

# **TL-Electronic GmbH: Market research and demanded sales market devel- opment and enlargement**

Ekaterina Kopylova

Bachelor's thesis

December 2016

Technology, communication and transport

Degree Programme in Logistics Engineering

Author(s) Ekaterina Kopylova	Type of publication Bachelor's thesis	Date December 2016  Language of publication: English
	Number of pages 84	Permission for web publication: Yes
Title of publication <b>TL-Electronic GmbH: Market research and demanded sales market development and enlargement</b>		
Degree programme Logistics Engineering		
Supervisor(s) Kervinen, Minna / Vauhkonen, Petri / Stefan, Götz		
Assigned by Kervinen, Minna		
Abstract  Market sales enlargement is an important step for a developing company. The company must consider several factors in order to make a correct choice of the country for expanding. Local Bavarian company TL-Electronic GmbH, which is specializing in IT hardware and consumer electronics business field and its production, is willing to consider new countries for expanding its operations to, in addition to the existing marketplace located in Germany, Austria, Italy and Taiwan. In connection with marketing and sales market theoretical background, as well as the through the working process and other methods of research, such as literature and internet sources, demand forecasting, existing numbers and statistics and their comparison, interviewing and phone calls, the results have been gathered. The results have shown, that Russia and Finland are attractive as potential marketplaces in terms of their geographical European Union and Non-European Union locations, rules and legislations, customs clearance procedures, taxation rules and agreements with other countries and unions. The conclusion of the results in the end shows that Finnish and Russian companies are willing to cooperate and build long-term relationships with the German example company and help it improve and develop export and import operations in the field of IT hardware production and consumer electronics.		
Keywords/tags ( <a href="#">subjects</a> ) Marketing, market research, sales market, market enlargement, electronics, IT hardware, Finland, Russia, Germany EU trade regulations, VAT, non-EU regulations, quality management systems		
Miscellaneous		

# 1 Contents

<b>1</b>	<b>Introduction.....</b>	<b>5</b>
<b>2</b>	<b>Introduction to TL-Electronic GmbH.....</b>	<b>7</b>
2.1	<i>TL-Electronic GmbH market overview .....</i>	9
2.2	<i>Company production .....</i>	12
<b>3</b>	<b>Theory of marketing.....</b>	<b>13</b>
3.1	<i>General definition of the market.....</i>	13
3.2	<i>Functions of the market.....</i>	13
3.3	<i>Sales market .....</i>	14
3.3.1	<i>Sales market definition and types.....</i>	14
3.3.2	<i>Sales market aspects.....</i>	15
3.3.3	<i>Sales market enlargement .....</i>	17
3.3.4	<i>Anti-crisis regulations in sales market expanding process .....</i>	18
3.3.5	<i>Sales market segmentation.....</i>	22
3.3.6	<i>Additional factors of market enlargement .....</i>	24
3.4	<i>Electronics market, its rules and regulations.....</i>	25
3.4.1	<i>Consumer electronics segment overview .....</i>	25
3.4.2	<i>Competition overview and barriers .....</i>	26
3.4.3	<i>Building a correct relationship between EU and non-EU companies .....</i>	28
3.4.4	<i>Finding a correct buyer .....</i>	29
3.4.5	<i>ISO Quality Management Systems.....</i>	30
3.5	<i>EU and non-EU laws and regulations .....</i>	31
3.5.1	<i>European Union rules .....</i>	31
3.5.2	<i>Non-European Union rules.....</i>	34
<b>4</b>	<b>Theory of research methods .....</b>	<b>40</b>
4.1	<i>Types of research.....</i>	40
4.2	<i>Methods of the research types.....</i>	41
4.3	<i>Mixed-type research as main research type in the thesis project .....</i>	43
<b>5</b>	<b>Research.....</b>	<b>44</b>
5.1	<i>Company outlook.....</i>	45
5.2	<i>Sales market segmentation - Finland .....</i>	46
5.2.1	<i>Introduction to the country and geographical segment factor .....</i>	46
5.2.2	<i>Consumer segment factors .....</i>	47

	2
5.2.3 Business culture of Finland .....	47
5.2.4 Infrastructure of Finland .....	48
5.2.5 Economical and trade overview of Finland .....	49
5.2.6 Taxation system in Finland.....	50
5.2.7 Strengths and weaknesses of Finland .....	51
5.2.8 Competition .....	52
5.3 <i>Statistics of Finland</i> .....	53
5.3.1 Revenue and growth .....	54
5.3.2 Users and penetration .....	55
5.3.3 ARPU and users .....	56
5.4 <i>Sales market segmentation - Russia</i> .....	58
5.4.1 Introduction to the country and geographical segment factor .....	58
5.4.2 Consumer segment factors .....	59
5.4.3 Business culture in Russia .....	60
5.4.4 Russian infrastructure .....	60
5.4.5 Economical and trade overview of Russia .....	61
5.4.6 Taxation system in Russia .....	63
5.4.7 Strengths and weaknesses of Russia.....	63
5.4.8 Competition .....	65
5.5 <i>Statistics of Russia</i> .....	66
5.5.1 Revenue and growth .....	66
5.5.2 Users and penetration .....	67
5.5.3 ARPU and users .....	68
<b>6 Summarization of results</b> .....	<b>70</b>
6.1 <i>Research results</i> .....	70
6.2 <i>Statistics summary and comparison</i> .....	72
6.3 <i>Conclusion</i> .....	77
<b>7. References</b> .....	<b>79</b>

## 2 Figures

Figure 1. TL-Electronic Logo .....	7
Figure 2. Organizational structure of TL-Electronic GmbH .....	9
Figure 3. Existing market of TL-Electronic and areas for expanding .....	11
Figure 4. An industrial portable computer .....	12
Figure 5. Types of sales market .....	15
Figure 6. Enlargement strategy .....	16
Figure 7. Number of export-import operations between EU and the world .....	26
Figure 8. CE-marking steps .....	34
Figure 9. ICT documents .....	38
Figure 10. Explanatory sequential design .....	43
Figure 11. Exploratory sequential design .....	44
Figure 12. Convergent Parallel Design .....	44
Figure 13. Transport infrastructure of Finland .....	48
Figure 14. Revenue in Finland .....	55
Figure 15. Revenue growth in Finland .....	55
Figure 16. Users in Finland .....	56
Figure 17. User penetration in Finland .....	56
Figure 18. ARPU in Finland .....	57
Figure 19. Income distribution in Finland .....	58
Figure 20. Infrastructure Corridors of Russia .....	61
Figure 21. Revenue in Russia .....	67
Figure 22. Revenue growth in Russia .....	67
Figure 23. Users in Russia .....	68
Figure 24. User penetration in Russia .....	68
Figure 25. ARPU in Russia .....	69
Figure 26. Income distribution in Russia .....	69
Figure 27. Combined revenue .....	73
Figure 28. Combined revenue growth .....	74
Figure 29. Combined customer number .....	74
Figure 30. Combined user penetration .....	75
Figure 31. Combined APRU .....	75

### 3 Tables

Table 1. Existing market statistics .....	11
Table 2. Factors of enlargement .....	17
Table 3. Anti-crisis factors .....	19
Table 4. Criterias before entering the new sales market.....	20
Table 5. Segmentation factors .....	23
Table 6. Theory summarization.....	40
Table 7. Research methods .....	42
Table 8. Current trends of Finnish economy.....	50
Table 9. Risk assessment for Finland.....	52
Table 10. Strengths and weaknesses of Finland .....	52
Table 11. Competitors and turnover in Finland .....	53
Table 12. Import-export values between Russia and Germany.....	63
Table 13. Risk assessment for Russia .....	64
Table 14. Strengths and weaknesses of Russia.....	64
Table 15. Competitors in Russia and turnover.....	66
Table 16. Research comparison .....	71
Table 17. Summarization of KPIs.....	73
Table 18. KPIs direction comparison.....	76
Table 19. Revenue comparison .....	77

## 1 Introduction

Market sales expansion is always an interest for a growing company. In order to achieve the desirable goal of enlargement, the company is targeting minimum financial losses during the process. Generally, companies are willing to increase the sales market in order to achieve several goals. First of all, the sales volume will become bigger. There are many consumers abroad that are willing to purchase the production or service in the business segment. Secondly, another reason for expanding is the possibility of cost savings. In case the company is very manufacturing based, it can outsource or set cheaper manufacturing facilities. Thirdly, companies would have a chance to diversify their customer base, gain an advantage over competitors, and protect themselves against them. By tracking trends and demand, the company can identify the most attractive markets to enter. Lastly, the main general goal of the company is profit, which will bring success and the company can make clear contributions to the goals they are aiming to achieve and follow their mission. The methods of achievement are different for every company and business field. Overall, the minimization of losses in the expanding phase depends on many aspects, such as the type of the product, product variations, the size of the company, the existing markets and their profitability, the sales flow, manufacturing strategies, and many others. The study about the sales markets and their potential enlargement will become the main topic for the thesis project research.

Local Bavarian company 'TL-Electronic GmbH' has a goal to become more global and gain profit and diversification. This is why the company considers a possibility of enlarging its market as a way of getting bigger sales market in the nearest future. Choosing the correct export and sales market is one of the most crucial factors of the overall success of the company. Nowadays 'TL-Electronic' is focusing on German, Austrian and Italian markets in Europe, which are the nearest countries to the production. In addition, the company has an excessive amount of sales and purchasing in Taiwan, R.O.C. This market area was chosen because Taiwanese market now is one of the biggest in terms of consuming, purchasing, selling, exporting and importing complete electronic devices – which is the main business for production and sales of TL-Electronic GmbH.

During the thesis project, several questions will be asked and answered, which are related to the company's project to enlarge its sales market. Some of which include: 'What methods are used to search for the possible market?' 'What are the criteria to choose the countries?' 'What rules and regulations must be taken into consideration before making sufficient agreements with the future customers?'. The answers to the questions above will help to gain more information for answering the main question – Is 'TL-Electronic' able to enter the new markets in Finland and Russia?

The aim of the thesis is to choose the country for further development and cooperation based on the results of the research. The research has a significant emphasis on determining main laws, regulations, taxation systems, necessary customs declarations, and others in the field of consumer electronics. From a Finnish point of view, the rules are under the EU-regulations, which are valid for other countries in the European Union, and can be applied accordingly in case of even further expanding. An unknown Russian market is an interesting case for studying in terms of its own rules of import and export, documentations and continuously growing demand for electronic devices.

In the project, there will be a combination of theoretical and practical knowledge gained from the working process, specific literature and regulations and laws from the countries that are chosen for the potential market enlargement. Given information is supporting the work and will be very useful considering the future of the company. It is crucial because according to the results the board of directors can choose the company or companies easier in the specific country based on their successes, willingness to cooperate with Germany. Numbers in statistics and turnover tables show the profitability that the company receives from the cooperation. In addition, by knowing the rules in advance, the operations can run more smoothly. The results of the research will be presented in the according chapter, as well as in the final presentation. With mutual cooperation with the marketing department and based on its sales and demand forecasts, there can be a possibility of future development of the company in production or other spheres of business.



## 2 Introduction to TL-Electronic GmbH

According to the official company website [www.tl-electronic.com](http://www.tl-electronic.com), TL-Electronic GmbH (Figure 1) was established in 1983 in Euroindustriepark, Munich, Bavaria, Germany. In the beginning, it was launched as a single-man operation under the name 'Technisches Büro Lehner'. Over three decades the operation has grown into a small-sized local company with 30 committed employees receiving a building in Bergkirchen-Feldgeding.



Figure 1. TL-Electronic Logo

The main business the company is specializing in is the customer electronics and IT-hardware, such as Industrial PCs, Panel PCs and LCD tuners. The production is directly at the place, with 1200 square meters of space. At the same building there are offices of all departments and two warehouses. The building itself is shared with other companies. All materials, components and items ready for shipping are produced, packed, checked and stored in the warehouse. They are then picked up by UPS trucks and delivered to customers. Therefore, the company uses the make-to-order manufacturing strategy.

There are three core operational processes in TL-Electronic:

The production process of high-quality electronic devices. As stated before they are Industrial Portable Computers, Panel Portable computers, Liquid Crystal Display tuners, Industrial monitors, Mobile computers and other available accessories. Production is highly controlled and very precise even though it is not fully automated. Produced products are distributed to other companies.

Goods storage, warehousing processes of the electronic components, such as motherboards, graphic cards, memory sticks, Central Processing Units, solid-state drives,

network cards, barebones, sound cards, and others that are being picked from the warehouses for further assembly and distribution. The company is buying these parts from bigger production companies.

Service process is another main operations process where the ready goods that are ready for shipping are being checked by their quality, working speed and if necessary, adjusted till the perfect condition. Those checks are necessary for providing an executive quality level of products.

This kind of service diversification allows reaching highest possible levels of existing customer satisfaction and gaining new customers. Also, future development is considered in a way that wider range of products will be provided for sales and storage to the customers.

The company itself is systematized quite well, having all necessary equipment for the successful operation performance. It has its own German ERP system integrated, having full information about warehousing situation, accounting, forms, order processing documents and bills. The warehouse is not automated; therefore, all the work is done manually.

As soon as there is a planned market expanding expected, the company will have to change its company structure, which is now done as a basic company structure model shown on the Figure 2. This means that the board of directors will have to enlarge the personnel number, find the specialists on the regions of further cooperation. For successful operations in the market, the company has to have a reliable and committed amount of employees at all venues. However, as soon as there will be more countries of sales and co-operation, it would be reasonable for the company to consider launching a new department of tracking the items, which will answer the customer's questions about the goods location. In addition, the company will have to expand service department and order processing department, since there will be more orders processed locally or abroad. Considering the future development, this transformation of sales market and rapidly growing item flow oblige the company to redevelop the warehouse system and make it more organized. At this point, this adds a new project and furthermore, the warehouse reorganization in terms of IT will bring the whole company structure change.

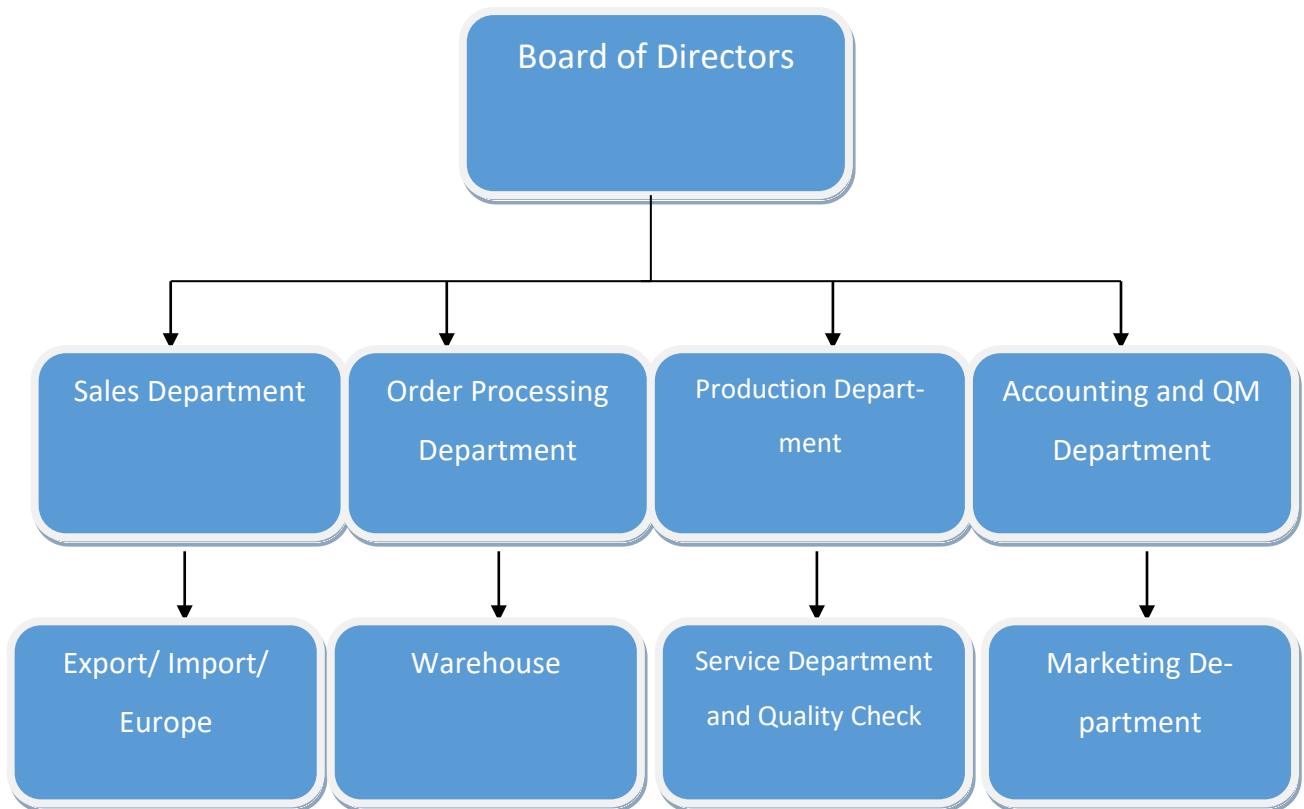


Figure 2. Organizational structure of TL-Electronic GmbH

## 2.1 TL-Electronic GmbH market overview

There are four main countries of deliveries, where the company has its operation and sales in nowadays – Germany, Austria, Italy in Europe and Taiwan R.O.C. (Figure 3). International sales make the company have highest product quality and assured highest manufacturing standards. The sectors of customers vary from medical technology and food technology, as well as renewable energy sectors. This diversity is helping the company succeed in the market and customer needs and demands are always put into consideration for development. In addition, it allows the company to be attractive in terms of gaining new customers and reach the highest level of cooperation and trust between the company and existing customers. As said by the managing director of the company, the company is investing over 80 percent of resources in customer adaptations and is clearly combining cost efficiency with the individual customer benefits to creating the maximum level of customer satisfaction.

TL-Electronic is following the trend of continuous development of IT technologies and Hi-Tech. There has been a significant growth in the IT hardware production seg-

ment; therefore, the company has its ranks with the biggest corporation specializing in IPC and PPC spheres. Over the years the company is planning to develop and enlarge its sales and co-operations with the companies and individual customers in the other parts of the world, two possibilities of which the thesis is covering.

The information given on the website [www.cbi.eu](http://www.cbi.eu) states that consumer electronics itself is a rapidly developing business sphere attracting companies and individual customers all over the world. It is divided into the in-scope electronics and out-of-scope electronics. The first part includes customer electronics – radios, TV-sets, MP3 players, stereo systems, DVD players, and many others (what an individual customer is using for his own needs and therefore buys for himself). In addition, the first part also includes communications electronics, which are the desktop computers, personal computers, laptops, tablets, smartphones; the main functions of these is communications and are to be used by private customers, as well as by companies. The out-of-scope electronics has only one part, which is the electronic household appliances, which are being used mostly for basic needs at home, for example, washing machines, dishwashers, and coffee machines.

