How to Succeed in Export
A Comparative Study of Export & Marketing Strategies Among the Winners of the Export-Hermes/ Stora Exportpriset
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Master thesis within Business Administration
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Jönköping January 2006
Master Thesis in Business Administration

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Date: 2006-01-20

Subject terms: Export, Strategy, Export strategy, Marketing strategy, Export-Hermes, Stora Exportpriset, Internationalization, subsidiaries, intermediaries

Abstract

Background

International trade has dramatically increased during the last half of the 20th century and it is now of significant importance to most economies. International trade is especially crucial to countries such as Sweden, with a small domestic market. It has been said that a company needs to have a committed management, as well as a strategy for its export and it’s marketing to reach long-term success. Nevertheless, companies sometimes use a "strategy of least involvement", leaving the international marketing strategy decisions in the hands of foreign agents and distributors.

Purpose

The purpose with this thesis is to investigate how the export and marketing strategies have been developed and implemented by successful Swedish export companies.

Method

Winners of the Export-Hermes Prize and Stora Exportpriset have been used as a sample of successful export companies. Qualitative semi-structured interviews with four of them were conducted to collect the empirical data.

Conclusion

The export companies in this study showed great differences concerning their original export ambitions, the methods they used to select foreign markets, the modes that they used to enter new markets and the pace in which the international expansions were carried out. There were however strong similarities between the successful export companies in other areas. All four companies had owners and top management who had been, and in most cases still were, highly involved and driving forces in the export activities. The companies also shared a belief in working with clear goals and having a strict control over subsidiaries and intermediaries. The authors are of the opinion that this control and monitoring are crucial for the success of the implementation of the export and marketing strategies.
Acknowledgements

The authors would like to express their deep gratitude to the company representatives who willingly and enthusiastically have participated. All the knowledge and all the experience that these representatives so generously shared have been of crucial importance for the success of this Master thesis.

The meetings with these individuals have also acted as a great personal inspiration for the authors who hope that at least some of this inspiration will be passed on to all who will read it.

Björn and Lillemor Jakobson

*CEO and founders, BabyBjörn AB*

Laurent Leksell

*Founder and former CEO, Elekta AB*

Daniel Nordström

*Vice President European Operations, TradeDoubler AB*

Mikael Schentz

*Marketing Manager, Isaberg-Rapid AB*
Acknowledgements
The authors would also like to acknowledge and express gratitude to their supervisor and examiner as well as their co-examiner at Jönköping International Business School.

Karl-Erik Gustafsson
Professor at the section of Entrepreneurship, Marketing and Management, Jönköping International Business School

Leif Melin
Professor of Management, Jönköping International Business School
Member in the editorial boards of Organization Studies, Strategic Management Journal and British Journal of Management, and Organization

Last but not least, the authors of this thesis would like to express their gratitude to The Swedish Trade Council and The Swedish Cambers of Commerce for taking the time to introduce and thoroughly explain the challenges faced by Swedish export companies. The authors also appreciate all the advice and support that they have been given.

Helena Bergkvist-Dädeby
Senior Export Advisor, The Swedish Trade Council

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Secretary, The Export-Hermes Prize Trust
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1 Introduction

This chapter starts with a background to the subject of the thesis, followed by a problem definition and the purpose. The delimitations of the thesis and different definitions are then explained. The target group as well as the disposition of the thesis are finally presented.

1.1 Background

The last half of the 20th century has seen a strong growth in international trade. Reduced protectionism, greater regional economic integration and a rapid growth in world output have all been driving forces in this development. So have also dramatically improved communication and transport methods. As a consequence, international trade has become an important part in most economies (Albaum, Duerr & Strandskov, 1998).

The trade between countries does not only create wealth and improved standards of living, but also national and personal relationships. In a larger perspective, international trade is therefore a tool to reduce the risk of serious conflicts and wars. It is simply more difficult to kill someone you know, especially if you are mutually dependent on each other (WTO, 2005). From a strictly economic point of view both export and import can be seen as ways to improve productivity, since it allows a more efficient use of productive resources. By exporting goods or services it is possible to reach a larger market and to gain economies of scale. This allows lower prices to consumers and increases their purchasing power of both foreign and domestic goods and services (Albaum et al., 1998).

The possibility of increasing the market is of particular importance to companies in small countries. One example is Sweden, who according to Utrikesdepartementet (2000) is very dependent on a high level of international trade. The limited Swedish home market prevents an effective production of all products and services that are domestically demanded. As a consequence, Sweden is today one of the countries most involved in international trade. Despite the country’s very small size, Sweden held the position as the world’s 17th largest product exporter in 1997 (Utrikesdepartementet, 2000). About 60 percent of the country’s production is sold abroad (Swedish Trade Council, 2005). Utrikesdepartementet (2000) further claims that it therefore are the many years of intense international trade that have allowed growing wealth and an improved standard of living in Sweden.

1.2 Problem definition

The increasing globalization process creates new and growing competition, both domestically and internationally (Chetty, 1999). Just as well as Swedish companies tries to compete abroad, foreign companies will try to compete on the Swedish market. Sletten (1994), an experienced US business consultant, therefore considers the principal reason for exporting to be business survival. He argues that the best defence of the home market is for a company to enter the competitor’s market. This way the competitor will be weakened and its invasion delayed. Sletten’s argument is what Katsikeas (1996) label as proactive as opposed to reactive. Other proactive reasons for export can be to achieve economies of scale by additional orders or attractive profit and growth opportunities. Examples of reactive reasons for export are unsolicited orders from foreign markets or adverse domestic market conditions (Katsikeas, 1996).

According to Doole and Lowe (2004), there are many companies with export potential that avoids doing business beyond their home market. Often the reason is fear. The companies
worry that their products might not be marketable abroad, that they lack the right competence, lack the right language skills and that they might not get paid (Barker & Kaynack, 1992). Sletten (1994) further adds that many companies view international business as risky, dangerous and something only for large corporations. He argues that most of the fears and worries are overreacted or even false. Sletten (1994) goes as long as stating that some business people and consultants make international business seem more dangerous, risky, difficult and mysterious than it is to scare of competitors or to generate their own income.

Most mistakes that new exporters make could be avoided. Usually the exporter tends to be unfocused in its investigations. The exporting company spends its time looking into technical details surrounding the export, rather then how to market the product and the sales opportunities. If the exporter does succeed to survive this, the company many times fails by not realizing who the customer is and how the product is going to be used (Sletten, 1994).

Doole and Lowe (2004) express similar views. They feel that exporting companies often give up their successful domestic marketing strategies and leave all marketing issues in the hands of agents or distributors. That "strategy of least involvement" might work in the short run, but does not necessarily benefit their international business in a longer perspective (Doole, Lowe, 2004, p. 146).

Albaum et al. (1998) argue that a company’s export strategy is one of the factors most affecting the export performance. One of the major components in an export strategy is the selection of markets (Albaum et al. 1998). At an early stage of this master thesis, the authors had a meeting with Helen Bergqvist-Dädeby at The Swedish Trade Council’s local office in Jönköping. During this meeting she gave her and The Swedish Trade Council's view of the successes and failures of Swedish export companies. Helen Bergqvist-Dädeby mentioned the importance of making sure that everyone in a company, also those working as intermediaries or at subsidiaries in foreign countries, feels as integrated parts of the same organization. It is also important to continuously evaluate the performance of intermediaries and foreign subsidiaries. Further she argued that a lack of commitment from the exporting company often was the reason for failure. To succeed Helene Bergkvist-Dädeby believed that an exporting company should put effort into planning an export strategy and do adequate market research (Personal communication, 2005-09-28). These opinions are similar to those given by previously mentioned Albaum et al. (1998), Sletten (1994) as well as several other literature sources that the authors have consulted. As a consequence, the authors of this thesis have decided to further study how successful export companies work with export and marketing strategies.

1.3 Purpose

The purpose with this thesis is to investigate how the export and marketing strategies have been developed and implemented by successful Swedish export companies.

1.4 Delimitation

The Swedish Chambers of Commerce and The Swedish Trade Council are two organizations that in different ways offer to assist Swedish companies with export and international expansions. Both organizations have offices and staff in Sweden as well as all over the world. Depending on what a company want, they can offer everything from basic information or contacts to business intelligence- and marketing reports, consulting, sales assistance etc. (Swedish Trade Council, 2005) (Swedish Chambers of Commerce, 2005). The two organizations have since 1981 together presented the Export-Hermes Prize/ Stora Export-
priset to the exporters that they think have done the most successful achievement. The authors of this thesis have limited their study to the winners of these awards.

1.5 Definitions

To be able to further study and research the subject of export and marketing strategies it is of essential importance to define exactly what an export marketing strategy is. Comprehensive literature studies have resulted in an impression that there does not exist one clear definition. Instead, different authors and researchers generously use their own synonym expressions and definitions of export marketing strategy. This impression has later been confirmed during consultations with knowledgeable researchers at Jönköping International Business School.

The well recognized marketing guru Philip Kotler translates marketing strategy as “The marketing logic by which the business unite hopes to achieve its marketing objectives” and a marketing strategy statement as “…the planned strategy for a new product that outlines the intended target market, the planned product positioning, and the sales, market share and profit goals for the first few years” (Kotler, Armstrong, Saunders and Wong, 2002 pp.827). The term export and marketing strategy has in this thesis a similar meaning to the one expressed by Kotler. The authors have decided to define export and marketing strategy as:

A company’s planned strategy for selection of market/marks, selection of entry mode/modes and standardization or adaptation of the product, the positioning, the promotion and the price.

This definition is inspired by Kotler’s famous four Ps, product, promotion, price and place, which the authors believe quite well summarize the essence of the conducted literature studies. It is also of importance to clarify the definition of export. In this thesis, export does not only include the sales abroad of a physical product entirely produced in Sweden. The authors have a wider view of export. Therefore they also include the sales of products and services, partly or entirely, produced by subsidiaries owned by a Swedish company as well as the sales of products produced by subcontractors on behalf of a Swedish company. The authors feel support in this wider definition since The Swedish Trade Council and The Swedish Chambers of Commerce also use it as definition.

1.6 Target group of the thesis

This Master thesis provides a comprehensive empirical material of experiences from some of Sweden’s most successful export companies. It is therefore the authors’ intention and hope that this thesis can work as a source of inspiration for other companies who are considering whether or not to take a step beyond the Swedish home market. By presenting advice from the founders, CEOs and top executives of the interviewed companies, as well as by formulating recommendations based on the empirical findings, the authors further hope that this thesis also can fill a function as a sort of guidance for how to succeed in export. The successful export companies in this study represent very different fields of business and they can therefore provide valuable knowledge and experiences that are relevant for a relatively broad audience of companies and business leaders.
1.7 Disposition

Chapter one describes the background and problem definition that leads the reader towards the purpose of the thesis and it’s delimitations. Eventually definitions are explained and the target group of the thesis is presented.

Chapter two describes how the study was carried out. It presents the choice of research approach, sample and interview method. In the end is a critical evaluation of the quality of the chosen methodology.

Chapter three presents theories that have been used to analyze the empirical data. These theories concern internationalization as well as how to develop and implement export and marketing strategies.

Chapter four introduces each company with a short presentation of its history, its business today and the representative that has been interviewed.

Chapter five presents the empirical findings from the interviews. The empirical chapter follows the same structure as the interview guide.

Chapter six uses the theories from chapter three to analyze and compare the empirical findings.

Chapter seven presents the conclusions as well as some recommendations. Finally, the authors give a few suggestions for future research.
2 Methodology

This chapter explains how the investigation has been carried out. It explains the choice of research approach, the choice of sample, how interviews were conducted and how empirical data was analyzed to create the conclusions. Finally the quality of the investigation is defended.

2.1 Research approach

The authors have applied a qualitative method to reach their purpose to investigate how the export and marketing strategies have been developed and implemented by successful Swedish export companies. Thus a qualitative method was suitable because it is appropriate to use when studying a process (Lundahl & Skärvad, 1999). Due to the authors’ interest and curiosity they wanted to obtain as much information as possible from each of these successful exporters. This was possible by using a qualitative way of collecting data, with open-ended narrative questions, instead of the quantitative way of using questionnaires with standardized response choices (Patton, 1984). The qualitative method’s purpose is to create a holistic view of the problem and to process a large number of variables out of a few respondents (Darmer & Freytag, 1995). This was also in line with the authors’ ambition to try to comprehend the whole process of developing and implementing export and marketing strategies.

2.2 Data collection analysis

Like in most research, the authors of this thesis have used both primary and secondary data. Secondary data is a term used for already existing information. This data can often be found in official government statistics as well as in published research, business journals and books. Since the secondary data has been collected for some other purpose, it might be less adequate in new research. A positive thing with secondary data is its generally low cost (Curwin & Slater, 2002). Secondary data has been used in this thesis to provide background information about the interviewed companies and to assist in the collection of primary data by providing a necessary understanding of the subject, for example to create the interview questions. This fits well with what has been described by Curwin and Slater (2002).

Interviews with top executives from the participating companies are the means that the authors found most suitable for obtaining primary data. Other ways can, according to Curwin and Slater, be through observations, group discussions, questionnaires etc. (2002). Observations, as a way to obtain the primary data, is not an alternative in a case like this since strategic planning is not easily observed and since the thesis deals with what has already happened. Considering the qualitative approach of the thesis, the authors neither see questionnaires as a suitable option. Group discussions could possibly be an alternative, but only in theory. The participating CEOs and other top executives have very busy schedules and it would simply not have been realistic to try to arrange for them all to meet. Face-to-face interviews, on the other hand, suited the chosen research approach well.

Common for all these different means is that they can both be expensive and time consuming (Curwin & Slater, 2002). Limited financial resources as well as time constraints are also something that the authors have been aware of and which have unavoidably affected the possible scope of the thesis.
2.2.1 Sampling and the selection of respondents

The choice between quantitative and qualitative research methods also determines which sample approach to use. In this qualitative study about export and marketing strategies, the authors have used a purposeful sampling technique with extreme cases. Instead of having a large sample of very different companies, with all kinds of more or less developed export activities, the authors wanted to focus exclusively on investigating companies that had reached great success in their export.

Such a group of unquestionably successful companies are the winners of the Export-Hermes/Stora Exportpriset. Selected and rewarded by the Swedish Chamber Of Commerce and the Swedish Trade Council, these winners are extreme cases of outstanding success. The reason for focusing on the winners as a sample is that the authors share Patton’s (1990) belief that more can be learned by intensive in-depth studies then by quantitative studies of a large truly random probability sample. The four winners participating in the thesis are Babybjörn, Elekta, Isaberg-Rapid and TradeDoubler. All of them have received the Export-Hermes/Stora Exportpriset during the last years. Further presentations of the companies, as well as the motivation for their awards, can be found in chapter 4.

Quantitative methods are usually dependent on large and random samples. This technique is called probability sampling and it is essential that the sample is truly random and statistically representative so it is possible to generalize the results on a larger population (Patton, 1990). Purposeful sampling is the technique used in qualitative research, like this thesis. With mentioned technique, a smaller sample of "information-rich cases" (Patton, 1990 p.167) is studied in depth. Patton (1990) believes that it can many times be better to intensively study a few extreme or unusual cases in-depth, then to statistically study very larger samples. Such extreme cases are for example cases of outstanding success.

Qualitative research is sometimes criticized for lacking objectivity and validity, as well as lacking ability to be repeated and generalized. According to Lewis and Zalan (2004) this criticism is often not without reason. Patton (1984) agrees with part of this critic, but nevertheless defends it and argues for the technique’s usefulness. ‘While studying one or a few critical cases does not technically permit broad generalizations to all possible cases, logical generalizations can often be made from the weight of evidence produced in studying a single, critical case.” (Patton, 1984 p.103) Mintzberg (1979) joins in on the defense of small samples. He argues that it is much better to have an in-depth understanding of a single case then shallow understanding of 100 cases. Despite their initial critic, Lewis and Zalan (2004) also defend the use of qualitative research with small samples. According to them, “…some of the best studies in management and IB (international business) which have had lasting and profound impact were done on very small samples.” (Lewis & Zalan, 2004 p.513)

The authors of this thesis believe that the decision to use four of the Export-Hermes/Stora Exportpriset winners as sample was in line with the purpose and aim of the study and suitable for the finding of relevant data. Based on earlier mentioned methodology literature, the authors feel further support for the decision to use interviews with a limited sample of companies.
2.2.2 Conducting the interviews

The aim with conducting interviews was to seek further knowledge about the successful companies’ export and marketing strategies. The interviews where conducted at respective company’s headquarter. A comprehensive literature study was conducted before the interviews to ensure an understanding of the subject and to enable the authors to put given answers into their right context. Each interview lasted about two hours and was preceded by studies of secondary data covering that specific company.

Qualitative interviews are in their nature unique. According to Darmer (1992) interviews can however be classified and divided into different types and categories. The authors did not wish to ask yes- and no-questions, but rather have a dialog with the interviewed to let them describe and talk more or less free about their experiences. This way the authors believe that as much as possible have come out of the interview opportunities. The interview guide (Appendix 1) was at hand as a help to make sure that all necessary areas where covered.

Depending on given answers, the authors followed up with additional questions in what more had the character of a somewhat structured conversation, then a strict interrogation. This approach is a clear example of what Darmen (1992) categorizes as semi-structured interviews. Other categories are “structured interviews” and “unstructured interviews”. Ritchie & Lewis (2003) prefer to use the names “retrospective interviews”, “semi-structured interview” and “informal interviews”, but the definitions of their categories seem to be about the same as those described by Darmer (1992).

Since the authors aimed for further knowledge and insight about something that they already had some basic knowledge about, the “depth interview” was believed to be the most suitable. The four remaining interview types described by Darmer (1992) are “explanatory interviews”, “goal-oriented interviews”, “deeper interviews” and “focused interviews”.

