

# TARGET MARKET ENTRY PROCESS FOR A SPORTS DRINK COMPANY

Case: EuropeActive Agency

## Abstract

Author(s) Nazarova, Anna	Type of publication Bachelor's thesis	Published Spring 2019
	Number of pages 34	
Title of publication <b>Target market entry process for a sport drink company</b> Case: EuropeActive Agency		
Name of Degree Bachelor of Business Administration		
Abstract <p>Internalization of the sport industry is one of the main contributors to its success and rapid growth. The sports nutrition market is increasing simultaneously together with the sport and fitness market. Therefore, more and more companies are deciding to expand to foreign market. The case company EuropeActive Agency is responsible for the marketing of iPro Sport. iPro Sport has already established itself in its home market, so EuropeActive Agency decided to introduce it in continental Europe.</p> <p>The main goal of the research is to make a market analysis of potential target countries and to provide market entrance suggestions for iPro Sport drink based on theory, empirical research and data analysis. The study is designed as an international market selection process and applied theories of internalization and analytical marketing tools. The internal and external analysis was made during the research.</p> <p>Overall, the thesis includes a theoretical and an empirical part. The theoretical part introduces the reader with the key concepts used the research, whereas the empirical part focuses on the market screening process and selecting a market entry method.</p> <p>The results of the research show that the most potential markets for the case company to enter are Germany and the Netherlands, and the most suitable entry strategy is the so called wave strategy. The conclusion of the thesis was achieved through a market selection process that involved eliminating the least potential countries.</p>		
Keywords Internalization, Market Selection, Sports Nutrition		

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## 1 INTRODUCTION

This chapter aims to present the background of the research, the thesis objectives and limitations as well as introduce the research methodology and thesis structure.

### 1.1 Thesis background

The background of the research provides the context of the information that is discussed throughout the research. This part of the chapter explains why the topic worth investigating.

The market of sports nutritionals is continuing to grow actively, and is estimated to account USD 45.27 billion by 2022, increasing at around 8.1% (CAGR) from 2017 to 2022. The sports drink market is a segment of the sports nutritionals market. This category had the biggest share of the sports nutrition market in 2016 and is expected to grow in the next years. Sport beverages are water-based drinks, which are not carbonated, and include vitamins, minerals, sugar, salt and electrolytes. The main consumers of sport drinks are people engaged in sports and physical activity in order to restore the body fuel they lost during trainings. (Segen 2012, 47.)

Rapid increase in the volume of sales of the sports nutrition shows the relevance of the research topic – sports drinks (Sports Nutrition Market: Global Industry Perspective 2017.) The figures given above illustrate a great potential of the nutrition companies to internationalize and enter new markets. However, the challenges and threats are growing simultaneously with the opportunities on the new markets. Due to growth of sports nutrition sector, the competition gets more intense.

In 2018 the case company EuropeActive Agency, a marketing agency, signed a contract with sport drink brand iPro Sport and got the rights to sell it in six countries (EuropeActive 2018). The case company EuropeActive recognizes the opportunity to reach more markets with its main nutrition marketing partner iPro Sport. Therefore, the countries to enter and entry strategies has to be determined carefully taking all the challenges into consideration.

It has been decided by the case company together with iPro Sport, that the iPro Sport would start expanding to the foreign markets. The potential foreign markets have been chosen prior to this research. The organization aims to increase its sales revenues and to straighten its position on the international market. Therefore, it is essential to define the

right target markets and entry strategies for iPro Sport in order to fulfil its operational goals.

## 1.2 Thesis objectives, research questions and limitations

Determining a research questions and objectives is one of the most essential parts of research planning. It provides understanding of general aims of implementing the research and presents the question the researcher is trying find the answer to. The good research question should be concrete, relevant, precise and clear in order to be simple to be answered. Research questions help the author of the thesis to focus on a specific topic throughout the whole research process and avoid being too broad 'all-about' paper. (Cox 2012, 3.)

The main goal of the research is to make a market analysis of potential target countries and to provide market entrance suggestions for iPro Sport drink based on theory, empirical research and data analysis. The one primarily research question comes from thesis objective.

The main research question is the following:

- **What are the most potential markets for the case company to enter?**

The research question suggests general answer. Sub-questions support the research question and make it easier to structure the research.

