as well as global trading experiences, Schoeller Allibert can be listed as one of the target customers. (Finder 2013)

### **Rosenlew RKW Finland Oy**

Rosenlew is a limited plastics company established in 1920 in Pori, Finland. Company is operating in flexible packaging products for the industry. From the 1980s Rosenlew became one of the biggest packaging leaders in Europe. Since 2001, Rosenlew has been part of the German RKW group, which is one of the European leading polyethylene manufactures. Since November 2012, the company's name has been changed to RKW Finland.

With a long-experienced development, as well as innovative packaging solutions, this company plays an important role in the Finnish packaging industry by producing high standardized plastic products. The product range of the company includes plastic sacks, packaging film, label films and roofing underlay film while plastic sacks and packaging film are the major focused products. (RKW 2013)

RKW Finland itself shows that it is a big-sized company as it employs around 200 people, whose contribution made 56,974 million euros of turnover and 5% in operating profit in 2011. In addition, another positive sign is that RKW Finland has been always maintaining its stable development in years, as shown in figure 30. (Finder 2013)

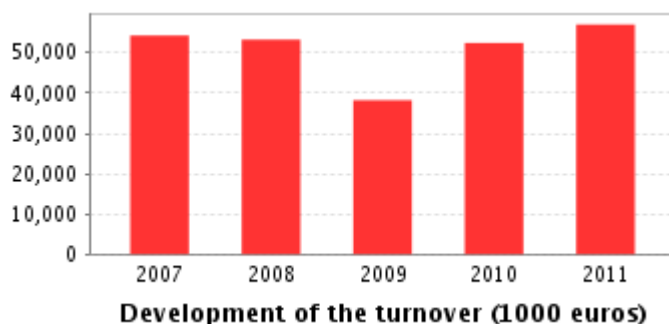


FIGURE 30. Turnover of RKW Finland Company (Finder 2013)

As mentioned, an oversized company is not an ideal customer to the case company's decision because of the low production capacity. However, based on the completely relevant factors, such as product, performance and technology level, RKW Finland is still regarded as a target customer of the case company.

### **Pyroll Packages**

Established in 1970, Pyroll Packages is one of three members of Pyroll group, which is one of the leading paper, cardboard, paperboard and plastic converters in Nordic countries. This company is regarded as one of the leading packaging manufacturers in Finland, specializing in packaging manufacturing, packaging services and packaging design.

The company produces several types of packaging product such as carton board, paper, aluminum and service, such as digital printing, which serve different sectors. Plastics packages, considered as one of the company's beneficial products are used by some well-known Finnish beverage firms, such as Pirkka and Vaasan. (Pyroll 2013)

Having two facilities located in Lempäälä and Ypäjä, Finland with around 100 employees in total, the company shows its stable development in recent years. In 2011, its turnover maintained around 80 million euros and its operating profit reached 6.7%, as shown in figure 31 (Finder 2013)

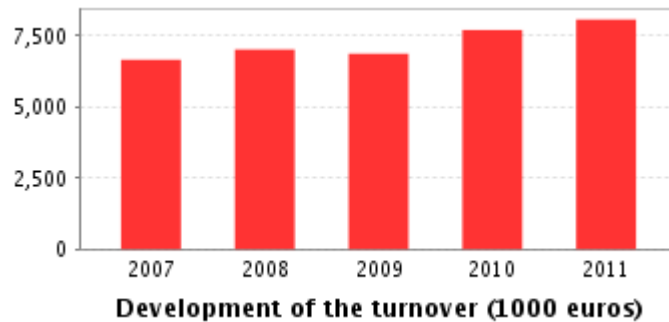


FIGURE 31. Turnover of Pyroll Packages Company (Finder 2013)

These mentioned positive signs simply show that Pyroll is the most potential customer of case company.

### **Plastiroll Oy**

Established in 1983, Plastiroll is a packaging materials manufacturer, which is regarded as a pioneer in packaging solutions in Finland. Most of the activities have been characterized to develop environmentally friendly packaging materials. Along with the new solutions, Plastiroll's partners, whom operate in Finnish paper packaging industries, became more international and widespread in recent years.

The company's products range from paper and board-based packaging material to clear transparent biodegradable film, plastic bags and sacks. Plastic bags and sacks sector consists of waste disposal bags, sacks and foodstuff packages may require similar materials that the case company produces.

Quality improvement is a major concern in Plastiroll's production operation. The company's product quality policy is based on quality and environment standards ISO 9001:2008 and ISO 14001:2004. Moreover, the Quality and Hygiene Management System, which complements the integrated quality system, has been applied in Plastiroll since 2003. The company gained the Inspecta certification, which covers food board and food packaging laminate.

Plastiroll has two production facilities in Ylöjärvi in Finland. The company has 75 employees and reached the turnover of roughly 28 million euros while export accounts for half of it. (Plastiroll 2013)

The authors highly believe that Plastiroll is a target customer of the case company because of these mentioned relevant features.

#### **Chapter 4's summary**

This chapter is meant to answer the research questions 1c to 1f.

There are many environmental factors that may affect the case company's internationalization. These factors involves: the macro-environmental factors, such as economic freedom and growth rate, legal issues and technological development, etc.; the industry level factor, or the competition level to be precise; and the market level factors, including the characteristics of both the input market and the output market. It is notable that, since the technology level of Finland is much higher than that of Vietnam, a great difficulty in terms of product compatibility may arise.

Regarding the competition, Finnish plastic industry has an average level of competitiveness. Particularly, the rivalry intensity is moderate, whereas the buyers' power is high yet the threats of new entrants and threats of substitutes are both at low level.

Concerning the plastic material market, Finland shows some positive signs in regard of market growth, especially the packaging sector. However, there are many other obstacles that should be taken into consideration such as: the strong competition from other big international corporations; the small market size; and the great distance between the home and the host country.

## 5 ENTRY STRATEGY FOR ENTERING FINLAND

### 5.1 Choice of entry mode

As discussed before, there are a number of factors that affect the market entry mode decision. Depends on the nature of each factor, by either increasingly or decreasingly changing the level of internationalization, the final decision might vary from export modes (low internationalization level) to hierarchical modes (high internationalization level).

The arrangement of entry modes in accordance with control level and resource commitment can be considered as a continuum (Sternquist 1998, 201). Export modes have the least control and require very little capital, while a wholly-owned subsidiary needs huge resource deployment yet highly increases the exporting firms control level over their markets. Figure 32 represents shortly those entry modes in relation with control level and resource deployment.

