

**MARKET ENTRY STRATEGY FOR GO DOUBLE A OY TO  
NETHERLANDS**

Go Double A Oy



Bachelor's thesis

Programme in International Business, Valkeakoski campus

Spring 2017

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<b>Subject</b>	Market Entry Strategy for Go Double A Oy to Netherlands	
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#### ABSTRACT

Go Double A Oy is the case company of this Bachelor thesis. This company is providing installation of electric kits and individual customizing of electric bicycles.

The main objective of the research was to find the most suitable entry mode to expand into the Netherlands.

It is possible to divide the research into the three main parts – theory oriented on the possible market entry modes and factors affecting on the choice of it. The second part is the research conducted about the most suitable entry mode and the decision made on the basis of it. The last part of the research was the marketing plan based on the chosen market entry mode.

The best entry mode for Go Double A Oy according to the research is direct export with the help of an agent in the target country. The decision has been based on the research conducted and the survey implemented in the Netherlands.

**Keywords** Market entry strategy, Entry modes, Marketing plan.

**Pages** 38 pages including appendices 3 pages

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Appendix 1 Survey conducted in Netherlands about awareness concerning electric bicycles

## 1 INTRODUCTION

This Bachelor thesis is the part of the Business Administration direction of International Business studies. The topic of the thesis is: The Market Entry strategy for Go Double A Oy to Netherlands.

### 1.1 Background Information

Market Entry strategy is the planned method of delivering goods or services to a new target market and distributing them there. During the planning stage there must be defined barriers to entry, costs of marketing, sales and delivery and the expected outcome of entering the market.

Entering a new market for a young and non-experienced company is an extremely risky decision. From the positive perspective, new market expansion can expose new revenue streams and drive a startup forward to profitability. On the other hand it can end up sinking huge amounts of human and financial capital into dead-end initiatives that may lead it directly into business failure. The most secured way to success is to make a market entry as a step by step process with stable evaluation of the present situation.

### 1.2 Go Double Oy

Go Double A Oy is a young start-up based in Tampere, Finland. It was founded by HAMK Industrial Management student – Andriy Sytnyk in 2015 and at the moment has three more employees.

Andriy Sytnyk is the Chief Executive Officer and Chairman of the Board. Andrei Bondarenko is the Chief Marketing Officer of the company. He studied at Häme University of Applied Sciences (hereinafter referred to as HAMK) in International Business and graduated in 2015. Apolinarii Sorokin is an Electrical Engineering student from HAMK, who is still continuing his studies, but already has enough experience to be a professional engineer of a young company. Janne Norring is the company's translator, a HAMK Engineer student as well, who is translating business-related materials from English to Finnish and communicating with Finnish speaking customers.

The company operates in the business to consumer segment (hereinafter referred to as B2C) and currently is working on achieving customers in business to business segment (hereinafter referred to as B2B).

Go Double's A Oy strategy is to pay attention to their customers as much as it possible, concentrating on what makes a large emphasis on customer service and establishment of long-term relationships. These factors have a great potential to give Go Double A Oy an edge over the competition in the long run due to the fact that other companies operating in the same industry pay not much or no attention to customer service.

Nowadays, the company is working hard on another core competence which can help to differentiate itself in the market and it is design. The company is working on the creation of a smart bike that looks even better than a normal bicycle.

The main feature of the smart bike is that a controller is using a torque sensor to determine the effort which a person exerts to the pedals and regulating assistance mode according to the sensor readings, so that the effort level stays stable and independent out of relief. Additional features of a new smart bike will be no gear systems, invisible battery, wireless design and hidden motor.

This company has no experience abroad and requires a detailed Market Entry strategy plan to get shares in Dutch market.

Go Double A Oy main products are:

- Electrification kits
- Batteries
- Accessories

Also the company provides installation, repair, maintenance and warranty services.

Go Double A Oy does not manufacture electrification kits. The company has a partner - Golden Motor's (original manufacturer) supplier in EU and other manufacturers and suppliers of components like batteries and accessories. The company uses drop-shipping as a sales model, meaning that it does not have stock, but products are ordered as soon as the company receives an order from a customer.

### 1.3 The Netherlands as a New Market

The Netherlands as a country is a very good choice for expansion.

- Business environment

The Netherlands are known as a business country and here is no secret. Dutch people are good traders by nature and very internationally oriented. This country has highest percentage of good command of the English language outside an English speaking country, the lowest unemployment rate and has very high level of education. (HollandTradeAndInvest, 2016)

- Flexible and liberal company and employment law

In comparison to laws in other European countries, Dutch corporate law provides a flexible and liberal corporate framework for the organization of branches and subsidiaries by (non-resident) companies or private individuals. There are no special restrictions on foreign owned companies planning to start a business in the Netherlands. (HollandTradeAndInvest, 2016)

- Location

Netherlands have the perfect location from which to enter markets throughout Europe, the Middle East, the Far East, Africa and beyond.

- Logistics and technology infrastructure

The Port of Rotterdam is the biggest seaport in the world. The Netherlands is also recognized as one of the most wired countries in the world, a dynamic force in electronic commerce, communications and outsourcing. (NLHub, 2017)

The Netherlands is the world's number 1 cycling country and this is why it is so attractive for the case company – Go Double A Oy. (Covington, 2013)

The most important reason is of course extremely huge market size. It is the biggest in the world electric bicycle market as well, 21 per cent of total bike sales in 2014 were electric cycles – more than any other country in Europe. (National, 2016)

Even though ordinary bicycle market is slightly declining, electric bicycle market is continuing to grow.

In Netherlands people use bicycles even when they go to work, but after the trip, especially for office workers, it is extremely important to be a good looking representative of the company. In this case the only one decision of the problem is coming up. People need bicycle which they can drive without big efforts, when they need it, and here it is – electric bicycle.

Bicycles in Netherlands are strong brand and tradition, which Dutch people do not want to lose. People use them because of several reasons

as: the fastest transportation mode, because of the traffic jams; healthy and eco-friendly; cheapest way to travel.

#### 1.4 Research Question and Objectives

The research question of this thesis is: “How can Go Double A Oy expand their business internationally and effectively enter the Dutch market?”

The following objectives have been determined:

- To get familiar with the concept of market entry
- To describe external and internal factors influencing on the choice of the entry mode
- To analyze the Dutch market as a target market
- To introduce the most suitable market entry plan
- To recommend the next steps in the implementation process

This thesis has the purpose to deliver the market research of the Dutch market as a potential target and suggest the strategy on how to enter this market.

#### 1.5 Research Methods

The research method of this thesis is a combination of primary and secondary data.

Primary data was collected from the online survey. It was distributed through social network – FaceBook. Survey was published in three Dutch social network groups. Groups, where the survey was published, are oriented on users from different cities of Netherlands – Amsterdam, Groningen and Venlo. Information was collected in two weeks, but according to the analysis of it 95 percent of answers were collect in first two days.

Secondary data was collected from the books, e-books and internet search based on search engine results.



## 2 MARKET ENTRY

Entering a new market is giving a huge amount of new opportunities for every company. It is extremely important to have a detailed and well-structured plan of entering a new market to avoid maximum amount of failures. The main objective of my Bachelor thesis is to define what is the best entry strategy for Go Double A Oy in Netherlands.

### 2.1 Market Entry Strategy

Market Entry strategy is a plan that guides company's future actions considering the new market entering. It uses objectives, goals, resources and policies, to obtain entry mode options and a marketing plan. There are several different Market Entry modes that would help to get a right vision of the current situation and to make a right decision for the company, what should be based on a right evaluation of the risks and opportunities.

New market entry has three main questions as: When to internationalize? How to internationalize? Where to Internationalize?

First question is defining whether to be a first mover or late mover into the new market. It also defines the time when company is ready to go international from the inside.

Second question defines whether to enter in a large scale or small scale. It depends only on the company's commitment and resource. Third question is defining which exactly market is the most attractive for the company considering all risks, costs and benefits.

The moment, when company makes the decision whether to expand to the new market or not, defined as «Timing of entry» in to the international market. Company can establish themselves as an early entrant or as a late entrant.

