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# Market Selection Process for Agroy Group

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<p>The goal of the present study was to create a process for studying and selecting the best markets for international expansion of Agroy Group. The process should represent a holistic study of the market's characteristics. It should be reliable and mitigate possible risks by offering required market information.</p> <p>The study was carried out using action research due to its systematic approach to solving practical problems and finding potential improvements for business processes. The research design used in the study included eight steps which included a studying the related literature combined with the findings from the case company.</p> <p>The output of the study is a table which describes the process of studying and assessing a new potential market. It contains the main market features selected to suit the specific characteristics of Agroy. The table has already been tested and assessed. Moreover, it has already been implemented into Agroy's business operations.</p> <p>Potential modifications of the table are divided into two groups. The first group includes a list of modifications to the market characteristics and proposals for a future use. The second group presents the modifications and the future use proposals related to the market information of some exact countries which have already been studied. For example, it includes recommendations of a review frequency for different market characteristics according to their potential changeability.</p>	
Keywords	Market selection, market assessment, international expansion, agribusiness

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Appendix 3. The Proposal

## 1 Introduction

A new market selection is an important and challenging process. The cost of mistakes there can be huge and affect the whole business of a company. Hence, the new market selection should be presented by a well-structured and reliable process.

Agroy Group decided to start its international expansion in 2015. The company structure was changed and the first subsidiary (Agroy Inc.) was set up.

However, during the first expansion to the U.S. market Agroy faced some problems. The main reason for the problems was a lack of a structured approach to new market selection.

Agroy develops its operations and is going to continue the international expansion. Consequently, there is a high necessity of a new market selection process creation. The Process should allow to prepare a primary analysis of the new countries. Moreover, it is important that the Process enables management of Agroy to compare the new potential countries and choose some of them with higher potential for a further study.

The impact of the business challenge can not be overestimated. Agroy Group is a small company with a limited resources range. Consequently, before spending some time and money in the expansion the company should be sure that chosen market offers the best conditions in comparison with others.

Thus, the goal of this study is to create a process for studying and selecting the best markets for international expansion. The Process should offer a complex study of the different spheres of the countries, including cultural and technology characteristics. It should be reliable and mitigate possible risks by offering required market information.

The thesis represents an action research. The research process consists of eight obligatory steps. The steps include a theoretical background, like a studying of the current literature for the research topic, a preparing of a current state analysis of the case company. While they include a building of the proposal, its pilot test and evaluation.

### 1.1 Case Company Background

Agroy Group was set up in Helsinki in 2015. Since the beginning of 2016 year, it has two subsidiaries: one in Helsinki (historically first) and second one in the U.S. (it was set up at the beginning of 2016 year).

Finnish subsidiary, however, has longer history in comparison with Agroy Group. It was set up in Helsinki in 2011 and has been considered as a separate company till Agroy Group was founded.

For strategic purpose there was undertaken decision in 2015 year to set up Agroy Group. Main goal of the structure change was global expansion intension.

Agroy's current organisational structure is presented at the Figure 1 below:

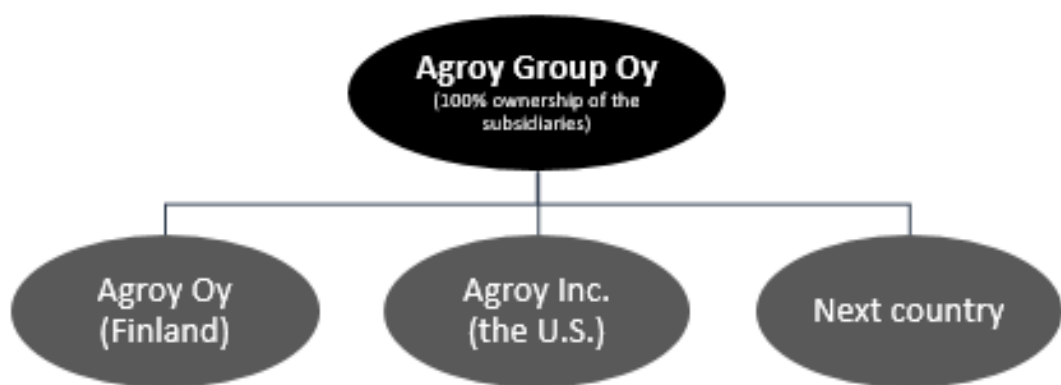


Figure 1. Organisational structure of Agroy Group

Agroy Group is a parent company for its two subsidiaries, Agroy Oy and Agroy Inc. "Next country" block marks a potential market for the Group to enter. Agroy Group owns 100% of its Finnish subsidiary and 100% of the U.S. one. The structure is clear for handling business operations and presenting to potential investors.

Agroy Group makes for farmers the process of buying inputs and selling grain automatic. It came to agribusiness to change current situation there: being one of the most important industry for people (at the same level with Energy production, for example) agribusiness still follows very traditional way of business with a huge network of middle-

men, stores and high costs, which farmers must pay as a mark-up when they buy inputs or sell outputs.

Agroy Group's online service is transforming agribusiness by connecting farmers to a global network that buys and sells resources as a single, enormous farm. This means getting more negotiating power for farmers, low costs. Agroy Group does not create an online shop, it builds farmer's network. The network works this way: more farmers join Agroy Group, bigger order is made, bigger vessel is ordered, lower costs are gotten, farmers are served with better prices. Figure 2 visualised this conception.

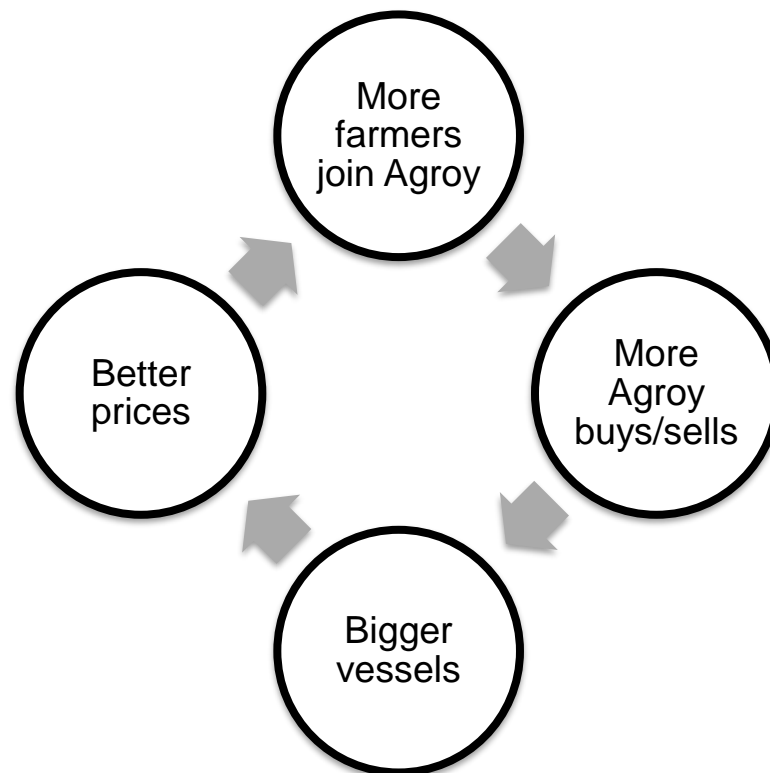


Figure 2. Explanation of Agroy's conception

Agroy Group is highly appreciated among Finnish farmers. Using its trading service brings some important benefits to them, including these three groups:

1. It gives farmers more negotiating power. The average farmer looks small and vulnerable in relation to the traditional distribution channels. Agroy connects single farmers to the global network. Using this net-work farmers can buy and in the future also sell products in more profitable way. Unlike online stores Agroy's

In market competition Agroy focuses on keeping the lowest price. The company has very low expenses on service maintenance. The most processes of the company operational model are automatic. Figure 3 visualise the service operational model:

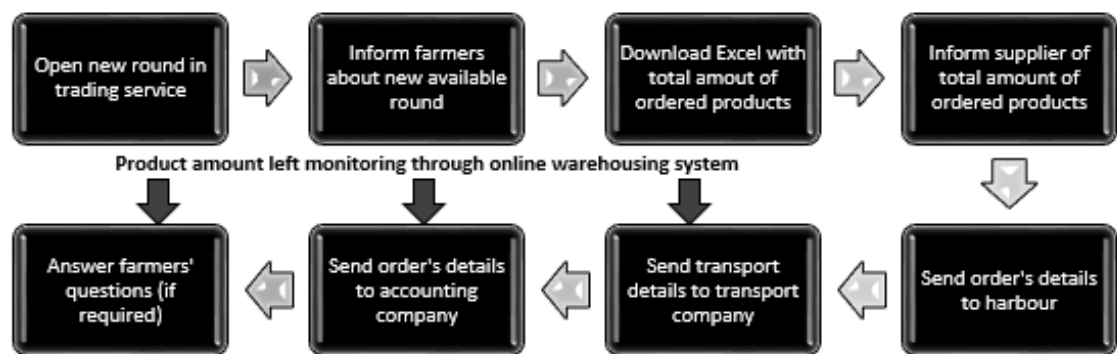


Figure 3. Agroy's operational model

Agroy opens new round in the service after price agreement with supplier and decision of delivery terms with logistic company. Then automatic information about new round is send to all registered Agroy farmers through the service. One round is open usually for some days. During this period, farmers can make their orders using their own cabinet in the service.

When round is closed, operations manager collects orders information from the service. The information is sent to all participating parties. These are, for example, supplier, accounting company, transport company, harbour.

Next step is to control the invoices sent by accounting company and following a delivery terms by transport company.



Agroy is a young company. Though it is well known among Finnish and American Midwest farmers. The number of new registered farmers is continuously growing year to year. Figure 4 presents yearly dynamics in hectare amount growing.

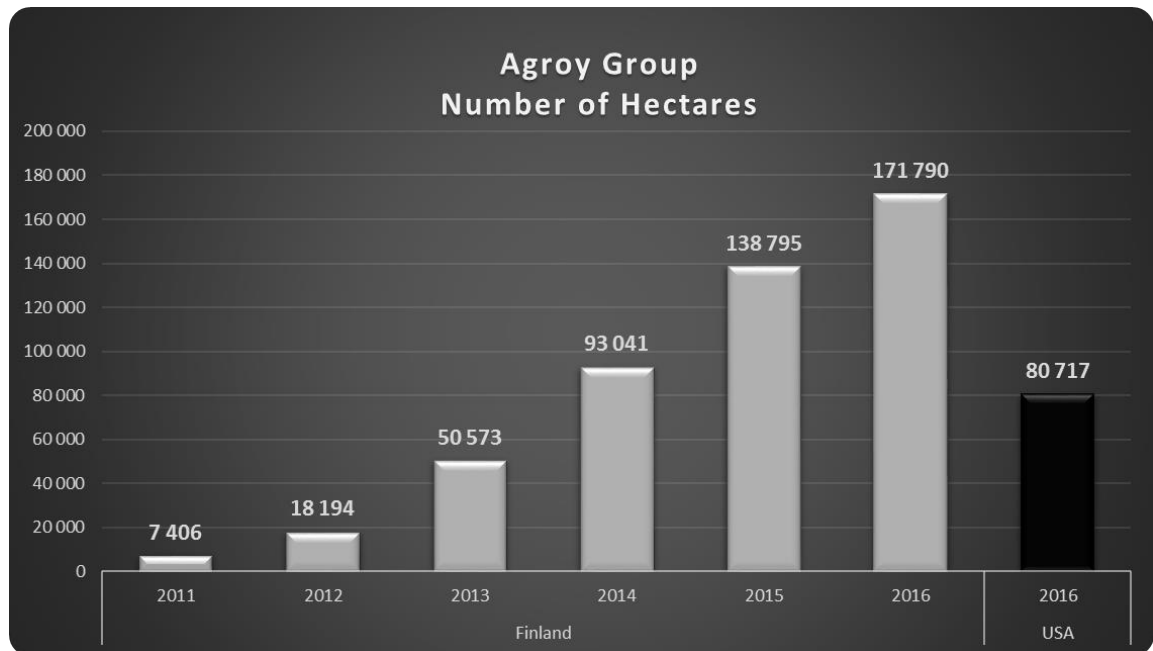


Figure 4. Agroy Group' hectares growth dynamics

Figure 4 presents a permanent growth in a number of hectares belonging to Agroy Group farmers. Starting from 2012 year the yearly average registered number of hectares is around 40 000.