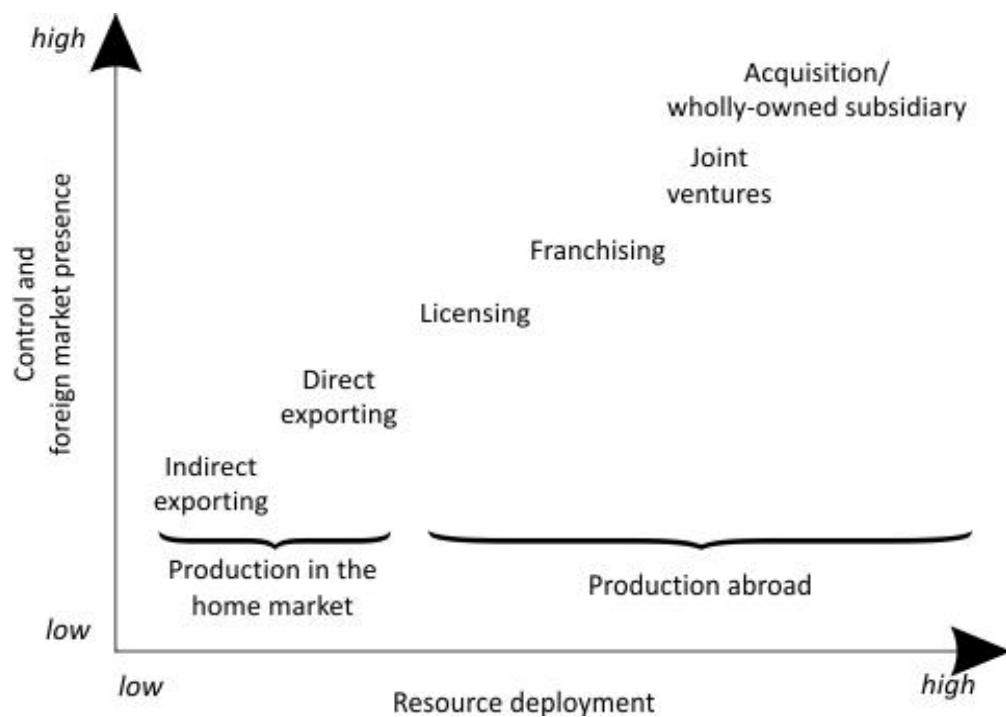


FIGURE 32. Market entry modes in relation with control level and resource deployment (Yao Lu 2011)

Table 9 shows the authors' observations for each factor in correspondence with its influence on the internationalization level.

TABLE 9. Factors affecting the level of internationalization

Aspects	Descriptions	Level of internationalization
Internal factors	Small & medium size enterprise	-
	Lacking international experience	-
	Medium product complexity	0
	Low differentiation advantage	-
Desired mode characteristics	Medium control	0
	Low risk commitment	-
	High flexibility	-
Transaction-specific factors	Low tacit nature of know-how	-
External factors	Large market size with fast growth	+
	Huge social cultural distance	-
	Low trade tariffs but complex legal issues	0
	Low country risk with medium demand uncertainty level	+
	High intensity of competition	-

In the table, each of the minus symbols (“-“), plus symbols (“+”) and zero numbers (“0”) respectively denotes a decrease, an increase and nothing in the change of internationalization level.

As can be seen from table 9, the minus symbol is the majority with eight out of 13 factors, whereas the plus counts for only two and zero is marked for the remaining three factors. In total, the level of internationalization for the case company when entering Finland should be low. Therefore, *export modes* are the recommended market entry modes of the authors for the case company.

In the following part, in order to settle down the most suitable entry mode, the writers are comparing the two main components of export modes: direct export mode and indirect export mode.

Gilbert, Churchill & Peter (1998, 369) summarized the characteristics of direct export and indirect export (table 10). By adapting the current desires in correspondence with these features, the case company can decide which export mode is more relevant to their strategies.

TABLE 10. Characteristics of direct export and indirect export

<b>Entry mode considerations</b>	<b>Indirect Export</b>	<b>Direct Export</b>
Resources required	Very little	Minimal capital – must manage effectively
Potential risk(s)	Low risk of any kind	Low risk of loss
Experience	Limited	Experience in foreign market
Return on investment	Limited	Good
Host government reaction	None	Limited
Control capabilities	Limited	Possible loss of control of marketing
Other considerations	Easy way to explore international business	Good first learning step

Exporting, which requires low level of control, limited resource commitment and reduces financial risk is advised as the most reasonable and well-starting entry mode for SMEs. It is the most common mode which is organized in a variety of ways, depending on the number and type of intermediaries which are export agents and export management companies Hollensen (2007, 310-311). Zekiri & Angelova (2011, 576), in their article, concluded that by the help of intermediaries, SME can:



- Minimize capital investment and resources
- Completely control the production and product
- Minimize risk by receiving knowhow and services from intermediaries
- Benefit and learn from the experience of exporting for eventually any future expansion
- Reach the customer easily

According to Hill and Jones (2007, 286), exporting brings some drawbacks for the company, especially high transportation costs and tariff barriers. However, whether exporting brings exporting companies advantages or disadvantages, most SME companies still use exporting as a way to “test the waters” before establishing their foreign subsidiaries (Hollensen 2007, 391). By applying this strategy, the case company could develop its business sustainability and gradually gain more exporting experience, relationship and capital required for future extension.

In conclusion, the authors want to point out that *direct export* is the best entry mode for the case company at the moment. However, due to the fast paced changing of both the case company’s size and the chemical and plastic industry, the future mode might be adapted accordingly.

## 5.2 Connect with the customers

### 5.2.1 Distribution channel design

#### **External determinants**

The end customers of the case company are mostly plastics manufacturers. Typically, industrial customers are limited in number, uneven yet concentrated in geographical distribution. Since there is a positive correlation between the number of customers and the need for agents or distributors (Keegan 2002, 389), the case company should balance benefits against costs for using intermediaries.

In Finland, plastic companies are clustered into several industrial zones. Most of the industrial zones are located in metropolitan areas, especially where are near sea ports. Helsinki, Turku and Lahti regions have the highest concentration of plastic and chemical companies. (Hung 2013) This fact helps the authors not only narrow down the choices of designing distribution channels, but also locate the optimal place for warehousing or opening office representative (supposing that it would happen in future).

Regarding the nature of product, plastic master batch is always sold in bulk. If the case company uses middlemen to distribute their products, then warehousing is a must. Since the import quantity is at least one metric ton per order, which ensures a high number in sales revenue, the warehousing and transportation costs would make a greater contribution to the total cost mark-up than the expenses for sales activities (Keegan 2002, 390).

