



Using agents as a market entry strategy

Case: Finom lights

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MASTERARBETE	
Arcada	
Utbildning:	International Business Management
Identifikationsnummer:	17860
Författare:	Pamela Magnusson
Arbetets namn:	Using agents as a market entry mode. Case: Finom lights
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Uppdragsgivare:	
<p>Sammandrag:</p> <p>När den inhemska marknaden är för liten är export ett bra sätt att få mera försäljning, men det är ändå inte alltid så lätt att börja exportera. Litteraturöversikten innehåller forskning om varför företag börjar exportera och tar en närmare titt på vad en agent är, hur man hittar agenter, hur man gör kontrakt med en agent och om samarbete med en agent. Syfte med denna studie vara att få reda på hur man skall använda agenter som marknadsinträdesstrategi genom att använda ett fall från Finland. Forskningen gjordes som en fallstudie, för att förklara varför och hur beslut fattades. Det fallföretag som användes i denna avhandling var Finom lights, ett finskt företag som startade sin försäljning 2016. Finom lights designar och producerar designlampor, alla producerade i Finland. Fördjupade intervjuer gjordes för att få svara på frågorna. Frågorna var: Varför börja sälja utomlands?, Hur hittar man en agent och hur man arbetar med en agent? och Hur har samarbetet fungerat och vad ska man göra nästa? Finom lights kontaktades av två intresserade agenter som ville sälja dem till Österrike, Tyskland och USA. Agenterna har erfarenhet av att arbeta i dessa länder och har kontakter där, vilket hjälper Finom lights med sin internationalisering. En modell gjordes, vilket visar faserna som Finom lights har tagit med sin export hittills.</p>	
Nyckelord:	Agent, Finom lights, marknadstillträde, export
Sidantal:	57
Språk:	Engelska
Datum för godkännande:	2017

MASTER'S THESIS	
Arcada	
Degree Programme:	International Business Management
Identification number:	17860
Author:	Pamela Magnusson
Title:	Using agents as a market entry mode. Case: Finom lights
Supervisor (Arcada):	Peter Mildén
Commissioned by:	
<p>Abstract:</p> <p>Export is a good way to increase sales when the domestic market is too small. It is, however not always that easy to start to export. The literature review contains research about why companies start to export. It takes a closer look on what an agent is, how to find agents, making a contact with an agent and about the cooperation between a company and an agent. The purpose of this study was to find out how to use agents as a market entry strategy by using a case from Finland. The research was made as a case study, to explain why and how decisions were made. The case company used in this thesis was Finom lights, a Finnish company that started its sales in 2016. Finom lights designs and produces design lamps, all made in Finland. In-depth interviews were done to get the research questions answered. The questions were: Why start to sell abroad?, How to find an agent and how to work with an agent? and How has the cooperation worked and what should be done next? Finom lights was contacted by two interested agents that wanted to sell them to Austria, Germany and USA. The agents have experience working and contacts in these countries and it helps Finom lights on its internationalization journey. A model was done, which shows the phases Finom lights has taken with export so far.</p>	
Keywords:	Agent, Finom lights, market entry, export
Number of pages:	57
Language:	English
Date of acceptance:	2017

CONTENTS

1	Introduction.....	7
1.1	Background	8
1.2	Statement of the problem	8
1.3	Aim and research questions.....	8
1.4	Limitations	9
1.5	Furniture business in Finland and in the world.....	9
1.6	Finom Lights	10
2	Literature review	12
2.1	Why companies start to export	12
2.1.1	<i>Reactive or proactive export</i>	13
2.1.2	<i>Change agent</i>	14
2.2	Export modes and a process model	15
2.3	What is an agent	18
2.4	How to find and choose an agent?	21
2.5	Agency contract	22
2.6	Cooperation with the agent	24
2.7	Literature summary.....	26
3	Methods.....	27
3.1	Setting	27
3.2	Participants.....	27
3.3	Case study	27
3.4	In-depth interview	28
3.5	Data Analysis and reporting it.....	29
4	Case: Finom lights.....	31
4.1	Pre-export phase	31
4.2	Initial phase	33
4.2.1	<i>What the agents did at the initial phase</i>	33
4.2.2	<i>What Finom did at the initial phase</i>	34
4.2.3	<i>The agency contract</i>	35
4.3	Development phase	35
4.3.1	<i>Work done by the agent in Austria and Germany</i>	37
4.3.2	<i>Work done by the agent in USA</i>	39
4.3.3	<i>Cooperation between Finom and the agents</i>	40

4.3.4	<i>Finding more agents</i>	43
4.4	Limitations and continuous export phases	45
5	Findings and discussion	46
5.1	Starting to export and deciding the entry mode	46
5.2	What does an agent do	48
5.3	Finding and choosing an agent	48
5.4	Agency contract	49
5.5	Cooperation with the agent	50
5.6	Limitations and recommendations for further research	50
5.7	Conclusion	51
References		52
Appendices		55

Figures

Figure 1. Floor lights	11
Figure 2. Pendant lights	11
Figure 3. Key differences between agents and distributors	16
Figure 4. The business network internationalisation process	17
Figure 5. The process between the seller and the agent	18
Figure 6. Convergence of evidence.	28
Figure 7. The five phases on internationalisation.....	30
Figure 8. The black floor light.....	32
Figure 9. The five phases on internationalisation, Finom lights.	46

Tables

Table 1. Sales figures, wooden furniture export.....	9
Table 2. Sales figures, biggest export and import countries.....	10
Table 3. Designer´s wishes to further their internationalisation.....	20
Table 4. An example on how the work can be divided between the seller and the agent	25

1 INTRODUCTION

For many small Finnish companies exporting is a good option to increase sales. Sometimes it is even crucial for the company to survive, as the market in Finland can be too small. Small companies however face many challenges as time, knowledge and money are often limited.

The companies must think about different entry modes, which one would be the best solution for them. The market can also make the companies choose different market entries, this is the case especially with small and medium sized companies (Francioni 2014 p. 306). When choosing the market entry strategy it is good to know the different ways there are to start exporting and how they differ from each other. For a company that starts to export for the first time an agent could be a good option. By using an agent there will only be costs when the commissions for the agent's sales need to be paid.

A company that is just starting to export will face different obstacles, such as is the product suitable for a new market, is the price right compared to the competitors, how should logistics be handled and who are the right partners to get the export to be successful. The company's managers have to be committed in order to get everything running smoothly.

This thesis will be concentrating on a small Finnish design company that has started its business in 2016 and that same year started to export. The thesis will examine the different phases the company went through to get to the point it is at, at the moment. The focus will be on how the company ended up using agents as its main entry mode.

1.1 Background

Finland's economy relies on export. Small and middle sized (SME) companies in Finland have always had an important role as employers and a big part of the Finnish economy. These SME companies have possibilities to be successful on global markets and even with a unique product the sales abroad can be what is keeping the company alive (Kananen 2010 p. 7). Especially with special products where the domestic markets are too small, export is the only way to grow sales.

Starting to export is not always easy. There are barriers that need to be dealt with. In order to minimize the risks an agent is a good way to do so. The market entry can be quite fast and the agent has knowledge about the market (Äijö 2008 p. 189).

1.2 Statement of the problem

The purpose of the study is to analyze how to effectively use an agent as a market entry strategy by using a case from Finland. The goal is to describe and understand the whole process the company goes through using this case, and also getting the agents point of view. First we will look at how the case company, Finom lights, started to export and how they choose to do it. Secondly, we will look at how they found and chose an agent. Thirdly, we will look at the cooperation between the company and the agent.

1.3 Aim and research questions

This thesis will be considering both the seller's point of view and also the agent's, to get a broader picture of the process. The aim is to go deeper to understand why certain choices have been done and how these choices have affected the export.

The research questions are:

- Why start to sell abroad?
- How to find an agent and how to work with an agent?
- How has the cooperation worked so far, and what should be done next?

1.4 Limitations

This thesis only concentrates on only one company. The products are design products with a higher price that narrows down the potential customers and consumers. As the sales started in 2016 there is still not that much sales and there are only two agents that are working with these products.

1.5 Furniture business in Finland and in the world

The wooden furniture export has gone down in Finland. The report made by Toimialaraportti (2016) shows this and wishes that companies were more active in finding new export markets and that export could grow through design products. Exporting wooden furniture is possible when there is knowledge, resources, right supply chain and ambition.

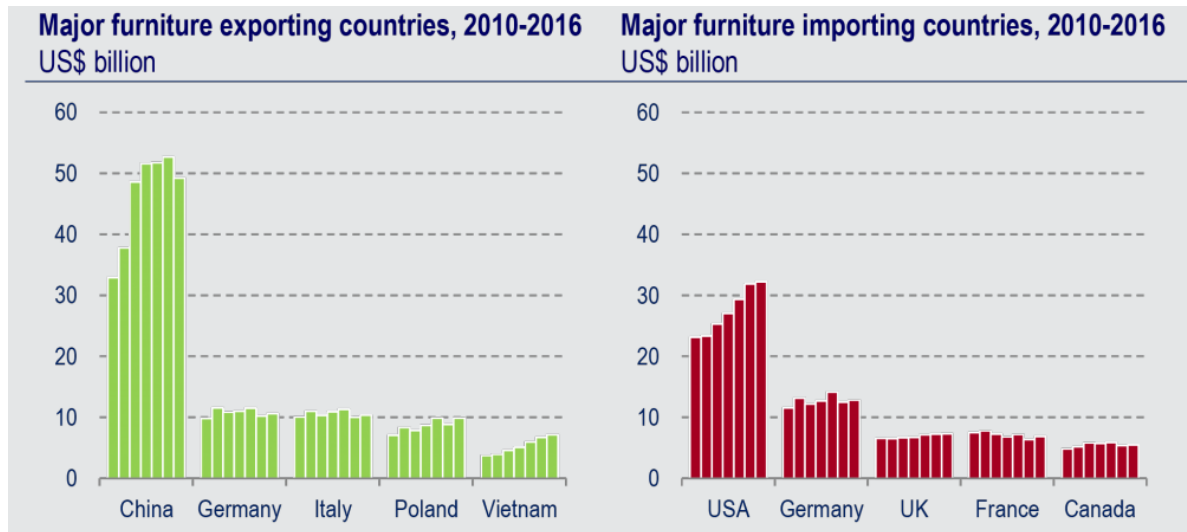
Table 1. Sales figures, wooden furniture export (Toimialaraportti 2016).

Export million €, wooden furniture from Finland in
years 2008-2015

2008	2009	2010	2011	2012	2013	2014	2015
235	124	117	115	106	101	113	110

The figure below shows the global furniture market (not just the wooden). Here the biggest exporter is China. The largest importing countries are United States of America (USA) followed by Germany.