2.3 Conducting the analysis

In the empirical chapter the authors have presented the results from the conducted interviews and compared the different answers with each other. The intention has been to find out if there are any clear similarities between the four successful export companies or if they differ significantly. In the analysis the empirical findings have then been compared with how the theory says that companies should carry out their export. The empirical chapter follows the same headlines as the interview guide and the analysis chapter uses more or less the same headlines as in the frame of reference.

2.4 The quality of the investigation

According to Lewis, Saunders and Thornhill, (2003) there are a number of issues that need to be taken under consideration when using qualitative research interviews. The authors of this thesis believe that Lewis et al.’s (2003) thoughts about data quality and the interview competence of researchers are relevant for this master thesis. These issues have therefore been contemplated to ensure a high quality of the study.

Data quality issues concerns reliability, different forms of bias, validity and the ability to generalize. Reliability, concerning the possibility for other researchers to uncover similar information, is not desirable in qualitative studies. Reliability affected by interviewer bias, i.e. the way the interviewer asks questions, are however of more concern. Body language, tone
of voice etc could create bias in the way the respondent answers. The way the researcher interprets respondents answers could also lead to bias (Lewis et al. 2003). Interview and response bias could be due to the respondent’s lack of trust for the interviewer, causing the given information to be limited. The respondents may also not be able to give the whole picture, due to restrictions or that the information is sensitive. To ask the right people and their participation are also important to avoid response bias Lewis et al. (2003). Validity is, according to Lundahl and Skärvad (1999), affected by how well the investigators really have measured what they were supposed to measure. Lewis et al. (2003) states that although the issue of a qualitative interview’s validity seldom is raised, there might be questions about the ability to make generalizations from such a study. Validity of qualitative interviews is affected by, to which extent the investigators have gained accesses to the participants experience and knowledge, and their capability to draw the right conclusions from the material. Sykes (1991) states that the high potential for obtaining information with a qualitative approach is because of the responsive and flexible interaction that is possible between the interviewer and the participants (cited in Lewis et al. 2003).

Inspired by Lewis et al. (2003), the authors of this thesis have taken several measures to ensure a high quality on the data from the qualitative interviews. One of these measures was to record each interview on tape to reduce the risk of misunderstandings. The recording further enabled the authors to concentrate on the questioning and listening. An interview guide was also constructed. This interview guide was based on extended literature studies containing mostly articles from business journals, along with the Internet, books and a meeting with Helena Bergkvist-Dädeby at the Swedish export council in Jönköping, the 28th of September 2005. The use of an interview guide enabled a good interaction between the authors of the thesis and the respondents, as well as ensured that the right questions were asked. The authors also tried to gain credibility in the eyes of the respondents by being well prepared with facts about the companies and their businesses (Lewis et al. 2003). An interview guide was send in advance to every respondent, giving them a chance to be somewhat prepared on issues that was going to be brought up (Lewis et al. 2003). Concerning the generalizability of the study, it can be said that when the results relates to existing theory it can be possible to show that the findings have broader significance than just the studied companies (Lewis et al. 2003).

The researchers’ competence in how to do interviews is of course important for the quality of an interview. It is necessary to behave in an appropriate way, to make acquaintance with the participant and to ask the right questions in the right way. It is also necessary to record answers and discussions appropriately (Lewis et al. 2003).

The authors have studied Lewis et al.’s (2003) advice for how to best conduct an interview and they have taken these into account. It is the authors’ belief that the aim to establish a good relationship with the interviewed export companies, and to make them generously share their experiences, was greatly helped by the background and purpose of the thesis. The participating companies were all asked for their opinions and experiences in their role as successful and awarded exporters. Everybody wants to get recognition. The authors believe that the interviewed founders and top executives felt honored for being asked and that they therefore participated with a positive attitude.
3 Frame of reference

This chapter presents the theories that will be used in the analysis of the empirical findings. First, companies’ internationalization and the Uppsala model will be presented followed by criticism of the model. Theories concerning the development and the implementation of export and marketing strategies are then investigated and described.

3.1 The internationalization process

To describe the internationalization process, the authors of this master thesis use the Uppsala model. This chapter outlines the basic principles of the model, but also present some of the critic that has been held against it. As a complement, the authors also present and describe the concept of “Born Globals”.

3.1.1 The Uppsala model

Jan Johanson and Jan-Erik Vahlne have become well known after publishing “The internationalization process of the firm-a model of knowledge development and increasing foreign market commitments” in “Journal of International business Studies” 1977 (Johanson & Vahlne, 1977, p.23). Their empirical studies at the University of Uppsala had shown that firms from Sweden tend to develop their international operations in a step-by-step process, instead of making large investments in foreign production instantly. They found that companies usually started to export through an agent into a foreign country, followed by a start up of a sales subsidiary and eventually in some cases production in the new country (Johanson & Vahlne, 1977). They also discovered a similar step-by-step pattern in that the exporting companies initially selected foreign markets with a short psychic distance from the companies’ home market. The accepted psychic distances to new markets were then gradually increased over time (Hörnell, Vahlne & Wiedersheim-Paul 1972, and Johanson & Wiedersheim-Paul, 1974 cited in Johanson & Vahlne, 1977). The psychic distance consists of factors ranging from different languages to differences in culture and industrial development that prevent the information to flow between markets (Johanson & Vahlne, 1977). This model has later on been referred to as the Uppsala model and it:

“...focuses on the gradual acquisition, integration and use of knowledge about foreign markets and operations, and on the incrementally increasing commitments to foreign markets” (Johanson & Vahlne, 1977, p.23).

Johanson and Vahlne assumed that there is a lack of previously mentioned knowledge and that it mainly can be acquired through “learning by doing” in foreign operations. The Uppsala model describes a basic pattern of internationalization. It claims that firms starts to invest in a few neighboring countries in the beginning and that the investments in each country are made step-by-step along with the company’s increasing acquisition of experience knowledge about the market (Forsgren, 2002).

“(1) to start and continue to invest in just one or in a few neighboring countries, rather than to invest in several countries simultaneously; and (2) that the investments in a specific country are carried out cautiously, sequentially and concurrently with the learning of the firm’s people operating in that market” (Forsgren, 2002, p.260).
3.1.1.1 Three assumptions with the Uppsala model

According to Johanson and Vahlne (1977, 1990), the Uppsala Model primarily deals with how organizations acquire knowledge, i.e. learn, and how this affects their investment behaviors (cited in Forsgren, 2002). Forsgren (2002) further explains the concept of the Uppsala model and present three assumptions with the model.

Firstly, scarcity of knowledge about foreign markets is the main barrier to international operations, although such information can be obtained (Johanson, 1977 cited in Forsgren, 2002). The problem is, according to Johanson and Vahlne (1990), that market information mostly is of tacit character and therefore needs to be acquired from the companies’ own operations (cited in Forsgren, 2002). Thus companies acquire knowledge during foreign operations, rather than by collecting and analysing market information (Forsgren, 2002). Secondly, market uncertainty has a strong influence on decision-making and implementations regarding foreign investments. Decisions are therefore made incrementally (Forsgren, 2002). As a company becomes more familiar with its new market and acquires more market information, the perceived market risk decreases. This makes the level of investments on the foreign market to increase. The perceived risk is dependent on how much market information the company has acquired through its own operations (Forsgren, 2002). The third assumption of the Uppsala model is that knowledge is very dependent on the individual. Therefore, it is hard to transfereee knowledge between people (Forsgren, 2002). Experience is believed to gradually be built into a person. As the person gain experience and knowledge he or she is able to discover problems and opportunities intrinsic to a certain market. Therefore it is those working on the field, for example in foreign subsidiaries, which are able to spot problems and opportunities. To them, adoption and extension of the present operation is the natural way to solve a problem or to catch an opportunity (Johanson & Vahlne, 1977).

3.1.1.2 Criticism of to the Uppsala model’s learning perspective

Mats Forsgren is a professor at the department of business studies at Uppsala University and he has conducted scientific research about internationalization since the seventies. Forsgren is critical towards the Uppsala model’s concept of learning. He argues that the model has a narrow view of learning, compared to the literature of organizational learning, which hinders it to explain certain forms of internationalization. Some of Forsgren’s (2002) objections and propositions concerning the learning perspective in the Uppsala model were presented in an article, published in a special issue about the internationalization process in International Business Review 2002.

Experiential learning Vs learning through incorporating other units: Forsgren (2002) argues that there are other methods to acquire market knowledge for a company than the Uppsala model’s experience through “own activities”. To buy local units on foreign markets, recruit persons possessing knowledge about that market or a focused search for new information are some of the ways in which to avoid the time consuming self-learning process and thereby speeding up the internationalization process (Forsgren, 2002).

Imitation and internationalization: According to Forsgren (2002), companies do not have to wait until they have acquired enough market specific knowledge to overcome their perceived uncertainty about a foreign market. Instead they can imitate the behavior of other companies who have already been successful on the new market. Existing business relationships can also be a source of learning. There is a possibility to gain market-specific tacit
knowledge from other organizations, which could also lead to a faster internationalization (Forsgren, 2002).

Three of Forsgren’s (2002) propositions about the Uppsala model are listed below.

“Firms invest in a foreign market at an increasing pace”: The perceived risk of making mistakes will decrease when the company acquires experience and so will the perceived need for an incremental internationalization process. That is why the firm over time will take larger and larger steps abroad (Forsgren, 2002).

“Firms sometimes invest in foreign markets without own experiential knowledge”: According to the Uppsala model, companies are not willing to invest abroad when the perceived risk exceeds the tolerable market risk. What the model has not considered is the perceived risk of not making an investment. For IT companies which internationalized fast and simultaneously on several markets, the first mover advantage and short term growth is considered so important that the perceived risk of not internationalizing fast is considered greater than to invest despite not having enough market knowledge (Forsgren, 2002).

“Gradual accumulation of market knowledge does not restrain the firm from radical changes in foreign investment behavior”: To predict the internationalization path is more difficult in large international companies with a power structure that is scattered and changing. If important market information changes often it will also cause more radical and sudden changes in the internationalization process. One can therefore conclude that the larger and more dispersed a company is, the lesser is the Uppsala model’s power to do predictions (Forsgren, 2002).

3.1.2 Born Globals

“Born Globals” is an expression for companies that from the very beginning were founded with the intention of going abroad as soon as possible. These companies are therefore characterized by an aggressive and very rapid internationalization. Gabrielsson and Kirpalani (2004) describe that Born Globals;

“...from their inception pursue a vision of becoming global and often globalize rapidly without any preceding long term domestic or internationalization period.” (Gabrielsson & Kirpalani, 2004, p.557)

Several studies have argued that the phenomenon of Born Globals contradicts the Uppsala model’s incremental internationalization (Hashai & Almor, 2004). Factors driving companies to become Born Globals and internationalize rapidly are the increasing global demand, shorter product life cycles, to reach markets of sufficient size and first mover advantages (Hashai & Almor, 2004). Gabrielsson and Kirpalani (2004) explain that the rapid internationalization of Born Globals is due to the fact that they don’t use the conventional ways of expanding internationally. Born Globals must use the large channels provided by multinational companies, networks and/or the Internet, to bring in revenues and cash flow quickly. These channels also provide the Born Global companies with technology, learning and a possibility to evolutionary growth.

Erkko Autio is a finish professor in Technology-based ventures and a director at the Instut Stratège of HEC Lausanne (Instut Stratège of HEC Lausanne, 2004).
Autio has been researching companies who have showed a rapid internationalization. He has also written a number of papers about Born Globals. One of these papers, written together with several American researchers, earned the best paper award at the Academy of Management conference in New Orleans 2004 (Tekes, 2004). Autio (2002) explains that Born Globals establish themselves on their largest and most important market as quickly as possible. For the companies that Autio has studied, this often resulted in first opening an office in London. The goal for the Born Globals is to establish good contacts with the largest customers and potential partners, so that they can follow them into other new markets. According to Autio (2002) the Born Globals deliberately seeks to leverage the brands and the good reputation of their partners as a way of boasting their own export to new markets.

Gustafson (2003) has interviewed Erkko Autio for an article about Born Globals. The article, based on the results of Autio’s research, showed that the firms that went abroad at an early stage grew faster and they their growth lasted for a longer period, than those who waited with their foreign expansion. The explanations for the results are, according to Autio, that Born Globals access a bigger market and that the internationalization affects the learning process in the company. The new environment forces the organizations to learn how to work there too, which affects the organizational learning in a bigger perspective. The Born Globals become better learners, and the ones who learn the quickest will probably be the ones to first take advantage of new possibilities. A company that stays home is dependent on one market, the opposite compared to Born Globals who benefits from sales on several markets. The challenges on new markets with different kinds of market environments help Born Globals to become more dynamic.

An early internationalization creates great obstacles and threats but also great possibilities for those who succeed. Many companies who go abroad at an early stage also end up in an early bankruptcy. The ones that survive however tend to perform very well. Autio ends the interview with recommending most companies to not go abroad instantly after their founding because of the many difficulties (Gustafson, 2003).

### 3.2 Develop export and marketing strategies

The increasingly harsh competition on the global market demands a more strategic thinking from companies who earlier have had an opportunistic approach to export and export-markets. Planning in areas like setting objectives, developing strategies and monitoring of results is important since it gives these activities a sense of purpose and direction (Noonan, 1996). The quote “An accurate understanding of the crucial link between international strategy and performance is especially important in the face of world markets that are increasingly global” (Shoham & Kropp, 1998, p.114) supports the belief in an important correlation between strategy and export performance. Darling and Seristö (2004) also stress the strategy’s importance for export performance by claiming that “Success in export markets requires discipline and strategic planning...” (Darling & Seristö, 2004, p.31).

John R. Darling and Hannu T. Seristö have based their model on twenty-five years of work as marketing consultants for consumer- and industrial product manufactures. Their article presents ten key steps for strategic decision-making in export marketing. These ten key steps have, according to Darling and Seristö (2004), been used by all of the most successful companies. The ten steps should be viewed as interrelated and are as follows:
Analyze market opportunity, Assess product potential, Establish market entry mode, Make a firm commitment, Allocate necessary resources, Identify technical issues, Develop strategic marketing plan, Organize operational team, Implement marketing strategy and Evaluate and control operations (Darling & Seristö, 2004).

The authors of this thesis have chosen the steps they think are the most important and developed them with other theory. Some of the steps are intended for implementing the strategy and are therefore further analyzed in chapter 3.3.

### 3.2.1 Analyze market opportunities and select markets

The first step for a firm to develop an export marketing strategy is according to Darling and Seristö (2004) to find suitable markets. There are several sources that can be useful in the search for market information. Such are for example government agencies in the exporting company’s own country and in the targeted country, chambers of commerce or other foreign trade associations. Data about the macro elements of a country, such as trade statistics, population, climate, production, consumption etc, can create a very precise market analysis in the perspective of the company (Darling & Seristö, 2004). It is however important to remember that a country shouldn’t be viewed as one homogenous economic, social and political entity. A country can often consist of a number of sub-geographical markets, which in many important aspects are substantially different from each other (Darling & Seristö, 2004). The authors would suggest the north and south of Italy as an example of this phenomenon.

The focus of an exporting company should be on doing a comprehensive analysis of the competitive situation. Such an analysis of the target market is very helpful when the company later develops its marketing strategy. The competitive analysis reveals treats but also opportunities for the company (Darling & Seristö, 2004). This way of finding suitable markets, using statistical data to analyze them, would be categorized as a systematic approach (Andersen & Buvik, 2002). Darling and Seristö (2002) claim that the systematic approach is the way to go to become a successful exporter. This is however not always how it’s done, as companies often don’t choose their markets. Instead they become the “chosen one” through unexpected inquiries from abroad.

Andersen, professor in International Marketing at Agder University College in Norway, and Buvik, professor in Marketing and Purchasing Management at Molde College in Norway, have written a paper together about the selection of markets and customers. The article, published in a special internationalization-issue of the International Business Review, compared the two classical systematic and non-systematic approaches to the selection of markets with a new relationship approach (Andersen & Buvik, 2002).

The systematic approach is by nature normative and uses a formalized decision process for international market selection, analysing market potential with statistical methods. Information of interest could for example be macro economic data, cultural aspects, market size, competition, distribution-channels and estimated costs of operating on different markets (Andersen & Buvik, 2002).

The non-systematic approach is descriptive and explains how firms actually act when they select a foreign market (Andersen & Buvik, 2002). The most famous hypothesis is the Uppsala model (see 3.1). The psychic distance make companies choose geographically close countries, since they perceive it to be easier to obtain knowledge about these markets and the already existing pre-knowledge is likely to be greater
(Papadopolous & Denis, 1988, cited in Andersen & Buvik, 2002). Many studies have suggested that the psychic distance and other “rules of thumbs” are of most relevance to small companies and the ones that are in the beginning of their internationalization process (cf. Douglas et al., 1982, Johanson & Vahlne, 1990, Papadopolous, 1987, cited in Andersen & Buvik, 2002). The incremental pattern describing the selection of markets has its origin in the Uppsala model (Andersen & Buvik, 2002). This uncertainty avoidance is likely to appear when the management has low understanding of the problem and its context (Andersen & Buvik, 2002).

According to Andersen and Buvik (2002), the approaches above analyze the international market selection in a “transaction marketing” perspective. The approaches assume that markets are made up of “faceless” customers, ready to be chosen by the company. Further on they say nothing about inquiries that come from presumptive customers. Studies have shown that the choice of markets is often based on these inquiries, showing that buyers and customers have an active role in the exchange transaction. This is why the research on how foreign markets are selected must be widened to include how relationships with foreign buyers are formed (Andersen & Buvik, 2002).

The relationship approach: The awakening interest in relationship marketing can be assigned to the growing interest in customer satisfaction, customer retention and relationships impact on business performance. The relationship approach focuses on business relationships, in contrary to the traditional international market selection’s focus on the companies selecting a foreign market. The relationship approach acknowledges the empirical findings, saying that a foreign buyer who shows interest in a product can initiate a foreign market entry. Relationships evolve through different phases similar to the phases described in the Uppsala model, both affected by lack of knowledge and uncertainty (Andersen & Buvik, 2002). According to Andersen and Buvik (2002), there are some circumstances when a relationship approach to international market selection is likelier to be used than the systematic-/non-systematic approach. These are for example in business marketing, when the behavioral uncertainty and the mixed specific investments are high as well as in countries where the environmental uncertainty is perceived to be high.