The sub-questions for the study are the following:

- **What criteria should be considered in the screening process of potential markets?**
- **What is the outcome of the preliminary screening?**
- **Which market entry strategy iPro Sport should use in order to enter potential markets?**

As a result of the research, the focus markets and target consumer groups for the case company are determined, and the market entry strategies are described. The purpose of the research is to provide the case company with the suggestions in order to develop global market strategy in the future.

However, there the limitations that have to be carefully considered t while conducting the research. Limitations help to understand the weaknesses of the study, giving a framework to the research (Aguinis, Brutus & Wassmer 2013, 49). The current research includes

several limitations. The first one is that the research is limited by studying only case company and the results may not refer to other companies. The second limitation is the lack of available and reliable data on the topic. There is very little statistical information available regarding the consumption of sports and energy drinks in Europe. However, the statistics regarding the population interests and involvement in physical activity, as well as their purchasing power to build the research are used in the research.

Author is using the Hollensen's (2011) five-stage decision model as one of the main references to the study. It includes five parts, of which only parts 3-4 are used, as they have the most relevance to the research topic. Step 1: A decision whether to internationalise and step 2: Deciding which markets to enter are not addressed in the research, because this decision were already made by the case company prior to starting the research. Step 5: Implementing and coordinating the global marketing programme is not covered in the thesis paper. Despite three steps are excluded from the research, it gives the broad opportunities for the future study.

In order to keep the research compact and informative, not all theories are fully introduced and presented in the research, so the author introduces only theories relevant to the objectives of the research.

### 1.3 Theoretical framework

The theoretical framework includes research main concepts and their explanations that are used in the thesis. It provides the general background in order to support the study and make the reader familiar with theories related to the topic. (Saunders et al. 2009, 489).

The theoretical background supports a theory of the research paper. Its aim is to introduce and discuss the theory that justifies the reasons why the research problem exists.

Theories help to explain the phenomena and broaden the existing knowledge. (Abend 2008, 183.)

The research of the thesis mainly of the positioning process in the European target market and it requires marketing research in the global context. Since the research can be considered as a marketing research, it considers all the internal and external factors that have an influence on the positioning and targeting processes of the company. The author is using Hollensen's Global marketing: a decision oriented approach as the main reference.

The five-stage decision model by Hollensen, illustrated in Figure 1 below, is used as the basis of the analysis.



Figure 1 The five-stage decision model in global marketing (Hollensen 2011, 7)

The first step in the five-stage decision model by Hollensen is deciding whether a company should internationalize. Whereas some organisations choose to expand and enter a foreign market, others prefer to concentrate on the local market. If the company decides to go international, during the second step it chooses markets to enter. The third step includes deciding which entry mode should the company use in each country in order to achieve its internalisation goals. As soon as the company chose its market entry strategy, it has to design the international marketing mix as the fourth step. The last step includes implementing and coordinating international activities of the organization.

The research primarily concentrates on parts two and three of the model in order to decide which markets to enter and develop market entry strategies. The first stage, the decision whether to internationalize, was implemented prior to this research. The fourth stage, deciding the global marketing programme; and stage five, implementing and coordinating the global marketing programme, are matters for the future research.

#### 1.4 Research methodology and data collection

This sub chapter describes the methodology and data collection used in this research. There are many ways to implement the research. After the topic of the thesis is chosen, the decision about the way to design the research could be made.

First of all, the research approach has to be established. There are two main types of the research approach: deductive reasoning and inductive reasoning. Deductive reasoning is a logical process where results are deviated from multiple statements. The deductive reasoning goes from general statements to specific conclusions. Inductive reasoning is the opposite of the deductive reasoning. It aims to find generalizations in order to summarize a set of specific factors. So, the conclusions are drawn from the data. The



author is using deductive reasoning in the research in order to make conclusions related to the narrow topic from the broad general data. (McFarland & Parker 1990, 7.)

Secondly, the methodology that will be used in the study has to be chosen. The research methodology is a mix of procedures that are used to gather and analyze data related to the topic. There are a several types of research methods including qualitative research and quantitative research.

Quantitative research is the way of research where data is quantified and generated. This data can be converted to statistics that you can use. Only measurable data is used in quantitative research. The qualitative research always gathers numerical data and is evaluated using statistics. If there is no numerical data in the research, then it is not quantitative research. (Kumar 2011, 8.)