When it comes to logistics, there is talk that the geographic position of Finland is really an issue for international traders. It is not only the great distance that prolongs the lead time, but also the freezing cold that might spoil almost everything. However, it turns out that Finland has realized its disadvantages and tried to fix them long time ago. Today, Finland, with remarkable efficiency in logistics, transportation and communication, is ranked 25<sup>th</sup> globally in terms of infrastructure development (Schwab 2012). This would increase the possibility of a direct channel establishment for the case company to reach Finnish customers.

### Channel structure design

In designing the appropriate structure for the distribution channel, the authors have created a decision matrix for evaluating the suitability of distribution strategies in accordance with chosen criteria (table 11). The criteria are the most essential external determinants which were defined in the former part, namely: Industrial customers, Industrial material products, Finnish market and Being a newcomer. A chosen criterion might be relevant for evaluating one strategy, while irrelevant for evaluating another strategy. Points 1-3 indicate the three level of suitability, from unsuitable to suitable accordingly; minus symbol (“-“) denotes the irrelevance of the criterion to the matching strategy.

TABLE 11. Decision making matrix for distribution channel structure

Criteria Strategies		Industrial customers	Industrial material products	Finnish market	Being a newcomer	Total score
Market coverage	Intensive	1	1	1	-	3
	Selective	2	2	1	-	5
	Exclusive	3	3	3	-	9
Channel length	Long	1	1	1	1	4
	Medium	2	2	2	3	9
	Short	3	3	3	2	11
Control/ cost	High	2	1	-	2	5
	Medium	3	3	-	3	9
	Low	1	1	-	1	3
Degree of integration	Vertical	3	3	-	3	9
	Horizontal	1	1	-	1	3

\*Scores 1-3 denote the level of increasing suitability

As can be seen from the results, the market coverage strategy absolutely should be exclusive. This exclusive distribution strategy not only suits the industrial market best, but also fit the Finnish market characteristics. Finnish plastic industry, with approximately 640 companies, less than half of which are manufacturers, is definitely not a big market. Moreover, those companies are concentrated in several zones, which makes the distribution channel run smoothly even with only one agent in the whole region.

Secondly, the channel length should be as short as possible. Since the material products are high in sales volume yet low in profit, the case company has to reduce as many costs as it can to maintain the operating profit. Reducing the number of links in the distribution process is an effective way in this case (Hollensen 2004, 498).

Being a newcomer, there is a great pressure on the company to gain more control over the distribution channel. Otherwise, big distributors will take over the market and left the case company with less bargaining power against them. However, more control requires more expenses (sales activity, market research, etc.), which contradicts the case company's attempt to reduce costs as discussed above. Therefore, the optimum choice here is to maintain a medium level of control, while finding other ways to minimize the costs.

The last strategy is about type of integration between the case company and its middlemen. Vertical integration is playing the winning position since partnerships in B2B markets are more reasonable to make with distributors/agents than with competitors in the same channel.

Based on the above analysis, the authors advise the case company to build two parallel distribution channels: one channel using the company's sales-force to directly contact customers, and another one containing a big middleman who could help it expand the market. Figure 33 illustrates the two hypothetical distribution channels from Vietnam to Finland.

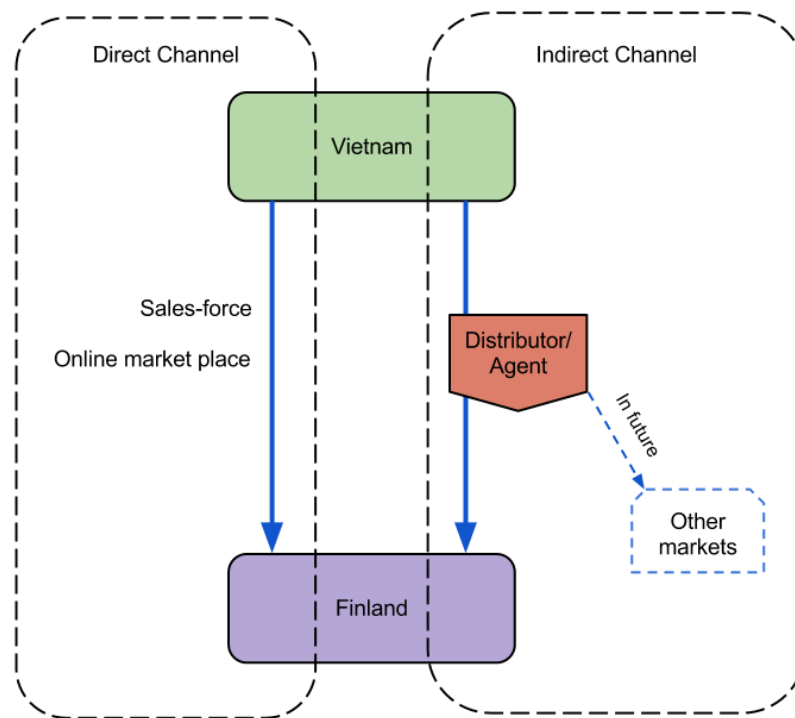


FIGURE 33. Hypothetical parallel distribution channels for plastic masterbatch

While direct channel is the shortest channel and suitable most for the exclusive market coverage strategy, it is very little help in expanding the market. On the contrary, indirect channel, on one hand helps companies widen the network, on the other hand increases the costs and reduce the distribution channel control. Therefore, the authors decide to use both channels at a time yet selectively depending on which market segment the case company is aiming at. The direct channel will only be used for the target customers, while the distributors (i.e. the indirect channel) will take care of the rest. By doing this, the case company not only gain certain level of control over the market, but also can expand its market share in Finland, and even to other countries in future.

### 5.2.2 Intermediary selection

Intermediaries, in this case, are distributors and/or agents. They are the essential links to the customers in indirect distribution channel. Although there is difference between distributors and agents, sometimes the two terms are still used

synonymously. While distributors purchased the goods then resell them to the end customers, including all logistics services such as warehousing and transportation, agents are only in charge of finding customers. (Hollensen 2004, 250)

However, to some extent, it is not important whether an intermediary is an agent or a distributor, but what matters is the set of benefits that are offered to exporters by that intermediary. Therefore, according to the case company's wishes, the authors decided to select the middlemen based on the below criteria, which are arranged in decreasing priority:

- Reputation with customers and authorities
- Large market coverage
- Low operating costs
- Experience with chemical products
- Ready physical facilities

The following text is background information of several qualified candidates that the authors have studied about.

### **Algol Chemicals Oy**

This company is a branch of Algol Group, a Finnish family-owned company. Founded in 1984, the company is well equipped with deep knowledge and experience in international trade. They have a strong global network of hundreds of cooperation partners.

Algol Chemicals Oy specializes in industrial chemical products distribution, with a broad active range from Finland to Russia, Scandinavian countries and other Baltic states. Figure 34 maps out the company's presence in 19 cities in Northern Europe. With a turnover of €175 million (2011), the company well affirms its soundness in financial background. Having physical facilities in more than ten countries, Algol offers its partners both local and central warehousing for a better performance in distribution.