Agroy uses “word of mouth” strategy for attracting new customers. The strategy has already proved its success in Finland. Thus, same conception has been chosen for the U.S. market.

Number of American farmers, as it is seen from the Figure, is almost twice lower than in Finland. However, there is different proportion in average farms' size number. While in Finland average farm size is about 150 hectares, in the U.S. the number is around 1 000 hectares.

## 1.2 Business Challenge

For 5 years of its existence, Agroy has reached outstanding results in Finnish market. The success in a domestic market triggered Agroy management team to start global expansion. Agroy Group was set up in 2015 year exactly for this goal.

Now Agroy Group has two subsidiaries: one in Finland (Agroy Oy), founded in 2011 and second one – in the U.S. (from January 2016).

Selecting the U.S. market as a next one after Finland for expansion, Agroy Group faced with a range of problems. For example, Agroy does not have any relevant process for selecting high potential market to enter.

Now, when Agroy is going to continue its expansion, developing international markets, the right process of selecting potential markets is highly required. It is worth to mention that Agroy is focused on the countries with a huge role of agriculture in economics. These are, for example, India, Brazil, Canada, China and so on. Some of the potential countries have totally different mentality, which it is important to understand. Any mistake made during the expansion process can lead to some unexpected consequences and cause a huge loss.

More to the point, Agroy has some powerful competitors in the world market and should be very careful in spending its resources.

There should be created a process, which can allow to appreciate a potential market for expansion in the most accurate way. The process should provide Agroy with a clear vision of the next market characteristics. It should prove that the market indeed has the best conditions, comparing with other possible opportunities.

The exact process should become an output of the thesis. This process has to provide a user with a framework developed for studying the potential markets.

### 1.3 Objective and Scope

The aim of the thesis is to create a process for selecting the new potential markets. The process should contain some features for making a comparison and selecting the new markets with the highest potential.

The process becomes an innovation for the case company. Currently, Agroy does not have any systematic approach for business expansion. Given that the process affects the whole company it should be well made exactly for the company's need.

Agroy Group's operations have its own specific characteristics. Thus, for example, Agroy's core idea is to collect purchasing volume and only then negotiate price directly with suppliers. It helps to avoid the middlemen and thus, all kinds of bureaucracy. More to the point, Agroy offers an online service which requires the Internet connection.

The process for selecting the new markets should provide information which meets all the requirements.

## 2 Method

The Method chapter is dedicated to describing of the both, research process and approach, used during a data collecting and analysis.

### 2.1 Research Process

Research process of this study contains 8 obligatory steps and some potentially required ones. Figure 5 describes the following steps.

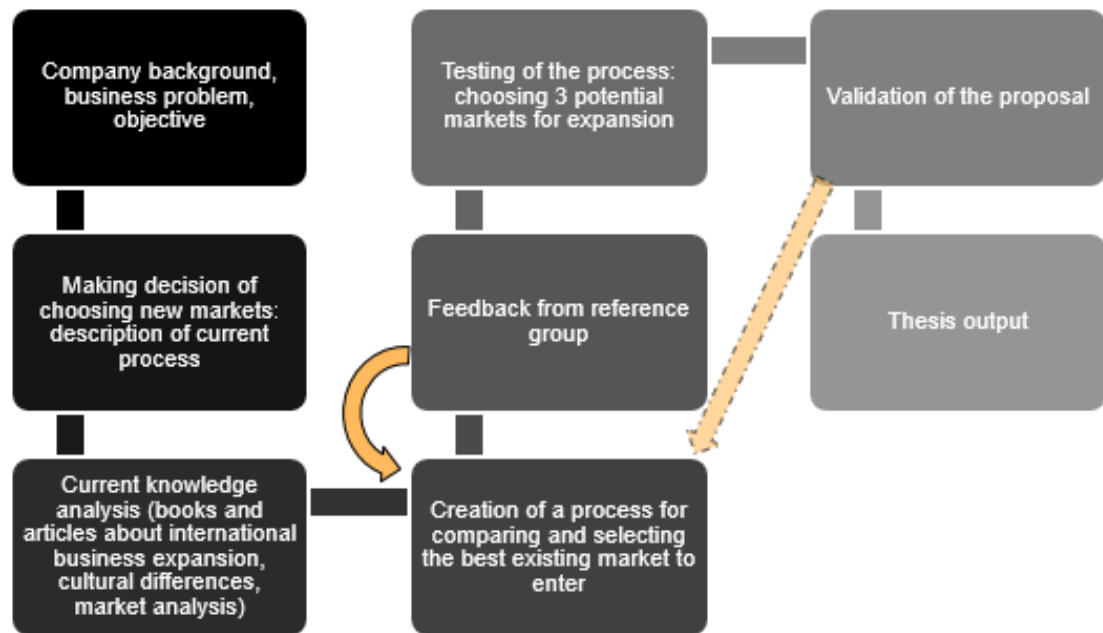


Figure 5. Research process of the project

First step is an introduction of the case company. During this step, there will be a wide discussion of the case company background, business problem, potential thesis outcome and objective of the study.

The step gives a general description of the company's service operational model. It provides with key features of the company required for understanding the business challenge it faced with. The aim of the step is to make a reader familiar with the case company, business problem and offered solution.

Second step is dedicated to presenting of a current state analysis of the company. Current state analysis was conducted as a number of interviews. During the interviews there were discussed crucial characteristics of the company's expansion vision and applied strategy. More to the point, one of the interviews was dedicated to discussion of entering the U.S. market. Currently, the U.S. subsidiary is the only one foreign subsidiary in Agroy Group. The gained experience plays huge role in a further decision making process related to expansion.

Third step of the research contents current knowledge analysis. The main goal of the step is to help with understanding of existing knowledge of handling similar challenges. It provides an important understanding of key features of international expansion.

Moreover, it creates a wide theoretical base for handling potential risks, exploring cultural differences, deciding on product offer and understanding online retail characteristics.

During the fourth step there will be presented business proposal for solving business problem. The proposal presents a table describing a process of selection of the best potential market for expansion. The table contents some important market characteristics which describe a picture of potential advantages and disadvantages of a new market. One of the most important features of the proposal is simplicity in use and opportunity to compare a range of the new potential markets at the same time.

Fifth step is a validation of the proposal. The validation present a face-to-face discussion with Agroy CEO. During the discussion there will be given a feedback about the presented solution. The feedback might content some action required to be undertaken. Thus, for example, if the process requires some improvement the feedback might have a recommendation of returning to the previous step (creation of a selecting process). The improving process shall be repeated till positive feedback is received.

When positive feedback is received the proposed process will be tested. The sixth step is dedicated to testing of the process. During the step there will be compared 3 potential markets to entry. The comparison will be conducted using the proposed table.

Seventh step is dedicated to getting feedback after pilot test of the proposal. There are two potential outcomes after this step. The first potential outcome is receiving positive feedback. However, if there is a need of improving the proposed table there is a second outcome. It is required if the table does not have enough information to supply decision making process.

Last step is finalising the project and discussion of its key findings.

## 2.2 Research Approach

The research approach applied in this paper is an action research. The researcher experiences a process of evaluating and selecting of new markets for expansion directly in day-to-day work. Thus an action research approach suites for solving of the practise-based problem of the study.

An action research represents a cycle of analysing the data, taking an action, then analysing a new data and again taking an action and so on. The cyclic basement of an action allows to continue the research getting a new data after the previous one was evaluated. It helps to create a deeper analysis of the research problem and finally find the most suitable solution.

## 2.3 Data Collection and Analysis

The chapter discusses data collection method and analysis of the collected data.

### 2.3.1 Interviews

Qualitative method has been chosen as the main source of data collecting is utilized in this paper. It gives an opportunity for holistic study of the problem, using a wide range of information sources.

The researcher has conducted two interviews at the stage of a current state analysis preparation. CEO of Agroy Group was the informant during those interviews.

Table 1. Interviews conducted during the first data round

Data Round 1	Data Type	Data Source	Approach	Recording	Purpose
CSA	Interview 1	CEO	Face-to-face	60 mins: notes	Discussion of the current process of choosing potential markets to enter (see appendix 1).
	Interview 2	CEO	Face-to-face	45 mins: notes	Discussion of current position Agroy Inc. at the U.S. market (see Appendix 1).

During the first interview, there was discussed a current process of selecting new markets for expansion. There was given evaluation of the current process by CEO and designated future development requirements.

Second interview was dedicated to the U.S. market outlook for Agroy Inc. (American subsidiary of Agroy Group).

During the interviews, there was decided that a process of evaluation and selecting the new potential markets should have a table format. Wide discussion of the interviews is presented in a paragraph 4.2.2 Analysis of Interviews.

After the thesis proposal was finalised it was validated by the reference group. In the Agroy case reference group consists on a one person – CEO of the Agroy Group. The proposal for the research problem is a Table which describes a process of a new potential market selection.

The market characteristics choice for the Process is based on the Agroy business specific features, work experience and related literature analysis.

The business specific features relate, for example, to Agroy's service and products it offers to customers. Agroy offers an online service which requires the Internet connection. There is an opportunity of offering a mobile service as well, however it requires developed mobile network.

For making a correct decision on product offer Agroy should be aware of main crops grown in the studied area. When the company started its operations in Finland it had deep understanding of product range offer and accessibility of the Internet and mobile network in rural parts of the country.

Table 2 presents a description of the conducted actions of validation of the proposal.

Table 2. Validation of the proposal

Data Round 2	Data Type	Data Source	Approach	Recording	Purpose
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Validation of the proposal	Interview 3	CEO	Face-to-face	60 mins: notes	Discussion of the proposal's validity and suitability of the chosen format. Wide discussion of the all market features noted in the proposed Table (see Appendix 2).
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There was conducted a wide discussion of the proposal. The interview format of the Data Round 2 has been chosen due to an opportunity of a vigorous debates if there is a need of any additional explanation.

The proposal was validated and brought into the line with the reference group's requirements. A discussion of the results of the Data Round 2 is presented further, in a paragraph 5.2.1 Discussion of the Proposal's Validation.

Next data round relates to a testing of the Process. The data was collected through a face-to-face interview with the reference group represented by CEO.

A summary of the proposal's test validation is represented in the Table 3.

Table 3. Validation of the pilot test

Data Round 3	Data Type	Data Source	Approach	Recording	Purpose
Validation of the pilot test	Interview 4	CEO	Face-to-face	80 mins: notes	A wide discussion of the Process utilisation example. Discussion of all of the market characteristics, represented in both parts of the Table, its suitability and reasonableness. A detailed discussion and consid-



					eration on whether the Process supplies a user with the all required information for making a primary country choice for a further analysis (see Appendix 2).
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The Data Round 3 is final in the research. It draws a line under the whole project. The information received in the round is crucial for the Process launch and further use.

The results of the third Data Round are presented further in the paper, in a paragraph 5.2.3 Validation of the Pilot Test.

### 2.3.2 Market Research Data

The output of the research presents a table which describes a process of assessing and selecting the new potential markets for expansion. The Process has a great impact on the Agroy's business.

Agroy Group has already one subsidiary abroad. However, there were made a number of mistakes due to lack of marketing research and absence of a suitable process of markets' assessment and selection.

Thus, the paper offers the Process which should meet some requirements. It is especially important that the Process is structured and reliable. Consequently, the data sources should be veracious.