Qualitative research is used to explain reasons and opinions and to provide deeper understanding of a problem. This type of research uses data in form of text. The data is usually gained through interviews and questionnaires. (Kumar 2011, 7.)

Third step is of the research data collection process. Data used in the study can be divided into two categories: primary data and secondary data. Primary is collected by the researcher firsthand. Ways of collecting primary data include conducting interviews, surveys, experiments etc. Secondary research, or desk research, which dominates in this study, is the research based on secondary information – information obtained from existing sources and gathered by other researchers. Secondary information can be presented in form of reports, studies, books and newsletter articles. (Stewart & Kamins 1993, 4) The author is relying on both primary and secondary data. Since the author was working in the case company, some data is taken from her knowledge and experience. However, secondary research dominates in the thesis. The Figure 2 summarizes the research methodology and data collection methods used for this thesis.

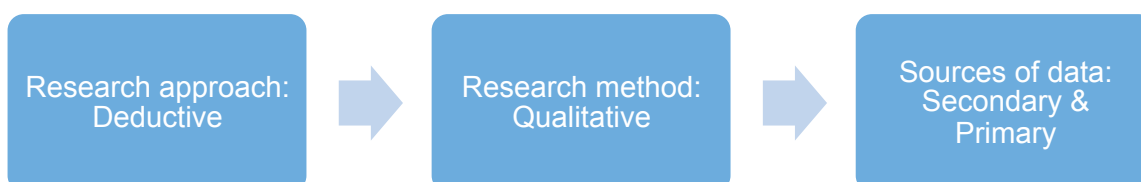


Figure 2 Research methodology and data collection

The figure above illustrates that the research was conducted using deductive approach and qualitative research method. Both secondary and primary sources are used.

### 1.5 Thesis structure

The research includes two main sections: the theoretical section and the empirical section. The structure of the thesis is introduced in the figure below. The theoretical part of the research includes chapters 1-2, whereas empirical part is shown in the chapters 3-5.

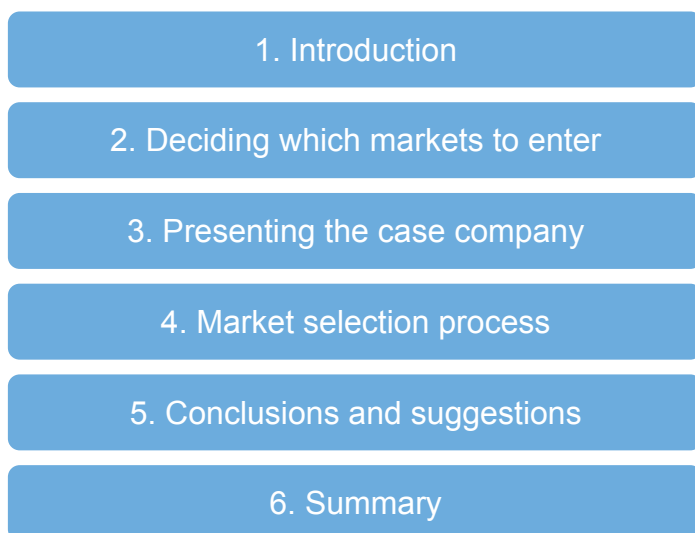


Figure 3 Thesis structure

The theoretical part includes the chapter two “Deciding which markets to enter”. In this chapter theories and marketing tools are introduced to guide the reader to the empirical research.

The empirical part consists of chapter three “Presenting the case company” and chapter four “Market selection process”. The industry where the case company operates as well as specifics and internal characteristics of the case company will be described and analyzed in the chapter three that is followed by chapter four where the marketing prospects and the research of potential markets will take place. The outcome of the market selection process will be the main finding concerning the next steps in internalization of the company.

## 2 DECIDING WHICH MARKETS TO ENTER

After a firm has decided to enter international markets, it has to decide which markets to enter. The goal of the study is to provide the case company with the accurate information and analysis in order to support it in making the right decision. This chapter discusses types of market entry strategies and their use and describe tools and criteria to conduct internal and external analysis of the company.

### 2.1 Waterfall, sprinkler and wave strategy

A good market entry strategy is a key while entering a foreign market. It is important to wisely choose a market entry strategy considering all the product characteristics and analysing the environment. A well-developed strategy eliminates risks and helps strongly establish the company on the foreign markets. (Kar 2011, 17.)

