

## **Design goes Indonesia – or does it?**

### **Case: Magisso**

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<p>This is a qualitative case study exploring one of the so called emerging markets, Indonesia, through the lens of a small Finnish design company. The study particularly examines the implications of the growth of the economy and the shifts in the consumption habits of the middle-class population. The phenomenon is expected to open routes for foreign companies that have products and services to meet the expectations of the population. However, the route to the market is not simple. Based on analysis of the collected data, the final objective of the study is find ways that can make the market entrance feasible and the case company's operations successful.</p> <p>This report extends the understanding of the phenomenon with three more specific objectives. The first one is to make sure that the business environment in Indonesia is favourable for the market entrance. In order to give a more practical perspective, niche markets are identified and marketing tools are seen effective introduced. Secondly, as networking is considered a highly valuable business activity that can have a remarkable impact on the success this study aims at finding local organisations that can serve as sources for more detailed information and offer fruitful cooperation. Finally, the study evaluates the potential of the B2B and B2C markets separately.</p> <p>Because social context and behavioural factors are seen significant, the study takes subjectivist and interpretivist viewpoints. The secondary data was completed with primary data collected during a field trip in Jakarta. Primary data consists of five interviews and observation in four selected shops. Two personal correspondences supported the analysis of the findings.</p> <p>The findings reveal that Indonesia's middle class offers an enormous market potential. Private consumption among the middle-class population is growing which can be witnessed in various business sectors. Even though the local government is streamlining its bureaucracy related to foreign trade, its high level of protectionism, particularly SNI procedure, can be considered a serious setback. The potential of B2B market is considered bigger even though the observation reveals at least one opportunity in the retail sector.</p>	
<b>Keywords</b> Internationalisation, market entry, SME, Indonesia, emerging markets	

## Table of contents

1	Introduction .....	1
2	Indonesia today.....	3
2.1	Macro-economy .....	3
2.2	Competitiveness .....	5
2.3	Trends .....	6
2.3.1	Shifts in demographics and urbanisation.....	6
2.3.2	Buyer behaviour and consumption habits.....	7
2.3.3	Connectivity .....	8
3	Theoretical framework.....	9
3.1	Internationalisation.....	9
3.1.1	Classical theories of internationalisation.....	9
3.1.2	Internationalisation of SMEs and “born global” companies .....	10
3.2	Market assessment.....	11
3.2.1	Networking, partnerships and cooperation .....	13
3.2.2	Distribution channels.....	15
4	Methodology .....	18
4.1	Case selection and definition of objectives.....	18
4.2	Methodological choices.....	19
4.3	Data collection and implementation.....	22
4.3.1	Interviews.....	22
4.3.2	Observation.....	27
4.4	Data analysis .....	30
5	Findings and analysis.....	34
5.1	Interviews.....	34
5.1.1	Growth, current trends and consumer behaviour.....	34
5.1.2	Recommended target markets and efficient marketing tools .....	36
5.1.3	Intervention of the local government and regional issues .....	38
5.1.4	Networking and partnerships.....	41
5.1.5	Strengths and weaknesses of Finnish companies in Indonesia .....	44
5.1.6	Building meta-categories.....	45
5.2	Observation .....	46
5.3	Data triangulation.....	51
5.4	Summary of the analysis.....	52
6	Discussion and conclusions .....	53
6.1	Quality of the findings.....	55
6.2	Business value.....	58
6.3	Further research .....	58

6.4 Reflections on learning.....	59
References .....	61
Appendices.....	69
Appendix 1. Interview questions.....	69
Appendix 2. Table for cross-checking the usefulness of interview questions .....	70
Appendix 3. Introductory letter.....	71
Appendix 4. Exemplary sheet used for notes during observation .....	72
Appendix 5. Examples of Wordle maps.....	73
Appendix 6. Coding: classification of expressions .....	74

# 1 Introduction

Thanks to the globalisation and improved technologies, emerging markets with bubbling middle-classes and growing economies offer new exciting opportunities. The Finnish pioneer, Marimekko, is setting up new shops in fast growing Southeast Asian countries. As stated by President and previous CEO of Marimekko, Mika Ihamuotila (20 January 2015),

“Now the so called tiger countries in Southeast Asia that were sending a lot of promising signals in the 90’s are developing in consumer markets. Thailand, Indonesia, Singapore, Malaysia... That is the place for growth.”

While Marimekko is settling down in this region, international design circles have acknowledged the skills and the talent of smaller Finnish companies (Good News from Finland 2015). The purpose of this study is to take the perspective of one of them, a small Finnish design company, and expand the understanding of the business opportunities in Indonesia where the demographics is changing, the middle-class population increasing and the private consumption growing.

The case company, Magisso, was established in 2008 in Helsinki. It is a small design firm specialising in simple, yet smart home products that aim at making daily life easier. The design products have been acknowledged internationally and the company has achieved several prestigious design awards. The products are currently sold in more than 25 countries around the world, but the firm is eager to grow further. Now the top priority is the emerging markets in Asia.

The purpose of the study is to explore the business opportunities in Indonesia and evaluate how particularly its middle-class population would match as a target market to the case company.

The main research question of the study is: *How can Finnish design products enter the Indonesian market successfully?* This topic is huge. That is why the study is framed according to the main interests of the case company and is looking for answers to the following sub-questions: *How can the case company take advantage of the current trends and the business environment in Indonesia? How can the case company find local contacts and business partners who are willing to invest in the visibility of the brand? Which type of distribution, B2C (business-to-consumer) or B2B (business-to-business), would be the most appropriate for the case company in Indonesia?*

My motivation for the study was guaranteed. I lived and worked in Jakarta from 2005 to 2009 and already then the speed of development and the non-stopping construction boom surrounding the capital city left me stunned. To me it was a sign of a big leap towards the more developed countries and the Western levels of wealth. I was very curious to study more in detail how the country is doing now and how the business environment looks like through the lens of a Finnish company.

I believe that I understand well how the local people see the world, how the culture affects their lives and what their value are. I trust that my knowledge was a strength in this study. Finally, as I still have good networks in Jakarta and I still speak fluent Indonesian I considered them extra assets especially when establishing contacts for primary data collection.

The structure of this report is as follows. After introduction, chapter two briefly describes Indonesia today after which in chapter three a concept of Consumer Trend Canvas, a rather new instrument to used trends as a source for innovation, is introduced. Some classical theories of internationalisation are reviewed in chapter four where most attention is given to the most important issues when an SME is planning to expand its operations to foreign and also more precisely, to emerging markets. The methodology, in chapter five, justifies the decisions made about methods and describes in detail how data were collected. Findings and analysis in chapter six pull together the outcomes of the study and finally, discussion and conclusions in seven evaluate their relevance to the objectives set and closes the study with other final remarks.

## **2 Indonesia today**

Defining emerging markets or developing economies is challenging. Different actors from financial magazines to international organisations use various methods to classify countries, but it is agreed that common features of emerging markets include substantially lower income per capita and lower productivity compared to the richest countries of the world such as the USA, Western Europe or Japan (Manktelow 2014, 3). World Bank, for example, does not classify countries as “emerging markets” or “emerging economies” (World Bank 2015d). Instead, it categorises Indonesia as a lower-middle-income country because its GNI per capita (gross national income, the sum of value added by all resident producers plus any product taxes, less subsidies, not included in the valuation of output plus net receipts of primary income from abroad) is between USD 1 046 and 4 125. (World Bank 2015a). Similarly, UN is reluctant to use the term or to divide countries into either “developed” or “developing” economies (UN 2013). On the other hand, the report of Nordic Innovation (2014, 8-9) shows that certain global megatrends such as rapid economic growth, changes in demographics and growing demand for resources are frequently linked to the situation in the emerging economies.

### **2.1 Macro-economy**

Before getting more into details, it is worthwhile to introduce Indonesia with some general information. The statistics of OECD (2015) shows that there are soon 250 million Indonesians. The country represents the largest Muslim nation and the third largest democracy in the world after the United States and India. Indonesia extends over 5 000 kilometres from east to west and includes 17 000 islands spread around the archipelago. In addition to almost 8 million square kilometres of maritime area, the land stretches to almost 2 million square kilometres. (Bhasin 2010, 40.)

World Bank (2015c) states that the Indonesian economy is the 16th largest in the world and the biggest one in ASEAN, Association of Southeast Asian Nations. In addition, the country is almost reaching the group of countries with a 1 trillion economy (World Bank 2015c). Not many, even European nations have reached this level. The GDP per capita based on purchasing power parity rose from USD 7 900 in 2010 to USD 9 600 in three years (World Bank 2015b). This strong economic growth has been rather stable over the last six years and the Asian Development Bank (2015b) estimated that it would accelerate again if the new government could keep up with its planned structural reforms. (Asian Development Bank 2015b.)

In July last year according to the Asian Development Outlook Supplement (2015) the original estimates for growth rates for 2015 and 2016 were dropped by 0,5% each. The reasons for the drop were bureaucratic reforms in ministries which had reduced the government contribution on investments. Secondly, the investments had been inferior to what had been expected. Private consumption, on the other hand, had stayed strong despite a temporary bend after the fuel prices went up. (Asian Development Outlook Supplement 2015.) Yle (2016) reported just a few days ago that the Indonesian economy grew by 4,8% last year and that this year the growth is expected to stand at 5,3% (Yle 2016).

Even though Indonesia's economy is flourishing, McKinsey Global Institute (2014, 2) warns about a risk that the growth is not distributed equally and inequality among the citizens is on the rise. The Asian Development Bank (2015a) states that the country has been able to eradicate poverty remarkably, but it still remains one of the major challenges. 11% or 28 million Indonesians are still living under the poverty line. Next to that, 60% of Indonesians are working in the informal sector which increases the danger of falling into poverty. Food security has been placed as one of the priorities of the current National Development Plan. (Asian Development Bank 2015a.)

The new president, Joko "Jokowi" Widodo, has also acknowledged the inadequate infrastructure in the country and has therefore prioritised it in the 5-year National Development Plan. Roads and airports are built, maritime connectivity updated and a lot of effort is put on energy security. In addition to improving infrastructure, other methods to speed up economic growth include cutting fuel subsidies, improving tax collection and enhancing the business environment for new investments and public-private partnerships. (Asian Development Bank 2015a). The Asian Development Bank (2015c) noted that the implemented cut in fuel subsidies in November 2014 changed the fiscal outlook for better and permitted the use of significant resources for more fruitful purposes such as physical and social infrastructure.

Finally, Indonesia struggles with serious corruption that has a negative influence on the development. Even though the urgency of the problem has been noticed and the country is eradicating it, the situation is improving slowly. The main reasons according to UNODC (2015) are the lack of resources and the local mind-set that bribery and corruption are not bad practices. Last year Transparency International ranked Indonesia 107 out of 175 countries when it comes to the level of corruption in the public sector. Also according to this statistics the score improved only slightly from the ranking in 2013. (Transparency International 2015.)



In the near future, a regional shift is believed to affect the business environment of Indonesia. ASEAN is going to expand to ASEAN Economic Community, AEC, in December 2015 which aims at free flow of goods, services, skilled labour and to a more limited extent, capital. The ultimate goal is to boost productivity and supply-side economic performance of the whole region. The AEC is expected to integrate trade, lower trade costs, develop service sector and trade, attract more FDI and inspire reforms in the lower-income ASEAN member states. (World Bank 2014b, 29-31.)

Even if the AEC manages to bring in thousands of new jobs in Indonesia and extend the market opportunities for Indonesian companies, there are difficulties that remain persistent. The World Bank (2014b) states that until now the harmonisation between the countries has been limited in Indonesia because of the national regulations that require reforming. Further threats of the AEC include a flow of Indonesian skilled labour to other ASEAN countries. (World Bank 2014b, 31.) Already without that risk, Indonesia's population is growing but the human capital is not going to be beneficial without efforts. In order to avoid the negative effect on growth, investments in building skills are inevitable. (McKinsey Global Institute 2014, 7).

## **2.2 Competitiveness**

The World Bank (2014a) has listed countries according to the easiness of doing business in 2015. In this evaluation Indonesia is doing poorly, ranking 114 out of 189 countries. The positions are based on the easiness or difficulty in starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The upgrading of the country from last year's position 117 is highly due to improvements in two elements, getting electricity and starting a business. (World Bank 2014a). In the Global Innovation Index (2014) Indonesia stands on 87th place out of 143 countries compared with one another in 2014. The score is collected from 81 indicators including the roles of education, global trends, skilled labour and mobility of talents (Global Innovation Index 2014).

The World Economic Forum (2014), on the other hand, ranks Indonesia high on the 34th place in Global Competitiveness Index where all together 144 countries are evaluated. Indonesia succeeded in the rankings of market size (ranked 15), innovation, business sophistication and macroeconomic environment (ranked 34 in all three separately). The biggest difficulties lie in the labour market efficiency, technological readiness, health and primary education and infrastructure. (World Economic Forum 2014.)

## **2.3 Trends**

Magisso markets its products specifically to the middle-class and affluent population (Si-rén 2 June 2015). Therefore it can be stated that the same group of population is targeted also all new markets including Indonesia. This section briefly describes what is already known of the middle-class and the affluent Indonesians which plays a major role in the success of finding the potential also for the case company.

### **2.3.1 Shifts in demographics and urbanisation**

Nally (2013) sees that changes in demographics are among the current global mega-trends. According to BCG (2013, 3) that investigated Indonesia's middle-class and affluent consumers, also called as MACs, 74 million people represent this group of people at the moment. The number is equal to the population of Thailand on its own or Malaysia and Singapore combined. It is argued that the figure is doubled by 2020 and reaching then 141 million. The change will be seen as rising spending on consumer goods. (BCG 2013, 3.) McKinsey & Company's (2012, 3) estimation is slightly lower, 135 million Indonesians by 2030. Even if there is a difference of six million people and a time gap of ten years, in both estimates the volume is growing with a remarkable speed. In addition, it must be noted Indonesia's demographics is also noticeable when looking at the age structure. The population is young. According to BCG (2013) 60% of Indonesians are between 20 and 65 years old and another 27% of Indonesians are below 15 years old, resulting in a large incoming workforce. (BCG 2013, 4.)

Urbanisation, another consequence of changes in demographics, is increasing in Indonesia and new mid-sized cities boast purchasing power. In 2012 about half of the MAC population of Indonesia lived in five most-populous provinces in Java, the capital city Jakarta included. By 2020 the amount of MACs on the main island only is estimated to grow by 35 million citizens. (BCG 2013, 6.)

However, McKinsey Global Institute (2014, 3) reminds that it must be kept in mind that the fastest-growing areas are found outside the capital city. According to the study, in 2012 there were 12 cities in Indonesia that each enjoyed the purchasing power of above one million middle-class and affluent citizens. By 2020 there are ten more similar cities around the vast archipelago and for example Palembang, Makassar, Batam, Pekanbaru and Padang which are located outside the main island Java will then join this group. The growth of urbanisation is assumed to lead to new business opportunities but at the same time it has significant implications on business functions because companies will need to adjust

their operations to match the demand in sales force, supply-chain networks and distribution (BCG 2013, 6-7).

### **2.3.2 Buyer behaviour and consumption habits**

When it comes to aspects of buyer behaviour and consumption, BCG (2013, 3) claims regardless the money available that typical Indonesian MACs humbly drive motorbikes and make necessary purchases at a minimart or warung (kiosk) because they are located close to their homes. They do their shopping also at wet markets because there it is possible to get engaged in their favourite activity, bargaining, with the sellers they know. (BCG 2013, 3). More in detail McKinsey & Company (2012, 9) argues that Indonesians are still less price sensitive than Chinese and are less likely to visit many stores in order to find the cheapest possible price for the same product.

Even if hunting for bargains in the crowd during semester sales is a way of life regardless the income level, Indonesians are now also beginning to make more discretionary, often high technology purchases. However, there is a need to defend these kinds of purchases with a good reasoning. Discretionary products are purchased if they bring extra comfort, offer greater functionality and make life easier. (BCG 2013, 3.) At the same time it is important to emphasise that Indonesians are very brand-oriented and tend to stay loyal to the brands they like (McKinsey & Company 2012, 9, 13).

According to my own observation, next to shopping for food, necessities and personal items, the growing demand can be easily seen also in the service sector. Restaurants and coffee shops, beauty salons, cinemas and other entertainment centres are full of families and friends in the evenings and on weekends. Even if taking afternoon naps at home is common, the most typical free-time activity is spending time in shopping malls. Everything is conveniently found under one roof without suffering from tremendous traffic jams and humid heat so attraction to spending is guaranteed.