For the Process, there has been used data mostly from Fact Fish and AMIS (Agricultural Market Information Systems). These resources were utilised mostly for receiving agricultural data. For example, crops statistics (the main crops of a country, amount of arable land) was provided by Fact Fish.

Agricultural seasons' information was collected mostly from AMIS web page. However, in Brazil case there was also some information taken from Soybeans and Corn Advisor.

For the general information like, for instance, language and religion questions there was used Wikipedia as a data source.

While the Process had been preparing, there was used FAO report as well. The information picked up from there was utilised for farmers' number statistics in India.

Potential suppliers and traders company names were collected mostly from Google direct search.

All the data presented in the Process assists in painting the whole picture of the countries which is required for making a primary market assessment and selection.

## 2.4 Research Validity and Reliability

To prove the relevance of the research it should be valid and reliable. According to Quinton&Smallbone (2006) the validity and reliability can be evaluated through the following steps:

1. Internal validity;
2. Construct validity;
3. External validity and reliability

Clear stating of the research business problem ensures an internal validity of a research. The outcome of the project needs to satisfy exact needs of the study.

Construct validity is tested through utilizing of well-known current knowledge sources in a research process.

Reliability of a research is ensured through utilizing multiple sources of current knowledge. The data used in a research should represent different sources to draw the objective picture of the studied problem and its potential solution.

Validity and reliability are important criteria for a research evaluation. Regardless of the research type, data, provided there, must meet these criteria. Validity and reliability of the research deals with its logical structure, clear links between its parts, sources uti-

lized, methodology of the research and eventually, how its findings match the reality (Merriam 2009).

Validity and reliability of the research should not be underestimated. Readers must be supplied with data, which they can rely on. Research, which provides some invalid or unreliable study, does not make any sense. According to Merriam (2009) no professionals will agree to apply findings of any research without some confidence in it.

Interviewing is a data collecting method, which has been chosen for this paper. Being one of the qualitative methods it has some features, which it is worth to pay attention to. Applying this method in the research it is crucial for researcher to stay objective, despite of the information content he got. Researcher is responsible for avoiding bias in data collecting. His purpose is to present the data, as it is, in a neutral way, without providing his personal opinion.

One more important thing related to a research is its transferability. The research process should come through logical path. Linkage of its parts must be clear and transparent. Eventually, if a research is prepared carefully, it can be applied for some other issue with similar context.

This paper has a clear structure with segmentation between theoretical and practical parts. However, these parts are tightly linked together to present holistic outcome of the whole research.

### **3 Conceptual Framework**

This chapter discusses a theoretical overview of market analysis process. It contains an overview of approaches of existing product evaluation, studying international distribution and characteristics of an electronical commerce, impact of culture on business processes and approaches of risks assessment and mitigation.

#### **3.1 An Overview of Markets Analysis and Market Selection Decision**

International expansion is a complex and complicated process. Companies decided to go global usually have some reasons for that. These reasons are usually dictated by the business environment of the companies. According to Lancaster and Reynolds (2004) those reasons could be divided into two groups: positive and negative factors. Among positive factors there could be figured out:

1. Profit increase;
2. Taking advantages of an innovative products or services as well as taking tax benefits;
3. Taking advantages of economy of scale and some other

While among negative factors usually there are distinguished following:

1. Escaping domestic market competitors;
2. Utilizing surplus manufacturing capacity;
3. Escaping situations when government can demand payment to issue import licenses for some goods.

Once company decides to enter a new market there should be conducted a consequent marketing research. The research provides a management of the company with information about chosen market environment (for example, competitors, suppliers, customers, potential substitutes and etc.), its opportunities and potential threats. It helps to appreciate new market for making final decision about expansion.

Ghauri and Cateora (2010) offer following description of marketing research:

Marketing research is the systematic gathering, recording and analysing of data to provide information useful in marketing decision making (p.150).

According to Ghauri and Cateora (2010) the research should follow some steps. Among these steps there are:

- Defining the research problem;
- Designing of the research plan;
- Gathering and analysing the relevant data;
- Results drawing

Craig and Douglas (2005) state that a company passes three phases of information needs, when decides to go global. These phases are:

1. Information for International Market Entry. The phase includes general information about market. For example, it may content the political and economic situation, market infrastructure and growth potential;
2. Information for Local Market Planning. The phase assists in creating international market research design. Moreover it could include an overview of technological and environment trends development and customers' satisfaction surveys;
3. Information for Global Rationalization. The phase intents to supply company's need in more effecting usage of collected data.

Market research is a complex and essential tool for any company when it decides to enter new market. It includes some important points to be taken into account. For instance, a correct product positioning, an understanding geographical and cultural differences (Craig and Douglas, 2005). However according to Lancaster and Reynolds (2004) marketing research is insufficient if it is not a part of the wider marketing information system.

### **Market Selection Decision**

Internalization is observed not only among large corporations. Small and medium-sized companies tend to expand their business too. Thus, according to Backhaus, Büschken and Voeth (2005):

Many small and medium-sized companies reveal a substantial need for additional internationalization, and thus have considerable internationalization potential (p.7).

Backhaus, Büschken and Voeth (2005) offer main indicators for evaluating country market. These are market attractiveness and market barriers. Market attractiveness describes a potential economic contribution of the market to the company. According to different nature, market barriers can be divided into three groups: economic, protectionist and behavioural. They discuss specific market conditions which can make company's expansion more challenging.

Czinkota and Ronkainen (2004) discuss the usual approach of country-market choice, representing deducting way of thinking:

The usual approach is first to start with regions and further split the analysis by country. Many marketers use multiple levels of regional grouping to follow the organizational structure of the company (p.406).

More to the point, Czinkota and Ronkainen (2004) describe three main factors, which influence country selection process. These factors are:

1. The stand-alone attractiveness of a market;
2. Global strategic importance;
3. Possible synergies

These factors are important for discovering a hidden potential of the market and its probable opportunities. Czinkota and Ronkainen (2004) conclude that a company, before it has chosen any market, should be aware of its infrastructure, as well as of its potential advantages and threats.

### 3.2 Studying Approaches of Product Decision for International Markets

According to Lancaster and Reynolds (2004) physical product and/or service offering are included into what is termed a “bundle of satisfactions”. People buy exactly that “bundle of satisfactions”. Nevertheless, once decided to go abroad, company should take into account current product decision approaches.

World markets competition increase dictates companies a need of products differentiation. It is required for companies to modify their products to compete successfully in the foreign markets (Ghauri and Cateora, 2010). Products, tailored to specific market, are usually more successful there comparing to others.

Standardization is another approach of product decision. Ghauri and Cateora (2010) state that:

Advocates of standardization believe that product standardization leads to production economies and other savings that permit profits at prices that make a product attractive to the global market (p.354).

However, standardization is unproductive when there is no demand for standardised products at the market.

Third approach of product decision is to customize products. The approach relates to tailoring products exactly to each customer. This approach aims to satisfy every customer. However, it is the most expensive way of product offering.

Some authors consider that the optimal approach of product decision is a combination of the approaches stated above. Product should be standardized as much as it is possible to minimize production costs and increase efficiency. Though product offer decision should take into account mental and cultural differences of each market to compete successfully there.

After introduction of a product to a certain market there could be undertaking a product offer assessment. For the assessment, there could be used brand and customer loyalty. Loyal customers, as it is stated by Ghauri and Cateora (2010), represent one of the most valuable company's asset.

Brand loyalty is considered as a resistance of a customer to buy other brands except those which are his favourites. While customer loyalty describes situation when customer prefers always to buy certain company's products.

Both, brand and customer loyalty, help to protect company from existing and potential competitors. The loyalty and satisfaction level could assist in product offer evaluation. They could help in indication of potential customers' dissatisfaction at the very early stage. Monitoring of the loyalty question is an important part of the company's environment diagnostics.

### 3.3 Studying Online Retailing Structures

The section discusses the characteristics of the Internet as one of the potential distribution channels. More to the point, there is an overview of the electronic commerce features.

### 3.3.1 Overview of the Internet as One of the Distribution Channel

Nowadays the Internet is a very important business tool. Among its benefits there are fast and direct connection between companies and customers, 24/7 access to required information, low costs and so on.

However, there are some specific factors which have an impact on dealing through the Internet (Ghauri and Cateora 2010):

1. Culture. The Internet is a global tool which means that all web pages should be culturally neutral or adapted to fulfil certain market requirements;
2. Adaptation. The factor includes web page design exactly for a market needs. Web page should be translated into the target market language as well as totally customized for it (colours, images, sounds, and other features);
3. Local contact. Company should create a virtual office in the target foreign country. Consumers prefer to visit sites created in their country and in their local language;
4. Payment. There should be an opportunity for a consumer to use his credit card number;
5. Delivery. Postal delivery is the most cost effective way of small parcels delivery, however, it takes longer time. While there are private delivery services, providing delivery worldwide;
6. Promotion. There should be decided suitable ways of promotion. For example, search engine registration, mutual links, banners and so on.

The Internet offers a wide range of opportunities for companies and customers. People can reach services and goods just through their smartphones or tablets. E-commerce becomes an essential part of market.

### 3.3.2 Discussion of the Electronic Commerce Features

According to Ghauri and Cateora (2010), e-commerce is one of the form of direct selling. However, it is also unique channel which connects companies and customers 24 hours long 7 days per week, making purchase process integrated into certain customer's lifestyle.



Global accessibility is one of the most important advantages taken by companies decided to use e-commerce as a distribution channel. Among other advantages there are, for instance, reducing procurement costs, better supply-chain management and tighter inventory control.

Customers choosing the e-commerce can be divided into some groups according to the customer behaviour, habits and preferences. Thus, the Consumer Direct Cooperative (CDC) conducted a research which helped to identify 6 major groups of potential online customers:

1. Shopping avoiders (people who dislike the shopping routine);
2. Necessity users (limited in their ability to go shopping people (inconvenient working hours, small children);
3. New technologists (people who are eager to any new technology which can make life more comfortable);
4. Time-starved (people who are ready to pay more to save time);
5. Responsibles (people who enjoy shopping and have enough time for it);
6. Traditional customers (people who prefer shopping in traditional grocery stores, avoiding new technology usage)

The groups represent different customer behaviour according to different lifestyle and preferences. E-commerce company should take them into account when starting its operations. Understanding the customers is a very important feature of a successful company. E-commerce, being a very flexible distribution system, can be easily customized according to customers' needs and preferences.

### 3.4 Exploring Cultural Differences Impact

Culture, according to Hoecklin (1994), is about how people understand their world and make sense of it. Being an essential part of every society culture has a great impact on its spheres.

The impact can be explored through elements of culture. As stated by Ghauri and Cateora (2010) culture has 6 elements:

1. Material Culture;
2. Social Institutions;
3. Education;
4. Belief Systems;
5. Aesthetics;
6. Language

At the same time Czinkota and Ronkainen (2004) add two more elements, as Values and Attitudes and Manners and Customs.

Material culture can be divided into two parts: technology and economics. Technical part includes technical know-how – techniques which are used in the creation of material goods (Ghauri and Cateora 2010). Economics, as a part of material culture, contains the way how people apply their capabilities into use. It includes production cycle of goods and services, as well as their distribution and consumption.

Material culture affects quality and types of products, their functionality and demand. All the factors in their turn have a strong influence on a marketing strategy and decisions.

Social institutions include ways of relations organization in a society. The institutions include family, social classes, position of men and women in s society, age groups and other elements. The organization of the elements differs from culture to culture.

The institutions influence the overall life pattern, values and behaviour (Ghauri and Cateora 2010). Consequently, each of them affects a marketing strategy and should be taken into account while company is selecting new market.

The role of educational level in a society is high as well. Planning global expansion company should understand high importance of the element. The literacy rate is an important aspect of a person's life which affects a behaviour.

There are still some countries with low literacy rate. For a company it means a need of creation some special types of advertising and communication to be understandable in the countries. More to the point, lack of education can be a reason of rejection of inno-

ventions or just new products. A company should be prepared to customize its portfolio and fight obstacles if needed.