The company can enter international business market by using of the main market entry strategies, such as waterfall strategy, sprinkler strategy and wave strategy which is the mix of both. The strategies are shown in the Figures 4, 5 and 6 below.

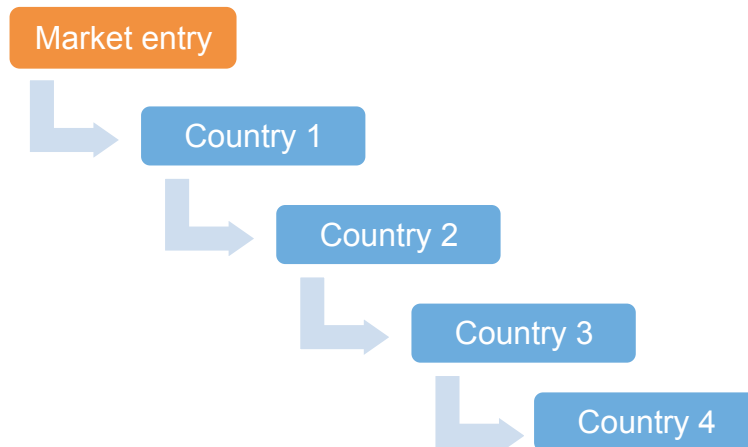


Figure 4 Waterfall market entry strategy

The Figure 4 shows the Waterfall market strategy. It is used when a business aims to expand to foreign market consequentially: entering one country only after establishing stable position in another country. This strategy is mostly used for companies that has a long life cycle of its products. Building a client database takes longer time for the company iusing Waterfall strategy. However, since the life cycle of products is long, this ensures that the product will stay in the market for long. (Kar 2011.)

However, there are certain disadvantages in the Waterfall business expansion strategy. Since the company is concentrating its efforts only on one market at a time, there is a chance of failure due to no alternatives. When the company is entering a few markets at a time, the some loses in one market are compensated by other countries' markets.

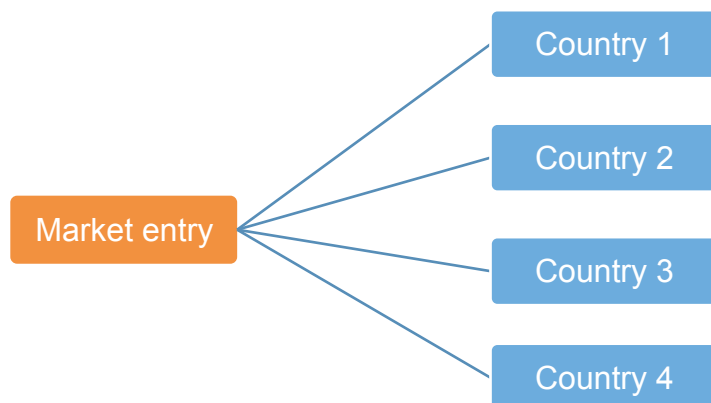


Figure 5 Sprinkler market entry strategy

As shown in the Figure 6 below, the Sprinkler market entry means entering certain foreign markets at the same time. This strategy is considered as a high-risk and high-reward strategy. If it is implemented in a right way, the prospects of gaining profits from several markets are high, whereas in the case of failure the company loses will be much more than in the waterfall entry strategy. (Berger 2019, 8)



Figure 6 Wave market entry strategy

The wave market entry strategy (Figure 6) is a mix of a Waterfall and Sprinkler strategies. While implementing this strategy, a company groups together countries whose markets it aims to enter. As a result, it enters the markets of only one group. When the organization positioned itself in the markets of the first group, it continues expanding to the countries of a second group. The disadvantage of the wave market entry strategy includes disability of expanding to all markets at the same time, therefore sometimes losing competitive advantage. For example, while a business is entirely focused on establishing itself in countries of a group 1, its competitors might successfully enter markets from other groups, especially more distant markets. Consequently, it will require more recourses and time to compete at the market later that it would be if a company entered all markets at once. (Kar 2011.)

## 2.2 Five-stage decision model in global marketing

The way global marketing is planned and implemented determines the company's competitiveness in the international market. The marketing plan aims to create and maintain the competitive advantage over other organizations that operate in the market (Hollensen 2011).

The five-stage decision-making model introduced by Hollensen (2011) describes the process of developing a global marketing plan of a company. The author emphasizes the importance of the steps two and three.