3.2.2 Assess product potential

The next step in the development of a marketing strategy, as described by Darling and Seristö (2004), concerns the analysis of the products’ strengths and weaknesses compared to the competitors’ products. The objective is to “identify the unique differential advantage of a firm’s product in the light of the opportunity in the foreign market” (Kotler, 2003 cited in Darling & Seristö, 2004 p.32). The focus should be on establishing what the product does and what needs it will satisfy in the foreign market, compared to on it’s domestic market. Products that have been popular domestically are not guaranteed to be successful in foreign markets. Even if there is a perceived need for the product it might still be necessary to do modifications. These required modifications can sometimes be too costly to justify.

3.2.3 Standardization Vs. Adaptation

Factors that favor standardization are the possibilities to gain economies of scale in production, R&D and marketing. The degree of standardization of marketing campaigns and the marketing mix depends, according to Hollensen (2002), on how much it is possible to unify the individual elements of the 4 Ps into a common approach towards different mar-
Hollensen (2002) develops his thoughts about three of the Ps, Product, Price and Promotion (advertising), which are presented below.

**Product decisions:** Hollensen (2002) divide the product communication mix in five categories; Straight extension: One product, one message worldwide can be a way to save money on market research and product development. Very few have been successful with this strategy. Promotion adaptation: Adapt the promotion a bit to better correspond to cultural differences etc, but keep the product the same. Product adaptation: Modify only the product to be able to work on every market and climate. Dual adaptation: This is an expensive strategy with adaptation of both product and promotion. Nevertheless, dual adaptation can sometimes necessary to use when you want to become a market leader. Product invention: Products from advanced nations that are sold in less developed countries, adapted to better meet their needs.

**Pricing decisions:** Coordinating prices between countries are a difficult task. The problem is to have a homogeneous positioning on different markets, using standardized prices, and at the same time maximize profitability by adapting the price level to different market conditions. Price standardization in extreme cases means having the same price all over the world, not counting in exchange rates etc. This strategy is low-risk, but at the same time it is not using the price to better adapt to certain markets to maximize profits. With a strategy of price differentiation, distribution partners are allowed to set the prices that best fit to their individual market conditions. The problem is for the exporter to control the different price levels. If the prices in neighboring countries differ greatly, it can have a bad affect on the company’s reputation. Parallel import can also become a problem if there are great differences in prices (Hollensen, 2001).

**Advertising:** Standardization in advertising and other marketing campaigns is a question of economies of scale, decreasing costs and increasing the profitability. As advertising consists of words and pictures it is affected by consumers’ socio-cultural values and perceptions. This is a strong reason for adaptation of marketing to suite individual markets. Internationally oriented firms are mostly not talking about strict standardization or adaptation, but rather about the degree of standardization/adaptation of advertising (Hollensen, 2001).

### 3.2.4 Select and establish a market entry mode

Companies with limited resources may very well be tempted by an opportunistic spirit and accept the first export deal that’s offered by a foreign customer, thinking that it’s better than not having an export at all. Noonan (1996) however recommends a formal approach when selecting a distributor. Darling and Seristö (2004) mention’s three different entry modes; export entry modes, contractual entry modes and investment entry modes. There are many different alternatives for a company to enter a foreign market. According to the two export marketing consultants, it is therefore important to select the most appropriate one depending on the situation.

*“The secret is to select that alternative that is most appropriate for the firm within a particular foreign market setting.”* (Darling & Seristö, 2004, p.33)

**Export entry modes** are the most used initial entry modes. The meaning is that products are manufactured in the home country or in a third country and later exported directly or indirectly to the customer. An indirect export entry mode involves an independent organization placed in the domestic country that is allowed to sell the products to other countries, for example an export management company (Hollensen, 2001). Companies using a direct entry...
mode sell their products or services to an agent or a distributor (independent intermediaries) located on the foreign market. The marketing is done through these intermediaries (Hollensen, 2001).

**Foreign agent:** An agent can be *exclusive*, having undivided rights to certain areas, *semi exclusive*, when the agent sells other products not competing with the company’s product, or *non exclusive*, where the agent sells a range of products of which some might be competing products. Agents make a living on commissions, based on how much they sell. The advantages with agents are their knowledge about the local market and their already existing networks (Hollensen, 2001). It is however not necessary for an exporting company to have a long-term relationship with an agent if there is no large compensation that has too be paid to cancel the agent’s contract. The disadvantage with foreign agents is primarily their lack of commitment and willingness to long-term investments in the development of markets, since their salary is based on short-term sales commissions (Hollensen, 2001). If the agent has competing products in it’s product range there might be a conflict of interest. To be successful, agents need a lot of sales-support from the exporting company and knowledge about the company’s mission, brand image etc (Bennet & Blythe, 2002).

**Foreign distributor:** The main difference between agents and distributors are, according to Doole and Lowe (2004), that agents don’t own the products they sell. Distributors take the risk of buying the products and they therefore usually want exclusive rights to sell and service in a specific area (Doole & Lowe, 2004). The advantages and disadvantages with distributors are almost the same as for agents. Since the distributor has full responsibility of selling the products in it’s stock, the credit risk however decrease for the exporter. In the end this also means that the exporter doesn’t have to monitor the distributor as much as an agent, since it is in the distributor’s own interest to sell the stock. The disadvantages with a foreign distributor are lack of control, and possible demands from the distributor to have more saying about how things should be done, because of the risk the distributor takes (Bennett & Blythe, 2002).

**Contractual entry modes** could be licensing, franchising, technical agreements, contract manufacturing and similar ways of selling the exporting company’s products to other countries.

**Investment entry modes:** When an exporting company’s business evolves on a foreign market, it usually wants to improve it’s level of control over marketing beyond what the export entry modes provide. Foreign-based operations, i.e. investment entry modes, are often the next step to gain greater influence over the activities on foreign markets. With investment entry modes the exporter completely owns the entry mode (Hollensen, 2001).

**Foreign sales branch:** A sales branch is more or less a sales office outside of a company’s home country and it is a legal entity with the parent company (Bennet & Blythe, 2002). A foreign sales branch is very similar to a foreign distributor. The main difference is that it is owned by the exporting company and responsible to that company (Albaum, et al. 1998). All distribution, marketing and promotion on a market are, according to Albaum et al. (1998), done through the foreign sales branch on that market. The advantage with a sales branch is the complete control over operations (Hollensen, 2001). The disadvantage is, according to Albaum et al. (1998), that the investment is costly, even though it is cheaper than establishing a sales subsidiary.
Foreign sales subsidiary: A sales subsidiary is a local company owned by a foreign exporting company. The sales subsidiary channels orders from its market and buys the product/service from the company at an *intra*company transfer price (Hollensen, 2001). The marketing function is often kept in the home country, but local marketing functions are sometimes a part of the foreign sales branches. Some of the advantages with sales subsidiaries are the possibilities to delegate work and responsibility to sub units, which are closer to the customers. Tax advantages could also be a reason (Hollensen, 2001). Complete control over the sales function, avoiding the risk of bad sales performance from agents and distributors, and full return from the foreign sales are, according to Albaum et al. (1998), other important advantages. Disadvantages with sales subsidiaries are the heavy investment, the risk and the time that this entry mode demands (Hollensen, 2001).

3.2.4.1 Choice of entry modes and reasons for changing them

A company’s choice of entry mode is often limited by its lack of financial resources. One consequence is that exporters who have been forced to license their products in other countries not only have lost part of the potential revenue, but also have become victims of “copy cats” (Darling & Seristö, 2004). One of the most important differences between possible entry modes is, according to Doole and Lowe (2004), the level of involvement, since it affects the level of control and thereby also the level of risk.

Pedersen and Petersen work at the Department of International Economics and Management at Copenhagen Business School and Benito work at the Department of Strategy at the Norwegian School of Management. Based on their research, Pedersen, Petersen and Benito (2002) present a number of factors that they believe affect a company’s choice of how to operate on foreign markets. First, the problem with monitoring and controlling are often seen as a disadvantage with using local intermediaries. Secondly, the expected sales volume can affect the choice of entry. A market with low potential favors the use of local sales agents, since they can spread the marketing costs between several manufactures. Thirdly, the amount of resources determines if the company can afford a highly committed mode to serve a market. Fourthly, the cost of switching the way an exporting company operates on a market depends on what type of product it is selling. Consumer loyalty is generally larger towards consumer products with strong brands than towards industrial products. The risk of losing local sales revenue when switching foreign market servicing mode is therefore considered to be higher for a company with industrial products. Long distances and high cultural differences between the exporting company’s home market and the foreign market might affect the amount of the switching costs. It is easier to recruit, train and transfer knowledge between people when the markets are close and culturally similar. Shorter distances also make it easier to monitor foreign staff, which might reduce or prevent problems.

Based on studies of Danish exporters, Pedersen, Petersen and Benito (2002) have written an article about what make companies change their foreign market servicing modes. The article was published in a special issue about companies’ internationalization processes in the International Business Review. Internationalization theory has predicted that the foreign servicing modes will change over time, from modes demanding low levels of commitment to modes with high levels of commitment. Little has however been said about what makes these changes happen. In their article, Pedersen, Petersen and Benito (2002) groups the potential determinants of an entry mode shift into three main categories:
1. **Change of motivators**: A change of internal and/or external factors since the time of entry can make the current operation-methods inappropriate. Diminishing satisfaction with the foreign intermediary could be such a factor. If the performance of an intermediary does not in the long run reach what is expected, the exporting company is likely to switch to an in-house sales force. When the company has gathered knowledge about the foreign market it could also be a reason to switch to an in-house sales force. Growth of the size of a company, as well as of its sales, could be further motivators to decide to have its own sales force.

2. **Switching costs**: The switching costs include every cost associated with changing between two foreign servicing modes. The cost of terminating a contract with a foreign sales agent (severance payment?), the potential cost of losing customers when no longer using an sales agent, the costs of setting up a new foreign operation etc are all examples of what need to be considered. Changes in these costs might act as motivators to change mode.

3. **Outset factors**: These are factors that may have affected the entry mode negatively from the outset, for example difficulties to evaluate foreign intermediaries. Since employees do not cheat as easily as outside agents, the problems of monitoring agents can be solved by internalizing the foreign business activities. The agents’ incomes are based on how much they sell in the short run and their willingness to invest in after-sales service and long-term relationships with the customers can therefore be lacking. The possibility to offer service and create long-term relationships are likely to improve if the company use its own employees.

### 3.2.5 The importance of making a firm commitment

Many European firms are present on foreign markets because their organizations made a firm commitment to this goal. Companies are also often forced to export, due to a small domestic market. Their home market might not give them sufficient opportunities to enhance their growth, development and business organizations. To gain economies of scale are also important reasons to look for new markets abroad (Darling & Seristö, 2004).

Top management sometimes view export only as a possibility to sell overproduction. Instead foreign markets should be seen as an opportunity that continuously must be well taken care of and well managed. Companies who don’t make a firm commitment and who view their export only as a bonus are rarely able to build important relationships with customers and members of foreign marketing channels (Darling & Seristö, 2004). The importance of commitment is also supported by Walwoord (1981), who claims that it is not the size of the domestic market, nor the size or complexity of the firm, that sets the stage for successful exporting. Instead, Walwoord argues that the success in export depends on the level of commitment among the top management (cited in Darling & Seristö, 2004)

> “Making a firm commitment focuses on a…(SWOT) analysis of a company’s strengths and weaknesses, along with market opportunities and threats, developing formal policies to guide export operations, and carefully considering the resource needs” (Darling & Seristö, 2004, p.36).

### 3.2.6 Market expansion strategies

There are two expansion strategies, export-market diversification and export-market concentration, that have been discussed in the export literature (Lee & Yang, 1990). The two
strategies have been differentiated based on how many geographical markets a company
has entered. Ayal and Zif (1979) define export-market concentration and differentiation as

“...characterized by concentration of marketing efforts in a few key markets and gradual expansion
into new markets over time, while exports market diversification is represented by the rapid entry
into a large number of markets and the allocation of marketing efforts across different markets.”

According to Lee & Yang (1990), researchers give contradictory recommendations con-
cerning which strategy to use. Some recommend market concentration, due to the notion
that a few markets with a high market share generate higher profitability in the long run. Other researchers argue that a diversification strategy, with low market shares in many
markets, it is more profitable. Small companies with limited previous experience and lim-
ited resources are recommended to use a diversification market strategy. Since they only
take a small share of each market they can in this way avoid hostile attention from the big
competitors (Lee & Yang, 1990). Lee and Yang (1990) have investigated different export-
market expansion strategies’ impact on the export performance of small and middle sized
US companies. Their conclusion is that exporting firms that use a diversification market
strategy performs significantly better in terms of export level and the growth of the export
sales.

An explicit choice between a strategy of marketing spreading and a strategy of market con-
centration is difficult to do. Due to the variety of situational factors influencing the choice,
the strategy will probably be somewhere between spreading and concentration (Album et
al. 1998). Market concentration creates market specialization, which gives greater market
knowledge and better control of the export marketing operations. As a contrast, a strategy
of market diversification is more flexible and not as dependent on just a few markets. The
perceived uncertainty and risk are therefore lower with diversification (Albaum et al. 1998).

3.2.7 Develop a strategic marketing plan

A marketing plan brings all the analyses and considerations together. Parts in the plan
could for example be a background/situation analysis, an analysis of market opportunities
and target segments etc. Specific objectives and a time schedule are important as they allow
control and evaluation of the progress. Measurable goals are also important tools for moti-
vating the organization (Darling & Seristö, 2004). The two export consultants, Darling and
Seristö (2004) further states the importance of an adequate strategic export plan and an ap-
propriate marketing mix for a successful export.

3.3 Implement the export marketing strategy in the organiza-

To implementing strategies, which is even more important than formulating them, have
become more difficult as companies have taken more complex forms (Vasconcellos, 1990).
Darling and Seristö (2004) also remind us not to isolate the co-workers assigned to work
on foreign markets. Shoham and Kropp (1998), who seek to explain international perform-
ance, conclude the importance of the implementation of a strategy and of paying close at-
tention with continuous monitoring. Goals as well as control- and evaluation-activities are
important to be able to measure progress and to motivate co-workers (Darling & Seristö,
2004).
This thesis will now present theories of how the export marketing strategy can be implemented in the organization and to the company’s stakeholder by internal communication. The internal communication supports the entry and development of business on international markets.

3.3.1 Internal marketing

In times of globalization it is not only the company and its customers who might be culturally and geographically separated. Different units of the international company itself can also be spread over the world, both in terms of geographical distances and culture (Doole & Lowe, 2004).

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According to Doole and Lowe (2004), it is important to recognize not only customers but also other stakeholders who are important to a firm’s international reputation and global development. The internal relationships between different units of a global company are most important in the overall performance of the company (Doole & Lowe, 2004). Ling-yee and Ogunmokun (2001) stresses that to become successful exporters, companies cannot solely rely on their internal competencies. External actors such as distributors are also utterly important. This indicates that it’s important to make external stakeholders aware of the marketing strategy and to make them work along with it.

Internal marketing in a global company is about making every one in the company, even in distant parts of the world, aware of strategies, tactics, procedures, standards and values to achieve the company’s mission and goals. As partnerships in the supply chain has become more frequent, the internal communications network must also include external firms (Doole & Lowe, 2004). Noonan (1996) agrees, saying that internal communication is an important factor in the process of motivating an exporter’s agents and distributors (Noonan, 1996). Business units who are distant from the headquarter can be overlooked in the communication of strategies, or they don’t fully understand what is said and meant, due to differences in culture and language. It’s utterly important to make sure that employees also in these units are aware of the company’s strategy (Doole & Lowe, 2004).

3.3.2 Manage and support international distribution

World trade is in great part handled through independent middlemen. A majority of them are foreign distributors. These distributors are important and valuable to many exporting companies, possessing contacts with customers, local market knowledge and capability to provide advanced marketing services. Having control of these intermediaries and ensuring their commitment to the exporting firm’s marketing mix is crucial. Studies have found links between the exporter’s control of a distributor and its sales performance. (Pahud de Mortangesa & Vossenb, 1999) Channels of distribution have become more important to master since products all over the world are getting more standardized. Competing by customer-service is becoming more important and a good channel of distribution can create such competitive advantage. The key is “...a well managed integrated supply chain within foreign markets and across international boundaries” (Doole & Lowe, 2004, p.333). The support to distribution channels, such as training, motivation and visits, has been proved by many studies to play
an important factor for companies’ export performance (Shoham, Kropp, 1998; Thirkell, Ramadhani, 1998).

The management and support activities towards agents and distributors can be divided into a few major areas. Chris Noonan, the author of “The CIM handbook of export marketing”, is a marketing consultant and accredited trainer at the Institute of Export. He gives a number of advices on how distributors and agents should be managed.

Building relationships in foreign market channels

To build buyer-seller relationships across borders can be quite challenging. Differences in language, culture and geographic distance build barriers between the parts.

Motivating international marketing intermediaries

Intermediaries can choose the products they want to sell and promote to their customers. To be sure that they will promote your product it is important to motivate them. Noonan (1996) states that it is the export marketer’s responsibility to motivate agents and distributors. According to Doole and Lowe (2004) there are a few things that can be done to make a foreign intermediary follow the exporting company’s marketing objectives. Needs and problems for international intermediaries are shifting. The size of them often differs from country to country. On some markets they are very small and may not have any desire to grow larger. This might affect their work on promoting your product, not working as hard as desired (Doole & Lowe, 2004). A support program that responds to the intermediaries’ needs and problems could be worked out, including things like: adjusted marginal depending on the countries’ different cost structures, offer a distributor exclusive rights to a market and offer financial assistance such as a longer credit period. It is also important to keep the contact with intermediaries. Communication of some kind on a regularly basis increase their interest and sales performance (Doole & Lowe, 2004).