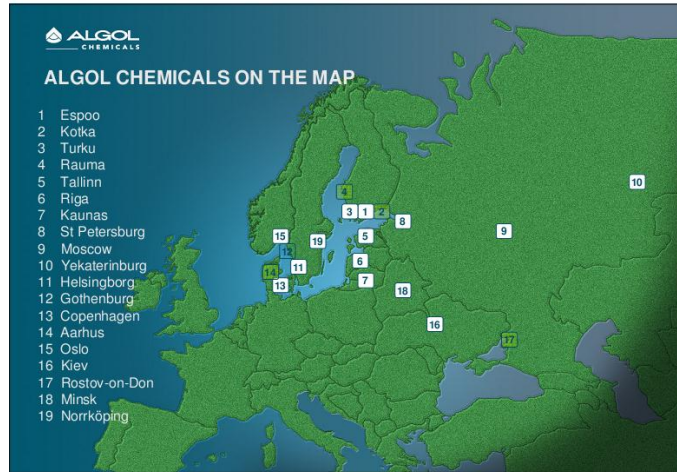


FIGURE 34. Presence of Algol Chemicals Oy

So far, this distributor is the most qualified candidate that should be contacted initially if the case company decided to export to Finland or its neighbor countries.

### **Bang & Bonsomer Group**

Founded in 1927, the company is a leading distributor in raw materials and additives for various industries, including chemical and plastic industry. Their head office is located in Helsinki, Finland, meanwhile their sales offices and warehousing facilities are widely placed in Southern Finland, Russia and Eastern Europe.

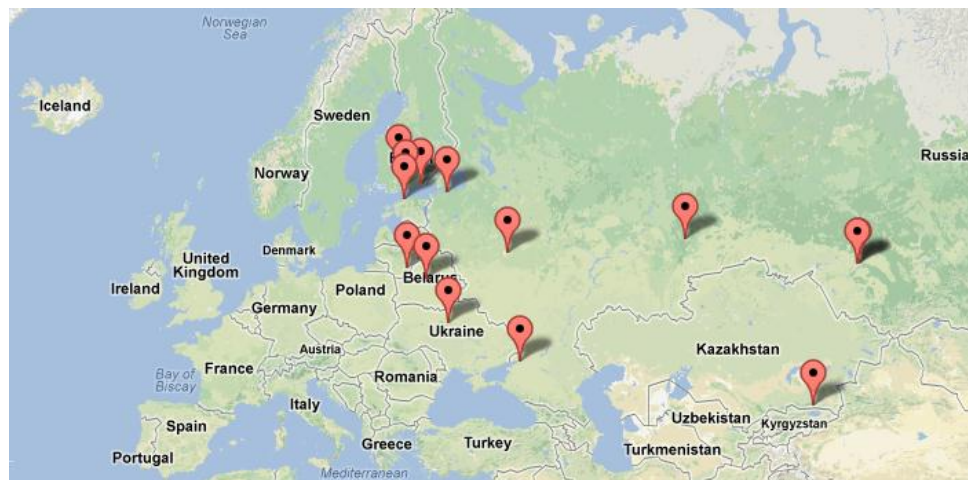


FIGURE 35. Locations of Bang & Bonsomer Group's warehouses

The company's best assets are modern physical facilities and capability of handling extremely toxic chemicals. Their main warehouse in Valkeakoski, Finland has a huge floor area of 3300 m<sup>2</sup> with security services, water treatment plant and fire department on site. The company's main products are plastics and chemical specialty compounds for packaging, which is a big advantage in the case company's point of view. In addition, this distributor has an office in Shanghai, which means that it has experiences in working with Asian partners.

However, one of the minus points is the current performance of this distributor. Since 2008, the company has been through difficult time with many changes in the management.

In brief, Bang & Bonsomer Group is still acting as a big distributor in Finland and Eastern Europe, which the case company should take into consideration.

### **Brenntag Nordic Oy**

With total assets worth up to €5.7 billion, this company is obviously one of the world's leaders in chemical distribution. It provides B2B distribution solutions for industrial specialty chemicals to almost everywhere. In fact, it supplies about ten thousand products to 150 thousand customers over 400 locations in more than 60 countries across the world.

On one hand, if the case company partners up with Brenntag, they could rest assured that their products will be distributed wherever they want. On the other hand, the case company should ensure that their production is large enough to well cover the costs of intermediaries. Besides, partnering up with such a big partner requires more than just money, for example the trade-off between gaining market share and losing bargaining power.

From the authors' perspective, the case company should not do business with Brenntag at the moment. However, keeping an eye on this giant distributor for future expansion plans is not a bad idea.



### **Chapter 5's summary**

This chapter, by thoroughly answering the main research question number 2, is supposed to be a market entry instruction for the case company.

All things considered, the most suitable entry mode for the case company is direct export, with a certain control level gained and an acceptable amount of resources deployed.

Regarding the distribution channel, the authors recommend the case company to use two parallel channels: direct channel and indirect channel. The indirect channel should be designed to be as short as possible so as to balance the market coverage with the costs for intermediaries.

In terms of intermediary selection, the authors have already picked up several of the most potential distributors that the case company should partner up with.

## 6 CONCLUSIONS AND PROPOSALS FOR FUTURE STUDIES

In this chapter, the authors are going to draw their conclusions for all the research questions. While the two main questions are already given reasonable answers, there are still some minor aspects that have not been resolved satisfactorily enough. These aspects will be mentioned in the authors' proposals for future research. Table 12 briefly shows how well the research questions are solved. It is notable that the table only consists of the sub-questions, as the answers for the two main questions are the combinations of many other sub-questions' answers.

TABLE 12. Final results of the thesis

Research question	Answered	Answer including pages
What are the case company's core competences?	yes	30 – 34
Is it ready to internationalize?	yes	
What products is the case company providing?	yes	37 – 41
What are the environmental factors that affect the case company's internationalization process?	yes	49 – 54
How tight is the competition?	yes	55 – 60
What are the Finnish market's characteristics?	yes	61 – 70
Who are the target customers?	yes	70 – 77
What are their needs?	no	N/A
What is the most suitable entry mode?	yes	78 – 81
What distribution strategies should be considered?	yes	82 – 84
Draw a hypothesis export route to Finland	yes	85 – 88

To conclude, the case company, with obvious competitive advantages in material resources and governmental supports, is enjoying significant and stable growth. They are ready for international market expansion. In fact, they have expanded their market coverage to several countries in Asia and even Eastern Europe. However, facing with relatively intensive competition from several giant international corporations, the company needs to improve their performance a lot in order to successfully enter the Finnish market, where the standards for plastic materials are very high.