Table 2. Sales figure ,furniture, biggest export and import countries (World furniture outlook 2017).



1.6 Finom Lights

The Finom lights were designed by Esa Vesmanen (Pure Design Ltd.) and are produced and sold by Esa's brother Jukka Vesmanen (Innoite Ltd.). The brand is owned by Pure Design Ltd (50%) and Innoite Ltd. (50%). The Finom lights name, originates in Hungarian and means delicious. In 2004 Esa made a community centre in Budapest (Finnagora) and there was a need for a new lamp in the meeting room and Esa first started to test veneer, and made a big lamp (bigger than the current). Esas wife suggested Finom, as she is from Hungary. As the word starts with Fin it is easily associated with Finland by foreigners (Vesmanen E. 2017). The lights are produced in Finland of birch veneer, also from Finland. The foot of the floor lamp are produced of ash tree. The price range for these design lamps are between 295 € and 925 € and they can be used in both commercial and residential settings. The lamps can be assembled without any tools. A long life span is guaranteed when using high quality material and production. The lamps are produced at the Iris Pro work centre in Helsinki. The first lamps were sold in 2016 (<http://finom-lights.com/fi/>).

In 2014 Finom lights was recognised with EcoDesign award in Helsinki, and rewarded with an international Red Dot award in 2016 (<http://finomlights.com/fi/>). The statement made by the jury about the lamp was “Thanks to its materials, the Finom floor lamp altogether yields a distinctive, natural appearance.” The award is evaluated on different criteria. Innovation, durability, ecological materials and functionality are some of the criteria ([http:// red-dot.de](http://red-dot.de)).



Figure 1. Floor lights (<http://finomlights.com/fi/>).



Figure 2. Pendant lights (<http://finomlights.com/fi/>).

2 LITERATURE REVIEW

The literature review will look into reasons why companies start to export, have a closer look at how to find an agent, what a contract could include and how to work with an agent. Some of the literature used focuses on how Finnish companies could do to start or increase their export. According to a study made by Francioni (2014 p. 306) SME companies' resources are limited and they tend to have a non-systematic behaviour in their internationalisation choices, so the entry mode can differ depending on the market. This thesis will, however, only focus on using an agent.

2.1 Why companies start to export

For some companies, export is a natural way to increase sales, it can be something that the company has planned for a long time (Kananen 2010 p. 11). If the company has good products and the business at the domestic market is steady, then it is logical to export to grow the business. The risks can be higher, but the reward can be greater. The benefits of exporting are: it improves the company's reputation, avoids being too dependent on domestic sales, increases the turnover and increases the lifespan of the products. (Westwood 2012b p. 4) It can also be that when the company was started they already knew that they want to be on the international market. Some companies choose to focus on one market at a time while others simultaneously focus on several (Gallego *et al.* 2009 p. 308). Management's commitment and attitudes toward export influence the success (Czinkota & Ronkainen 2004 p. 226).

The biggest challenges in internationalisation for companies from Finland are (Äijö 2008 p. 49):

- That the company is unknown
- Not knowing enough about the new market
- Lack of resources, this can be money and marketing or experience of international business
- Other challenges, like laws, competitors' actions

2.1.1 Reactive or proactive export

The export can be reactive or proactive. A reactive way of exporting is passive. Here the company does not look for new markets nor new customers but the company is contacted by an agent or an importer that is interested in their products. This is a very informal and unsystematic way of doing business, but also quite common. The importers find these passive companies through their web page, export directories or exhibitions (Albaum *et al.* 2005 p. 171).

The competitors can motivate a company reactively. There can be a fear of losing market share on the domestic market if a competitor gains benefits of the economics of scale. There is also a fear that some foreign markets will be completely lost to the domestic competitor if the company does nothing. Sometimes companies enter a new market too fast because of the fear of the competitors, resulting in a quick withdrawal as the preparation was not sufficient. Another motivator can be overproduction, this can lead to short-term exporting. A reason for overproduction is that sales on the domestic market has not been as active as it has been forecasted. Once the demand on the domestic market is normal, the export is reduced or terminated. When the domestic market is stable or declining (in market share or sales volume) then it can be a motivator. A product's life cycle can be prolonged by starting to export. Especially with high-tech products the sales can be focused toward the developing nations. A company can be motivated to export if there is excess capacity. When the production equipment is fully utilized then export might achieve broad distribution of fixed costs. The last motivator for reactive export is the physical closeness to the export market. This is a common way especially in Europe, where the neighbouring countries can be very close. Then the psychological distance must also be taken under consideration. Just because a market is geographically close, does not automatically mean that the culture, laws or other social norms are similar (Czinkota & Ronkainen 2004 p. 228).

A proactive approach to export is driven by marketing. The exporter finds information about the foreign markets and potential customers. Companies can use both reactive and proactive approaches, proactive approach to their primary markets and reactive to markets they consider secondary (Albaum *et al.* 2005 p. 171).

One reason that motivates companies to proactive export is the profit benefit. International sales can have higher margins, however the actual profitability can be different from what has been planned. So the reality and perception can be very far from each other if the company has had no previous export activities. For example, if the exchange rate suddenly drastically changes it will have a big change on the profit. Another motivator is when the company is in their mind selling a product that is not widely available. It might however not be the case on international markets, but if the product is unique then it can result in successful business abroad. A third motivator can be that the company has exclusive market knowledge. Information about marketplaces, market situation or foreign customers. This knowledge can come from contacts that the company has, or market research that the company has done. This, however, is usually information that the competitors will have at some point, so the advantage will not last that long. The next motivator is the managerial urge. This is where the managers are driven by enthusiasm and desire. The managers want to work in a company that does business internationally. Economies of scale is the last major motivator. The production increases with export and at the same time the cost of production goes down. This increases the search for new markets to export to. In some cases, later on, foreign subsidiaries may be opened or the production can be done in a foreign facilities (Czinkota & Ronkainen 2004 p. 227).

2.1.2 Change agent

For a company to undergo change, there needs to be something or someone that initiates it and makes sure the change is implemented. This individual or variable that intervenes is called a change agent. The change agents can be internal or external (Czinkota & Ronkainen 2004 p. 230).

Enlightened management is a primary internal change agent. A current manager discovers and believes in the value exporting will give the company. New business opportunities can be triggered through foreign travel, or by getting information that makes the management believe in the opportunities. Managers who are interested in culture or have lived abroad might at some point investigate the opportunities of export. New management or new employees with experience of export can be internal change agents (Czinkota & Ronkainen 2004 p. 230).

The external change agents for a company, to become exporters, is foreign demand. There is a powerful effect when the company is contacted from abroad, showing interest in the products. Also Web pages bring interested parties to contact the company. These companies are also called accidental exporters, when they have not actively looked for customers abroad. Another external change agent is statements made by competitors. This information (telling how valuable exporting is) can come from trade associations meetings. Domestic distributors can also be change agents. The distributors want to increase their international volume, by encouraging domestic companies to export. Banks, chamber of commerce and governmental efforts can work as external change agents (Czinkota & Ronkainen 2004 p. 232).

2.2 Export modes and a process model

When dealing with direct export the company is using another company, an intermediary, which is in charge in the foreign country. The two most used export modes are to use an agent or to use a distributor. The choice between these two will depend on the type of product, the degree of control the company wants to have and the market size (New Zealand Trade & Enterprise, 2007). The biggest difference between an agent and distributor is that the distributor is the company's customer and an agent finds the company customers (Westwood 2012b p.61).

Distributors/dealers are usually independent companies and they already have contacts to the market. The distributor buys the products, warehouse it (or in some cases the products are sent directly from the manufacturer to the distributors customer), bills their customer. When dealing with a distributor the manufacturer has often no contact with the customer (Immonen 2005 p. 43). The distributor will take care of the marketing and makes sales literature in the target markets own language (Westwood 2012b p.110). Table 3 shows how these two market entry modes differ from each other. Working with an agents gives the company more control, for example the distributor controls the selling price.

Agent	Distributor
■ A representative of the exporter	■ A customer of the exporter
■ Not financially involved in sale – the agent does not purchase the product from you.	■ Buys for own account, i.e. the distributor purchases the produce from you and then on-sells to customers
■ Involved in facilitating import if required	■ Imports the product
■ The agent works for you and is paid by you in an agreed way – normally sales' commission. Payment is usually made following delivery of the good and after you have been paid.	■ Marks up supply price to cover additional in-market costs of ownership, distribution and invoicing/debt recovery
■ Customer ownership is technically yours, but many well-established agents have their own customer base, and some wholesalers may only buy through a certain agent	■ The distributor has a strong relationship with customers in the retail/wholesale field.
■ Not normally responsible for after sales service	■ Responsible for after sales service and in some cases warranty and guarantee issues
■ Distribution not normally the responsibility of the agent. You are responsible for distribution costs incurred by your agent	■ Distribution responsibility
■ Unlikely to be involved in funding promotional activity though in some markets, e.g. the USA. Agents are actively involved in introducing new products to customers	■ Helps pay for and undertakes promotion and marketing of your product/service in the marketplace
■ Will not usually have name and contact on exporter's promotional support material	■ Usually has name and contact details on exporter's promotional support material
■ No control of resale price	■ Controls selling price
■ Does not accept credit risk for principal	■ Accepts credit risk of buyers
■ In large markets such as the USA, separate agents may be required for different states, territories or regions	■ In large markets such as the USA, separate distributors may be required to service different states, territories or regions
■ Some markets are only served by agent, not distributors, so you have limited choice	■ Appointing a distributor may be the only option for certain products in certain markets
■ Represents your company in the market and must do so to your best advantage	■ Usually the bigger the market the more links in the distribution chain, e.g. in Japan, your product could pass through an importer, a distributor, a wholesaler, and a retailer before it reaches the end user. In smaller export markets, a distributor will also act as an importer.
■ Exporter sells <i>through</i> an agent	■ Exporter sells <i>to</i> a distributor

Figure 3. Key differences between agents and distributors (New Zealand Trade & Enterprise, 2007).

A model commonly used in internationalisation is the Uppsala model (that name is used because the authors were researchers at Uppsala university). The first model was made in Sweden in 1977. In 2009 the creators of the model, Johanson & Vahlne, made an updated version of it and the name was changed to: The business network internationalisation process model. Changes were made to the model because now the relationships are viewed to be part of the business environment, and with these relationships comes new knowledge. So the company's internationalisation changes gradually by learning. In the beginning of the internationalisation simpler entry modes are used and with time more complex modes are taken into use. It is good to start exporting by using an agent when there is no knowledge of how the products will sell. The process is similar with the markets. The internationalisation is started with countries that are closer to the exporter and gradually moving to countries that are more distant.