To support my understanding of the free time activities, the expansion of Starbucks is illustrated. According to The Wall Street Journal (2015), the American organisation had 200 coffee shops of different sizes in 13 cities in Indonesia in April 2015. The plan was told to meet the growing demand and double the amount of coffee shops within five next years (The Wall Street Journal 2015). In addition to having coffee, eating out has become more frequent. In addition, family and festival gatherings now seem to have moved from homes to restaurants. (HKTDC 2014.) Jakarta Post (2013) published news about the adoption of the Western, urban lifestyle which was seen also in the bakery industry. The remarkable growth was expected to last at least for the next few years (Jakarta Post 2013).

### 2.3.3 Connectivity

McKinsey & Company (2012, 3) have made estimations that 100 million Indonesians are expected to use Internet by 2016. As Jakarta Post (2015) published in March 2015 that 73 million people were using Internet, equalling to 29% of the population, the estimate of 100 million can be reached by the end of the year. The Indonesian society is also highly connected to social media. In 2012 Indonesians had 50 million Facebook and 29 million Twitter accounts and more tweets originate from Jakarta than any other city in the world. (BCG 2013) According to Jakarta Post (2015) in March 2015 social media was used by 62 million Indonesians. As going online through a mobile device is becoming more common the penetration rates of smartphones, laptops and PCs are growing rapidly (BCG 2013, 8). Already in 2012 there were 220 million mobile phone subscriptions in the country (McKinsey Global Institute 2014, 5).

Based on my personal experience, the reason for the high amount of subscriptions can be explained at least by two reasons. First, due to rather severe competition in this business sector mobile phone subscriptions are cheap and easy to obtain. Simple kiosks that offer services to fill in usage and sell new subscriptions can be easily found even in the smallest villages in the rural areas. The second reason is the behaviour of young urban citizens. They often hold several mobile phones with SIM cards from different operators just to make sure that sudden cuts in telephone connections do not disrupt their use of Internet and participation in social media. They also believe that using several subscriptions makes traveling more secure and convenient because the network coverage of each operator is different throughout the archipelago.

BCG (2013, 10-11) state that until now online media is considered a source of support for receiving complementary information on products or purchases in mind. Even though the use of digital media is rising and e-commerce is expected to grow in the near future, currently there are only a few influential marketing channels which according to McKinsey & Company (2012, 9, 13) are television advertising and the word-of-mouth from family members or friends.

The objective of this chapter was to briefly present the current position of Indonesia in the global economy and give examples how global megatrends are seen in the country. They give a starting point for finding answers to the research questions. Secondly, this section is important because it is used for data triangulation. Trends and shifts explained above are compared with the primary data collected in Jakarta.

### **3 Theoretical framework**

This chapter starts with a general introduction to classical theories about internationalisation. The emphasis is on ways that in the light of prior studies have helped particularly SMEs or so called “born global” firms to become successful in international markets and more specifically in emerging markets. The discussion includes different approaches to evaluate new target markets, to compare them and to identify factors that can be highly useful in decision-making processes. Because of the particular request from the case company to focus on the questions about networking and distribution channels, these two topics also receive attention.

#### **3.1 Internationalisation**

This section focuses on two themes, internationalisation and assessing of the target market, which are highly relevant issues in the phenomenon explored.

##### **3.1.1 Classical theories of internationalisation**

Internationalisation has been a source for numerous studies which can be roughly divided into three groups. One of the oldest, yet classical theories of internationalisation is the so called the Uppsala model. Johansson and Vahlne (1977, 23, 30-31) believe that internationalisation is a gradual learning process and includes incremental decisions.

This theory is questioned by Knight and Cavusil (1996, 11-12, 23) who debates that internationalisation is not sequential, but can happen in a committed way within a shortened period of time. The quickly internationalising small firms led by entrepreneurial visionaries can take advantage of international opportunities very soon after their establishment. Just the opposite of their small size, these “born global” firms are committed to operate in international markets and use a genuine customer orientation and value as advantages. Finally it is claimed that “born global” firms manage to compete with knowledge on specialised product niches. (Knight & Cavusil 1996, 11-12, 23.)

Bell (2001, 173, 185), on the other hand, propose that there are distinctive companies that first do not have great interest in foreign markets, but after having settled well in the domestic market start expanding abroad. The reasons why “born again global” companies internationalise late, but still dynamically include a need to increase revenues, operating under a new management or dealing with an acquisition (Bell 2001, 173, 185.)

The case company can be classified as a “born global” company because the firm was established to operate internationally from the inception (Sirén 2 June 2015). At the end of 2014 about 80% of the annual turnover came from sales abroad (Sirén 27 November 2014). In order to get expand the understanding, next the attention is turned to more recent studies that have focused on factors that are considered particularly important for internationalising SMEs and “born globals” and their expansion to foreign countries, including the emerging markets.

### **3.1.2 Internationalisation of SMEs and “born global” companies**

The decision about going international and selecting entry modes depends on internal and external factors. As the case company already has wide experience on operating in foreign markets from production in China to sales in tens of countries around the world, it is justified to say that the company has essential internal elements to support further expansion. Consequently this section only concentrates on the motivators and external factors that show how SMEs and “born globals” in the light of studies aim at succeeding in the international markets.

Ojala and Tyrväinen (2009, 271-272) argue that market potential is the key driver for Finnish knowledge-intensive SMEs to enter the Japanese market. The findings show that the wide psychic distance between the two countries is acknowledged but the potential of the new marketplace is considered more significant. In order to minimise or even close up the psychic distance, companies are found to recruit internationally experienced managers. Ojala and Tyrväinen (2009, 271-272) continue that the recruitments are believed to increase the knowledge of the Japanese market. Dyhr Ulrich, Hollensen and Boyd (2014, 433, 423) point out that Danish exporting SMEs pair high market potential in BRIC (Brazil, Russia, India and China) countries with low commitment entry modes. While giving control to the local agent, the Danish firms rely on building business networks. (Dyhr Ulrich, Hollensen & Boyd 2014, 433, 423.)

It must be noted that there is controversy when it comes to the role of cultural distance in internationalisation. According to the study of Taylor and Jack (2011, 717) the non-high tech “born global” firms selected markets based on close psychic distance and not strategic opportunity. However, cultural distance was among the least important factors for Danish SMEs when their expansion to BRIC countries was studied (Dyhr Ulrich et al. 2014, 433). Maybe because of the agile activities, also Finnish start-up companies were encouraged to take their product where ever the clients are in order to boost sales (Heikkinen 2015, D2-D4).

If we narrow the scope from SMEs to “born global” firms, they seem to have slightly different motivations to accelerate their emergence in foreign markets. In addition to being attracted by market potential, Knight and Cavusil (1996, 21-22) state that they benefit from the growing demand for specialised and customised products in the world. Thanks to technology, small-scale production, even if tailor-made, has become economical. As communicating and cross-border operations are effortless, small companies can more easily adapt to foreign markets and international standards than the big companies. Also with the help of information about internationalisation and tools including funding small companies can compete equally with the big competitors. Finally, technology has created global networks that promote partnerships across borders. (Knight & Cavusil 1996, 21-22.)

If we look at “born global” companies operating in non-high tech field only, Taylor and Jack (2011, 717) claim that expansion to foreign markets is a result of the small size of the domestic market. In highly industrialised sectors it is even possible that domestic markets do not always exist (Moen 2002, 171). Also according to the study of Falay, Salimäki, Ainamo and Gabrielsson (2007, 886), Finnish design-intensive born global companies consider the domestic market challenging due to the limited market volume and also due to inadequate financial resources for growth.

Taylor and Jack (2011, 717) also bring up that the nature of the product and the threat of replication are main contributors when it comes to the scale of internationalisation. Falay & al. (2007, 881) state that design-intensive “born global” firms build strong brands to effectively tackle the problem of intellectual property rights and imitation.

Based on the theories about internationalisation, it can be stated that there are many kinds of external factors that push and pull companies to foreign markets. When looking at internationalisation through the lens of the case company, many of them are logical. As examples, it is clear that the domestic market in Finland is limited and it gives a natural push to the case company to take a serious look to foreign countries. Indonesia, on the other hand, is a huge market that offers growing potential among its middle-class population. Finally, thanks to the nature of the products and unique design, they are believed to match with the Southeast Asian taste. With these issues in mind, the following sector looks more deeply who foreign markets can be evaluated.

### **3.2 Market assessment**

Assessing the market is a crucial activity when planning internationalisation. This section presents studies with an array of useful tools to evaluate strengths and weaknesses of a new market.

According to Khanna, Palepu and Sinha (2005, 6) it is common for companies to first analyse the GDP per capita income growth rates, population composition and growth rates, exchange rates and purchasing power parities in the past, now and estimated for the future. Only after acquiring those, marketers move on to examining different rankings of doing business (Khanna, Palepu & Sinha 2005, 6). The same study explains that the rankings and the statistics above are useful only when the domestic and the new target market have comparable institutional contexts. If the markets are very different, it is recommended to focus on understanding the infrastructure of the target market and evaluate political and social systems, openness and also product, labour and capital markets. Only after revealing the strengths and the weaknesses of this soft infrastructure MNEs should study the attractiveness of a particular industry in detail. (Khanna et al. 2005, 9, 14.)

When it comes to assessing emerging markets Arnold and Quelch (1998, 12) equally question the traditional frameworks for foreign market evaluation. They emphasise that macroeconomic and population data in the emerging markets are often inaccurate, partly due to the remarkable size of the grey economy and secondly operational data in these bases can often simply be missing. The traditional concepts are therefore incomplete and offer “snapshots” of a situation while long-term potential in emerging markets get ignored. (Arnold & Quelch 1998, 12.)

Sakarya, Eckman and Hyllegard (2007, 209, 229) offer another alternative. In order to get a more realistic view of the business environment in emerging markets, special attention is not only paid to criteria of long-term market potential but also to cultural distance, competitive strength of the industry and customer receptiveness. Therefore, they suggest evaluating markets with the actual product in mind. (Sakarya, Eckman & Hyllegard 2007, 209, 229.)

Cultural distance is important also in Ghemawat's (2001, 138) CAGE framework. It serves as a tool for companies to understand differences between the home and the host markets. According to Ghemawat (2001, 138), firms tend to overestimate the attractiveness of a new market and forget that the success of global expansion relates to the distance between the two countries in four, cultural, administrative, geographic and economic, aspects. Therefore it can be argued that the CAGE model is a more complete tool to evaluate market potential than what Sakarya et al. (2006, 229) propose.

When looking at companies originating from small countries such as Finland, applying the CAGE framework at first gives an impression of rather narrow and limited choices for new



markets. However, when verifying the statistics of foreign trade of Finland in 2014 the most important business partners were Germany, Russia, Sweden and the Netherlands. When examining the basic CAGE factors between these countries and Finland it seems that the distance is rather short which can at least partly proof the high level of trade. Only China as the 5th most important business partner of Finland is not in line in this regard. (Tilastokeskus 2015.)

### **3.2.1 Networking, partnerships and cooperation**

Based on Magisso's experience networking is a challenging marketing function (Sirén 27 November 2014). As it can be a significant tool to sweep away some of the obstacles on the way to a new target market, this section pays attention to what is already known about networking, partnerships and cooperation in an international business environment.

Mort and Weerawardena (2006, 549, 562) state that networking is an asset that competitors cannot easily adopt and imitate and also, a tool to gain access to knowledge and other resources that they are often lacking. Tolstoy (2014, 30) sees the role so important that developing network-focused strategies should as a part of discussions when a firm evaluates new opportunities and develops their business in foreign markets. Elg, Ghauri and Tarnovskaya (2008, 676) equally believe that networking activities are so dominant that they can determine a company's position in an emerging market.

Kontinen and Ojala (2010, 440-446-447) believe that the key is to have the ability to identify and approach relevant actors. To start with, it is recommended to contact Chamber of Commerce or Finpro of the region which can assist locally and give tools to reduce the psychic distance between Finnish companies and local counterparts (Kontinen & Ojala 2010, 440, 446-447). Instead of encouraging managers to have the initiative, Babakus, Yavas and Hahti (2006, 11) prefer stressing the dynamic role of the public officials to encourage Nordic companies to use the trade missions abroad as a channel to establish or strengthen important connections. Heikkinen (2015, D2-D4) on the other hand advises start-up firms to invite experienced business people to join their boards of directors because the business veterans can help building retail networks and open doors to key events. In addition to this kind of external support Mort and Weerawardena (2006, 566) remind that the capabilities of the founder, the owner or the manager to develop and nurture networks is a factor to be emphasised.

According to Babakus et al. (2006, 10) after using the networks as a tool to enter a new market, developing them further is important because they have a remarkably positive impact on SMEs' export performance. Instead of considering the B2B and the B2C markets

separate entities Gummelsson and Polese (2009, 337, 348) recommend companies to focus on their interdependency. The complexity of network systems makes it possible that B2B demand is derived from customer markets so customer relations play a vital role in business planning and strategies. (Gummelsson & Polese 2009, 337, 348.)

Heikkinen (2015, D2-D4) argues that the Finnish business people often think that sales only happen in clearly determined places such as customer meetings and exhibitions. Babakus & al. (2006, 11) see that a vital method for a manager to foster networks and the company's performance is to proactively visit foreign markets. Equally based on the article of Kauppapolitiikka (2015), long-term commitment and perseverance are needed from newcomers also in the Indonesian market.

In addition to the beneficial capabilities and characteristics of a company presented above, entry *nodes* represent another relationship- and network-based perspective. In a study of Swedish SMEs in emerging markets Sandberg (2013, 121-122) finds that cooperation and partnerships are used as techniques to lower the risks involved in internationalisation. Li (2002, 486, 490) also points out that because of the low level of trust British companies in the Chinese market prefer having independent third parties and cooperate with them rather loosely. The motivation to cooperate less tightly and work independently conflicts with Narus and Anderson (1996, 112) who state that sharing knowledge among members in distribution channels brings more benefits to all than operating independently.

In order to frame and organise the wide entity of networking and partnerships, Elg et al. (2008) suggest dividing them into global, macro and micro levels. The global level matching means dealing with international, multilateral agreements, operating in communications and establishing relationships. Macro-level networking with local governments, other stakeholders, media and interest groups aims at facilitating the market entry. Micro-level matching takes into account how the company establishes relationships with business partners and stakeholders without forgetting the adaptation of products and gaining other kind of support. It is believed that these matching and networking actions in different levels are essential for a firm to establish a viable market presence and position in a new market. (Elg et al. 2008, 677-678.)

According to Moeller (2010, 31, 44) it is a very crucial managerial task to put effort on networking and selecting suitable partners because decisions deal with trust, opportunism and commitment that the success of business networks is built on. Moeller (2010, 31, 44) argue that in a strategic fit where parties are of equal size, share common goals, an equal amount of power and resources risks of a failure are reduced. However, networking can

result in negative influences. Mort and Weerawardena (2006, 566-567) consider that it can narrow down the strategic options as fewer opportunities. It should also be kept in mind that as needs and interests of business partners change over time it is fundamental to be flexible and adjust accordingly (Freeman, Edwards & Schroder 2006, 60; Tolstoy 2014, 30).

### **3.2.2 Distribution channels**

The case company operates in both B2B and B2C markets, either in one or both, depending on the circumstances in each target market (Sirén 27 November 2014). One of the research questions of this study requires evaluating these options in the Indonesian market and then making a proposition for the choice. That is why this section pays attention to the questions that need to be answered when decisions about distribution channels are made. The following paragraphs also try to expand the understanding on the variety of functions relevant to the management of distribution channels.

In order to give general background information first, according to Kotler and Armstrong (2014, 190) business and consumer markets differ from each other in many ways. While in consumer market companies might have numerous clients that buy small quantities around the world, business marketers often have fewer but larger customers in more concentrated areas. Kotler and Armstrong (2014, 190) argue that the volume of B2B sales are much higher than the one in the B2C sector. Other differences include decision and buying processes. In business markets buying involves professional people and effort and as large amounts of money are spent, involving many people from different business fields is natural. Negotiations and formal procedures can take time. Maybe because of this intense connection, in comparison to consumer markets buyers and sellers in business markets are often much more dependent on each other. (Kotler & Armstrong 2014, 191-192.)

Regardless the differences in their size, Kotler and Armstrong (2014, 191) admit that the two markets are inseparable because the demand in the business markets originates from the demand for consumer goods. However, demand is also regarded as inelastic which means that price changes do not automatically increase or decrease the demand for the product (Kotler & Armstrong 2014, 191). Also, in both B2B and B2C markets the role of distribution channels is to move goods from producers to customers, decisions about them are among the most important ones the managers need to make. Kotler and Armstrong (2014, 364-365) list gathering and spreading information, promoting, making contacts, matching, negotiating, distributing, financing and taking risks as business functions of marketing channels. In addition to these rather physical activities, the channel strategy is based also on relationships and people. Narus and Andersson (1996, 112-120) argue

that as soon as the channel functions well, it is difficult to copy and therefore the tight connection results in sustainable competitive advantage.