A company that is the first to establish itself in a given market or industry, the proverbial 'early bird,' is known as the first mover. First movers hope to gain a sustainable competitive advantage by establishing themselves before any competitors enter the market. (William Boulding, 2001)

To first mover advantages refer establishing brand name recognition, technological leadership, ability to build sales volume and ride down experience curve. Being an early mover, first of all, will create long-run profit advantages. Early entrants tend to make a large and lasting impression on customers and buyers often face high switching costs in moving their business to a later entrant. Because of these reasons first

movers do not need to spend a lot of money on advertising and other marketing efforts. To disadvantages of the first mover refer that their skills and know how are easily imitated, huge risk of failure, weak loyalty of first time buyers and it is very common that innovators products are primitive and might not live up to expectations. (Fenner, 2014) (William Boulding, 2001)

The late participant usually enters the market with an improved product or service, imitating the early participant. . The adherents clearly have their advantages in terms of value. They can, for example, learn from the mistakes and successes of their predecessors, reducing their investment requirements, as well as their risks. In addition, followers can often apply new and more effective processes and technologies, whereas pioneers often remain rooted in their original ways of doing things. Research and development costs of late movers are less, risks are lower and chance of returns from investment is higher. Marketing costs in the short time perspective are less as well, because potential customers have already been educated about the product. Obvious and the strongest disadvantage of the late entrant is competition. (William Boulding, 2001)

## 2.2 Market Entry Modes and Their Types

After the decision to go international and expand to the new market, company must decide which entry mode is the most suitable for their business. There is a huge amount of small details and preferences of the company which are affecting on this hard choice. First of all it depends on the company's goals and objectives from the foreign venture, budget which company is planning to invest, how much of risks it is willing to take, preferred time that could be spend on the process of entering, level of competition on that market. (Root, 1994)

It is extremely important to understand that for each product, service or intellectual property there is a unique entry strategy. This rule is applicable for each foreign market as well. (Root, 1994)

According to the Franklin Root, there are three different rules in entering new market. First rule is a naive rule, when company uses the same entry mode for all foreign markets. Second rule is a pragmatic rule, when company uses a workable entry mode for each market. These kinds of companies usually start with low-risk entry modes. The last rule is a strategy rule, when alternative entry modes are compared and evaluated before a decision is made. (Root, 1994)

There are three different types of foreign market entry modes: export, intermediate and hierarchical modes. (Hollensen, 2008)

## Types of Entry mode

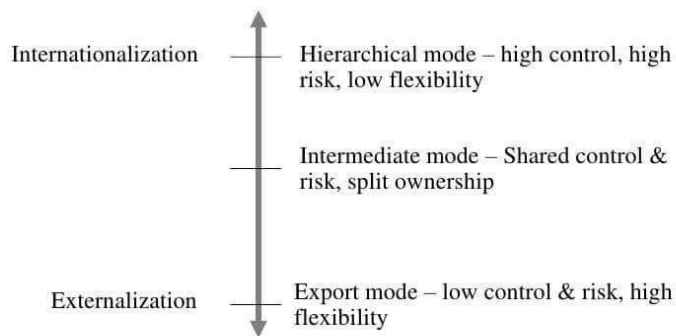


Figure 1: Types of Entry mode (Hollensen, 2008)

### 2.3 Export Mode

Export modes are the most popular modes for initial entry into international markets. With export entry modes firm's products are manufactured in the domestic market or third countries and then transferred either directly or indirectly to the host market. There are a lot of different solutions to organize the export; it depends on characteristics of the host market and the number and types of available intermediaries. There are main types of export modes: indirect export, direct export and cooperative export. (Hollensen, 2008)

#### 2.3.1 Indirect Export

Indirect export occurs when the exporting manufacturer uses independent organizations located in the producer's country. (Hollensen, 2008, p. 218)

In this kind of export sale is originating as a domestic sale. Company is not investing into the global marketing, because its products are carried abroad by others. This approach is suitable for companies that have limited international expansion objectives. (Hollensen, 2008)

Intermediary that arranges the export agreements can be an export buying agent, a trading company, a broker or an export management company. In other words, firm does not manage any contracts independently; it uses another party in the home country to do it for them. The main advantage of indirect export is to get the access to a foreign market, using the minimum of firm's recourses. (Hollensen, 2008)

To make it more clearly, it would be better to get an accurate understanding of all intermediaries that arrange export agreements. First of all, the export buying agent is a representative of foreign buyers who resides in the exporter's home country. For exporter it is the easiest way to export, because prompt payment is usually guaranteed in the exporter's home country, what takes all responsibilities refer movement of goods away. (Hollensen, 2008)

Another type of the agent is broker. The main responsibility of him is to match seller and buyer. Broker is usually very tiny specialized, what makes him professional in his area of the market. For the services broker takes a commission, usually it is about 5 percents. (Hollensen, 2008)

Trading company is a reliable choice for the exporter as well. It is extremely popular in such areas as shipping, warehousing, finance, technology transfer, planning resource development, construction, insurance, consulting and real estate. (Hollensen, 2008)

Export Management Company is a special company which is based as the «export department» for a range of companies. All actions which are taken with buyers and contracts are agreed from the name of the manufacturer, as well as all orders must be confirmed by him.

### 2.3.2 Direct Export

Direct export is another type of export modes. It is a direct export if manufacturer sells directly to an importer, agent or distributor located in the foreign target market. Agent and distributor are very close to each other definitions and sometimes used as synonyms, but there are some specific aspects which must be taken into the account. (Hollensen, 2008, p. 222)

Distributor is an exclusive representative of the company and in most of the cases it is the only one importer of the company. Profit which distributor gains is appearing from the difference between its selling price and its buying price from the manufacturer.

Agent can be an exclusive representative of the company with exclusive rights; semi-exclusive, when agent is working with the goods of exporter and with other non-competing goods from other companies; non-exclusive when agent is working with the goods of exporter as well as with other goods which may compete with the exporter's production. (Hollensen, 2008, p. 223)

The biggest advantages of direct export are that representatives of the exporter are well familiar with the local market, legislation, know how to

deal with the customers there and have reliable contacts. To disadvantages relate cultural differences and possible trade restrictions.

### 2.3.3 Cooperative export/export marketing groups

Export marketing groups are formed by the manufacturers who want to enter a new market but do not have enough of competences to do so. This is the main reason why these groups exist. Each exporter who is entering a new market through these marketing groups has his own upstream functions, in this part of the process exporter finds and extracts the raw materials, but all members are dealing on the downstream functions through the same foreign agent. The downstream stage further includes the actual sale of that product to other businesses, governments or private individuals. (Bass, 2017)

## 2.4 Intermediate mode

Intermediate modes are differentiating from export modes because there is no full ownership (by the parent firm) involved, but ownership and control can be shared between the parent firm and a local partner. Intermediate modes include licensing, franchising, contract manufacturing and joint ventures. (Hollensen, 2008, p. 228)

### 2.4.1 Licensing

Licensing agreement is an arrangement which gives wherein the licensor gives something of value to the licensee in exchange for specified performance and payments from the license. License essentially permits a company in the target country to use the property of the licensor. The licensee pays a fee for the rights to use the property. (Foley J., 2011, p. 8.16)

Companies find this way very attractive because it is the fastest and the easiest way to enter the foreign market. It also requires no capital and gets the knowledge of the foreign market immediately. Licensing may gain governmental approval faster than direct investment. In addition to this, general advantages of foreign production apply to the licensing: savings in tariff and transport costs, local production where national suppliers are favored. (Foley J., 2011, p. 8.16)

However, licensing is this kind of entry mode that is applicable only for intellectual property; otherwise there will be nothing to license. To the

intellectual property refer patents, trademarks, copyrights, collective marks.

To the strongest disadvantage of licensing it is obvious to add the probability of establishing by the licensee a new competitor. Licensee gets the access to the unique technology and product. In countries where intellectual property rights are weak, this probability is high enough.

Another disadvantage of this market entry mode is that the return of money in this mode is not that high. Usually it is from three to five percents. In addition to this, license period is always limited, what does not allow to get a stable profit.

#### 2.4.2 Franchising

The franchisor gives a right to the franchisee against payment, e.g. a right to use a total business concept/system, including use of trade marks (brands), against some agreed royalty. (Hollensen, 2008, p. 232)

There are two types of franchising: product and trade name franchising, what is extremely close to trademark licensing, and full business format «package» franchising.

The most famous examples of product and trade name franchising is Pepsi and Coke.

Full business format package franchising can be organized as a direct and indirect system. In the direct system franchisor is controlling and managing all activities of the franchisee directly, while in the indirect franchise system franchisee has rights to establish his own system of the franchisees.

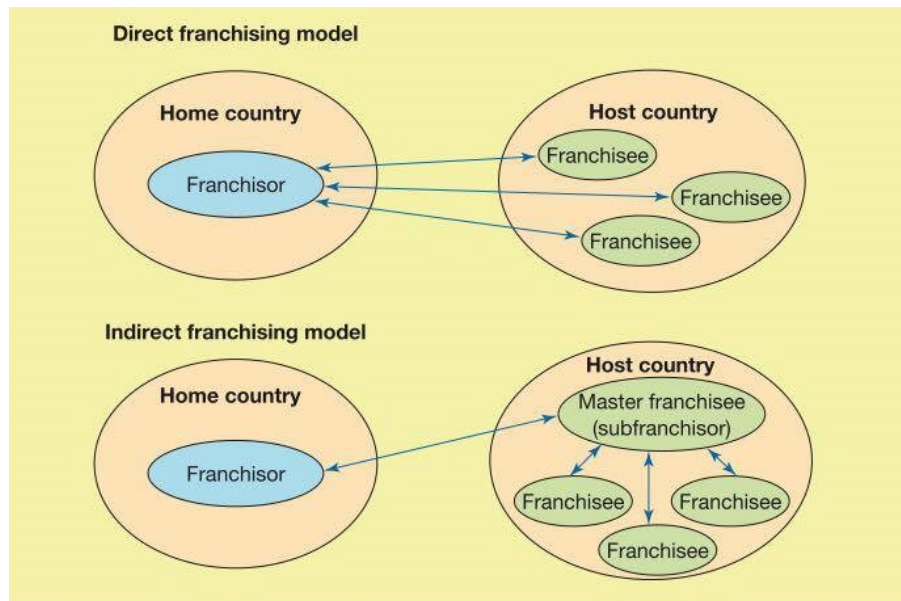


Figure 2: Direct and Indirect franchising systems (Hollensen, 2008)

As we can see from the diagram direct franchising system allows an access to local resources and knowledge, organizes better adaptation and control.