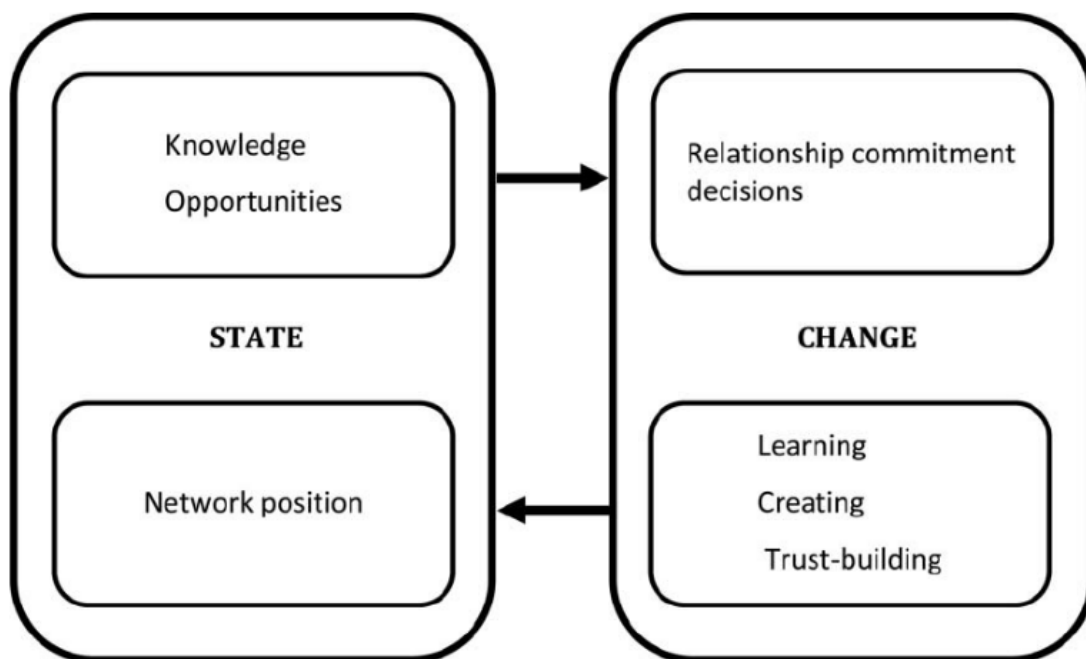


Figure 4. The business network internationalisation process model.

2.3 What is an agent

An agent has his or her own company and this company can employ one or more people. A good agent knows the markets, has a sales organisation and connections to possible customers. The agent gets commission from sales, with a higher commission you can make the agent more efficient. If there are no sales then there are no expenses for the company exporting. For a company that is starting business in a new country an agent is a good alternative. The contract is made for a limited time (Kananen 2010 p. 50).

Using an agent is usually temporary (and then the company for example can start to sell directly to the agents customers or have their own office at the current market), it is used to test the market and to get customers. When the sales are big enough the contract is terminated or not continued and the company can change the way of exporting e.g. selling directly to the customer. For an agent the sale volumes can cause a conflict. If the agent sell too much then the company that hired the agent calculates that the commission is getting to high and an own sales office might become cheaper. The agents usually knows that the contracts are short term. The agent does not decide where the company's products are sold, the company gets to decide that. The commission that the agent is paid is based on sales. By increasing the commission on certain products one can steer the agent to sell more of these products. This is an efficient way to increase the sales (Kananen 2010 p. 50-52). In Germany and USA it is not uncommon, that because these are such a large markets, agents can be appointed a specific region (Westwood 2012b p. 109).

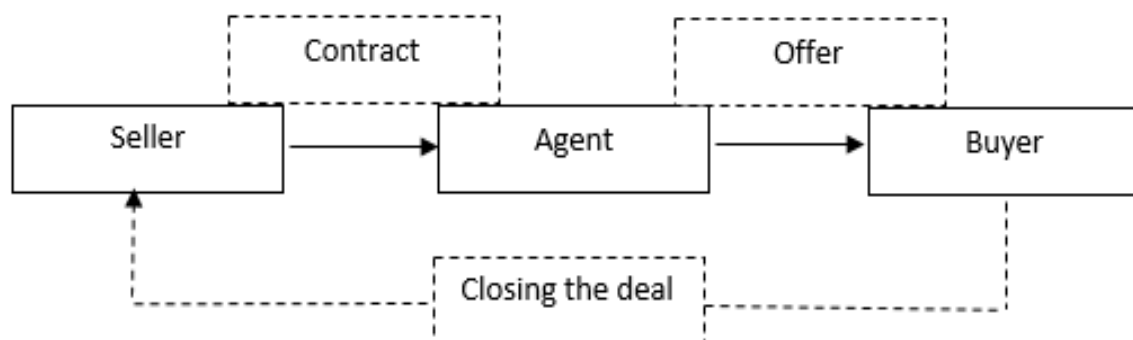


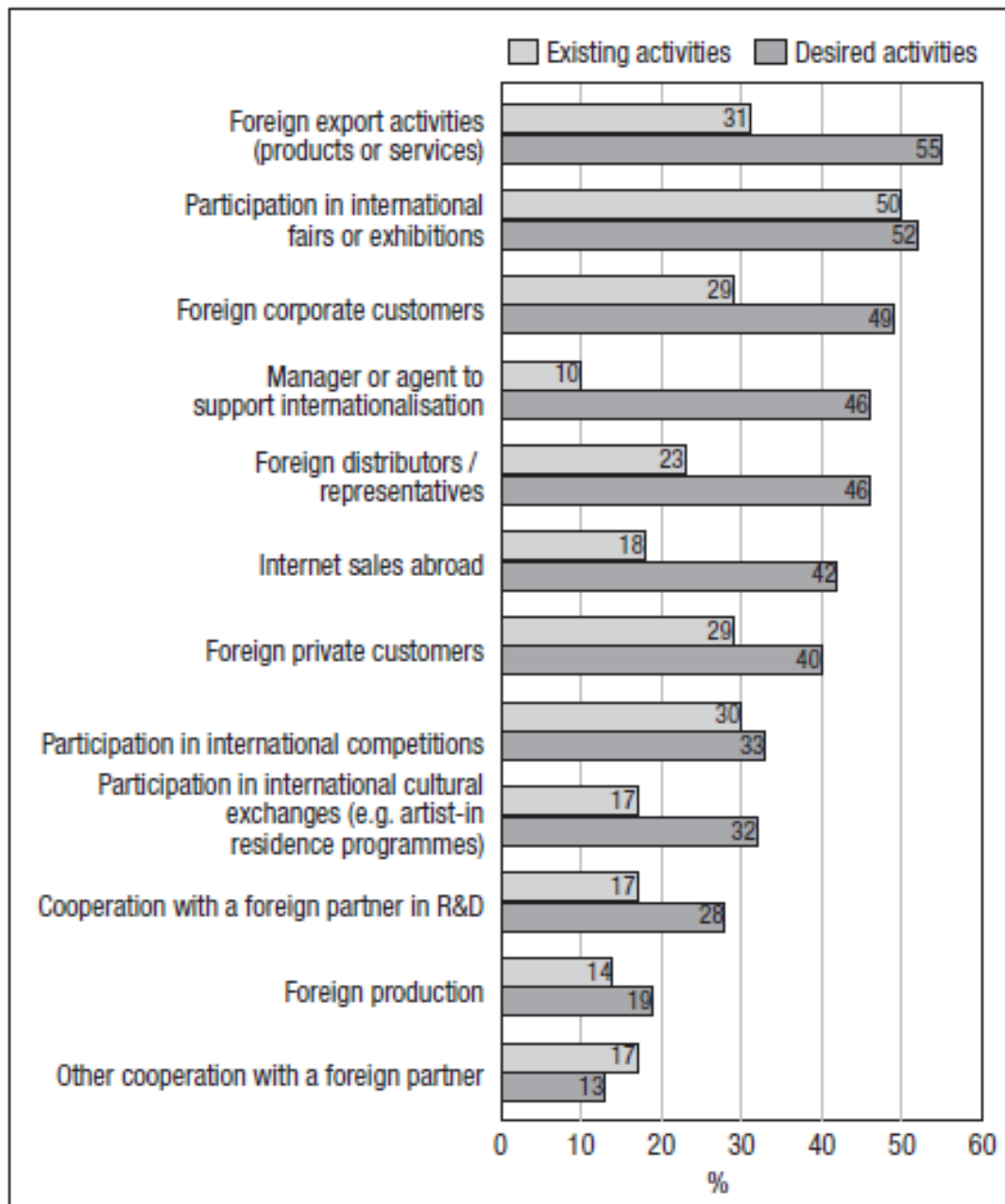
Figure 5. The process between the seller and the agent (Kananen, p. 51).

The agent offers products to the buyer/customer but it is always the seller that then closes the deal, as in figure 3. There are of course some pros and cons with working with an agent. First the pros with an agent. The agent should already have good connections with the potential buyers and therefore be productive from the start. By using an agent the company will have higher control of the brand, the prices and conditions than if a distributor was used (Westwood 2012a p. 109). The commission is paid to the agent normally after the agent's customer has paid the invoice to the seller (New Zealand Trade & Enterprise, 2007). Then the cons: the company has to take care of shipment and paperwork relating to it (Westwood 2012a p. 109). The distribution process can become relatively complex as no stock is held in the market. The agent will not be funding any marketing activities. The seller carries the credit risk, but because the agent normally gets paid after the invoice is paid this is an incentive for the agent to make sure that the buyer pays on time (New Zealand Trade & Enterprise, 2007).

The agent can work from the exporting country. So it can be a person or an organisation that is specialised in export and gets customers from abroad to the seller. When the company wants to export, but lacks knowledge or language skills, then it can be more useful to use an agent that is from the same country. This kind of agent can be someone that has contacts abroad and travels quite a lot (Kananen 2010 p. 56).

A research made in Finland (Oksanen-Särelä 2012 p 158) focusing on the design sector, listed the designer's current international activities and which activities would be desired to work with more. The most desired activities were foreign export and participating in international fairs, working with an agent was the fourth desired way to further the internationalisation.

Table 3. Designer's wishes to further their internationalisation (Oksanen-Särelä 2012)



2.4 How to find and choose an agent?

There are many ways to find an agent. Internet is a cheap and fast option. On the internet one can find information about the different markets. So a possible agent can be found this way (Immonen 2005 p. 46). As an example Enterprise Europe network (provides SME internationalisation services to over 50 countries) <http://www.enterpriseeu-rope.fi/en/web/enterprise-europe-network/partner> offers a free of charge contact database, by opening an account one can publish a query where one states what kind of product is been offered and to which country.