As previously said, the company has begun its business and development in the early 1980s and nowadays it is in the top 10 rankings of German companies producing communications electronics items in the biggest markets, such as Germany, Italy, Taiwan and Austria. Throughout the working process it was possible to make the observation that there are several customers from other countries that are different from those stated above. However, these customers are not constantly looking to purchase the production. The company therefore is interested in finding and building long-term relationships with the clients.



Figure 3. Existing market of TL-Electronic and areas for expanding

According to the [www.statista.com](http://www.statista.com) website, the global revenue and user penetration for these countries are described in the Table 1. It is important to know and compare the forecast on the revenue and user segment information of the existing markets in order to crosscheck whether the cooperation is profitable, as the figures are rapidly fluctuating and make potential plans for the future operations.

Table 1. Existing market statistics

Country / KPIs	Germany	Austria	Italy	Taiwan (R.O.C)
Revenue	12983 million USD	820 million USD	1351 million USD	64762 million USD
Revenue growth by 2021	6% till 17364 million USD	9,6% to 1297 million USD	6,7% till 1865 million USD	17% till 142086 million USD
User penetration	34%	22,1%	13,8%	28,6%
User Penetration growth by 2021	39,6%	31,7%	16,9%	38,1%
ARPU	549,64 USD	508,04 USD	186,54 USD	201,27 USD

## 2.2 Company production

In the company several types of products are being produced. The three main types are Industrial Portable Computers (Figure 4), Panel Portable Computers and Liquid Crystal Displays.

An industrial portable computer, created in 1984, is mainly being used as a portable computer in a variety of industrial corporations in the production departments. The main functions are process controlling and data acquisitions. The main differences from the normal portable computer are the features and construction. Regarding features, it is more reliable, has more expansion options and is under a long-term supply. However, the same operations system can be used as for the consumer personal computer. In case the IPC is located near the working equipment, it takes into account necessary requirements of the factory and can adjust to them- higher vibrations, polluted atmosphere, higher density, higher or lower temperatures.



Figure 4. An industrial portable computer

A subset to an IPC is a Panel Portable computer, which is also produced in TL-Electronic. It is mainly a computer, where all functions and components are stored in the monitor. With sensors and LCD screen it is a perfect solution to portable computers with several uses – it is not a laptop but can be used only as a monitor, having a computer inside itself. These computers are most reliable having a high water-resistance, can withstand hits and vibrations and the variety of ports allows this

computer to be used in shops, cashier terminals and information tables.

As it has been said before, the Liquid Crystal Displays are one of the core products produced in the company. These are the displays on which monitors are being held – they are adjusted together and exist in the phones, laptops, tablets, calculators, and scales, everything that is being used in life. The display is based on the active matrix, which is being controlled by thin-film transistors.

The smaller components, such as motherboards, graphic cards, memory sticks, Central Processing Units, solid-state drives, network cards, barebones, and sound cards are being stored in the small warehouse. Each one of them has their own article number and can be ordered from bigger production plants if missing. After warehouse picking process, the PC parts are produced in the production department, after what stored in the big warehouse until shipped.

### **3 Theory of marketing**

#### **3.1 General definition of the market**

According to McConnell, Brue and Flynn (1992, p.140) a market is a place where goods are sold and bought. It is the most necessary component in the production of goods and goods exchange, which is possible on the basis of equivalence. The term 'market' itself has been created long ago, therefore it is being told, that a market is a result of the civilization's development.

#### **3.2 Functions of the market**

McConnell, Brue and Flynn (1992, p.143) state that there are several functions describing the term 'market'. The main are relations between production and consuming, stimulation of the effectiveness of the production, lowering the expenses, producer differentiation and caring about the production and its quality.

Firstly, the market is targeting the producer of goods to create the items, which are needed exactly for the customer. The future of the company mostly depends on how well the correct marketplace and the target sales market have been determined. If the goods are not being in demand – the company will eventually come to bankrupt-

cy. Secondly, the crucial points for the production effectiveness simulation are the understanding of existing competition and lowering the expenses, which can bring profit.

Thirdly, the main success factors for lowering the expenses are new equipment, which is more powerful and can produce more, better overall production system, working committed specialists. All this stimulates the scientific-technical progress. In addition, the more powerful the company is in terms of its production, the more effective is the usage of the goods, and this creates the differentiation of producers. Lastly, if the equipment produced is faulty, there is no demand upcoming for such production, therefore it gives company no profit and it cannot pay the expenses and is left on the minus ranks. Additionally, faulty products tarnish the reputation of the company as well. It is important for the company to change and upgrade its equipment; teach the personnel accordingly and provide high-quality service and quality check-ups for newly produced goods. In addition, the prices must be reliable, preferably low and the customer service must be outstanding. These factors make the company more attractive to new customers and more reliable to already existing ones.

### 3.3 Sales market

#### 3.3.1 Sales market definition and types

According to Osmolovskiy (2002, p.189) , modern economics is characterized by two tendencies of company development: first is the concentration of the activities on the narrow specializations, the second one is enlargement the spheres of activities and finding new market segments. Even though these tendencies have a completely different concept, they are combined into one process, which is choosing the most attractive sales markets for the stabilization and improvement of the financial situation in the company.

The sales market is the economic area where the goods and services are offered to the companies, as well as chosen and purchased by the customers. Sales market can



exist and function only within a particular goods market. There are different types of the sales market depending on a variety of factors. (Figure 5)

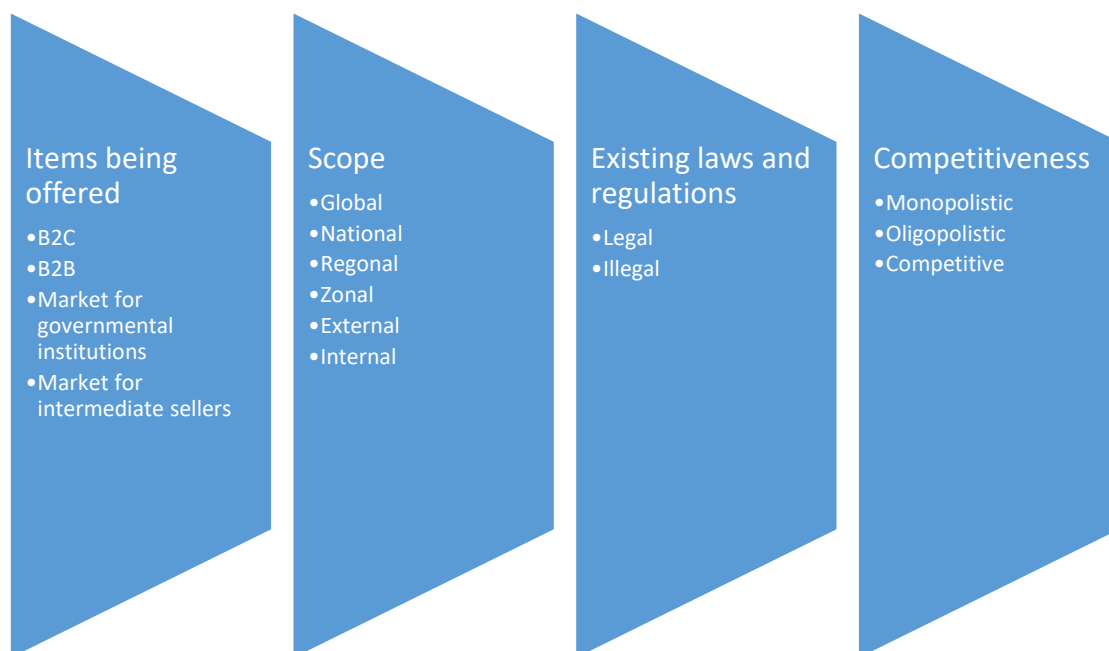


Figure 5. Types of sales market

In the first case, where the market type depends on the items that are being offered, B2C is the Business to Consumer strategy, which defines the operations between the organization and the end client; B2B is the Business-to-Business strategy between two commercial organizations. In the last case, where the types depend on the competitiveness, the sales markets can be monopolistic, where products are differentiated from one another by, for example, branding, quality or pricing; oligopolistic, where there are few sellers, therefore the price can be affected by their actions and have an impact on the competitors and competitive, where there is a large number of producers compete between each other for a leading position on the market.

### 3.3.2 Sales market aspects

According to Timur Aslanov and the information stated in his blog at [www.supersales.ru](http://www.supersales.ru) about the sales market, the sales market's main characteristic is capacity. The capacity of sales market is the volume of services and goods that can be implemented on the particular sales market in a defined period of time. The capacity of sales market depends on the conjuncture (rise in demand) and its fluctuations – if it increases, the market capacity also increases and vice versa.

Conditionally the sales market of the particular goods or services can be divided into the segments, where the customers purchase the products and services; where the partners of the competitors offer same products and services; where the consumers know about the existing items but never purchase them; and where the consumers have no information about the goods and services that are offered (sleeping segment). As soon as the main goal of the selling company is to attract as many customers from as many segments as possible, it is important to have a constant sales market research in order to choose the correct potential target customers to stimulate the sales. There is a specific algorithm, a strategy followed in order to successfully enter new sales market and is described below on the Figure 6.



Figure 6. Enlargement strategy

The main question for the sales manager in order to perform the increase of the competitiveness of the company is: How to enlarge the sales market of its production? The competitiveness of the company means the ability to create the competitive production for the exact market, having its own benefits above the production of other companies in the country of origin or abroad. Nowadays this enlargement and finding the place on the market is the most important goal for developing companies.

### 3.3.3 Sales market enlargement

Osmolovskiy (2002, p. 195) claims that the enlargement of the sales market is meant to be the process of finding new markets for the existing produced items, as well as procuring new segments of the existing market. In the first case, the enlargement of sales market consists of reaching out to the markets of other levels – national, international, local, regional, etc. In the second variant, the goods are more modernized and upgraded and are orientated for the exact groups of customers locally. There are several enlargements factors described in the Table 2. These factors are being the reasons why the company would want to expand its sales market.

Table 2. Factors of enlargement

Factor	Description
<b>Attracting new customers</b>	Usage of advertisement, presentations, and other different ways of keeping people informed about the items, since sometimes potential customers do not know about the existing production.
<b>Finding new ways of using the production</b>	Even small improvement can expand the sales market significantly. And if these improvements are being found regularly, then it is guaranteed that the company will receive a big amount of sales and indeed a bigger profit. The innovational ideas when creating new products and ways of using them are an optimal upgrade for the basis.
<b>Making usage and production more accurate, intensification</b>	The company will try to persuade the potential customer to use the goods more. This will theoretically make a significant rise in the sales of the company.

Nowadays the role of the sales market expanding is very significant. It is considered as a type of thinking for the board of directors and the whole organization. The emphasis of breaking new markets is forming the real demand for the items, and making a clear influence on the potential customer to order and buy more production. The key to retaining the existing customers and building the relations with new ones is the customer orientation and their maximal satisfaction. In order not to get into a critical economic situation, it is important to correctly analyze the market, determine the amount of demand for the specific item that is shown in the numbers of the sales volume and its share on the market. (Osmolovskiy, 2002, p. 189-190.)

Osmolovskiy (2002, p. 190) also states that the most important aspects of the research and entering the market are the organizational and economic conditions of the potential marketplace; correspondence of the profit and the product that the company is coming out onto the market with, the opinions of the customers; production of competitors; innovational developments, and others. In other words, the organization is dealing with the issues of consumers. The biggest effect of the market expanding will be given in the case if the order of actions, principles, methods and sources of market impact and information on different stages of production will be precise, accurate and correctly checked by the specialists. Such features can help to consider the methods of expanding to other markets like an important condition and the possibility of anti-crisis regulation.

#### 3.3.4 Anti-crisis regulations in sales market expanding process

According to Belyaev (2008, p. 69), in order to gain the most profit from the cooperation, the company must make sure that all factors of anti-crisis regulations are being followed. The anti-crisis regulations also rely on some factors (Table 3) that are needed for consideration. They are described in the following table.

Table 3. Anti-crisis factors

Inside factors	<ul style="list-style-type: none"> <li>• Production and technological characteristics;</li> <li>• Resource potential;</li> <li>• Inside atmosphere;</li> <li>• Level of management components development;</li> <li>• Forecasting;</li> <li>• Planning;</li> <li>• Information resources;</li> <li>• Personnel motivation;</li> <li>• Centralization or decentralization;</li> <li>• Integration and diversification of control;</li> <li>• Organizational structures of administration.</li> </ul>
Market environmental factors	<ul style="list-style-type: none"> <li>• Reliability of providers and partners;</li> <li>• Overall company environment;</li> <li>• Formation of new connections;</li> <li>• Supporting old connections;</li> <li>• Contacting consumers.</li> </ul>
<b>Competitor key success factors</b>	<ul style="list-style-type: none"> <li>• Strategies;</li> <li>• Benefits;</li> <li>• Logic;</li> <li>• Behavior on the market.</li> </ul>

The key function of the anti-crisis control is the monitoring of outside environment of the organization in order to catch the signals which warn about the deterioration of the market positioning of the organization, loss of competitiveness, decrease in solvency and control or on the contrary, the opening possibilities and progressing increases in a variety of business spheres.

The main criteria that must be considered by the specialists before entering new markets are listed in the Table 4.

Table 4. Criterias before entering the new sales market

- 
- Dynamics of the specific features of the regions, attractive for the business;
  - Dynamics of investments;
  - Level and characteristics of population employment and dynamics of its structure;
  - Level and dynamics of the wealth of population;
  - Level of infrastructure;
  - Competitors, their strengths and weaknesses;
  - Characteristics of consumers (group segmentation);
  - Conjuncture (economic situation) of the resource market: raw materials, other materials, labor, and finances;
  - The overall perspective of the market;
  - Production for which the demand is clearly smaller;
  - Which production can satisfy the needs of the specific area;
  - Main segments of users;
  - Potential competitors;
  - Possible intermediaries in case of expanding;
  - Perspectives of moving the new brand on the new sales market;
  - Potential new sales channels;
  - Possibilities of advertisements and PR on the market;
  - Restrictions on the market;
  - Risks.
- 

If these factors are taken into account, then the company can effectively enter the new markets and stay in the leading position for a long time.

According to Korotkov (2011, p.83), nowadays anti-crisis controlling plays a big role in any organization development, no matter what its situation is for this day. It solves more problems, so that in the future the company will grow and not ruin itself. In the crisis situations new sales markets must be investigated as accurately as possible, as careless decisions can kill the company bringing it to bankruptcy. Why is this so?

At first, there are markets that nobody is eager to enter, so nobody has performed research on them. The benefits of these markets are the fact that there are basically no competitors. When other companies that have the same products or provide same services will try to learn the area, the company that has proven itself on the market will undoubtedly have the priority. The threats are that it is almost impossible to find out how to behave on this specific market, including the possibility that production might not satisfy the customer and the customer's abilities are unknown and the company eventually might get bankrupt.

Secondly, entering the markets that are new to the company but already known as a chosen region. The flaw is that there are competitors that found themselves in these areas. In order to become competitive to these organizations, the company must bring loyalty to its customers and gain population at any cost. The benefit is the fact that the market is already opened and the company can analyze it; determine the mistakes of competitors, and ensure that they are not repeated. There are fewer risks coming with this strategy as soon as we can evaluate the decisions ourselves and analyze all actions, learning from competitors' mistakes.

The situation of the market expenditure by involving new production done by the company requires attention. The main plus is the reputation of the brand that is known for older devices will be already given to the new products. The minus, as already stated, the major competitiveness of the companies that already have their production and market of the specific items. Existing companies are also already well known as the producers of this specific group of goods. In addition, entering new sales markets of the production that is already known in the developed markets but not known on the older ones might be significant due to the absence of competitors. However, the question is, will this production have demand?

Entering new markets means the perspective of the further enlargement of the company. First, it must be determined: is this market actually new? In all likelihood, people think it is new only because the company has not ever received any information about the new country to enter. New sales market must be thoroughly checked. There is always a possibility that the market is already 'taken'. Before entering, the specialists need to use all sources of information possible, in order to find out the direct competitors in this sphere of business. If those are found, the specialists need

to find all information about them: who are these, what is the strategy of their development, their financial state, price policy, everything that could help to find the correct place in the correct country the company would like to enter. In addition, the company must define whether they can make a correct competition to the existing companies and which parameters of the product (its characteristics, modifications) and the tactics of the sales the company is willing to change in order to successfully enter the new sales market and become the leader. (Belyaev, 2008, p. 72.)

### 3.3.5 Sales market segmentation

In case the new sales market has met expectations – the company should be prepared for the long and thorough analysis of the upcoming strategy. The brighter the appearance of the product will be on the market; the more company will succeed overall. The next step will be an investigation in order to understand whether it will be a good platform for the further development of the company, or it would be more reasonable to search for something else.

According to the information provided by the website [www.marketing-tut.ru](http://www.marketing-tut.ru), this investigation must begin from the segmentation of the new market – which segment factors (Table 5) the company is interested in. The factors of the segments vary and are described in the following table.



Table 5. Segmentation factors

Factor	Description	Characteristics
<b>Geographical factor</b>	Dividing the market considering the geographical differences allows one to find out the consumer groups using the information about nature and weather conditions	Region location, population, commercial activities, climate, dynamics of the region development, inflation
<b>Demographical factor</b>	Segmentation of this factor means the dividing onto the groups after considering demographical information, such as gender, age, family, work, education, religion, nationality, etc.	Age, gender, family, family lifecycle stages, income level, professions, education, religion, nationality
<b>Factor of adaptability of the users to the new goods</b>	Reaction of the customers to the appearance of new items produced or new concept of production	Supernovators, novators, moderate novators, moderate conservators, super-conservators
<b>Behavior factors</b>	Market is segmented according to the behavior of the customers, which are divided into the knowledge about the goods, relations, reactions on the goods and its usage.	Customer status, accidental purchasing, benefits, level of product usage and loyalty to the brand.

The geographical factor describes the characteristics of the chosen land. The location of the region shows the differences in the income, culture, traditions, and religion. Climate, population, population density, the ratio between urban and rural population and other factors characterize the region. The regions also can differentiate in the landscapes and infrastructure. The population, its number and density describe whether there are enough people to perform the sales and purchasing operation and make the marketing campaigns easier in the urban areas. The climate can be moderately continental, continental, subtropical, sea and other. The availability of specific

requirements to the product can be different in a variety of climate zones, for example in higher temperatures, temperature differences overnight and during the day, fluctuations, humidity. Usage of products in the wrong conditions can lead to unwanted circumstances – overall quality issues of the product.

The demographical factor is important in order to understand the users who are living in the country and probably willing to buy the production. Age groups, gender, religion, professions, education, income and nationality divide them, as well as the family structure and the family lifecycle.