Indirect system biggest disadvantage is concerning the control system, because it is provided not directly.

There is no doubt that there are a lot of advantages of franchising, such as speed of entry, brand recognition, low percent of failure. At the same time there are such disadvantages as no field for self-realization and a huge list of restrictions. As a result this kind of business is not an independent one.

The most famous package franchising examples are McDonalds, Subway, Pizza Hut, KFC.

### 2.4.3 Contract Manufacturing

Manufacturing is outsourced to an external partner, specialized in production and production technology. (Hollensen, 2008, p. 228)

In other words, contract manufacturer provides already ready goods to the contractor, which he would sell as their own production. Production could be invented and designed by the manufacturer or could be made by the order of the customer (marketing organization). (Linton, 2015)

To the advantages of this mode is possible to apply first of all high cost advantages. It could be cheaper to use a manufacturer with already skilled staff and ready equipment than to buy it and train their staff. Contract Manufacturer could be based in a country with low labour costs, what will make a huge difference between manufacturing in the home country and using a contractor. However, to have the control of the production, company should hire a personal to monitor the process. (Hollensen, 2008)

Although there are a lot of strong advantages of the contract manufacturer, there are some potential risks which company is able to face if it will chose this mode to enter the foreign market. Loss of control is the biggest problem in this case. Manufacturer can miss the deadline; quality of the production cannot meet the expectations.

There are some risks of the supply limitations and difficulties of the transportation. Transportation costs can be so high, that all sense of using contract manufacturer can be lost. There is a certain probability of damage of the production during the transportation and other risks that occur during it.

IKEA is the most colorful example of the contract manufacturing usage.

#### 2.4.4 Joint Ventures/Strategic Alliances

Joint venture is a foreign operation in which the international company has enough equity to have a voice in management but not enough to completely dominate the venture. Usually this partnership is between two partners. It involves two «parents» creating the 'child' (the 'joint venture' acting in the market). (Foley J., 2011, p. 8.18) (Hollensen, 2008, p. 237)

To advantages of the joint venture refer access to new markets and distribution networks, fast grow and increased productivity, shared risk and access to new technologies, greater recourses, trained staff and finance.

The biggest problem, which can appear in joint venture, is that objectives of the both sides can be different. It is extremely important to understand what the main goal of your partner is, otherwise you can move in different directions. It is the risk of poor integration and co-operation, if partners have different management styles and completely different cultures.



Strategic Alliances is a legal agreement between two or more firms, which share the access to the trademarks and technology. It does not create a new company.

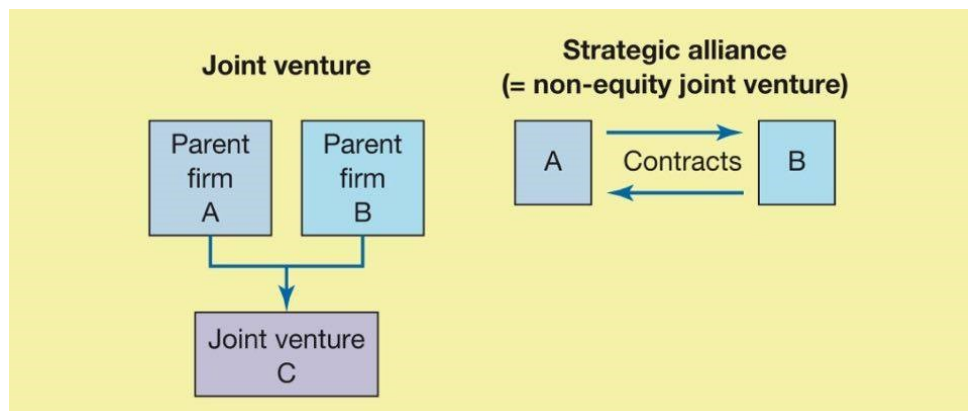


Figure 3: Joint venture and Strategic Alliances (Hollensen, 2008)

As we can see from the picture, the difference between Joint Venture and Alliance is that alliance does not create a new company. Strategic Alliance is equal to non-equity Joint Venture

Advantages which have alliances among the firms are very close to the advantages of franchising and licensing, because this partnership is getting the access to the name, goods and processes. Firm is able to expand in to the new market faster and suggest its customers wider production and service line. (Foley J., 2011, p. 8.19)

Alliances present a variety of benefits such as access to new markets or technology, economies of scale in manufacturing as well as marketing. As there are two or more partners, risk is shared as well. It is also less costly than acquisition.

To disadvantages of this market entry mode according to the Hollensen (Hollensen, 2008), there are large investments of recourses. Partners can be locked in the long term relationships and have no choice to change the situation without huge losses. In international Strategic Alliances partners will be in different countries, which can provoke some management difficulties.

Because of the geographical situation transfer pricing problems can appear, as well as cultural differences. In Joint ventures is a high risk of loss of flexibility and confidentiality, what is logical, if there is a partnership of two or more companies.

## 2.5 Hierarchical Mode

The final group of entry modes is the hierarchical modes, where the firm completely owns and controls the foreign entry mode. Company is able to enter a new market in this mode in few ways: domestic-based sales representative, merger/acquisition or green field. (Hollensen, 2008)

The biggest disadvantage of previous modes is the lack of control in the foreign market. If a producer wants a higher marketing and management control, it is better to create a new firm abroad.

### 2.5.1 Domestic-Based Sales Representative

Domestic-based sales representative is usually a person from the home country of the company, who travels abroad to represent the sales function. This way to enter the foreign market of course gives a better control of sales activities compared to independent intermediaries and makes a closer contact with large customers in foreign markets.

To the obvious disadvantage of this method refer high price of it. Representative always needs to travel, what makes expenses extremely high.

### 2.5.2 Merger/acquisition

Mergers and acquisitions is the area of corporate finances, management and strategy dealing with purchasing and/or joining with other companies. (Rouse, 2013)

Mergers are formed when two organizations have joined their forces to form a new business.

In acquisitions one business buys another one and generally smaller company which may be absorbed into the parent organization or run as a subsidiary. (Rouse, 2013)

The biggest attraction of acquisition as an entry method is that company gets a fast access to the local knowledge, contacts on the local market, qualified labor force, distribution channels and already exist brand reputation.

Acquisition is usually an expensive method; company must have enough of recourses to choose this as an option. It has high risks of misunderstanding from the side of a foreign country, because company

can buy an organization that is a heritage for the country or just important from the patriotic side for the people. Coordination and communication problems between the sides are appearing quite often as well.

### 2.5.3 Green field

Green field is the form of foreign direct investment where the parent company builds operations in the foreign market from ground up. It requires purchase of local property and local man power.

In this way of entry firm can achieve the perfect model of the business, because operations will be build up from the zero and there will be a tight control of all operations. As a plus for the market where company wants to expand, there will be created new job positions.

At the same time this is a very time-consuming method, where results will show up not that fast. Costs of this method are high enough, to say that there must be a big capital to use this mode to enter a foreign market. (Hollensen, 2008, p. 256)

## 2.6 Factors Affecting on the Choice of the Entry Mode

There are a lot of different aspects which are influencing on the decision which entry mode is the best for the particular company. According to the Franklin Root (Root, 1994) there are external and internal factors which play a big role in the decision making process.

### 2.6.1 External Factors

The external factors which are making effect on the choice of the future entry mode are those factors that are not controlled or influenced by the company. To these factors refer market factors, production factors in the target market, and environmental factors, such as economic and political factors. External factors include the target market's degree of risk, direct and indirect trade barriers, degree of competition, and availability of intermediaries. (Root, 1994)

Market factors include present and potential market size, competition on the market and the marketing infrastructure of the market where company wants to expand. Size of the market directly influence on the choice of the entry mode. If it is a huge target market there are very good perspectives to make an equity investment into the local market. High

competition in the market is making favourable licensing as an entry mode. (Root, 1994)

To target production factors refer materials, labour, energy and economic infrastructure. It is obvious that quality, quantity and cost of the target country production factors make a huge influence at the choice of entry mode.