According to Ghauri and Cateora (2010) religion is one of the most sensitive elements of culture. It has a strong influence on value systems and thus affect different spheres of life. The impact spreads to product people buy, food they cook, clothing they wear and so on. Frequently the influence also affects the ways of advertising and choosing an appropriate method of communication between companies and customers.

Aesthetics as a culture element represents the system of art, music, folklore, dance and drama. It describes what is acceptable in a society and what is not. Each culture creates its own system interpreting the symbolic meanings of artistic expression. Company should pay attention to aesthetics designing product package and creating advertising messages. Depending on culture even choosing an appropriate color of a package could become a problem. For example, white colour in Japan and most of the Far East is considered the colour of mourning, while for Europe and the United States it is black colour (Czinkota and Ronkainen, 2004).

Language is one more element of a culture which has great importance for company's business expansion. As stated by Ghauri and Cateora (2010), marketing specialist should pay attention to an idiomatic meanings expressed. Dictionary translation not always can interpret the meaning of the word according to the language characteristics. While idiomatic expression does it.

A correct marketing communication plays huge role in the expansion process. Thus language has a great impact on the success or failure in the process of entering new markets.

Every element of a culture plays an important role in a company expansion process. All of them cannot be overestimated. On the path of a global expansion company should focus on cultural market characteristics as well. Even a small mistake can destroy an image of a company and postpone business expansion.

### 3.5 Studying Potential Political Risks and Legal Environment

The chapter represents an overview of potential political risks and features of a legal environment. More to the point, it discusses the importance and means of risks mitigation.

#### 3.5.1 Overview of Political Risks

Political instability in the number of countries makes companies to pay special attention to the need of the political risks forecasting. However, some products or brands are more politically sensitive comparing to others. For example, some developed countries are quite suspicious about genetically modified products. While some other countries have some products restrictions according to their belief systems.

Craig and Douglas (2005) propose political risks assessment through the sample indicators. These indicators are number of expropriation and expert ratings of stability. However, they mention that the list of indicators is illustrative. An exact required information is different according to the concrete situation and should be collected by company's management.

Ghauri and Cateora (2010) offer a list of actions to mitigate potential political risks:

1. Good corporate citizenship. Products of a company which is more closely identified with the host country are less vulnerable in political risks context. Moreover, this strategy helps to create a good company's image and easier introduce new products;
2. Joint ventures. This way of business organisation helps to limit company's financial exposure. Joint venture is considered as a preferred entry strategy in countries with relatively higher political risks;
3. Expanding the investment base. The strategy is as well effective and widespread. It represents including several investors and banks from the host country in financing of an investment;
4. Licensing. Some companies consider that the strategy can eliminates almost all risks. Licensing technology for a fee is especially important when it is unique and there is high risk of illegal copyrighting.

Political risks differ from country to country and could have strong influence on company's operations. While planning an expansion, it is crucial to take care about them. When political risks assessment is made in advance it helps to mitigate unpredictability in a company's business.

### 3.5.2 Overview of Legal Environment

Brand is one of the most crucial features in recognising of any given company. It plays a huge role in a process of company's image creation. It can be said that brand is a face of a company when dealing with customers. Consequently, companies are ready to spend large amount of money to protect their brands from illegal copying.

Intellectual property protection is only one part of legal environment. Planning a global expansion company should take care about all its features.

Defining a legal system of a host country could be a starting point in analysis of legal environment. In the world, there are two major legal systems: code law and common law.

Code law has roots in Roman law and is based on a comprehensive set of a written statutes. This type of legal system is widespread in the world. It is basement for legal systems of, for example, most European and South American countries. While common law originates from traditions and less depends on written statutes. The legal system type is common for the United Kingdom and the United States, for instance. There also could be defined Islamic law which is traditional for, for example, some Middle East countries (Czinkota and Ronkainen, 2004).

According to Ghauri and Cateora (2010), determining jurisdiction is a challenging task for international marketing. The problem arises from assuming that disputes between different countries citizens are adjudicated under some supranational law system. The confusion can be erased by making a special jurisdictional clause when making contracts or any other legal documents supporting a company's business transactions.

The clause should contain a note about a governing of the disputes by a concrete law. For instance, if the agreement is signed in Finland it is worth that the agreement shall be governed by the law of Finland.

Political and legal environment has a great impact on a company's transactions. They can be reason of many problems and challenges a company face with in a host company. Their impact on a business as a whole, can't be overestimated. Wise companies spend a lot of time analysing challenges and potential risks of political and legal environment before starting an expansion.

## **4 Market Expansion Planning**

This section is dedicated to a current state analysis discussion. It starts from company overview. Further there are represented results of interviews, hold during the current state analysis. In the end of this chapter, there is a summary of the analysis.

### **4.1 Outline of Market Expansion Planning**

An expansion planning requires a complex approach in preparing marketing analysis. Companies can be grouped by different criteria as, for example, industry where they operate, target customers, applied strategies and some others. However still every company has unique characteristics which differ it from same industry companies, in other words, from its competitors. That is why it is crucial to "customize" a market expansion plan for a certain company.

Conceptual framework of the thesis provides an analysis of different market elements which suit exactly the needs of a case company. Agroy Group – a case company for the thesis – operates in e-commerce, offering farmers agricultural inputs.

First of all, there was given an overview of different approaches of international market analysis and market selection decisions. Further, there were studied more specific questions as, for instance, approaches of product decision and proposed assessment

methods. Despite on quite standardised agricultural inputs range there could be differences from country to country.

Also the conceptual framework study contains discussing of an online retailing systems. The case company represents e-commerce industry, creating online market place for farmers.

Foreign markets expansion planning requires readiness of understanding other people way of life, their customs and traditions. That is why studying cultural impact on business operations was crucial for the thesis. The expansion involves as well comprehension of potential political risks and legal environment features.

Market expansion characteristics, studied in the conceptual framework, became a theoretical basement for a proposal. Next step is to prepare current state analysis of the case company. It helps to get a deep insight of current company's condition and ongoing processes.

## 4.2 Current State Analysis

This section represents an overview of the case company. Moreover, the section discusses key findings of the current state analysis of the company.

### 4.2.1 Case Company Overview

The case company for this thesis is Agroy Group Oy. It was set up in Helsinki in 2015. Agroy Group has two subsidiaries: Agroy Oy (Finland, from 2011) and Agroy Inc. (the U.S., from 2016). Agroy Oy used to be a separate company till Agroy Group set up.

In 2015 year management of Agroy Oy undertake a strategic decision in the company development. There was set up a goal to make Agroy an international company. First step in achieving the target was to change current structure. There was taken a decision that starting from April 2015 Agroy Oy becomes a subsidiary of founded Agroy Group.

The decision became a turning point in Agroy development. Starting from April 2015 the Company has been working under its global expansion.

With the aim to transform agribusiness Agroy has launched an online trading service for buying inputs and selling grain. The trading service intends to change old-fashion industry and offers a new vision of agribusiness. Core idea of the service is transformation of agribusiness by connecting farmers to a global network that buys and sells resources globally like a single farm.

Agroy offers an online trading service for farmers, and this way builds a network, removing middlemen as far as possible. Unlike online stores, the Agroy service aggregates the input buying volume of very large number of farmers. Being a part of our community, every farmer regardless of farm size benefits from trade at large volumes, which allows him always to buy by better prices.

Target group for the online trading service are farmers currently from Finland and the U.S. Through the short registration procedure, they connect online trading service. After that, they get opportunity to take part in orders by buying inputs and selling grain.

Unlike an online-shop, Agroy's trading service offer farmers an opportunity to benefit from the scale of operations. According to this conception, more orders farmers make, bigger vessel is ordered and with better prices they are served.

#### 4.2.2 Analysis of Interviews

This section discusses results of the interviews, hold during the current state analysis. It starts from description of a current process of choosing new potential markets to enter. Next phase is dedicated to the development of the U.S. subsidiary.

#### **Current Process of Choosing New Potential Markets to Enter**

Agroy Group is young enough company. It has started in 2015 in Helsinki. However, it's real history has roots in 2011.

First interview discusses current process of choosing potential markets to enter. In practice, it contents three parts. First part is a description of current situation with the



process. Second part is a description of previous periods (American market case) and third one is a discussion of Agroy's conception of future development.

Agroy management was not aware of other company's cases of entering new markets. Moreover, there is no created process of choosing new markets. However, at the beginning of 2016 year Agroy Group opened its first overseas subsidiary – Agroy Inc. This expansion moved through the following scheme. At first, there were chosen countries with the biggest agrimarket size. Among these countries, there were the U.S., Brazil, India, China, Australia and France.

Second criteria was language. Online trading service, which Agroy offers to farmers, must be very simple to use. Its main purpose is to become comfortable tool for farmers all over the world. Consequently, it has to be translated into a language of the area, where it works. According to this statement, India would be the most difficult country, from the chosen range, to enter. There are some dialects, according to the different states. Agroy had to resources to overcome that problem.

Third criteria was finding a managing director of the subsidiary. This person must meet some important criteria. For instance, he must have real farming background. Meeting the criteria has at least two reasons. Firstly, managing director must understand agribusiness and some local specifics of it. Secondly, when subsidiary is set up, it is very important to attract into network some powerful farmers. This could become a sign for other farmers to follow the strongest ones. Consequently, managing director must be person, who has influence on other farmers. Besides farming background, it was also important, that this person could well understand business processes. After setting up subsidiary managing director is the main person who is responsible for development of the business.

Managing director is a key person of subsidiary. That is why, these criteria played crucial role for choosing new market. In the late autumn of 2015 year right candidate was found at the U.S. market. Consequently, the U.S. market meets all criteria, which were included into the process during that time:

- It is the biggest agrimarket in the world;
- English language is the language of World's communication;
- Suitable managing director is found

However, CEO's evaluation of current process of choosing new potential market is "not sufficient". After new subsidiary was opened, Agroy faced with some problems. It was not aware, for example, of competition existing at the market. There are some huge farmer's cooperatives, which are Agroy's indirect competitors. More to the point, there are some companies, offering very similar product – direct competitors (Agriprocity, Grainster). This problem occurs mostly due to lack of market research.

Market research had to be conducted to understand market structure before entering market. This helps company to prevent extra expenditures and avoid uncertainty.

The lack of market research triggered some unexpected expenditures. For example, cost level of the U.S. market turned up higher, than it was expected. Moreover, Americans prefer to contract everything they negotiate. Lack of awareness about cultural differences also led to unexpected expenditures.

More to the point, transportation costs are also higher, than it was expected. Using river's transportation (bulk vessels) is more preferable, than using lorries. However, way of transportation is tight linked to the location of suppliers and Agroy's buyers (farmers). Process of building suppliers network has not been started yet. Though, it is planned to be started during summer time. After harvesting season in autumn suppliers network must be ready to start Agroy's operations.

Conception of Agroy's future development focuses mostly on American market growth. This market is also important for Agroy's brand development. The U.S. is one of the World's strongest countries. Success at this market can create a good image for Agroy. It could help to get world's awareness, which makes further expansion easier. Consequently, American market is important for Agroy from strategical point of view.

### **Development of the U.S. Subsidiary**

This section discusses key findings from the second interview. This interview was dedicated to American market. It includes steps, which are already done, left to be done and unexpected events Agroy faced with in the U.S.

From the beginning of this year there are some steps, which are already done in the U.S. For example, in January 2016 there was Agroy Inc. set up. At the same month, managing director of the U.S. subsidiary signed his contract.

From the first day of his employment managing director started to build required infrastructure for Agroy. He found accounting and lawyers companies. According to the U.S. market's specifics to contract every step, to find lawyers company was one of the key tasks to start operations.

For all transactions with farmers (paying invoices, as an example) in Finland Agroy uses consequent company, providing this service. At the U.S. Agroy Inc. contracted local bookkeeping company from Utah. Without this kind of company, it would be impossible to start selling process.