### 3.3.6 Additional factors of market enlargement

When the company is not willing to expand its production for now but only the sales market, it is important to make the evaluation of the logistics opportunities of the sales market. Is the region developed well enough in terms of the transport and infrastructure – if there are big airports with a wide variation of airlines, is the trucking system good enough and other several factors. Otherwise, the company might be charged more for choosing several unknown logistics operators and freight forwarders.

It is well known that only a small amount of customers allows the company to receive the biggest profit share of production. This is called a Pareto Principle, or the rule of 80/20. This means that 20% of customers can guarantee 80% of the profit and exists on any market.

After considering the factors of the sales market, the specialists must group the needed attributes and determine the potential consumer groups for the company. The next step is finding out and forecasting the demand for the production. Next is the analysis of the sales market segments. If the sales market brings the perspective for the company development and its economic growth, then the most attractive sector must be chosen. Also the new sales channels must be analyzed.

In case the company is willing also to move the production into the country of expanding, the specialists must create the specific strategy, having the existing image of the company and overview on the potential customer, which must be added to

the existing moving tactics. If the mentality of producers and customers vary a lot, the whole brand moving must be changed and adjusted to the customer.

### 3.4 Electronics market, its rules and regulations

#### 3.4.1 Consumer electronics segment overview

According to [www.cbi.eu](http://www.cbi.eu), the target market has the wide term of 'consumer electronics' sector. It includes the digital electronic products that are being used by customers on daily basis, such as computers, cell phones, MP3 players, coffee machines, etc. The company produces the It hardware, for example industrial portable computers, panel portable computers and liquid crystal displays, what are in the one sector of the consumer electronics called 'in-state communications electronics' and are being purchased and used by production companies.

Considering the overall outlook on the market, it is widespread when it comes to consumer electronics. The competition is significant and companies are competing over innovating and bringing the higher ratios of the lowest price-highest quality to the market. Technologies are developing rapidly nowadays: this is why in the consumer electronics market companies have to constantly research, develop, expand, upgrade and innovate either the production or to sales market, replacing older products to the newest ones.

It is stated on the website of [www.madb.europa.eu](http://www.madb.europa.eu) , the rules and regulations of export and import apply to these goods as to every other electronic device within the European Union. The Figure 7 shows the number of the trade between the EU and other parts of the world. If taking Germany into account, 3 million tons of electronic goods are imported from Asia, even though only 0,3 million tons exported. Considering the future possibilities with Russia, there is an export operation more significant with 0,7 million tons than import with 0,6 million tons.

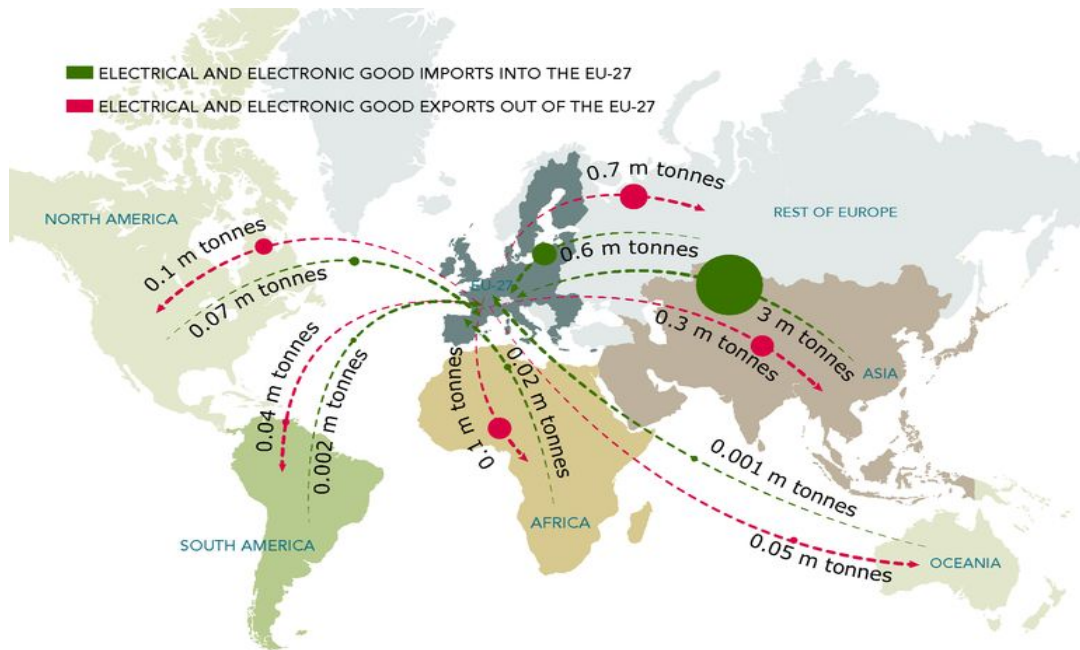


Figure 7. Number of export-import operations between EU and the world

The most promising export products to make it in the market of IT hardware are LCD displays, microcontrollers, embedded systems and power supply units.

It is said that there is over-capacity of the electronic goods in the most used and developed markets, such as Chinese market. This is why most of the companies are considering expanding to the countries with cheaper labor and outsource. This also applies to sales, as soon as these markets have the long-term potential for cooperation. The product safety, technical requirements, sustainability and eco-design of the product, energy labeling and the CE-marking (which is mandatory for all electronic products), must be proven before any operations. Packaging and labeling of goods must follow the sustainability and environment protection legislations of the European Union.

### 3.4.2 Competition overview and barriers

The website [www.cbi.eu](http://www.cbi.eu) states that the competition of the electronics market is rapidly fluctuating and is increasingly dynamic. However, cooperation with correct suppliers and customers, the correctly chosen market segment, the capacity and strategy, and the company can easily make it in the target sales places. The companies who

offer innovations that are successful in the perspective are highly wanted in and out from Europe. In addition, the price – quality ratio is much appreciated. However, there are some stumbling stones, which can be a barrier:

- The products that are newly entering the market must comply with the European statutory requirements. This way the product shows its quality, durability, safety and reliability. Before entering the market, companies should apply for necessary certifications. Additional certification costs may apply, as well as the entry costs when coming from the developing country;
- The companies that are new to the market need to be trustworthy as well as have reliable partners and offering reasonable services. Additional costs might be applied when making product testing and buyer would want references to the production of the specific company;
- Buyers might be looking for value propositions. It is possible that companies from developing countries give lower prices, even though their production is customized and upgraded. USP (the unique selling proposition) might be created in order to compensate the expenses. Trade fairs might be a good start to make right contacts and relations. It is important for the company to make a pre-hand research of the markets and know that the buyer definitely has the demand for the product;
- In case of low competitiveness, it makes sense for the newcomers to lower the entry costs of highly demanded products and make a focus on something that is not so popular yet on the market.

There is an intense competition between the products. Some of them are put under the standardization and some of them are customized and both cases have their own advantages and disadvantages, for example standard items are more focused on the low prices, whereas the upgraded products can offer a higher range of technological utilities. The main point of this competition is taking up the innovations. Newer products can be more sustainable, more lightweight and flexible, as soon as most materials are increasing in price and usage or electric power for their usage costs more. This is something what companies have to consider in their manufacturing strategies.

Every company wants to have its leading position on the market; this is why there is a tense competition between companies as well. A bigger tension comes from another country rather than from the regional areas. For example, China is a leader on the market for the standard electronic devices and will remain so with the highest revenue of 64,762 million USD. Even though there is an intense rivalry between the companies of European or other markets, the Asian market is controlling the processes with its high-volume speedy production. In addition, Europeans tend to have a principle of avoiding the countries with a bad image, having several stereotypes already in mind before doing any talks about shared business. For example, even though the Asian market is on the lead, it is well known that the quality must not be as good.

### 3.4.3 Building a correct relationship between EU and non-EU companies

According to Lukina (2013, p.163), there are several points that companies outside of Europe must take into account before building any business relationships. Companies must be aware of the mentality and overall differences in the business cultures. The way business is done in Europe can vary from part to part, like Spain and Scandinavia, but even worse is the situation between countries that are non-EU. Communication between partners in the European Union is built on trust and is very direct. It is important to understand the deadlines and the agreement points, since for successful business operations these must be followed. As previously stated, the communication is all about honesty. If some operation cannot be performed as wanted or the response might not come quick enough, this should be at least explained in time. The customers are awaiting end-to-end communication and responsiveness.

It has the highest importance of non-EU companies to understand the CE requirements fully because the regulations of the electronics sector are strict. The customers will expect the full compliance of the product with the ISO 9001:2008 or ISO TS 16949 quality documents, as well as providing the EU Declaration of Conformity and technical documentation for the product. In order to obtain the ISO, the lower priced 'ISO package deal' must be negotiated with the certification body. The product must

be known by its seller, as well as have all certifications, declarations and third-party testing results.

The target market must be known and investigated. The company needs to know the economic situation of the market, developments, and the competitors. This knowledge will win confidence and trust over the European buyers. The production is more likely to be represented with samples from the regular production and which will belong to the final product. In Europe these samples are under the free delivery terms, unless they are specified for a customer. The quality of the sample and finished product must match. The image of how the item is delivered is very important. This is why for any electronic product special attention and care must be given to packaging and transport. The packaging must be reliable and UN approved and delivered by reliable forwarding expeditor companies, who can answer for the deliveries and make quick responses.

Lukina (2013, p. 171) claims that payment conditions may also vary, as soon as in Europe there is a period from 30 to 60 days after invoicing that the items must be paid. There might be other conditions for the companies outside the EU. Transaction times, additional costs, VATs, subsidies and grants must be talked through with the government or appropriate authorities. It is more profitable to create a long-term relationship between the company, suppliers and customers and reduce all unnecessary price, transaction or specification negotiations. Undoubtedly the company must know and must be sure whom they are choosing as a potential customer or supplier and eventually through communication and multiple operations, the true partnership with trust and patience will be created with the profitable terms for all parts. In addition, the companies and the partners should always stay in constant contact; it does not matter whether it is some discussions or just casual news updates on new production and the market situation negotiations. This creates a win-win situation for both parties and will prove the successful built of the long-term relationship.

#### 3.4.4 Finding a correct buyer

The overall market of electronics is estimated for up to €700 billion, according to the main statistics of the [www.statista.com](http://www.statista.com). What companies are aiming for is finding

the correct buyers for their production, but how does one do it correctly without making any mistakes?

The product must meet customer requirements- legal or market-driven ones. The most important legal requirement is a CE marking, which means that the product can be sold throughout the European Union. Before declaring, the product must undergo appropriate testing. Furthermore, there are market-driven requirements, such as other certifications applicable onto the products, which are not necessary but will make the buyer rely on the goods, such as certifications ISO 9001:2008 and ISO TS 16949. (Lukina, 2013, p. 173)

### 3.4.5 ISO Quality Management Systems

The website [www.iso.org](http://www.iso.org) provides the information that quality management system is a standardized system that helps the items achieve quality policies and meet necessary requirements and improve the effects of the product. In addition, it improves the processes of operations, reduces waste, lowers the costs and sets organization-wide directions. There are several quality management standards existing, which depend on the product types, and the industry they have been manufactured for. Two of them were mentioned above and are applied for the industry of technologies: ISO 9001:2008 and ISO TS 16949.

The first standard system is ISO 9001:2008, where 'ISO 9001' stands for the type of the product and industry and '2008' for the issue year. Therefore, the standards are being updated after several years of application. Having ISO 9001:2008, the organization proves that the items meet customers' requirements and are applicable. After obtaining this certification, the items can be used in all types of organizations.

As for ISO TS 16949, this quality standard is used only for automotive production or technology hardware specifically. The system has been created in order to improve the overall quality management system for the specific field of business of the organization. Furthermore, it prevents the defects of the production, as well as lowers the risks of supply chain failures.



## 3.5 EU and non-EU laws and regulations

First, it is important to provide an outlook to the overall rules and regulations of business trade in the European Union (case of Finland) and outside the European Union (case of Russia or Taiwan). It includes the VAT taxation overview, competition rules, rules of selling, the product requirements and others.

### 3.5.1 European Union rules

#### 3.5.1.1 VAT

According to the United States council for International Business website [www.uscib.org](http://www.uscib.org), the existing standard European VAT rules can vary from country to country. The company regarding all goods and services provided and including the sale to the final customer must pay VAT. For companies based in the European Union VAT is charged on most sales within the EU. However, it is not charged on exports to the countries outside the EU, in this case the tax must be paid in the importing country with the evidence on the export provided.

In the first case the goods are sold to another business within the EU, the VAT (Value Added Tax) is not being charged in case the customer has a valid VAT number, which is verified by the authorities and provides the identifying details. It is possible that the number is not provided, depending on the protection laws of the country – in this case the normal VAT rate is charged by the rate applicable in the country.

In the second case the goods are sold to the individual customer within the EU, the company needs to be registered and then the charges will apply according to the standard country rates, unless the total value does not exceed the limit stated by the country (for example in Finland it is €35.000; in other countries can be up to €100.000).

In the third case, if the goods are bought or received for business purpose within the EU, the VAT must be also being charged accordingly, depending on the country and its rates. The amounts can be deducted later.

### *3.5.1.2 Competition rules*

It is stated on the website of [www.europa.eu](http://www.europa.eu) that in the European Union there are strict rules that protect free competition. If the rules are not being followed, the company can be fined up to 10% of the annual worldwide turnover, in some countries this can lead to imprisonment. There are two prohibitions this can be observed at:

Prohibition #1: Illegal contracts and agreements.

The following contracts that are not complied with the laws are called cartels. These can include price fixations, market sharing, customer allocation agreement, production limitation agreement and distribution agreements the supplier is imposing where the price charged.

Such agreements and the exact information (such as production costs, turnover, capacity, marketing plans and others) sharing can be performed, only if the company is willing to reduce the strategic uncertainty on the market and in front of the competitors. However, on the contrary, this is considered as infringing the rules, even if information is being discussed via mail, phone calls or private meetings.

To make sure the company is playing a safe business game, it must not fix prices or other conditions of trade, not limit production or share the market, and lastly, not exchange any information about company strategy.

Prohibition #2: Dominant position abuse.

The company having a larger market share and holding the leader positions on the market must not charge unreasonable prices, that are too high for the goods, which can be considered as customer exploitation; must not charge too low prices, what can be a drive-out for the competitors; must avoid customer or business partner discrimination.

### *3.5.1.3 Selling regulation within the EU*

There is a rule of free movement of goods within the countries of the European Union, European Economic Area and Turkey. Governments must not put limits onto the import or export quantities of goods. Once the product has been manufactured in the EU, it can freely be forwarded.

There are harmonized and non-harmonized rules for the goods. If the product complies with the harmonized rules, there are no restrictions put onto it and quantities of sales are choice-free. These rules are set on such conditions, in compliance with customer protection, public health and environment protection. In case the product is complied with the non-harmonized rules, it might be subjected to other national rules. However, the free transit can be performed.

The laws of European Union give the customer the minimum 2-years guarantee for the goods. In some countries, there can be longer guarantee depending on the goods type and the country of sales.

#### *3.5.1.4 Requirements for the product*

As stated before, every electronic product must undergo a check in order to receive an obligatory CE marking, which provides assessment and meets the regulations of the EU for the safety, health and environmental protection. The marking is valid for products for which the EU specifications have been introduced, or in case they are being manufactured in the EU/EEA.

In order for the CE marking to be affixed to the product, it must have a technical characteristics attached with the proof that the item is approved by the EU requirements. But how does one obtain the CE marking? The answer to the question is simple; there are only 5 main steps that the manufacturers have to follow. (Figure 8)

The importers must be sure that the items will not produce any harm to the European Union and its inhabitants, meets all the technical requirements, and has all documentation, which can be provided upon request at any time. The distributors must have the basic knowledge of the goods they are receiving, as well as assist national authorities to receive the documentation. ([www.europa.eu](http://www.europa.eu))

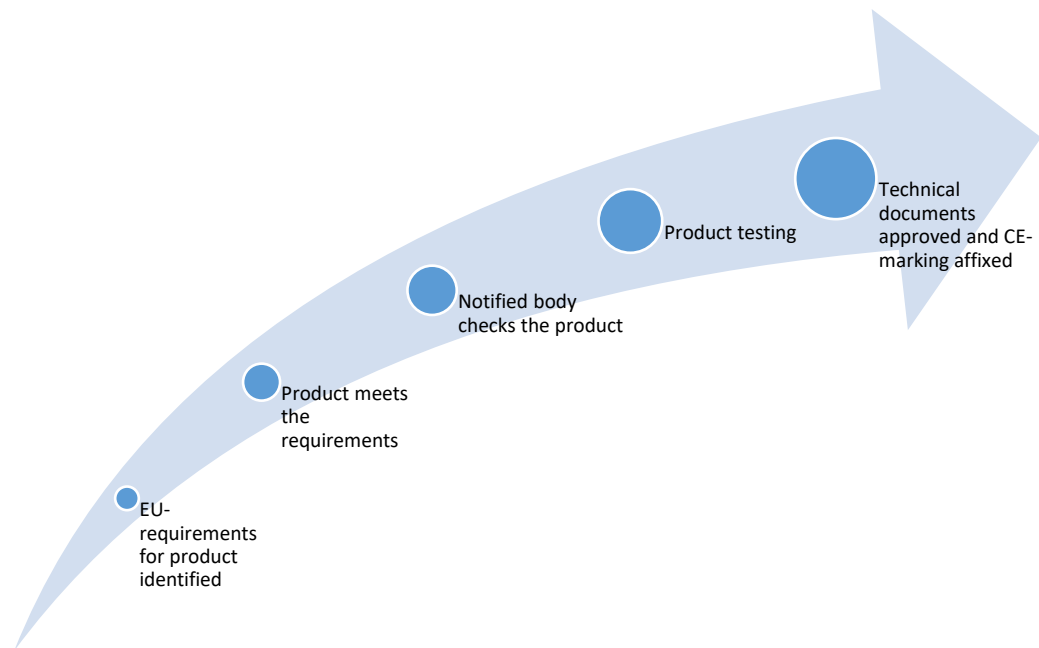


Figure 8. CE-marking steps

### 3.5.2 Non-European Union rules

The regulations are different, when considering sales from the EU to third-country markets.

Regarding taxations and VATs, they are not charged in case the goods are being sold to the customers outside the EU; however, the VAT still may be deducted for the expenses the company paid itself. If the goods or services are bought from the supplier outside the EU, the VAT must be paid at the country of import by the rate of the country and this may be deducted in the next VAT return.

#### 3.5.2.1 Taiwan

Previously we have discussed the rules applicable in the European Union, which means that they are the same as for Germany, as for Finland. For each country outside the EU the rules and regulations are different. The company is already operating in the Taiwanese market, which is not European Union. The following rules are applied for Taiwan R.O.C.