Control of intermediaries

Control of intermediaries is a difficult subject that to some extent can be avoided by selecting the right channel members and drafting appropriate contracts. Clearly expressed performance goals, such as sales turnover, market share and growth rate should be put down on paper to enable monitoring of the performance. Personal meetings on a regularly basis and a report program are also parts in the process of controlling intermediaries (Noonan, 1996; Doole & Lowe, 2004). These advice are in line with the relationship marketing approach, where long-term distribution relationships are vital (Doole & Lowe, 2004). Feedback to the agents and distributors is important to get the most out of the performance monitoring (Noonan, 1996).

Noonan (1996) stresses that nothing of the above matters if a company doesn’t support the activities with training. Training for distributors could for example include team motivation, sales planning, selling skills, how to formulate goals and product knowledge.
4 The stories of four successful exporters

The following chapter gives a short presentation of the four companies who are interviewed in this thesis.

4.1 Babybjörn

BabyBjörn was founded by Björn Jakobson in 1961 and the company is still owned by Björn and his family. Everything began when Björn Jakobson saw a BabySitter during a trip to the U.S.A. He bought one to his nephew Nisse, who loved to sit in it despite his mother's initial skepticism (Forne, 2005). Björn Jakobson decided to construct his own improved BabySitters, invested 3000SEK in the new venture and hired Nisse's mother as his first employee. He also borrowed some money to buy a car and drove between maternity homes to promote his product (TV4 Nyhetsmorgon, TV-interview, 2005-11-19). “In 1964, after three years in business, I felt that my idea was about to take off. The newspapers had started to write about my products and that year we sold the “BabySitter” to 80 percent of all newborns in Sweden” (TV4 Nyhetsmorgon, TV-interview, 2005-11-19).

The business idea has always been to develop and sell well-designed and safe baby products of high quality (BabyBjörn, 2006). Björn Jakobson’s wife Lillemor (called the Dior of the baby business) has been the head of design since the 1970s. The company headquarter is located in Danderyd, Sweden, and the quality control, order processing and packaging are placed in Lanna, Småland. Today, Babybjörn has a turnover of 260 million SEK and it employs 61 people. As much as 247 million SEK is sold on export and Babybjörn’s products can be found in 25 countries all over the world (Babybjörn, 2006).

BabyBjörn has almost become a missionary of the Swedish way of parenting. The company’s advertising campaigns look the same all over the world. Photos of Swedish fathers caring their babies were once considered as quite shocking, but they have now been accepted also in countries like Spain and France (Forne, 2005). BabyBjörn has gained a lot of very valuable international publicity because of its many famous customers. Madonna, Kate Winslet, Brad Pitt, Michael Jackson, Claudia Schiffer, Liv Tyler and Angelina Jolie are a few of the many celebrities that have been caught on camera while using BabyBjörn’s baby products. Spanish royalty have been other important customers. The publishing of these paparazzi photos are usually directly noticeable in an increase in sales (Sjöshult, 2006).

In 2005, BabyBjörn was awarded the Stora Exportpriset by The Swedish Trade Council, with the following motivation:

"BABYBJÖRN has consequently, during an extended period of time, built a strong brand with the objective to satisfy a specific customer need by providing safe and functional products for babies and small children. BABYBJÖRN has proved that a small company with limited resources can take the step from the Swedish home market to a profitable expansion abroad. The jury has put extra weight on the fact that BABYBJÖRN during the period 2001 – 2005 has showed a very strong export development, coupled with high profitability and organic growth. This also means that BABYBJÖRN has contributed to the Swedish economy in a positive way by creating valuable growth and job opportunities at home.” (Babybjörn, 2006)
4.2 Elekta

The late Professor in Neurosurgery Lars Leksell founded Elekta in 1972, in order to commercialize the Leksell Gamma knife, which he had invented. The Gamma Knife treats brain tumors with x-rays. The first version of the Gamma Knife was exported to USA in the 1980s. This was also the decade when Lars Leksell’s son Laurent Leksell became the CEO of Elekta. Under his command, Elekta developed from a small private research venture to a global and publicly traded medical-technology Group. Elekta has now almost 30 offices around the world and subsidiaries in all its major markets. During the 2003-2004 period, Elekta reported a turnover of 2900 million SEK and a result after tax of 248 million SEK (Elekta, 2005).

Elekta is based in Stockholm and listed on the Stockholm Stock Exchange since 1994. The company has approximately 1700 employees, of which almost forty percent are living in the U.S. and twenty percent in the United Kingdom. Elekta has 350 teams that develop products at research centers in Sweden, United Kingdom, USA and Finland. The group provides clinical solutions, comprehensive information systems and services for cancer care and management of brain disorders. Elektra’s systems and solutions are today used in 3000 hospitals around the world (Elekta, 2005).

The installation of the Gamma Knife at the University of Pittsburgh, USA, and in Argentina in the 1980ths was a major breakthrough. The Gamma Knife soon became the standard of stereotactic brain surgery. In 1983 the first foreign subsidiary was set up in the U.S.A., followed by an office in Japan in the late 1980s. Japan was to become a major market for Elekta. The Leksell Gamma Knife Society, founded in 1989, was an important step to attract the world’s leading neurosurgeons to use the Gamma Knife. In 2001 the company opened a major office and started up production in China.

Elekta is today the market leader in Europe and the second largest supplier in the world of radiation therapy equipment. The company has established itself as the world’s most innovative company within its field of business. The production of neurosurgery products is outsourced to Swedish suppliers. With the acquisition of IMPAC, a medical software company located in California, Elekta is able to offer the full spectrum of cancer care.

Today, more then 350,000 patients have been treated with Gamma Knife surgery in more than 220 centers worldwide. Elekta’s primary markets are North America and Europe, followed by Asia and Japan (Elekta, 2005).

Laurent Leksell, born in 1952, has a PhD in Economics and has until now been the only president in Elekta. During 2005, Laurent Leksell however left the chair as president of the company to Thomas Puusepp (Elekta, 2005). Mr Leksell remains Elekta AB’s largest shareholder and he will continue to work with the company’s long-term development and growth strategy.

In 2004, Elekta was awarded the Export-Hermes Prize by the Swedish Chambers of Commerce with the following motivation:

“Elekta has through advanced medical research in combination with advanced technology and commercial persistence succeed in creating a worldly unique position within neurosurgery”
4.3 Isaberg-Rapid

Isaberg-Rapid is world leader within the staple business. The company was founded in the small village of Hestra, Småland, in 1936. The first factory was not more then 40m². In 1944, a new stapler tool became an instant success. Two years later the company started to export, with Norway, Denmark, Finland, Holland and France as the first foreign markets. This process has over the years continued into yet more and more new markets (Isaberg-Rapid, 2005).

Isaberg-Rapid remained as a family business until 1980, when it was finally sold to the Nordic investment company Industrivärlden. Under new ownership, Isaberg-Rapid quickly expanded its production facilities and acquired several foreign companies. One of these was France’s leading staple manufacturer Kônzette S.A.. The process of acquiring foreign companies has continued also during recent years, with French staple tool company Rocafix as one example (Isaberg-Rapid, 2005).

Isaberg-Rapid has been involved in export for 60 years and it is now active on roughly 140 different foreign markets. Countries such as North Chorea, Iraq and Afghanistan are among the few exceptions. Export stands for about 95 percent of the company’s total sales and it is therefore of great importance (M. Schentz, Personal communication, 2005-12-05).

Isaberg-Rapid’s turnover reached 880 million SEK during 2003 and it has about 1200 employees (di.se, 2003). The headquarters and a large part of the company’s production are still concentrated to Hestra, not far from Gnosjö (Isaberg-Rapid, 2005). During 2003 and 2004 the holding company Industrivärlden mentioned plans of selling Isaberg-Rapid (di.se, 2003). Those plans are now officially cancelled and Industrivärlden says that the company will remain as a long-term owner of Isaberg-Rapid (di.se, 2004).

The interview has been conducted with Mikael Schentz. He is the Marketing Manager of the Tools Division and he has a deep knowledge about Isaberg-Rapid’s export activities.

In 2001, Isaberg-Rapid was awarded the Export-Hermes Prize, by the Swedish Chambers of Commerce with the following motivation:

“Isaberg Rapid has developed through design, technology and customer support, and has become a leading company in its segment by means of company acquisitions and establishments abroad.”
4.4 TradeDoubler

Felix Hagnö and Martin Lorentzon founded the IT-company TradeDoubler in 1999, only months before the IT-bubble burst and stock-markets crashed worldwide. Despite the harsh start, TradeDoubler managed to become Europe’s leading company in affiliate marketing. The company is operating in sixteen European countries, with 250 employees in local offices throughout the continent. The company headquarter is situated in Stockholm (Andrée, 2005). TradeDoubler offers services to any company who is online, ranging from online marketing and sales to promotional campaigns and brand building. The company’s extensive knowledge and experience in online marketing is transferred through account management and consultancy services. In 2004, TradeDoubler’s turnover reached 65 million Euros. That was an increase with 130 percent from the year before (TradeDoubler, 2006).

Despite the stock-market’s despise for Internet companies during and following the IT-crash, TradeDoubler managed to survive much due to its cost-awareness and its performance-based business model. TradeDoubler’s technology made it possible to track and measure activities on the Internet, enabling it’s customers to track a consumer’s way from the first click on an internet ad to a completed purchase. As this showed how successful/unsuccessful each Internet advertisement was, TradeDoubler’s services became an important tool when the harsher financial climate forced other companies to look at and cut down their marketing budgets (André, 2005; TradeDoubler, 2006).

TradeDoubler has about 1000 advertisers, like Apple, Dell, AmEx etc, and it is these companies that the TradeDoubler considers as it’s customers. Then there are 90 000 “traffic generators”, from large websites like Atonbladet.se and eBay.com to small private ones, who get paid to generate traffic to the advertisers’ homepages. TradeDoubler has personally meet and discussed with each of its customers, as well as with about 2000 of the most important “traffic generators”.

Daniel Nordström is vice President of the European operations at TradeDoubler and he is responsible for the support and development of all subsidiaries around Europe. Daniel Nordström has a degree in business administration and more then 8 years experience of international business development. Before joining TradeDoubler, Daniel Nordström assisted Swedish IT-companies as a senior consultant at the Swedish Trade Council in London (TradeDoubler, 2006).

In 2004, TradeDoubler was awarded the Export-Hermes Prize, by the Swedish Chambers of Commerce with the following motivation:

“In four years TradeDoubler has become Europe’s leading supplier of result based marketing and sales solutions on the Internet.”
5 Empirical findings

This chapter presents the empirical data that have been collected through interviews with BabyBjörn’s founder and CEO Björn Jakobson and his wife and co-founder Lillemor Jakobson, Elekta’s founder and former CEO Laurent Leksell, Isaberg-Rapid’s Marketing Manager Mikael Schentz and TradeDoubler’s vice president of European operations Daniel Nordström. The interviews were all conducted at respective company’s headquarter. To enhance readability, the authors have decided to only use complete references together with direct quotes. As described in the methodology chapter, this empirical chapter follows the same structure as the interview guide, found in “appendix 1”

5.1 When the company was founded, what was then considered as its market?

Two contrasting groups took shape among the four participating companies in response to questions about the underlying ambitions and future goals of their very beginning. The two oldest companies, Isaberg-Rapid and BabyBjörn, both described relatively humble beginnings.

“At that time I was working in a butcher-firm. The only thing that I saw was the possibility of trying out if the Baby Sitter, which original idea I had taken from America, was something that could be sold. Any visions for the future or ideas about that this could grow to something bigger were completely nonexistent. You cannot say that I was thinking national or local, since I was not thinking at all. I just wanted to sell” (B. Jakobson, Personal communication, 2005-11-28). BabyBjörn’s interest in export and foreign markets started to grow in 1964, three years after it was founded and the same year as the company’s sales took off on the Swedish market. Even though the two founders describe their ambitions as cautious and modest, they were on a relatively early stage clear about selling only a few products, but on many markets. The products should be well tested, safe and niched at babies. Björn and Lillemor Jakobson several times return to their core philosophy, that companies should avoid large loans. To reach beyond the limited Swedish market was therefore necessary to create profits large enough to cover the, for the company very crucial, product development. These costs were a challenge for 34 years. Now the situation is very different, with high profits and significant resources devoted to product development.

With the company originally founded 1936, the marketing director Mikael Schentz has of obvious reasons no personal memories from Isaberg-Rapid’s first years in business. Schentz however remembers descriptions of the founder Olle Westlund as a “handy man and engineer, rather then a businessman” and he seriously doubts that Westlund had any international ambitions. Things changed when the entrepreneur and driven salesman Simon Brick joined the company as a 50% owner. In 1946, with World War II just over, Isaberg-Rapid finally became an export company. Mikael Schentz believe that it was first at this stage that markets outside of Sweden was taken under more serious consideration and that Simon Brick most certainly was the driving force behind this change in scope.

While BabyBjörn and Isaberg-Rapid eventually grow into their role as export companies, TradeDoubler and Elekta had their future decided and clear already at the time of their conceptions. “The founders prepared for foreign languages and currencies already in the very first software code that they wrote. You could say that TradeDoubler was destined to become an international company, it was clear from the start” (D. Nordström, Personal communication, 2005-12-12). Daniel Nordström explains the determination for an immediate and aggressive international expansion with the belief among the founders of a great but short-lived window of opportunity.
TradeDoubler’s concept already existed in the US and within two or three years they worried that the much larger American competitors would be all over Europe. TradeDoubler’s chance would therefore be to rapidly move into a large number of European markets to gain a first mover advantage and to become the largest pan-European operator.

If TradeDoubler was driven by a sort of fear, Elekta had more in common with Baby-Björn’s argument about a need for larger scale. “Elekta is in a business that is so small in Sweden that there does not exist the slightest possibility to finance research and development. Early export and internationalization was given from the start, and I believe that it is the same for all other companies within biomedicine” (L. Leksell, Personal communication, 2005-12-08). Laurent Leksell confirms that Elekta’s ambitions were global, already from its founding in 1972. Today, foreign markets worldwide stand for more than 99% of Elekta’s sales. The Swedish home market is in fact so small that Laurent Leksell finds it hard to even estimate its importance.

5.2 Please describe the development over time of the company’s export and what factors have decided which markets the company has entered?

The companies’ original view of markets seems to have had an effect on the approach when starting their export. The same formation of two opposing groups is also again repeated. TradeDoubler and Elekta both conducted more or less extensive market analysis and acted based on strategic decisions. BabyBjörn and Isaberg-Rapid on the other hand both describe their approaches as “to sell to whoever wanted to buy”.

TradeDoubler did not wait more then a couple of months from its founding in October 1999, until it started its first foreign subsidiary in London, United Kingdom. A goal with the rapid international expansion was to establish offices in all the six largest European markets: Germany, UK, France, Italy, Spain and the Netherlands. In fact, before the end of year 2000 the new founded company had managed to open not only subsidiaries in those 6 countries but also on an additional 4 European markets. At the end of year 2005, TradeDoubler covered 16 European markets with 14 different foreign subsidiaries. One important reason for the very quick expansion, as well as the selection of markets, was what Nordström describe as a “customer perspective”. “We early on received feedback that the companies TradeDoubler wanted to work with preferred having the same partner, not only on one or two markets but all over Europe” (D. Nordström, Personal communication, 2005-12-12).

When TradeDoubler today plans entry into new markets, the company analyzes factors like market size, Internet penetration, to what extent there exist broadband, the amount of e-commerce and e-advertising as well as how the situation is with competitors. An important factor is also how many of the company’s existing customers that can be brought over to the new market. Some of this analyzing was, according to Daniel Nordström, done also before entry into the first markets. The available statistical data was however insufficient at that time and it was therefore necessary to use a bit more of “gut feeling” then is the case today. TradeDoubler’s decision to start with the UK was based on the UK market being one of the largest and most mature in e-commerce. “It was also so that several of the large customers that TradeDoubler wanted to work with, like Apple and Dell, had their European headquarters in the UK. Our plan was that by starting to make business with these companies we could later follow them also into other markets” (D. Nordström, Personal communication, 2005-12-12).

During the first 10 years in business, between the founding in 1972 and the first foreign subsidy in 1983, Elekta was not much more then a small research company. Therefore it
decided to co-operate with two established trade houses. These offered access to networks for distribution and sales, as well as some geographic coverage. The sales were however very limited and so was also the possibilities for future expansion. With growth in the product portfolio, as well as the complexity of the products, it became more then the trade houses could handle. Still very small, Elekta believed that it had reached the right time in its product development for serious export attempts to make sense.

The founder and CEO, Laurent Leksell, had a clear opinion about how Elekta should select its first markets to enter. “If you have technologically advanced products, which Elekta has, if the products are seldom bought and if the company has high consistent costs, like research and development, it is necessary to reach a reasonable scale already from the beginning. That is why I decided to first enter large markets” (L. Leksell, Personal communication, 2005-12-08). As a consequence to this decision, markets where put in a priority order according to size. The USA, with the world’s largest market for medicine technology, was entered in 1983. Later followed the world’s second largest market Japan, then China and finally Europe.

BabyBjörn started its new life as an export company in 1964 by attending the world’s most important baby-related exhibition, annually taking place in Köln. Björn Jakobson describes his exhibition stand as the smallest you could get. Jakobson also recalls that he did not have any special goals with his company’s attendance. “By participating in the exhibition BabyBjörn draw attention among those who where interested. Then it was only a question about who might swallow the bait. You could not be that presumptuous that you put up any sorts of demands on the retailers. We where only happy to be able to sell at all” (B. Jakobson, Personal communication, 2005-11-28). The exhibition was successful and resulted in small-scale export to retailers in Norway, Denmark and the Netherlands. What Björn Jakobson describes as the biggest milestone in BabyBjörn’s export was when he in 1967 succeeded in getting a large and lucrative order from the 100-store UK chain Mothercare. The following year he visited Europe’s largest mail-order company, located in Germany, and succeeded in selling the Babysitter also to them.