Moreover, there was also found advisor. This is also person with agribusiness background. His role is to consult Agroy in questions, related to its future development in the U.S. However, Agroy needs to be hurry to start its operations in the U.S. It needs to study all possible opportunities for fast growth (better location, product, supplier, logistic company, etc.). One advisor is not enough. Agroy continues its process of looking for some more advisors.

At the same time, there was started process of trademark registering for the U.S. This step is also one of the key crucial steps to start.

More to the point, managing director arranges meetings with some powerful farmers in the Iowa region. Some of them have already joined Agroy's trading service.

During late spring, summer and September, while farmers are busy in their fields, Agroy is going to conduct last steps to finish preparing process. Company is going to start its operations in the late autumn, when harvesting season is finished and farmers start to prepare fields to the next year.

With the help of advisors, Agroy needs to choose the best location and best product to start with. Moreover, to start its operations Agroy needs to have more farmers, registered in trading service. More farmers means bigger order, which leads to cost decrease.

Consequently, Agroy has three important tasks:

- To find suppliers and build suppliers network;
- To find logistic partners and build logistic network;
- To find agronomist consulting company and develop farmers network

Lack of market research, during entering the U.S. market led to some unexpected problems. Some of them are high cost level, cultural differences and existing competitors.

Agroy has two kind of competitors: traditional vendors (eg. CHS) – indirect competitors and digitalized trade companies (eg. Agriprocity and FBN) – direct competitors.

CHS is a farmer-owned cooperative with a traditional trading style. In 2015, its revenue was \$34,6 billion, down 19% from the 2014 value (\$42,7 billion). The current number of employees is 12 500 persons. This means a sales volume of \$2,7 million/person. CHS's gross profit is 4%. CHS provides farmers with range of services, including building a global grain network and a distribution system, and connecting farmers to the inputs they need. Furthermore, CHS has a strategic relationships with North American manufacturers and suppliers of fertilizers.

Agricultural cooperatives are always very bureaucratic, and they have a lot of middlemen (almost every village has its own CHS representative – 1 100 local cooperatives) and high fixed costs. These costs are ultimately paid by farmers.

Agriprocity aims to connect farmers directly with buyers to remove as many of the intermediate agents as possible. The concept behind Agriprocity is very similar to the Agroy concept.

The Farmers Business Network (FBN) provides farmers with agronomic information and helps them collect, store and use their agronomic data. There are some powerful investors behind this company, including Google Ventures, KPCB and DBL investors. The total amount of funds received from them reaches \$28 million (incl. \$15 million received from Google Ventures). FBN is focused on data collection and use, but they may start trading inputs and outputs in the future, makes it Agroy's direct competitor.

However, Agroy's CEO considering that it was right decision to enter American market. To his opinion, this year is a right time to finish preparing process and start operations. He admits mistakes, which were made during expansion process. In his opinion, it is crucial to develop process of choosing new potential markets, which could help to avoid these kind of mistakes in the future.

#### 4.3 Key Findings of Current State Analysis

Current state analysis of a process of choosing new potential markets for Agroy's expansion was held in a form of interviews. These interviews revealed lack of structured approach in choosing new markets. Consequently, it led to some problems with Agroy's American subsidiary. Those problems could be forecasted, if the analysis of new markets was prepared more carefully.

In practice, some crucial points were missed:

- Studying existing competitors;
- Studying products, existing at the market;
- Studying impact of culture differences to business;
- Potential risks assessment

All these factors play key role in a marketing analysis during expansion process. New process should include these missed criteria.

However, there were also positive findings, revealed by current state analysis. All criteria, which were used during expansion to the U.S. were correct. These were agrimarket size, language and selection of managing director.

Currently Agroy Inc. has already got 30% of Agroy Oy total market in Finland (in hectares equivalent).

Though, the process of new markets selection should be supplemented and improved. In practice, it means creating of a structured process of assessment and choosing markets with high potential for expansion.

CEO recommended to make a table format for the Process due to its simplicity and visibility. More to the point the table format should let making easier a process of comparison of two and more markets at the time.

## **5 Proposal for Agroy Market Expansion Planning**

The chapter discusses a proposal for the thesis business challenge. There are two logical parts in the section. First part is dedicated to the proposal description. It discusses its design generally and every part in details. Second part represents validation of the proposal.

### **5.1 Design of the Proposal**

The proposal represents a Table which describes a Process and can be divided into two logical parts. First part gives an overview of agriculture market conditions of a studying country. While second part provides specific information about case market infrastructure. It contains information about potential partners, competitors, quality of Internet and mobile connection, cultural features and some other important for the case company market characteristics.

There has been chosen a table as a form of proposal because it provides a clear structure and visibility of the whole made analysis. All main required characteristics of the market are available at one page, which makes a review easier. More to the point a one-page-table format facilitates comparison of some market when it is needed.

The section reflects the structure of the Table and is divided into two parts. First part represents an analysis of conditions of agricultural market. While second part is dedicated to the characteristics of market infrastructure.

#### **5.1.1 Conditions of Agriculture Market**

Agroy Group is an e-commerce company operating in agriculture industry. It offers farmers an online platform which they use for buying agricultural inputs. Countries where agriculture plays a significant role for an economic wellbeing are potential Agroy

markets. Agroy evaluates potential countries for expansion first of all by some important factors:

- Main agricultural crops growing in a country;
- Size of grain fields in hectares;
- Agricultural seasons

Comprehension of the usual crops in a new market is highly important for understanding what kind of fertilisers to choose there. It provides an insight of whether Agroy should explore the fertilisers market in a detailed way or if the company is already familiar with a potential offered product range. Agroy has started in Finland, where main crops are wheat, rye, oats and barley. Consequently, the company is used to work with those products and is well aware of required fertilisers. However new market may contain some crops (rice, for instance) which are not that familiar for Agroy management. Before entering the market Agroy needs to make a deep analysis of what kinds of fertilisers are used for the crops.

Despite of the agricultural inputs product range is quite standardised, there are still some differences in agricultural inputs mix. The differences are based on different soil types, its condition, popular and reliable brands for a certain market and so on. Consequently product range is considered by the company for every new market.

Size of grain fields is one of the most crucial market characteristics. It represents the size of the market and the potential it has. The feature does not show the total amounts of fields in a studying country but the amount which is covered by crops. It helps to exclude soil which is not under use from the analysis. Consequently, the factor reflects an amount of arable land which is a real amount of crop fields and thus the real market potential for Agroy.

As it was mentioned above Agroy mostly focuses on the countries where agriculture is one of the most important industries. That is why the company is interested not only in some European countries but also in Asian and Latin American regions. European market is very important in strategic point of view due to its close position to Finland, Agroy's native market. The market is well developed from logistic point of view to say nothing of agricultural innovations developing level. Moreover, it is close as well from its cultural characteristics. However, it comes short of crop fields amount comparing to,

for example, India or Brazil. Though Asian and Latin American countries have specific characteristics as, for instance, soil condition and agricultural seasons. Planning an expansion in one of the countries from the regions Agroy needs to be aware of the differences and prepared for possible risks.

Table 4. Part one: conditions of agricultural market

Factors/Countries	Country A	Country B
<b>Product</b>		
Rice	+	+
Wheat	+	+
Maize	+	+
Other	cotton, vegetables, fruits	jute, tea
<b>Grain fields, ha</b>		
Rice	13 870 000	12 499 360
Wheat	2 891 000	11 820 000
Maize	9 199 000	410 000
Other	1 130 000	229 000
Other	650 000 (+ 2 800 000 cotton)	40 360 (+ 17 000 cotton)
<b>Agricultural seasons</b>		
Rice	Kharif season (16th of April - 15th of October)	Kharif season (16th of April - 15th of October)
Sowing		
Harvesting		
Wheat	Rabi season (November - April)	Rabi season (November - April)
Sowing		
Harvesting		
Maize	Kharif season (16th of April - 15th of October)	Kharif season (16th of April - 15th of October)
Sowing		
Harvesting		

The Part one presents a Table which includes three agrimarket characteristics:

1. Product;
2. Grain fields, ha;
3. Agricultural seasons



First characteristic, “Product”, contains a list of main crops for the studying countries. Moreover, it includes line “Other”. The “Other” line is filled with other agricultural products, producing in the countries. These products are outside of TOP 3 main products, according to the production volume.

“Grain fields, ha” characteristics contains corresponding amount of fields used for growing products from the “Product” line. It also includes an “Other” line for appropriate products’ field amount.

Third characteristic, “Agricultural seasons”, includes terms of season/seasons per each of TOP 3 crop. An importance of the characteristic can’t be overvalued. Agroy supplies farmers with fertilisers. Usually farmers buy them in 1-2 month period before sowing season. Sometimes farmers prefer to acquire agricultural inputs in advance after harvesting season. An understanding of the agricultural cycle in a country is essential for Agroy. It provides an opportunity of operations’ process creation without interruption.

Attending in different continents with different agricultural cycles Agroy aims to create a delay-free process. The process is expected to have a positive influence on company’s operations and hence on the profit.

Table 4 presents a comparison of two countries, A and B. However, the table format allows adding some more countries if required. The format is simple and easy to use. For example, exploring results of the countries comparison it is easy to make important conclusions. For instance, both countries have very similar conditions in growing crops range and agricultural seasons. Though there is a big difference in grain fields split between the crops. Despite almost same amount of arable land (13.9 million hectares in country A and 12,5 million hectares in country B), there is an evident specialisation of country B in rice growing. While country A is mostly specialised to wheat production.

The Part one gives a brief understanding of an agricultural market conditions. It presents summary of the important agrimarket characteristics required for a first glance at the market. It can be utilised as a tool assisting manager’s decisions. The tool can be used for a fast assessment whether or not to make deeper market analysis.

### 5.1.2 Characteristics of Market Infrastructure

First part of the proposal is dedicated to describing agricultural market conditions. It gives a basic understanding of market size, crops and agricultural seasons. While second part of the proposal studies market infrastructure.

The market infrastructure part includes eight following factors:

1. Structure of the sector;
2. Competitors;
3. Fertiliser manufacturers/traders;
4. Internet and mobile penetration;
5. Domain name cost/year;
6. Statistics of using smartphones;
7. Religion;
8. Language

One of the most important factors is structure of the sector. It presents statistical information describing the number and characteristics of key buyers at the market. For example, it includes the number of private farmers and cooperatives. Moreover, it may include information about average farm size. The importance of the information is very high. For instance, if the Table provides information that a studying market has enormous number of cooperatives (more than 70% of total agri-inputs buyers) this market can not be in TOP priority markets for Agroy.

Agroy's strategy is to be a market price leader pushing out agricultural cooperatives and other kind of middlemen from the market and thus let farmers receive price advantage. Consequently, if the market is full of cooperatives there are almost no potential Agroy farmers.

Average farm size is also a crucial characteristic. Agroy entry strategy consist in attracting some of the largest farmers at the market to become the shareholders. Given gained experience from the U.S. market the conception works very well and has a range of benefits.

Thus for example, it helps a market penetration. The registered farmers create a basement for future orders. Moreover, according to their large farm size it is possible to start operations earlier at the market. To start its operations Agroy requires to get enough orders' volume to negotiate better prices with suppliers.

Second advantage of starting from the largest farmers again connected to the size of their farms. As it was learned from the setting up the U.S. subsidiary, smaller farmers tend to copy behaviour of large farmers. Usually large farmers are well known nearby the area where they live. Consequently, when smaller farmers know that their large neighbours have already signed into Agroy service they do same. The influence of the authority to behaviour of other people is easy to be explained. Smaller farmers believe that large farmers are wise and have a deep understanding of modern trends in agriculture. They know how to increase profit. Agribusiness, if it relates direct to farming, is still very traditional. Direct communication between farmers is still playing a huge role there.

Sometimes to start operations and receive profit there is enough to have 20 – 30 large farmers. It always depends on a particular country. For example average size of Agroy farmer in the U.S. is 1 000 hectares while in Finland it is 150 hectares. Thus for starting operations in U.S. it is quite enough to have 30 000 – 40 000 hectares. It means that if for some reasons smaller farmers do not follow the largest one there is still enough volume to start.