Concerning the market entry strategies, the authors have pointed out that the best entry mode for the case company at the moment is direct export mode. The writers also suggest the company to use two parallel distribution channels, both direct and indirect channels, so as to gain a certain level of control over the market while minimizing the costs for intermediaries and logistics.

Finally, despite the authors' effort, the customers' needs, the willing-to-pay price level and the future product's features to be precise, have not been determined.

Regarding the proposals for future research, the authors still have a few issues that need to be studied further. These issues include:

- The price level for each of the case company's products that the customers are willing to pay
- The desired product features, especially in regard to sustainable development and environmental issues
- The particular legal procedure for each product type
- List of all competitors that are competing in the same market

The authors hope that these suggested studies would be carried out as soon as possible, since they are all the essentials for the success of the case company's future internationalization.

## 7 SUMMARY

This thesis was conducted to reveal the potential of the Finnish plastics market, from which the case company can decide whether it should export its products to Finland or not. In the interests of insightful contributions to the case company's decision making process, the authors set two main objectives to their research. The first objective is to analyze the internal capabilities of the case company and the Finnish plastics market's characteristics, which consequently points out the main opportunities and barriers affecting the case company's performance. The second objective is to design an appropriate entry strategy which represents how the company's products can be distributed effectively to end-customers.

The thesis has two main parts: the theoretical part and the empirical part.

In the theoretical part, the authors consider Hollensen's five-stage decision model as the theoretical entry approach for the case company. Regarding each stage of the Hollensen's model, the authors select and present the relevant theories and techniques to apply accordingly. SWOT analysis, McKinsey 7S analysis and Boston Matrix are chosen for the internal analysis, while PEST and Porter's Five Forces analyses are applied into the external analysis. The choices of entry mode and distribution strategies are also highly focused.

In the empirical part, the analyzing tools for internal and external analysis are then applied accordingly in each concerning section. Consequently, the suitable entry strategies are revealed step by step, in which choice of entry mode has made, distribution channels are designed and potential intermediaries are selected. The findings at the end of each section partly answer to the two main research questions.

In conclusion, the thesis shows a certain amount of promising opportunities of the Finnish market to the case company. However, there are still some existing obstacles decreasing the market potential. From the authors' perspective, the final decision should not be made until further studies are conducted.

## REFERENCES

**Published References**

Albaum, G., & Duerr, E. S. (2008). *International Marketing and Export Management*. Harlow, England: Pearson Education Limited.

Albaum, G., Turner, E., & Strandkov. (2005). *International Marketing and Export Management*. Harlow, England: Pearson Education Limited.

Johnson, A. (2012). *European Plastics Packaging*. Mergers&Alliance 2/2012, 1-12 .

Blomstermo, A., Sharma, & Sallis. (2006). *Choice of Foreign Market Entry Mode in Service Firms*. *International Marketing Review* , 23(2), 221-229.

Blythe, J., & Zimmerman, A. (2005). *Business to Business Marketing Management*. Cengage Learning.

Branch, A. E. (2006). *Export Practice and Management*. London: Cengage Learning.

Clarke, G., & Wilson, I. (2009). *International Marketing* . New York: McGraw-Hill.

Daniels, J., Radebaugh, L., & Sullivan, D. (2009). *International Business: Environment and Operations*. Harlow, England: Pearson Education International.

Ekeledo, I., & Sivakuma, K. (2004). *International market entry mode strategies of manufacturing firms and service firms: A resource-based perspective*. *International marketing Review* 2006 .Vol. 21, 68-101.

EuPC (2006). *Plastics Converting in Europe*. Understanding the plastics industry, 1-14

Ferrell, O., & Hartline, & M. (2008). *Marketing Strategy*. Mason: Cengage Learning.

- Fleisher, C. S., & Bensoussan, B. E. (2007). *Business and Competitive Analysis: Effective Application of New and Classic Methods*. Upper Saddle River: Financial Times Press.
- Glaister, K. W., & Falshaw, J. R. (1999). *Strategic Planning: Still Going Strong?* Long Range Planning. Vol. 32, 107-116.
- Grant, R. M. (2004). *Contemporary Strategy Analysis: Concepts, Techniques, Applications*. Oxford: Blackwell.
- Grant, R. M. (2010). *Contemporary Strategy Analysis*. Chichester: John Wiley & Sons Ltd.
- Gilbert, A., Churchill, Jr. & Paul Peter, J. (1998). *Marketing (4<sup>th</sup> edition)*. New York: McGraw-Hill. 369-371
- Harnick, Paul. (2010). *The Future of the European Chemical Industry*. KPMG International 2009, 1-33.
- Hill, C. W., & Jones, G. R. (2008). *Essentials of Strategic Management*. Mason: Cengage Learning.
- Hollensen. (2012). *Essentials Of Global Marketing*. Edinburgh Gates: Pearson Education.
- Hollensen, S. (2004). *Global Marketing*. Edinburgh Gate: Pearson Education Limited.
- Hollensen, S. (2007). *Global Marketing: A Decision-Oriented Approach*. Edinburgh Gate: Pearson Education.
- Hollensen, S. (2008). *Essentials Of Global Marketing*. Edinburgh Gate: Pearson Education Limited.
- Hollensen, S. (2010). *Global Marketing - A decision oriented approach*. Edinburgh Gate: Pearson Education.

- Hollensen, S. (2012). *Essentials of Global Marketing*. Edinburgh: Pearson Education Limited.
- Johnson, D., & Turner, C. (2003). *International Business: Themes and Issues in the Modern Global Economy*. Abingdon, Great Britain: Routledge.
- Keegan, W. J. (2002). *Global Marketing Management*. New Jersey: Pearson Education.
- Kotler, P. (2004). *Marketing Management*. New Jersey: Pearson Education.
- Kotler, P., & Armstrong, G. (2011). *Principles Of Marketing (14th Edition)*. Edinburg Gate: Pearson Education Limited.
- Kotler, P., & Keller, K. L. (2009). *Marketing Management*. Edinburg Gate: Pearson Education Limited.
- Padur, P., & MacDougall, W. (2011). *The Plastics Industry in Germany*. Germany Trade & Invest 10/2010, 1-17.
- Petersen, B., & Welch, L. (2002). *Foreign Operation Mode Combinations and Internationalization*. Journal of Business Research, 62-157.
- Rosenbloom, B. (1995). *Marketing Channels: A Management View*. Mason: Harcourt Brace College.
- Schwab, K. (2012). *The Global Competitiveness Report 2012-2013*. Geneva: World Economic.
- Steinbock, D. (2004). *What next? Finnish ICT Cluster and Globalization*. Hyvinkää: Ministry of The Interior Finland.
- Stern, C. W., & Deimler, M. S. (2006). *The Boston Consulting Group On Strategy*. New Jersey: John Wiley & Sons, Inc.
- Sternquist, B. (1998). *International Retailing*. New York: Fairchild.
- Terpstra, & Sarathy. (2000). *International Marketing*. Dryden: Dryden Press.