Taiwan is an island in the Pacific Ocean that belongs to the Republic of China. It is a member of three trade agreements: Asia-Pacific Economic Cooperation (APEC), Carnet A.T.A. (Carnet C.P.D.) and World Trade Organization (WTO). The goods that are originating themselves in terms of these agreements, taking into account the coun-

tries they been manufactured at or at importing countries may benefit from the preferential treatments in Taiwan. This also concerns the Free Trade Agreement countries (El Salvador, Guatemala, Honduras, New Zealand, Nicaragua and Panama), the Economic Partnership between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (ASTEP) and the Economic Cooperation Framework Agreement (ECFA) which is the FTA between Taiwan and the People's Republic of China.

Besides the agreements with the importing countries, there are additional export control provisions that are observed in the international movements of goods and services. The subjects of the provisions are the products, final destination countries, people involved in the transactions, governmental agencies and others. It is possible that the local authorities of Taiwan can put the goods under a thorough control and monitor their movements and the whole supply chain. In addition, for more successful operations they might require additional documents, such as international import certificates, end-user certificates or delivery verification certificates. Since 2009 there is a Community regime existing in order to control exports, transfers, brokerage and dual-use items transits. Companies that are willing to perform import operations in Taiwan must be registered at the Bureau of Foreign Trade (BOFT), as well as the freight carriers.

The customs authorities must be notified of the expected arrival date and timing in advance by the freight forwarders. Before unloading, the vessel or the aircraft the items arrive on, must obtain a discharge permit from the authorities. Within 15 days after arrival the goods must be declared. It is possible that the company is charged a tariff and pays applicable taxations after the successful examination of goods. The VAT rate in Taiwan is 5% and electronic products can be imported free of duty. (Basic information gathered from the [www.taiwan.gov.tw](http://www.taiwan.gov.tw) governmental website).

#### *3.5.2.2 Russia*

Since the company would like to expand its operations to Russia, all regulations must be strictly followed. The following rules are only referring only to the Russian Federation, the example that will be put under a thorough research. The article about Russia taken from the website [www.bbc.co.uk](http://www.bbc.co.uk) provided the information below.

Russia is also a member of several trade agreements, such as Asia-Pacific Economic Cooperation (APEC), Commonwealth of Independent States (CIS), Convention of the International Transport of Goods under cover of TIR Carnets (TIR Convention, Customs Convention of the A.T.A. Carnet for the Temporary Admission of Goods (A.T.A. Convention), Eurasian Economic Union (EAEU), International Convention of the Harmonized Commodity Description and Coding System (HS Convention), International Convention of the Simplification and Harmonization of Customs Procedures (Kyoto Convention revised) , World Customs Organization (WCO) and World Trade Organization (WTO). As stated before, the goods of manufacturing country or the country that is willing to expand its operations to Russia may find exclusive benefits from the preferential treatments.

Export control in Russia is put under a thorough control; the provisions and authorities might track the movements of goods. Several people can be involved in the transactions, such as exporters or consignors, importers or consignees, customers or end users, freight forwarders and freight agents, banks and financial institutions. Government and governmental parties are highly involved in the operations. All exporters are holding legal responsibility about the goods movements. There are some sanctions which have been applied to several individuals and companies by the Council of the European Union, and these sanctions are being extended, however, this does not bring any issues to the sector of consumer electronics and all companies willing to adjust the trading systems in the Russian Federation, must be registered with the Federal Tax Service.

Russian laws regarding customs are adapted to the Customs Code of the Customs Union, which is differentiating several procedures, like exporting, transit, storing the goods or processing them for the further use. With the goods imported into the EAEU the customs procedure is easier, rather than with the goods imported into the EU and the necessary documentations vary depending on the country of origin of the product. The payments are made in rubles, according to the value currency rates.

However, there are some restrictions put under consideration for the companies from the EU given from the Federal law of foreign investments. The federal law prohibits investors from abroad to get into any kind of control or stakes in the strategic industries of Russia; the conditions which are given for the foreign businesses cannot

be worse than for local entities; the additional protection is given against unwilling changes in tax, customs or other legislations and this protection is guaranteed for up to 7 years. On the other hand, there are some advantages for further stability and business protection for foreign companies: damage recovery from any illegal actions from the authorities, property protection from seizure, tax change protection, and profit or income transfer rights from investment parts. As Russia is massive in terms of size, different regions have also different regulations, which have to be found out by the company, which found the specific area to expand to.

The main regulatory body for all legal entities that would like to start their operations in Russia is the State Chamber of Registration, and the authorities are responsible for foreign trade regulations, as soon as some operations can only succeed under approvals and licenses, which are carried on federal level.

The quality certificate similar to ISO 9000 in the European Union is GOST in Russian Federation. In order to obtain it, the sample testing must be performed in GOSTSTANDARD laboratories. Prior to shipment, all necessary packaging, labeling and documentations must be checked.

Between Russia and Germany there is a convention for the avoidance of the double taxation with respect to taxes on income and on capital signed in 1996. This means that only graduated rates are used for the taxation as well as tax credits given, in full or partially possible. The VAT rate is 18%; however, for technological equipment that has no equivalents in Russia there is a VAT exemption for 0% qualification. At the same time the profit is taxed with minimum 20% on net incomes, whereas income tax has a rate of 13%. For imported goods, there is an obligatory license required and import customs duties of 5%, 10% or 15%.

Regarding the customs process in the Russian Federation there are some additional regulations apart from the basic rules. There is a possibility for the foreign goods to be transported to Russian territory of the Customs Union without covering customs fees or taxes, as well as dispensing the goods from established economical prohibitions according to the legislations of the Russian Federation on the State Regulation of Foreign Trade. This process is called 'Inland Customs Transit'. This operation is used in order to transport the goods from the arrival place to the customs authority

in the place of destinations for the customs clearance control or from the place where the goods are located at their declaration to the export place from the customs territory in the Russian Federation and others. The list of documents that is required for the Inland Customs Transit (ICT) and that was provided by the website [www.tks.ru](http://www.tks.ru) are shown in the figure below. (Figure 9)

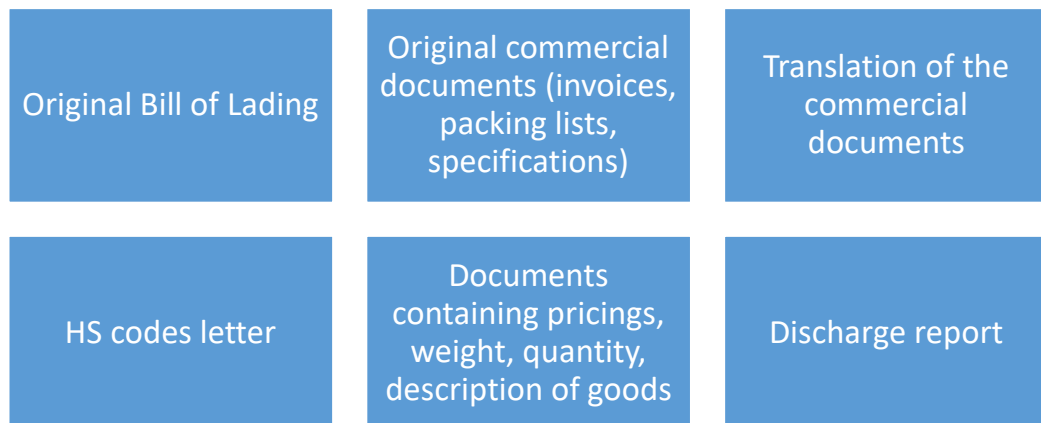


Figure 9. ICT documents

The Bill of Lading, according to the website investopedia.com is a “legal document between the shipment of goods and the carrier detailing the type, quantity and destination of the goods being carried. The bill of lading also serves as a receipt of shipment when the goods are delivered at the predetermined destination. This document must accompany the shipped goods, no matter the form of transportation, and must be signed by and authorized representative from the carrier, shipper and receiver.”

Commercial documents are official papers that also accompany the products, these are the orders, commercial invoices, packing lists, shipping or transport documents, certificate of origin and others. When the product is shipped to Russia, every single commercial document must have a verified translation to Russian language. Documents, that contain pricing, weight, quantity and description of goods are also part of the commercial documents, however they are not required to be during the shipment process.



HS codes letter is an official document, which describes the commodities that are being shipped with specific 6-digit codes. The term HS stand for 'Harmonized Commodity Description and Coding System', or simply 'Harmonized System'. According to WCO (World Customs Organization) website, the HS is the "multipurpose international product nomenclature developed by the WCO. There are 5000 commodity groups, each identified by a 6-digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification". This means, that every product, that crosses international borders or shipped internationally one-way, has to be declared to the customs by the means of this code provided by the system. The codes may be found online.

The discharge report is a document, where all the goods that have been unloaded off board of the vehicle/vessel in the specific country are being described. Same goes to the loading report, when the goods are being loaded.

It is important to notice that on the first stage, the company is aiming to enter the biggest Russian markets – Moscow and Saint Petersburg and for these destinations the ICT is not needed, as soon as there are registered companies with own brokers at these places of destination. The main aims of the ICT are to avoid unnecessary customs operations without ordering the services of additional brokers in smaller regions and therefore save up on the expenses. The company would only need the contract with the forwarding company and the customs declaration. In order to do this successfully, first of all, it is important to learn about the market of the companies that are specializing in the same business field and that can offer the services of deliveries and customs clearances and then find out which possibility is the best one in terms of regulations and cost-efficiency.

There is another opportunity apart from the ICT process, in case the delivery is to other regions of Russia (such as Siberia or Kamchatka) – to deliver the goods to the nearest airport, perform the customs clearance there and then deliver the goods to the customer with regular courier. It is important to consider that the middle-sized deliveries can be very expensive and the product price will rise significantly. In this case, the client can either pay for the delivery himself (by the terms of the item price without the delivery price included) or the deliveries can be done in smaller sizes but this will include the delivery costs.

Further in the research part of the project, the rules and conditions will be applied accordingly in order to find out the answer on the main question – Is TL-Electronic able to enter Finnish and Russian markets? In order to get a clear picture of what has to be taken into account to perform a successful research, the summarization table is necessary. (Table 6)

Table 6. Theory summarization

<b>Theory topic</b>	<b>Description</b>
<b>Sales market types</b>	Divided by items offered, scope, laws and regulations, competitiveness
<b>Enlargement factors</b>	Attracting new customers, finding new ways of using the production, intensification of production usage
<b>Anti-crisis regulations</b>	Inside factors, market environment factors, competitor key success factors
<b>Criteria to enter new sales market</b>	Listed in the Table 4
<b>Market segmentation</b>	Geographical factor, demographical factor, Product adaptability factor, Behavior factor
<b>EU-rules</b>	VAT, taxation, competition, selling and trade regulations
<b>Non-EU rules</b>	VAT, taxation, competition, selling and trade regulations

## 4 Theory of research methods

A research means 'a scientific and systematic search for pertinent information on a specific topic' (Kothari 1990, p.1.). Therefore, the methodology of research defines the exact ways of collecting data during the research process on a particular topic. The main aim of the research is gaining measurable and verifiable data needed to answer the questions in order to expand knowledge.

### 4.1 Types of research

There are several types of research, according to Kothari and Garg (1990, p. 3):

- Descriptive and analytical

Descriptive research is a combined system of data gathering, including surveys, facts, observations and definitions. It is being mostly used in biology or linguistics studies and the person needs time in order to collect information and describe it. In analytical research, the process is done on the contrary. This means that the researcher analyses the data that has already been given and makes own evaluations of the material.

- Applied and fundamental

Mostly used in scientific studies, applied research is a way of finding practical solutions to technical and social problems, whereas fundamental research has a scientific approach to improve theoretical knowledge and has experimental background.

- Qualitative and quantitative

Qualitative research is a non-statistical exploratory type of research. Group discussions, observations, case studies, and many others are the main factors that create the data collection. Primarily it is being used in market research or other social and business sciences. The qualitative research is used to gain and analyze opinions and reasons. Therefore, qualitative research is the basis for the quantitative research, where numerical data and statistics are analyzed, which has been gathered through the qualitative research. Quantitative data collection methods are more structured and include online surveys, interview variations, statistics analysis and others. Quantitative research type and its interpretation is usually a final action of the whole process.

## 4.2 Methods of the research types

According to El Hadi Babikir, Ali Babikir and El Wahab (2009, p.17), the methodology describes the research design and must fit the purposes, its feasibility depends on time and resources. At the same time, the term 'methodology' must not be mixed with the term 'methods'. Methodology is the discussion of used reasons, whereas methods are technical steps of the research process.

There are many research methods (Table 7) , which are being used for a variety of purposes and they are mainly divided into three groups: Experimental Research methods, Opinion-Based research methods and Observational Research methods, which are described in the following table:

Table 7. Research methods

Method	Description
<b>Experimental</b>	Systematic and scientific method of researching, where multiple variables are being manipulated, observed and controlled. Mostly used in natural or social sciences. Testing helps to understand the processes and operations that are being researched and put under investigation.
<b>Opinion-based</b>	The most popular ways of collecting data using this method are surveys and focus groups gatherings and discussion on a topic. This will help the researcher gather opinions and thoughts on the topic and perform a following thorough research based on them.
<b>Observational</b>	Type of non-experimental research methods in which the ongoing behavior is being observed. Mostly, these methods are used in marketing and social sciences. There can be controlled observations, natural observations or participant observations, as well as disclosed and undisclosed observations (where the participants involved know or do not that they are being observed). The observation results are eventually analyzed and put up into the statistics. This method is the most time-consuming.

### 4.3 Mixed-type research as main research type in the thesis project

In the thesis project there is a combination of qualitative and quantitative research types. It is done in order to get more thorough, useful, valid results and more up-to-date broad analysis. The main methods used have been the statistics numerical analysis, where the numbers have been gathered from literature and Internet sources. Additional methods were a couple of group discussions with the coworkers about the plans, operations and successes of the company. The research has been done in the exploratory sequential design. This type has been used, since it is easier to start with the general information and then analyze the data. Mostly information on one particular topic has been gathered from one particular source.

Generally, there are three most common research designs that are being used as mixed-type research strategies. Originally, there are six of them, according to Creswell, (2003). However, the three most used ones are described below:

#### 1. Explanatory sequential design (Figure 10)

The main research methods are being used from the quantitative type, for example, statistics analysis, followed by the qualitative measures, such as interviews or further observations. In the last step they are being analysed and conclusions are made. Therefore, it is called explanatory, as soon as the last phase is the explanations of the data found.

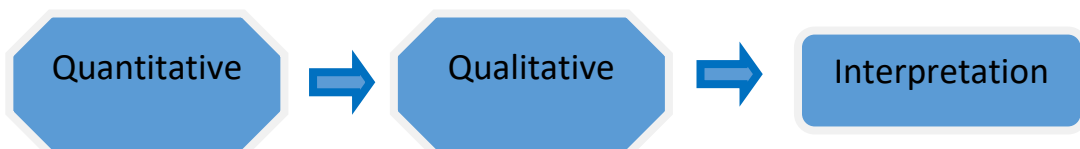


Figure 10. Explanatory sequential design

#### 2. Exploratory sequential design (Figure 11)

On the contrary, the exploratory sequential design is about firstly getting information through interviews or surveys, and then submitting the data into the statistics or discussions in order to further explore the topic and collect opinions for analysis. This means that qualitative research is being followed by quantitative research.

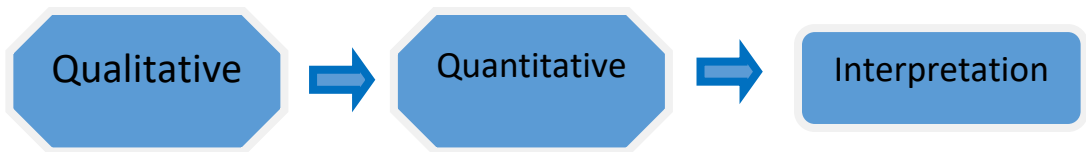


Figure 11. Exploratory sequential design

### 3. Convergent Parallel Design (Figure 12 )

This design type is used in the case, when the data is being collected at the same time with both research types, qualitative and quantitative. Next, the results are compared and analyzed and conclusions are made. It can be done, for example, in cooperation of two teams, where one is doing the surveys and another some statistical research on a topic. In the end meeting of the teams help to gather final results and form them into research conclusions.

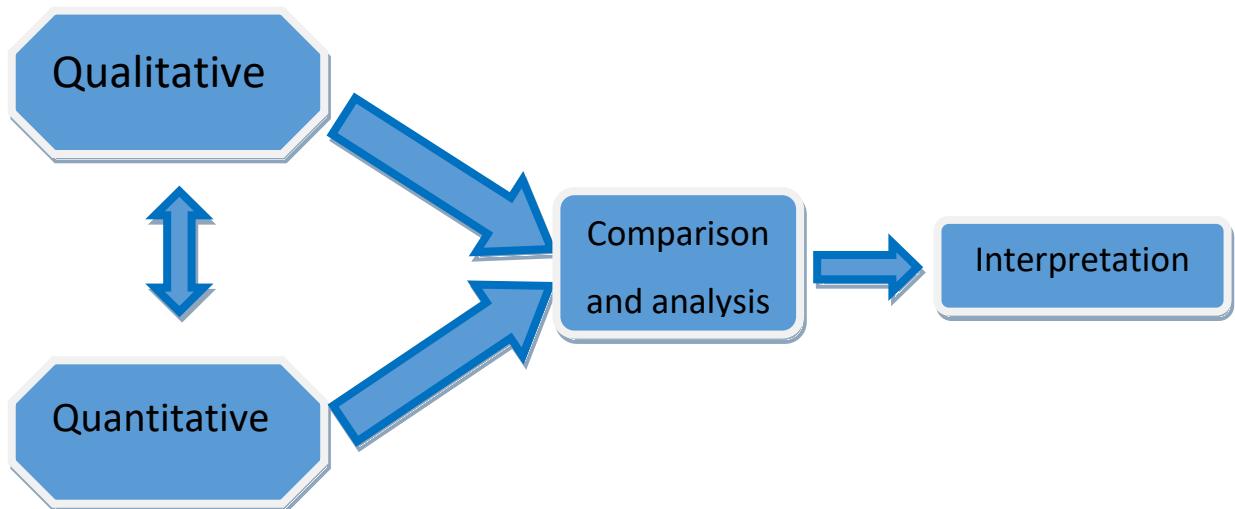


Figure 12. Convergent Parallel Design

## 5 Research

After the theoretical research it was possible to gather following data for the analysis. As stated previously, the main points that are being covered are related to the Table 6. Theory summarization, meaning the general characteristics of the country, the investments, the population and employment rates, the wealth, the infrastruc-

ture, the electronics sector in terms of the country, the segment of consumers, the competitors and the risks (pros and contras combined). Firstly, there will be a company overview in terms of expanding, after there will be a description of Finland, main data about the country and the business, thirdly there will be a discussion of Russia, and finally the results will be compared and the solution given.