One more advantage of attracting the largest farmers to become the shareholders relates to a building of loyalty. Being one of the owner of Agroy farmer becomes the company's ambassador. He understands the conception of price negotiations according to bigger order volume. It makes him more motivated in attracting his neighbours to sign in. He gets a feeling of participating in a global project, transforming agribusiness.

Next important factor of the market infrastructure part of the Proposal is competitors' overview. Understanding of potential competitors and competition intense is crucial for any company decided to enter new market. The proposal includes list of those competitors which business model is close to Agroy's one. Thus, these are e-commerce companies and Agroy's direct competitors. In the U.S. for example, Agroy faced some obstacles because of some direct competitors already existing there.

However, the Table also provides with a number of traditional vendors – indirect competitors. It is required for general understanding of a market competition structure. Moreover, there are some countries where there are only indirect competitors. In that case the Table provides information about indirect competitors only.

The competitors' part, depending on a market, can also include some companies which can become competitors in the future – potential competitors. These companies provide some services as field analysis or fertiliser usage advice. At the moment, they are not Agroy's competitors. However, they have high potential for that. Such companies provide the online services to the farmers. Thus, start of selling fertilisers can become a next step for them in developing their business.

Overview of fertiliser manufacturers and (or) traders is a next factor from the Table. These are potential suppliers for Agroy. It is important to find out information about both, manufacturers and traders. Usually large fertiliser manufacturing companies refuse to work with contractors which buying volume is too small. They already have well established buyers network. Consequently, if Agroy does not have enough volume for negotiating price with manufacturers the company should be aware of other potential partners. For example, existing trading companies, operating in the area can become such partners.

One more important factor to explore while planning an expansion is a presence and quality of the Internet and mobile connection.

The factors plays one of the key roles in a new country selecting process. The Agroy service is an online tool used by farmers for buying the agricultural inputs. The online service is a core idea of Agroy business. It allows to avoid wide salesmen and offices network which always means extra costs to farmers.

However, first of all Agroy's service is created with care about farmers and deep understanding of different conditions and needs. Thus, Agroy has a solution for some countries or areas where the Internet connection is low. Agroy provides those farmers with a feasibility of confirming orders using simple mobile phone text message. The model does not require the Internet connection. The single requirement for sending the text message is a well established mobile connection network.

Text message service can be used as a first step or on a permanent basis in some countries or regions where the Internet connection is very poor. However, this model includes the high risks of misunderstanding. Due to some problems in mobile network connection, it can cause mistakes and delays in confirming orders and its delivery.

Agroy is focused on operating through the Internet platform. However, there can be some exceptions. One of the exceptions is a situation when a country or its part has a low Internet connection but is important from strategic point of view. In that case Agroy does not postpone the expansion but offer the text message service.

Consequently, the main reason of checking the Internet and mobile network connection is to get an understanding, which model to choose: the online or text message one.

Next factor, mentioned in the table is yearly domain name cost. Agroy is an e-commerce company and it requires to have a web page. According to Ghauri and Cateora (2010) and as it was discussed above, when a company is strongly identified with a host country it is less vulnerable in political risks context. Moreover, local domain name increases farmers' trust and loyalty to a company. They start to consider a new market player as a local company which understands their needs better than a foreign one.

Agroy offers an online service which farmers can use from different devices: smartphones, tablets, laptops. However, if farmer is currently in the field the most convenient and the simplest way to connect the service is via his smartphone.

Agroy receives crucially valuable information by appreciating a level of smartphones usage. The high importance of the information makes it one of the key factor in comparison of a new market attractiveness.

Smartphone is the most common tool for the service accessing. It became an essential device in a modern society. However, in some countries farming is still a kind of an archaic industry. Usually the usage of smartphones by farmers there is not a widespread trend.

Despite of an opportunity to operate through simple mobile phones without the Internet connection, Agroy target farmers are those with smartphones. Consequently, planning

the business expansion in that type of countries it is crucial to understand the number of smartphone users.

In the part two of the Table there are mentioned two factors presenting a culture sphere of a society. These are religion and language. Among these two cultural elements religion is the most sensitive one.

Same images or symbols' perception is changing due to some cultural differences dictated by different religions. What is acceptable in the Western world is not always considered allowable in the East. Thus, for example, using of the women images for a web page is not accepted in some countries. Some animals are recognised as sacred and it also sets some limits in their images usage. Understanding of a new country's religion characteristics and a level of its impact on a society is crucially important.

Language is one more important factor to be aware about. One of the reasons why the U.S. market has been chosen as a first foreign subsidiary is language. English language is wide spread in the world which makes international communication simpler and more effective.

Most of European countries are relatively easy to enter for any company with European roots when referring to language variety. A totally different situation is when dealing with Asian countries. Some Asian countries have dozens of official languages. The huge language variety inside one country is one of the biggest challenges there.

Understanding of the local languages using in different country regions is very valuable for Agroy. The huge language variety cause some problems for the company. For example, what language to choose for a web page if there are 10 or 20 or even more official languages in the country. However, this problem is quite easy to solve, putting a list with all languages. Thus, a costumer should choose a preferable language.

Advance preparing to the wide languages variety inside a country makes the company more flexible and ready to operate. In that case the language diversity should not steal the company up.

Table 5 presents an example of market infrastructure part of the Table.

Table 5. Part two: market infrastructure

Factors/Countries	Country A	Country B
Structure of the sector	8 264 480 private farmers (average - 2,6 ha)	Farmers organizations (arsha Chashi Unna yan Samity; ralganchi Adarsha Samobay Samity; etc.)
Competitors	StarFarm	Farmers' groups
Fertilizer manufacturers/traders	FFC (Urea); SAFI Group; Suraj; National Fertilizer Corporation; Engro Fertilizer	Habib Group; BFA fertilizer; Kafco
Internet/Mobile penetration	Internet connection urban 17.4%, rural 1.3%	Expensive, not available in rural areas (0,4%)
Domain name cost/year	15,4 Euros	36 Euros
Use of smartphones	Mobile phone urban 94.7%, rural 83%	12% - 15%
Religion	Islam	Islam
Language	Punjabi (44%), Pashto (15%), Sindhi (12%), Urdu (8%), Balochi (3.6%)	Bengali

The Table is filled with two example countries, A and B. Market infrastructure characteristics are presented for both countries in the same table. It makes the comparison process easier.

It is possible to make some crucial conclusions on the basis of the table. For example, first characteristic is “structure of the sector”. As it is observed from the table country A contains a lot of small private farms. While country B is presented by farmers’ organisations and cooperatives. According to the first market infrastructure feature country A looks preferable for Agroy in a comparison with country B.

“Competitors” part of the table presents one direct competitor in a country A and some farmers’ groups in a country B. These are likely cooperatives and other farmers’ units.

Manufacturers’ part of the table contains a list of some fertiliser manufacturers and traders. Both, country A and B, have a range of Agroy’s potential fertiliser suppliers.

At the current stage both countries look quite attractive for Agroy. However, according to “structure of the sector” feature there is a preference of country A.

Though, a big challenge starts when it is dealing with “Internet and Mobile” penetration. The table provides with dramatically low number of internet users in rural areas of both countries. Thus, in the A country there are only 1.3% of Internet users in rural areas. While in the country B this number is even lower – 0.4% of users from countryside. For Agroy it means that there are almost no target customers for the online service.

However, country A presents a surprisingly high level of smartphones penetration in rural areas. Such information is very important. Thus, Agroy can use there the text message model instead of the online service. The level of smartphones penetration is much lower in country B in comparison with the A country. It is between 12% and 15%. While in the A country it reaches 83% of rural population.

For both countries, main religion is Islam. It creates a need of a deeper study of the religion features in the particular countries.

The last one features of the market infrastructure table is a “Language”. According to the characteristics the most challenging country is country A. There are five wide spread official languages in the country: Punjabi (44%), Pashto (15%), Sindhi (12%), Urdu (8%) and Balochi (3.6%). While country B is presented by only one official language – Bengali.

The market infrastructure part of the Table creates a comprehensive picture of the characteristics which are important for the case company. It provides with clear understanding of some sensitive and crucial features of the market. These are, for example, some important cultural elements like belief system and language. Moreover, the second part of the Table contains information about the Internet and mobile penetration and smartphone users’ percentage. These factors relate to the business model of Agroy.

Both, part one and part two, being the sections of the Table create the whole picture of the most important characteristics for the case company. The Table provides a com-



plex understanding of the studying markets. It creates a basement for a primary market selection and its further analysis.

## 5.2 Validation and Pilot Test of the Proposal

The paragraph discusses the validation of the Proposal which presents the results of a face-to-face interview with Agroy CEO. More to the point, the paragraph includes a discussion of the Proposal's testing and the testing's validation discussion.

### 5.2.1 Discussion of the Proposal's Validation

Agroy Group is a parent company for its two subsidiaries. The first subsidiary, Agroy Oy, is located in Helsinki, Finland. While the second subsidiary, Agroy Inc., was set up in Chicago, American Midwest. The U.S. subsidiary is the first Agroy's foreign subsidiary.

Currently, Agroy intends to continue its expansion and is seeking for a new potential market. International expansion is one of the key processes in Agroy's business development.

However, Agroy has been faced with a problem of lacking structured process of a new market selection. Absence of the process caused a number of mistakes while Agroy was setting up the U.S. subsidiary. These were, for example, absence of competitors study, lack of business mentality research and so on. These mistakes caused some extra payments and postponed the operations' start.

Given gained experience from a founding of the U.S subsidiary Agroy came with idea of a need of a special process for markets selection.

The output of the thesis is creation of the process. The process represents a table with a market features list. The Table is divided into two parts:

1. Conditions of agricultural market;

## 2. Market infrastructure

First part of the Table, “Conditions of agricultural market” gives a general description of agricultural characteristics of a market. It consists of three parts:

1. First part contains a range of the main crops growing in a country;
2. Second part includes a number of hectares of arable land;
3. Third part provides with information about agricultural seasons’ periods

Second part of the Table, “Market infrastructure” contains information about market structure, potential competitors and suppliers, mobile and Internet network conditions, smartphones users’ statistic, cultural characteristics of a market.

The Table was presented to Agroy’s CEO. After that there was conducted an interview with Agroy’s CEO to receive a feedback about the Table.

The interview took 60 minutes. During the interview there we made notes.

The general attitude of CEO to the Table is positive. He finds it well-structured and useful for further utilisation. To his mind, the proposed process of a new market selection contains the main important market characteristics. The process, according to CEO, paints a complex picture of a market for its primary choice. CEO noticed that market features, presented in the Table are critically important in a country analysis.

However, CEO marked some required improvements for the Table. Thus, for instance, he noticed that there are no information about agrochemicals’ manufacturers or traders. Though Agroy supplies farmers in Finland with fertilisers as well as with crop protection products.

Fertilisers’ trade much more contribute to Agroy’s sales in both, volume and value, characteristics in comparison with agrochemicals. However, crop protection products have a high importance for farmers.

Agroy’s core idea is to supply farmers with all agricultural inputs required for farming. Consequently, information about agrochemicals’ manufacturers and/or traders should be marked in the Table.

One more comment of CEO relates to yearly cost of domain name. To CEO's mind the feature does not play a huge role in a new market selection process. A mention of the cost is optional. However, the information can stay in the Table. There is no need to delete it.

CEO has noted some special benefits of the Table. These are, for example, complexity of the Table and at the same time a clear format, ease of use and preparing the countries comparison. All these advantages contribute to a new market selection process simplification without loss of its quality.

The feedback related to the Table and received from CEO proves that the general idea of the proposal is accepted by Agroy management team. One of the main advantages of the Table, according to CEO, is its complexity but not complicity. More to the point, table format of the proposal facilitates of an easy market characteristics comparison between countries.

However before the process is launched into business operation of Agroy it should be tested. Next step is to prepare a comparison of three countries and to make a final validation of the Table.