West, D. C., Ford, J. B., & Ibrahim, E. (2010). *Strategic Marketing: Creating Competitive Advantage*. Edinburgh Gate: Oxford University Press.

Yao Lu, E. (2011). *Factors influencing international fashion retailers*. *Journal of Fashion Marketing and Management*, 58-75.

Zekiri, J., & Angelova, B. (2011). Factors that Influence Entry Mode Choice in Foreign Markets. *European Journals for Social Sciences - Volume 22, Number 4*, 572-584.



## Electronic References

Allibert, S. (2013). Retrieved December 6, 2012, from Schoeller Arca Systems Oy: <http://www.schoellerallibert.com/>

Biaxis. (2013). Retrieved December 6, 2012, from Biaxis: <http://www.biaxis.com/>

Bodewig, C. (2012, November 7th). *What skills are employers looking for in Vietnam's workforce?* East Asia & Pacific on the rise. Retrieved 19 February, 2013, from Worldbank: <http://blogs.worldbank.org/eastasiapacific/node/3039>

Burney. (2008, March 6th). *Inductive & Deductive research Approach*. Retrieved 24 January, 2013, from dr. Burney website: [http://www.drburney.net%20FINDUCTIVE%2520%26%2520DEDUCTIVE%2520RESEARCH%2520APPROACH%252006032008.pdf&ei=cKRZUY2fNeWS4ATboYDYCQ&usg=AFQjCNHSCf9OscndKFt1DDZYv-EaRBpUiQ&sig2=NbGHKpN6\\_IZH2UA9kjYG1g&bvm=bv.44442042,d.bGE/](http://www.drburney.net%20FINDUCTIVE%2520%26%2520DEDUCTIVE%2520RESEARCH%2520APPROACH%252006032008.pdf&ei=cKRZUY2fNeWS4ATboYDYCQ&usg=AFQjCNHSCf9OscndKFt1DDZYv-EaRBpUiQ&sig2=NbGHKpN6_IZH2UA9kjYG1g&bvm=bv.44442042,d.bGE/).

Cavusgil, S., Yeoh, P. & Mitri, M. (1995). *Selecting Foreign Distributors- An Expert Systems Approach*. Industrial Marketing Management. Vol. 24, Iss. 4, 297-304. Retrieved 22 September, 2012, from Sciencedirect: <http://www.sciencedirect.com/science/article/pii/001985019500013Z>

Cefic. (2012). *Facts and Figures: The European chemical industry from a worldwide perspective*. The European Chemical Industry Council. Retrieved 18 January, 2013, from Cefic: <http://www.cefic.org/Facts-and-Figures/> .

CIA. (2013, March 26). *The World Fact Book: Finland*. Retrieved 19 January, 2013, from CIA: <https://www.cia.gov/library/publications/the-world-factbook/geos/fi.html> .

Dahlman, C. J., Routti, J., & Anttila, P. (2006). *Finland as a Knowledge Economy: Elements of Success and Lessons Learned*. The World Bank. Retrieved 10 December, 2012, from World bank website: <https://openknowledge.worldbank.org/bitstream/handle/10986/7138/393780FI0Knowledge0economy01PUBLIC1.pdf?sequence=1> .

*Economist*. (1997, October 9th). *Finland and the EU: In and happy*. Retrieved 14 January, 2013, from Economist website: <http://www.economist.com/node/102291>

*EconomyWatch*. (2010, March 18). *Finland Trade, Finland Exports, Finland Imports*. Retrieved 14 January, 2013, from Economywatch website: [http://www.economywatch.com/world\\_economy/finland/export-import.html](http://www.economywatch.com/world_economy/finland/export-import.html)

*EconomyWatch*. (2010, March 18). *Vietnam Industry Sectors: Key Players*. Retrieved 14 January, 2013, from Economywatch website: [http://www.economywatch.com/world\\_economy/vietnam/industry-sector-industries.html](http://www.economywatch.com/world_economy/vietnam/industry-sector-industries.html)

*Finder*. (2013). Retrieved December 6, 2012, from Finder website: <http://en.finder.fi/>

*Helpdesk*. (2004). *About the Export Helpdesk*. Export Helpdesk. Retrieved 15 July, 2012, from European Union law database: [http://exporthelp.europa.eu/thdapp/taxes/show2Files.htm?dir=/requirements&reporterId1=EU&file1=ehir\\_eu13\\_01v001/eu/main/req\\_chemkt\\_eu\\_010\\_0612.htm&reporterLabel1=EU&reporterId2=FI&file2=ehir\\_fi13\\_01v001/fi/main/req\\_chemkt\\_fi\\_010\\_0612.htm&reporterLabel2=Fi](http://exporthelp.europa.eu/thdapp/taxes/show2Files.htm?dir=/requirements&reporterId1=EU&file1=ehir_eu13_01v001/eu/main/req_chemkt_eu_010_0612.htm&reporterLabel1=EU&reporterId2=FI&file2=ehir_fi13_01v001/fi/main/req_chemkt_fi_010_0612.htm&reporterLabel2=Fi) .

*Heritage*. (2012). *Facts and Figures: The European chemical industry from a worldwide perspective*. Retrieved 20 January, 2013, from Heritage website: <http://www.heritage.org/index/country/finland> .

Hung, V. N. (2013, March 21). Retrieved 20 March, 2013, from BatchGeo LLC website: <http://batchgeo.com/map/1d4e85ad669197ca519e3469c5240afc#>

*InvestinFinland*. (2013). *Future and developing industries*. Retrieved 21 February, 2013, from InvestinFinland website: <http://www.investinfinland.fi/industries/future-and-developing-industries/25> .

Jaffe, E., & Yi, L. (2007). *What are the drivers of channel length? Distribution reform in the People's Republic of China*. *International Business Review* Vol. 16

Iss. 7, 93-474. Referenced 16 July, 2012, from Emeraldinsight website:

[http://www.emeraldinsight.com/bibliographic\\_databases.htm?id=1638359](http://www.emeraldinsight.com/bibliographic_databases.htm?id=1638359) .