It can be helpful to use your current business contacts, they might be able to help you find an agent (Kenwood 2012 p. 120). This is supported by the case study made by Chetty, Ojala and Leppäaho (2015 p. 1451) that Finnish companies are searching for partners that they already know and can rely on. For Finnish companies Finpro can offer some assistance when it comes to exporting. The assistance can be tailored for each company and their needs (Immonen 2005 p. 52).

Fairs are a good way of getting connections and possible new agents. The fairs significance is linked to the industry. For some industries it is vital to be represented at fairs. It is not cheap to attend fairs with one's own stand, it takes time to prepare for the fair and usually they are held for many days. If the fairs are too expensive they going there just as a visitor can be good idea. This way one gets a good picture of the whole industry, and what the competitors are doing (Immonen 2005 p. 54).

When some candidates have been found then it is time to take a closer look at them. In the early stage the contact can be by email. First the company presents itself and its products and also plans for the market entry. It would be good to ask the agent to send information about their company (Immonen 2005 p. 58-61). Here are some examples that one can ask for:

- **Facts about the agent;** Official name and address, VAT-number, ownership, turnover, information about the personnel, the economic status, bank connections.
- **History;** When the agency was founded, development of sales, what kind of principal has succeeded the best, the agencies main stages of development, current

and former representations, possible connections to the principals competitors, payment morale and creditworthiness

- **Current activity;** products and possible other principals, time management between principals, regional coverage, market share and their development, real estate (own or rented), organisation, sales tracking and reporting, internal training, trademark policy
- **The agents own assessment on upcoming developments;** assessment on sales developments on current products, changes in ownership, possible changes with personnel (jobs or employment relationships)
- **The agent and the principals products;** reasons why the agent would be interested in the principals products, the agents evaluation on the principals products competitiveness and sales opportunities, how would the agent sell these products
- **Overall impression;** does the agent corporate image match up to the image the principal wants the products to be linked to, how do the customer react to the agent

2.5 Agency contract

The International Chamber of Commerce has drafted a model to help companies with their agency contract as there are no standard models. This model is meant for international trade and is not specific on any national laws (ICC Publication 1991). A contract should contain this information:

1. **Territory and products;** have the products and territory listed in Annex
2. **Good faith and fair dealing;** both parties will act in good faith and fair dealing
3. **Agent's functions;** promotes the sales to his best efforts by using the instructions given by the Principal. The agent shall not seek customers from other parts than the territory listed
4. **Acceptance of orders by the Principal (the seller);** The Principal informs the agent without delays if order, sent by the agent, are accepted or rejected.
5. **Undertaking not to compete;** the agent shall not be selling competing products during the time that the contract is valid. Other kind of products are fine.
6. **Sales organisation, advertising and fairs;** The agent provides the sales organisation and after sales service in the whole territory. The principal approves any

advertising and participation at fairs. The costs for this will be shared as agreed by the two parties.

7. **Sales targets – guaranteed minimum target;** The parties may make sales targets that are agreed on annually.
8. **Sub-agents;** The agent can have sub-agents but it must be informed to the Principal, one month before the engagement. The agent is responsible for the sub-agents.
9. **Principal to be kept informed;** The agent informs the Principal about his activities, about the market and about the competition in his area. The agent also informs about the laws and regulations that the Principal need to know (e.g. labeling, safety requirements, technical regulations)
10. **Financial responsibility;** The agent shall be aware of the solvency of the customer, which orders he transmits to the Principal. If the agent knows that there might become problems with payments the agent shall discuss this with the Principal before transmitting the order.
11. **Principal's trademarks and symbols;** Trademarks and symbols shall be used by the agent for advertising the product. The agent does not register the Principals trademarks, trade names or symbols in the territory.
12. **Complaints by customers;** The Principal must immediately be informed by the agent about any complaints about the products.
13. **Exclusivity;** As long as the contract is valid, the Principal has no right to let anyone else sell the product in the agent's territory. However, the Principal is allowed to deal directly with customers in the agent's territory. If there will be sales the agent is entitled a commission.
14. **Agent to be kept informed;** The Principal provides necessary information (e.g. brochures and price lists) about the product to the agent. If there is problems with the supply this also needs to be explained to the agent.
15. **Agent's commission;** All sales made in the territory entitles the agent a commission.
16. **Method of calculating commission and payment;** The net amount of the invoice is which determines the commission. When the customer has paid the invoice in full, then the agent can acquire his commission.

17. **Unconcluded business;** If the principal does not accept the orders then the agent will not get his commission.
18. **Term of contract;** Both parties can terminated the contract, there will be a four months' notice (this shall be done in writing). The contract will state until which date it is in force and it will be automatically renewed for one year if neither party wishes to terminate it.
19. **Unfinished business;** The agent is entitled his commission even though the contract has been terminated, if the order was sent before the expiry date.
20. **Earlier termination;** An imminent termination of the contract can be done by both parties in writing. The reason for this can be that the other party has breach is obligation or earlier termination can be done due to exceptional circumstances.
21. **Indemnity in case of termination;** The agent is entitled to indemnity if he has increased the sales or acquired new customers, and the principal will continue to benefit from his work.
22. **Return of documents and samples;** The agent shall return all material upon expiry.
23. **Arbitration – applicable law;** In the contract it need to be mentioned the country in which its governed by the law.
24. **Automatic inclusion under the present contract;** The annexes are an integral part of the contract.
25. **Previous agreements – modifications – nullity;** This contract replaces any other agreements made by the principal and the agent. If modifications are needed then they need to be done in writing. A clause in the contract can be nullity but the whole contract will not.
26. **Prohibition of assignment;** The two parties must have a written agreement for the present contract to be assigned.

2.6 Cooperation with the agent

The best results are achieved, when working with an agent, with honesty, clear roles and targets, and by having a good concept. It is good to remember that at some markets the sales process takes more time, than at other markets. So it is not always the agents fault if there is not any sales as fast as the company had expected (Moberg 2014 p. 60).

It is good to regularly follow up on what the agent has been up to. The agent should report which potential customers have been visited, news about competitors and other changes on the market. The principal can have one person that the agent contacts in all matters. It is important for the agents to get the needed information fast as it can effect on sales to their customers (Immonen 2005 p. 85). The agents needs to be supported, stimulated and inspired. It can be good to let the agents from different territories to meet so they can discuss and compare experiences (Engdahl 1990 p. 172).

If the agent is from another country than the sellers, then the cultural differences should be taken into consideration. Eventually there will be some sort of misunderstanding with; emails, phone calls or letters. The way to negotiate changes between people and from which country they are from. So learning a little about the agent's country's business culture can be helpful (Immonen 2005 p. 73).

Table 4. An example on how the work can be divided between the seller and the agent (Immonen 2005 p. 83).

	Seller	Agent
Marketing plan		
- Basic strategies	x	
- Making targets	x	x
- Planning of measures	(x)	x
- Information systems	x	(x)
Promotion		
- International fairs	x	
- Local fairs		x
- Advertising	(x)	x
- Customer visits		x
Following the market		x
- Finding new customers		x
Making inquiries		x
Making offers		
- Standard offers		x
- Tailored offers	x	(x)
Technical advice	x	(x)
Tracking the offers		x
Filling in the order form	(x)	x
Tracking the orders	x	

The delivery dates can be extremely important especially in retail-driven markets. The agent needs to be informed immediately if there is a problem with the delivery date so the agent can inform this to the customer. The company web pages should provide reliable information about the products and also technical information, as a support for the agent. It should also be considered that the pages could be in different languages, for example the languages that are represented at the market the agents are currently selling to (New Zealand Trade & Enterprise, 2007).

After having a successful partnership with an agent a Joint Ventures collaboration might be useful. Joint ventures consist of two or more companies and they share profits, assets and risks. The shares held can be equal or one partner can have a higher share (Czinkota & Ronkainen 2004 p. 430). The advantage of having Joint ventures are: the partner has something that the other partner lacks, the partner's local knowledge, the partner's experience, and lower costs and risks. The disadvantages can be: shared profits, communications difficulties and the partners may have different goals (Äijö 2008 p. 203).

2.7 Literature summary

There are different reasons why companies start their international sales, looking actively for contacts or being passive and letting interested parties contact them. As this thesis focuses on agents, the literature review describes how they work (the agent can be stationed abroad or work from Finland), how to find one and how to work with them. The information gathered was mainly from books and business journals.

3 METHODS

The method chosen for this thesis was the qualitative method. It is a case study concentrating on Finom lights and in-depth interviews were made. The people interviewed were both the owners of Finom lights and also the two agents, to get to hear both sides of the case. A model was created to show the internationalisation phases Finom lights has taken

3.1 Setting

In two cases the interviews took place in a rented small meeting room (in Helsinki). In three cases the interviews were held at the interviewees' offices (two took place in Helsinki and one was held in Hämeenlinna).

3.2 Participants

The participants for the interview are the two owners, one person that works for Finom lights and then there are the two agents. One agent takes care of sales to Austria and Germany. The other agent takes care of sales to United States of America. The interviews took between 30 and 60 minutes and they were done face to face in March and April 2017. The interviews were recorded and the participants approved it.

3.3 Case study

In case studies the research questions are usually why or how. A case study tries to explain why decisions were taken. This method is often used for researching businesses that are undergoing changes. It is essential to have a strong link to theory, it can either support it or not. This case study focuses on being explanatory and the questions tend to start with Why? How? and Who? (Ng & Coakes 2014p. 119). A case study consists of data collected from multiple sources (Yin 2003 p. 14).

Figure 6 shows how the convergence of evidence in this case. Five people were interviewed, the office of the designer was visited, the contract between the company and agent was shown and Finom's web pages were visited.

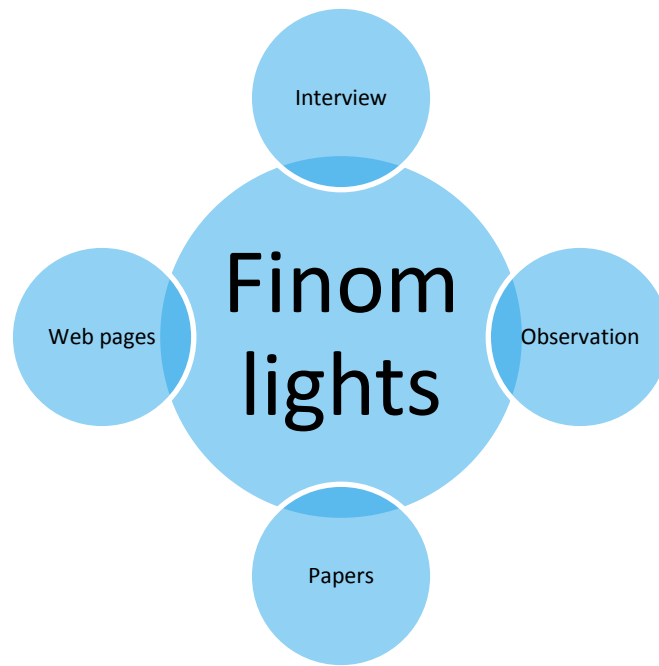


Figure 6. Convergence of evidence.