### 5.2.2 Pilot Test of the Proposal

Testing process is an important part of a research. It assists in applying all theoretical insights to practice. More to the point, it helps in identifying some potential problems of the research output.

The output for a current research is a Table. The Table contains a list of the most important market characteristics for a case company. The main purpose of the Table test is to check if it provides Agroy with a clear process of the new markets selection.

The test should mark potential "white spots" of the research. It gives an opportunity of improving those points before the tested process is launched.

For the proposal test the Table was filled with information collected for three countries. These countries has been chosen as the sample countries. All of them are from different continents. Thus, the countries are India, Brazil and Canada.

The main criteria for selecting these countries as the sample countries was amount of grain fields.

The whole Table is divided into two logical parts:

1. Conditions of agricultural market;
2. Market infrastructure

Table 6 presents the filled Table with information about conditions of agricultural market for the sample countries.

Table 6. Conditions of agricultural market for the sample countries (India, Brazil and Canada)

Factors/Countries	India	Brazil	Canada
Product			
Wheat	+	+	+
Maize	+	+	+
Soybeans	+	+	+
Other	rice, vegetables, fruits	rice, cocoa, beef, sugar cane	rye, rice, oats
Grain fields, ha	127 000 000	21 850 734	13 980 500
Wheat	27 940 000	2 834 945	9 461 900
Maize	19 050 000	15 431 709	2 136 100
Soybeans	5 080 000	30 273 763	912 700
Other	74 630 000	3 584 080	1 469 800
Agricultural seasons			
Wheat			
Sowing	May-July (Kharif); August-September (Zaid Kharif)	Jun - Jul	April-May, September-October
Harvesting	September-October (Kharif); December-	Sep - Oct	July-October

	January (Zaid Kharif)		
Maize			
Sowing	October-December (Rabi)	Sep - Dec	April-May, September-October
Harvesting	February-April (Rabi)	Feb - Apr	July-October
Soybeans			
Sowing	May-July (Kharif)	Sep - Dec	April-May, September-October
Harvesting	September-October (Kharif)	Feb - Apr	July-October

The first part of the Table named “Conditions of agricultural market” presents an analysis of the three sample countries: India, Brazil and Canada. The table contains information related to three market characteristics:

1. Products. These are the main crops growing in a country;
2. Number of grain fields amount in hectares. These are the fields occupied by the main crops;
3. Agricultural seasons. The seasons’ information is gathered for the main crops.

According to the products’ part of the table there are three products which are same for the countries. The products are wheat, corn and soybeans.

More to the point, in the “Other” line there is one product’s match. The product is rice.

For Agroy those matches mean that notwithstanding of the country choice any of the analysed countries has almost same range of the crops. Despite of a climate differences, all of these three countries have, for example, wheat production.

Wheat is one of the most important crops for Agroy. Starting its operations in Finland Agroy has been supplying farmers with fertilisers which are mostly suit for wheat growing. Thus Agroy has a good experience and deep understanding of dealing with fertilisers for wheat.

Agroy’s main customers are farmers specialised on crop growing. However, there are some hundreds of Finnish farmers, registered in the service whose main focus is on meat production. These are usually pork, cattle and chicken producers.

Some of the farmers specialized on meat production are growing feed crops for their animals in their farms. This is the reason why they need to buy some fertilisers head to head with crop farmers.

That is why it is crucial for Agroy to be aware if a new potential market is focused on crops or meat production. Thus, for instance, New Zealand is famous for its meat production. However, there are some countries, like Brazil, for example, which is strong in meat production but also has some huge crop producing regions. Mato Grosso is one of the examples.

Next block in the table offers the grain fields statistics. According to the table the largest amount of arable land, occupied by fields, there are in India (127 million hectares). While Brazil has around 22 million hectares and Canada – about 14 million.

According to the arable land split between the three main crops, India and Canada are mostly specialised on wheat production while Brazil – on soybeans growing.

Supplying farmers with fertilisers, Agroy usually starts its operations 1 or 2 months before a sowing season start. However, the company try to keep selling round open for farmers for a whole year round. Though, currently the company has two subsidiaries where sowing season starts almost in the same time – spring.

One of the main ideas of Agroy is to create an uninterrupted operations' circle. Consequently, sowing season in a next country should differ from those in the current subsidiaries.

“Agricultural seasons” block represents sowing and harvesting terms for the analysed countries. It provides with an interesting pattern of potential selling time for Agroy. Thus, for example, India and Canada have two wheat sowing seasons per year. The first one starts in May – July in India and in April – May in Canada. While second season begins in August – September or July – October in India and Canada correspondingly.

Thus, Agroy can start its operations in India in March – April and during June – July. For Canada, the operations start time can be held in February – March and between May and June.

Wheat sowing season in Brazil is once per year and is held usually during June – July. Consequently, Agroy's selling time starts in April or May. The selling time is different in comparison with current Group's subsidiaries.

The statistics represented in the "agricultural seasons" block states that the three countries have some matches in their agricultural circles despite of climate and geographical difference between them. Thus, the potential Agroy's operations start time is almost same nevertheless a country choice made by the company.

The studied countries represent three different continents. Thus, India is a huge Asian country while Brazil and Canada are from South and North America consequently. However, despite of the climate differences all of the three countries have been producing the same main crops: wheat, corn and soybeans.

More to the point, according to kindly climate conditions for growing crops some of the countries have more than one agricultural seasons. The several number of agricultural seasons makes some matches in their crop production circles.

However, the clear leader in an amount of arable land occupied by crops among the studies countries is India.

Being one of the largest wheat producers in the World it provides Agroy with a huge potential for operation's expansion.

Though, there was finished the first part of the process of a new market selection. Consequently, the primary decision on a country choice for the further analysis and potential expansion can be finished after second part of the process is done.

Table 7 presents the second part of the Table.

Table 7. Market infrastructure of the sample countries (India, Brazil and Canada)

Factors/Countries	India	Brazil	Canada
Structure of the sector	106 600 000 private farmers, average farm is 1,55 ha; cooperatives	5 175 489 farms; 4 367 902 farms are less than 10 hectares	205 730 private farmers (average - 311,2 ha)
Competitors	RainbowAgri, Big India Farms, e-Choupal	Brazilian Cooperatives Organization (BCO) - 7 261 cooperatives	AgriproCity
Fertilizer manufacturers/traders	Coromandel International Ltd., Gujarat State Fertilizers & Chemicals Ltd., Rashtriya Chemicals & Fertilizers Ltd.	DuSolo, Nidera, ICL Fertilizers, Heringer, VALE	Koch; AgroCare-Canada (organic); Agrico; DuSolo
Agrochemical manufacturers/traders	DuPont, Rallies India Limited, Advanta Limited, Monsanto	Nidera, Bayer, Monsanto	CropLife; Adama; Bartlett; Gowan; Dupont; Univar
Internet/Mobile penetration	9% of rural population are connected to the Internet	43% users in urban area, 10% - in rural	85% of rural population are connected to the Internet
Domain name cost/year	From 1,2 Euro	31 Euro	9,5 Euro
Use of smartphones	16.7 %	37 %	65 %
Religion	Hinduism, Islam, Christianity	Catholicism	Catholicism
Language	Hindi and English are main. In total there are more than 150 languages	Portuguese	English, French

The market infrastructure part of the Table starts from the sector structure statistics. The feature provides with information about the amount of private farmers and the average farms' size. More to the point, the "structure of the sector" block contains information about agricultural cooperatives if they are wide spread in the studying market.

According to the sample countries comparison, India has the biggest number of private farms. The number is around 107 million farms while in Brazil it is 5 million and in Canada – around 206 thousands.

However, the average size of the farm is much bigger in Canada in comparison with India and Brazil. It is 311 hectares. Whereas in contrast with India where the average farm's size is 1,55 hectares and Brazil where 84% of all private farms' size is less than 10 hectares.

There were no found direct competitors in Brazil. While in India and Canada there are some companies which offers farmers some similar services.



World fertiliser and agrochemicals giant manufacturers are represented in all three sample countries. Thus, these are such well-known companies as, for example, Koch, Bayer, DuPont and Monsanto. Though, Indian fertilizer is represented as well with a huge amount of local manufacturers.

The Internet and mobile penetration block allows to make an analysis of the networks availability. The analysis enables to make a primary forecast of the service users' number. Thus, Canada has the largest the Internet and mobile network penetration among rural population – 85 %. In Brazil there are 10 % of the networks users in a countryside while in India – only 9 %.

A rate if smartphones' use by rural population correlates with the Internet and mobile network's penetration percentage. In Canada there are 65 % of farmers who use smartphones. In Brazil the number is lower and reaches 37 %. While India has the lowest rate among the studied countries. It is only around 17 %.

Cultural block represents two important market characteristics as religion and language. Both, Canada and Brazil, are mostly Catholic countries. While India presents a large palette of belief systems and its varieties.

Same situation relates to a number of the official languages of the countries. Thus, in Canada and Brazil there are two official languages. In Canada the languages are English and French while in Brazil these are Portuguese and Brazilian Sign Language (spoken in urban regions). However, India represented by 23 official languages and an uncountable number of the local dialects. The huge variety of official languages and wide range of local dialects make India the most difficult country to enter among the sample three countries.

The main goal of the Table test was to check if it provides Agroy with a clear process of the new markets selection. Moreover, it should mark some of the potential "white spots" of the research. The test has been evaluated by Agroy CEO. The evaluation results are presented in the "Validation of the Pilot Test" section.

### 5.2.3 Validation of the Pilot Test

Starting its international expansion Agroy has been faced with some problems, like additional unexpected expenditures and misunderstanding of another culture. The main reason of all the problems the company was faced with was insufficiency of the foreign market knowledge. The insufficiency appeared due to lack of the structured process of a new market analysis.

The Table proposed in the Thesis represents a process which is created to replace the lack of the structured approach.

After a first evaluation of the proposal CEO gave some comments related to a list of a market features presented in the Table. Thus, for example, he asked to add the information about agrochemical manufacturers or traders presented in a studying country. The main products Agroy supply farmers with are fertilisers. However, the company also offers to its customers an opportunity of buying crop protection products. Hence the information about agrochemicals suppliers should be presented in the Table.

More to the point, CEO mentioned that information about yearly cost of domain name is useful. However, putting the information into the Table is optional.

Hence, the Process has been edited due to CEO's comments. After it was updated there was conducted a test.

The Table has been tested on a three countries sample. The countries have been chosen from different continents with different climate conditions. These countries are India, Brazil and Canada.

The Process's test results have been presented to the reference group for evaluation. The reference group for the evaluation was consisted on the company CEO. There was conducted a face-to-face interview. The interview took 80 minutes.

During the interview, there was carried on a wide discussion of the Process test. A huge attention was paid to a suitability and reasonableness of the market characteristics presented in the Table. There was given heed to reliability of the information gathered through the Process and its sufficiency for a new country primary choice making for a further analysis.

CEO mentioned that the Table builds a clear general picture of the studied countries. Especially he has noted that the table format of the proposal makes the Process more visual and easier to use. Moreover, the table format allows to conduct a range of countries comparison which is essential for a choice making process. Hence, the Process applied in the test provides with required information about agricultural market conditions and market infrastructure of the studied country. The information enables to evaluate the markets advantages and disadvantages. Moreover, it allows to make a primary forecast of the approach which should be used in the market.

More to the point, the Process provides with information about potential challenges the company can be faced with entering one of the new markets. Moreover, the features of the market represent different spheres of the company's business environment. These are products and agricultural seasons information, competitors and suppliers network, the development of the Internet and mobile networks, cultural characteristics. All these features create a complex picture of the markets and thus enables the company management to make an informed decision.

To CEO's mind, the created Process meets the company's needs for the new markets' primary analysis making. The Process represented by the Table has a crucial value for the expansion strategy of the company.

The Process is going to be implemented into Agroy's operations. The Table becomes the most important tool used for the new markets primary comparison and choice.