Thanks to existing connections, specialisation, experience and scale of operation, Kotler and Armstrong (2014, 364-365) believe that intermediaries can offer valuable advantages for companies. The third parties take care of functions that companies cannot or do not want to get involved in and assist in making products available to target markets. While consumer marketing channels often include wholesalers and retailers before the products reach the end customer, in business markets different kinds of distributors are used. (Kotler & Armstrong 2014, 364-365.)

Kotler and Armstrong (2014, 374) claim that the structure of distribution channel depends on the preparedness of the firm to delegate control and responsibilities and the length of commitment looked for. However, it is worth noting that as flexibility in the fast changing business environment can be a virtue, risks associated with long-term contracts should not be underestimated (Kotler & Armstrong 2014, 374). In the B2B markets, the channel structure depends on decisions about channel length, channel breadth and channel intensity. Ellis (2011, 99) defines more specifically that the length requires evaluating the optimum number of levels in the channel, the breadth deals with the number of each type of intermediary used and the intensity the choice of using multiple channels.

Options and opportunities for networking, cooperation and partnership were discussed in the previous section, but when it comes to comparing individual channel members with each other Kotler and Armstrong (2014, 376) recommend paying attention to the experience in business, the number of other product lines carried, the location, the growth, the profit record, the reputation and lastly, the enthusiasm to cooperate. Brennan, Canning and McDowell (2011, 310) on the other hand would choose B2B intermediaries slightly differently, based on their resources, product range match, marketing capabilities and commitment in the market. Finally, understanding the customers' preferred means of gaining access to products can help deciding who to choose as a channel member (Brennan, Canning and McDowell 2011, 316). Kotler and Armstrong (2014, 371) see the choice between locating products close to customers or far away as maximising the effectiveness of the distribution channel. Finally, it is possible that environmental factors such as economic conditions and legal limitations make a difference. All the channel design decisions above can result in different positions in the market and have an influence on the competition on target markets. (Kotler & Armstrong 2014, 371.)

After getting familiar with the theoretical part it is trusted that the understanding of the themes related to the phenomenon explored is more complete. The chapter aimed at focusing on existing knowledge that has high relevance to the characteristics of the case company, the research questions of the study and the emerging markets. As it is assumed that design-oriented companies have not yet been studied widely, not to mention the combination of design products and emerging markets, it is justified that the objective of this study is to combine the existing knowledge and explore the phenomenon further from the perspective of a genuine example, the case company.

## **4 Methodology**

This study aimed at extending our understanding about the business opportunities that Indonesia offers for Finnish design products. Based on the needs of the case company, the study explored the characteristics of the Indonesian market and the consumption behaviour of the urban, middle-class citizens. By paying special attention to networking, ways to establish new contacts and comparing distribution channel options was believed to result in more complete and more useful material for the case company to use. The following chapter justifies the methodological choices made with regard to these themes and explains how primary and secondary data were collected and analysed.

### **4.1 Case selection and definition of objectives**

This is a single case study. The main reason for the choice is the connection that was established between the case company and me thanks to a professor at Haaga-Helia. After the preliminary meeting it was clear that as about 80% of the annual turnover of the case company currently comes from the sales abroad, the firm's position and experience in foreign markets can be considered favourable for further expansion (Sirén 27 November 2014). After having established firm ties in Singapore, the case company believed that investigating prospects in other growing Southeast Asian emerging economies would be the next step forward.

Defining the objectives for the study required additional information about the case company. When thinking about the target market, a group of MBA students at UCLA, University of California in Los Angeles, had earlier defined that the case company's typical customer is 24-44 years old (Sirén 27 November 2014). It was clarified more specifically that the middle-class population is the main target market of the case company regardless the geographical location (Sirén 2 June 2015). As discussed in chapter 2, Indonesia Today, the growing Indonesian middle-class has now more money to spend which can be seen easily in the capital region of Indonesia. Simultaneously products and brands originating from the Western parts of the world are more easily found. Being unresponsive to these trends would have meant squandering interesting business opportunities.

Next, Magisso offers 40 design products for sale through both B2C and B2B channels depending on the market and partnerships with local service providers are considered efficient and profitable means to receive better visibility and increased awareness of the brand (Sirén 27 November 2014). Finding valuable local contacts and identifying ways to network were seen another important theme to study.

As lifestyle is becoming more urban just like in many other emerging markets, spending time and money on restaurants, bars and cafés is on rapid rise in Indonesia. It was agreed that instead of focusing fully on the either of the markets B2C and B2B, opportunities to establish partnerships with restaurants, cafés, hotels or other actors in the hospitality industry should be evaluated.

A final support for the case selection is that I lived and worked in Jakarta for four years from 2005 to 2009 and have first-hand experience of the country. It was therefore natural to take advantage of my knowledge of the country and use my Bahasa Indonesia language skills as an additional asset.

## **4.2 Methodological choices**

This case study was conducted through the lens of the case company which automatically gave it a particular, more personal perspective. Even if the findings were analysed by using approved methods it was also impossible to take out the starting point and the human factor. Biases have been avoided as much as possible and personal opinions are excluded from the report.

Saunders, Lewis and Thornhill state (2012, 130) that ontology explains the nature of reality. From the ontological point of view this study is subjectivist because social constructionism plays a major role (Saunders & al. 2012, 132). In other words, this study observes a world where trends and consumption habits are based on socially constructed views. From the epistemological standpoint this qualitative study takes the position of pragmatism and interpretivist philosophies. According to Saunders & al. (2012, 130) pragmatists acknowledge that there are several ways to interpret the world and that one perspective alone cannot give a complete picture of a phenomenon. This case study recognises the same problem as the content could have been investigated from many other viewpoints. Saunders & al. continue (2012, 137, 140) that interpretivism is highly suitable for business research because people as individual social actors interpret situations in their personal ways and act accordingly which can lead to changes. Actions of individuals in the world are believed to be a result of their interpretation about trends, free-time activities and private consumption habits that are the core themes in this case study.

The approach of this study is inductive because theory is the outcome, the result, of the findings in data collection (Wilson 2014, 13-14). In this case theory can emerge from exploration of a phenomenon studied and widening of our understanding of ways the case

company can approach and take advantage of the current trends and the business environment in Indonesia. According to Wilson (2014, 13-14) inductive approach matches also well with business research where qualitative data is often prioritised.

Background for the case selection was explained in the previous chapter, but Yin (2009, 2) gives more support to choosing case study as a research strategy. It is the most appropriate in circumstances where the researcher is studying a contemporary, real phenomenon over which he or she has no control and when the study is looking for answers to “why” and “how” questions. While case study is a thorough analysis examining a chosen phenomenon from various different angles it also allows the use of multiple sources of evidence (Thomas 2011, 23; Yin 2009, 99). These are the justifications for selecting case study as the research strategy also in this study. The subject, a Finnish company, confirms the choice by setting the analytical frames to the study.

Action research could have offered an interesting alternative to a case study. However, according to Bryman and Bell (2007, 428) action research can be defined as a strategy where practical collaboration and involving of the members of the organisation result in a step-by-step implementation towards the common goal. Because I am not an employee of the case company, conducting an action research would not have been possible. Other research strategies such as ethnography, survey or experiment did not match with the fundamental idea of understanding specifically Magisso’s possibilities in Indonesia.

Single-case study was selected over multiple cases mainly because of limited resources even if it was acknowledged that using multiple cases would have had a positive impact on the reliability of the findings and the study. Working with multiple cases would have meant implementing and analysing several individual experiments which would have in these circumstances been impossible. It is admitted that single case study has its limitations and that even a two-case study would have resulted in more significant conclusions.

However, studying the single case was believed to give a highly interesting opportunity to observe a real-life phenomenon that was not much studied. Regardless the fact that recommendations and conclusions are addressed to one case company only, the report still offers general points of view that can be beneficial to other Finnish businesses, especially in the design sector, willing to expand to Indonesia.

Also the existing knowledge proves that generalisation with case studies is not straightforward. While Silverman (2010, 332) claims that generalisability can be asked from the analysis even if very little data has been collected, Thomas (2011, 23) defends the goal of



case studies to offer a unique and rich understanding of a phenomenon and to achieve analytical insights. Myers (2013, 85) recommends looking at generalisability by evaluating its contribution to knowledge and adds that an exemplary case study can, according to Myers (2013, 85), be generalised to one or more theories or concepts.

Study questions, according to Yin (2009, 29-30), need to be carefully considered. In this inquiry they were prudently formulated to match with the desires of the case company and to pair with the research strategy chosen. The first discussion with the CEO of the case company served as a primary tool to narrow down the vast topic and to give frames to the most relevant questions of the study. Moreover, examining previous literature revealed that design-oriented “born global” firms had not yet been abundantly studied.

In this study it was unnecessary to formulate study propositions because research questions explicitly state the goals of the study. However, to support the recommendations, it was important to judge in which circumstances the exploratory study would reach its objectives (Yin 2009, 30). In this case the first criteria was the capability to provide Magisso with relevant and current information of the target market, its opportunities and threats. Secondly, the study was considered successful if it resulted in naming contacts that could lead to networking, partnerships or other types of cooperation in the host market. The Finnish authorities such as Finpro or the Embassy of Finland in Jakarta were excluded because the case company could easily identify them on its own. When it came to comparing B2C and B2B markets, the success factor was to articulate a clear justification for the choice between those two or alternatively, an explanation why none of them was visibly preferred over the other in Indonesia.

In addition to restricting the study to the case company’s products only, the case was bounded as follows. Because the available resources were not sufficient for taking into consideration all urban areas and growing cities of Indonesia, the study geographically focused on the capital city, Jakarta. Also, as the aim was to use my personal experience and knowledge as widely as possible, Jakarta was the most fruitful target.

Demographically the study mainly focused on the urban middle-class and affluent population. The reasoning behind that was that they represent the most important part of Magisso’s clientele in general and also the reports of BCG and McKinsey Global Institute (2013; 2014) support the belief that this group of people cover the most promising potential in the selected target country.

Regarding B2C marketing, the study followed Magisso's choices as in some other foreign markets. The study was narrowed to partnership opportunities in retail market including department stores. Additionally, the intention was to locate and evaluate the potential of small shops that specialise on home decoration and cooking equipment. The boundaries of the B2B sector were pointed to food and hotel industries in line with Magisso's operations in other foreign markets. It included hotels, restaurants, coffee shops and bars matching the general interest of the middle-class and affluent Indonesians. It would have been possible to investigate market opportunities in other business sectors, but due to the limited resources only these fields are taken into account.

The estimated time boundary for the study was from November 2014 when the first discussion with the CEO of Magisso took place to the end of December when the study was planned to be finalised. The reality showed that implementation is more difficult than planning and the writing process ended only in February 2016.

It should be noted that even if the scope of the data was decided based on the above listed boundaries, I was prepared to face unexpected opportunities during the empirical part of the study. Had emerged, they were kept in mind to give extra viewpoints and recommendations for further investigation.

### **4.3 Data collection and implementation**

In order to get a holistic perspective of the phenomenon, this study called for collection of both secondary and primary data. This chapter gives details of how the study was developed and conducted and how the choices were linked to the theoretical framework in this study.

#### **4.3.1 Interviews**

Tuomi and Sarajärvi (2009, 73) believe that benefits of interviews are numerous. The order of questions can be freely changed and questions can be repeated, clarified and reworded in case of confusion and misunderstandings. Having the possibility to pose questions based on earlier answers gives interviews the opportunity to acquire deeper insights of the themes discussed. Interview questions can be also sent in advance which increases the probability of success of the data collection. Finally, interviews tend to be more engaging than many other data collection methods and so the refusal rate is lower than in other data collection methods. (Tuomi & Sarajärvi 2009, 73.)

In this study interviews as primary data were projected to be the most valuable source of information. The exploratory nature of this study was suitable for asking many types of questions and unexpected answers were hoped to give additional value to the phenomenon studied. However, it was kept in mind that qualitative study aims at revealing everything possible of a certain, strictly limited topic and is able to exclude everything else, even if it was highly interesting (Tuomi & Sarajärvi 2009, 92). Also, as all interviews were conducted in English which is not the native language of the interviewer nor the interviewees it was hugely beneficial to have the possibility to re-phrase or clarify the questions if necessary. Equally the opportunity to send the questions in advance was used, not only to avoid misunderstandings, but also in order to make sure people approached were familiar with the themes. Also, this way interviewees were given the chance to prepare their answers and find additional support to the topics before the meetings which was believed to result in more accurate answers.

Furthermore, Aaltola and Valli (2007, 45) recommend choosing *in-depth* interviews as a methodology if the researcher is interested in hearing opinions of specialists about a certain issue. Tuomi and Sarajärvi (2009, 76) give emphasis to the freedom of in-depth interviews where a certain kind of knowledge is not expected and the responsibility of the interviewer is only to keep the discussion in the chosen topic but not to intervene the dialogue of the participant. The idea in this case study was very similar, giving the interviewees the possibility to talk openly about the phenomenon according to their knowledge. These interviews contained less than ten main questions but open answers were expected to produce more detailed questions. Also using the existing contacts to find the relevant specialists in their field gave a unique opportunity to go deeper into the themes which was not to be missed.

### *Sampling*

Tuomi and Sarajärvi (2009, 85-86) argue that qualitative research aims at describing a phenomenon or an event, understanding certain kind of action or theoretically interpreting what is happening without statistical generalisability. That is why it is advisable not to focus on the quantity of the interviews but to carefully consider whom to invite to participate in the study (Tuomi and Sarajärvi 2009, 85-86). It was believed that also in this case a few productive interviews would be more rewarding than conducting a larger amount of more general and superficial interviews. In addition to the amount of interviews, Myers (2013, 131) recommends interviewing a variety of people who can express diverse perspectives to the phenomenon studied. This “triangulation of subjects” helps avoiding elite bias (Myers 2013, 131).

In order to have a purposeful sampling, the objective of interviewing both Finnish and Indonesian specialists was justified. Another criteria was to record thoughts and opinions of both the public authorities and the representatives of the private sector. A satisfactory amount of interviews was set at four, two from the public and two from the private sector. Any unplanned interviews or personal communications during the trip were considered an asset in data analysis.

The Embassy of Finland in Jakarta was approached first thanks to the existing connections. At the same time, Finpro, the second public authority representing Finland in Indonesia, was contacted. Preliminary promises for interviews were rather easily scheduled but still, in case of sudden cancellations the EU Commission in Jakarta was kept in mind as an alternative source for valuable information. Finding a substitute was not luckily needed, but as a small disadvantage it must be noted that due to other engagements of the Finnish officers, both interviews were conducted with an Indonesian expert.

When it comes to the private sector, planning of data collection was held back due to unresponsiveness of the persons contacted. It was known in advance that having a complete schedule for data collection prior to the trip would not be possible, but it was surprising that introductory emails sent in Indonesian language did not result in any answers. First, a representative of lifestyle media was believed to be an exemplary expert of the themes studied. Four local magazines, The Peak Indonesia, Indonesia Design, Bravacasa and Elle Indonesia specialised in design, home decoration and general trends were contacted by email. With the help of the connections of the Embassy of Finland The Peak was more or less willing to be interviewed until the interview questions were sent for their approval. The Peak withdrew its participation by telling that other magazines know this particular area much better than them and that their expertise was not enough in this case. The other three magazines never answered to the emails even if reminders were sent.

Equally attention was paid to finding suitable interviewees in the horeca (hotel, restaurant and catering) sector and getting specialists of that industry involved was believed to reveal their perspectives of the current trends. Also, it was expected that interviewing a representative of a hotel or a restaurant would expand the understanding of ways to adapt business activities to meet the current needs of the consumers.

In order to find candidate companies popular places for spending free time in Jakarta were identified and evaluated. Two of the most interesting participants would have been

The Union Group and Ismaya Group that both own an impressive amount of highly popular middle-class and upmarket restaurants, coffee shops and bars. However, requests for face-to-face interviews by email were never answered. Finally, my personal relations were an asset because they helped me to get two confirmed meetings with specialists working at Mandarin Oriental and Ritz Carlton Kuningan hotels.

After all, the objective of having four interviews was underestimated because a fifth one took place without prior planning thanks to an informal meeting with Magisso's Dennis van der Veer in Jakarta. Van der Veer was on a marketing tour in Asia and happened to be in the city at the same time for a day. With the help of his connections, an extra interview was organised at Multifortuna Sinardelta, a distribution & marketing agency specialised in upmarket products of this sector in both B2C and B2B markets. This interview was conducted the day before the time in Jakarta ended.

As a conclusion, the five semi-structured interviews which took between 15 and 41 minutes each included two officers from the public sector representing Finland in Indonesia and three experts from the private sector. Two of them worked at the luxury hotel industry and one at a distribution & marketing agency that is doing business with both B2C and B2B markets including Sogo department store, banks and hotels in Jakarta. All interviewees, one woman and four men, were Indonesian and considered specialists of the themes studied.