3.4 In-depth interview

In this research the method used is an in-depth interview. This means that the interview situation will be a free discussion with some specific themes, which the interviewer has in beforehand chosen. The atmosphere should be relaxed and the interview should take about one hour. Open-ended questions are used to get as deep answers as possible. To get the interviewee to about his/hers experiences and perceptions, how the interviewee see and feels things. This can lead to information that the interviewer had not thought of. (Tjora 2012 p. 81-87).

The first questions that were asked the owners, started with questions about their responsibilities and why they started to export. The next four questions were about why and how they started to work with agents. The last five questions were about where they are now and what will they do in the future. The agents were first asked about their history and knowledge about design products. Then the questions were about how the cooperation started and how it is working. The last seven questions focused on the agents markets, how the sales have been so far and how to get more sales.

The structure of the interview is to first start with warm-up questions. Easy, more informal questions for example about the interviewees work history. At the second stage comes the reflection questions. Here the interviewee gets to talk more deeply about the topic. The third and last stage is to round off the interview with discussion about how the project will proceed and what will happen to the data. It is good the end the interview with a thank you and leave it in a positive note, if there is a need to ask some more questions at a later point (Tjora 2012 p. 81-87).

3.5 Data Analysis and reporting it

After the data was collected, it was analysed by an analytic technique. A time-dependent analysis was used and describing the activities in a chronological way. It allows the researcher to follow the events over time. The goal of using this analysis is to compare the chronology with some explanatory theory (Yin 2003 p. 125).

The data was presented in a chronological order. It covers events over time, so sections follow the beginning, middle and the latest phases of this case study history. This is commonly used when doing explanatory case studies. A pitfall with this method is that the researcher might concentrate too much on the background and the early history and leave less time to focus on the current status. One way to avoid this pitfall would be to first start writing about the current situation and then go backwards. Once everything is written down then the text should be changed to the normal chronological order (Yin 2003 p. 153).

Based on the theory, a model was created. The model (figure 7) shows the phases Finom lights has taken with the internationalisation process. In this case the model stops at phase 3 as Finom lights has not yet reached phase 4.

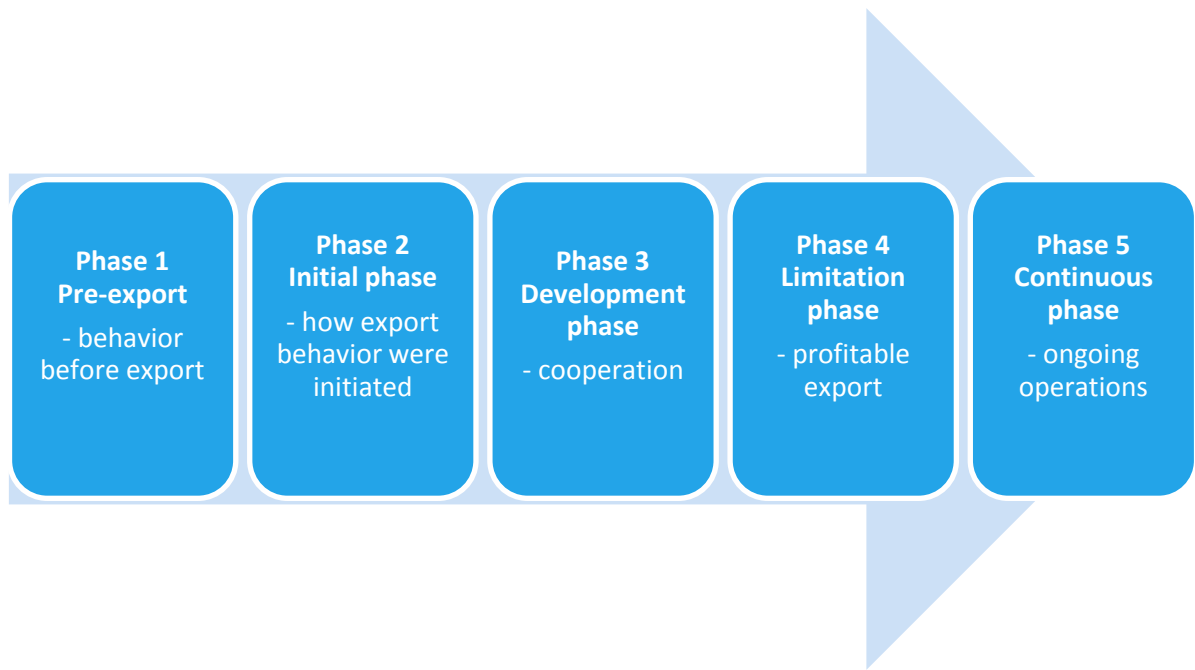


Figure 7. The five phases on internationalisation.

4 CASE: FINOM LIGHTS

The five people that were interviewed for this thesis were:

- Esa Vesmanen, Pure Design Oy, his responsibilities are to design the lamps and to make product development. He takes care of marketing, he presents the product and makes the Finom lights brand known. He also takes care of packing the products and the shipments.
- Jukka Vesmanen, Innoite Oy, is responsible for the production. He has also worked on the contracts.
- Camilla Magnusson, Innoite Oy, is responsible for social media marketing (Facebook, Instagram and LinkedIn) and updates the webpages. She also makes trademark applications and design rights for Finland and the European Union.
- Raija Griessler, RG import Oy, is the agent for the Austrian and German markets.
- Ulla Lange, olo inside, is the agent for the United States of America market.

The result is presented as a model for internationalisation. The model consists of five phases. In this case Finom lights has not yet reached phase 4 and 5.

4.1 Pre-export phase

The Finnish market is too small for this kind of a product. To get bigger volumes the only option is to start selling abroad and the design branch is global, it has no borders. Designers, architects, and decorators work in a global environment, so they have no national borders (Vesmanen E. 2017).

There are shops in Helsinki, Hämeenlinna and Tampere but the sales are low. One reason can be that people do not have money to spend on design lamps. At this time the big sales will be done abroad (Vesmanen J. 2017). Then there is the web shop which has not been marketed at all, and sales have only been to Finland. Do people buy these lamps online when the cheapest lamp is over 300 €, and without seeing the lamp live first? On social media Finom has accounts on Facebook and Instagram (Pure Design is on LinkedIn and presents there Finom) (Magnusson, 2017).

Product development has to be thought of. At least once a year something new should be presented and this supports the older designs. Some suggestions have been made that there should be a table lamp or a lamp that is attached to the wall. The product can be developed so that it fits a market better, this information will be available by taking suggestions from the local representative. In Finland the black version has gotten a lot of good feedback, as furniture made of tree is so common here, people like that something different is done to the material (Vesmanen E, 2017).



Figure 8. The black floor light (<http://finomlights.com/fi/>).

4.2 Initial phase

In this second phase Finom lights was contacted by the agents and the contracts were made.

4.2.1 What the agents did at the initial phase

The two agents Finom uses have come by accident. Finom lights arranged a presentation where they showed the lamps and Lange was invited by Vesmanen E. friend. This was in spring 2016. Lange was fascinated by the lamps and ended up buying two. Lange then suggested to Vesmanen E. that she could start selling the lamps to USA. Lange had experience of doing this as she had sold a competitor's lamps in USA before. At the moment she is mostly working in Finland, but she makes plans on how to proceed on the USA market.

Vesmanen E. met Griessler by chance in Hämeenlinna at an event. Then things started to happen rapidly. The agents liked the products that Finom lights makes, they saw the potential and they were so interested that they wanted to sell them (Vesmanen E. 2017).

Griessler's company imports products (cosmetics and organic products) from Germany. She has always been interested in selling Finnish products abroad and she has lived in Austria for 17 years. She finds Germans very fair, friendly and easy to work with. She sees it important to be proud of Finnish products. She has tried to sell products from Lapland but they could not give a price for their products. She met Vesmanen E. in Hämeenlinna, at an opening of a museum where the lamps were presented. They started talking and Griessler asked if the Finom light sell well abroad. And his response was no not yet and Griessler got excited and she wanted to give it a try in Vienna as she knows people there. She has no previous experience in the design or furniture sector. But she feels that the beauty sector and design both give people a good feeling so in that sense they are a bit similar. Tree is valued as a material and handicrafts is also valued in Germany and Austria. For Finns birch is obvious, so we cannot value it as much (Griessler, 2017).

Lange had a showroom in Colorado USA, between 2005-2008 just before the big recession, and she imported Finnish lamps. She did not work as an agent. Now she sells Spanish lamps but she is not their agent. After Lange graduated from high school she moved to England for two years and then she moved to USA. After living in USA for many years she has now been living in Finland for the past three years, but travels to USA three to four times per year and then usually spends three weeks there at a time. She has worked as an interior designer in USA, so she knows how designers and architects can be reached. She has also some experience doing business with retailers. The Finom lights she wanted to start selling because she liked how they looked and the material, and thought that these need to be shared (Lange, 2017).

4.2.2 What Finom did at the initial phase

The agents' history (had they worked with design or lamps before) was discussed, and which market the sales would take place in. The web pages have been modified so that if an agent or a distributor is interested to sell these products they can fill in a form and then Finom will be in contact with them (Vesmanen J. 2017).

Vesmanen J. points out that when a company is selling something abroad, then it is important that there is knowledge about the country and understand the market. In order to sell something from Finland you would need to be on the premises and the agent has that possibility. At this time we could not go somewhere and try to sell, for example going for one day the cost would be around 2000 €, and you need to know exactly where you need to go. If you had contacts in one city then it would work. As an example, there are 5,5 million people in Finland and 100 design shops and then in Hamburg in Germany, there are about the same amount of people in that city and probably the same amount of shops. If we have an agent that knows the area and speaks the language then the possibilities are a lot greater to get sales.

4.2.3 The agency contract

The operations are still so small. Paperwork takes a lot of time, so it is best to make the agreement in order from the beginning, and now the agent agreement contract is made so it helps a lot. The territory and target is defined before it is signed (Vesmanen J, 2017).

They had no knowledge of how to work with an agent, before starting this process. Vesmanen J. was in contact with a lawyer to make the contract. The lawyer made the contract template and Vesmanen J. made some changes to it. There is an agent contract that has been approved by the Finnish government, but the contract is in favour of the agent and the producers' rights are small and the agents have no obligations. This is why they made an own contract (Vesmanen J. 2017).