Environmental factors are the most important factors in the decision making process of the market entry mode. They include political, economic and socio cultural factors. In political factors must be analyzed government regulations and policies, as well as any political risks. (Root, 1994)

Economic factors include analysis of economic structure, economic size and performance. To socio cultural factors refer cultural distance.

Culture is considering as the most challenging aspect in the process of selection the most suitable mode for the entering. It effects on the execution and implementation of management and marketing strategies.

According to the Hofstede, who made an extremely valuable research about the culture, there are six dimensions in the model of national culture. (HOFSTEDE, 2017)

- Power distance index

This dimension describes how society handles inequalities among people. Societies with high level of power distance represent cultures with hierarchical order in which people has a place and which needs no further justification. In societies with low power distance people strive to equalise the distribution of power and demand justification for inequalities of power. (HOFSTEDE, 2017)

- Individualism versus Collectivism

Societies with high level of this dimension represent cultures where people want to take care just about their own families and themselves. Collectivism represents the society where people are taking care about their relatives and some specific groups which have a value for them. (HOFSTEDE, 2017)

- Masculinity versus Femininity

Masculinity represents those cultures where success, business orientation and heroism play an important role in life. In cultures with high level of Femininity extremely important aspects of life are quality of life, care about people and their feelings. (HOFSTEDE, 2017)

- Uncertainly Avoidance Index

This dimension shows how much people are ready for any kind of uncertainty and ambiguity. (HOFSTEDE, 2017)

- Long-term orientation versus Short-term normative orientation

High level of this dimension represents cultures with long-term orientation. They think more about the future and future prosperity of their country. Cultures with low level of this dimension prefer to maintain time-honoured traditions and norms. (HOFSTEDE, 2017)

- Indulgence versus Restraint

Indulgence represents the society that allows relatively open satisfaction of basic and natural human drives related to entertainment. (HOFSTEDE, 2017)

## 2.6.2 Internal factors

The internal factors which are making effect on the choice of the future entry mode are those factors that are part of the internal environment of the firm. They include company's product factors and resource, international experience and company's size. (Root, 1994)

To product factors refer directly characteristics of the product. Unit value, weight and characteristics of the product determine where it should be located. For example the product will need a further service after the sale, there must be located a service centre nearby. (Root, 1994)

International experience can show how easily company is able to integrate into the new market. If company has a lot of international experience, it has reliable contacts, knows how things must work and so not scared to take more risks. These kinds of companies have more desire to make direct investments, than to use export for example. (Root, 1994)

Company size is a very important indicator of the firm's available recourses. Small-and medium size enterprises usually do not have a huge capital, what makes not affordable modes which needs big investments. (Root, 1994)

## 2.7 Culture

There is no secret that culture is extremely important in the business, especially international business. If company decides to go international, it is a must to know how to deal in this or another market.

In simple words culture is a set of common and accepted norms shared by a society. In every country, as well as in every business field, culture is defined differently. Culture effects on international business in three main core areas:

- communication
- etiquette
- organizational hierarchy

In communication between people from different countries are hiding not only language misunderstandings. It is very important to control not only what to tell, but how to tell it. Some cultures accept only direct and short business communications, while other cultures would be confused with this way of talk. What can be common in your home country, for example - shaking hands, direct eye contacts or hugs; can be absolutely inappropriate in another one. (Hult, 2017)

Etiquette at the workplace is differentiating across the companies and of course across the countries. More or less, but etiquette rules are similar within the country. To etiquette rules, for example, refer: way of messaging and titles, punctuality and abidance of the working hours. To avoid problems as much as it possible, it is always better to use more formal way of communication in the business. If company culture accepts something more loyal, there will be no problems anyway. (Hult, 2017)

Organizational hierarchy and attitudes towards organizational hierarchy can also vary widely between cultures. In some cultures there is not that visible difference in communication between the boss and employee, while somewhere this difference is colossal. (Hult, 2017)

Before starting the business abroad, there must be conducted a research about cultural specific features.

## 2.8 Marketing Plan

Market entry into the new market consists not only of the market entry mode selection, but of the right marketing plan as well. Depends on the entry mode which company has chosen to enter the new market, marketing plan can be developed. There are some modes, for example indirect export, which do not allow a company to take a high control to develop the marketing plan. Subsidiaries that are owned by the company are fully controlled and marketing plan for them can be developed very detailed.

To achieve a successful marketing strategy, first of all must be chosen right target segment. It will help to adopt marketing plan faster, what will make a positive influence on the future development.

There are a lot of different ways to make a marketing plan, but one of the most famous and suitable analysis for the company, which orients on the consumer goods is marketing mix model – 4Ps of marketing. It was first expressed in 1960 by E. J. McCarthy. The 4Ps are:

- Product (or Service).
- Place
- Price
- Promotion

4Ps model helps you to define your marketing options in terms of price, product, promotion, and place so that your offering meets a specific customer need or demand. (MindTools, 2017)

The instruments of action of the marketing plan will be shortly mentioned below.

#### Product

Product can be as a tangible good, as well as intangible-service. Company must have a clear understanding of the product and have answers on the simple questions, as what needs does it satisfy and what makes this product unique.

#### Place

Company must understand where customers search for the particular product and where the firm can meet potential customers. Nowadays, internet is the most common place where the product finds the buyer, even if the product is not sold online.

#### Price

Price in this plan is the amount of money which customer has willing to pay for the product.

#### Promotion

To promotion of the product refer advertising, public relations, social media marketing, email marketing, search engine marketing, video marketing and other.

### 3 ANALYSES OF EXTERNAL AND INTERNAL FACTORS AFFECTING ON THE CHOICE OF THE ENTRY MODE FOR GO DOUBLE A OY

In this chapter of the thesis will be conducted a research about external and Internal factors that are influencing on the choice of the market entry mode.

Firstly will be analysed external factors to which refer market factors, target market production factors and environmental factors. After external factors will be analysed internal factors to which refer product factors and resource, international experience and company size.

#### 3.1 Market factors

External market factors include present and potential market size, competition on the market and the marketing infrastructure of the market where company wants to expand, in this case is to Netherlands.

##### 3.1.1 Market size

Due to the data collected in 2017 there are more than 17 million inhabitants in the Netherlands and 13.5 million have bicycles. There are 22.3 million bicycles in total. 84% of Dutch people have at least one or more bicycles in their own use. (Velo-city2017, 2017)

According to the database of 2016, collected by Dutch industry-association Rai, 53,000 more e-bikes were sold in 2015 in comparison to 2014. Total sales of 2014 were 223,000 electric bicycles and in 2015 the number increased until 276,000, what made a 24 percent growth. (Oortwijn, 2016)

Only in the capital of Netherlands, in Amsterdam, an estimated number of bicycles is more than 800 000. About 63% of the capital citizens use their bicycles on the everyday basis. In comparison with car number in capital of Netherlands, there are only 263 000 of cars. 32% of traffic movement in the city is by bicycles while traffic movement by cars is only 22%. If we will take into the account only city centre of Amsterdam, 48% of traffic movement there is made by bikes. (IamAmsterdam, 2017)

Potential market in Netherlands will not stop growing. Nowadays the Netherlands boasts 22,000 miles of cycle paths. Most of the cities have



designated “bicycle civil servants” and their main idea is to maintain and improve the network. Young generation understands pollution problems and wants to use an alternative «green» mode of transportation. Popularity of using bicycles instead of cars is still growing and one of the reasons is electric bicycle.

To understand better the Dutch market has been conducted a survey, due to which will be easier to understand which problems can be faced and how to solve them.

The survey has been conducted through the social net – FaceBook. It was published in 3 FB groups and got 31 responses. After the data was collected, the analysis of it has been done. Full version of the survey and the results of it can be viewed in the appendix of the thesis.

Almost 78 percent of the people who has answered on the survey use bicycle every day and only 9 percent does not use it at all. Half of the people answered that use it because it is the fastest transportation mode and almost 40 percent said that they prefer bicycle more than any other mode because it is cheap. On the question which was related to the changes which people would like to make in the everyday usage of bicycles most of the people, almost 40 percent, have answered that they would like to use fewer efforts to pass the hills and this is exactly on what company is working at this moment. Other responses shows us that 32 percent want to make it faster and 32 percent want to feel fresh after the road.

The most important question which has been asked from the interviewees was if they have ever heard about electric bicycle and results are surprising. Almost 26 percent of people have never heard about it and 13 percent do not really know what is it and how it works. Because of the lack of information, answers on the last question are unexpected. From the interviewees who have heard at least about the electric bicycle, 20 percent of people want to have a test drive before switching to it. 38 percent of the people answered that they do not want to switch at all and only 13 percent have answered that they definitely want to switch.

As a result, it is possible to say that market is still not fully ready for the electric bicycles because of the lack of information and high prices of switching into them. This information must be taken into the account when the marketing plan will be conducted.