Table 1. Interviewees and their details

<b>Name</b>	<b>Company</b>	<b>Title</b>	<b>Nationality</b>	<b>Abbreviation</b>
<u>Pratiwi Sasotya (Ms)</u>	Mandarin Oriental	Senior Communications Manager	Indonesian	PS
<u>Ivan Alidjaja (Mr)</u>	Embassy of Finland	Trade Officer	Indonesian	IA
<u>Gulontam Situmorang (Mr)</u>	Finpro	Senior Advisor	Indonesian	GS
<u>Harry Suryadharma (Mr)</u>	Ritz Carlton Kuningan	Director of Sales & Marketing	Indonesian	HS
<u>Fredy Karminah (Mr)</u>	Multifortuna Sinardelta	General Manager	Indonesian	FK

### *Interview questions*

According to Aaltola and Valli (2007, 53-54) interview questions should be short and easy to understand. Furthermore, "why" questions are believed to be especially practical in in-

depth interviews because they give more detailed information about the phenomenon in question. (Aaltola & Valli 2007, 53-54). In this data collection, effort was put on the choice of words in questions because the interviews were not conducted in the mother language of the interviewer or the interviewees. Very few “why” questions were included in the main interview questions. It was believed that they could be more beneficial if used in a spontaneous way. Answers were believed to be more honest if posed in an unplanned way in a natural context.

The interview questions were drafted based on the research questions (see Appendix 1). When formulating the questions it was decided that not all of the meetings would have the same focus. Questions addressed to the public sector concentrated more on the strengths and the weaknesses of the Finnish companies in Indonesia because their experiences were believed to be the widest and the most valuable. It was considered unlikely and only by a coincidence that the interviewees of the private sector would be able to contribute to this topic. The representatives of the hotel industry were expected to share highly valuable hands-on experience on the current trends and consumption habits of the middle-class citizens. Gathering information of their ways to network and to make purchases in the supply chains were equally important. The distribution agency, on the other hand was believed to have knowledge of both B2B and B2C markets which would strongly support answering one of the research questions. In reality the last interview also gave a deeper insight to the actions of the local government to protect its national interests and the ways this intervention is disturbing operations of foreign businesses in Indonesia. Before confirming the list of interview questions, their usefulness was cross-checked (see Appendix 2).

### *In practice*

Common practices in all interviews were the following:

- Sending the introductory letter together with the initial approach (see Appendix 3)
- Sending the main questions in advance
- Reminding that participation is voluntary
- Emphasising the possibility of participating anonymously and respecting the answer
- Choosing a quiet place for interviewing, however respecting the wish of the interviewee
- Asking the interviewee to reserve enough time, at least one hour
- Asking for a permission to use a recorder (each interview was transcribed carefully)

- Refusing any requests of reviewing or modifying answers afterwards due to the possibility of receiving interview questions in advance

The sudden possibility of having an extra interview resulted in a phone call to the general manager of Multifortuna Sinadelta. Regardless the very busy week at work, the request for a quick meeting was accepted. As the objectives of the meeting and the connection to Magisso were clarified during the phone call, sending an introductory letter was considered useless. Also the tight schedule of the interviewee did not make it possible to ask for a full hour for the discussion. Targeted interview questions were formed later the same day and the “ad hoc” interview which took about 30 minutes was among the most fruitful of them all.

Finally, when it comes to communication, it was kept in mind humour is highly related to cultures and irony and sarcasm can be difficult to interpret (Ruusuvuori, Nikander & Hyvärinen 2010, 413). Even if I had lived in Jakarta, these and jokes about politics, religions or other sensitive issues were avoided to escape any unnecessary misunderstandings.

#### **4.3.2 Observation**

According to Tuomi and Sarajärvi (2009, 81), observation is particularly useful in situations where very little or nothing is known of the phenomenon. They also argue (2009, 81) that links collected data to the factual context and diversifies the acquired information. That is why observation was chosen as another method for data collection next to interviews. In this study observation matched particularly well with the objective of the third research question, comparing B2B and B2C market and evaluating their potential. The reason was that other methods were considered more complicated and less reliable. Websites of shops did not contain sufficiently information to make reliable analysis of the supply in the capital city. Equally gathering and analysing data based on interviews were believed to be complicated. Therefore in this case observing was seen the most appropriate, yet a simple method to collect data of the kitchen products available in the B2C market. Additionally visually seeing the selections in shops would give the data collection method more real-world context. Finally, observation was believed to be a beneficial tool to triangulate data collected through other methods and so increase the reliability of the study.

##### *Purposeful sampling*

Identifying the availability of (design) kitchen products in the B2C market in the capital region began by a search on the websites of the most popular department stores, Metro and

Sogo, both located in various shopping malls in Jakarta. On their websites both companies listed brands that are part of their selections, but the information did not include details about the actual products offered (Metro 2015; Sogo 2015).

Pantry Magic, a shop specialised in fine cooking tools and kitchenware, could be considered as one of the most popular individual shops among enthusiastic home chefs in the capital city (Felita's Blog 2015; Honeycombers 2015; Manual 1 2015). Similarly with Metro and Sogo, the webpage of Pantry Magic published the brands sold but did not offer clear information which products could be found in the Jakarta branch. Photos revealed that the selection in the shop is wide and quality of international standard (Pantry Magic 2015). Based on the information found on the Internet, another individual shop, Jenggala, was found to offer a large variety of tableware for sale and was therefore worth visiting (Jenggala 2015).

Alternatives to the shops above, Carrefour, Giant and other big grocery stores around the capital city sell a large variety of everything for homes including the most typical kitchen products. Based on my personal experience, the quality of the products in these shops in general is lower and the clientele does not represent the case company's target market as well as with the stores identified above.

Visiting these four locations in Jakarta was believed to clarify the intensity and type of demand in the retail market and as a consequence, assist in evaluating the market opportunities for the case company in B2C market. In addition to this observation plan, any other interesting ideas and suggestions brought up during the interviews were considered as an extension of primary data.

It is worth noting that when identifying the shops to visit, it became clear that there are many individual boutiques that sell home decoration products in a Western or even Scandinavian, rather minimalistic style in Jakarta. As a few examples that were easily identified on the Internet included Linoluna and Le Souq (Linoluna 2015; Le Souq 2014). Some shops, such as K kken (Turning Point), have been transformed from a normal coffee shop into a lifestyle concept store with a Scandinavian touch (Manual 2015b). It could be assumed that opening these kinds of boutiques is a sign of an increasing interest in design and unique home products in the city. Even though these boutiques were attracting, none of them were selected as targets of observation. The reason was that these shops tended to focus more on interior or home decoration, marketing pillows, decorative objects and so on and very few kitchen products and serveware were seen on their websites. (Linoluna 2015; Le Souq 2014; Manual 2015b).



### *In practice*

Aaltola and Valli (2007, 151) state that in hidden observation the role of the observer is not important. Similarly in this case it was irrelevant because observation did not require interaction but attention was paid to availability and disposition of physical products. At the same time it was known that going around between the shelves without receiving attention is difficult. Shop assistants in Indonesia tend to physically follow their clients in order to show attentiveness and to be close by to give further information about products if needed. However, observing the products in the shops with or without attention from the shop assistants was not believed to have any influence on data collection. As observation in this case was not limited to a certain time slot of the day, it was decided that at least the two department stores would be observed outside the peak hours in order to avoid the crowd, noise and other distractions.

According to Aaltola and Valli (2007, 159) a permission is required prior to observation. In this case, it was not necessary as the behaviour of the observer would not be different from a typical customer who is looking for something to purchase. As long as it was not prohibited, also photographs were taken with a mobile phone to keep a visual record of each visit separately.

Aaltola and Valli (2007, 161) also highly recommend taking notes while observing but it requires thinking where and how often it is done. They suggest that reflecting is done later the same day, maybe in the evening, in a quiet place (Aaltola & Valli 2007, 161). During this field trip, the risk of forgetting something meaningful was considered high because Jakarta is noisy, something irrelevant happening close by can draw attention and getting stuck in a traffic jam can suddenly change the course of the day. Instead of waiting until the evening, it was decided that writing down the summaries of the observation should take place immediately after the visit, maybe at a nearest coffee shop or a bench outside the shop. After a visit to each shop the goal was to have clear answers at least the following questions:

- Which kitchen or home products are sold?
- Where are the products from?
- Which brands do they represent?
- Are the products offered similar to the ones of the case company?

Also Aaltola and Valli's (2007, 161-162) suggestion to keep the actual observation and context information such as date, time and circumstances separated from each other was followed. Paying attention to noting background information was considered important because selections of products in the shops can change over time. In order to make sure the focus is on these important issues, a simple observation sheet was formulated (see Appendix 4).

It was kept in mind that if there was a natural opportunity, more detailed questions of the products were informally asked from the shop assistants. Questions for example could relate to the popularity of kitchen products or origins of certain brands.

#### **4.4 Data analysis**

Analysing the secondary data started during the data collection. All data obtained in the forms of reports, articles, statistics and videos were measured by their suitability to assist in the study. Those presenting valuable data were kept and used in the process of analysing and writing the report. Also the reliability, validity and possible bias of the data were constantly assessed (see the chapter Discussion 7 for details). Analysing primary data which required more attention is explained below one by one.

##### *Interviews*

In this case study the content analysis was used as a tool to interpret and analyse the interviews. According to Tuomi and Sarajärvi (2009, 109), the material-oriented content analysis consists the following phases:

1. Listening and transcribing the interviews
2. Reading and getting familiar with the material
3. Searching for simplified expressions and underlining them
4. Listing the simplified expressions
5. Searching for similarities and differences from the simplified expressions
6. Combining simplified expressions and forming sub-classes
7. Combining sub-classes and forming meta-categories
8. Combining meta-categories and formulating collective concepts

Remarks related to the steps one, two and 4 are assumed to highlight some meaningful points during the data analysis. Ruusuvuori, Nikander and Hyvärinen (2010, 424) argue that the research problem and the methodology determine how precise the transcripts need to be. As all the topics discussed in the interviews were professional and did not

touch any personal or otherwise sensitive issues, the accuracy of the transcripts was addressed to verbal answers. In this type of interaction non-verbal communication such as smiling, eye contact and facial expressions was not considered as important as the verbal one.

Secondly, conducting interviews in foreign languages and analysing them involves special consideration. Ruusuvuori et al. (2010, 413-414) believe that language barriers can cause harm if humour, idioms or sarcasm are used and similarly, non-verbal communication can lead to misunderstandings. In other words, significant cultural knowledge helps understanding the communication (Ruusuvuori et al. 2010, 413-414). Even if taking notes during the interview was expected to be slightly disturbing, I was prepared to do so especially if the use of non-verbal communication, for example facial expressions, idioms or jokes, supported the need. Personal notes were believed to serve as an additional tool when getting familiar with the material. For example, laughter in Indonesia can be a sign confusion and embarrassment which can be misinterpreted in the transcripts.

When getting familiar with the material, points to consider also include whether questions were posed in a similar way to all interviewees regardless their nationality or cultural background and whether opinions of interviewees about his or her society resulted in “defending” or “embellished” opinions of the phenomenon studied. Ruusuvuori et al. 2010, 415-418 remind that it is useful to analyse the possible effects of cultural hierarchy and power distance relations between the interviewer and the participants. It is known that hierarchy and power distance relations in Indonesia are higher than in Finland and it can make establishing connections more difficult. However, I did not have earlier experience that the Indonesians would often embellish circumstances of life in general in their country. Just the opposite, they would rather feel sorry that their own country were lacking behind the development of the neighbouring countries, Malaysia and Singapore. Also interviewing men as a woman did not cause any problems.

Just like thinking about the upbringing and experiences of the interviewee, Ruusuvuori et al. (2010, 419-420) point out that when going through any material in foreign languages it is important to avoid interpreting any replies based on the interviewer’s own cultural background. For example, opinions of foreign interviewees may often sound bizarre and there is a risk that the interpretation is biased or “over interpreted”. Ruusuvuori et al. (2010, 419-42) highlight the possibility that the expressed opinions in that particular culture are considered typical and that in these situations in-depth cultural knowledge is highly beneficial.

As a final remark, it is useful to briefly open up how coding was done in step 4, listing simplified expressions. A recommendation of Wilson (2014, 284-285) to make a choice between emergent and prior coding was followed. In this case the emergent coding was adopted which means that classifications of words and sentences developed through the analysis of the text and that prior categories were not set. All expressions that were considered significant to the study were taken out of their context and copied to a separate list. Each expression was coded with a few words to summarise the context or the theme in question and also the amount of times expressed was noted. Special attention was paid to assessing whether the same interviewee repeated the same point or whether the theme came up in different contexts of the interview. It would make a difference when determining the significance. From then on, the data analysis continued logically from step 5 as advised by Tuomi and Sarajärvi (2010, 109).

In addition to following the steps of material-oriented analysis and triangulating answers to the secondary data obtained prior to the field trip, a simple online tool called Wordle (2014) was used to visually see the emphasis of each interview. Wordle is an online programme that formulates a “map” based on the frequency of words. The bigger the word on the map, the more often it was mentioned. (Wordle 2014.) These maps were formed individually with the help of complete transcripts of each interview. The tool was hoped to grasp the emphasis of each interview and possibly assisting in finding interconnections between them or themes (see Appendix 5).

As the researcher makes decisions about the research setting and the methodology used, Tuomi and Sarajärvi believe (2009, 96) that there is a risk of pointing to subjective results if material-oriented content analysis is used alone. To avoid that situation, Aaltola and Valli (2007, 57) suggest comparing the conclusions to other material used in the study and gain support from the fact that resulting to parallel perceptions from two separate sources does not depend on the researcher.

Therefore, in order to avoid any risk of biases related to material-oriented content analysis, an additional support of theory-oriented content analysis was needed. It meant that as a final step the collective concepts were compared with the theories presented in the theoretical framework. The analysis of the data was inductive according to the approach of the study as it compared the classified empirical data together to the existing models. The plan was to compare and triangulate particularly the general opinions and viewpoints about trends with the information obtained from the reports of BCG and McKinsey (BCG 2013; McKinsey 2014 and 2012).

## *Observation*

Aaltola and Valli state (2007, 164-166) that analysing observation results in a report that is clear and simple to understand. At the same time the personal “touch” should be seen as observation is a personal and subjective interpretation of the phenomenon. On the other hand, the methodological discussion that explains details, developments and problems in the process gives the reader the opportunity to evaluate the process. (Aaltola & Valli 2007, 164-166.)

It was expected that observation in various shops around Jakarta would serve as a tool to triangulate with the secondary data obtained from reports and articles. In addition, observation was assumed to give a general idea of the demand of kitchen products in the capital city and explain the depth of private consumption on kitchenware and so the popularity of cooking and eating at home. It was hoped that informal discussions with the sales assistants would reveal more details about the products on sale and the B2C market.

## **5 Findings and analysis**

This chapter contains findings together with data analysis. Together with the following chapter, Discussion, they make the core of the study. This section aims at partly closing the gap of information by explaining what kind of factors should be carefully considered when a design-oriented firm is planning operations in the Indonesian market and what actions are believed to increase their possibilities to succeed.

As reporting findings in qualitative research does not automatically require graphics, tables or other visual aids, the goal is to present them otherwise in a structured way so that they are clearly connected with the objectives of the study. Some direct quotations captured from the in-depth interviews are used to highlight certain themes that were seen particularly important for this purpose and photos aim at giving visual support to the observation.

### **5.1 Interviews**

Simplified expressions were grouped under five categories based on the content analysis (see Appendix 6). The findings of each group are explained in the following sections individually by paying attention issues that were brought up more than once during the interviews. In addition, the topics that were linked to stronger opinions or were otherwise considered valuable are also discussed more precisely.

#### **5.1.1 Growth, current trends and consumer behaviour**

Because growth, current trends and customer behaviour are seen closely interrelated, the findings were grouped together. Growth in the Indonesian economy is observed in many industries and based on the interviews progress is clearly seen at least in hotel, food and distribution sectors. Eating out was brought up and identified as a big trend especially among the local people in the capital city which explains the growth in the food industry. Another link can be seen between the trend of spending a weekend at a hotel and the growth of expenditure on services at hotels. Another shift witnessed is the rising consumption on wine which was brought up by FK. What makes this particularly interesting is the fact that he sees the demand of wine is growing strongly even though the taxation of imported wine is very high, now at 90%, not to mention that Indonesia is the biggest Muslim country in the world.