According to their lawyer, the contracts should be between one and three years. Three years is the maximum. They have to agree with the agent that what is the target, how much sales does there has to be. If the sales target is not achieved then that is a ground to terminate the contract. When starting the cooperation with a new agent one year is a very short time. When the targets have been reached then the cooperation will be continued and if it has not then there will be a discussion on how to move forward. If one makes a one year contract and you terminate it, then the notice is two months. And if the contract is for three years then the notice is six months. During this notice time any sales made by the agent's contacts then Finom must pay commission to the agent. The agent must inform which places have been contacted and if these new contacts send orders, then these sales also belong to the terminated agent. This is why the agents has to report which places have been contacted, so that it can count be made up that some commission has to been paid when in fact this agent has not made the deal. Now they are using a Finnish contract but when they will start to use foreign agents then it might be different (Vesmanen J. 2017).

4.3 Development phase

The lamps have gotten good feedback from both professional and consumers. At the moment agents have gotten five customers (one in Austria, two in Germany and two in USA). The price of the products have not been a problem in Europe, however the floor lamps

prices in the USA are twice as high as they are in Europe. Finom has done very little international marketing. There is a web page and web shop, and three social media networks are used.

At the moment Finom lights are sold in Austria, Germany, Finland, USA and Ireland. In Ireland there is a distributor that sells these lamps. This distributor became a customer through a contact of Magnusson (Vesmanen J, 2017). Direct export has been the only way Finom has worked with so far on the international market.

The groundwork has been done, Finom has gotten great feedback from professionals and consumers so there is potential to be a successful product. The focus should now be on export and visibility. There can never be enough visibility, as there is a lot of competition. The lamps need to be in stores for people to see them but also that people see them in good examples of which surroundings they can be used (Vesmanen E, 2017).

According to Vesmanen E. Finom should have a long-term strategy and to think about what actions need to be done depending on the country. Somewhere more closer to Finland could be the next place. For example England could be an interesting option. The focus should now be on Europe as the costs are smaller, when dealing with countries near Finland. A scheduled project should be done, what needs to be done and what is happening in that market currently. So if it is decided to sell the lamps to France then there are two important fairs, so attending one of these and there building the connections. At the moment all the people that are working with Finom are also doing something else, and a consistency is missing. A design product has a novelty value time, so it is important to update the lamps. Finom lights have gotten great feedback and now it is time to push sales when there is an interest for it. There should be one person in Finland that works with Finom full-time because at the moment Vesmanen, E., Vesmanen, J., and Magnusson have other jobs that take a lot of their time. There is a risk that the agents get tired when things are not done on time.

Finom's direct sales via their web shop has not worked that well. It is connected to marketing and visibility, how will people find it, and now they have not found it. There is so much competition. Kickstarter model should be something to look into. Vesmanen E. has friends that have experience of selling their products through Kickstarter successfully. They have gotten a lot of visibility through this. The sales volumes can get high, so this

should be something that should be tested, and put some time and energy into this project (Vesmanen E. 2017).

The agents have a right to prepare contracts with the retailers, but they cannot sign them (this is written in the agent agreement). The agent can make offers. The agent contacts potential customers and then reports to Finom what had been negotiated, which products, volumes and so on. Finom can either make offer directly to the retailer or have the agent to send it. The customer sends the orders to the agents, and Innoite is the company that sends the products and the invoice to the customer. If a discount is needed then the agent has to discuss this before promising it to the customer. The agent gets the commission if it leads to sales (Vesmanen J. 2017).

A good agent will get faster results than if Finom lights would directly start to contact shops. The agent needs to have an active role, and can create the contacts to the right places and can focus on certain places. Griessler has worked in Vienna, Austria, so she has a lot of contacts in Austria and in Germany. These are valuable contacts that Finom Lights would not have without this agent. Griessler has been very independent and has gotten results. She has good connections. Lange knows the USA market and speaks the language like a native. She lives part time there. The only problem is that the country is so big. Lange's sales are not that big and she has expenses. The sales volumes need to be higher so that is profitable for both parties. Griessler is in a similar situation that the sales are still low. So the beginning is tough for all. Finom tries to support them (Vesmanen J. 2017).

The local need is important. When dealing with a product that needs electricity it is important to know what kind of a plug or lamp base is used in which country, what kind of certificate is needed for the market and the agent's local knowledge can help. For example Griessler gave advice that if you want to sell something to Germany then the papers must be done in a certain way. So one has to do as locally is demanded. Just because a market entry has once worked in one country does not mean that it will work in any other country (Vesmanen J. 2017).

4.3.1 Work done by the agent in Austria and Germany

One way to get customers is by sending emails (with pictures of the lamps and link to Finoms webpage) and then making a phone call. It is a challenge to send sales emails as people usually get a lot of ads by mail, and mainly just delete them. Another way is to attend fairs. In order to get more sales Finom lights should attend fairs, this way people would get to see the lamps live, because through pictures you do not get the same feeling as when you see it live. There are several potential fairs in Europe that are meant for business to business. There should be at least one fair per year. It could be in Milan, Stockholm or in Cologne. These are fairs that attract people from different countries. That way they could reach many potential customers at the same time. This is an unknown brand and it is a challenge. There should be some kind of marketing campaign, but of course this is costly. Having some advertising agency that would launch the Finom lights products. It is quite expensive to make these lamps so the consumer price is quite high. This is a comment that the Austrian customer gave. Red dot award has helped the sales, especially in Germany as the award is handed in Germany. So they know the award. There is a lot of competition, so not every lamp will get it (Griessler, 2017).

The Vienna shop was recommended by Griessler's contacts, this shop sell other Finnish products as well, for example Marimekko and Iittala, and Griessler wrote to them and the shop owner was immediately interested, these products fits the shops selection. So now there is in Vienna on shop that sells Finom lights. Griessler had worked for the Foreign Office in Austria for many years. She had got from her contacts famous architects names. In Austria they build a lot of houses and hotels of wood, so it would be great to get into hotels rooms Finom lights, which would be great marketing. In November the Finnish embassy will hold a "design diplomacy" hopes are that Esa Vesmanen could go there and be part of a discussion where the participants get to know the questions in advance, there will be an audience. This would be good PR (Griessler, 2017).

So far the current customers have been very rapid to make their decision to start to sell Finom lights. It has taken about one week to make this decision and make the order. Some have asked Griessler for advice on which products to order, other have made their own decisions. And now Finom lights has got an order form with pictures of the products so it is much easier for the shops to know what they are ordering. The shop keepers are not

young, so it is a great advantage that Griessler does speak German with them, they are very grateful that they can do business in their own mother tongue. One of these customers said that they have been selling products for 20 years but never seen anything like this, and they need to get them to their store. It is so early so it is difficult to say how these lamps will sell to the consumers (Griessler, 2017).

The German market is more interested in Finnish products than the Austrian, but in Germany there are a lot more people as well. The Austrians are quite conservative and they value antiques. The Austrians way of styling their homes are different than the Germans, where they are more modern. Switzerland could be an option in the future but no attempts to get the lamps into this market has yet been done. The Finom lamps should be sold in shops that sell furniture and other lamps, so that the consumer can see how the lamps fit with other furniture. One of the German shops, which is in Leipzig, concentrates on selling wooden furniture. The other shop, which is in Frankfurt, is part of a chain so hopefully the sales are good and this way the lamps could also be sold to the other shops in the same chain (Griessler, 2017).

4.3.2 Work done by the agent in USA

When Lange chooses the potential customers, she checks what products they sell. She has not checked their credit information, as it is not as simple as in Finland. Financial reports could be ordered, and they cost something. She looks at what the potential customer offers (competing products) and sees that Finom fits in their selection. Finom is presented in good locations in the stores, but the price is a bit difficult. One is a shop that sells the floor lamp. The other one is a building that is meant for architects and interior designers. There are showrooms, where the lamps are presented. Lange is going to go to USA this spring to present the lamps to new places but before that the price needs to be looked at (Lange, 2017).

During fall 2016, on Long Island, she contacted shops just by walking in and asking if they have time to look at the products. She scheduled then a time to get to show them. Lange contacted the showroom first after looking online which would be a fitting showroom for Finom. She just went to the showroom, with the Finom brochure, and they were interested and asked her to come back and show them the real lamp. Lange has contacted

stores in Boston, but not yet gotten a time for a meeting. She has also been in contact directly with architects and interior designers. Next time she goes to USA she should remind them about the products, and for example tell them about the new black lamp (Lange, 2017).

Museum shops sell a lot of design products to consumers (non-professionals), they sell good products. Finom lamps should be selling here. At these museums the products prices can be very high. They can also sell cheaper products so it does depend on the museum. Finom could also be sold at interior design shops and showrooms that are meant for architects and interior designers. It is a different system in USA than in Finland. There are showrooms in every bigger city, there is a big area where someone can for example show office furniture, another for carpets and so on. It is a common way for them to find new items. The architects and interior designer either buy the products for themselves, and sell them to their customer, or then their customer can pay direct to the showroom. The showrooms used to be exclusive to professionals but now it has changed so a nonprofessional can look at the products but in some cases the showrooms only sell to professionals. The showrooms do not have the products on stock, so they have to be ordered. Web shops are also popular in USA, for example Design Within Reach (Lange, 2017).

The interest in Finnish design in USA is increasing. Within the last year there has been more interest in traveling to Finland, in the Finnish school system (this has been talked about for many years), that there is no corruption, how safe it is, and in design. Architects and interior designers have known about Finnish design for many years, for example Alvar Aalto and Artek. Now the Finnish designs awareness has grown among the non-professionals. Not many architects or interior designers start to look for Finnish design products, they are searching for a certain look. If there is an environmental feature then the better, but they do not search for a product specifically from Finland (Lange, 2017).

4.3.3 Cooperation between Finom and the agents

As mentioned earlier, no one on the Finom team had any experience on how to work with agents. They lacked the knowledge on how to run things in practice. Without the knowledge they have made mistakes and had to make changes to their processes. As the agents also work with other projects, the time they put into Finom can vary a lot. Now

they are paying the agents' commissions, but if they paid them a salary then it would require them to work more actively with Finom. Now they work with Finom when they have time and now the work is done on their terms (Vesmanen, E 2017).

The problem is that nobody is doing this full-time. If all three would be doing this full-time then there would be a lot less problems. (Magnusson, 2017) "But this is still in the beginning. If we were doing this full-time then we would not have any incomes at this stage. This is a dilemma, because if we did full-time then sales would go up and a lot faster than now. But since we have to have incomes right now we need to do other work as well. Money has been put into this project but still a lot needs to be done" (Vesmanen J. 2017).

According to the agreement the agent should inform Finom once per month what has been going on, and which current or potential customers have been contacted. This can be done by email, phone or face to face (Vesmanen J. 2017).