Björn Jakobson repeatedly claims that the company did not have any plan for which markets to enter. Between the lines it however becomes clear that the company was especially interested in the UK and Germany, since these markets contained both large customers and a very lot of babies. Neither languages, geography nor culture is said to have had any influence and the selection of markets is considered to have been coincidental. BabyBjörn has continued to utilize exhibitions as a way of getting in contact with possible future distributors. The Japanese market was for example entered as a result of a coincidental meeting in BabyBjörn’s stand during an exhibition. Nowadays, BabyBjörn’s situation is however different from what it was like in the beginning and the company has become more fastidious in its acceptance of people and businesses to work with. “Today the conditions are completely different compared to how it was at the end of the 1960s, when we where unknown. Now our business is about selling the BabyBjörn brand. We have expectations and demands on those who represent us and when we enter a new market we do so fully with advertising in parent magazines, we offer stands to display the products in stores and we participate in local exhibitions” (B. Jakobson, Personal communication, 2005-11-28).

Björn Jakobson argues that the belief about EU’s importance for Swedish companies’ ability to export is greatly minimized, not only by the public but also by experts. The European free trade has been very helpful for BabyBjörn. When the union recently accepted 10 new member states, BabyBjörn quickly made a deliberate decision to enter them. “You have to start selling in these new countries right away. If we do not do it, one of our competitors will go in and take the shelf-space. The trick is that if you once have got your display stands into a store, and they are sufficiently heavy, the store owner will not easily remove them…” (B. Jakobson, Personal communication,
2005-11-28). The authors of this thesis have got the impression that this way of reasoning was somewhat of a change compared to how Björn and Lillemor Jakobson have described earlier market entry decisions.

BabyBjörn tried to keep its production in Sweden for as long as possible. Now is however almost everything produced in Latvia, Turkey or China. Moving the production abroad has not only reduced the costs. The quality has also improved significantly and both Björn and Lillemor Jakobson regret not having made the move earlier.

After World War II, much of the European industry was bombed into pieces. At the same time the continent was in great need of all sorts of products and equipment to handle the rebuilding. To meet this international market demand, Simon Brick took help of a network of Jewish relatives and friends. The terrible ordeals of the war had brought Jews around the world together and created many close ties of mutual trust. It was in this network Simon Brick looked for possible partners and representatives that could help Isaberg-Rapid to move into new markets. At first the company’s selection of markets was based on geographic and language factors, with the entry into Finland in 1946 and then Denmark as clear examples. Later followed other classic Swedish export markets like Germany, UK and the Netherlands. Using the Jewish network, Simon Brick started to travel around the world to establish representatives on new markets. After a while Simon Brick’s son Herbert took over this role. Isaberg-Rapid had one group of salesmen covering the Swedish market, one group of salesmen covering Scandinavia and Herbert who covered the rest of the world. He soon became a corporate legend and is still considered as the one who spread Isaberg-Rapid over the world. During a number of decades Herbert Brick traveled around the globe several times a year, staging lavish banquets at the most exclusive hotels and making Isaberg-Rapid a prestigious partner to do business with. “Herbert Brick had an amazing level of social competence. He was a fantastic salesman who built a network of distributors all over the world. What Herbert did meant a lot for Isaberg-Rapid’s success” (M. Schentz, Personal communication, 2005-12-05).

Mikael Schentz does not give an entirely clear picture of one guiding philosophy behind the selection of markets. However, that Isaberg-Rapid should sell “wherever it was possible” seems to have been the ruling thought for many years. As a consequence, Mikael Schentz can count an impressing number of dictator-states, and other questionable countries, among its long lasting markets. As the world have developed into fewer but larger customers and multinational chains, Isaberg-Rapid has promised to follow these customers as a supplier wherever they decide to go. To follow a customer into new markets, for example in the former East-Europe, often results in high initial costs and financial losses. When the countries financial situation improves Isaberg-Rapid will on the other hand be well positioned. Mikael Schentz considers this long-term view as a great strength (M. Schentz, Personal communication, 2005-12-05).

5.2.1 Entry modes

When it comes to entering markets, BabyBjörn and Isaberg-Rapid continue to show clear similarities. Isaberg-Rapid has always started on new markets by first using distributors. This was the way that Simon Brick and his son Herbert used to quickly enter a large number of foreign markets. According to Mikael Schentz, this is an entry mode that the company intends to continue with. The previously mentioned Jewish network was considered as a way for Isaberg-Rapid to find reliable and respected business partners. Besides that, it does not seem like Isaberg-Rapid had any particular qualification-list for distributors. Mi-
Mikael Schentz admits that Isaberg-Rapid during many years left everything else in the hands of the distributors and allowed them to do whatever they wanted with the products.

BabyBjörn also started to enter new markets by using agents and distributors. This is an entry mode, which the company has continued to use also for many of its later entries. “When we first started to export, by entering Denmark, Norway and the Netherlands, we wanted to do it the cheapest possible way. It was the same thing when BabyBjörn continued into Finland, Belgium and Switzerland” (B. Jakobson, Personal communication, 2005-11-28). A main concern at this stage was to minimize the risk. The founders were unsure whether the company would be able to sell anything. To hire its own sales people would therefore simply be too costly. Two side-steps from this entering strategy was when BabyBjörn started its own subsidiary in Germany in 1968, following the previously mentioned deal with a large mail-order company, and then once again in France 1973. The subsidiaries were opened to more actively work with these two large markets. The two local subsidiaries also had their own stock of BabyBjörn products. Björn Jakobson remembers the founding of these subsidiaries as very expensive and local warehouses as ineffective. Since becoming a member of the EU there are, according to him, no longer any good reasons to have subsidiaries in Europe and all products should be distributed from the same central warehouse. The earlier subsidiaries in Germany and France have now been replaced with a local staff of salesmen, directly controlled from Sweden but located in Germany and in the UK. Norway and Denmark are covered with direct export from Sweden.

Björn Jakobson has firm opinions about distributors and agents. BabyBjörn has both bad and expensive experiences of contracting agents. These are legally well protected in many European countries and the company that they represent can face tricky juridical problems, as well as high costs, if the relationship does not work out well. Björn Jakobson therefore strongly advises against ever signing an agent agreement. “If you necessarily have to sign an agent contract you should make sure that it is a clever one. He, he, he… You should always have good lawyers!” (B. Jakobson, Personal communication, 2005-11-28). Instead he recommends others to follow BabyBjörn’s example and have what he calls distributors. These are representatives who quickly and easily can lose their rights to distribute the BabyBjörn products as soon as the company does not think that they fulfill their obligations or that they lack motivation. As BabyBjörn’s position has improved, the company has several times used this opportunity to change less suitable or unable distributors. BabyBjörn are for example into their fourth distributor in the USA, since entering the country in 1980. The earlier ones have not necessarily been bad, but rather insufficient to manage the task as the sales has improved.

What Isaberg-Rapid calls distributors many times fit into BabyBjörn’s definition of agents. Mikael Schentz recognizes the situations that Björn Jakobson describes. He however does not seem to consider these agent contracts as such a serious legal and financial trap. “Many of our distributors are the same as when we started to export and with some of them we do not even have an official contract. If we are signing up a new distributor we however make sure that the contracts look a bit different from what they once did during the 1940s. Now we usually make sure that we can cancel a distributorship with a few months notice” (M. Schentz, Personal communication, 2005-12-05).

Daniel Nordström explains that TradeDoubler does not necessarily have to start with an office on each market it enters. Switzerland is one example. That new market was first covered by traveling salesmen from TradeDoubler’s office in Munich, Germany. After a year the business took of and TradeDoubler established a Swiss subsidiary, with local office and staff. “You can start up a business, and maybe even make money, without having local presence. However, you can not in the long run benefit from a market’s full potential without having local staff who interact with the customers” (D. Nordström, Personal communication, 2005-12-12). On most markets the
company has however started with a local subsidiary and office from the very beginning. During the start up phase of a new subsidiary, Daniel Nordström believes that it is best to look for employees that are entrepreneurial, that have an incredible drive, motivation and who are prepared to work very hard. The specific technical knowledge is something that a decently intelligent person can learn. In a later stage, when the business is starting to take of, it is time to look for people with knowledge in the specific field of business to take the roles as account managers. During the first years in business, TradeDoubler used to load new foreign offices with Swedish staff. Now, the company use networks or recruitment firms to hire more local employees from the start. “TradeDoubler has learned that it is good to have a representative from the headquarter along when starting up a new venture. That way you can ensure the right values. Still, you should try to get a local manager as soon as possible” (D. Nordström, Personal communication, 2005-12-12).

Elekta has preferred a little bit of both the two previously described entry strategies. Laurent Leksell describe it as a sort of “mixed strategy”, which depends on market size, potential and complexity. “Elekta’s core strategy is to sell directly on larger markets. To control the distribution and to have contact with the end customer is “priority one”” (L. Leksell, Personal communication, 2005-12-08).

On these “priority one” -markets, Elekta usually prefers to open up its own subsidiary with locally stationed and well educated sales staff. Laurent Leksell puts a lot on emphasis on knowing the customer. He believes that this is, or at least should be, something that is important for all companies. For a company like Elekta, who work in a field of business that is very technologically specialized, this is however even more crucial. To build and maintain a customer network of doctors, hospital managers etc is one tool that is especially suitable, since different markets are not isolated from each other. Instead, specialist doctors often move around and keeping the contact with them can open up doors to new customers as well as help Elekta’s entry into new markets. This kind of entry strategy, where you open an office with locally stationed staff, is costly. This is especially true if you have high ambitions for a close contact with customers and maintaining your customer network. Choosing direct sale as strategy when entering the USA, Elekta’s first foreign market, was therefore a tuff decision. “High technology intensity, seldom bought goods, long sell-cycles, relatively high service intensity, high demand for competence in the selling process –this hole picture creates a dilemma. You cannot really afford to go in directly on a new market since the volume is too small. At the same time it is very hard to find a distributor who wants to sell a seldom-bought product and who can afford to invest in that kind of education of the staff that are necessary to handle the sales. The alternative that remains is that you, even though it will be very tuff, build up your own distribution” (L. Leksell, Personal communication, 2005-12-08). Laurent Leksell explains that it was a huge challenge to reach a sufficient coverage of the US market. He also describes it as very tuff to finance the opening of a subsidiary on Elekta’s first foreign market. Looking back on it, he is however convinced that it was the right strategy.

“Priority two” –markets for Elekta are those with a to small market to motivate “high-quality direct sale”. Some examples of this kind of markets are the Nordic countries. Instead of having their own locally stationed sales staff, Norway, Finland, Denmark and Iceland are covered with direct export from Sweden. According to Laurent Leksell, it is often difficult to decide if a market should have its own subsidiary or not. Some countries, like Australia, have for example got their own subsidiary with local staff even though the markets are too small. Elekta’s motive was that it considers Australia to have an important influence on neighboring countries. “To really penetrate a market and to build customer networks, you should have your own direct sales staff. The exception is if the market is far to small, or if there are other better alterna-
tives that are more interesting” (L. Leksell, Personal communication, 2005-12-08). Japan, the second market that Elekta decided to enter, is an example of such an exception. Despite the market being both very large and important for Elekta, the company believed that the best solution was to enter Japan with help of a local distributor.

The use of distributors is otherwise most common on what Laurent Leksell call “priority three” – markets. Those are small markets with only marginal sales opportunities. Countries in the former Eastern Europe and in the Middle East belong in this category. So do also countries that are considered to be very complex, because of institutional barriers, very special decision-processes, corruption etc. In countries with this complexity, Elekta prefers to use agents or distributors.

5.2.2 Change of entry modes and distribution over time

Elekta continuously evaluate its markets and the ways that it operates on them. It has happened that Elekta, by one reason or another, has bought up one of its distributors to set up its own subsidiary. Elekta’s core principle is still to have its own distribution on as many markets as possible.

As far as the authors have understood, BabyBjörn has not changed its strategy of how to enter new markets. Neither it has expressed any plans to change the way the products are distributed on existing markets. Under the interview with Björn and Lillemor Jakobson it however indirectly becomes clear that things nevertheless are a bit different nowadays. Even though BabyBjörn itself does not call it a change in strategy, the export to Norway and Denmark has indeed switched from local distributors to direct export from Sweden. The locally stationed sales staffs in Germany and in the UK have also been placed under direct control from the BabyBjörn headquarters in Sweden. As earlier mentioned, it has become clear that BabyBjörn has used its improved position to put higher pressure on its independent distributors. By putting them in a position where they can easily lose their exclusive right to sell the BabyBjörn brand, the distributors are no doubt under more control then they once where.

Mikael Schentz explains that it has always been Isaberg-Rapid’s strategy to first enter new markets by using distributors and that the company intends to continue in the same way. Despite that the strategy for market entries remains the same, Mikael Schentz can point out a shift in the development of Isaberg-Rapid’s export and internationalization. In the beginning of the 1990s a new owner and a new CEO started a series of rapid acquisitions of foreign companies, transforming Isaberg-Rapid into a truly international company with production also outside of Sweden. The new CEO also initiated an aggressive expansion of the export. Part of his plan was a “forward integration” by buying up many of the old distributors and agents around the world. These where then made into local sales organizations in the shape of subsidiaries. The change into subsidiaries has, according to Mikael Schentz, created a transparency that did not exist before. It has also improved Isaberg-Rapid’s control over the way the products are sold. “You cannot act local when the market is becoming more and more global. If Isaberg-Rapid had not done this “forward integration” I doubt that we would still be in business today” (M. Schentz, Personal communication, 2005-12-05). The transformation from independent agents and distributors to company owned subsidiaries have further helped Isaberg-Rapid to start concentrating many of the small warehouses, that earlier existed in each and every country, into a few large central warehouses. This has greatly improved the logistic efficiency.
Daniel Nordström believes that there exist several alternatives to the entry strategy that TradeDoubler decided on. To license out the technology is one idea that the company briefly tried in response to a request from a telecom-operator in Latvia. That attempt however ended up with TradeDoubler quickly buying back the new company and transforming it into a subsidiary. Daniel Nordström considers subsidiaries to be the best and most suitable solution for TradeDoubler, since they allow for better market penetration and better profit-marginals. Most of all, subsidiaries enable the best possibilities for exchange of knowledge within the organization. Despite the perceived benefits with subsidiaries, Daniel Nordström does not completely want to exclude the possibility that TradeDoubler sometime in the future might use web-agencies to sell its products and services.

5.2.3 Pace of the export development and simultaneous entry of several new markets

There is a clear and interesting difference between Elekta and the other three companies when it comes to the pace of entering new export markets and the view of whether it is recommendable to enter several new markets simultaneously. BabyBjörn explains that “…it was only a question about who might swallow the bait” and the company does not mention any concerns about simultaneously starting export to several new markets. Isaberg-Rapid’s goal to “…sell wherever it was possible” seems to be similar to that of BabyBjörn. Mikael Schentz however adds that a lot of credit for the rapid expansion of export, during the 1940s, 1950s and 1960s, should be given to Brick’s Jewish network. He doubts that it would have been possible to expand so easily and to so many new markets without these international contacts. TradeDoubler opened subsidiaries in 10 new countries within not much more then a year after it’s founding. That pace of export expansion cannot be described as anything else then extreme. Daniel Nordström nevertheless considers it as a success and he points out that all markets are profitable. “TradeDoubler does not have any production units or distribution networks that needs to be built. It is relatively easy for us, compared with what I believe that it is for many other companies, to enter new markets. I believe that it is the reason why TradeDoubler has been able to keep that many parallel processes going at the same time” (D. Nordström, Personal communication, 2005-12-12).

Laurent Leksell on the other hand has a completely different view of how to export to new markets. “If you want to succeed with your export you have to concentrate. My experience, from Elekta as well as from studies of other companies, is that you should not spread out yourself, neither in terms of geography nor products. The possible exception is if you have synergies in the distribution” (L. Leksell, Personal communication, 2005-12-08). Laurent Leksell further argues for listing possible new markets according to priority and for having a clear plan of how to really penetrate a market. He also strongly believes in never losing the grip of one market for the sake of rushing into a new one. “Somewhere we all have limited resources. If you cannot afford it, it is better to take a step and re-prioritize since a failure in export is wasted money. It is important that you think strategically and really prioritize which markets you enter so that you can maximize the return of the money you will invest” (L. Leksell, Personal communication, 2005-12-08).

5.2.4 External resources for market information

All the four interviewed companies have sometime used external consultants. To what extent they have been used and for what kind of tasks is however a bit different. Björn Jakobson explains that BabyBjörn constantly uses consultants for a wide variation of tasks. He also adds that they have been very useful over the years. Maybe a bit surprising, Björn Jakobson reports that there however is not any need for help to find out information about
future markets. The only things that BabyBjörn needs to know are if there are any good stores for baby products and if they have a decent economy. This can be found out without any help. Björn Jakobson further adds, with a smirk in his face, that he does not have any high thoughts about academics and their market researching. Isaberg-Rapid has a number of times hired consultants from The Swedish Trade Council, as well as from other firms, to carry out market research. Other market research and market intelligence is done within the company. Daniel Nordström, himself recruited by TradeDoubler directly from The Swedish Trade Council in London, says that it is good to be humble and admit that you sometimes need help. He does not remember that TradeDoubler asked for assistance with any deeper market research during the first years of rapid expansion. Instead, the company asked The Swedish Trade Council for help with more practical issues, such as registrations of the subsidiaries and finding accounting partners.

Laurent Leksell believes that the need for external help from consultants depends on how much experience you have. If you are new and immature as an export company you might have a need of consultants. Elekta however already has direct sales through subsidiaries on 20 to 25 markets and distributors on an additional 60 to 70 markets. This makes Elekta “a very global business” and according to Laurent Leksell explains why the company seldom finds a need to hire external consultants. He value the company’s networks as more important then any consultant and further states that it is better to figure out things yourself then to hire somebody ells to do it. “The reason why the literature describes it as difficult to find out things yo-urself is because many companies do not know what to ask. If you are clear about what you want to know, it is not to hard to find what you are looking for” (L. Leksell, Personal communication, 2005-12-08).