### 5.3 The Prepared Proposal

The aim of the thesis was to create a process for selecting the new potential markets. The process should contain some features for making a comparison and selecting the new markets with the highest potential.

There has been proposed a table format for the Process. The format has some important benefits. Thus it makes easier preparing comparison of the different markets. Moreover all the markets characteristics are gathered in a structured table. It simplifies a studying and assessing the markets.

The Proposal came through 2 rounds of evaluation. The first round was dedicated to a discussion of a suitability and reliability of a table form of the Proposal. While during the second round of the evaluation there was a focus on pilot test of the Proposal.

A reference group in the both evaluation' round was represented by CEO of Agroy Group.

Finally, based on a research done and all the feedback received from CEO there was presented a final version of the Process. The Process represents a table (see Appendix 3) which is divided into two parts. First part of the Table is dedicated to the agriculture market conditions of a studying country. While the second part supplies with a specific information about case market infrastructure.

The Process has been already implemented in Agroy's business operations. Thus, there has been already prepared an assessment for 27 markets all over the world.

#### 5.4 A Proposal for a Future Use and Modifications of the Table

The Table represents a process of assessment and selecting a new potential market for Agroy expansion. Totally there were two evaluation's rounds for the Table.

First round has been conducted when the Table was proposed as a process for selecting a new market. While second evaluation round relates to a test of the Table. In both cases there was a reference group which consisted in one person – CEO of Agroy.

According to all feedback received during the evaluations rounds, the Table satisfies the Company's needs. It offers a reliable and complex information about studied markets. The table format of the Process provides Agroy management with an opportunity to compare different markets in a simple and fast way.

All the proposed modifications and a future use of the Table can be divided into two groups:

1. List of a market characteristics' modifications and proposals for a future use;

2. The modifications and future use proposals related to the market information of some exact countries which have been already studied

First group of modifications of the Table represents a necessity of periodic review of the market features presented there. The market characteristics are like a fishbone of the whole process. These are the factors on the basis of which the whole assessment and a new market selection process is built. Consequently, it is crucial for the business process to keep the factors up to date. It means, for example, that the list should be reviewed and if it is required some factors can be changed to others or some new characteristics might be added.

Agroy has some specific characteristics of the products it offers to customers. Thus, for example, the company supplies farmers with fertilizers and agrochemicals.

It is crucial for the company to be aware of the main crops producing in a country before making decision of expansion there. Agroy has a good experience in supplying agriinputs for some crops like, for example, wheat and oats. However, Agroy should get an information about soil conditions to make a more accurate decision while selecting a new potential market for expansion. The content of fertilizers' ingredients is almost same in all countries. Though, the percentage of the ingredients is changing due to different soil conditions. Thus, those fertilizers which are used in Finland, for example, probably can not be used in some Asian countries. There is a totally different climate and soil conditions.

To be prepared for the differences in soil types and its conditions, there should be added a special market characteristics to the first part of the Table. The characteristics should describe the soil type in a studying country and its current conditions. Thus, for example, in some regions of a studying country there is lack of nitrogen in the soil while in some other regions of the same country there is too much zinc.

The information, received from the soil analysis should assist in making a more informed decision of fertilizers to be offered there. Thus, it helps the company to save time and propose a correct solution from the early start of the operations in a selected market. The proposed solution will satisfy the real needs of the farmers from the chosen market.

Agroy focuses on the countries with a huge proportion of agriculture in economics. Some of the countries have a low literacy rate. For the company it is crucial that farmers should be able to use the service or at least to read the messages from the mobile phones. Consequently, there should be added a literacy rate characteristics of the market.

Second group of modifications and a future use of the Table consists in the information which has been already gathered for some countries.

The Process has been already implemented into Agroy's business operations. There has been prepared an analysis of 27 countries from all over the world.

On the basis of the conducted analysis there have been chosen four new potential markets, representing four different continents. For these four countries there will be conducted deeper analysis for final assessment and making a decision.

However, the market characteristics included into the Table represent a changeable information which should be periodically reviewed. Consequently, there should be undertaken a decision of their reviews periodicity.

The reviews are crucial for correct understanding and assessing the markets conditions. Thus, for example, the market infrastructure part requires several reviews per year. It contains some frequently changeable characteristics like list of competitors and manufacturers or traders. Moreover, the structure of the sector is also quite dynamic and has a tendency to changes. Same can be said about technological characteristics like, for instance, the Internet and mobile networks penetration.

Consequently the market infrastructure part requires to be monitored and reviewed several times per year. There has been undertaken a decision of monitoring and reviewing it one time per quarter. Hence, the market infrastructure part of the Table will be monitored and updated four times per year.

While the agricultural conditions of the market part include more stable characteristics of the market. These are the main crops, amount of arable land in hectares and agricultural seasons. They have a less tendency to changes. However, they still should be

monitored and updated if needed. The decision was to review the part of the Table two times per year.

## **6 Discussion and Conclusions**

Agroy Group is a company originated in Finland. Currently the Group has two subsidiaries. The first subsidiary is located in Finland while the second one operates in the American Midwest. The U.S. subsidiary was founded in 2015 year when Agroy decided to start an international expansion of its business.

One of the main factors influenced the decision of the U.S. market selection was the agrimarket size. United States of America have huge amount of arable land. Some of the crops they are growing there, like wheat, rye and oats are same in Finland. Thus, Agroy is familiar with supplying fertilisers for them.

Second important factor was a language. Online trading service, which Agroy offers to farmers, must be very simple to use. Its main purpose is to become comfortable tool for farmers all over the world. Consequently, it has to be translated into a language of the area, where it works. According to this statement, the U.S. market is one of the easiest in the agricultural world.

One more crucial factor was a hiring of a professional managing director. It should be person who very well understands agriculture as well as business processes.

However, while starting an international expansion of its business operations Agroy faced with a number of problems. For example, there were some unexpected expenses due to lack of the U.S. business culture knowledge. More to the point, there were some problems, caused by insufficiently prepared market analysis. Thus, for instance, there were no information found about direct competitors. However, the U.S. market is represented by some companies, known by farmers, which offer quite similar services.

All the problems Agroy was faced with originated from the lack of a structural approach to a new market selection process. In reality there were no structured process at all.

The decision of the business expansion into American Midwest was made due to some strategic reasons.

Currently, while Agroy is planning to continue its international expansion. Given gained experience from the U.S. market entry, Agroy came with an idea that it should have a structured process for a new market assessment and selection.

Agroy business has some specific characteristics that should be taken into account while preparing of the process. Thus, for instance, Agroy's core idea is to collect purchasing volume and only then negotiate price directly with suppliers. It helps to avoid the middlemen and thus, all kinds of bureaucracy. More to the point, Agroy offers an online service that requires the Internet connection.

There was undertaken a research of the market characteristics required for the international expansion. As a result of the research the paper offers a process of a new markets selection.

The Process represents a table (see Appendix 3) divided into two parts. First part of the Table is dedicated to the agriculture market conditions of a studying country. While the second part supplies with a specific information about case market infrastructure.

It is crucial for Agroy to be aware of some general agimarket characteristics. Hence, the agriculture market conditions part should include some important for the company factors as:

- Main agricultural crops growing in a country;
- Size of arable land under grain fields in hectares;
- Agricultural seasons

However, it is not enough for expansion and starting business operations just to be familiar only with agrimarket conditions. Hence, there should be information related to the market infrastructure part features. The second part of the Table, "the market infrastructure", is dedicated to this purpose. It includes eight following market features:

1. Structure of the sector;
2. Competitors;



3. Fertiliser manufacturers/traders;
4. Internet and mobile penetration;
5. Domain name cost/year;
6. Statistics of using smartphones;
7. Religion;
8. Language

The features relates to different spheres of business environment and include information about structure of the sector and main players, like potential suppliers and competitors/partners.

More to the point, it contains some cultural (belief system and language) and technology (Internet and mobile network development level, smartphone usage) characteristics.

The Table has been evaluated by the reference group. For the study the reference group is represented by one person – CEO of Agroy. He is the person who is responsible for all strategic decisions of the Company.

After the evaluation the Table was updated according to the feedback received. There was added one more market characteristics in the market infrastructure part of the Table. The added characteristics is “Agrochemical manufacturers or traders”.

Next step was to test the Table. For the test there was decided to take three sample countries with a huge amount of arable land from three different continents. Thus there were chosen India, Brazil and Canada.

Evaluated by CEO, the test proved that the Table represents a simple and reliable process for making a primary selection of a new market for a further analysis. The table format of the proposal makes the Process of a new market selection easier and more visual.

More to the point, the Table provides the company's management with required information about agricultural market conditions and market infrastructure of the studied country. It allows to compare some countries putting them into one table at the same time.

Market characteristics mentioned in the Table represent different spheres of the Company's environment. It provides with to get a complex picture of a market conditions. It helps to identify potential challenges a company can face with. Moreover it prevents from making the false steps which can cause additional expenses.

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## **Data Round 1 Interviews' Questions**

### **First interview: Discussion of the current process of choosing potential markets to enter.**

Current process of choosing new potential markets to enter:

1. Does CEO know practical examples of approaches of choosing markets for international expansion?
2. Is there a scheme in Agroy of choosing new markets to enter?
3. Which criteria does it have?
4. What is the CEO's opinion and assessment for current process for choosing new markets?

Previous periods:

1. Which criteria Agroy used, while it chose American market?
2. What kind of obstacles Agroy faced with while it prepared its entry to American market?
3. What is the CEO's opinion and assessment for process of choosing American market?

Agroy's future:

1. What is a basic understanding of conception of Agroy's future development?
2. Which criteria must be in a systematic process of choosing new markets?
3. Does CEO know other companies examples of creating this systematic process?

### **Second Interview: Discussion of current position Agroy Inc. at the U.S. market**

1. What steps are already done?
2. What is left to be done in the U.S. market subsidiary to start its operations?
3. What kind of unexpected events Agroy faced with, when it came to American market?

4. Given gained experience from the U.S. market, does CEO consider current approach optimal?

## **Validation of the Proposal and Pilot Test Interview's Questions**

### **Validation of the Proposal**

The Table was presented to CEO several days before an interview was conducted. The Table describes a very important process for current development stage of Agroy – planning of the global expansion. That is why it was important to give some time for the Table evaluation to receive a complex evaluation.

Questions of the interview:

1. What is CEO's overall opinion about the table format of the Process?
2. Does the Table include all of the main required characteristics of the new markets?
3. How many crops should be analysed in a first part of the Table? Is it enough to prepare an analysis for three main crops?
4. How many manufacturers/traders should be mentioned in the Table?
5. Shall the local manufacturers/traders be mentioned in the Table? Or is it better to focus only on the global players?
6. Does the Table represent a structured process of evaluating and selecting the new potential markets?
7. Does the Table offer a holistic picture of the analysed market for a primary decision of expansion planning?

### **Validation of the Pilot Test**

The Process has been edited due to CEO's comments. After that there was conducted a test.

Questions of the interview:

1. Is the marketing features' choice suitable for the market selection process?
2. Is there an urgency to review the data sources used for the analysis?
3. If there is a need to add any other marketing characteristics to the analysis?



4. Is it possible on the basement of the Process to make a primary choice of a new potential market?
5. What kind of modifications can be offered to the analysis?
6. What kind of proposals of a future use of the Table CEO have?

## The Proposal

Factors/Countries	Country 1	Country 2
Product		
Wheat		
Maize		
Soybeans		
Other		
Grain fields, ha		
Wheat		
Maize		
Soybeans		
Other		
Agricultural seasons		
Wheat		
Sowing		
Harvesting		
Maize		
Sowing		
Harvesting		
Soybeans		
Sowing		
Harvesting		
Factors/Countries	Country 1	Country 2
Structure of the sector		
Competitors		
Fertilizer manufacturers/traders		
Agrochemical manufacturers/traders		
Internet/Mobile penetration		
Domain name cost/year		
Use of smartphones		
Religion		
Language		