Spending more on entertainment can be expected when income levels of the population rise, but comments about Jakarta becoming an attractive leisure destination was unexpected. This draws attention because the capital city seems to be changing. The "Rotten Apple" - how the city has been notoriously called - has not been marketed as a tourist destination, but both experts at the hotel industry have noted the positive trend. An example of the shift is Mandarin Oriental's active marketing especially to reach local people. They offer tailored accommodation packages for those who are interested either in a relaxed weekend get-away or active shopping days in the heart of the capital city.

Due to the location of the organisations participating in the interviews the focus of the answers was mainly on trends in Jakarta. Even if so, FK revealed a different point of view when it comes to the growth. He did not deny the growth in Jakarta, but added that surprisingly the demand for the products they distribute are growing faster on Sulawesi and Kalimantan islands where the people today have the purchasing power and the matching lifestyle, but facilities available lack behind. The evidence is supported by the secondary data of McKinsey Global Institute (2014) that similarly explains that the shift has been the most remarkable outside the capital region (McKinsey Global Institute 2014, 3).

When looking at consumer behaviour, it was expressed a few times during the meetings at the hotels that consumers today are well-prepared and very smart. When people walk in their hotels, they know what they look for and they have high expectations which can be seen as an extra pressure when planning marketing activities. IA also reminded that in Indonesia price matters. It was also argued that global trends reach the country now faster than ever. The use of technology and social media is very typical and also young educated adults who study abroad in Australia and other countries "spread" trends and awareness of new products from abroad. This group of people was believed to be particularly attracted to upmarket (also called premium) products which demanded also in Indonesia.

However, it was surprising to hear that choosing an internationally known brand is not the top priority but Indonesians now value and pay more attention to other product features. As seen by FK,

"As long as the function is there, as long as the quality is there, as long as the value for money is there the customer is able to use it to some extent. So branding is... I don't say that branding is not important but it can be secondary if the service and the commitment are there."

FK paid attention to the attractive match of functionality and design. In addition to this appealing combination, in his opinion, adjectives that describe the most valued product features include “quality”, “small”, “practical” and “hassle-free”.

Similarly to FK's opinion about design being one of the most important features of products, Mandarin Oriental would call itself highly design-oriented and takes design into account widely, from decorating and furnishing different areas of the hotel to carefully selecting pieces of art for the walls of each restaurant. The hotel even cooperates with local designers to custom-make clothes and suits for the staff.

However, also an opposing point of view was noted. When inquired the role of design at Ritz Carlton, HS was shaking his head and claimed that design is only taken into account when renovations are planned but otherwise design does not play any role in the hotel. It is possible that these two luxury hotels differ a lot from each other when it comes to paying attention to design, but one justification for the different opinions is the fact that design can be understood in many different ways. Therefore it is admitted that analysing the answers for the questions related to design in this study has its limitations and having only discussions to compare with makes the analysis even more challenging.

It can be argued that data collected about the target market and the current trends brought up during the interviews match with secondary data obtained before the field trip. Thus it can be stated that the case company can be confident that the knowledge about the current trends, consumer behaviour and growth shows in Jakarta and is reliable. In addition, the findings above can be regarded as a basis for marketing which is looked more in detail below.

### **5.1.2 Recommended target markets and efficient marketing tools**

After analysing the answers regarding growth, trends and consumer behaviour, the next objective is to put emphasis on issues related to marketing. Particularly one interview highlighted interesting opportunities in B2B market. Also, some marketing tools that are considered effective in Indonesia at the moment are presented.

Without making any decisions between the B2B and the B2C markets, two interviewees shared a similar point of view that it would not make sense to try to conquer all retailers and market the products of the case company in high volumes in Jakarta. Instead, it was recommended that the company focuses on finding a niche market. In order to gather



more precise ideas for targeting, the discussion with FK offered fruitful alternatives. In order to find an appropriate niche in the B2B market in Indonesia, in addition to the rather natural choice of horeca (hotel, restaurant, catering) industry, a completely new potential niche market was brought up. Gifting is big business in Indonesia and according to FK Finnish design could have possibilities to successfully tap this B2B potential. Gifting means cooperating with companies that give presents to their customers to thank them for example for their loyalty or large purchases. FK's preference between the B2C and the B2B markets was clear: "Gifting is interesting, but personal use is still a question mark. Magisso has good design and banks have budgets for them". Next to banks FK would market Magisso's products to companies in food industry that also apply gifting to thank, maintain or boost business relationships with their partners. The third niche market in the B2B business to look into according to FK would be companies operating in wine industry. The B2C market is discussed in the next section of this chapter, Observation.

Selecting appropriate marketing tools and mixes is important latest when the target markets have been identified. Related to that, current technology and particularly social media drew my attention in some of the discussions. From the most general side it was seen that adopting current technology is a critical part of the marketing operations and as it is commonly known, changes take place fast.

PS felt deeply proud when she announced that Mandarin Oriental has the number one ranking in TripAdvisor. Also HS specified that they have become proactive with clients and that social media plays an essential role. The use of social media is integrated in their marketing operations and it confirms the idea that interactive media can bring extra benefits and make marketing more specific and better targeted. There is no doubt that the two luxury hotels keep up with the competition by actively campaigning and promoting special packages or specific meals to meet the current demand. Also Multifortuna Sinardelta as an example of a distribution agency relies on promotions that can be arranged in the premises of the retailers where their products are sold. Their ways of promoting and also raising awareness include cooking demos, testing sessions and interactive competitions.

It must be mentioned here that the importance of social media in Indonesia is good news to Magisso that is already now active in promoting its products with the help of YouTube videos. Visibility and raising awareness takes place also in Twitter.

GS highly recommended Magisso to take advantage of technology-driven e-commerce. He made his point by arguing, "E-commerce is the fastest way to reach particular market

groups". It can be particularly beneficial when the target market is small in size. To support the opportunities of e-commerce, according to Techn Asia (2012) the amount of potential e-commerce users in Indonesia was 55 million already in 2012. At that time 57% of online users would also shop online. (Techn Asia 2012). To understand the potential of e-commerce today, IdEA points out that the value of e-commerce in Indonesia is over USD 22 billion in 2016 where as in 2013 it was about three times less (Jakarta Post 2015).

Magisso considers the middle-class citizens worldwide as its target market and in Indonesia it is represented by tens of millions of people. By analysing the interviews this section gives recommendations to approach some identified, feasible niche markets. Recommended ones in the B2B market are banks which use gifting to thank loyal customers. Also the horeca industry in general, and more particularly wine businesses were brought up as possible target markets. When it comes to choosing marketing channels, the booming e-commerce was raised up as a tool to efficiently approach the target market. However, it can be argued that the importance of Internet and social media in marketing should be prioritised.

### **5.1.3 Intervention of the local government and regional issues**

It was clearly argued in three interviews that the Indonesian government is seriously trying to simplify procedures that are required from foreign firms before they can establish any business activities in the local market. The improvements have been real and changes can be seen in the grass root level. The evidence points to an honest effort of the authorities to focus heavily on improving the infrastructure and removing heavy bureaucratic processes that tend to cause difficulties to foreign companies. Paperwork that used to be spread around at different locations has recently been replaced by a "one-stop" office where many processes can be done at once. However, the positive changes mentioned in the interviews leave behind a question how well they encourage and benefit small businesses that instead of investing in production sites are looking for opportunities to import or launch other small-scaler activities.

The positive drive of the local government can also be overruled by the SNI (Standar Nasional Indonesia) procedure which can be a substantial challenge for Magisso among other foreign organisations. The SNI certificate process that was originally put in place to protect local industries from low quality entry level products from China has been extended to include foreign products regardless their origins. The second objective of the entrance barrier was told to be the protection of national interests. A logical assumption is that using local resources, whether natural or human, positively influences the economy of the country. Therefore it is clear that the SNI procedure aggressively encourages foreign

companies to invest in setting up production sites and employing local workforce and so avoid applying for the standardisation requirements in their sales operations.

As a result of this protectionism, foreign companies have very few options. They either invest remarkable resources in Indonesia and so avoid the heavy SNI procedure or find out whether their products can enter the market without restrictions or whether they must go through the standardisation procedure. For example clothes, home electronics and food products imported from abroad are some of the categories to go through SNI. Products made of glass, gum, plastics and ceramics are also examined. At the moment close to 11 000 foreign products have passed the examination and received the SNI certificate before being accepted in the market. From the category 81, industri kaca dan keramik (glass and ceramic industry) 144 items have been certified and from the category 83, industri karet dan plastik (rubber and plastic industry), 263 items. (National Standardization Agency of Indonesia 2016).

The figure below explains the application procedure and related inspections in a simplified manner.

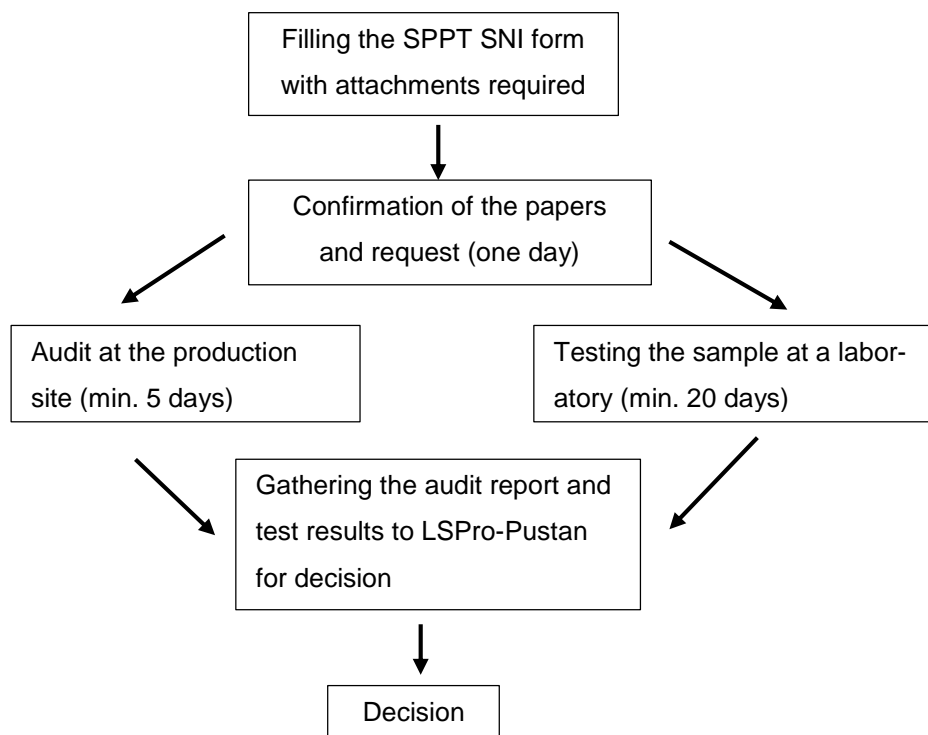


Figure 1. SNI procedure

SNI can be regarded as a particularly significant threat to Magisso because its many products are made of materials that need to pass the SNI process. The expenses of the certificate are estimated to be up to USD 20 000 per product line, including administration fees, travel costs of four Indonesian officials to the physical factory and testing of an exemplary product done in the laboratory. The complexity and the financial burden to receive the required certificate cannot be underestimated and practically it can hold Magisso and equally other foreign firms back and make them reconsider their interest in Indonesia. When asked what the biggest challenge for Magisso in Indonesia is FK admitted, "It (SNI) is - in Indonesia - quite tough to do. That will be a critical part".

Even if SNI is a problem to many organisations, there are loop holes to look for. According to FK, steel as a material was still excluded from the SNI process. This could open up an opportunity for Magisso to consider whether it should focus marketing its cake server made of steel that the company is probably the most famous for. Another alternative to avoid getting trapped with the entrance barrier is to assess options that cross-border e-commerce could offer.

When it comes to regional issues and the economic downturn of China, the interviewees at the Embassy of Finland and Ritz Carlton mentioned that China's situation affects Indonesia but it is still seen as a temporary phenomenon. Consumers have become more careful when they spend money and as an everyday example, HS stated that instead of accommodating employees in 5-star hotels companies switched to using four-star hotels. However, he continued that the business has been recovering and that the near future looks bright.

When it comes to the ASEAN free trade area, interviewees with whom the topic was discussed did not seem very optimistic about the results of the agreement. Regardless the common objectives, regional power relations were told to shape and delay the implementation of the common ASEAN economic zone. Also as economies of the member states are not equally developed and all have their own internal issues and problems it was doubted that ASEAN would soon offer smoother bureaucracy or logistics for products coming from outside the ASEAN economic zone. It was believed that national governments can keep on implementing their own policies and import regulations.

These opinions also mirror the future development of SNI. It was strongly pointed out by FK that ASEAN Free Trade Area would not make the SNI disappear and there are no signs that the Indonesian government would do that voluntarily either. He continued that

just the opposite, a larger variety of foreign products will need to go through the procedure. GS on the other hand took another stance and insisted that instead of being afraid of the future, there is potential in the current situation. He expressed his frustration with a simple argument, "Come now, not when everything is regulated. Then we don't need you". It can be interpreted that he sees that Indonesia's the huge population and wide natural resources offer a more remarkable advantage than the level of damage SNI can currently cause. Also, when comparing with Singapore or Kuala Lumpur, GS sees that the advantage of Jakarta lies in its untouched potential.

The findings related to the actions of the local government, regional matters and the influence of China were eye-opening but making conclusions was not straight-forward. In order to attract more investments from abroad, the government is streamlining the bureaucracy foreign companies struggle with. They also renew and repair infrastructure that has been Indonesia's weakness. Unfortunately these improvements do not help small companies such as Magisso. At the same time the protectionism is strong and the SNI procedure is a practical example how entering the Indonesian market can be made expensive and difficult. Based on the preliminary knowledge at the moment the SNI procedure is not applied to products made of steel. If this is the case, the recommendation for the case company is to plan entering the Indonesian market with the cake server because by avoiding the standardisation procedure the exporting becomes much cheaper and it saves time.

#### **5.1.4 Networking and partnerships**

According to Magisso, building networks is one of the biggest challenges in the new markets (Sirén 27 November 2014). With the help of the interviewees, the following section lists opportunities to find local contacts and possibly even plan cooperation.

Without any big surprise Embassy of Finland and Finpro consider networking important and recommend being active in different business circles. One of the recommendations was to join exhibitions. My personal opinion is that expositions can be highly beneficial if they represent the target market only. For example, Food and Hotel Indonesia trade exposition boasted with above 30 000 participants last year. The event that focuses also on Magisso's target market is organised the next time in April 2017. (Food & Hotel Indonesia 2016.)

IA from the Embassy of Finland also proposed thinking whether a membership of the local EuroCham, with an annual membership fee up to USD 250, would be beneficial for Magisso. Briefly, EuroCham acts as a link between Indonesia and the EU member states

by having active dialogue about current business-related issues with the Indonesian government and different authorities. It also aims at promoting the trade between the two. In order to share information and bring up current developments in Indonesia EuroCham hosts seminars. Topics discussed could include import export procedures, entry barriers or taxation. Another objective of the organisation is to harmonise the operations of different national chambers and business associations and lift the European spirit in the country. (EuroCham 2016).

To expand the knowledge of the possibilities of e-commerce in Indonesia GS recommended contacting IdEA (Assosiasi E-commerce Indonesia), E-commerce Association in Indonesia. According to Techin Asia (2012), this rather newly established association aims at supporting and educating the use of e-commerce and clarifying and improving the regulations related to e-commerce and start-up companies. Like EuroCham, they uphold dialogues with government authorities and other related actors. The ambitious vision of IdEA is to make Indonesia the biggest e-commerce market in Southeast Asia. (Techin Asia 2012.)

My personal interpretation is that IdEA could be a valuable contact for networking and maybe also marketing. IdEA is interesting because it focuses on promoting start-ups and e-commerce which both are relevant to the case company. E-commerce can also be an inexpensive way to reach the target market without making significant financial investments and lastly, IdEA could be the right source to find assistance when it comes to questions related to e-commerce and the SNI procedure.

UKM (Usaha Kecil dan Menengah) is a business centre offering services for small and medium sized companies and bringing together products or services of SMEs and potential customers. According to GS, UKM operates under the Ministry that is responsible for cooperation and small and medium-sized businesses (Kementerian dan Kooperasi UKM). The organisation has a show room in a central location in Jakarta where small entrepreneurs can present their products and so boost awareness and business in general. The webpage of UKM for example publishes stories of small-scale entrepreneurs who are members of the organisation. The information obtained also points to the fact that members come from various business sectors (Gerai UKM 2015). GS stressed that recommending UKM as a contact is done very carefully, but believed it was still worth mentioning because it is not private like many other networks. Similarly to the doubt of GS, my personal point of view is that UKM offers assistance to a very small-scale companies that do not have enough knowledge or resources to find customers to their products. That is

why the relevance and the importance of this contact to the case company can be questioned.