5.3 Describe in more detail how the company carries out an export venture?

Laurent Leksell has a lot to say about the basics behind international trade and he is generous with advice and recommendations. According to him, the precondition for trade is that somebody else has something that is either cheaper or better then what you have. “If you are on a large market, without any structural disadvantage in costs, a well developed industry, a well diversified supply of goods and economies of scale, then why should you import?” (L. Leksell, Personal communication, 2005-12-08). Laurent Leksell is of the opinion that this explains why it is so much harder to enter huge markets like the USA, Japan or Germany, compared to entering small markets like Norway or Sweden. To be able to sell something, he argues that it is necessary to either structure the product, the cost or the offering in such a way that somebody wants to buy it. That the product is old and that there already are large competitors on a market does not necessarily have to mean that it is impossible to enter. As example, Laurent Lek-sell mentions Ryan Air who has succeeded very well in selling an old product on a mature market. What that airline understood was to sell its product in a new way, with a new approach. He recommends other companies to look at their products and their markets in the same way. Whatever a company is trying to export, Laurent Leksell believes that the company should start its efforts by asking itself some basic very basic questions. “What is it really that you are offering? It might sound naïve, but surprisingly many companies are not clear about this. As an exporter you have to be consequent, know what you have, whom you are going to sell it to and why he or she should want to buy it. You have to really understand your customer” (L. Leksell, Personal communication, 2005-12-08). How you then decide to enter a new market should depend on what kind of product you are selling. What mode of entry is most suitable depends very much on whether you are selling a standardized mass-market product or some highly spe-
cialized product where you need to have a close relationship to the buyer and where every customer is important.

TradeDoubler is the only one of the interviewed companies who in clear steps describes an entry into a new market. The company has a special unit, suitably called Business Development, whose responsibility it is to research and prepare information about possible new markets. This unit can in its own turn ask external resources, for example The Swedish Trade Council, for help to research market size, local competition etc. The method for analysing the findings has, according to Daniel Nordström, been further developed since the first entries during year 2000. The findings and analysis of the Business Development unit is then discussed in different management groups and finally presented for the board of directors. If the board approves, its decision start an evaluation of necessary resources in form of the right staff competence etc. It is also necessary to go thorough TradeDoubler’s entire business model with local lawyers to ensure that it is adapted to local taxes and regulations concerning payments to “traffic generators”, as well as other issues. After that, TradeDoubler takes care of practical things like finding an office and hiring an accountable firm. The most important step in entering a new market is however, according to Daniel Nordström, to find the right three to four people to actually run the start-up. They are of great importance for the success on a new market.

5.3.1 Analysis of competitors

BabyBjörn never really mentions competing firms during the interview. The rest of the four interviewed companies however agree that they all keep an eye on their competitors. Mikael Schentz describe it as Isaberg-Rapid “monitors in what direction the industry is going and what the competitors are doing”. Laurent Leksell reports that Elekta has eight companies with whom it, in one way or another, competes. He gives a through description of their offerings and, even though he consider Elekta’s technology to be superior, he does not hesitate to give several of them a lot of credit both for competence and aggressiveness. Despite that Daniel Nordström several times during the interview mentions competitors and competition, he does not like to spend too much time studying what other companies are. “We do analysis of competitors to some extent. I however believe that you should not look to much at your competitors but rather concentrate on what you yourself feel is right and best” (D. Nordström, Personal communication, 2005-12-12). The basic concept behind TradeDoubler was greatly inspired by already existing companies in the USA. Daniel Nordström nevertheless believe that TradeDoubler benefits more from studying its own subsidiaries, as well as local European competitors, then the large American players.

5.3.2 Adaptation vs. standardization

The answers to questions concerning standardization vs. adoption are surprisingly homogeneous, despite the different nature of the interviewed companies. All four companies position their products in a similar way on foreign markets, compared to the Swedish home market. They also say that their intention is to target more or less the same customer-group as they do in Sweden.

Elekta, BabyBjörn, Isaberg-Rapid and TradeDoubler all describe their products as having a basic standardization. The products are then adapted to local safety regulations, technical standards etc. Laurent Leksell explains that Elekta’s finale products usually vary a lot between different markets, depending on requested amount of the latest technology and the customers’ financial resources. Björn and Lillemor Jakobson describe safety regulations as
very different between countries. The UK has for example a lot stricter rules for baby products than Sweden and adaptions are therefore necessary. TradeDoubler uses the same tracking-technology everywhere. What differ between markets is how the company has adapted its products and services to match local customer demands and local competition.

Also the way in which the four companies market and sell their products are very standardized on all their markets. Laurent Leksell describes the selling process to hospitals as the probably most complex and most complicated selling process in the world. The method of marketing, long-term relations and working up customers, is however similar for Elekta all over the world. TradeDoubler also works in the same way on all its markets. Björn Jakobson claims that BabyBjörn simply is a too small company to enable an adaptation of the marketing to all its 30 different markets. It is especially interesting to compare BabyBjörn and Isaberg-Rapid, since the two companies have clear similarities. Both moved the production of all marketing material from outside advertising agencies to their own marketing department or in-house agency. Both also express a very strict policy when it comes to control of the companies’ brands and graphical profiles. Everything should be decided, produced and controlled from respective companies’ headquarter. Compared with how it once where, it is clear that the control has been tightened up and centralized. Despite its change in policy, Isaberg-Rapid still lives with a network of distributors that historically can be traced back to the 1940s when “Isaberg-Rapid did not care what the distributors did with the products”. This means that some distributors remain in a very powerful position and prefer to do their own race, with independent marketing material etc. Isaberg-Rapid is not entirely happy about this situation.

The authors lack information about BabyBjörn’s price policy. The remaining three companies all have prices that vary depending on different markets. The prices on Elekta’s products vary greatly, as the number of additional extras also varies a lot between different markets and different customers. However, also products that are directly comparable can be sold with different prices. The reason for this is that Elekta’s cost for distribution is varying. Mikael Schentz explains that Isaberg-Rapid would like to see a standardized price policy for all its markets. This is however far from how the situation looks like today. Despite what might be expected, it is however not so that prices are high in Western Europe and low in poorer countries like in South America. Actually, the price-pressure, from large and powerful buyers, is most intense in the rich world while competition is low and prices high in poorer countries. “Most companies pulled back from Russia when its economy suffered a downturn, a few years ago. Isaberg-Rapid decided to stay with our local sales organization and took some years of losses. When the Russian economy took off again we could benefit greatly from the very low competition. The result has been fantastic and we are able to charge amazingly high prices” (M. Schentz, Personal communication, 2005-12-05). Daniel Nordström express a directly opposite opinion compared with that of Isaberg-Rapid. TradeDoubler started out with a rather strict policy of standardized prices on all the markets it entered. That strict price policy is now one of the things that Daniel Nordström regrets the most. He says that the situation with standardized or adapted prices might very well be different for different companies. Based on his experiences, it had however been better for TradeDoubler if the company had earlier realized the importance of letting the local managers decide which price level is the most suitable for each and every market. How the local competition looks like is now one of the most important issues to consider.

As a consequence to the differentiated price policy, both TradeDoubler and Isaberg-Rapid admits that they have had problems with customers who try to play out different distributors and subsidiaries against each other. Isaberg-Rapid is the company who seems to have
had the most serious cases of competition between its own distributors. A distributor in one country has had one price-level on its own market and another, lower price level, when more or less secretly selling to other distributor’s markets. Mikael Schentz say that the emotions sometimes have been very intense between competing distributors. At the same time he means that the EU law forbids exclusive distributors and that it therefore is difficult to prevent this situation. The authors got the impression that something however has happened, since Mikael Schentz did not seem to consider it as such an alarming problem anymore. What has been done remains unclear… TradeDoubler have been able to prevent customers from shopping around between subsidiaries by imposing strict guidelines. If a subsidiary is in negotiations with an international client and the discussed price start to come near a certain level, the subsidiary has to hand over the negotiations to an international price manager. This way internal competition has ceased to be a worry.

5.3.3 Management involvement the views of writing a marketing plan

An intense involvement by the top management in the export activities is something that all the interviewed companies have in common. Simon Brick, one of the early owners of Isaberg-Rapid, was the driving force when the company started its extensive export. His role was later taken over by the following CEOs. The owners have in a similar way been driving forces also in the other companies. Laurent Leksell has for example been Elekta’s CEO, and the highest responsible for all market entries, during the last 30 years. Björn and Lillemor Jakobson have been leading BabyBjörn’s export activities since the founding of the company and they are still highly involved. The same goes for TradeDoubler, whose founders also have been, and still are, very much involved.

Both Elekta and TradeDoubler are in favor of written marketing plans. Laurent Leksell says that he feel strongly for making decisions that are well thought through and to act strategically, based on a plan. At the same time he adds that: “You can not only write down a marketing plan on a paper and then run straight ahead. The world is not static but changing. It is therefore important that you always are self-critical and re-prioritize” (L. Leksell, Personal communication, 2005-12-08). Daniel Nordström believes that there is a value in sitting down to think through what the best alternatives are and to write it down in a plan. To write it down is however not enough. “The most important is not that the top management has been sitting down writing a plan, but that each and every subsidiary get to know what the plan says. TradDoubler puts a lot of time and effort into telling that” (D. Nordström, Personal communication, 2005-12-12).

Björn Jakobson does not share Elekta’s and TradeDoubler’s enthusiasm about writing down plans. He complains that the company has written thousands of papers and that it is far too much writing. What really matters for BabyBjörn is, according to Björn Jakobson, that there are display stands for the products, thought through advertisements and a strong legal protection of the brand and the products.

5.3.4 The companies’ views of the usefulness of export experience

All companies agree that they have been able to benefit from earlier export experiences when entering new markets. Laurent Leksell says that all markets “holds the same deck of cards”. Björn and Lillemor Jakobson point out that there are differences, but nevertheless consider all markets to have a lot in common. “There are certainly differences between markets. I however believe that the differences are greatly overrated. Everybody say that this and this market are so very special or that this and this industry are so very special. They are not special at all! The basic preconditions are more or less the same. If you have succeeded on one market, and learned from your mistakes and your
successes, you can then reuse those experiences when entering another market” (M. Schentz, Personal communication, 2005-12-05). Mikael Schentz further develops his opinion by explaining that the difference lays in the methods of selling and distributing products to a customer. According to him it is a greater difference between the methods of selling and distributing different products in Sweden then there are differences between selling and distributing the same thing in different countries. Daniel Nordström recalls that the first ten markets where entered more or less simultaneously and that it therefore was not possible to benefit from previous experiences. The time was simply too short. Afterwards, TradeDoubler has however analyzed previous entries to gain valuable experience for the continuing.

All companies fully agree about that knowledge and experience from export is something that not only can be transferred from one market to another or follow an employee from one company to another. The companies also share a firm belief that this knowledge and experience from previous market entries can be transferred within the organization, between different employees. Daniel Nordström was hired from his work as a consultant at The Swedish Trade Council in London when TradeDoubler’s founders planed to open the company’s first foreign subsidiary. According to Daniel Nordström, many other employees in a similar way come from other international backgrounds. Some where also recruited from prestigious investment banks, PR-firms etc. The authors are not in the same way familiar with to what extent the other interviewed companies also have had a strategy of hiring employees with an international background.

5.4 Does the company do anything to ensure that everyone in the organization, including subsidies, agents, etc., work in accordance with the company’s export and marketing strategies?

Björn Jakobson does not really give a clear answer to whether or not BabyBjörn has any clear goals. His response is that: “I complain to the distributors no matter how much they sell for” (B. Jakobson, Personal communication, 2005-11-28). This is however not a strategy that Björn Jakobson are too happy with. He is of the opinion that the distributors make too much money too easy and that they therefore lose their motivation. The sales staff employed directly by BabyBjörn is a lot more efficient. Björn Jakobson does not however answer whether or not they also lack all sorts of clear goals.

Elekta puts up and evaluates goals both related to volume and profit-marginal. Annually there is also an evaluation of the company’s different distributors. The perspective for this evaluation is however first and foremost on long-term performance. Isaberg-Rapid goals are based on a budget that can be divided down to regions, products as well as down to each and every sales person. The company also regularly evaluates different markets to decide if any of them need special attention. Mikael Schentz believes that the most important function of goals in export is to create a vision for what the company should accomplish. During the last years there have been some turbulence on the CEO position, which has caused a lack of vision for Isaberg-Rapid’s sales and export. Mikael Schentz remembers how it was before and believes that the export performance lately has suffered because of this turbulence and lack of vision.

TradeDoubler has so far only used what Daniel Nordström call “hard goals”. These hard goals are all related to EBIT, how much money the subsidiaries make. Daniel Nordström describes a well-developed routine for how a number of these goals, every month are evaluated, followed up and documented by TradeDoubler’s top management and the re-
spective manager at the subsidiaries. Clear goals and the evaluation of these are considered as very important at TradeDoubler. According to Daniel Nordström, this has to do with responsibility. He believes that it is important for everyone’s motivation that there is a clear relation between a person’s hard work and his or her paycheck and bonus. TradeDoubler therefore not only follow up the results of the different subsidiaries but also different client accounts. An interesting difference between Elekta and TradeDoubler is their views on the usefulness of clear goals. Laurent Leksell is of the opinion that goals mostly play a role for larger companies, since it is the only way of steering their organization. Daniel Nordström on the other hand argues that clear goals are of especially importance during the early stages of entrepreneurship.

5.4.1 Level of control over the distribution

Both Laurent Leksell and Daniel Nordström repeat how important it is to control the distribution and to have contact with the end consumer. As previously mentioned, these underlying beliefs have strongly affected Elekta’s and TradeDoubler’s choices of methods to do business on new markets. Both companies also closely monitor and participate in their distributors and/or subsidiaries work.

Laurent Leksell describes how Elekta has special sales managers who frequently travel around between different distributors in their designated region, giving them support, training and coaching. To listen to the distributors’ experiences is also important. Elekta regularly invites its distributors to meetings for further support, training and strategic planning. These meetings are an opportunity for the distributors to share experiences and give each other advice. Laurent Leksell argues that an exporter has to be there to support its distributors and that the distributors have to be honest towards the exporter. From the very beginning it should be clear what the different roles are and there should not be any doubts about what the exporter expects.

TradeDoubler has its subsidiaries closely tied to the Swedish headquarter. There are also well-developed routines to facilitate a direct interaction between the subsidiaries themselves. When listening to Daniel Nordström it becomes very clear that the transfer of knowledge within the different parts of TradeDoubler is considered as very crucial. “During my time as an consultant at The Swedish Trade Council I saw subsidiaries where the employees did not know who worked at the head office, they had no contact with them at all and the employees did not know what they where expected to accomplish” (D. Nordström, Personal communication, 2005-12-12). Through frequent international management meetings, as well as regular visits of the top management, TradeDoubler tries to ensure that all subsidiaries are constantly updated about the company’s strategy and goals as well as the latest knowledge of how to optimize the effect of the TradeDoubler’s offerings.

BabyBjörn describes how it greatly has improved its position against distributors and retailers. The company can now raise demands that where completely unrealistic when it started to export. BabyBjörn also strictly controls the use of its brand and all sorts of marketing. This improved level of control can, according to Björn Jakobson, entirely be explained by the strength of the BabyBjörn brand. Björn and Lillemor Jakobson travel extensively as a method of studying how distributors and retailers are doing their job. They both visit these personal visits and contacts as very important. While visiting stores selling the BabyBjörn products, the two founders also get an opportunity to receive first-hand feedback from parents. The authors have got the impression that Björn and Lillemor Jakobson personally enjoy the traveling and the interacting with their customers. Björn Jakobson also gener-
Mikael Schentz states that the transformation on many markets from independent distributors to subsidiaries has improved the transparency and increased Isaberg-Rapid’s level of control. Even though he claims that “you have to have control over the price policy and the distributors”, Isaberg-Rapid is nevertheless still to a large extent represented around the world by independent distributors. These are not always happy about giving up control that they historically have had themselves. Generally speaking, Mikael Schentz believe that Isaberg-Rapid has learned a lot from both its distributors and from companies that it over the years has bought. An exchange of information, as well as an opportunity to enhance a feeling of team spirit, is according to Mikael Schentz ensured by regular meetings and conferences for distributors and subsidiaries.

5.5 Has the company been hampered in its export activities because of limited resources? In what way?

Björn Jakobson remembers that the lack of resources has played a role in BabyBjörn’s export. This was especially evident during the early years when BabyBjörn looked for “the cheapest possible way” to enter new markets. The founders are against taking big loans and argue for building up a company piece by piece, with help of its own profits.

Despite Isaberg-Rapid having a similar background to BabyBjörn and despite it using a similar strategy for entering new markets, Mikael Schentz ensures that the company has never lacked financial resources. Money has, according to him, never decided Isaberg-Rapid’s choice of modes for entering markets or other export-related issues. Mikael Schentz gives both the previous and the present owners credit for having had a long-term perspective and having ensured strong financial backing. The authors are however not entirely clear about if Isaberg-Rapid has been able to enjoy this favorable financial situation already from start, or if it is something that has developed during more recent years. Laurent Leksell mentions limited resources, but at the same time never express any feelings of Elekta having been hampered in its export. Laurent Leksell further says that he does not think that he would have acted differently if Elekta had possessed more money. It is however possible that Elekta would have accomplished more in shorter time.