### 3.1.2 Competition on the market

The most successful sellers of electric bicycles in Netherland according to the data of VWE are Sparta, Riese & Müller and Stromer. In 2015 Sparta was the largest company in selling electric bicycles. By this company were

sold 1,535 e-bikes, while Riese & Müller sold 907 and Stromer sold 472 of units. Total amount of sold electric bicycles in 2015 was 2,914 of units.

The most popular and, according to search engine results, the only one company, which sells «plug-n-play» kits is RAT Holland company. This company only sells kits and does not provide any installation works, while Go Double A Oy provides turn-key installation, what means that company creates an absolutely unique product according to the specific needs of the customer and provides professional electrical installation and customer service with guarantee. After the price analysis of the main competitor in the electric bicycle kit sector, Go Double A Oy has some advantages. (R.A.T., 2017)

Prices for the low power kits are nearly the same in both companies, as an example for comparison will be taken two standard 250 Watt 9Ah 25 km/h kits of these companies. RAT offers 650 euro per whole kit, while Go Double A Oy price is 690 euro. For a successful expansion to the Dutch market, because of the competition in the segment of low power kits, company needs to cut the price. (R.A.T., 2017)

All companies, which are selling ready to use electric bicycles and «plug-n-play» electric kits, assume that their clients need only low power kits (under 25 km/h), because of the regulation which came up in 2017. This regulation states that all the e-powered two wheel transport modes with the speed more than 25 km/h, power greater than 350 Watt or with manual throttle installed, requires moped driver license from the driver and license plate installed on the vehicle. To the greatest advantage of Go Double A Oy refers the offer of high power kits as well, thereby company's clients get the opportunity to order an electrical moped (from the legal point of view) or outdoor sport vehicle, which can be used only off-road. (BikeEurope, 2016)

Prices for the high performance kits with power higher than 250 Watt found on Dutch kit market, for instance 350 Watt 12Ah 35km/h kit from the RAT Holland Company, are comparable with Go Double's A Oy top performance kits (1500Watt 20Ah 45+km/h). This is extremely huge difference in power with the same price for the product. (R.A.T., 2017)

Future plan of Go Double A Oy, which has been mentioned in the first chapter of the thesis, is to create a smart bike. In this sector of the market there is one competitor who is working in the same concept and it is VanMoof Company. According to the information found on the web page of VanMoof Company and reviews analysed, firm is suggesting very similar features of the smart bike, which Go Double A Oy wants to implement in the nearest future. There is a possibility, that in the nearest future, when Go Double A Oy will start development in this particular field, company will meet the VanMoof as the main competitor.

### 3.1.3 Marketing Infrastructure

Internet is the biggest and the most popular source to find the information about everything nowadays. In the sector of electric bicycle sales it is the first place where to start the search. The most popular bicycle trading web page in Netherlands is [en.hollandbikeshop.com](http://en.hollandbikeshop.com). There is a huge variety of choice for a customer.

There are reseller stores as well, where the customer can find electric bicycles, but the choice is quite limited. There has been presented the most famous models without any alternative choice.

## 3.2 Target Market Production Factors

To target country production are external factors to which refer materials, labour, energy and economic infrastructure.

### 3.2.1 Materials

Costs of electric kits for the bicycle will not change in Netherlands. Go Double A Oy is ordering from the original manufacturer of electric kits and will not change the supplier when the market will be entered.

It is another situation if the customer will order not just an installation of the electric kit, but will ask for an individually build bicycle. There will be a need to buy a bicycle according to the requests of the customer and here can be the difference in price between Netherlands and Finland.

According to the research conducted about the average price for bicycles, there is no difference between Netherlands and Finland. The simplest new city bike in both countries costs approximately 250 euro.

### 3.2.2 Labour

In case of the company Go Double A Oy, most likely, for the first steps in entering the new market there will be needed just the labour of the one bicycle mechanic, cause headquarters will be in Finland.

The average salary of mechanic in Netherlands is 9 euro per hour, while in Finland it is 10 euro per hour. It means that salary in Netherlands of mechanic is less than in Finland. (SalaryExpert, 2017)

In addition to this, minimum salary per month in Netherlands is 1,551 euro, while in Finland there is not settled the amount of minimum wage. According to Finnish law, salaries are agreed to in collective bargaining

agreements. Almost all workers are protected by these agreements. (PAM, 2017)

### 3.2.3 Energy

The energy which will be used by the company is electricity. Bicycle mechanic will use it for his instruments for installation, repairing and other customer services. In Netherlands the cost of electricity is 0.183 euro per kWh, while in Finland it is 0.153 euro per kWh, according to the statistics of 2015 year. (Eurostat, 2016).

Due to the statistics of Go Double A Oy, with average amount of orders approximately 30 kWh will be used per month. It will cost 5.49 euro in Netherlands, while in Finland the approximate bill will be 4.59 euro.

Bicycle mechanic will have to use the car for transportation of the bicycles and equipment during the work time. With average amount of orders, according to the statistics of Go Double A Oy, mechanic will need approximately 30 liters of gasoline per month. It will cost 51 and 45.3 euro in Netherlands and Finland respectively, average gasoline price in the countries is 1.70 euro per liter in Netherlands and 1.51 euro per liter in Finland (Autotraveler, 2017).

### 3.2.4 Economic Infrastructure

Economic infrastructure is highly developed in bicycle sector. Cyclists are very well supported by the government of the Netherlands. To make the bicycle more safe and attractive, the Dutch built an extensive network of the bike paths. All of them have clear marking, have a perfect surfaces, separate signs and lights for cyclists, and allow such manoeuvres as overtaking.

The density of bicycle paths is very high in comparison to other countries. As an example will be taken density of Amsterdam bicycle paths, which is 2.28 km/km<sup>2</sup>, thereby in Helsinki it is 0.7 km/km<sup>2</sup>. All the densities are calculated from official data (IamAmsterdam, Cycling facts and figures, 2016) (Statline, 2014) (HelsinginYliopisto, 2016) (StatisticsFinland., 12 February 2017.)

## 3.3 Environmental Factors

Environmental factors are external factors which include political, economic and socio cultural factors.

### 3.3.1 Political Factors

To this type of factors refer regulations and policies as well as political risks.

Legal policies and regulations concerning international business make the most powerful influence on the choice of the relevant market entry mode in environmental factors.

Netherlands, as well as Finland, are members of the European Union, so the EU international trade legislation applies to both of countries.

Tariffs on import and export are nearly the same, but do not apply to countries within the EU. Go Double A Oy is importing electric kits from the manufacturer from Lithuania, who is European Union member also. This means that there will be no difference in importing to Finland or to Netherlands.

The political risks in the target country of expansion are extremely low. Government of Netherlands has the main principle in their policy to make the market of the country perfect for international trade. The government is following the EU international trade legislation, which also makes political risk probability smaller.

### 3.3.2 Economic Factors

Economic structure of Netherlands based on the principles of an open economy. As it has been mentioned before, this country is oriented on the foreign trade. Supply and demand are the most valuable drivers of the economy. Companies with a relevant competitive advantage can enter market without any problems.

Netherlands' economic position is stable in industry sector; country has low inflation and unemployment rate. Current Account in Netherlands averaged 6322.98 EUR Million from 1982 until 2016. (TradingEconomics, 2017)

The biggest and the most dominant sector in Netherlands' economy is service sector. The service sector contributes as much as 79.6% to the GDP (IndexMundi, 2017) and creates working places for 80% of the workforce (8.33 million).

Considering the target market economic side, in 2016 were sold 928 thousand of new bicycles. Sales have decreased for 5.7 percent and have reached the lowest point since 1987. There were sold 1.4 million of bicycles in 2007 and since that year sales are decreasing every year.

However, revenues increased by 4.2 percent to a record of nearly 937 million of euro. Revenues from sales of electric bicycles have reached 534 million of euro of the total amount of money, what is approximately 57 percent.

Because of the popularization of electric bicycles, the average price of a new bike was 1,000 euro in 2016. One year earlier the average price was 914 euro, and in 2007 it was just about 600 euro. (NLTimes, 2017)

### 3.3.3 Socio cultural Factors

First factor in socio cultural factors is cultural distance. It could be language, norms of etiquette, values and social structure. High cultural distance is always making the entry of new market very challenging, that is why it is always better to get the clear understanding of basic principles of the target country culture.

Finland and the Netherlands are both EU-members which decreases a lot of cultural differences. However, the countries are different and cultures did not become the same, because of the entering European Union.

According to the cultural dimensions of Hofstede, (HOFSTEDE, 2017) Netherlands have quite low level of Power distance, as well as Finland has. Level of Individualism is higher in Netherlands than in Finland. Both of countries have low level of masculinity; however, in Finland this factor is higher. The Netherlands have middle level of Uncertainly Avoidance what is the same in Finland. Target country is much more long-term oriented than home country, what makes Netherlands even more attractive for business expansion. Level of Indulgence is a bit higher than the middle in Netherlands and on the middle level in Finland.