When asked about networking, participating in fairs and roadshows were the first answers given by the interviewees of Mandarin Oriental and Ritz Carlton. In addition, PS pointed out a network called Jakarta International Hotel Association, JIHA. Previously JIHA, nowadays JHA, The Jakarta Hotel Association, includes three-, four- and five-star hotels in Jakarta and it operates similarly than EuroCham and IdEA but focusing on the hotel industry. The association raises common concerns such as security and labour regulations that equally affect all hotels in the city. The network also wants to keep up dialogue with government authorities when new regulations are being planned and decisions implemented. By developing the hotel industry together with the key parties JHA urges to boost growth in this sector. (JHA 2015).

JHA does not offer the case company any direct opportunity for networking but it can be a valuable source of general information when it comes to the local hotel industry. Already the webpage of the association publishes the list of its members and many hotels mentioned could be potentially interesting for Magisso to approach. For example, Hotel Dharmawangsa, one of the members, is a more individual luxury hotel that might have different kinds of supply chains than the big chain hotels, Mandarin Oriental and Ritz Carlton. Hotel Aryaduta, on the other hand, is an Indonesian hotel chain spread in the biggest cities of the county and could offer another standpoint of their operations, possibly different to the ones that participated in this study.

When bringing partnerships in the spotlight, in order to attract new customers Ritz Carlton cooperates with banks and offer certain credit card -holders exclusive benefits at their restaurants. According to HS building partnerships with banks is an easy way for the hotel to quickly reach a large amount, for example one million, potentially new customers. What makes this kind of partnership interesting is that the banks in question take care of the marketing through various channels.

Based on my personal experience, cooperation with credit cards is very common and visible in restaurants and coffee shops around Indonesia. Big banners in front of the eateries send out direct messages of the ways customers can benefit significantly reduced prices, many times tens of percentages, when purchases or services are paid with certain debit and credit cards. This raises a question how Magisso could take advantage of this. It would be worth finding out whether partnerships with banks in the form of gifting could

have an extension to reach their partners in the credit card sector. This type of cooperation could benefit all three companies involved.

When it comes to supply chains and purchasing of hotels, the interviews did not offer very much valuable information or surprises. Ritz Carlton has a vendor network that includes suppliers assigned by the corporate office. Sometimes purchases are made in bulks together with other Ritz Carlton hotels located close by. Most of the room supplies and food are locally acquired but they have to meet the requirements and the standards of the headquarters. Purchasing at Mandarin Oriental seems to function the same way. PS admitted that once in a while, when they need something special, they look for any local suppliers that meet quality requirements and order custom-made products from them.

This section focused on networking and contacts. Each option brought up during the meetings was discussed in detail and their suitability was evaluated. Without taking into account the evident Embassy of Finland and Finpro, the recommendation for networking and finding more information is IdEA. After that JHA could be contacted to receive information about the hotel scene in Jakarta. However, Multifortuna Sinardelta with experience and extended connections in the B2B sector can be considered the best match.

#### **5.1.5 Strengths and weaknesses of Finnish companies in Indonesia**

When it comes to collection more “Finnish-oriented” business tips from the Embassy of Finland and Finpro, the recommendations were rather effortless to gather together for the last category. The suggestions were clear and almost abundant. It was praised that the Finns often have good quality products, service and known brands (Kone as an example) which can be regarded as big advantages. However, it is not enough to be successful in Indonesia. Understanding the local culture and the local customers were mentioned all together nine times and so paying attention to this type of soft business knowledge can be the real cornerstone of doing business in Indonesia.

GS shared his experience of many meetings and negotiations where Finns lack interest and sit quietly without posing any questions. As stated clearly, “In business meetings don't rush away. It means you don't have time for me. Then, I don't have time for you.” Linked to the lack of interest, it was mentioned many times that Finnish business people often behave passively. It can be interpreted as a way to avoid risk that was told to be always present when doing business. In order to understand the local culture and people better willingness to gather information from different sources and connections, sacrificing a lot of time and slowly building trust are considered signs of serious business in the Indonesian commercial circles.



Another characteristics that IA saw as a barrier for Finnish firms in Indonesia was the conservative perspective towards marketing. Poor marketing was said to result in a difficult position of a follower and winning the market would then be more challenging. It was also stated that Finns are often interested in small technical issues and do not ask opinions or experience of others in order to develop a broader view of the situation.

The experiences of the Embassy of Finland and Finpro show that the Finnish business people in general have a lot to learn about doing business with Indonesians. Their approach can be interpreted arrogant and the wish for quick results without deeper commitment can ruin many valuable business opportunities. On the other hand, even if being time consuming, the specific guidance given above is rather simple to implement and does not require major financial investments. As the case company is looking for pragmatic ways to enter the Indonesian market successfully, the propositions in this section should definitely be taken into account.

#### **5.1.6 Building meta-categories**

In order to form even bigger entities of these five groups, this study takes a viewpoint that enables classifying each of them under two meta-groups. Two categories, the one with growth, trends and consumption and the other, intervention of the local government are linked closely to each other. The main argument for pulling these two categories under a common “umbrella” is that SMEs such as Magisso lack the possibilities to directly influence events taking place in these two categories of business life. For example, changes in the economy show as shifts in trends and developments in the consumption habits of the population. Also the local government sets rules and makes decisions that can be considered a platform where doing business in the market starts from. Generally, small firms must obey these laws, rules and regulations and adjust their operations to match the current business environment and economy as well as possible. As a consequence, topics pulled under this meta-group can be called uncontrollable factors.

When we look at the rest of the categories, the case company has much more flexibility to navigate through the available options of target markets, marketing tools and channels for cooperation. For example, the data gathered about relationships, partnerships and networking offer various options to get involved, participate and become successful. The case company can decide whether and if yes, how to sacrifice resources in order to boost its knowledge of the market, culture and people. The findings above also give optional ways to avoid mistakes that have led Finnish companies to failures. When thinking about

these three categories, each choice alone and combinations of them lead to distinctive positions in the market. In addition, it must be remembered that the choices made by the company alone are only one part of the result and reactions from the target market represent another. Thus, the company needs to assess many alternatives, make choices and maybe sooner or later adjust its activities in order to find the most favourable place in the market. Because of the control over the decisions, these categories fall under the meta-group of controllable factors.

Even though controllable and uncontrollable meta-groups can be distinguished, at the same time they are very much interrelated. For example, when import taxes on wine are raised (uncontrollable factor) the change can have a negative effect on a partner that Magisso has been cooperating with (controllable factor). Also, it could be that focusing on marketing towards e-commerce (controllable factor) the heavy SNI process (uncontrollable factor) can be avoided. These kinds of interrelated aspects give evidence to the fact that neither uncontrollable nor controllable factors can be left out without consideration when planning a market entrance to Indonesia.

Still, based on the findings of the interviews it is possible to distinguish two factors, one from each meta-group, that are more significant than others. First, the SNI process as a part of the local politics and a strictly uncontrollable factor is without any doubt the basis for the primary decision whether or not to enter the market. If the answer is positive, estimating the impacts of the costly procedure is crucial. Issues to study include the pressure to increase prices and the implications it might have on the price-sensitive Indonesians and finally, whether leaving the B2C market behind would mean assessing alternatives in the B2B market only.

Secondly, understanding the culture, the consumer and so the customer plays a major role when doing business with Indonesians. Motivation to find information, observe and absorb knowledge from everywhere helps making sustainable decisions. In addition, persistence and sacrificing time are important. This is something Magisso can - if there are available resources - focus on.

## **5.2 Observation**

This section focuses on findings and analysis of the observation conducted in four distinctive locations. First, popular department stores Metro and Sogo offered quite a similar selection of kitchen products and cooking tools. For example, Hario brand from Japan offered handy individual tea pots with colourful design. Lock & Lock from Korea and Zebra from Thailand presented thermos bottles that could be also used for keeping drinks cool

for hours. It is worth noting that a large variety of thermos bottles were targeted to children with cartoon designs and bright colours. A basic thermos of Lock & Lock cost IDR 360 000, EUR 24, which indicates that prices for imported products can be rather high.



Image 1. A selection of thermos bottles of Lock & Lock brand

Maxwell William from UK offered for instance modern regular size glasses covered with a stripe of a plastic handle to save fingers from burning. However, visually closest to the design to Magisso were products of Viva Scandinavia from Denmark, made in Hongkong. Their wine decanter sets and simple tea mugs with tea strainers were familiar to the simplicity seen in the Nordic countries. The price for a Viva Scandinavia tea cup made of glass was IDR 76 500, EUR 5.

The selection of regular plates, glasses, coffee sets and other serveware in Metro and Sogo was wide but old-fashioned. Many series available were made of white ceramics and had English-style boarding or flower motives. Many series also offered decorative glasses made of crystal. Some series included wine carafes of similar appearance, but not in large quantities or varieties. Wine coolers were not found even though regular wine glasses were on offer.



Image 2-4. Examples of products in Metro and Sogo

When it comes to kitchen tools the stand of Joseph Joseph drew attention in Sogo. The products of this brand had a separate corner at the home decoration department with wooden shelves and a more attractive presentation. Simple tools to squeeze juice from a fruit (price IDR 160 000, EUR 12), remove chopped vegetables from a folding cutting board, bottle pourer spouts and foldable graters were part of the selection. Sogo's brands for kitchen tools included also the brand Monkey Business, originally from Israel (Monkey Business 2015). Monkey Business offered small kitchen accessories such as lid lids that simplify cooking. It is their funny design, small colourful men that distinguished them from other products with similar functionality.

When analysing the findings of observation at Metro and Sogo department stores the products of Joseph Joseph had the most similar ideology of smart and simple cooking with Magisso. According to the brothers behind the brand, many everyday objects can actually create problems for the user through poor design (Joseph Joseph 2016). It must be admitted that Joseph Joseph has a larger amount of cooking tools than Magisso, some being very similar to the ones Magisso has. However, it can be argued that design plays a bigger role in Magisso's products as they have a more stylish finishing and a more robust appearance than the Joseph Joseph products made of different bright colours of plastic. Products of Monkey Business on the other hand might attract those who look for funny appearance in addition to their functionality and small size. In those products design is seen in a different, less serious light.



Image 5-6. Products of Joseph Joseph in Sogo

When it comes to serving food or drinks, either of the two big stores observed presented anything similar to the dishes of Magisso. Products that were marketed to keep drinks cool were typically in the form of thermos bottles of all sizes and styles that were pointed out in the previous chapter. However, they serve a different purpose, carrying drinks around which is the opposite of Magisso's Cool Ceramics tumblers for example aim at serving food or drinks on spot.

Whether Magisso's products should be marketed in Metro and Sogo is something to think about. The advantages of the department stores are a large amount of customers, long opening hours and central locations. On the other hand, the products might not receive enough attention because the selection in general is wide and a full floor is filled with everything related to home and kitchen. It could be said that in order to make sure that the visibility of the products is reasonable, the company should negotiate having a separate, attention-grabbing stand or a corner within the home product section like the one Joseph Joseph and Monkey Business have done. Otherwise the products would not be clearly seen. In order to boost brand awareness, cooking demos or testing sessions would also be needed.

Pantry Magic located in a trendy expat area extended further the kitchen tool and product diversity in Jakarta. The store had a remarkable variety of products from simple manual kitchen tools such as wooden cutting boards and citrus squeezers to ravioli pans and modern electrical equipment for cooking. The end of the range included for example valuable espresso machines of DeLonghi. Products were mainly imported from abroad and local production was mainly found in simple wooden products such as spoons for frying.

The evidence suggests that the shop is clearly focused on high quality cooking tools and at least the branch in Jakarta does not include serving products such as plates, glasses or mugs in its selection.

During a personal communication with Any (Any 20 October 2015), shop assistant at the Pantry Magic, it became clear that there is not a single favourite product that sells particularly well but for example pans and salad spinners both are popular kitchen tools among customers. However, as a result of cooking shows and series on TV some products gain sudden interest and many customers inquire a certain merchandise at the same time. That points out that the clientele in Jakarta mainly consists of private home cooking enthusiasts. It was clarified that the clientele changes according to the location of the shops. Instead of individual clients in Jakarta, the regular customers of Pantry Magic in Bali represent local restaurants on the island. It was further told that products on display are mostly purchased from Hongkong where the headquarters of Pantry Magic is located. If something is purchased locally or individually a permission is asked from the main office in advance. (Any 20 October 2015.)

Approaching a specific target market in the retail industry could be facilitated by cooperation with a local company. Partnerships would bring the visibility and the brand awareness needed and serve as a way to evaluate the influence of campaigning. When looking at the B2C market, Pantry Magic can be regarded as the best partner for this. Even if the shop is a franchise, it clearly stands out from the others thanks to its high level of specialisation. Secondly, the shop is small in size which is favourable when it comes to the visibility of the products. Finally, the shop seems to have initiative and innovation as it arranges cooking demos and courses. Those kinds of extra events would be excellent ways to raise awareness of the brand and get the products tested in practice.

On the other hand, Pantry Magic Jakarta does not currently include serveware in its product selection which could be a challenge for Magisso's Cool Ceramics series, tea cups or other products used for serving food or drinks. From another point of view, the lack of them could equally be regarded as an asset and give Magisso a first-mover advantage. Unfortunately, after the personal communication with Any, it was not clear how much Pantry Magic has power in decision-making when it comes to choosing items sold in the shop or changing the selection. If the headquarters in Hongkong is flexible, opportunities for cooperation and partnerships with Pantry Magic Jakarta are certainly worth investigating further. Also, it should not be forgotten that even a short campaign can result in new ideas and a longer relationship.

Jenggala as the last target of observation was a disappointment and did not result in revealing new aspects to the questions posed. The shop which was considered interesting based on the information found on the Internet (Jenggala 2015) was physically difficult to find and once found, the selection consisted only of a few series of locally made cups, mugs and plates made of ceramics. The products made in Bali could have given an interesting, local insight to the availability of serveware, but the lack of maintenance of the premises was hindering any deeper observation. It should be mentioned that in addition to the products, the shop had similarly to Pantry Magic a corner that had cooking equipment including an oven and a table with chairs. It was rather clear that cooking sessions had not taken place recently. This indicates that Jenggala is putting more effort on selling the products for example in Sogo as a part of a bigger tableware selection.

### **5.3 Data triangulation**

One objective of the face-to-face interviews was to assess first of all whether current trends brought up in discussions would match with the information gathered as a part of the secondary data before the field trip. Many interview questions were straight-forward so that opinions and experiences on these topics would naturally come up. The findings pointed to a visible growth in demand of premium products and increase of sales in various business sectors. The hotels witness rising spending on entertainment and leisure in general and also, the popularity of dining out was highlighted. McKinsey (2012) estimated that the growing amount of middle-class population shows as rising spending on consumer goods and HKTDC (2014) pointed out that frequent habit of eating out results in abundancy of new restaurants, bakeries and other eateries. Also, it was brought up during the meetings that technology and social media play a major role in marketing and that e-commerce has potential. The secondary data and more specifically the reports of BCG (2013) and McKinsey Global Institute (2014) similarly state that Indonesians are very technology-oriented and use Internet widely. Finally, FK pointed out the fact that growth is impressive outside Java, the main island. This was pointed out as a sign of urbanisation.

Observation, on the other hand, revealed that the popular department stores still and always have remarkable sales and promotions on many items in order to attract crowds to look around. Also IA emphasised in his interview the fact that pricing is particularly important in Indonesia. Secondary data highlighted also the price-sensitiveness of the local people and that they love bargains (McKinsey & Company 2012).

These points support the good result of data triangulation of data. The match of the information gathered before and during the field trip was valid and up to date.

## 5.4 Summary of the analysis

This chapter ties together the results of both interviews and observation conducted in Jakarta in October 2015 and analyses further topics that were considered an important part of answering the research questions. After identifying the key trends and the consumption habits of the middle-class population in secondary data the interviews revealed very similar thoughts. As a consequence it can be said that the market potential expected does exist. The part also helped identifying suitable niche markets within the large target market of which banks and companies at horeca sector applying gifting can be distinguished. Efficient marketing tools today included social media and e-commerce which make it possible to target narrowly. The government of Indonesia is at the same time improving and weakening the possibilities of foreign companies to do business in Indonesia. While bureaucracy is streamlined, the SNI procedure required from a wide range of foreign products made real the power of the local government to protect its domestic market. The easiest way to enter the market is considered exporting products that do not need to pass the standardisation procedure. Of the options brought up during the meetings, networking and possible cooperation is particularly recommended, in addition with the Embassy of Finland and Finpro, with IdEA. JHA on the other hand is recommended as a source of general information of the hotel industry in Jakarta. Other suggestions require more detailed information before their usefulness can be evaluated. Finally, this chapter gave very hands-on tips about behaviour and actions that increase the possibilities to succeed in the Indonesian market.