TradeDoubler succeeded in securing both seed capital, from a Swedish investor, as well as $10 million in a first investment, from George Soros, before the stock market collapsed in March 2000. Daniel Nordström admits that this money is more then many other companies have when they start their export activities. He however wants to put the resources that TradeDoubler had in comparison to many other IT-companies at this time. If doing that, he means that TradeDoubler should be considered as a relatively frugal venture. “Under TradeDoubler’s first six months in London, we sat there and watched all the cool stuff that the other companies did. They invited celebrities and spent fortunes on great parties, while we only were dull. Had we maybe not realized how to do business?” (D. Nordström, Personal communication, 2005-12-12). Although Daniel Nordström remembers the first years as a financially hard time, he doubts that more resources would have made it possible for TradeDoubler to absorb even more new markets. The difference would maybe have been that the company could have

ously share fun stories of how he has approached unsuspecting parents all over the world and asked them what they think of his products. “First, the parents usually fear that I am trying to kidnap their babies. When they have cooled down a bit I ask them if they are happy with the Baby Carrier and other products. That is good, because then I get feedback” (B. Jakobson, Personal communication, 2005-11-28). Every year there is also a special day when all of BabyBjörn’s sales staff meet to exchange ideas and to boast the team spirit.
hired more staff and thereby done more on already existing markets. If TradeDoubler on
the other hand would have started with smaller resources, Daniel Nordström believes that
the company during the first years would have concentrated all its resources on only the
three largest European markets.

5.6 What do you believe to have been most crucial for the
success of the company’s export activities?

Daniel Nordström believes that the number one reason for TradeDoubler's success is the
company's good business model. "It is easy for TradeDoubler to explain the customer-benefit. We
can come to a company, easily explain what it is that we are offering and the customer only has to pay for
the result" (D. Nordström, Personal communication, 2005-12-12). Other contributing fac-
tors are, according to Daniel Nordström, the innovative tracking technology, better em-
ployees then the competitors and some healthy frugality.

Based on his experiences from Elekta, Laurent Leksell gives similar advice for successful
export. “You have to know what it is that you want to sell, what the benefit is for the customer, adjust the
price accordingly and possibly also adjust yourself”.

Björn and Lillemor Jakobson are clear about the four factors that they believe have been
most important for BabyBjörn’s successful export. The first is the talent to, by innovative-
ness and creativity, squeeze out as much as possible from very small resources. An example
of this is the very extensive media coverage, worth many millions, that BabyBjörn over the
years have succeeded to attract. A second factor is the good finances, which the company has
built up over the years. According to Björn Jakobson, a good economy enables BabyBjörn
to seize opportunities and to always do what the company finds most logic. The third factor
is that BabyBjörn has found and focused on its own niche in the market. The fourth and last
of the factors is that BabyBjörn has had the guts to be innovative, the guts be different and
the guts to develop new kinds of baby products.

Mikael Schentz starts by suggesting that having the world’s best products is the reason for
Isaberg-Rapid’s success in export. After thinking for a while he has one more explanation:
“With help from its first export, Isaberg-Rapid managed to reach large volumes and economies of scale al-
ready at an early stage. That allowed the company to develop high-quality and cost-effective products that
then helped Isaberg-Rapid to remain competitive” (M. Schentz, Personal communication, 2005-12-
05).

5.7 When looking back, is there something, concerning the
export, that you wish the company had done differently?

When looking back at Elekta’s export development, Laurent Leksell mostly regret himself
“not being strategic, consequent and patient enough” (L. Leksell, Personal communication, 2005-12-
08).

Björn and Lillemor Jakobson mention a weak legal protection of its products as their com-
pany’s biggest mistake. As an example, BabyBjörn once had the entire European market
for Baby Sitters, but lost it since its product was not sufficiently protected from others co-
pying it. Legal protection is now something that BabyBjörn takes very seriously.

Based on the experiences from Isaberg-Rapid, Mikael Schentz recommends exporting
companies to not become dependent on their distributors. “You need to have control over your
distribution and knowledge about what happens with your products” (M. Schentz, Personal communication, 2005-12-05).

Daniel Nordström thinks that TradeDoubler might have benefited from an earlier employment of local managers in the subsidiaries. He also regrets that the company did not earlier realize the importance of adapting its offerings and its price policy to different markets’ local conditions. Daniel Nordström also admits that the spirit of the IT-boom to some extent might have affected TradeDoubler in the pace of entering new markets. “Maybe we should have focused all our resources on the three largest markets to really ensure that TradeDoubler became the market leader. Then we could have continued to enter other markets” (D. Nordström, Personal communication, 2005-12-12).
6 Analysis

In this chapter, theories from the frame of reference have been used to analyze the empirical findings in chapter 5. As described in the methodology chapter, the findings from the four interviewed companies have been critically compared, both with each other and with what the theory says. The authors have aimed to visualize if there are clear similarities between the interviewed companies and to what extent their views and actions show disparities with the presented theory. The analysis follows basically the same structure as the frame of reference.

6.1 The internationalization process

The Uppsala model from 1977 is one of the more well known, and in literature often referred to, models of companies’ internationalization process. The model describes how a company tends to develop its international operations by small steps, rather then by large and instant investments in foreign production. A company often starts to export by using an agent or distributor. Later it might open its own subsidiary and possibly also start foreign production (Johanson & Vahlne, 1977). Forsgren (2002) further adds that a company, according to the Uppsala model, starts to invest in one or a few neighboring countries, rather then several countries simultaneously. The internationalization is carried out cautiously and with the intention to reduce the company’s perceived risk.

So far, both BabyBjörn and Isaberg-Rapid seem to follow the Uppsala model. The two companies’ also have clear similarities with each other. Both started out as small family businesses and neither of them had any original plans of exporting to foreign markets, even less of conquering the world. This humble attitude is clearly expressed by BabyBjörn’s founder Björn Jakobson: “Any visions for the future or ideas about that this could grow to something bigger were completely nonexistent” (B. Jakobson, Personal communication, 2005-11-28).

As described by Forsgren (2002), BabyBjörn and Isaberg-Rapid started out their export in a cautious way. Björn Jakobson explains how he decided to attend an important exhibition for baby products to see if there would be any interest. BabyBjörn rented the smallest possible exhibition stand and simply hoped that somebody would walk by and “swallow the bait”. Further in line with the Uppsala model, BabyBjörn started to export by using agents and distributors as a way of reducing its risk (The selection of entry modes is analyzed in depth in “How to develop export & marketing strategies”). Of obvious reasons, Isaberg-Rapid’s marketing director Mikael Schentz lack personal memories of the company’s early export during the 1940s. This prevents the authors from knowing with certainty how that company perceived the risk with going abroad. It is however clear that Simon Brick, one of the company’s owners, reduced uncertainty by using his personal network of Jewish friends and relatives to find reliable agents and distributors.

Based on the Uppsala model, Andersen and Buvik (2002) describe how companies usually first enter foreign markets that are geographically and culturally close, referred to as psychic distance. This selection of markets is true also for Isaberg-Rapid and BabyBjörn (The selection of markets is analyzed in depth in “How to develop export & marketing strategies”).

It is interesting to see how BabyBjörn and Isaberg-Rapid have continued to develop in line with the Uppsala model’s internationalization process. At the beginning of the 1990s, Isaberg-Rapid started to buy up foreign companies. Sometimes the purpose was to add production units abroad, other times it was simply a way of increasing the market share. About the same time, Isaberg-Rapid also started to buy up many of its independent agents and distributors around the world. These where then transformed into company-controlled
sales-organizations, in the shape of subsidiaries. BabyBjörn has not bought foreign companies. It has nevertheless fulfilled the internationalization process in the Uppsala model by finally moving its production abroad. Sales staff directly controlled by the company has also replaced some of its former agents and distributors.

There obviously exist clear similarities between the old Uppsala model and two of the interviewed export companies. Nevertheless, there are not hard to find critic of the model. The Uppsala model describes uncertainty as the main barrier, preventing a company from international operations. This uncertainty is caused by scarcity of foreign market knowledge. Mats Forsgren (2002) is critical of the Uppsala model’s view that the acquiring of this knowledge mostly has to come from the companies’ own activities. This view explains why a company, according to the model, wants to do its internationalization in small steps, moving ahead as it slowly learns from its previous experience. Forsgren (2002) on the other hand argues that there very well are other alternative ways for a company to gain knowledge about markets it wish to enter. To buy local units on foreign markets, hire people possessing knowledge about the market, focused searches for market information, studies of other companies and obtaining of knowledge from other organizations are some of the possible “short-cuts”, that Forsgen (2002) means that the Uppsala model has forgotten. By using these, a company can quicker acquire knowledge, reduce its uncertainty and thereby improve the speed of its internationalization.

Mikael Schentz says that Isaberg-Rapid has learned a very lot from the foreign companies and distributors, which the company has bought over the years. No one of these foreign companies were however, as far as the authors of this thesis are aware, bought to acquire knowledge before Isaberg-Rapid entered a new market. Instead they were bought as a way of either adding production capacity or to further increase Isaberg-Rapid’s share on an existing market. Isaberg-Rapid’s export expanded rapidly to many new markets during the 1940s and a few decades ahead. This was, according to Mikael Schentz, possible thanks to one of the founders’ Jewish network. This network had members all over the world that helped the company with distribution and contacts. The authors see this as a sort of “hire people possessing knowledge about the market”, which Forsgren (2002) suggests.

TradeDoubler clearly did exactly this. When the very young business wanted to set up its first foreign office in London, UK, it hired Daniel Nordström to take care of the entry. At that time, Daniel Nordström worked at The Swedish Trade Council in London and he had great knowledge and experience of other IT-companies’ attempts to enter the same market. Later he was also put in charge of TradeDoubler’s very rapid expansion into other European markets. It is common also among the other employees to have international experience and TradeDoubler deliberately seeks to hire staff with knowledge about the local market in its foreign offices.

One interesting observation concerning the Uppsala model, and its view of knowledge, needs to be pointed out. The model claims that knowledge is very dependent on the individual, that it is hard to transfer it to other people and that much of the knowledge is specific to a certain market (Forsgren, 2002) (Johanson & Vahlne, 1977). The four interviewed export companies, all with extensive experience from a large number of markets, deny this in unison. They realize that there are differences between markets but that most things are similar. Mikael Schentz, at Isaberg-Rapid, goes as far as saying that “the differences are greatly overrated”. All the companies fully agree that knowledge and experience from export is something that not only can be transferred from one market to another or follow an employee from one company to another. The companies also share a firm belief that this
knowledge and experience from previous market entries can be transferred within the organization, between different employees.

TradeDoubler’s and Elekta’s internationalization processes started very different compared to BabyBjörn and Isaberg-Rapid. There are no doubt about that both companies, from their very beginning, where aimed at exporting to markets outside of Sweden. Daniel Nordström says that “…TradeDoubler was destined to become an international company, it was clear from the start” and Laurent Leksell expresses himself in a similar way. It even becomes clear that Elekta could not exist as a high-tech company without the possibility of selling its products worldwide. This approach to export and internationalization has significant similarities to what in the theory is called “Born Globals”. TradeDoubler and Elekta show further similarities with “Born Globals” by their way of selecting markets. Elekta followed a strategy where markets were prioritized according to perceived significance. TradeDoubler wanted to quickly establish relationships with large customers, whose brands could be used to ensure credibility and who TradeDoubler later could follow to other markets. The first foreign subsidiary was therefore opened in London, UK (The selection of markets and entry modes are analyzed in depth in “How to develop export & marketing strategies”). This way of selecting markets and the choice of subsidiaries as entry mode are very much in line with Autio’s (2002) study of “Born Globals”.

6.2 How to develop export & marketing strategies

6.2.1 Market information

All the interviewed companies have in one way or another used the services of external consultants to provide information about foreign markets. Björn Jakobson, who otherwise is positive about hiring consultants, however does not see any need for external help to acquire knowledge about new markets. The limited information that he considers as necessary for BabyBjörn can the company find out itself. The limited information that he considers as necessary for BabyBjörn can the company find out itself. The authors cannot for sure say to what extent BabyBjörn research the market for competitors. Competitors was however nothing that Björn Jakobson mentioned and it did not seem to have been of big concern to the company. Isaberg-Rapid and TradeDoubler has both used services from The Swedish Trade Council. In TradeDoubler’s case, it was practical assistance with registrations of subsidiaries etc rather than market research, which the company did itself. None of the companies seems to have considered external help as crucial for the company’s success. Laurent Leksell express that the need for external help mostly exist for new, and as he call them, “immature” export companies. He further argues that it is not hard to find information yourself, as long as you know what to look for.

Mikael Schentz says that Isaberg-Rapid keeps an eye on the competitors and the direction of the industry. Laurent Leksell knows Elekta’s different competitors in detail and it is obvious that he monitors them closely. According to Darling and Seristó (2004) it is very helpful for a company to carefully study the competitive situation on different markets. Considering the many times that Daniel Nordström refers to competitors it obvious that he also has a quite clear picture of the other companies. Daniel Nordström however says that he think it is better for a company to concentrate on doing what it feels is best and right itself, rather then spending time looking at others.
6.2.2 Selection of markets

Both TradeDoubler and Elekta have made some sort of analysis of markets and used the results to make strategic decisions. Based on Andersen and Buvik’s (2002) definition, the companies can therefore be said to have used a strategic approach.

Today, TradeDoubler analyses a number of factors, such as market size, amount of e-commerce and the competitive situation, before entering a new market. A similar analysis was made also before the first market entries, even though the statistical material was a bit insufficient at that time. The goal from the start was to establish offices on Europe’s six largest markets and the market size was with other words crucial in the selection. The decision to open the first office in London, the UK, was based on the same motive as expressed by Autio (2002). He describes how the first step for a “Born Global” usually are “to establish an office in the most important country market, for example London, for establishing connections to the biggest customers and potential partners in Europe” (p. 12). Autio (2002) further talks about “leveraging” the brands of well-known partners to help in entering new markets and in attracting further customers. Daniel Nordström remembers how TradeDoubler hoped that it by starting to make business with companies like Dell and Apple, later could follow them into new markets. This is also something that TradeDoubler has succeeded with. How many existing customers that the company can bring over from old markets are now an important factor for the selection of new markets.

Laurent Leksell realized that it was necessary for a company like Elekta to reach a reasonable scale already from an early stage. This was the reason why Elekta focused its limited resources on entering large markets. Laurent Leksell put markets in a priority order, based on size. The USA, with the world’s largest market, was entered first. Later followed the second largest market Japan, then China and finally Europe. Laurent Leksell however feels a need to put up a warning sign for large markets. Similar to Kotler (2003), he argues that a company, before it tries to export, must be clear about what benefit it is offering the customer. Based on experience, Laurent Leksell describes it as significantly harder to enter a large market, like USA or Japan, compared with a small one like Norway. A small foreign company needs to be clear about why the customer should buy its product, and possibly sell it with a new approach. This is necessary to be able to compete with domestic businesses that already have large economies of scale. Laurent Leksell is of the opinion that many export companies fail on large markets because of this.

The non-systematic approach in the selection of markets has a clear connection with the Uppsala model. It is based on an incremental development in the selection of markets, aimed at avoiding uncertainty. A study of the markets that BabyBjörn and Isaberg-Rapid first entered is characterized of geographic closeness to the Swedish home market and what the authors perceive as a low psychic distance. Since Mikael Schentz also describe Isaberg-Rapid’s early selection of markets as having been affected by geographic and language factors, it seems reasonable to say that the company started with a non-systematic approach.

BabyBjörn’s first markets are similar to those of Isaberg-Rapid. BabyBjörn however insists that geographic closeness, language or any other similar factors did not play any role what so ever. According to him, the selection of markets was purely coincidental and depended on the nationality of the retailers and agents that BabyBjörn came in contact with at exhibitions. Andersen and Buvik (2002) experience empirical support for that it is common for companies to enter markets as a result of foreign inquires. Andersen and Buvik (2002) call it “the relationship approach”. The entry into Japan is one example of that BabyBjörn has continued to select markets based on contacts at exhibitions. Despite this, as well as Björn Ja-
kobson’s persistent statements, the authors have got the impression that the selection of markets nevertheless was not entirely coincidental. Reading between the lines, it becomes relatively clear that BabyBjörn had a special interest in the large UK and Germany markets. The authors therefore question whether it really was a coincidence that BabyBjörn entered these two markets at such an early stage.

6.2.3 Standardization vs. adaptation

The pattern of standardization and adaptation is very similar for all of the four interviewed companies. BabyBjörn, Isaberg-Rapid, TradeDoubler and Elekta all describe their products as positioned in a similar way on all markets. They are also targeted to more or less the same group of customers. This standardization repeats itself also in the approach to marketing. All four firms describe their methods of marketing and their sales processes as similar on all markets. Hollensen (2001) explains standardization of marketing as a way of reaching economies of scale. BabyBjörn is the only company that directly says that it considers it as too expensive to customize advertisements and other material to all different markets. The argument that they all prefer to use is that a standardized marketing, controlled directly from the company headquarter, increases the level of control. One note of interest is that Isaberg-Rapid, despite a firm policy about control and standardization of the marketing, still has to accept that some of the old, original agents and distributors prefer to do the marketing their own way.

All four companies adapt their products and services to some degree. They describe the basics of their products and technologies to be standardized but adaptations are made to meet local safety regulations, product standards etc. The authors have realized, from the literature as well as from the interviewed companies, that the issue of price policy can be very complicated. Hollensen (2001) describe adapted prices as preferable, since profits can be maximized when the prices fit local conditions. At the same time, different prices on different markets will cause problems with parallel import. This is exactly what Isaberg-Rapid has experienced. Mikael Schentz explains that the company has prices that differentiate between countries depending largely on the level of competition and the power of large buyers. The differentiated prices have caused a situation where customers try to buy cheaper from Isaberg-Rapid’s distributors in other countries. To avoid these problems, Mikael Schentz express that the company would prefer to have a standardized price policy.

TradeDoubler started out with the same standardized price on all markets but Daniel Nordström now considers this as one of the company’s biggest mistakes. He now believes that it had been better if local managers, like Hollensen (2001) suggests, had been able to adapt each markets prices to fit the local conditions. Since changing the policy, TradeDoubler has also experienced attempts from customers to buy TradeDoubler’s products and services from offices on neighboring markets. This is however not seen as a problem, after that the local staffs have been instructed to hand over all “suspected” price negotiations to an international price manager.

The authors believe that TradeDoubler’s and Isaberg-Rapid’s opposite experiences largely are related to their different means of distribution. If the sales staffs are under central control it is easier to avoid this sort of internal price dumping, compared to if the products are sold through independent distributors.