## 5.1 Company outlook

With the close connection to the theory and working process, it is a crucial point to understand the objectives of the company when entering the new sales markets. TL-Electronic GmbH is willing to enter B2C and B2B markets by the items offered, global and external markets by zone (as soon as the company is willing the international expanding). The company is following the legal regulations of the chosen countries and the monopolistic market, since the main points are the products and their success in terms of price and quality. Since the customers are eventually finding out about the production and contacting the company themselves, there is no need in specific agitations or persuading the customers. The biggest factor of the sales market enlargement for TL-Electronic is introducing the existing production into the newest markets, considers innovational way of the usage of the goods and manufacturing ways. TL-Electronic is considering the anti-crisis regulations and all factors that apply to them. The most significant points are the market environmental factors, which will be later discussed in the risk assessment chapters for both countries. For example, the reliability of providers and partners from Russian side might be questionable. The company is tracking the successes of its products and the general success of the company on the market and is aware of possible outcomes from the operations and its development, whether they are successful or not. In addition, the specialists are emphasizing the importance of following all criteria listed in the Table 4 before entering the new, especially unknown, sales markets.

## 5.2 Sales market segmentation - Finland

### 5.2.1 Introduction to the country and geographical segment factor

According to the basic information about the country provided by [infopankki.fi](http://infopankki.fi), Finland is a country located in the North of Europe and is a member of the European Union and Schengen states. It became independent from Russia on the 6/12/1917 and has borders with Russia on the east, Sweden on the Northeast, and Norway on the north and shares a maritime border with Estonia on the south. Roughly a quarter of the country is situated above the polar circle; this is why Finland is well known for colder temperatures during all seasons. The population of Finland is 5,5 million inhabitants by 2016, with the capital in Helsinki having a population of 590000 people. Other major cities are Espoo, Tampere, Oulu, and Vantaa. Finland is ranked 4<sup>th</sup> at the WEF for global competitiveness and is ranked as the 9<sup>th</sup> easiest country in the world to do business 'in'. The national languages are Finnish and Swedish, however English is being used as a business language. According to the information received from the infopankki.fi website and its statistics, Finland is a home country for many minorities with different language, culture or religion that are formed because of the intense immigration. Finland has freedom of religion. Most native Finns are Christians and the largest religious community is the Evangelical Lutheran Church of Finland, almost 78% of the population belongs there. Finland is a country where people appreciate equality, fairness, loyalty, punctuality and modesty. Even though people generally might seem slightly reserved and are not very quick in starting any kind of conversation, in the business life Finns behave very openly, directly and straightforward, willing to bring up the operations, what is a good factor for TL-Electronic to expand exactly to Finland. In addition, the inflation is important to consider, what means the general levels of prices for goods and services defined in percentage. If the inflation is high, this means that the prices are high. On the one hand, this means that the business might not be productive, as soon as it is easier to buy bigger amount of cheaper goods with better quality. On the other hand, it can be an issue of trust, however, with European companies it is highly unlikely to happen. The current inflation rate for Finland is 0,413% and has been on the rise since, according to the information collected on main website of inflation rates [www.inflation.eu](http://www.inflation.eu).



### 5.2.2 Consumer segment factors

The consumer segment factors include the demographical factors, adaptability and behavioral factors that are described after the Table 5. Segmentation factors. According to [infopankki.fi](http://infopankki.fi), Finland is a very diverse and international country hosting many people from all around the world. Most of the immigrants come from Russia, Estonia, the Balkans, Somalia and Iraq. Still, the most businesses and companies are being held by native Finnish people, therefore it is easier to understand them and the general business culture of the country which will be described later below. According to the statistics taken from [www.infopankki.fi](http://www.infopankki.fi), in Finland there are more male inhabitants, most of the population are aged 65-69, there are more married couples without children and in case there are children, families mostly have 2 of them. Finland has the high-income level, however the unemployment rate in Finland is at 7,7% at the moment with a forecasted increase till 8,2% according to the country database. Most of the customers are novators – Finns are very eager on having newest types of production, however they think twice before actually purchasing the items. In Finland people are very loyal to the brand and the company and if two organizations succeed on mutual cooperation, this would be a mutual success as well. The customers, who are other companies, are using all goods and since TL-Electronic is mostly staying on B2B markets, this will bring profit and high utilization rate of the products.

### 5.2.3 Business culture of Finland

Through the geographical location of the country, the companies, which would like to start their business or expand to Finland, have a clear wide access to wider markets, with the help of the stable political and economic situation of the country. Finland is a center of a rapidly developing marketplace of 80 million consumers from Russia, Scandinavia and Baltic States. The unemployment rate is at 7,7% and people have relatively short working hours, only 3,60% compared to the 12,5% average of the Organization for Economic Cooperation and Development (OECD). Therefore, there is a high risk of unemployment, high overall unemployment rates in the country and household debts.

### 5.2.4 Infrastructure of Finland

According to the website [www.nationsencyclopedia.com](http://www.nationsencyclopedia.com) Finland has a very efficient road and rail network, focused in the South of the country around the capital. The sea routes are also extensive; there are over 50 ports and loading terminals and 23 seaports connecting Finland with other countries of the world. The air connections are considered popular with around 157 airports throughout the country, all operations are done through Helsinki Airport and the Asian route is highly developed. The main map of transport infrastructure is shown below (Figure 13). Considering telecommunication, Finnish tariffs are among cheapest in the whole Europe. Furthermore, Finland is targeting for the climate protection, putting into account feed-in-tariffs for wind power facilities and investing into nuclear power and transmission networks over 1,7 billion EUR.



Figure 13. Transport infrastructure of Finland

### 5.2.5 Economical and trade overview of Finland

As stated on the website [www.atlas.media.mit.edu](http://www.atlas.media.mit.edu) , Finland is the 43th largest country by the export economy and the 7<sup>th</sup> most complex according to the Economic Complexity index. Overall export amount is 77,3 billion USD, import rate is 72,8 Billions USD with the overall balance of 4,51 billion USD. The GDP of the country is 272 billion USD with the GDP per capita staying at the 40,7k USD. There has been a rise of 3% in comparison to previous years. The average annual net salary is 31000 USD. Computers and industrial technology is one of the top imports with 1,5 billion USD revenue. Top export destination is Germany with 9,3 billion USD total and 12% export rate, whereas top import destination is also Germany with 10,3 billion USD total and 14% rate sharing the placing with Russia. There is a clear positive trade balance between Germany and Finland.

There are several strengths of the Finnish market in particular, as stated by the economic portals, such as the one stated above, [www.atlas.media.mit.edu](http://www.atlas.media.mit.edu) , which must be considered by the companies prior to starting to expand: Finland is a global leader in telecommunications and innovative technology applications, the economy is very stable, the government is focused on building a global marketplace and removing trade barriers, the business environment is very open with lowest levels of corruption (almost non-existent). Nowadays there has been an intense economic growth observed in Finland, as soon as it is highly industrialized and market economy is free with one of the highest GDP per capita in Europe, 50% of which comes from exports; Finland has a large industrial and services industry base. Furthermore, one of the priority sectors for economic development is electronics, what is a huge plus for TL-Electronic when considering Finnish market. The trends that Finland is currently facing are described in the Table 8.

Table 8. Current trends of Finnish economy

<b>Painful emerge of the economy</b>	3 recession years, the electronics sector is on the fall in the manufacturing outputs, the consumption might bring lower inflation however the temporary postponements of loan repayments are increasing as well as the nominal wages. There is a planned increase in wages what can alleviate household debts.
<b>Country is seeking to overcome the financial crisis and observes the deterioration of public funds</b>	Brings the loss of competitiveness, as well as a decrease in productivity and increase in real unit labor costs. The policy of public spending restraints has been launched.
<b>Major reform program existing but tensions within the governing coalition</b>	The restructure of the labor market and overall welfare system, as well as lowering the unit labor costs and increase labor supply in order to improve competitiveness and productivity.

### 5.2.6 Taxation system in Finland

The VAT rate in Finland is at 24% and corporate tax rate is 20%. The limit for selling goods under the VAT condition is 35000 EUR. The European market of goods is considered single and allows the free movements of goods and services, therefore no import duties are applicable. As stated before in the theory part, the goods are in free circulations within the EU and can be moved between member states without any documentation requirements, however excessive or controlled goods are need of additional documentation. Private companies in Finland have the suffix OY after their name and public companies hold the suffix OYJ.

According to the numbers gained from the worldwide-tax.com website, the individual income taxation system in Finland is considered progressive, what means that the

higher income a worker gets, the higher rate of tax payable he is obliged to return to the government. It is called the 'direct tax' and is applied only to the citizens. In addition to it, there is a municipal tax and the percentage depends on the regulations given by the municipal authorities. For foreigners, the salary income is the 35% tax payment and the 30% payment on dividend, interest or royalty's income.

### 5.2.7 Strengths and weaknesses of Finland

Before choosing whether the potential country is good for further expanding or not, all the risks, strengths and weaknesses must be measured. Finland is considered to be the second safest country in the world after Greenland. The only risks that can be taken into consideration for this country as stated by the Aon PLC are the exchange transfers, legal and regulatory risks, political interference, political violence, sovereign non-payments and supply chain disruption. However, the risks stated above and negligible and are put onto negotiations for improvement. As stated before, the company must evaluate all risks that can happen before entering the new sales market. The Michigan State University GlobalEDGE business research portal has provided the information below in the tables. It can be put into consideration and used in the future by the company in order not to make any mistakes before starting the operations in terms of the general country overview. According to these results TL-Electronic can make the conclusions of whether it would be reasonable for them to make any transactions between them and other Finnish companies.

Following tables (Table 9 and Table 10) present the risk assessment and strengths and weaknesses of the country:

Table 9. Risk assessment for Finland

Country risk Assessment (LOW RISK)	Business climate Assessment (VERY LOW RISK)
<ul style="list-style-type: none"> <li>• It is possible that payment behavior can be affected by unstable political and economical environments occurred in the country;</li> <li>• Difficulties can be caused by the protected business environment;</li> <li>• Not fully accepted probability of default.</li> </ul>	<ul style="list-style-type: none"> <li>• Very stable business environment;</li> <li>• Corporate financial information is available for everyone, up-to-date and reliable;</li> <li>• Efficient debt collection;</li> <li>• High quality of institutions;</li> <li>• Smooth transactions between companies.</li> </ul>

Table 10. Strengths and weaknesses of Finland

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Accurate economic policy;</li> <li>• Skilled professional workforce;</li> <li>• Innovative industries and technologies follow nowadays' trends and improve rapidly;</li> <li>• High standards of life.</li> </ul>	<ul style="list-style-type: none"> <li>• International unstable economic conditions make the country defenseless;</li> <li>• Industrial crisis;</li> <li>• Competitors in the neighboring countries;</li> <li>• Dependence on the banking and financial sectors of other countries;</li> <li>• Aging population.</li> </ul>

Considering the consumer electronics sector in Finland it is one of the top export and import industries between Finland and Germany. However currently there is a downward 2% trend observed of the current sales value, in comparison to previous 3-8%. In order to boost the demand Finnish companies decided to create price-based promotion and Internet retailing and deliveries. Furthermore, due to high prices and competition, in Finland it has been discussed to reduce the number of cheap outlets and focus only on bigger key stores. Over the second term of the forecasts, the customers will be more open to buy the production, so it is crucial also to engage in strong marketing efforts and attract potential customers.

### 5.2.8 Competition

It is important for the company to understand the main competitors, their success factors and their weaknesses when entering the new area for the sales market. After

investigating a big variety of all electronics and IT hardware companies' websites throughout Finland, which perform operations locally and abroad, it has been possible to determine main 5 competitors and their turnover (Table 11). There is no such company that can be a problem for TL-Electronic to overcome. The top 5 competitors with their turnover (\*1000 EUR) are:

Table 11. Competitors and turnover in Finland

Competitor's name	Turnover (*1000 EUR) and movement vector
Nokia Oyj	12499000 ↓
Scanfil Oyj	377299 ↑
Vaisala Oyj	318500 ↑
Siemens Osakeyhtiö	284579 ↓
Coriant Oyj	141893 ↑

The main issue is only in the retailing the electronic goods in Finland. There are many retailing places and the specialist in retailing electronic goods is Gigantti Oy Ab with 38% value shares that are based on the low pricings, but not all the goods are very high quality because of that. The concern about Nokia Oyj being bought by Microsoft is not significant; since the production slightly differs from what TL-Electronic is producing.

### 5.3 Statistics of Finland

In every research statistics is the main point of bringing the information together, analyzing it and coming up to conclusions. Methods of using statistics help to clarify the correct interpretation of the data. It is better for every researcher to pay attention to the numerical data and use various statistical analysis instead of using raw number data and then get confused in it. Descriptive statistics is a useful way of gathering information from broad and long data sets.

[www.statista.com](http://www.statista.com) website has the information on both of the countries of research in the desirable business field what is consumer electronics and IT hardware. Below the graphs and figures are presented in the example of Finland and are focused on

the revenues, customers and other criterias, where the fluctuations with the further forecast can be observed. The statistics will show the ability of the country to enter the market in terms of money and users.

A forecast is always the most necessary statistics type, in order to understand the future of the companies, the profitability of the operations and the overall outlook on the mutual interest in cooperation and attracting new customers, therefore opening newest sales markets.

### 5.3.1 Revenue and growth

Revenue and its year-to-year development forecast defined in the term 'growth' are significant factors for creating long-term business relationships between the companies. This shows how well the business will go and how profitable it would be for the both sides. From interviewing several co-workers, it was clear that revenue is the most important factor to show how much the companies of the particular countries would be willing to invest into the products, buy them and receive income. For Finland the numbers are significantly growing, and since the biggest export and import partner of Finland in the consumer electronics and IT hardware sector is Germany, Finnish companies are always open to start cooperating and if necessary purchasing or selling operations. Even though, as shown on the revenue graph (Figure 14) the revenue numbers are increasing steadily, the development of the revenue (Figure 15) is only fluctuating. This means that in the future Finnish companies might not be so interested in getting newer production and concentrate more on the existing one.



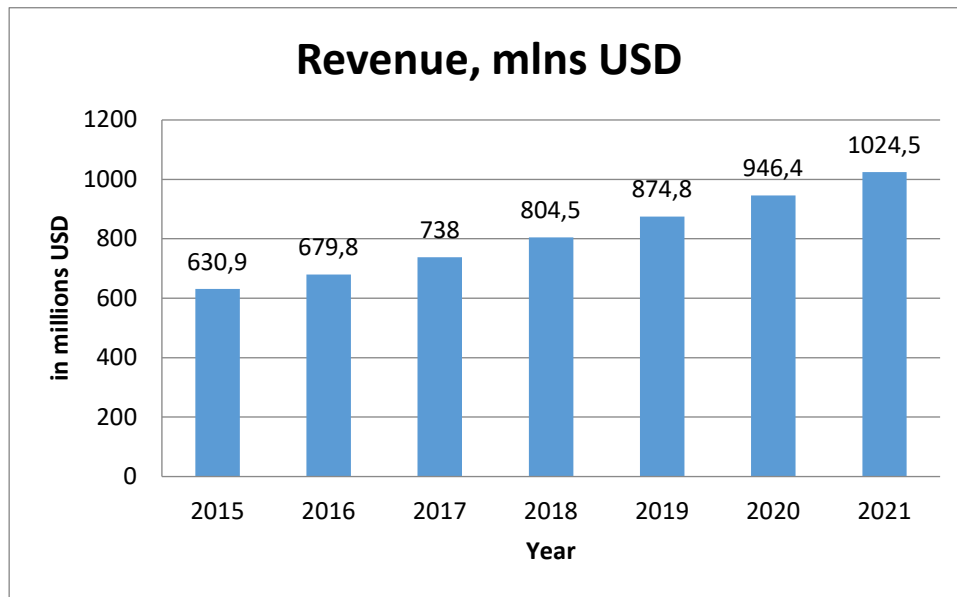


Figure 14. Revenue in Finland

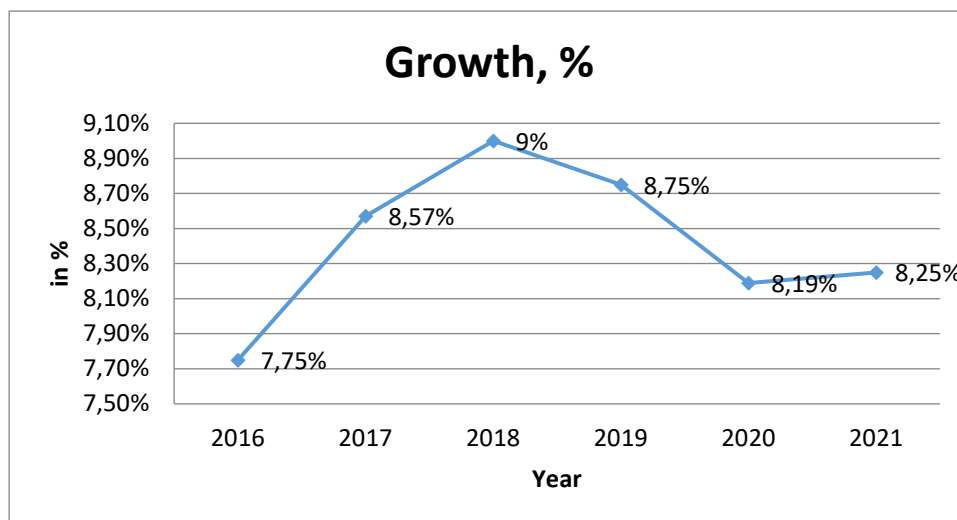


Figure 15. Revenue growth in Finland

### 5.3.2 Users and penetration

According to the forecast, the company must see if there are users who are willing to purchase the production. If the numbers are growing, then the demand is growing. The forecast is shown in the Figure 16. The term 'user penetration' stands for the amount of sales or purchased items in comparison to the total theoretical market forecast. The growth of the user penetration would be a good sign for the company and the general market transactions, since, as stated, more people and companies in

Finland are willing to perform the operations and start cooperating. On the figure (Figure 17) below it is possible to observe the steady growth of the market penetration in consumer electronics sector.