Now they would combined from these three cases the knowledge and use it for the next case. What is good, there are calculations that show exactly how much it cost to make these lamps. The pricing has been made so that it is a profitable business. The pricing takes into consideration the consumer, retailer, projects and agents, so everything. The logistics will be dealt with according to the country. Finom is still so small that they are in no position to negotiate better prices for freight to for example USA. Shipping the shades is not a problem, for that they can use Posti. But the foot of the lamp causes problems as it is so long and they have to be shipped by freight company and the price gets this way very high. And by sending these long packages to USA you need to have someone in the USA to be as a customs broker that takes care of documentations and taxes. So easily for sending one package there can be 700 € just in freight costs. So for the consumer in USA the products prices is two times higher than in Europe and competitors are also selling their products this way. The logistics is something that needs to be discussed with the agent already in the beginning when starting the cooperation (Vesmanen J. 2017).

The agents are very professionals. For example they answer their email very fast. They both understand their customers' needs and they can sell products, and have gotten results fast. They also work independently and are in that way active. Vesmanen E. is in contact with them once a week or once every two weeks (Vesmanen E. 2017).

The price of the products has been set so that none of the lamps would cost over 1000 €. Competitor's prices have been looked at. Some people have said that because the lamps are so beautifully made they could cost more. Vesmanen E. then wonders if there then would be enough buyers. Finnish Design Shop will now start to sell Finom lights. It is the biggest design web shop in Finland. Finnish design shop is a web shop that sells Finnish and Scandinavian design products all over the world. As they sell all over the world then this will also help with the visibility (Vesmanen E. 2017).

Finom is at a price category where visibility only online is not enough. For example if there is a product that costs 50-150 € then you might buy it online without ever seeing it, but when there is a design product for almost 1000 € and the buyer has never seen or touched it then it is more difficult. When people see the lamps, and see the quality then they are sold. One consumer who bought two lamps is so pleased to have them that this person is posting pictures of the lamps quite often. So this is a great case of a satisfied customer (Vesmanen E. 2017).

As Finom lights is still so new, this makes the cooperation between Griessler and Finom lights at times a bit slow. It could be easier if they all were located at the same place, so much easier to ask if the things needed have been done, instead of just sending emails and waiting for replies. This is still early days, then when things are done as routine then everything will go much smoother. Now everything is new for Griessler and for Finom lights. For example how to take care of the shipping. Griessler points out that when you are shipping abroad you have to keep what you have promised them. The shipments need to be at the customers shop on time. If the German customer has been informed that the delivery time is one week then this is what Finom lights needs to hold on to. Finom lights need to be reliable and punctual. From Griessler's import experience the Germans are very fast with their deliveries, but the Austrians are not that punctual (Griessler, 2017).

Griessler wishes that there would be one person that takes care of marketing, and that she would have one contact person from Finom lights. She has noticed that to get answers it is best to call. It would be good if they would have there one person that is really focused just on Finom lights operations. They should also have more face to face discussions (Griessler has met Vesmanen J. only once). More ideas to get more sales and also other things would pop up this way.

Lange would like to move faster with the sales. She has struggled with the pricing. Otherwise she has liked working with them. The brochure that Finom lights has is good, and the web pages are also good. Sending the lamps to USA has been challenging. The customs duty is high. Finnish Design Shop can also send now to USA to consumers. There is a price list for Europe and separate pricelist for USA (Lange, 2017).

In order for Lange to get more sales, she needs to get information about the prices and information how she should market these products. She has sales material and there are lamps in her home in USA which she can take with her and show to potential customers. When she goes to USA next time, she will be there for three to four weeks and work with Finom but also to do other work as well (Lange, 2017).

According to Lange, Finom should work together with some other design companies, not competing products, with export. There are many Finnish companies that produce products that are beautiful and of good quality. Going to fairs and that way getting the lamp featured in some magazines. After this it would be a lot easier to market the product. Using Vesmanen E. in some events where he talks about how he design the lamps, there could also be another producer showing their products (Lange, 2017).

Attending fairs would be a good way to get the Finom brand more known among professionals. Finpro arranges fairs together with similar Finnish companies, this should be something to consider (the minimum of participants would be four companies) and the Finnish government would help with the costs. ICFF fair in New York would be good to start with, it is a high end luxury furniture fair that also presents lights. It is an expensive fair so financial support would be good (Lange, 2017).

4.3.4 Finding more agents

In order to find more agents or distributors, Finom has looked at what other competitors have used. Contacts recommendations is also one way. International business to business fairs is one way to get visibility to the lamps, here the lamps can be presented to retailers and agents.

The main design fair in the world is in Milan, Italy. There they have an own section for lamps. In Frankfurt, Germany is the second largest. Closest to Finland is then in Stockholm, now it has become a quite international fair. It is the most important fair in the Nordics. The similar fair that is in Copenhagen used to be the important one but now the one in Stockholm is bigger. Vesmanen E. would be very interested to present Finom lights in Stockholm next year, by having their own stand there.

In Finland there is Habitare fair. It used to be more for consumers but now there is a section that is only meant for professionals, the rest is then meant for everyone. The location at the fair is very important. In 2016 the Finom lights were presented in two places. One place was a home section, where new products are presented. The other one was at the Suomen valotekninen section, Vesmanen E. designed their whole stand and got Finom lights placed there for free. It is otherwise quite expensive to attend fairs. The stand was good looking, but the problem was that it was in the wrong place. It was behind a company that does not sell design products so when professionals saw that company's signs they turned away. The visibility would have been a lot greater if Finom would have had their own stand (Vesmanen E, 2017).

The right way would be to be active to different markets. Finom should find potential agents and distributors and this way make new connections. This however is a weak spot for Finom. Now they are marketing but this is a long way from having sales. It is hard to get someone so interested that they would send an email saying that they want to be an agent. Finom has a possibility to use a market entry agent, this means that they would choose a country and make a market research. This would include finding potential agents and distributors. (Vesmanen J. 2017) The challenge is if you do not know these people, but in this case Vesmanen E. knew them and is a cooperation with them a good thing. Agents that you have no knowledge about is a risk (Magnusson, 2017).

A third way is to look at what the competitors are using. As Vesmanen J. does not know if there is anywhere a register of agents. A problem is that one does not find any more contact information about the right person. They just put their info address on their web page and it is really difficult to get any answer when using these addresses. At least this brings some kind of awareness to the brand and at some point the company contact might get interested (Vesmanen J. 2017). A Google AdWords campaign could be possible. One

option could be to find contacts is through Instagram and send them a message, but in this case you never know who administrates it. It can be someone who does not have any saying in the purchasing or it might even be outsourced (Magnusson, 2017).

4.4 Limitation and continuous export phases

The two last phases in this model are limitation phase and continuous phase. Finom lights has not yet reached these phases. The limitation phase is reached when export is profitable and changes can be done for example by ending the cooperation with some customers. A company has reached the last phase when export is a part of the everyday operations.

5 FINDINGS AND DISCUSSION

Within one year Finom has got two agents and is now exporting via the agents to three countries. The sales are still small and there is still a lot to do. In order for the export to grow and for Finom to get new agents or distributors commitment is needed. More time should be put into sales. Figure 9 shows the phases Finom lights have done and also the agents actions.

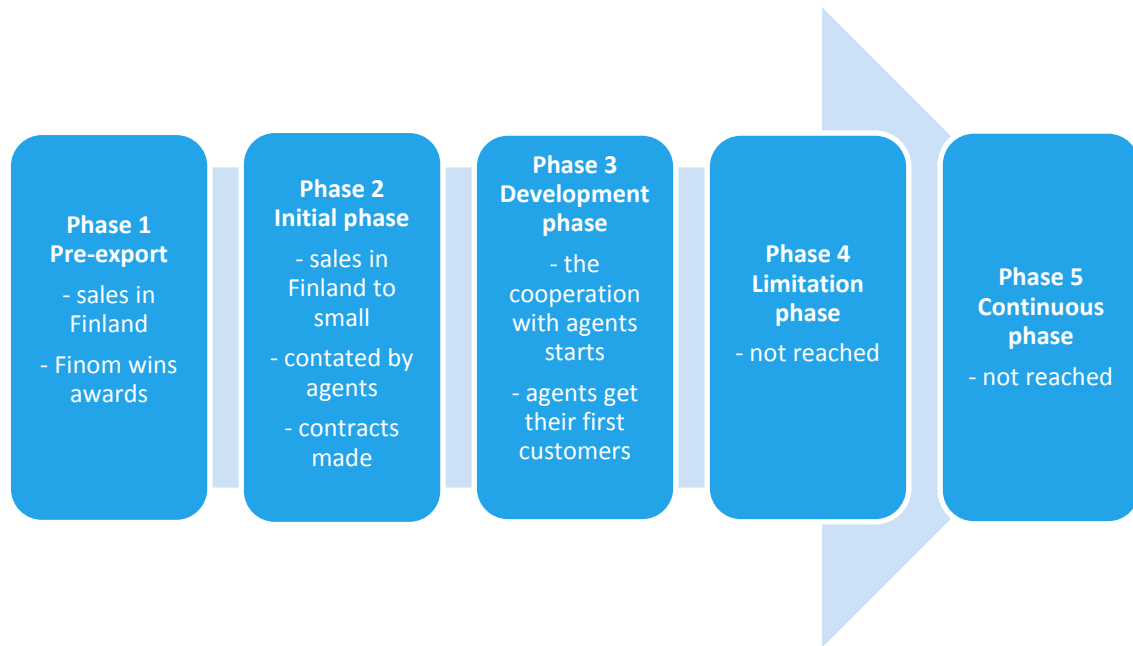


Figure 9. The five phases on internationalisation, Finom lights.

5.1 Starting to export and deciding the entry mode

The reason for Finom to start exporting was quite clear from the beginning. The market for quite expensive design lamps is just too small in Finland. The comments made by the Finom owners agrees with Kananen's (2010 p. 11) statement that when the domestic market is too small, growth has to be looked for abroad. There are some shops in Finland that sell them and a web shop, but it has been noticed that it is not enough. Although there is a need to export there is no clear strategy on how to get this sales. A big reason for this is that there is no one yet that works with Finom lights full-time (time of writing: spring 2017). The both owners, Esa and Jukka Vesmanen, have their own companies that they

are running, and so far Finom has not gotten the attention it needs to grow. The export challenges listed by Äijö listed are Finoms challenges as the company is not known abroad and there is no market knowledge.

So far the approach for the international market has been reactive, the agents have contacted Finom, but in order to grow more Finom needs to be proactive and really start to look for new potential co-operators and customers (Albaum *et al.* 2005 p. 171). There is an internal change agent to make exporting bigger as the opportunities are seen and there is an interest in these product. With an external change agent, a contact made by a foreign co-operator could be a big trigger to focus more on export (Czinkota & Ronkainen 2004 p. 230).