Juhanna Hukkinen. (2012). *Economic outlook*. Retrieved 17 January, 2013, from Bankoffinland website:

<http://www.suomenpankki.fi/en/julkaisut/Pages/julkaisuhaku.aspx?freetext=Juhana+Hukkinen>

*MindTools*. (2013). Retrieved December 12, 2012, from Mind Tools:

[http://www.mindtools.com/pages/article/newTED\\_97.htm](http://www.mindtools.com/pages/article/newTED_97.htm)

Miller, A. T., & Kim, A. B. 2013. *Finland: Economic Freedom Score*. Retrieved 17 January, 2013, from The Index of Economic Freedom website:

<http://www.heritage.org/index/pdf/2013/countries/finland.pdf>

*Muoviteollisuus*. (2013). *Finnish Plastics Industries Federation*. Retrieved 15 July, 2012, from Muoviteollisuus website:

<http://www.muoviteollisuus.fi/fin/muoviteollisuus/>

*Pyroll*. (2013). Retrieved December 6, 2012, from Pyroll Packages:

<http://www.pyroll.com/en/business-branches/packages>

Palkamo, A. (2011, May 10th). *Finland second in IT industry competitiveness*. Retrieved 23 May, 2012, from Tekes:

<http://www.tekes.fi/en/community/News/482/News/1344?name=Finland+second+in+IT+industry+competitiveness>

*PMB*. (2013). *Performance Masterbatches Ltd*. (n.d.). Retrieved 24 July, 2012, from PMB: <http://www.pmb.co.uk/knowledge.htm>

*PlasticsEurope*. (2011). *Plastics - the Facts 2011 An analysis of European plastics production, demand and recovery for 2010*. Retrieved 10 January, 2013, from PlasticsEurope website: <http://www.plasticseurope.org/>

*PlasticsEurope*. (2012). *The Facts 2012: An analysis of European plastics production, demand and waste data for 2011*. Retrieved 10 January, 2013, from PlasticsEurope website: <http://www.plasticseurope.org/>

*Plastiroll*. (2013). Retrieved 23 January, 2013, from Plastiroll:

<http://www.plastiroll.fi/>

*RKW*. (2013). Retrieved 23 January, 2013, from Rosenlew RKW:

<http://www.rosenlewrkw.com/>

*Stat*. (2011, July 27th). *Consumers' confidence in Finland's economy ever weaker. Finland*. Retrieved 24 February, 2013, from Statistics Finland:

[http://www.stat.fi/til/kbar/2011/07/kbar\\_2011\\_07\\_2011-07-27\\_tie\\_001\\_en.html](http://www.stat.fi/til/kbar/2011/07/kbar_2011_07_2011-07-27_tie_001_en.html)

*Stat*. (2011, July 27th). Retrieved 24 February, 2013, from Statistics Finland:

[http://www.tilastokeskus.fi/tup/suoluk/suoluk\\_kotimaankauppa\\_en.html](http://www.tilastokeskus.fi/tup/suoluk/suoluk_kotimaankauppa_en.html)

Taylor, A. (2012, November 27th). *Why Finland's Unorthodox Education System Is The Best In The World*. Retrieved 24 June, 2012, from Businessinsider:

<http://www.businessinsider.com/finlands-education-system-best-in-world-2012-11?op=1>

*Tulli*. (2013). *Finnish Customs Statistics*. Retrieved 16 January, 2013, from Tulli:

[http://www.tulli.fi/en/finnish\\_customs/statistics/](http://www.tulli.fi/en/finnish_customs/statistics/)

*Wipak*. (2013). Retrieved 25 January, 2013, from : <http://www.wipak.com/>

**Interview**

Jalava, S. 2013. Sourcing Specialist of Uponor Finland. 21 March 2013.

Ha, N. H. 2013. International Sales Manager of EuroPlast Vietnam. 7 February 2013.

Hau, V. D. 2013. Vice Managing Director. 6 February 2013.

Huy, H. Q. 2013. General Director of Eurolean Plastic Join Stock Company. 5 February 2013.

Thin, T. V. 2013. Human Resource Manager. 9 February 2013.

**Law**

2992/QD-BCT. Ministry 2011. Hanoi, Vietnam. 17 June 2011.

## APPENDICES

### APPENDIX 1. Potential customers group A with 21 companies

Company Name	Product Category	Founded Year	Number Of Employees	Revenue Category
Orthex Oy	Plastic products	2008	50-99	10-20 million €
PROMENS OY	Plastic products	1999	50-99	10-20 million €
Exel Composite Oyj	Plastic products	1996	100-249	10-20 million €
UK-Muovi Oy	Plastic products	1993	50-99	10-20 million €
NCE Oy, Nordpipe Composite Engineering	Plastic products	1993	50-99	10-20 million €
Algol Chemical Oy	Chemical products	1989	50-99	10-20 million €
Keraplast Oy	Plastic products	1988	100-249	10-20 million €
Schoeller Arca Systems Oy	Packaging	1985	20-49	10-20 million €
Primo Finland Oy Ab	Plastic raw materials	1985	50-99	10-20 million €
PLASTIROLL OY	Packaging	1984	50-99	10-20 million €
Okartek Oy	Plastic products	1984	50-99	10-20 million €
NMC Termonova Oy	Plastic products	1977	50-99	10-20 million €
Hella Lighting Finland Oy	Car supplies and accessories	1971	100-249	10-20 million €
Biaxis Oy Ltd	Plastic products	1967	50-99	10-20 million €
Oy Prevox Ab	Plastic products	1955	50-99	10-20 million €
Rosenlew RKW Finland Oy	Packaging	2000	100-249	20-100 million €
DS Smith Packaging Finland Oy	Packaging	1991	100-249	20-100 million €
Kalvopakkaus Oy	Packaging	1993	20-49	2-10 million €
Greif Flexibles Finland Oy	Packaging	1983	20-49	2-10 million €
A-kassi Ky	Packaging	1980	10-19	2-10 million €
Polyno Oy	Packaging	1975	10-19	2-10 million €