To sum up, the Netherlands and Finland have relatively big differences in Individualism dimension and type of orientation. All information was taken from the official Hofstede webpage. To have a visual understanding of the dimension comparison, there is a graphic (Fig.4) taken from the webpage. (HOFSTEDE, 2017)

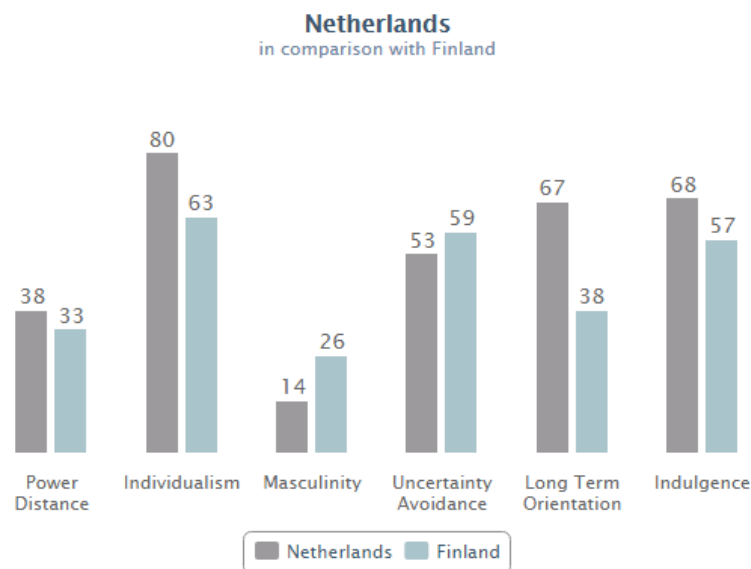


Figure 4: Comparison of cultural dimensions of Netherlands and Finland (HOFSTEDE, 2017)

### 3.4 Product Factors and Resource

To internal product factors and resource refer differentiation of products and required pre and post services.

#### 3.4.1 Differentiation of Products

Go Double A Oy services are relatively wide in comparison to any other companies related to electric bicycle sales. Main products of the company are electrification kits, batteries and other accessories.

To the services, which provide company, refer: installation, repair, maintenance and warranty services, as well as fully customized bicycle manufacturing.

Company does not offer ready to use models, but if customer wants to purchase it, the order can be made by individual requirements.

#### 3.4.2 Required Pre and Post Services

It can be not that easy sometimes to have a business on a distance, because of the pre and post services.

To pre services of Go Double A Oy refer test drive of the electric bicycle. It is an extremely important pre service of the company, which is not only

differentiating it among the others, but creates very tiny relationships between the customer and company.

The test drive of the electric bicycle can be organized in few ways. First option for the potential customer is to get test drive approximately for an hour at previously discussed place and time or to provide a test drive for 24 hours. After the test drive, company suggests to check the bicycle of the potential customer and offers the most suitable variant for him. If the customer wants to get an installation on his old bicycle, it will be taken immediately with the test drive bicycle. There is of course an opportunity to create an absolutely new electric bicycle according to the preferences of the customer.

To the post services of Go Double A Oy refer a guarantee for one year for the electric kit and its reinstallation as well as for installation itself.

In two weeks after the purchase company gets in touch with the customer to conduct the satisfaction survey and get an overall feedback about the service provided.

Go Double A Oy is always close to the customer, even after the purchase. Company is providing a wide variety of different customer services and can solve the problems of any kind of difficulty.

### **3.5 International Experience**

International experience refers to internal factors which are influencing on the choice of the market entry mode.

Go Double A Oy founder is not originally from Finland, he was born and grew up in Ukraine. Other team members are from Russian Federation and Finland. This international team is already operating in Finland, basically not home country for the CEO.

All company members, except the translator, are foreigners and were studying at HAMK University, on International degrees and have been adapted to international societies.

As a company which was based in Finland, it has not get an international experience yet. Go double A Oy has a very high potential to succeed on a foreign market due to the background of the company.

### **3.6 Company's Size**

Company's size is an internal factor which is influencing on the choice of the market entry mode.



Go Double A Oy is a small sized enterprise. According to the law of European Union, small sized enterprise is a business with less than 500 employees.

There are a lot of advantages of the small business. First of all, it is extremely important to conduct a good market focus and the most comfortable conditions to do it very accurate – for a small business.

CEO of the small company is always in charge of the business decisions and present situation. He can give his professional experience to any kind of a client, as well as conduct very close relations with them.

In addition to the previous information, small enterprise is able to provide individually customized products and services. Go Double A Oy is using this opportunity as one of the main advantages of the company.

Another advantage of the small business is that it is very flexible. Due to obtained market information it can dramatically change its business strategy and model to catch new opportunities.

## 4 ENTRY MODE DECISION AND MARKETING PLAN INCLUDING RECOMMENDATIONS

In this chapter of the thesis will be made the decision which is the most suitable entry mode for Go Double A Oy, as well as marketing plan with recommendations towards it and the chosen entry mode.

### 4.1 Obtain Relevant Entry Modes

In this chapter of the thesis will be obtained feasible entry mode for Go Double A Oy.

#### 4.1.1 Export Mode

Main idea of all export modes is that company producing the product outside the target market, but exporting it to it. In the case of this thesis, main service which provides Go Double A Oy is installation of the electric kit on the bicycle of the customer or on the new one.

##### Indirect export

Indirect export is a type of an export in which company uses another independent organization to enter the target market. As a result, company does not make any export contracts by itself, it uses another organization. Basically, this export sale is provided as a domestic one in the market.

Go Double A Oy needs this kind of an organization or broker, who has a clear understanding of the company vision and has a good knowledge of the Dutch market. Organization which will operate from Finland most probably will have some difficulties with clients on the Dutch market and will not be that much effective and will not be able to give a really fast start.

This entry mode is not really suitable for Go Double A Oy, because company has big expectations towards the expansion of the business and it wants to build an absolutely new and unique brand in the sector of electric bicycles.

##### Direct export

Direct export means that the company sells production or services directly to an importer, agent or distributor located in the foreign target country.

As a young and small company, Go Double A Oy does not have a salesperson, who is responsible for the export sales, and this means that company is not ready yet to use a direct export without any help of agents or distributors.

It is possible to enter a Dutch market with the help of an agent, who will conduct the sales and right targeting of the service. It is very effective entry mode for the company, because no one of team members has ever dealt on the market of Netherlands. Agent has necessarily needed contacts on the market, knows all secrets of sales in Netherlands and the best options for promotion, as well as has the native language of the country. In addition to this, company will need to hire a bicycle mechanic to provide the service of the company as well.

To disadvantages of this entry mode refer high costs of it, because labour in Netherlands costs relatively the same, but salary of the agent will be quite high for this period of company development. In this entry mode will be definitely lack of the control, because all business operations will be conducted by the agent and the company will not be able to check everything. In the case if company will chose this entry mode, there also can appear communication problems, because of the distance and different cultures.

As a result, entering the market using the direct export through agent or distributor is one of attractive opportunities for Go Double A Oy.

#### Cooperative export

This type of export is organized through the agreement between the company and another local company which operates in the same sector.

Local company have a lot of contacts and already working business network, what makes this type of entry mode very attractive for the young and unknown at this moment company abroad like Go Double A Oy.

Implementation of this mode is relatively easy, but the most challenging aspect of it is to find the most suitable company for cooperation.

### 4.1.2 Intermediate Mode

#### Licensing

It is very attractive entry mode from the prospective of costs and speed of the entry for a young start up as Go Double A Oy. However, this mode is applicable only for intellectual property and at this moment there is nothing to license.

In the nearest future company is planning to launch sales of innovative smart bikes and when this will happen licensing can become a relevant entry mode for Go Double A Oy.

#### Franchising

In this business model franchisor allows franchisee to use total business concept/system, including use of trade marks.

As a start-up company Go Double A Oy is not ready to suggest to the potential franchisee an already ready and well working business model. In addition to this, potential franchisees prefer to choose as their future businesses well-known brands with a trustful business history.

#### Contract manufacturing

Contract manufacturing is a form of outsourcing, when home firm arranges another firm to manufacture the production.

For Go Double A Oy this entry mode is not suitable at the moment at all, because at this moment company is buying from the manufacturer electric kits and provides an installation of them. As it has been mentioned previously, when company will start manufacturing smart bikes it can be an alternative way to enter the market.

#### Joint ventures/Strategic Alliances

Joint venture or strategic alliances are these types of entry modes in which cooperation is organized between home company and company in the target country to create a new business. It can be done with creation an absolutely new company like in Joint Venture, as well without creating it like in Strategic Alliances.

Joint venture will be an attractive entry mode for Go Double A Oy after the launch of smart bikes. Advantages of this entry mode are obvious – already well working business network, fast speed of the entry and growth as well as shared risks.