Observation focused on the B2C market. Findings and analysis included clarifying the range of products in the market and explaining characteristics the locations observed. The chapter also assessed existing competition and looked into opportunities for cooperation with retail companies. Even though the primary suggestion is to focus on the B2B market, Pantry Magic's selection and general image makes it the most attracting option in the B2C market. Opportunities for cooperation would be worth further investigations.

The following chapter takes the final look to the themes related the findings and analysis and finally concludes the case study done.



## 6 Discussion and conclusions

This chapter continues to focus on the results of the data analysis but takes into account perspectives outside the data collection.

Based on the analysis of the primary data it can be argued that the current trends and the consumption habits of Indonesians look very attractive when thinking about the market with Magisso's eyes. Also, the secondary data support the data collected during the field trip. However, when it comes to the state of the economy, there seems to be a disagreement between the messages published in general media and the opinions collected in interviews. The news about the economy of Indonesia in the media have not lately been flattering and just a few days ago Yle (2016) stated that the growth of the country is the slowest in six years. In addition, the financial problems in China are told to hold back the development further (Yle 2016). When the economic downturn of China was raised as a topic during the meetings in Jakarta, the opinions were much less dramatic. It was admitted that China somehow influences the Indonesian economy, but it was seen as something temporary and thanks to the huge population with money in the pockets, the effect was not seen to show widely. Regardless the recent negative changes in the Indonesian economy the middle-class population has been growing and the same trend can be expected to continue in the near future. In this light it can be said that there is market potential in Indonesia for the case company to tap.

As explained more in detail above, the level of protectionism and particularly the SNI procedure is currently considered a great threat to the case company among other foreign companies. Much hope cannot be placed on ASEAN Free Trade Agreement which is not expected to make foreign trade easier. Against the evidence that points out that local regulations could become even stricter, according to Yle (2016), the President Jokowi is now proposing that several business sectors including e-commerce, retail, health and cinema would be opened for the competition from abroad (Yle 2016). If regulations for e-commerce and retail sectors are released as planned, the change could open up interesting opportunities for the case company. As a result of the messages pointing to different directions, the future of the protectionism is still vague.

The case company is also facing a question whether to tackle the opportunities in Indonesia sooner, even now or is it better to wait for a better moment. On the one hand, it must be admitted that if required, applying for the SNI certificate is expensive and time-consuming, but the interviews illustrate the possibility that the regulation can become strict in the future. Also, Indonesia is still an untouched market when comparing it with its neighbours,

for example Malaysia, not to mention Singapore. Competitors can be more numerous in the next few years. On the other hand, waiting might bring comfort because the developments now taking place in the bureaucracy can seem messy and without clear directions. Also the changing image of the capital city and improved infrastructure can show Jakarta in a more attractive light in a few years' time.

The most important question related to B2C market is whether people would buy the products of the case company for personal use. The observation did not reveal any answers to the question directly. There should be demand because the retail market in Jakarta offers a rather big variety for kitchen tools and particularly the high quality and the wide selection that Pantry Magic offers was impressive. However, excluding the Pantry Magic with a specialised selection and narrowly targeted market, there is a doubt whether people doing shopping for example in Sogo and Metro would purchase little more expensive design products for home use. When it comes to serveware, nothing similar to Magisso's Cool Ceramics series was recognised in the shops observed. It can be a result of the SNI procedure required from foreign products, but on the other hand, ceramics was told to be a typical material for products made in Indonesia. This could offer an opportunity for Magisso – as long as the SNI procedure is accepted as a part of the deal.

The data analysis proposes to focus on the B2B market because it offers wider opportunities. Gifting for banks as an unknown niche market can be considered one. Multifortuna Sinardelta that supplies many middle-class and upmarket restaurants and hotels could be a very well matching link to find a match in these sectors. Unfortunately meetings with the two persons, one communications and the other sales & marketing specialist, at the hotels did not result in clear recommendations of ways to cooperate with them because purchasing normally takes place through the corporate office. However, as Magisso has good experience of cooperation with chefs in the restaurants of the big chain hotels, there are no obstacles to try the same route also in Jakarta. It is important to note that the potential in the B2B and especially in the horeca sector is enormous and there are no signs of shrinking in the near future.

An exemplary case study shows sufficient evidence without forgetting to consider alternative explanations (Myers 2013, 85). In this study an alternative decision is to recommend Magisso to focus its marketing only on the B2C market. This thought gets support from the informal conversation with Any at Pantry Magic kitchen tool shop. It was understood that the local people show interest in preparing meals at homes and it can be assumed that participating in cooking courses and watching related shows and competitions on TV increase the attractiveness of this activity.

Related to the retail market is also worth noting that IKEA finally opened its first store in Indonesia 15 October 2014 and as expected, the arrival of the Swedish giant gained a lot of interest from the public. During the opening day 17 000 people visited the shop and queues around the cashiers were long. (Alexander 2014.) The enthusiasm can continue because the Marketing Manager of IKEA Indonesia has convinced the locals that the prices at IKEA would stay the same regardless the unfavourable USD-IDR exchange (Alexander 2015). Even if IKEA's pricing strategy is a magnet to the Indonesian consumers, the opening of the Nordic chain can also be considered as an encouraging sign to the case company. The success of the first day suggests that the simple, functional designs match with the local tastes and that the Nordic home decoration style can be successful also in a very different cultural environment. On the other hand, it is also possible that the price-sensitive Indonesians are attracted to IKEA thanks to the low prices.

However, based on the interviews of this study there is more evidence to show that the B2C market can be too challenging. FK clearly stated that selling Magisso's products for personal use is a questions mark because people might not be interested in buying them for themselves. The same doubt, maybe even more explicitly, was noted down during a meeting at Home Center Indonesia when Magisso's van der Veer to discuss business opportunities with this company. Melinda Edwina (15 October 2015), Merchandising Manager at the household department, strongly questioned the chances in B2C market by arguing that Indonesians would consider the price level too high. The B2B market on the other hand looks much more feasible when it comes to accepting the price level in question. According to FK, companies can afford and have budgets for purchasing these items. He continued that the uniqueness of the product grasps the attention and it would be suitable as a gift. In addition to finding opportunities with banks B2B offers also almost limitless opportunities in horeca sector which is growing intensively at the moment. From Magisso's perspective, thanks to the experience in other foreign markets, approaching horeca industry can be considered as a continuity to the other markets.

## **6.1 Quality of the findings**

There are four perspectives to look at when reliability of the study is evaluated. The first is the number of interviews. It must be admitted that even if it was known in advance, organising meetings by email with strangers was not easy and introducing the objective of the study and meetings in the local language did not make any difference. The existing connections in Jakarta turned out to be a great advantage as after all only one interview took place without prior connection to the organisation. Keeping in mind the difficulty of getting interviews with the representatives of the private sector and having set four interviews as

a target, the total amount of interviews, five, can be considered highly acceptable. Reliability of this standpoint is improved further if the two personal communications, the discussion at Pantry Magic and the meeting at Home Center Indonesia with van der Veer are added.

The second thing to consider is whether the organisations involved in the interviews were diverse enough to consider the findings reliable. It is harmful that the other prospective interviewees from the local media and the restaurant chains did not answer the requests for meetings. Even if the horeca industry was presented by two hotels, restaurants could have brought in even more specific thoughts of the current trends and consumption. On the other hand, Magisso sees big international hotel chains as one of their niche markets and the firm has been successful with them for example in Dubai (Sirén 8 October 2015). In that sense interviewing experts at Mandarin Oriental and Ritz Carlton cannot be considered a disturbing factor.

Another factor possibly affecting the reliability is sending the interview questions prior to the meetings and the decision to do so raises a question whether received answers are reliable, honest, personal opinions or maybe formulated according to the image that the company wishes to achieve or maintain. Meetings with inexperienced specialists were considered a serious threat to the reliability and setting up interviews with people who would not be able to answer the questions was seen as a disappointment to be avoided. Because of the time constraints to collect all primary data within a certain timeframe and to make sure all supporting materials were workable and properly saved it was not possible in this case to take the risk and squander time for finding new contacts and arranging other interviews on spot. It was decided that sending the main questions to the interviewees in advance by email would verify that they have sufficient knowledge to give input to the study. Also, it was believed that straight-forward answers to the main questions would lead the discussion deeper more easily.

In reality FK did not receive the interview questions beforehand because the meeting was arranged during a phone call and without any prior contact or engagement. As the preliminary acceptance had been received by email from Finpro it was assumed that either of the two officers working there were ready to participate. However, GS was surprised when the interview was discussed the first time face-to-face. It was interpreted that he had not heard about the study and gave spontaneous answers to the questions posed. When it comes to the interviewees at Mandarin Oriental and Ritz Carlton, it is not sure whether they had prepared themselves for the meetings in advance or not. The participant of Mandarin Oriental was surprised how quickly the interview was over which could be a sign of

not having read the questions prior to the meeting. The expert of Ritz Carlton answered all questions naturally without hesitation. Only IA from the Embassy had put effort on drafting answers to each question in advance and looked for related extra information as a support. So it can be said that the unexpected spontaneity in answers could affect the reliability, either positively or negatively.

Finally, repetition of the answers can harm the reliability of the study and in the worst case it could result in false interpretations of the reality. In this case, many expressions put under the same preliminary category were looked through separately to see whether points stressed by the same interviewee were repetition of the same thing in different words. When at least two interviewees shared similar opinions, the risk of repetition was considered lower. However, some topics such as the importance of understanding the local culture was discussed only during two meetings and it was not easy to evaluate whether some expressions were repeated without any purpose or whether they were meant to be emphasised. If seen as a tool to stress the opinion, the expressions were given more attention when analysing the findings.

In general, the validity of the information obtained from the interviews can be considered appropriate and especially so after the data triangulation. However, it must be admitted that not all interviews were equally rewarding. The meeting at Mandarin Oriental at some points had a nature of a marketing speech with an emphasis for example on the legendary service of the hotel. Unfortunately, it was the first meeting and the lack of experience left the contribution of the interview much more superficial than the others. However, it must be admitted that regardless the general feeling, the interview pointed out to some interesting trends and habits of private consumption.

Proofing the validity of the observation is different. In this case some photos were attached as illustrations to give examples of products seen. The problem with the validity of observation is the fact that shops tend to change their collections once in a while. It is possible that next year the same places visited offer different selections of products.

As the section of generalisability of case studies in chapter 5, Methodology, states, generalisability of case studies is a debated question. Also in this case it is difficult to estimate how well the findings can be extended and the matter has not received a lot of attention. The aim was to look at the phenomenon from the perspective of Magisso only. So it can be carefully stated that thanks to the uniqueness of the product, it is possible that the findings would benefit other Finnish design firms specialising in kitchen tools and products

when looking at the Indonesian market. However, this statement should not be taken for granted.

## **6.2 Business value**

In my opinion this study is practical and thus it can be considered valuable as such for the case study. Suggestions for the matching routes to enter the Indonesian market do not derive directly from a range of similar opinions so it must be remembered that in the light of the data collection and analysis, one could also disagree with my interpretations.

If nothing else, the study delivers market knowledge to any company interested in expanding to the Indonesian market. Data presented ranging from the general picture of the economy to very specific, typical consumption habits of the Indonesians serves as a tight package and a summary of what the current situation is and where the developments in the country are expect to lead.

## **6.3 Further research**

There are many directions to look at when future research regarding this phenomenon is considered. One of the most logical topic could be studying further existing opportunities for cooperation with the B2B sector in Jakarta. This study offered just a glimpse of it by identifying and evaluating a small amount of potential contacts. Even if Multifortuna Sinar delta has recently been able to grow fast in its industry, it was brought up that they have about 15 direct competitors in the market. It would be worth examining who they are, how they work and what their thoughts regarding Finnish design products and the opportunities in the Indonesian market would be like.

Another recommendation is to conduct a study similar to this but focus on business opportunities in Bali. Bali is an interesting island and very different from the rest of Indonesia not only because of its Hinduism and high concentration on tourism but also its impressive attractiveness among the local people. In general the charm of the island can be derived from its sufficiently good infrastructure and short distances which creates a tempting occasion to spend easy-going days around the island. Naturally also those who are used to seeing smog clouds above Jakarta travel to Bali to breath in fresh air. However, the most relevant reason for suggesting further market research in Bali is the horeca sector. Already now certain areas, such as Nusa Dua peninsula, have a remarkable amount of luxury resorts by the beach, The Hyatt and Westin being some of the examples. Moreover, as discovered during the discussion at Ritz Carlton, many big hotel chains are currently developing more resorts. Next to the business opportunities in hotels, Bali's restaurant

scene is very lively. The repertoire is from traditional Balinese to upmarket restaurants and trendy lounges that offer live music and fancy cocktails.

It must be noted that Bali would not offer a shortcut on the rocky road with the SNI standardisation procedure or other national-level challenges, but in my opinion it is possible that Bali could offer equal, if not better, business opportunities to the case company than Jakarta. Also the smaller amount of companies operating on the island could make the further study more compact and more feasible to conduct.

#### **6.4 Reflections on learning**

This report is the result of my first case study and I would like to briefly point out a few things that contributed to my learning experience.

Due to the fact that the phenomenon studied was related to a huge issue, internationalisation, the lesson number one was to keep my thoughts under control and dig into the most relevant aspects only. In other words, the objectives had to be set clearly and the focus kept narrow. In retrospect, the same mentality stayed in the background throughout the process. As a consequence of targeting specifically, the enormous amount of relevant articles and prior studies about the phenomenon in different electronic databases started to look more manageable. On the other hand, I must admit that sometimes I doubted my skills to look for information because I did not find any articles I was satisfied with. I believe that step by step I learnt to be more efficient when looking for information and saw that many papers that first looked irrelevant would offer an interesting viewpoint when put together with other secondary data.

The second thing I learnt was keeping the question "so what" in my mind. My tutor happened to repeat it during our meetings and I took the words seriously. When I found something interesting and important but didn't find the connection to my text, I would ask myself "so what" or "who cares". It helped me a lot to put the idea in its context.

Finally, if I have a chance to conduct another case study at some point in my life I will make sure that I don't let unnecessary pauses ruin my brainwork during the research process. I had almost a two-month break after the field trip to Jakarta and the hardest moment was when I had to start again activating the brains to work again. The reason was my return to work after a study leave of one year and another trip that took place within a month. However, I consider these two excuses and I should have continued directly with data analysis and discussion even if I could not have done it as intensively as earlier. Related to this, setting up small deadlines for example for finishing certain chapters or certain

tasks would make handling the time easier. I learnt quickly that once I had received feedback from my tutor my thesis progressed fast. When no one was pushing me forward, I did not manage my time efficiently.

With these three things as the major contributors to my learning experience I can conclude that writing a thesis is, maybe more than anything, a mental effort and a perplexing exercise to manage oneself.



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# Appendices

## Appendix 1. Interview questions

### Preliminary / main questions to the Embassy of Finland and Finpro:

1. In your opinion, what are the strengths of Finnish firms in the Indonesian market? How about weaknesses?
2. In general, what are the biggest challenges for foreign companies in Indonesia?
3. How does the economic crisis in China affect Indonesia?
4. How would you describe the local politics, laws and regulations set for foreign businesses?
5. How does the Indonesian government intervene in the operation of foreign businesses? For example, are there trade restrictions or are local companies protected?
6. How can a Finnish company start establishing contacts in Indonesia?
7. Can you identify some good examples of Finnish firms who have been successful in Indonesia?
8. If you think about Finnish design products where would you market them in Indonesia? Why?
9. Are there Finnish design products currently in the Indonesian market? Do you know how they are doing in the competition?

### Preliminary / main questions to Mandarin Oriental and Ritz Carlton:

1. Would you describe current trends in your industry?
2. How do you see the trends developing in the near future?
3. What kind of customers do you have? How would you describe your typical customer?
4. What do your customers expect when they come to your hotel or its restaurants? In other words, why do your customers choose to come here instead of going to other places?
5. How do you find suppliers of the products you need in your business?
6. Do you participate in trade fairs? Are there other events or networks you find beneficial?
7. What does design mean to your company? Do you value it in your company and how does it show?

### Preliminary / main questions to Multifortuna Sinardelta:

1. How would you describe current trends in your industry / business?
2. How does the future look like? Are there changes or shifts seen?
3. Dennis presented you Magisso and its products. How do you see their possibilities here?
4. What kind of distribution would you find the most suitable for Magisso? B2C, B2B?
5. What would be the biggest challenge for Magisso? Is it the SNI process? Would ASEAN free trade agreement make a difference to that?
6. Does the situation in China affect your business?
7. Does design play a role in your industry?