By pure chance two agents were found, or actually the agents found Finom. So in Finom's case they were not actively looking for an agent they just were approached by two interested parties, through connections like Kenwood writes (2012 p. 120) Both of the agents liked the design of the lamps and approached Esa Vesmanen and they offered their services. In order to get more agents or distributors Finom need to be active. The export business is small. The two agents have so far acquired one shop in; Vienna, Frankfurt, Leipzig, and New York and one showroom in New York. In Ireland there is one distributor. There is no preference of entry mode for the Finom owners, local knowledge is the highest requirement. Vesmanen J. thoughts are supported by Kananen (2010 p. 50), that a good reason to start to work with an agent is the fact that they know the market and have existing contacts. The lamps have won rewards and gotten a lot of positive feedback from shops that sells design lamps, architects, interior designers and consumers so now is the time to really start focusing on sales and visibility.

Vesmanen E. suggested that Finom could start selling on Kickstarter. This is a way of getting sales but also visibility all around the world. Kickstarter is a crowdfunding platform. At the platform companies can present their product, have a target goal (sum of money) and a deadline. If the target sum has been reached (or sometimes gone over it) then the production of the product can start and at some point the people that have funded this project will get the product. Usually the people that have funded it will get a discount. So far Kickstarter has had 10 million funders (<https://www.kickstarter.com>).

5.2 What does an agent do

Finom lights agents contact potential customers in their given area and they report to Finom which places they have been in contact with. Agents can prepare contracts with their customers, but they will be signed by Jukka Vesmanen. Agents inform Finom if there are some special requirements in the country they are representing, like for example in USA they have to use another kind of a plug than in Europe. This kind of local knowledge is valuable for Finom. Westwood (2012a p. 109) mentions that in larger countries, like Germany and USA, the countries can be divided into different areas and use appointed agents to specific areas. This has however not yet been a need for at Finom.

The agents have so far contacted the potential customers by email, phoning them or by visiting the shops and asking if they would be interested in these products. They also use their contacts to find new customers. Both the agents mention that attending a fair with a Finom stand would be good for their business. Visibility is now needed and having the lamp on display would be a far better way than just showing pictures. Both agents have gotten customers but it is still too early to say how the sales from the shops has developed. Finom has provided the agents price lists as the company is the one setting the prices (Westwood 2012a p. 109). In Austria and Germany shops have been contacted, where as in USA also showrooms have been contacted and next on the list would be museums. So the agents areas of expertise affect which places will be contacted, as Lange has a good network with architects and interior designers this is something she can use for her advantage.

The agents also inform Finom if there have been any complaints about the lamps or if there need to be done any smaller changes on them. One challenge is that Finom is an unknown brand. Finnish design has a good reputation around the world and the Red Dot award has been mentioned by the agents when they have presented the products.

5.3 Finding and choosing an agent

The way the cooperation started between Finom and the two agents was very similar. Both agents happened to see the lamps at an event and they both liked how the lamps looked. The agents then approached Esa Vesmanen and offered their services. As these

were the two first agents that approached Finom so no real choosing process was done. When choosing these agents Finom was not as thorough as Immonen (2005 p. 58-61) suggest. So the list Immonen (2005 p. 58-61) suggest should be used, was not completely used. The owners of Finom did ask the agents if they had any experience working with designer products.

In order for Finom to find new agents attending international fairs would be important. Immonen (2005 p. 54) explains that for some industries it is vital to attend fairs, and design products is one, seeing the product live is crucial. The biggest industry event is held in Milano, but Frankfurt or Stockholm fairs could also be an option. Habitare fair Finland has been tested but there, as in with every fair, the location of the stand can be vital to get a successful fair. Finom has made changes on their web pages so that now interested agents or distributors can contact them by filling in a form online. One way is to look at competitor's web pages and see who their agent in a preferred market is and then contact them. Using social media or Google AdWords is also something that could get a possible new agent's interest.

5.4 Agency contract

An agency contract was made for Finom by a lawyer in cooperation with Jukka Vesmanen. The contract is between the agent and Innoite Ltd and Pure Design Ltd. It took some time to get the contract done but now when it is finished it is easy to use when starting the cooperation with the next agent. As Finom at the moment (spring 2017) only has agents from Finland, so would there be a disagreement to settle in arbitration then it would take place in Helsinki. If at some point there will be agents from other countries then that is something that needs to be looked on a case-by-case basis. The first contract is made with the agents for three years, which gives the agent more time to work with their area and to reach the sales target. The commission is based on the sales which in according to the contract.

When comparing the agency contract model made by the International Chamber of Commerce and the one Finom has made for them, then most of the terms are the same. The terms that are missing from the Finom contract are:

- the usage of sub agents
- that the agent should inform the principal on what happens on the market and what competitors are doing
- the usage of trademarks and symbols
- complaints made by the customer
- that the principal would have a right to deal directly in the agents territory
- when the contract has expired, the agent shall return samples and documents

5.5 Cooperation with the agent

The two agents mentioned in this thesis are the first agents Finom has ever worked with. So there has been a learning process for all parties and adjustments have had to be made in order to get lamps sold. Things like order forms, transport packaging are some of the things that Finom has had to get in order for agents to get their job done more efficiently.

At the moment (spring 2017) all five people have other work, nobody is concentrating on Finom full-time. This is something that all parties recognize as a weakness. Griessler pointed out that Finom should have one contact person that she could contact in any situation. This is also what Immonen (2005 p. 86) suggests there should be regular contacts with the agents. Griessler also reminds how important it is to remember the agent's customers and that they will get the orders on time. If there delays in deliveries the agents should be informed about this as soon as possible (New Zealand Trade & Enterprise, 2007). Lange's biggest problem is at the moment the freight cost to USA. She wishes that this problem could be somehow resolved. As agent work is commission based it would be in the two agents' interest that the lamps would get more visibility, mainly through fairs. This way the agents could get new potential customers in their areas.

5.6 Limitations and recommendations for further research

One limitation is that there is still quite little sales and that now Finom has only dealt with agents from Finland. New aspects can occur when dealing with foreign agents. For ex-

ample the contract might look different and there might be cultural differences when doing business with a foreign agent. In these two cases the agents have worked alone so there might be some changes if the Finom were to cooperate with an agency with multiple employees.

This research only focuses on one company's experiences. Recommendation for further research would be to research would be to look at agents working in other areas than Austria, Germany or USA.

5.7 Conclusions

In conclusion: for many Finnish companies the Finnish market can be too small. Finom started to sell the lamps in 2016, first in Finland and they soon saw that the Finnish market was too small with these kind of design products. Luckily Finom was approached by two persons that were interested in Finom lights products, liked the design and this is always something that helps them sell the products onwards. It has been a learning process for Finom on how to export and how to work with agents. A model was created to show how far Finom lights has gotten with its internationalisation. Some work still need to done by Finom to reach the last phase, the continuous export phase.

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APPENDICES

Appendice 1

Questions for the Finom owners in Finnish (orginal)

Kertoisitteko vastuualueistanne?

Miksi päätitte myydä tuotteitanne ulkomaille?

Mikä on tämän hetkinen tilanne ulkomailla? Minne tällä hetkellä myytte?

Miksi käytätte agentteja? Oliko muut vienti vaihtoehdot mietinnässä?

Kuinka paljon tietoa teillä oli miten agentin kanssa työskennellään ja sopimukset ym. ennen kuin aloititte yhteistyön?

Teillä on agentit, Itävallassa, Saksassa ja USA:ssa, miten löysitte nämä?

Miksi päätitte työskennellä heidän kanssa?

Miten yhteistyö on toiminut tähän mennessä? Positiiviset ja negatiiviset. Kuinka usein olette yhteydessä agentteihin?

Mitä arvostat agenteissanne?

Miten olette varmistaneet että agentit jatkossakin myyvät tuotteitanne?

Miten aiotte löytää uusia agentteihin muihin maihin?

Onko mitään mitä teette eri tavalla kun seuraavan kerran aloitatte vientityöt uuteen maaan, kun miettii näitä kolmea tapausta?

Appendice 2

Questions for the agent (Austria and Germany) in Finnish (original)

Kuinka hyvin tunnet huonekalu/design tuotteiden markkinat Itävallassa/Saksassa?

Myytkö nyt vai oletko ennen myynyt kilpailevia tuotteita?

Olet asunut Itävallassa, paljonko hyötyä tästä on ollut Itävallan ja Saksan markkinoilla?

Miksi päätit ryhtyä myymään Finom light tuotteita?

Miten yhteistyö on toiminut tähän mennessä? Positiiviset ja negatiiviset asiat?

Minkälaisista materiaalia kaipaavat kun esittelet Finom lights?

Koska Finom lights on vielä tuntematon brändi, niin kuinka vaikeata on ollut saada asiakkaita?

Mitä pitäisi tehdä että tuote tulisi ihmisten tietoisuuteen?

Onko siitä ollut mitään apua myyntiin että tuote on voittanut Red Dot Awardin?

Miten valitset yritykset kenelle esittelet lamput? (tarkistako luottotiedot, kilpailevat tuotteet ym.)

Kuinka kauan siinä on mennyt ennen kuin olet saanut myyntiä uudelle asiakkaalle?

Itävallan ja Saksan markkinoiden kiinnostus design tuotteisiin Suomesta?

Miten ja missä myydään parhaiten design tuotteita Itävallassa ja Saksassa?

Mitä sinun mielestä pitäisi tehdä jotta alueellisesi saisi enemmän myyntiä?

Appendice 3

Questions for the agent (USA) in Finnish (orginal)

Taustatietoja yrityksestä.

Kuinka hyvin tunnet huonekalu/design tuotteiden markkinat USAssa? Myytkö nyt vai oletko ennen myynyt kilpailevia tuotteita?

Asut välillä USAssa, paljonko hyötyä tästä on ollut USA:n markkinoilla?

Miksi päätit ryhtyä myymään Finom light tuotteita?

Miten yhteistyö on toiminut tähän mennessä? Positiiviset ja negatiiviset asiat?

Minkälaisista materiaalia kaipaavat kun esittelet Finom lights?

Koska Finom lights on vielä tuntematon brändi, niin kuinka vaikeata on ollut saada asiakkaita?

Mitä pitäisi tehdä että tuote tulisi ihmisten tietoisuuteen?

Onko siitä ollut mitään apua myyntiin että tuote on voittanut Red Dot Awardin?

Miten valitset yritykset kenelle esittelet lamput? (tarkistako luottotiedot, kilpailevat tuotteet ym.)

Kuinka kauan siinä on mennyt ennen kuin olet saanut myyntiä uudelle asiakkaalle?

USAn markkinan kiinnostus design tuotteisiin Suomesta?

Miten ja missä myydään parhaiten design tuotteita USAssa?

Mitä sinun mielestä pitäisi tehdä jotta alueellisesi saisi enemmän myyntiä?