To disadvantages of this entry mode refer some of environmental factors, and the most important factor which is influencing on the choice of this mode is socio cultural factor. Theoretically, Go Double A Oy will have a shared business with one of the Dutch companies and this means that some of the cultural differences most probably will be faced.

#### 4.1.3 Hierarchical Mode

All types of hierarchical mode require relatively big capital, which Go Double A Oy does not have at this period of business development. However, to use a domestic sales representative can be the most suitable choice among the other modes.

Domestic sales representative is an expensive choice, but very suitable for the company from other perspectives at the present moment. This mode gives better control of sales activities in comparison to independent intermediaries and makes a closer contact with customers in foreign country.

Operations which are taken by the company are not that wide at the moment. According to the statistics of the company, for the first stages of the establishment business in Netherlands will be enough to have a mechanic and sales representative.

#### 4.1.4 Conclusion

As a result, from all entry modes there are few suitable options for Go Double A Oy to enter the new Market. It is direct export, cooperative export, joint venture and domestic sales representative.

The most suitable at this moment entry mode for Go Double A Oy is direct export. Company will need to hire an agent from Netherlands and bicycle mechanic to start developing the business and providing the services in the target market. Main advantages and disadvantages of this mode have been previously explained in this chapter.

Another very attracting, according to the objectives of the company, entry mode is a domestic sales representative. This entry mode can be chosen if the company will have enough of the resources to conduct it. Probably company will choose to expand later to choose this particular mode.

Cooperative export and joint venture are possible modes for Go Double A Oy, but there are some decisions as the choice of the suitable company for cooperation which must be made very carefully and can take some time.

## 4.2 Marketing Plan

In this part of the chapter will be made a marketing plan for the most suitable entry mode of Go Double A Oy at the moment – direct export.

As it has been written previously, there are two important decisions on which based market entry to the foreign country – choice of market entry mode and marketing plan. Marketing plan is based on the choice of the entry mode. The decision to choose direct export as the most suitable entry mode has been described in the previous chapter.

Marketing plan is usually based on the marketing mix model - 4P model, which has been described previously. It consists of the 4 main factors – product, place, price and promotion.

#### 4.2.1 Product

At the moment Go Double A Oy suggesting to the market service of installation of electric kits. This is the «product» in the marketing mix analysis.

Main questions of this dimension are - what kind of problem this product is trying to solve, what differentiate it from the competitors and who is the target audience.

The main idea of the service is to provide an installation of electric kits which will be affordable for everyone. In addition to this customer will get his own, beloved bicycle with new features which will make rides of it more attractive than before.

Electric bicycle itself solves a lot of problems of everyday life of the bicycle driver. First of all it is of course speed of it. Secondly, they allow driving on longer distances. In addition to this, it is much easier to pass the hills on it and you will have no sweat after the drive. Last advantage is extremely important for people who are using the bicycle to get to the work.

Go Double A Oy suggests not only electric kits or ready to buy electric bicycle, how does the competitors of the company in Netherlands, but installation of it or individually customized bicycle.

Target customers of the company are - commuters, elderly people scholars, students and office workers. Go Double A Oy defines companies as a target customer as well (B2B), where the life of workers can become easier with electric bicycles.

#### 4.2.2 Price

Pricing strategy of Go Double A Oy in Netherlands does not need to change dramatically. As it has been mentioned before, one of the main competitors in Netherlands has settled the price for the simplest electric kit in 650 euro, while Go Double A Oy has 690 euro price for the same one. For a successful expansion to the Dutch market, because of the competition in the segment of low power kits, company needs to cut the price of it.

There are two more types of electric kits available for the mass market from Go Double A Oy. Price for the 400 Watt wheel type electric kit is 790

euro and for the mid-drive one is 940 euro. There are no options available from the competitors with the same power.

Price for installation in Go Double A Oy is 99 euro, what is on 33-50% less expensive compared to competitors that specialize in the same e-bike kits field.

#### 4.2.3 Place (Sales and Distribution)

In direct export entry mode Go Double A Oy is not able to expand without any help of agents or distributors. Company will use help of an agent to conduct sales and right targeting of the service.

First of all, company is following the concept of soft and flexible sales to build trustful and long-term relationships with the customer. Company pays a lot of attention to the customer service, what is differentiating it from other companies. Agent who will be hired by the company must clearly understand what the vision of it is and what the core competences are.

Go Double A Oy makes all services extremely comfortable for the customer and this can be proved by the services which is company suggesting. One of the most important services is test drive of the bicycle, which can be conducted for different amount of time. This service is much appreciated by customers and very important for the company, because it gives customers an opportunity to understand how it will really work and to get an impression which will help to close the sale. Test drive is a very strong advantage of the company, because mass market is still not ready for electric bicycles.

Exchange of the product will be made by an agent of the company in Netherlands. When the potential customer will contact an agent, they will discuss the date and place, which will be the most suitable for the customer to organize a meeting. After this, agent will suggest to make a test drive of the bicycle, if the customer would like to do it, bicycle for test drive will be taken by the agent for a meeting.

Bicycle Mechanic needs 4 hours of work to install an electric kit on the bicycle. This means that the bicycle can be taken from the customer in the morning and be returned in the second part of the day. For installation services it is quite fast results, but sometimes customer needs it even faster. In this case Go Double A Oy can offer an installation at place, sometimes this way of installation is the most comfortable for the customer.

Sales of electric bicycles will not be that seasonable in Netherlands as they are in Finland. People in the target country are using bicycles as the

way of transport even in winter time, because temperature there is not getting that low.

#### 4.2.4 Promotion

Go Double A Oy uses drop-shipping sales model. All free money in the company is concentrated on marketing and sales activities.

Google Adwords campaign has been launched to create an online flow of visitors to the website in Finland, which is the main platform to find the customers. This campaign is generating leads and ultimately increasing sales volumes. Google Adwords must be launched in Netherlands and it will be the most effective marketing campaign, which requires investments.

Social nets are extremely important platform for promotion nowadays. Advertisements in FaceBook, for example, are very tiny targeted, what makes them very effective.

According to the conducted survey have been identified weak spots on the Dutch market, which must be taken into the consideration to develop the best promotion plan for the company.

First of all, the main problem was lack of information about the electric bicycle what makes the market not ready for the product. To change the situation, must be organized series of activities which will increase the level of knowledge and interest towards the product and company.

One of the very influencing and attractive services which can be identifies as a promotion tool is a free test drive. It must be settled in each advertisement as a key competence, which will definitely attract customers and make the company visible. There is a possibility to organize open test drives in the places where have been concentrated big amounts of people. It will attract people to try the product and probably to become a customer of the company in the future.

There is a huge amount of exhibitions going on in Netherlands where the company can present their product. One of the most attractive exhibitions which take place once per year is FITEXPO. Exhibition related to fitness and for people who are interested in healthy and sporty lifestyle. Company can present itself in other exhibitions related to technologies, innovations and eco-friendly products.

Another weak spot is the price of the electric bicycle. Of course it is not possible to suggest inadequate price to attract customers, but price of Go Double A Oy is relatively low in comparison to other competitors on the market. It is very important to show people what is the product and that price for such kind of innovation can be not that high as they can think.



In addition to these promotion methods, references from customers are very important. People trust the feedbacks of previous customers, what makes their buying decision faster.

#### 4.3 Recommendations

In this part of the chapter recommendations given by the researcher, based on the conclusion and personal observations during the research, will be presented.

Recommendations concerning the chosen market entry mode:

- Following the chosen market entry strategy will help to achieve a success on the market. There is no need to rush, if the company feels not ready for entering at the particular moment, because it will never lead to the desired result. However, if the company wants to be early adopters on the market, actions must be taken in the nearest time.
- Choice of the agent must be done extremely carefully. He must have a native language of Dutch and high level of English, knowledge about bicycle sector and electric bicycle production, be internationally oriented and have experience in sales and promotion.

Recommendations concerning the marketing plan:

- Follow the core competences of the company – affordable services and friendly customer services.
- Small cut of the price on basic models of electric kits
- Always be aware about the present competition on the market. It is very important to be better, than others for unknown and young company.
- Mass marketing must be taken as one of the most important issues, due to educate the people about electric bicycles.
- Monitor all related to technologies, bicycles and healthy life style events.

## 5 CONCLUSION

In the last chapter of this thesis conclusion towards the expansion into the Dutch market will be presented.

The research question of this thesis was: “How can Go Double A Oy expand their business internationally and effectively enter the Dutch market?”

To get an answer on this question the research was divided into several main parts. The first part was theoretical framework, which was covering themes related to the market entry and external and internal factors, which are affecting on the decision towards the choice of the entry mode. The second part was analyses of external and internal factors with the final entry mode decision. The last part of the research was the marketing plan based on the chosen market entry mode.