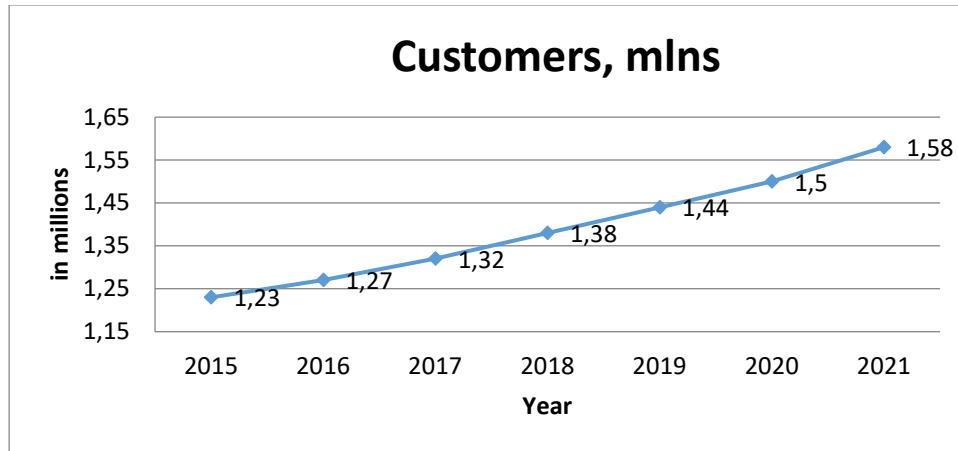


Figure 16. Users in Finland

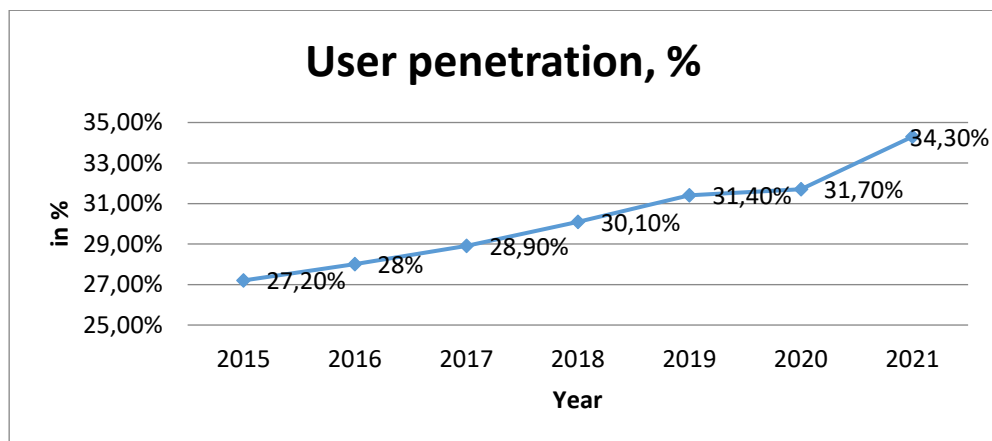


Figure 17. User penetration in Finland

### 5.3.3 ARPU and users

The ARPU stands for Annual Revenue per User and is an important factor when measuring the revenue for one user during the yearly operations. Usually, it is the total revenue divided by the number of users. As shown on the Figure 18 below, due to the increase in demand and consumer number, the average revenue for every single user is also increasing steadily.

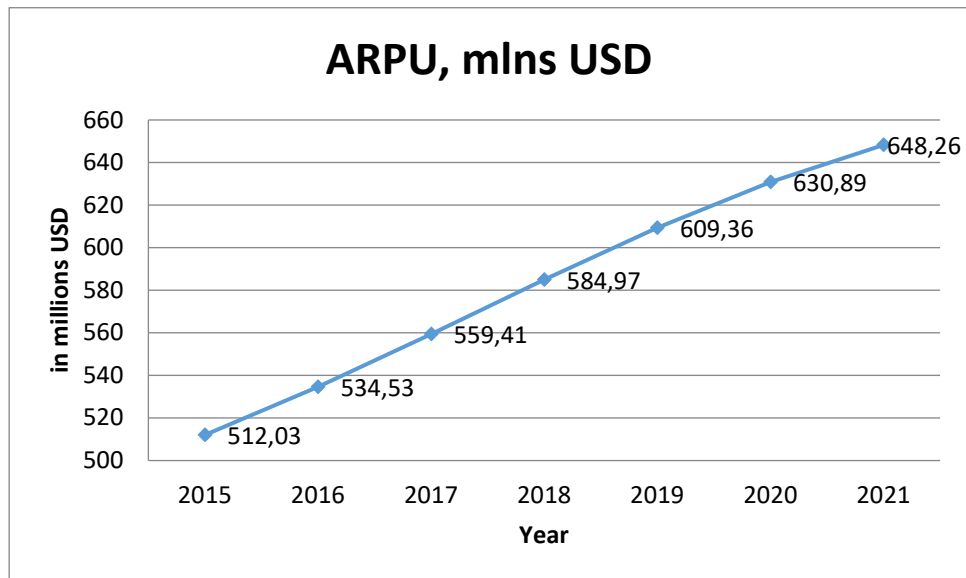


Figure 18. ARPU in Finland

TL-Electronic is entering mostly the B2B markets. Therefore, other foreign or local companies would be using the production and not the individual customers in most of the cases. However, in case there are private customers who are willing to use the production, it is important to understand their significance and how profitable can the company be from the cooperation with those. The overall income chart can show the distribution of users in the market. In total, there are three groups of L – low income users, that are mostly children, students or elderly and are not interested in getting the production; M – medium income and H – high income users, which are managers, CEOs and higher society people that might buy the items to their companies or for themselves. From the Figure 19 below that there are more middle class users. This means that the company must not put too high prices for the products in order to have successful sales operations. For TL-Electronic GmbH this is a high profitability factor, since the company is targeting towards the cost-efficiency and high quality combination. Therefore, the companies will be interested in the goods and undoubtedly purchase them.

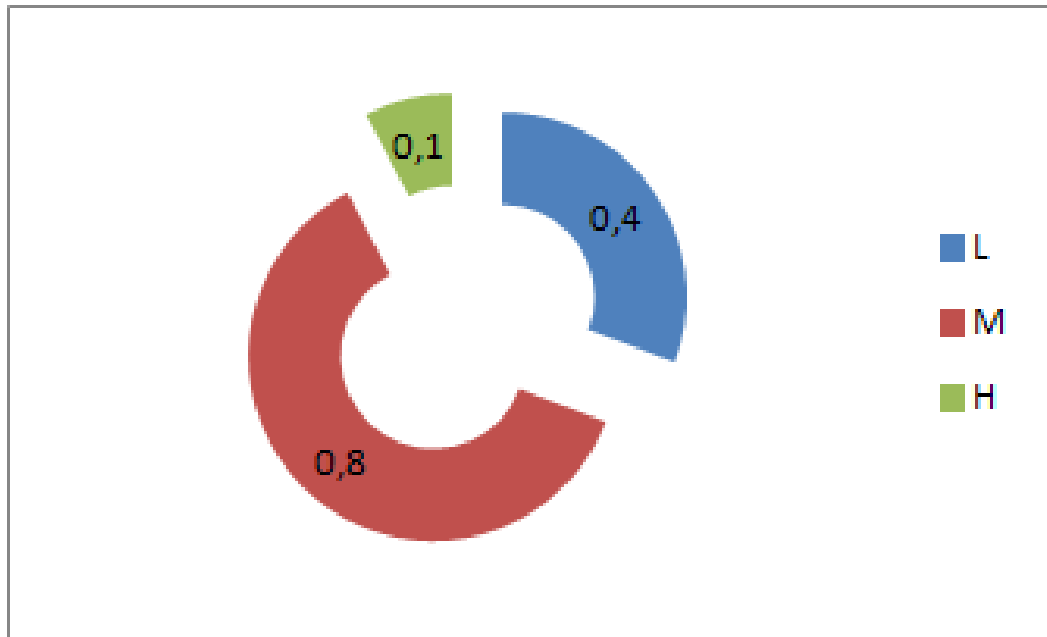


Figure 19. Income distribution in Finland

Due to the long-term close connection between Finland and Russia, entering the Finnish market could be perfect bases for further or simultaneous enter onto the Russian market.

## 5.4 Sales market segmentation - Russia

### 5.4.1 Introduction to the country and geographical segment factor

Russian Federation is the largest country in the world, has a transcontinental location over Europe and Asia. It has over 150 million inhabitants and has the capital in Moscow with the population of 12 million people. Other biggest cities are St. Petersburg, Novosibirsk, Yekaterinburg, Nizhny Novgorod and others. Russia shares its land borders with Norway, Finland, Estonia, Latvia, Lithuania, Poland, Belarus, Ukraine, Georgia, Azerbaijan, Kazakhstan, China, Mongolia and North Korea; maritime borders with Japan and the United States of America. The country spans 11 time zones and is well known for its variety of landscapes, environments and climates (from Sub-Tropical to Permafrost). Furthermore, the country has varying levels of development, different social and economic factors. The national currency is a Russian Ruble (RUB) and the official language is Russian. Nevertheless, English is widely spoken as a second language and there are over 100 minority languages. Russia is a homeland of over 190

different ethnical groups, according to [www.bbc.co.uk](http://www.bbc.co.uk) . The Central Intelligence Agency CIA states, claims that around 78% of the population are pure native Russian people. Over the half of the population follows the Russian Orthodox Church and the second biggest religion is Islam. Russia is a country with one of the longest and toughest histories and cultures. People are known to be very open-minded, helpful and are always eager on starting cooperation with foreign (especially European) companies in the business terms. This is the benefit for TL-Electronic, since they will always find customers in Russia. The inflation rate is at 12,9% with a steady decrease and it is a not bad number when considering consumer electronics or IT for a non-European region. Russia has significantly lower incomes and item pricings in comparison to other countries, this is why it would be easier for them to invest into foreign production, as well as for the foreigners to sell the goods to Russia, what is also considered like a plus for the business operations.

#### 5.4.2 Consumer segment factors

It is well known already that Russia is a multicultural and a multinational country that has examples of every single consumer segment's points. Therefore, there is a massive variety of consumers and companies that are frequently purchasing or selling the electronic production, which is being used either in daily life or in business purposes of the company life. The income rate in Russia has been defined on the middle level by the investigation of economic fluctuation tables. The unemployment rate has been lately stated on 5,2% and is forecasted to stay even in the nearest future. This means that there are enough customers to cooperate with in terms of consumer electronics. Russian companies appreciate the cooperation with European companies and find their production the best in terms of quality and popularity of the goods. In addition, most of the customers in Russia are supernovators. They barely think of what they are buying and making impulsive and accidental purchases, only because the goods are newest and they are willing to follow the existing trends and be above other people. Mostly Russian companies or individual customers are becoming regular users and it is really pleasant to make business and trade with them. Russians are looking for the cheapest products of highest qualities; this is a benefit for TL-Electronic outstanding production. The only challenge is whenever the newer

or a better quality product is noticed on the market; the customer instantly purchases it, no matter whether it is the goods produced by competitors. ([www.bbc.co.uk](http://www.bbc.co.uk))

#### 5.4.3 Business culture in Russia

Russia was the world's 9<sup>th</sup> largest economy country by Gross Domestic Product (GDP) in 2014 according to the Monetary Fund information. The country improved to the 62<sup>nd</sup> place by the ranking of the easiest countries to do business in. In addition, President's target is reaching 20<sup>th</sup> position by 2018; this is why the country is open for further business cooperation and is flexible and responsive to changes. In order to reach this target, Russia is looking for foreign investments, new technologies and expertise. Russian unemployment rate is declining gradually towards 5.2% by August 2016 and has seen a constant rise since last year due to the economy system change and the anticipated increase in the numbers of Russian mid- and small sized businesses. However, after frequent observations of the statistics and the fluctuations, it has been noted and forecasted that the unemployment rate stays even for the past half year at least.

#### 5.4.4 Russian infrastructure

According to [www.nationsencyclopedia.com](http://www.nationsencyclopedia.com), the transportation infrastructure in Russia is considered undeveloped. The majority of the transport system is based in the Northwest of the country (Figure 20). The commercial transportation relies only on rail and roughly 90% of the rail haulage is integrated into world transport systems. Russian roads are not developed fully they are not as useful for the heavy and long-distance truck traffic. The roads are not frequently maintained. Air transportation in Russia is more developed: there are around 630 airports in different parts of the country with 50 operating international flights. The waterways system in Russia is a key component of the infrastructure, having more than 6 major ports. The telecommunications system in Russia is in the middle of the global telecommunication revolution. The country is following global trends and changes; therefore, the experts create national devices and systems. Gas and electricity tariffs are at only around 1/10 of the European level and share the worse ratio of household distribution. This is why there are very serious capital and operating inefficiencies that affect the over-

all financial performance of the country. The transportation tariffs at the same time are not counted in the pace of inflations.



Figure 20. Infrastructure Corridors of Russia

#### 5.4.5 Economical and trade overview of Russia

As stated on the [www.atlas.media.mit.edu](http://www.atlas.media.mit.edu), the annual slowdown of Russian economic growth has been noticed in 2010 and the situation has not changed since, according to the governmental figures provided. The GDP grew by only 0,6% due to several factors: the significant fall of the oil price in the past 6 months, the European Union sanctions because of Ukraine situation, and the existing economic issues and weaknesses as well as the inefficient labor use. However, the rise of 3% is predicted for the nearest future. Russia has the smallest population numbers within the BRIC Union Countries (Brazil, Russia, India and China); however, is the wealthiest by a considerable margin. Some goods and services are still being undeveloped however, the improvements are seen, because there is a large growing middle class and consumers who are in the constant search of high- quality innovations. Russian companies desire to use international accounting and legal standards. In addition, the cooperation with German brands and companies are highly respected and appreciated, since

German quality of any product is considered the best in the world. Furthermore, as previously told, Russia is developing its mid- and small sized businesses in any sphere. The nominal GDP for the country is 1,2 trillion USD and GDP per capita 8000 USD. Average net salary in Russia is approximately 6000 USD what is considered very low. The export amount is 82 billion USD and import rate amount is 53 billion USD.

As stated before, the Russian Federation is a member of following unions and has signed following agreements:

- Asia-Pacific Economic Cooperation (APEC);
- Commonwealth of Independent States (CIS);
- Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention);
- Customs Convention of the A.T.A. Carnet for the Temporary Admission of Goods (A.T.A. Convention);
- Eurasian Economic Union (EAEU);
- International Convention of the Harmonized Commodity Description and Coding System (HS Convention);
- International Convention on the Simplification and Harmonization of Customs Procedures (as amended) (Revised Kyoto Convention);
- World Customs Organization (WCO);
- World Trade Organization (WTO).

In terms of the WTO and observing the conditions of the agreements, Russia has committed to change the customs rates in order to give the permit to companies to access the Russian services market; to apply the measures towards food safety, animal and plant health; to simplify the licensing of goods in the import operations and make intellectual property protection changes.

Germany is one of the biggest trade partners of Russia. Many local companies hope to see the countries cooperate and create long-term lasting relationships. The table (Table 12) taken from the statistics figures of the Russian Trade Ministry reports below presents the numbers of the values and quantity:



Table 12. Import-export values between Russia and Germany

Import Value to the EU (GER)	Import Quantity to the EU (GER)	Export value from the EU (GER)	Export Quantity from the EU (GER)
EUR	KG	EUR	KG
27,036,701,072	82,342,458,000	21,831,779,290	3,382,753,000

As one can see by the figures above, German companies are being interested in importing the goods from the Russian Federation more, as soon as it is being considered cost-effective and providing quite good quality materials. The only issues that are bothering the employees are the trade barriers, and there are quite a lot of them, such as the consular fees, poor infrastructure overall, export declaration requirements, customs clearance procedures, import tariffs and others less significant and not important for the business discussed.

#### 5.4.6 Taxation system in Russia

According to the information provided by the Santander Trade Hub portal, offering a wide range of data about the businesses abroad and cooperation and a thorough observation of the internet source, it was possible to find out that companies launched in Russia are 'taxed on their worldwide income', whereas foreign companies which have branches in Russia are taxed on the incomes that has been earned by these branches and establishments. The incomes received from operations abroad can be deducted.

The VAT rate in Russia is 20% and the standard corporate tax is between 15.5% and 20%, where 2% must be paid to the central government and 13.5-18% to the regional government.

As Santander claims, "Foreign tax credit is available but may not exceed the amount of Russian tax payable on the foreign income. Foreign companies that have Russian-sourced income for the use, maintenance or rent of charter ships, aircraft and other vehicles or containers for international traffic purposes are taxed 10%".

Strengths and weaknesses of Russia

As stated before, Russia is not an easy country to perform business in. Nevertheless, the companies are willing to cooperate and putting all necessary effort into building long-term trade relationships with foreign companies. With the help of the Michigan State University GlobalEDGE business research, it was possible to determine the Risk assessment, strengths and weaknesses for Russia as well, the same way it has been done for the example of Finland. It is described in the tables below - Table 13 and Table 14.

Undoubtedly, there are other challenges that can be an issue to the companies willing to expand the sales market to Russia. For example, it is the fact that Russia covers one seventh of the world's landmass. The massive size of the country means not only differences connected with the land stated before, but also that the country has varying levels of development, different social and economic factors. This means that the regions can have different regulations in force.

Table 13. Risk assessment for Russia

Country risk Assessment (ACCEPTABLE RISK)	Business climate Assessment (HIGH RISK)
<ul style="list-style-type: none"> <li>• Unclear political relations and economical situation of the country</li> <li>• Problematic business environment, weak sides of which bring serious impact on corporate payment behavior</li> <li>• Increasing default probability</li> </ul>	<ul style="list-style-type: none"> <li>• Severe business environment</li> <li>• Corporate financial information becomes less available</li> <li>• In case it is available, it is unreliable and not up-to-date</li> <li>• Debt collection is uncertain and unreliable</li> <li>• Weaknesses of institutional framework that bring issues</li> <li>• Big risks when doing intercompany transactions</li> </ul>

Table 14. Strengths and weaknesses of Russia

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Big variety of natural resources all over the country (oil, gas, metals)</li> <li>• Skilled and professional workforce</li> <li>• Low public debts</li> <li>• Broad reserves of foreign exchange</li> <li>• Power affirmation</li> </ul>	<ul style="list-style-type: none"> <li>• Capitalistic economy</li> <li>• Industrial sector is not competitive</li> <li>• Undeveloped private banking sector and infrastructure</li> <li>• Decreasing demography and people moving out of country</li> <li>• Endless business climate failures</li> </ul>

Secondly, one of the crucial factors for the companies is the language barrier and it is a well-known fact throughout the world. Unfortunately, in Russia the majority of

population is still not fluent in foreign languages and is basically not willing to learn them. Even though English stated as a second most commonly used language, it is true only for the bigger and more developed regions of the country. For the German company it is a problem, since it is very hard to find a German-speaking specialist in any business field, and multilingual even more. German companies must perform a very thorough research in order to find and hire new personnel or most likely even opening a new branch in the country, what is also a solution and will increase the employment rates. The bureaucracy and the slow responsiveness are well known from local authorities and governmental agencies. It can take up to several months to provide the necessary documentation processing. The corruption is another issue. Russia has been ranked 136 out of 174 countries in Corruption Perception's Index. Next, Russian heavy industry is very well known and can provide high quality goods. However, this industry across all sub-sectors needs to update the management practices, production process and equipment. Over 70% of the existing capital assets are estimated to be not up-to-date.

However, there are still a lot of strong sides in the operations of doing business with the Russian Federation, such as young and well-educated workforce (people with foreign education, that have done university studies abroad – the number rises throughout the years) ; strong transport links and logistics (even though the transportation in the country is not developed, the links and the neighboring countries have strong connections with Russia and its logistics processes), this therefore gives the opportunity for the companies to access supply chains that could lead to the exports to other countries of the world, including the CIS.