APPENDIX 2. Potential customers group B with 41 companies

Company Name	Product Category	Founded Year	Number Of Employees	Revenue Category
Valukumpu Oy	Plastic products	2007	100-249	20-100 million €
Telko Group	Industrial chemical products	1994	50-99	20-100 million €
Meca-Trade Oy	Chemical industry	1984	10-19	20-100 million €
BASF	Industrial chemicals	1984	100-249	20-100 million €
Premix Oy	Plastic products / raw materials	1980	50-99	20-100 million €
Suominen Joustopakkaukset Oy	Plastic products	1976	100-249	20-100 million €
Junkkari Muovi Oy	Plastic products	1966	100-249	20-100 million €
Bang & Bonsomer Group Oy	Industrial chemicals / Plastic raw materials	1966	20-49	20-100 million €
Brenntag Nordic Oy	Industrial chemicals	1935	20-49	20-100 million €
Orthex Oy Ab	Plastic products	2008	50-99	2-10 million €
Purvac Oy	Plastic products	2005	20-49	2-10 million €
Laukamo Plastcomp Oy	Plastic products	2005	50-99	2-10 million €
PRP-Plastic Oy	Plastic products	2002	20-49	2-10 million €
Plastep Oy	Plastic products	2001	20-49	2-10 million €
Leomuovi Oy	Subcontracting	2001	10-19	2-10 million €
Realplast Oy	Plastic products	2000	10-19	2-10 million €
Sulmu Oy	Plastic products	1995	20-49	2-10 million €
Volar Plastic Oy	Plastic products	1993	20-49	2-10 million €
Styroplast Oy	Plastic products	1992	10-19	2-10 million €
Rinotop Oy	Subcontract	1992	20-49	2-10 million €
Piiplast Oy	Plastic products	1990	10-19	2-10 million €
Oy Flourplast Ab	Tubes, Films, plastic connectors, etc	1988	20-49	2-10 million €
KWH Plast Oy Ab	Plastic products	1988	50-99	2-10 million €

Profmer Oy	Plastic products	1985	20-49	2-10 million €
Parlok Oy Ab	Plastic products	1985	20-49	2-10 million €
Muovi-Heljanko Oy	Plastic products	1985	10-19	2-10 million €
Eurocon Oy	Plastic products	1985	20-49	2-10 million €
SK tuote Oy	Mounting parts	1984	50-99	2-10 million €
Sauplast Oy	Plastic products	1984	20-49	2-10 million €
Univar Oy	Industrial chemical products	1983	10-19	2-10 million €
Azelis Finland Oy	Industrial chemicals	1983	10-19	2-10 million €
Masamuovi Oy	Subcontracting	1982	20-49	2-10 million €
Plastone Oy	Plastic products	1980	50-99	2-10 million €
Plastoco Oy Ab	Subcontract	1980	20-49	2-10 million €
Toppi Oy Ab	Plastic products	1975	20-49	2-10 million €
Kalliomuovi Oy	Plastic products	1973	10-19	2-10 million €
Finn-Valve Oy	Plastic products	1972	10-19	2-10 million €
Muoviura Oy	Plastic products	1967	20-49	2-10 million €
NMC Cellfoam Oy	Plastic products	1959	20-49	2-10 million €
Muovijaloste Oy	Bags & packages	1949	50-99	2-10 million €
Plastex Oy	Plastic products	1943	20-49	2-10 million €



APPENDIX 3. Potential customers group C with 28 companies

Company Name	Product Category	Founded Year	Number Of Employees	Revenue Category
Pertinax Oy	Plastic products	2011	10-19	1-2 million €
River Plast Oy	Plastic products	2009	10-19	1-2 million €
Pohjoismainen Solumuovi Oy	Plastic products	2008	20-49	1-2 million €
Artekno Oy	Plastic products	2008	50-99	1-2 million €
TK-Työkalutiimi Oy	Plastic products	2004	10-19	1-2 million €
Soft Diamond Oy	Plastic products	2004	10-19	1-2 million €
Muovix Oy	Plastic products	2000	10-19	1-2 million €
Oy All-Plast Ab	Subcontracting	1996	20-49	1-2 million €
Graham Packaging Com	Packaging	1995	50-99	1-2 million €
EC-Engineering Oy	Plastic products	1994	20-49	1-2 million €
Aspokem Oy	Industrial chemical products	1994	50-99	1-2 million €
Fibrocom Oy	Plastic products	1993	10-19	1-2 million €
Erplast Oy	Plastic products	1993	20-49	1-2 million €
Ashland Finland Oy Plastics	Plastic raw materials	1991	50-99	1-2 million €
Muovityö Hiltunen Oy	Plastic products	1990	10-19	1-2 million €
Suomen Käyttömuovi Oy	Materials recovery and treatment	1989	10-19	1-2 million €
Soklex Oy	Plastic products	1989	10-19	1-2 million €
MK-Tresmer Oy / Pala	Plastic products	1988	10-19	1-2 million €
Taitomuovi Oy	Plastic products	1985	10-19	1-2 million €
Epsira Oy	Packaging	1985	20-49	1-2 million €
Kalustemuovi Virtala Oy	Plastic products	1983	10-19	1-2 million €
Kauppayhtymä Ujanen Oy	Plastic products	1979	10-19	1-2 million €

KL-Teho Oy	Plastic products	1973	20-49	1-2 million €
Oy Fluid-Bag Ab	Container bags	1963	20-49	1-2 million €
Plasto Oy Ab Ltd / Plastopak	Toys and hobby tools	1957	20-49	1-2 million €
Asoma Oy	Bags/Handbags	1948	50-99	1-2 million €
Plastex Ab	Plastic products	1943	20-49	1-2 million €
Kiiltoplast Oy	Plastic products	1936	20-49	1-2 million €

APPENDIX 4. List of distributors and agents operating in Finland

Company Name	Head Office in Finland	Founded Year	Number Of Employees	Turnover Category in Finland
Algol Chemical Oy	Karapellontie 6, 02610 ESPOO	1989	50-99	10-20 million €
Azelis Finland Oy	Lastenodinkatu 5 B, 00180 HELSINKI	1983	10-19	2-10 million €
Bang & Bonsomer Group Oy	Itälahdenkatu 18 A, 00210 HELSINKI	1966	20-49	20-100 million €
BASF	Tammasaarenkatu 3, 00180 HELSINKI	1984	100-249	20-100 million €
Brenntag Nordic Oy	Äyritie 16, 01510 VANTAA	1935	20-49	20-100 million €
Leomuovi Oy	Schaumanintie 2, 37830 VIIALA	2001	10-19	2-10 million €
Meca-Trade Oy	Pohjoisranta 11, 28100 PORI	1984	10-19	20-100 million €
Muoviura Oy	Kynttilätie 12, 11710 RIIHIMÄKI	1967	20-49	2-10 million €
Oy Flourplast Ab	Länsitie 8, 66240 PETOLAHTI	1988	20-49	2-10 million €
Plastoco Oy Ab	Työpajatie 14, 06150 PORVOO	1980	20-49	2-10 million €
Premix Oy	Muovitie 4, 05200 RAJAMÄKI	1980	50-99	20-100 million €
Profmer Oy	Teräskatu 11, 21110 NAANTALI	1985	20-49	2-10 million €
Rinotop Oy	Yrittäjätie 5, 01800 KLAUKKALA	1992	20-49	2-10 million €
Telko Group	Lintulahdenkuja 10, 00500 HELSINKI	1994	50-99	20-100 million €
Univar Oy	Vanha Nurmijärventie 62, 01670 VANTAA	1983	10-19	2-10 million €