Conclusions towards the chosen entry mode are listed below:

- Netherlands is a very good market for the expansion of electric bicycles (Sales are not seasonable, growing market and good infrastructure)
- Direct export is the best choice between other entry modes at this moment
- Hiring an agent is the best choice for Go Double A Oy to start the expansion
- To be a SME company is very comfortable for the expansion
- Cultural differences are low, but must be taken into account

Next will be described conclusions concerning the marketing plan. It was made on the basis of marketing mix model, developed by E. J. McCarthy in 1960. This model is also known as 4Ps of marketing.

Conclusions towards the marketing plan are:

- Pricing strategy should be based on low-cost services
- Main focus of the marketing must be made on the education of the mass market towards the electric bicycles
- Flexibility and high level of customer service are main competences of the company

This Bachelor thesis was written due to provide possible entry mode in order to expand into the Dutch market. Chosen entry mode is not absolutely accurately detected due to the lack of information about the profits of the company. Communication with the company was in easy access what allowed to understand the objectives of the company. CMO of the company has a positive opinion about the research provided.

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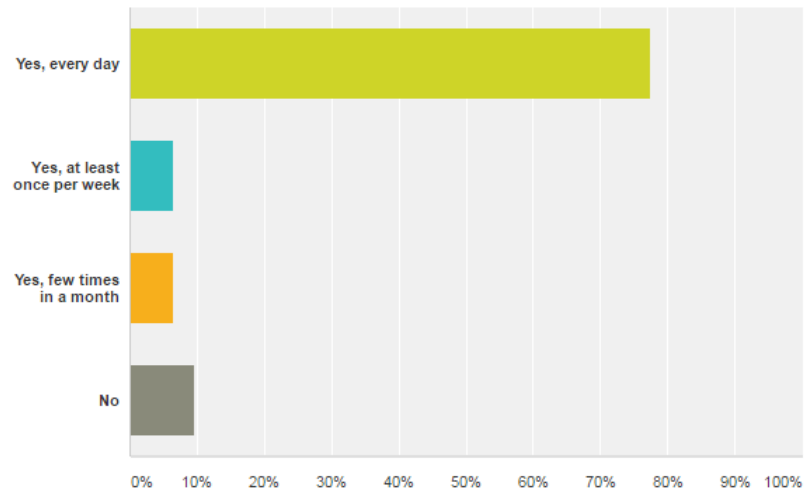
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## Survey conducted in Netherlands about awareness concerning electric bicycles

## Do you use a bicycle?

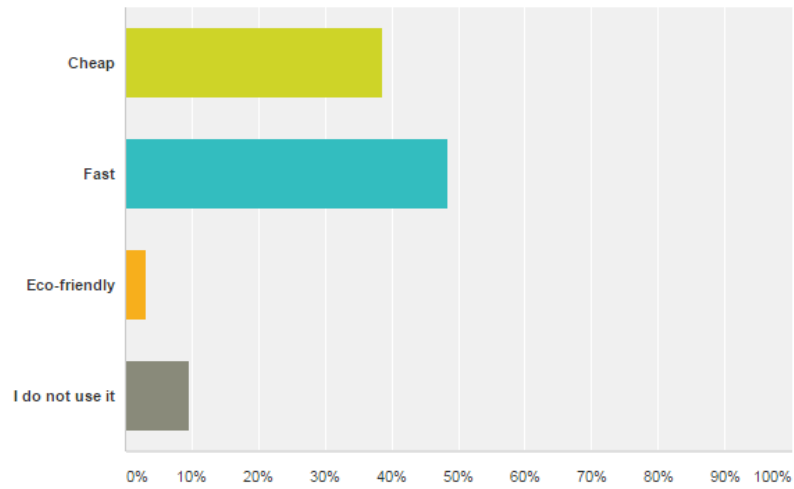
Answered: 31 Skipped: 0



Answer Choices	Responses
Yes, every day	77.42% 24
Yes, at least once per week	6.45% 2
Yes, few times in a month	6.45% 2
No	9.68% 3
Total	31

### Because of which reason do you use a bicycle?

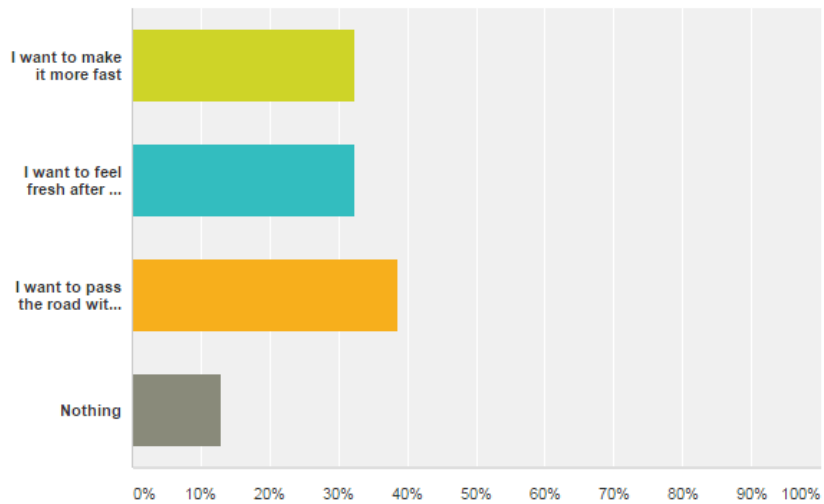
Answered: 31 Skipped: 0



Answer Choices	Responses	
▼ Cheap	38.71%	12
▼ Fast	48.39%	15
▼ Eco-friendly	3.23%	1
▼ I do not use it	9.68%	3
Total		31

### What would you like to change in your usage of bicycle?

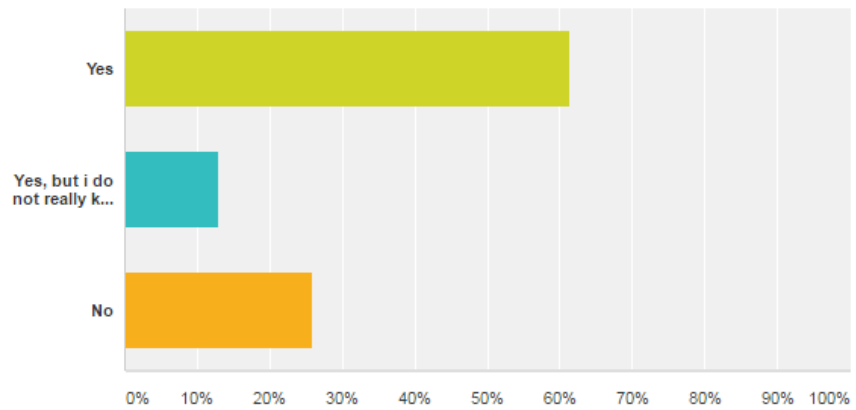
Answered: 31 Skipped: 0



Answer Choices	Responses	
▼ I want to make it more fast	32.26%	10
▼ I want to feel fresh after the road by bike	32.26%	10
▼ I want to pass the road with less efforts	38.71%	12
▼ Nothing	12.90%	4
Total Respondents: 31		

### Have you ever heard about e-bicycle?

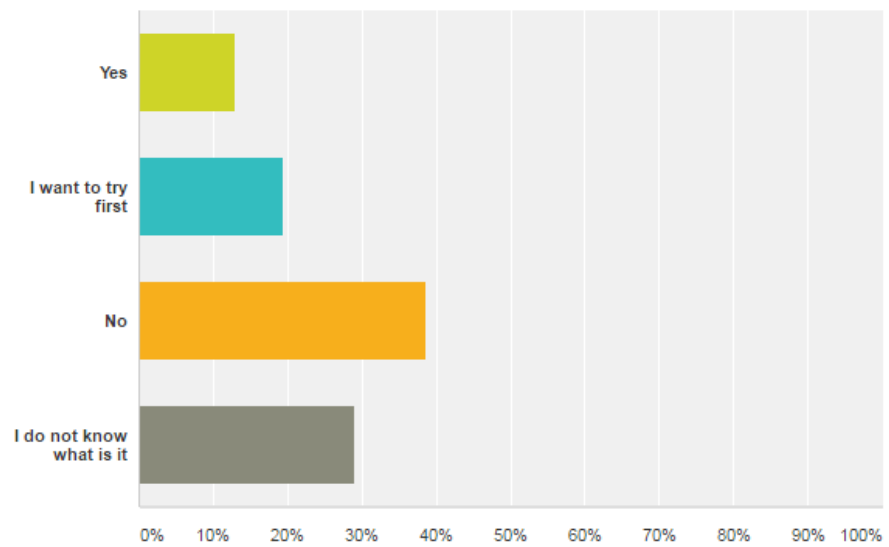
Answered: 31 Skipped: 0



Answer Choices	Responses
Yes	61.29% 19
Yes, but i do not really know how it works	12.90% 4
No	25.81% 8
Total	31

### Would you switch to e-bicycle?

Answered: 31 Skipped: 0



Answer Choices	Responses
Yes	12.90% 4
I want to try first	19.35% 6
No	38.71% 12
I do not know what is it	29.03% 9
Total	31