#### 5.4.7 Competition

Considering the competitors, the Russian market is very wide and has a lot of companies which are specializing themselves in the electronics sector. After a thorough investigation of companies' websites that concentrate their business on electronics and IT hardware in Russia and surveys it has been possible to determine 5 main successful Russian competitors on the market, which would be a priority for other local companies to cooperate with, as well with the European quality, as stated on their websites. Mostly, these are local Russian companies and provide the production

only throughout the country, however the international-direction companies with the headquarters in Russia are shown in the Table 15 with their turnover.

Table 15. Competitors in Russia and turnover

Company name	Turnover
<b>Rostec (Russian Technologies)</b>	1,6 billion EUR
<b>Eltech</b>	60 million USD
<b>PT Electronics Inpotron</b>	10,81 mln USD
<b>Symmetron</b>	29% industrial turnover (biggest rate for business and no exact numbers given) + direct cooperation with Germany, Berlin
<b>Elbrus MCST</b>	Not known turnover, biggest IT hardware producer in Russia since 1992

## 5.5 Statistics of Russia

As well as Finland, Russia requires statistical data analysis, which has been gathered by the help of the [statista.com](https://www.statista.com) website and referring to the same consumer electronics and IT-hardware market. Important to notice, that Russian numbers significantly bigger and they differ from Finnish numbers, as soon as the country is several times bigger and obviously there is a bigger population number, as well as the turnover due to the currency rates (when changed into Euros or US Dollars).

### 5.5.1 Revenue and growth

Figure 21 and Figure 22 show an interesting tendency which has been observed after the investigation of [www.statista.com](https://www.statista.com). One can clearly see that even though the revenue on the items is growing, the revenue growth numbers are steadily decreasing. Since Germany is one of the biggest trade markets with Russia from the European Union, the increase in the revenue is forecasted. Nevertheless, due to the new laws and sanctions applied to the Russian Federation from the side of the European Union, the steady decrease in the revenue growth numbers can be observed. Even though the prices get higher, the interest in foreign production gets lower. Russia nowadays is concentrating on producing local goods in all businesses, which stand out for their quality and cost efficiency. In the nearest future the numbers of the re-

venue and sales will not make a high difference to each other.

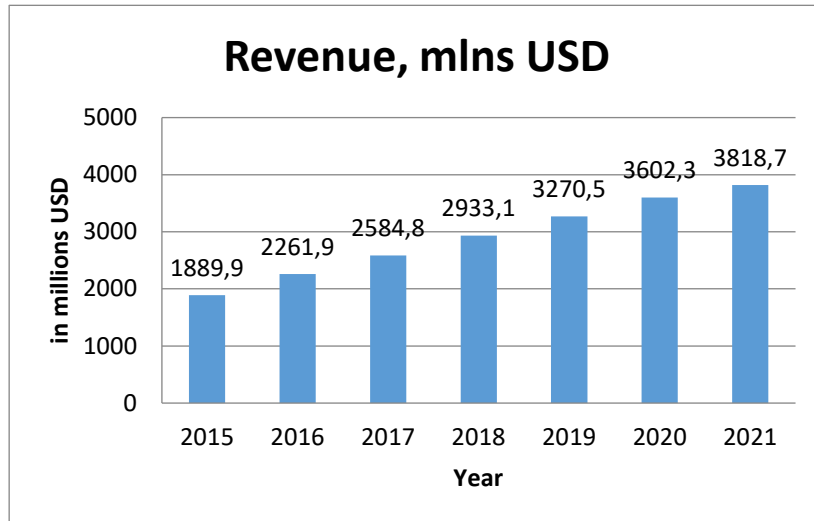


Figure 21. Revenue in Russia

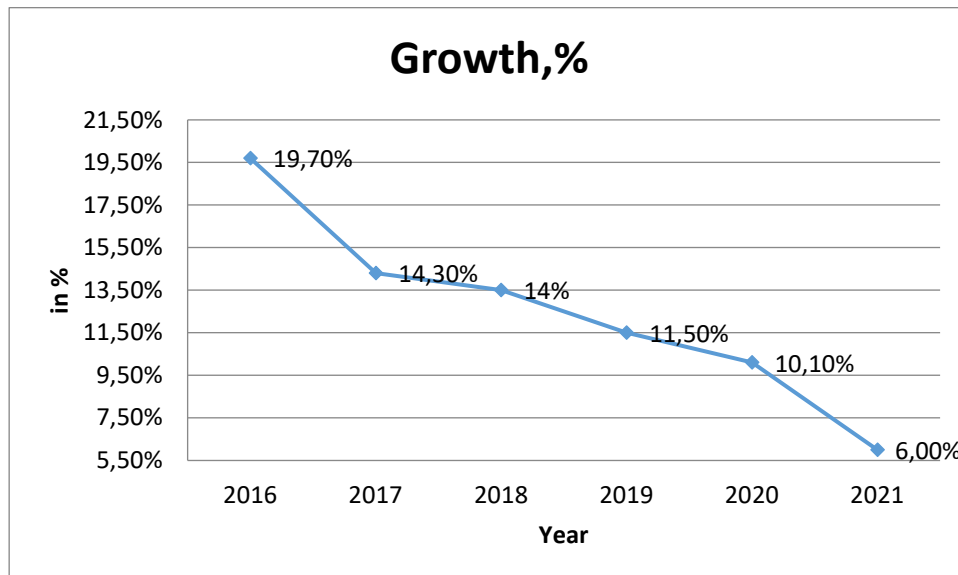


Figure 22. Revenue growth in Russia

### 5.5.2 Users and penetration

On the other hand, from the point of view of the customers, as can be seen on the Figure 23 or Figure 24, there are more and more customers and companies that are willing to purchase and use the IT hardware production, so the numbers on both of the charts are steadily increasing. This has a good meaning for TL-Electronic because the process of customer attracting on the Russian market would be easy.

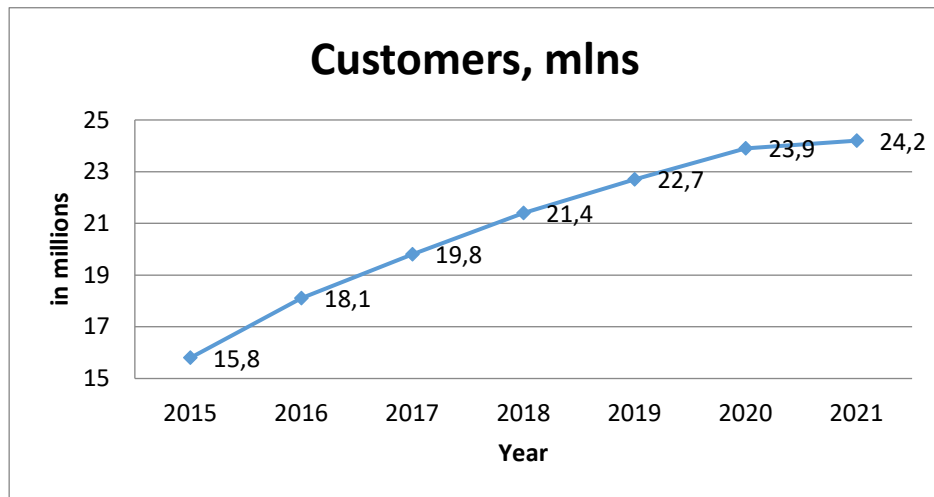


Figure 23. Users in Russia

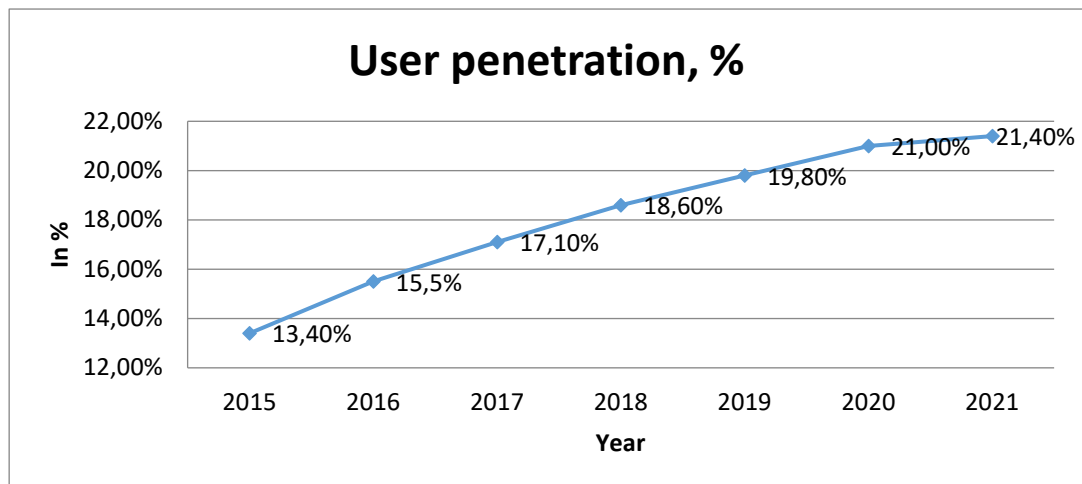


Figure 24. User penetration in Russia

### 5.5.3 ARPU and users

As previously shown, the customer numbers are forecasted to rise, as well as the user penetration and it includes the Average Revenue Per User in the tendency, what can be seen below on the Figure 25.

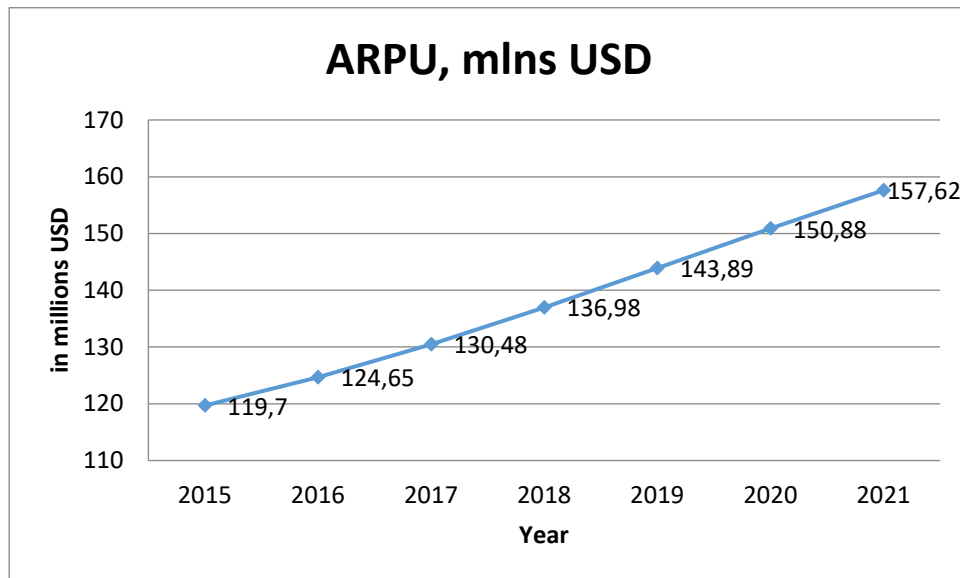


Figure 25. ARPU in Russia

Due to the increase in demand and consumer number, the average revenue for every single user is also increasing steadily for both of the countries; only the numbers are slightly different.

Due to the fact that there are a lot of different class people living in the country, the income levels are distributed accordingly on the Figure 26. The majority is still the middle class citizens, what is also a plus for the company that emphasizes cost-efficiency and high quality in the production. This means that Russia is potentially a very challenging market but one that can bring out most of the success.

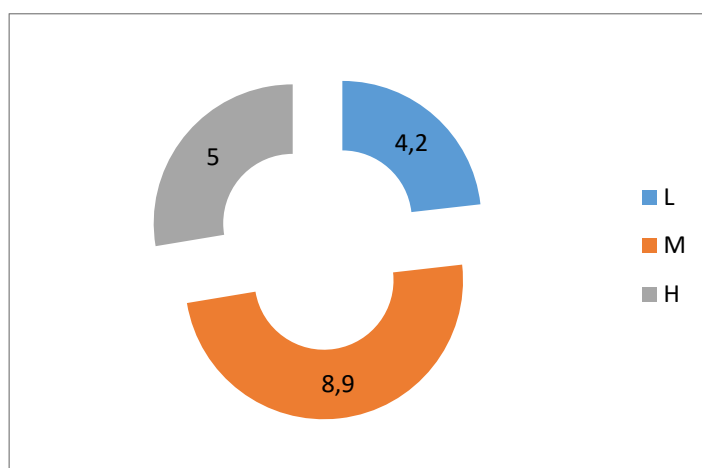


Figure 26. Income distribution in Russia

Overall, after investigating a variety of Internet sources, interviewing people, analyzing the statistics and receiving reports and numbers from appropriate authorities, it

was possible to create a full picture about two of potential markets that TL-Electronic GmbH would consider expanding to.

Finland is a very stable country in all senses – politics, economics, demographics and others. The rules and regulations are similar to German ones and there are many companies that would want to cooperate and be involved in the trade operations in the IT hardware and consumer electronics business sphere. Russia is a massive, unknown and challenging market, where many European companies are not willing to go to. Therefore, this creates an interest and motivation to make it in this market, since Russian companies are willing to have only the best production and purchase it directly from the European sellers. Still, the rules and regulations of Russian federation are very hard to comprehend, as it has been described in the Chapter 3.5.2.2 . Nevertheless, TL-Electronic GmbH has great opportunities ahead and communication will help build sustainable future for all three countries and companies that willing to cooperate with each other.

## **6 Summarization of results**

### **6.1 Research results**

According to the research process, working process, the results that have been gathered during them and the topics pointed out in the Table 6, it has been possible to create the ‘two-country’ comparison table (Table 16. Research comparison) which can concisely show the results discussed before. The KPI’s are taken from the Sales market segmentation and Theoretical chapters and are up-to-date.



Table 16. Research comparison

KPI	FINLAND	RUSSIA
<b>Location</b>	North of Europe, European Union	Transcontinental from Europe to Asia, non-EU
<b>Climate</b>	Maritime, continental	From Subtropical to Permafrost
<b>Population</b>	5,5 million inhabitants	Over 150 million inhabitants
<b>Safety</b>	One of the safest countries in the world	Not safe
<b>Infrastructure</b>	Cheap tariffs, efficient road, rail and air network developed more on the South of the country	Undeveloped, concentrated around big capital city areas, mostly on North-West
<b>Language</b>	Finnish, Swedish, English	Russian, English
<b>Inflation</b>	0,413%	12,9%
<b>Demography</b>	Diverse, immigrants from neighboring countries and Far East	Multicultural
<b>Customers</b>	Middle-aged people, shareholders, owners and workers of bigger companies, managers	Individual customers of young and middle-age, managers and company shareholder
<b>Adaptability to new goods</b>	Novators, thinking twice	Supernovators, chaotic purchases
<b>Behavior factors</b>	Loyal to the brand, direct and straightforward in business	Appreciating European production, following the trends, open to cooperation
<b>Easy to do business in?</b>	Yes. 9 <sup>th</sup> easiest country to do business in	Not quite. 51 <sup>st</sup> easiest country to do business in
<b>Unemployment rate</b>	7,7%	5,2%
<b>GDP/country (nominal)</b>	272 billion USD	1,2 trillion USD
<b>Annual net salary</b>	31000 USD	6000 USD
<b>VAT</b>	24%	20%
<b>Risk assessment</b>	Low risks for both country and business culture, see	Higher risks for both country and business culture, see

	Table 9. Risk assessment for Finland	Table 13. Risk assessment for Russia
<b>Competitors</b>	Existing, see Table 11. Competitors and turnover in Finland	Many on the European markets, see Table 15. Competitors in Russia and turnover
<b>Strengths/weaknesses</b>	More weaknesses than strengths but visual improvement. See Table 10. Strengths and weaknesses of Finland	Equal strengths and weaknesses, governmental promises for improvement, see Table 14. Strengths and weaknesses of Russia

## 6.2 Statistics summary and comparison

The statistical information described in the previous chapters is also being shown below with general numbers in the comparison Table 17. The KPI numbers are for 2016 and the growth of their is by 2021.

From the penetration point of view, the consumption of goods is lower as in Russia not many people or companies can afford such a technology with European quality. Such technology is being used mostly by middle-aged people or bigger-sized companies. However, in Finland more aged people use the technology and there are already middle-sized companies. In the houses or at work in the companies the communication electronics sector has a bigger demand since nowadays-younger people are switching to mobile devices, laptops, and other electronic devices. Nevertheless, the numbers are showing reasonable growth and a promising forecast for both countries by 2021.

Table 17. Summarization of KPIs

KPI	FINLAND	RUSSIA
REVENUE	680 MILLIONS USD	2262 MILLIONS USD
GROWTH	8,25% (2021) 736 MILLIONS USD	6% (2021) 2400MILLIONS USD
USER PENETRATION	28%	15,5%
GROWTH	34,3% (2021)	21,4% (2021)
ARPU	534,53 USD	124,65 USD

Below the comparison of the numbers can be observed in the combined charts, up-to-date and for 2016. The numbers are different in terms of the size of the country, the population and the items usage. However, in both cases there are improvements in the economical and political situations of countries.

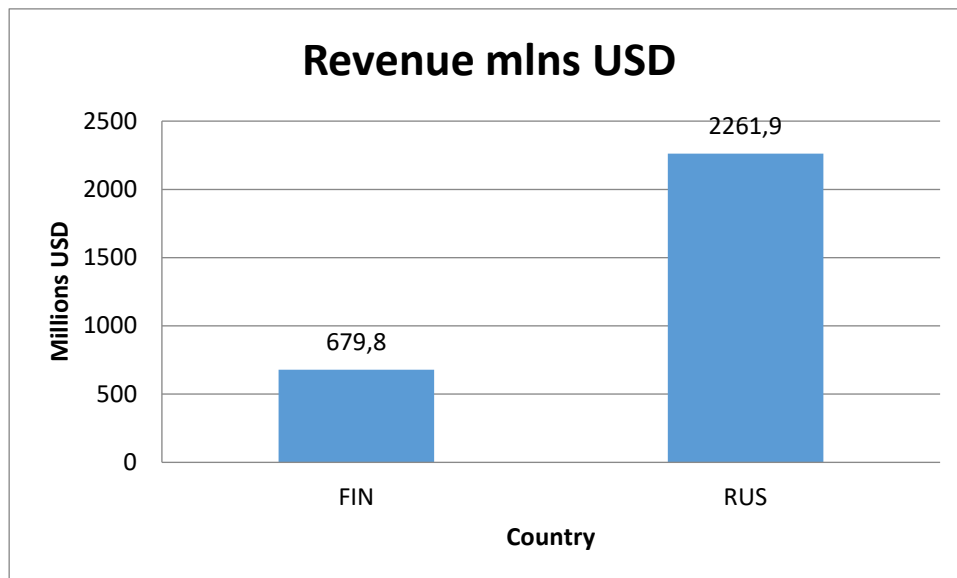


Figure 27. Combined revenue

It is clear from the numbers that Finland is receiving less revenue (Figure 27). With the case of Russia the difference is almost doubled. The reason for this is higher population of Russia and overall it is a bigger country, therefore there will be more consumers and buyers of production.