## Appendix 2. Table for cross-checking the usefulness of interview questions

Question	Entering the market successfully	Trends, design & consumption	Business environment	Contacts & networking	B2B & B2C markets
What are the strengths of Finnish firms in the Indonesian market? How about weaknesses?	X		X		
What are the biggest challenges for foreign companies in Indonesia?	X		X		
How does the economic crisis in China affect Indonesia?	X		X		
How would you describe the local politics, laws and regulations set for foreign businesses?			X		
How does the Indonesian government intervene in the operation of foreign businesses?			X		
How can a Finnish company start establishing contacts in Indonesia?	X			X	
Can you identify some good examples of Finnish firms who have been successful in Indonesia?	X			X	
Are there Finnish design products currently in the Indonesian market?	X	X			
Would you describe current trends in your industry?		X			
How do the trends develop in the near future?		X			
What kind of customers do you have? How would you describe your typical customer?		X			
What do your customers expect when they come to you? Why do your customers choose to come here instead of going to other places?		X			
How do you find suppliers for the products you need in your business?				X	
Do you participate in trade fairs? Are there other events or networks you find beneficial?				X	
What does design mean to your company? Do you value it in your company and how does it show?		X			
How kind of possibilities does Magisso have here?	X				
What kind of distribution would you recommend for Magisso and Finnish design?					X
What is the biggest challenge for Magisso?	X		X	X	
<b>Total amounts</b>	8	6	6	5	1

### Appendix 3. Introductory letter

Company X to be interviewed  
Address of the company X  
Jakarta ...

Espoo, X October 2015

TO WHOMEVER IT MAY CONCERN

This is an introductory letter to a case study research that I am conducting as my thesis at an MBA program (International Business Management) at Haaga-Helia University of Applied Sciences in Helsinki, Finland. The goal of this study is to prepare a market entry strategy for Finnish design products in Indonesia. I'm doing this study in cooperation with Magisso ([www.magisso.com](http://www.magisso.com)) that is producing and selling design home products. This Finnish firm has received many international prestigious design awards and after having established business relations with about 25 countries around the world, Magisso is now interested in entering new markets, Indonesia being one of them! My task is to study the Indonesian business environment, current trends and private consumption of the urban middle-class population and evaluate how Finnish design could fit in the biggest market in Southeast Asia.

The reason why I am particularly interested in this topic is that I worked at the Embassy of Finland in Jakarta from 2005 to 2009 and I experienced the dynamism of the country already at that time. Even though years have passed by I have stayed in contact with Indonesia and its people, followed news and current affairs. I've also tried my best to keep my Bahasa Indonesia skills alive.

I'm looking for answers to the following questions: How can the case company take advantage of the current trends and the business environment in Indonesia? How can the case company find local contacts and business partners who are willing to invest in the visibility of the brand? Which market entry method, business-to-consumer (B2C) or business-to-business (B2B), would be the most appropriate for the case company in Indonesia? With the help of answers to these questions I can answer the main question: How can Finnish design products enter the Indonesian market successfully?

This letter is addressed to experts of this field in Indonesia whom I wish to contact during this study. Therefore I am asking your time, experience and patience to participate in a face-to-face interview in Jakarta. Your cooperation would help me to gather together important opinions, thoughts and insights and at the same time, increase the reliability of the study. Your participation is, of course, voluntary and fully anonymous if you so wish.

I will be in Jakarta from 13 to 21 October to do the empirical part of my study.

I would be very grateful for your assistance. Thank you very much.

Sincerely,  
Salla Pietarinen

#### Appendix 4. Exemplary sheet used for notes during observation

**PLACE:**

**TIME AND DATE:**

**OTHER DETAILS:**

Which kitchen or home products are sold?

Where are the products from?

Which brands do they represent?

Are the products offered similar to the ones of the case company?

Other remarks:



## Appendix 6. Coding: classification of expressions

### Category 1: Growth, current trends and consumer behaviour

- \* consumers are very smart and very informed - PREPARED CONSUMERS
- \* people are prepared to pay a certain amount of money and are expecting a certain amount of service and especially quality – PREPARED CUSTOMERS
- \* the travellers are coming in but they are wise in spending in five-star hotels – PREPARED CONSUMERS

- \* technology and trends are different in the future – TECHNOLOGICAL CHANGES
- \* technology is going to grow largely – TECHNOLOGICAL CHANGES

- \* the global trends are received much faster than in the past – INTERNATIONAL TRENDS
- \* what is currently a trend world-wide, consumers are anticipating to have it here – INTERNATIONAL TRENDS

- \* another trend is food & beverage – EATING OUT
- \* dining is very big in Indonesia right now – EATING OUT
- \* dining concept as one of the core values – EATING OUT
- \* for food and beverage it's definitely local people – EATING OUT
- \* there's more and more openings of independent restaurants all around –EATING OUT

- \* they expect to be blown away at restaurants – HIGH EXPECTATIONS
- \* we keep up with the trends and refurbish our rooms – HIGH EXPECTATIONS
- \* we always present new concepts and offerings, for food and beverage we have different things and themes – HIGH EXPECTATIONS

- \* leisure segment has grown also here in Jakarta – GROWING SPENDING ON LEISURE

- \* I guess in the next five years Jakarta will become a sexy city for leisure – JAKARTA AS A LEISURE DESTINATION
- \* Jakarta is not really a leisure destination – JAKARTA AS A LEISURE DESTINATION

- \* brand does not matter if the functionality, quality and value for money is there – VALUED PRODUCT FEATURES
- \* branding can be secondary if the service and the commitment are there, if quality proves itself – VALUED PRODUCT FEATURES
- \* they chase now functionality and design – VALUED PRODUCT FEATURES
- \* something small, practical, less hassle – VALUED PRODUCT FEATURES
- \* image is very important and quality is very important, this is very much controlled – VALUED PRODUCT FEATURES
- \* local people in the country are aware of quality and so we source a lot of things locally but we do a very strict quality control – VALUED PRODUCT FEATURES

- \* products with practicality and better design are growing quite aggressively in Indonesia – VALUE OF DESIGN
- \* design is always interesting – VALUE OF DESIGN
- \* design plays a big role – VALUE OF DESIGN
- \* design is one of our core values – VALUE OF DESIGN
- \* design is something we are big at as well as art – VALUE OF DESIGN
- \* we always work with known design firms to consult on the different things – VALUE OF DESIGN
- \* design is implemented in almost every ankle of the hotel from decoration to functionality – VALUE OF DESIGN
- \* ceramics is not special in a product but design is – VALUE OF DESIGN

- \* a lot of young adults have come back from studies abroad and it's quite a good potential for Magisso – YOUNG EDUCATED ADULTS

- \* wine business is growing aggressively – WINE BUSINESS

\* the problem with wines is now the tax. The new regulation is 90% of import tax for wines – WINE BUSINESS

\* entertainment business is quite good in Indonesia – ENTERTAINMENT

\* the food & beverage is growing as the middle-income market is growing – GROWTH IN FOOD INDUSTRY

\* food industry is growing 15% in sales – GROWTH IN FOOD INDUSTRY

\* consumption will be growing, online will play quite an important role 5 years from now, reaching small cities – GROWTH IN CONSUMPTION

\* they (citizens in small cities) do have the purchasing power, they have their lifestyle but they don't facilities to facilitate it – LACK OF FACILITIES IN SMALL CITIES

\* Jakarta, Surabaya, Bandung, but even bigger Kalimantan and Sulawesi – GROWING DEMAND IN SMALL CITIES

\* for all products, the premium category is going up on designs and functionality but 80% of the market is still mostly traditional market – GROWING DEMAND OF PREMIUM PRODUCTS / PRIMARY NEEDS

\* The priority of the Indonesian population is still making a living, not making a style. At certain levels of society, the middle class, maybe they are thinking of style, but the majority... PRIMARY NEEDS

\* we have just opened two hotels in Bali and two more are to come. Kempinski will open there next year, Mandarin Oriental will be opened... - GROWTH IN HOTEL INDUSTRY

\* we were seeing some decline, but it's getting better. If I flashback 5 years ago, the industry is growing significantly – GROWTH IN HOTEL INDUSTRY

\* we're seeing more hotels growing – GROWTH IN HOTEL INDUSTRY

\* I'd say the future is bright –GROWTH IN HOTEL INDUSTRY

\* social media is critical – SOCIAL MEDIA

\* we're Jakarta's number one hotel in TripAdvisor – SOCIAL MEDIA

\* we're in discussion with a design company to renovate our restaurant – DESIGN IN RENOVATIONS

\* as Multifortuna has grown 44% this year we can take advantage of the current economic condition, the market is still there – GROWTH IN DISTRIBUTION

## Category 2: Recommended target markets & efficient marketing tools

\* it's a big trend to provide a package to local people only for the weekend – PROMOTIONS

\* hotels have a new approach to promoting and campaigning the products – PROMOTIONS

\* we invest in cooking demos, sharing with customers, doing events in retail shops – PROMOTIONS

\* in Magisso's case, it depends how you want to promote this product, better to focus on niche market, do cooking demos, testings, cutting competitions - PROMOTIONS

\* every hotel wants to keep up with the changes – PRESSURE TO CHANGE / MEETING EXPECTATIONS

\* strengths are the product quality, European standards, and then the brand name – STRENGTHS OF MAGISSO

\* functionality is there, potential is there – STRENGTHS OF MAGISSO

\* e-commerce is the fastest way to reach particular market groups – E-COMMERCE

\* we do not recommend big retailers here, it would be too hard for them. We would recommend specific lifestyle industry – SPECIFIC TARGET MARKET

\* I will not say really high volume everywhere but special products in most of the fine restaurants and hotels – SPECIFIC TARGET MARKET

\* gifting is actually a good market to consider because gifting is a big market in Indonesia - GIFTING  
\* gifting is interesting, but for personal use it's still a question mark - GIFTING  
\* Magisso has good design and banks have budgets for them (gifting) - GIFTING  
\* gifting would focus on banks, corporations and wine companies... - GIFTING

### Category 3: Intervention of the local government and regional issues

\* they are (Chinese) trying to expand their export aggressively and so people can still buy their products. And it happens here – ECONOMIC SITUATION IN CHINA  
\* we are affected (by China), yes, but we have like millions and millions of people who have money enough to buy things – ECONOMIC SITUATION IN CHINA  
\* China affects us temporarily – ECONOMIC SITUATION IN CHINA

\* they realize that in order to maintain the economic growth they need investments. So they do revising or making regulations that are pro-business – ACTIONS OF THE LOCAL GOVERNMENT  
\* there is a will from the government to make it simpler – ACTIONS OF THE LOCAL GOVERNMENT  
\* and there's a regulation of tax holiday. Like they give almost 100% reduction on tax which is... a lot. And then tax allowances, import duty facility, and also they open many industrial parks and special economic zones. – ACTIONS OF THE LOCAL GOVERNMENT  
\* there are some industries that the government needs to protect – ACTIONS OF THE LOCAL GOVERNMENT  
\* so all these challenges have been acknowledged and they're doing their best to improve the situation for the foreign companies – ACTIONS OF THE LOCAL GOVERNMENT  
\* for example we have now investment coordinating board, BKPM. Now it acts like one stop shopping for the foreign investors so they just only come to this place and in this place there will be a number of representatives for all the ministries. One-stop service – ACTIONS OF THE LOCAL GOVERNMENT  
\* the current government is putting a lot of effort and driving the infrastructure – ACTIONS OF THE LOCAL GOVERNMENT  
\* the government has released some incentives for investors – ACTIONS OF THE LOCAL GOVERNMENT  
\* if you manufacture here, you have the whole market. If you go through the import regulations, it will be very expensive – ACTIONS OF THE LOCAL GOVERNMENT  
\* when protecting the local industry I don't think the free trade zone applies – ACTIONS OF THE LOCAL GOVERNMENT  
\* come now, not when everything is regulated! Then we don't need you. – ACTIONS OF THE LOCAL GOVERNMENT

\* Indonesia's advantages are the population, the market, and the natural resources – ASSETS OF INDONESIA  
\* 20 years ago we had to import (natural resources) but now we have it here – ASSETS OF INDONESIA

\* differences between the countries depend on the negotiations – REGIONAL POWER RELATIONS  
\* ASEAN countries have different levels of industrialization or taxation – REGIONAL POWER RELATIONS

\* SNI will be a critical part – SNI  
\* the estimated costs for SNI is around USD 30 000, trips included – SNI  
\* the original idea of SNI is to block dumping from China, to protect local producers, to block the entry-level low quality products - SNI  
\* SNI will not be affected by ASEAN Free Trade Agreement – SNI  
\* we are licencing the principles and becoming the middle-man between the principles and the government for these registrations – SNI  
\* SNI will be fortified because it attracts to build factories here - SNI  
\* the ambition is that SNI is getting worse, to force investors to open factories –SNI  
\* Magisso's products are SNled –SNI



- \* We do not only have a large number of people but also the natural resources, raw material and whatever OPPORTUNITIES IN INDONESIA
- \* there are a lot of opportunities for many industries to come in. We're not like Singapore or even KL in this level – OPPORTUNITIES IN INDONESIA

#### Category 4: Relationships, partnerships and networking

- \* each hotel has its purchasing department –PURCHASING
- \* sometimes we ask around if certain suppliers can provide the things that we need - PURCHASING
- \* when we need something, we custom-make it – PURCHASING
- \* we normally use international firms but we do some local sourcing – PURCHASING
- \* vendors have been assigned by the corporate office, some suppliers locally – PURCHASING

- \* we participate in specialised trade fairs with the travel people, airlines or travel agencies –FAIRS

- \* we have roadshows where we meet with different corporate or travel agencies a few times a year – ROAD SHOWS

- \* there is a network called Jakarta International Hotel Association, JIHA - NETWORKING
- \* I have also an organization for myself that is for hotel PRs - NETWORKING
- \* we also do mingle in media gathering events or chambers of commerce - NETWORKING
- \* networking through exhibitions and Finpro or Embassy of Finland - NETWORKING
- \* we have EuroCham – NETWORKING
- \* we participate in many travel fairs and travel exhibitions, eTV offers opportunities for hotels - NETWORKING

- \* they always have sort of like workshops, seminars, very small discussions with government - COOPERATION
- \* focusing on working groups, events, they've so many events – COOPERATION
- \* IDEA, e-commerce, I would recommend – COOPERATION
- \* UKM centre is a big showroom where anybody can show their products there – COOPERATION
- \* partnerships with credit cards - COOPERATION / PARTNERSHIPS

#### 5. Strengths and weaknesses of Finnish companies in Indonesia

- \* First the strengths of Finnish companies: product quality, European standards and the brand – PRODUCT QUALITY

- \* Finnish companies have pretty good after sales service which is very important – GOOD SERVICE

- \* Finnish companies have good products but poor marketing – POOR MARKETING

- \* they tend to be more traditional and have a very conservative approach – CONSERVATIVE PERSPECTIVE
- \* sometimes Finnish companies tend to stick to their products, but you have to adapt – CONSERVATIVE PERSPECTIVE

- \* they tend to be followers instead of those who are jumping to a... new territory and testing the market –PASSIVE BEHAVIOR
- \* they just watch and learn from mistakes. Then Finnish company has to fight for the market place, place with the first one who enters the market – PASSIVE BEHAVIOR
- \* they are late, waiting – PASSIVE BEHAVIOR

- \* Finnish people are not found interested in other cultures – ATTITUDE
- \* business attitude of the Finns – ATTITUDE

- \* you have to understand first the culture here - UNDERSTANDING THE CULTURE
- \* it would be very cool, very, very cool if you worked together with Indonesian companies, made a product that's specific to Indonesia with the Finnish technology, but very Indonesian. People would love it – UNDERSTANDING THE CULTURE

- \* culture is the fastest way to know that particular country or society. Embrace, try to understand it – UNDERSTANDING THE CULTURE
- \* in business meetings don't rush away. It means: "You don't have time for me". Then I don't have time for you – UNDERSTANDING THE CULTURE

\* pricing is very important here – ROLE OF PRICING

- \* you don't need a complete market research, a market research, what you need is to understand what people think about this product – UNDERSTANDING THE CUSTOMER
- \* the most important thing is understanding the market and then pricing and then, testing the market – UNDERSTANDING THE CUSTOMER
- \* joining exhibitions in Indonesia, let your presence be known, spread the word and ask people's feedback on my products. Then I have willingness to adjust it – UNDERSTANDING THE CUSTOMER
- \* if you know the market well and if you understand the Indonesian consumer behaviour, understand the thinking, you can be successful in Indonesia – UNDERSTANDING THE CUSTOMER
- \* if there's something very Indonesian that we are proud of, we'll buy it. We'll buy it. – UNDERSTANDING THE CUSTOMER

\* usually foreign companies are concerned about technical things, how to import, SNI for example – TECHNICAL ISSUES TO IMPORT

\* you take risk – RISK

\* listen also to people from other countries what they say – LACK OF WIDER PERSPECTIVE