Elekta also have a policy of adapted prices. The differences in price, also for directly comparable products, are caused by different costs of distribution. The authors are not sure if the level of competition, or other factors, also has an effect.
6.2.4 Selection of market entry mode

The previous formation of two separate groups continues also into the selection of entry modes. BabyBjörn and Isaberg-Rapid both started to export by using intermediaries while TradeDoubler used an investment entry mode and opened foreign sales subsidiaries right from the start. Elekta also entered its first foreign market, the USA, by starting a foreign subsidiary. Laurent Leksell however describes Elekta’s strategy as mixed. Priority one is to sell directly on large markets, though Elekta’s foreign sales subsidiaries. The nature of Elekta’s expensive, seldom bought and highly specialized products makes it hard to find any sort of intermediary who are willing to and can afford the necessary training. It was financially very hard for Elekta to afford opening its first foreign subsidiary. Laurent Leksell is however convinced that it was, and still is, the best solution. The exception from a sales subsidiary is if there exist other alternatives that are more interesting. Japan, where a local distributor represents Elekta, is such an example. The mixed strategy means that Elekta also uses other modes of entry. Markets who Elekta considers too small to motivate “high quality direct sale”, for example the Nordic countries, are covered by direct sales from staff in Sweden. Smaller markets are covered by local distributors. Both Elekta and TradeDoubler argue for foreign sales subsidiaries based on that they want control over the distribution. Both are also of the opinion that it is necessary to have local sales staffs, that personally meet customers, to be able to fully penetrate a market. “You can start up a business, and maybe even make money, without having local presence. However, you can not in the long run benefit from a markets full potential without having local staff who interact with the customers” (D. Nordström, Personal communication, 2005-12-12).

As the authors see it, both BabyBjörn’s and Isaberg-Rapid’s choice of entry modes where affected by limited resources. Darling and Seristö (2004), as well as Noonan (1996), all describe how companies’ selections of market entry modes depend on their available financial resources. This would then mean that companies with limited resources would be more willing to act opportunistic and accept distribution deals from more or less unknown foreigners. Björn Jakobson directly says that BabyBjörn’s search for ways to enter foreign markets where characterized by finding the “cheapest possible way”. To sign up interested foreigners at exhibitions as exclusive agents was therefore seen as a relatively good solution at that time. Mikael Schentz says that Isaberg-Rapid’s selection of markets or entry modes never have been affected by any lack of resources. The authors are however not entirely clear about if this really was the case from the beginning. Whether it was because of limited choices or not, Isaberg-Rapid nevertheless decided to use intermediaries in the same way as BabyBjörn. Foreign agents are a low-cost and low-involvement entry mode. Using it made it possible for the two companies to reach a large number of markets also with very small resources.

Doole and Lowe (2004) say that the level of involvement is the most important characteristics of different entry modes, since it affects the level of risk and control. Pedersen, Pedersen and Benito (2002) continue that problems with monitoring and control often are a disadvantage with the use of intermediaries. They describe how export companies often change over time from modes demanding low levels of commitment to modes with higher levels of commitment. The authors of this thesis find it very interesting to see how both BabyBjörn and Isaberg-Rapid have followed this development. The authors have got the impression that both companies have seized the opportunity of their improved positions to get a better level of control.

BabyBjörn dislikes agreements where an agent is given exclusive rights to sell BabyBjörn’s products but it is hard and expensive to remove the agent. This was the kind of contracts
that BabyBjörn first signed when it started to look for cheap entry modes. Over time, BabyBjörn has bought itself out of some of these contracts and all new intermediaries are what BabyBjörn call distributors. According to Björn Jakobson’s definition, that means that the intermediary can lose its right to sell BabyBjörn with only a short notice. BabyBjörn has also replaced the previous intermediaries in Germany and the UK with its own sales staff, directly controlled from Sweden. Swedish sales staff now also covers neighboring countries (How this effect the level of control over the intermediaries is analyzed in depth in “How to implement the export & marketing strategies”).

The same development has also taken place with Isaberg-Rapid. The company has during recent years deliberately tried to buy up its old agents and distributors in what it call a “forward integration”. This integration both moves the company closer to its customers and enables it to better deal with a more global market. Based on previous experience, Mikael Schentz recommends other exporters to avoid becoming dependent on its distributors.

6.2.5 Market expansion strategies

Lee and Yang (1990) presents two opposing strategies for market expansion: export market diversification and export market concentration. The two researchers describe that recommendations about the two strategies are contradictory. There are arguments both for a rapid entry into many new markets as well as for concentrating to one or a few markets. The same disagreement can be found when analyzing the four participants in this study. TradeDoubler, BabyBjörn and Isaberg-Rapid have all gone for an export market diversification strategy. When analyzing BabyBjörn and Isaberg-Rapid, the authors cannot see any direct negative effects of expanding in a rapid pace. Since the two companies already use low-involvement entry modes, their engagement on the different markets would not be suffering by the markets being many rather then few.

The analysis becomes more difficult and interesting when comparing TradeDoubler with Elekta, since both companies use foreign subsidiaries, which are high-involvement and high-cost entry modes. Laurent Leksell believes firmly in concentration. He argues for following a priority list when selecting new markets and having a clear plan for how to really penetrate a market. Elekta has never loosened its grip on an existing market for the sake of rushing into another and Laurent Leksell recommends other exporting companies to follow the same principle. TradeDoubler’s export expansion, with subsidiaries on ten new markets within one year, cannot be described as anything but extreme. The company wanted to quickly become a pan-European operator and benefit from first mover advantages. Daniel Nordström explains that it is relatively easy for TradeDoubler, compared to other companies, to enter a new market since it does need neither production units nor any distribution network. That is probably part of the answer. TradeDoubler does not need much more then a few employees and possibly an office to enter a new market. Elekta on the other hand needs to invest a lot of time and resources in building up long-term relationships and networks before it can start to negotiate about possible deals with foreign hospitals. As said by Lee and Yang (1990) there are so many factors that make companies different that there is very hard to formulate which strategy is most suitable. The availability to substantial amounts of financial resources is however of crucial importance for whether a strategy like TradeDoubler even is an alternative. TradeDoubler had those resources and all of the company’s now 16 different markets show profits. When looking back, Daniel Nordström nevertheless believes that it might have been even better for TradeDoubler if it initially had focused all its resource on the three largest markets. After
first ensuring that it really was the market leader, TradeDoubler could then have continued
to the other markets.

Darling and Seristö (2004) claim that it is the level of commitment of the top management
that mostly affect whether a company will succeed with its export. All the four interviewed
companies agree about this. Laurent Leksell, founder of Elekta, has been personally leading
his companies export activities for 30 years and there are no doubts about his commitment.
The same goes for Björn and Lillemor Jakobson who have been leading the export from
day one. A similarly involved top management also characterizes Isaberg-Rapid and Trad-
eDoubler.

6.3 How to implement export & marketing strategies

All three companies, BabyBjörn excepted, explain that they think it is important to work
with clear goals for the export activities. The goals are also continually evaluated. The au-
thors suspect that BabyBjörn must have some sort of goals, but Björn Jakobson denies it.
TradeDoubler is the company that expresses the most through procedures for setting goals
and evaluating them. Daniel Nordström explains that an evaluation, not only of a subsidi-
dary as a whole but also of different customer contracts, is important to motivate the em-
ployees. Goals and evaluation is a question about responsibility and employees who work
hard should be rewarded for it. Daniel Nordström believes that goals and evaluations are
of most importance during the early stages of an enterprise. Laurent Leksell on the other
hand, is of the opinion that goals more play a role in setting out directions for a large com-
pany.

Shoham and Kropp (1998) point out the importance of a continuous monitoring of the
implementation of strategies. This statement makes it interesting to analyze how the inter-
viewed companies have changed in their approach of control over the distribution. Elekta
and TradeDoubler where already from the beginning clear about that they wanted total
control and contact with the end consumer. In line with this, both companies closely par-
ticipate in and monitor its distributors and/or subsidiaries work. The authors perceive it as
very clear that TradeDoubler see its transfer of knowledge within the company as very im-
portant. The company has well-developed procedures to facilitate interaction, both be-
tween the subsidiaries and the Swedish headquarters as well as between the different subs-
didiaries. Top management frequently visits the foreign offices to ensure that they all are in-
formed about goals and strategies as well as the most recent knowledge about how to op-
timize the results of TradeDoubler’s products and services.

Laurent Leksell argues that a distributor needs to be given both support and training as
well as a clear picture of the exporting company’s expectations and their different roles.
Elekta has special sales managers who frequently visit the company’s distributors to give
them training, coaching and to listen to their experiences. This opinion and approach is
more or less exactly the same as expressed by Noonan (1996) and Doole and Lowe (2004).

The most exciting part in this analysis about control over the distribution concerns Baby-
Björn and Isaberg-Rapid. These two are especially interesting, since the authors clearly can
see how they have developed in their roles as export companies. As BabyBjörn has been
strengthens as a brand the company has also improved its position towards distributors and
retailers. The company can now raise demands and express expectations that were com-
pletely unrealistic when it started to export. By putting the distributors in a position where
they can easily lose their exclusive right to sell the BabyBjörn brand, the distributors are no
doubt under more control then they once where. The authors believe that the most significant shift from BabyBjörn’s low-involvement strategy is that the company has replaced some of its previous distributors with sales staff directly controlled by from Sweden. The authors believe that only the knowledge among the distributors that they might lose their contract is enough to improve their motivation and performance. By centralizing all marketing to the headquarter in Sweden, BabyBjörn tries to control and protect its brand.

Isaberg-Rapid has developed in a similar way. By buying up old independent distributors and replacing them with company-controlled subsidiaries, the company has achieved a transparency and a level of control that it did not have before. The authors believe that this development will also solve the problems with internal price dumping that Isaberg-Rapid’s distributors earlier suffered from.
7 Finale discussion

This chapter contains three parts. The first part is “Conclusions”, which will answer the purpose of this thesis. The second part is “Recommendations”, where the authors try to give some advice based on the thesis. Last, there will be “Suggestions for future research”, which will include just that – suggestions.

To enhance the understanding of the conclusions, the authors start this chapter by repeating the purpose:

The purpose with this thesis is to investigate how the export and marketing strategies have been developed and implemented by successful Swedish export companies.

7.1 Conclusions

BabyBjörn and Isaberg-Rapid started and internationalized in a similar way to the Uppsala model. Elekta and TradeDoubler are on the other hand clear examples of “Born Globals”. The authors interpret this as that there are no “one right way” for an export company. Instead, it is possible to succeed in export, both if the export was intended from the start and if export became relevant first at a later stage.

The empirical findings in this thesis contradict the Uppsala model’s view of the acquiring of knowledge. All participating companies agree that knowledge and experience from export is something that not only can be transferred from one market to another or follow an employee from one company to another. The companies also share a firm belief that this knowledge and experience from previous market entries can be transferred within the organization and between different employees.

How the export and marketing strategies have been developed:

No one of the interviewed companies claimed that external consultants had been any important help in collecting information about new markets. Instead they preferred to find information themselves.

The interviewed companies have a good view over their competitors.

BabyBjörn and Isaberg-Rapid selected their markets with a non-systematic method. Elekta and TradeDoubler selected markets with a systematic method. The authors make the conclusion that a company’s start and internationalization process also affect the way the company selects markets. Obviously it is possible to succeed in export independent on whether you are systematic or non-systematic.

All companies practice standardization of the positioning and the target groups for their products as well as standardization of their marketing. It has become clear that standardization and centralization of the marketing is a way to gain control.

All companies practice adaptation of their price policies. This is necessary for gaining the best results on each market. Differentiation in prices can however be tricky to deal with.

All companies have a product where the basics are standardized. The end product is however adapted to safety regulations, different technical standards etc.
BabyBjörn and Isaberg-Rapid started their export through intermediaries. TradeDoubler selected an investment entry mode and opened foreign sales subsidiaries. Elekta selected a mixed strategy of foreign sales subsidiaries on large markets, direct export by sales staff in a neighboring country on smaller markets and an intermediary on marginal markets.

The conclusion that the authors make is that the selection of entry mode has to be done out from each and every company’s own preconditions. If you have a relatively standardized product, intermediaries can be a good way of gaining access to a large market without high costs or high involvement. Some conclusions from the empirical material are to present clear expectations and to establish clear roles from the start. Agreements with intermediaries should always be written so that they can be terminated without high costs.

If you sell a more specialized product you need your own sales subsidiary where you remain in control over the distribution and can establish a relationship with your customer.

BabyBjörn, Isaberg-Rapid and TradeDoubler have used an export market diversification strategy. Elekta has on the other hand used a concentration strategy. For companies with low-involvement entry modes, the authors cannot see any reason not to expand rapidly. The authors have however drawn the conclusion that companies with high-involvement entry modes should concentrate their resources on penetrating markets one at a time. In the end it is however a question of money how many markets that you simultaneously can penetrate.

The four interviewed companies have many differences. One area where they however are very similar is the high involvement of top management. The authors are of the opinion that this top-level involvement probably is one of the most important factors for successful export.

**How the export and marketing strategies have been implemented:**

Three out of the four companies view goals and evaluations as important in export and as a factor of motivation for employees.

The authors are of the opinion that control and monitoring of subsidiaries and intermediaries are crucial for successful implementation of the export and marketing strategies. All four companies have well-developed proceedings to facilitate the close contact between subsidiaries, intermediaries and the company headquarter. It is described as important to early on clearly express what the exporting company expects. Frequent visits, meetings and evaluations are tools to keep control over subsidiaries and intermediaries and thereby ensure that they perform as expected. BabyBjörn and Isaberg-Rapid, who started out with a very low level of control, have consequently improved their position and their level of control. The two companies are now both arguing for the importance of control over marketing and distribution.

**7.2 Recommendations**

During the work with this Master thesis, the authors have found some points that could be given as recommendations. These are points that need to be considered by a company who is planning to start exporting. Everyone reading the recommendations should however be aware that they are based on a study of a limited number of successful export companies.
The recommendations can therefore not necessarily be generalized to represent all export companies.

- Before entering a new market it is important that you are clear about exactly what you are selling, what benefit you are offering the customer and why the customer should select you. To have thought through and be clear about these basic questions becomes even more important the larger and more competitive market you are considering to enter. To enter a large market with strong, competitive players is very difficult, but not impossible. To survive and succeed you must however be ready to sell your product in a new way with a new approach, compared to what is already offered on that market.

- The level of commitment is essential for the success of export companies. It is important that owners and top management are involved in and feel a long-term support for their companies’ export activities. A company should carefully decide whether or not to enter a new market and then stay committed and persistent. To jump in and out of markets is nothing but a waste of money.

- What is the most suitable entry mode into a new market is very much dependent on the characteristics of the individual company, its product and its financial resources. A conclusion from the thesis is the importance of control over the distribution, over the marketing and to have contact with the end consumer. The highest level of control is achieved through foreign subsidiaries. They offer the best opportunities to fully penetrate a market and they also enable the closest interaction with the end consumer. Foreign subsidiaries are however costly to establish and they demand a high level of involvement. A company using intermediaries should clearly express its expectations, establish clear and easily evaluated goals and ensure that any contracts with intermediaries can be conveniently terminated as soon as the exporter is not happy with the performance.

- You should put effort into considering whether to use an export strategy of diversification or concentration. This depends on your business characteristics and on your offerings. The conclusion from this thesis is to concentrate your resources on a few products on a few markets. This way you will increase your chances of penetrating a market and establishing a strong position. To use a strategy of concentration becomes especially advisable if the sales process of your products demands a high level of involvement.

- What networks do you and your company belongs to? Would it be possible to use any of them to go abroad? Sometimes it can also be a good opportunity to follow a large customer into new markets.

- Use government agencies such as The Swedish Trade Council or The Swedish Camber of Commerce to acquire market knowledge, but do not underestimate your own capability to obtain knowledge. If you only know what information to look for you can find it on our own, without expensive consultants. To search for and obtain necessary information and knowledge results in valuable experience for the company.

- Do not overestimate the differences between cultures. Even though one should be aware that cultural differences exists, and need to be taken into account, it should be noted
that sometimes the differences are larger between different fields of business in the same country than between the same fields of business in different countries.

- The strategies should be written down on paper and made up as a plan. This plan must be reconsidered and thought upon all the time. Other stakeholders to the company, such as agents and advisors, should also be consulted in the making of the plan. The plan is as important in newly started export ventures as it is for large companies. The plan creates directions and goals to work towards.

- Learn from your agents and distributors. Use a two-way communication but do not forget to control and support them. The agents and distributors have knowledge about the local market but they need your support to reach their full potential.

- Take control of your international distribution and marketing as soon as possible if you have started your export through low involvement entry modes. Better control costs more but it is necessary to reach the full market potential.

- Limited resources are often affecting the marketing. Creativity and entrepreneurial thinking in your marketing can however give you a lot of “bang for the bucks”.

- To control and monitor your distributors and sales offices are important for the implementation of your export and marketing strategies. Ensure that they feel as a part of your company and realize their responsibility for the results. Personal meetings and evaluations are utterly important.

7.3 Suggestions for future research

The authors of this thesis suggest a similar study, but with a sample of less successful export companies. This would make it possible to realize what truly differentiates success and failure in export.

A similar study, but with a more homogeneous sample, would probably make it easier to see more similarities between the participating companies. A more homogeneous sample would also make it possible to do more of generalization among companies in that specific business field.
References


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Appendix 1  Interview guide

1) When the company was founded, what was then considered as its market? (National, international, global, etc.)

2) Please describe the development over time of the company’s export and what factors have decided which markets the company has entered?

3) Please describe in more detail how the company carries out an export venture? (Different steps and underlying reasoning)

4) Does the company do anything to ensure that everyone in the organization, including subsidies, agents, etc., work in accordance with the company’s export and marketing strategies?

5) Has the company been hampered in its export activities because of limited resources? In what way?

6) What do you believe to have been most crucial for the success of the company’s export activities?

7) When looking back, is there something, concerning the export, that you wish the company had done differently?