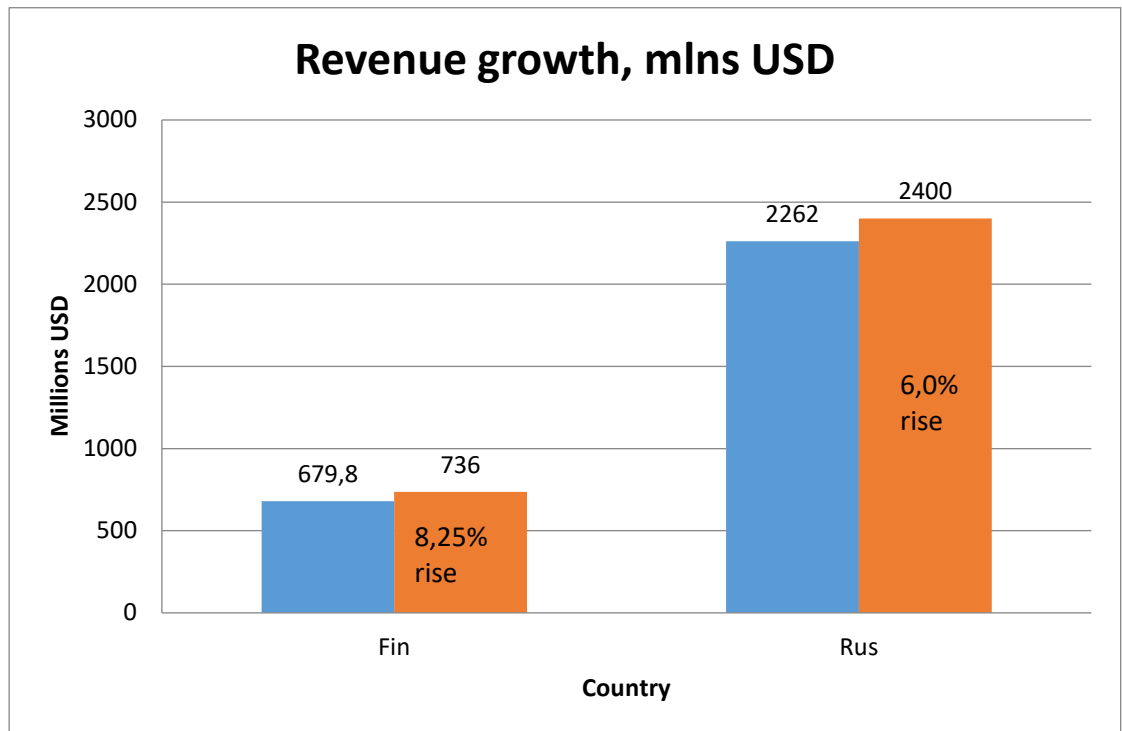


Figure 28. Combined revenue growth

The forecast for the revenue growth is showing the numbers of the orange column by the year 2021 on the Figure 28. Overall, there is a tiny increase tendency despite the big decrease during the years in between, as shown on the Figure 15 or Figure 22.

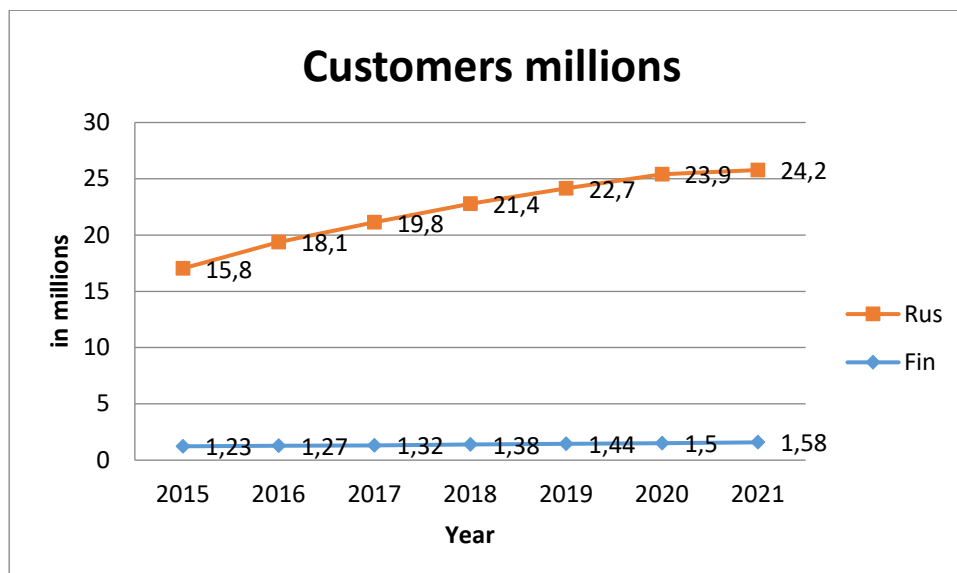


Figure 29. Combined customer number

As previously said, there are more inhabitants in Russia, which is why the numbers of the customers (Figure 29) are roughly fifteen times multiplied but the steady rise is

predicted for both of the countries over the years. The same is with the user penetration (Figure 30) where the percentage is on a slight increase tendency.

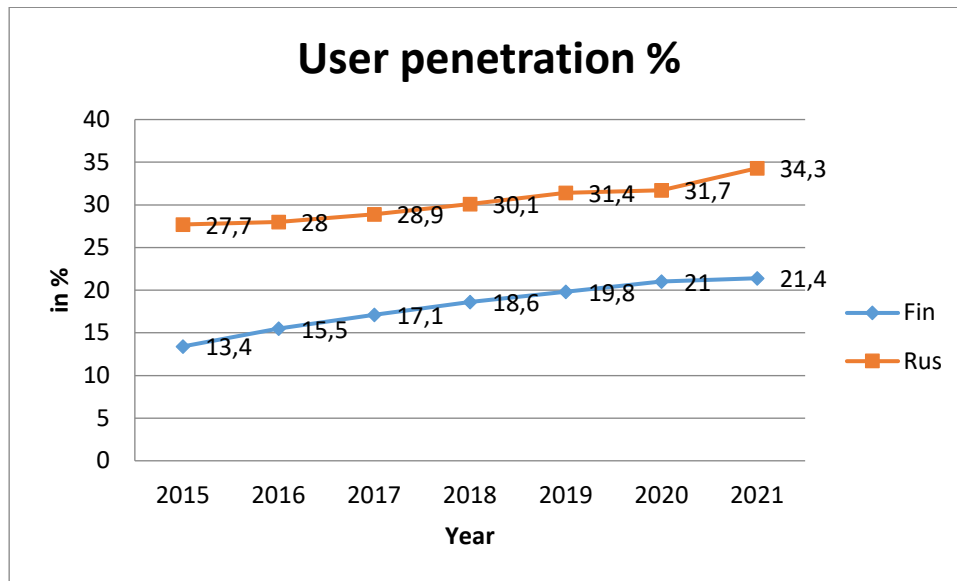


Figure 30. Combined user penetration

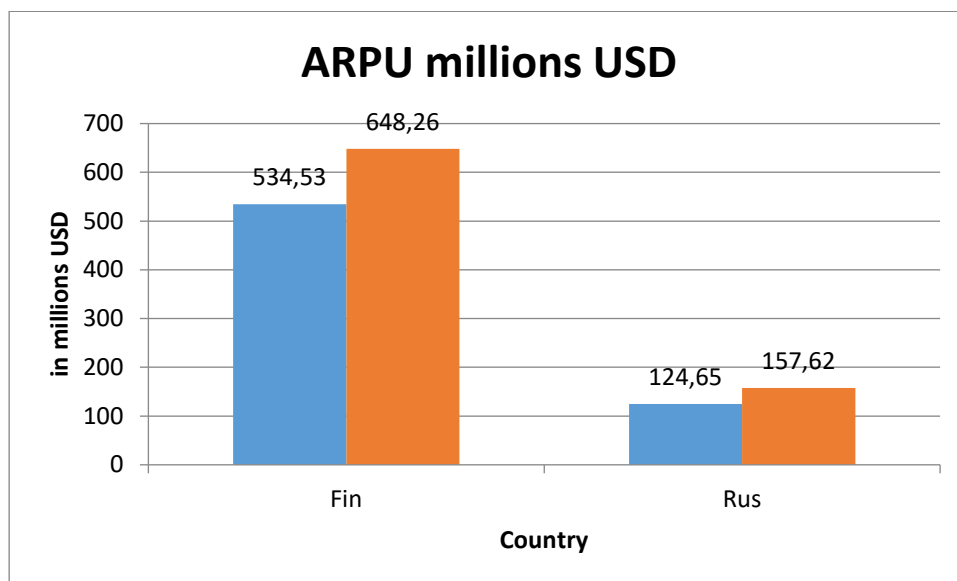


Figure 31. Combined ARPU

As for the Average revenue per user rate (Figure 31), the numbers in Finland are higher because of the currency differences and rates. The numbers are following a positive trend and will rise up to 20% both by the year 2021 on the orange column in

comparison to numbers collected from the statistics in 2016 (shown on the blue column). It is clear that Finland is getting bigger average revenue by user.

As it has been told before, Russian population is bigger than Finnish population. According to the statistics, if taking the age groups in particular, in Russia middle-aged generation of 25-50 is the biggest user segment, whereas in Finland these are mostly 30-55 aged people. This can be explained by the economical situation in the countries, in which more companies in Finland can afford the items in comparison to Russia, where most aged people are already retired and either do not need or cannot afford the products. Male users have more items in use, than females, however in the countries, the numbers do not differ that much. In Finland the numbers are fluctuating and in Russia the numbers tend to rise. Even though the salary and income rates in Finland, there are less high-income people in the country than in Russia. Mostly the sales are concentrated on the middle-class, which can purchase the items because of the cost-efficiency and quality ratios.

The KPI direction comparison (Table 18) also is an important factor. The vector shows the direction and the tendency in which the significant KPIs of the country are moving to. According to the same statistics collected from statista.com website, after gathering the total numbers and comparing them and building the tendency vectors shown on the table below one can see that the population and the household numbers in Russia are decreasing in total, whereas in Finland all indicators tend to rise.

Table 18. KPIs direction comparison

KPI	FINLAND	RUSSIA
POPULATION IN MILLIONS	↑	↓
HOUSEHOLDS IN MILLIONS	↑	↓
GDP/ PER CAPITA USD	↑	↓
INTERNET PENETRATION	↑	↑
SMARTPHONE PENETRATION	↑	↑

At the same time the comparison in global international terms is a crucial factor.

Global comparison of revenue for leading economies in the electronics market (mil-

lions USD) is shown below on the Table 19. This gives the understanding of the total overview and position of two potential marketplaces on the global market, compared with the market leader and the example country. Two considerable points are the revenue and the penetration.

Table 19. Revenue comparison

REVENUE, MILLIONS USD		PENETRATION, %	
CHINA	64762	USA	52,50
GERMANY	12983,3	GERMANY	34
RUSSIA	2261	FINLAND	28
FINLAND	679,8	RUSSIA	15,50

### 6.3 Conclusion

It is reasonable for TL-Electronic GmbH to consider expanding their sales market into both of these countries. Therefore, considering the combined facts about the countries stated above, it is possible to answer the main question of the thesis research work: “Is TL-Electronic GmbH able to enter new markets in Finland and Russia?” and the answer is yes, TL-Electronic GmbH is able to.

The benefits of Finland are excessive. At first, it is a European Country; under the same regulations as Germany and the goods flow is free and easy-going. The country has high life standards, salary, euro currency and people are willing to buy and use the production in sphere of consumer electronics – the market is really stable and developed. In addition, Finland’s main export and import is Germany and the electronics sphere is among the top business development spheres. In Finland there are a lot of wood industry companies, hydraulic components and heavy machinery companies, where the production done by TL-Electronic will be very useful.

As for Russia, which is still the developing and mostly unknown market by the European companies and opened for new possibilities, cooperation and new horizons. People are clearly willing to purchase and supply others with locally manufactured production and as the country is massive in its size, there are many corporations and smaller companies willing to cooperate with European suppliers. It is known that

Russia appreciates European, especially German, quality and products. In addition, in order to successfully cooperate with Russian customers, the government is willing to make improvements to the trading system and make sufficient changes in favor of foreign companies, which is remarkable.

From the cooperation with the Russian Federation and Finland, TL-Electronic can open for itself new frontiers of the Northern Europe and Asian part of the world, what can be a step up for the further enlargement in the neighbor countries to those mentioned above.

The company is looking for reliable and trustful partners in terms of exporting and importing their production of electronics and IT hardware and the thesis project work and research helped to determine that Russian Federation and Finland are a great move forward in order to make it in the business and become a leader. The next steps would be contacting companies from these countries and making proper agreements, investigating the interest of building long-term trade relationships with foreign companies. Some advertisement campaigns and plans about creating new branches abroad will bring the company profit and sustainable future on new sales markets, despite the challenges.

Two of these sales markets described above were chosen for the potential company's sales market development not randomly. Both countries open wide opportunities for the subsequent expenditure of the sales market. The Finnish market opens the possibilities for the potential expanding into Northern Europe. Russian market therefore can help progress and contribute to expand more significantly the company's sales market. Russia has better opportunities for the further entrance into the Customs Union countries' market and other neighbor countries. After receiving the results of a successful entry into new markets in Russia and Finland, TL-Electronic GmbH can start forecasting the demand, customer's needs and the potential profit of further expanding of the sales market on the offered territories.



## 7. References

1. Peng, Daven, and Juliane Gatschke. "• Statista - The Statistics Portal for Market Data, Market Research and Market Studies." • *Statista - The Statistics Portal for Market Data, Market Research and Market Studies*. N.p., n.d. Web. Sept. 2016
2. "Industrie PC, Panel PC & Co. Von TL Electronic." *Industrie PC & Panel PC / Atom™ Bis Core™-i Industrie PC Systeme*. N.p., n.d. Web. Sept. 2016.
3. McConnell, Campbell R., Stanley L. Brue, and Sean Masaki. Flynn. *Economics: Principles, Problems, and Policies*. 19th ed. Boston: McGraw-Hill Irwin, 1992. Print.
4. Беляев С.Г. Теория и практика антикризисного управления: учебник для вузов, Издательство: Закон и право, ЮНИТИ, 2006 / Belyaev, S. G. *Theory and Practice of Anticrisis Regulations: Studentbook for Universitites*. Zhukovski: Zakon I Pravo, UNITI, 2006. Print.
5. Коротков Э.М. Антикризисное управление: учебник, Издательство: ИНФРА-М, 2011 / Korotkov, E. M. *Anticrisis Regulation: Students Book*. Moscow: INFRA-M, 2011. Print.
5. Осмоловский Н.Р. – Сбыт продукции, или как увеличить продажи. Издательство Феникс, 2002 / Osmolovskiy, N. R. *Sales Market and How to Expand the Sales*. Rostov-on-Don: Phoenix, 2002. Print.
6. Лукина Р.И. – Искусство управления каналами сбыта. Издательство Академия, 2013 / Lukina, R. I. *The Art of Operating in the Sales Markets*. Moscow: Akademia, 2013. Print.
7. Babikir, Haydar El Hadi, Ali Babikir, and Mabuo M Abed El Wahab. *Research Methodology Step by Step Guide for Graduate Students*. Vol. 9. N.p.: Sudanese Journal of Paediatrics, 2009. Print.
8. Kothari, C. R., and Gaurav Garg. *Research Methodology : Methods and Techniques*. 3rd ed. New Delhi: New Age International, 1985. Print.
9. "Consumer Electronics." *Consumer Electronics Segment Theory*. N.p., n.d. Web. Oct. 2016.

10. "Practical Guide to Doing Business in Europe." *EUROPA - Your Europe - Business*. N.p., n.d. Web. Oct. 2016.
11. -, TKS.RU. "Internal Customs Transit." *Taxation and Internal Customs Transit in Russia*. N.p., n.d. Web. 06 Dec. 2016.
12. "Trade and Market Access Database." *Trade in Europe*. N.p., n.d. Web. Oct. 2016.
13. "Michigan State University GlobalEDGE." *GlobalEDGE: Your Source for Global Business Knowledge*. N.p., n.d. Web. Oct.-Nov. 2016.
14. "3 Ways to Combine Quantitative and Qualitative Research." *Research Methods Combinations*. N.p., n.d. Web. Nov. 2016.
15. "Financial Dictionary | Investopedia." *Investopedia*. N.p., n.d. Web. Oct.-Nov. 2016.
16. "Infopankki - Finland in Your Language." *Finland Information*. N.p., n.d. Web. Nov. 2016.
17. "WorldWide Tax - Taxes, Income Tax, Tax Rates, Tax Updates ..." *Taxation Systems*. N.p., n.d. Web. Nov. 2016.
18. "Welcome to Santander Trade Hub." *Russian Taxation System*. N.p., n.d. Web. Nov. 2016.
19. "Sales Information." *Supersales Blog of Timur Aslanov*. N.p., n.d. Web. Oct.-Nov. 2016.
20. "Market Segmentation." *Marketing-tut Portal*. N.p., n.d. Web. Oct. 2016.
21. "ISO quality systems" *ISO*. N.p., n.d. Web. Nov. 2016.
22. "VAT Information by Country." *USCIB / The Power to Shape Policy. The Power to Expedite ...* N.p., n.d. Web. Oct. 2016.
23. "Taiwan." *Government Portal of Republic of China, Taiwan*. N.p., n.d. Web. Nov. 2016.
24. "BBC News – Home." *Information about Russian Federation*. N.p., n.d. Web. Nov. 2016.

24. Creswell, John W. *Research Design: Qualitative, Quantitative, and Mixed Method Approaches*. 2nd ed. Thousand Oaks: Sage Publications, 2003. Print.
25. Figure 13. Transport infrastructure of Finland  
*Transport Infrastructure of Finland*. Digital image. *GTK.FI*. N.p., n.d. Web. Nov. 2016.
26. "OEC: The Observatory of Economic Complexity." *Economics and Trade Country Information*. N.p., n.d. Web. Oct. 2016.
27. "Encyclopedia of the Nations - Information about Countries of the World, United Nations, and World Leaders." *Information about Countries of the World, United Nations, and World Leaders*. N.p., n.d. Web. Nov. 2016.
28. Figure 20. Infrastructure Corridors of Russia  
*Infrastructure Corridors of Russia*. Digital image. *Schillerinstitute.org*. N.p., n.d. Web. Nov. 2016.