Figure 7 The five-stage decision model in global marketing (Hollensen 2011, 7)

Global marketing research is the essential part of a decision-making process of a company. Even if most organisations realize the importance of national market research, studying global markets is rarely taken into consideration. (Hollensen 2011, 160.)

### **Application of the model in this thesis**

#### **Step 2. Deciding which markets to enter**

As soon as the decision whether to internationalize is made, the company has to conduct the analysis of external and internal environment of a company. Then, using the inputs of the research process the firm selects target markets to enter. During this stage usually such information as economics, cultural and political factors are taken into account. (Hollensen 2011, 264.)

After the analysis of the firm (internal) and of its environment (external), the company selects international markets it aims to operate.

#### **Step 3. Market entry strategies**

As soon as the target markets are chosen, the company decides which market entry strategies will work the best for those particular markets. After the company has decided which foreign countries to enter, it has to decide what would be the optimal ways to enter those countries. (Hollensen 2011, 269.)

## 2.3 Market analyses

A market analysis is an evaluation, by using which the company can determine the degree for sustainability for a particular market. The market can be analysed from the internal and from the external perspective. (Hollensen 2011, 303.)

### 2.3.1 Internal analysis

The internal analysis evaluates the firm from its own perspective. The external factors that the organisation cannot affect are not taken into account (Williams 2019). While conducting the precise internal analysis, the company examines its strengths and weaknesses in order to make improvements and create a better strategy.

The most common way to implement the internal analysis of the company is to make SWOT analysis. SWOT is an acronym for strengths, weaknesses, opportunities, and threats. This type of analysis is used in order to evaluate company's competitive advantage in the market. The SWOT analyses the environment from the company's perspective. This is the reasons why it usually refers to internal analysis. The figure 9 below illustrates the structure of the SWOT analysis and the questions that are asked while evaluating company's characteristics. (Grant 2019.)

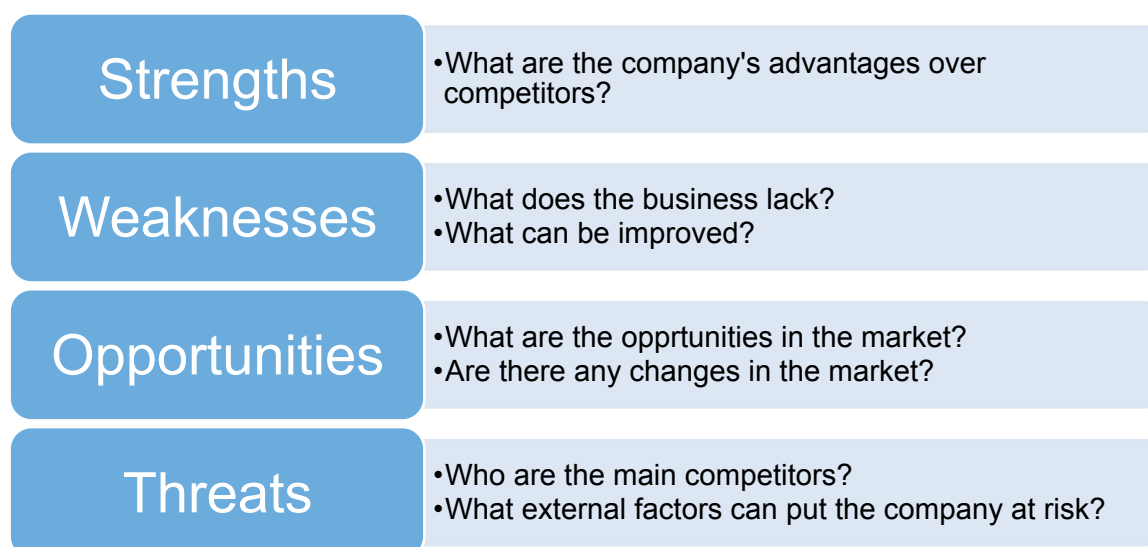


Figure 8 SWOT analysis

Strengths of the organization shows what make the organisation better and separates it from other competitors. It can refer to loyal customer base, strong brand name, technological advancement etc. Weaknesses are the areas of internal structure of the organization that has to be improved in order to keep the same competitive advantage. Opportunities are the external factor of the market that can help the company to expand and increase its sales volume, profits and customer base. Threats refer to the factors that can have negative influence on the company's operations. The main threat for each company is its the competitors. (Grant 2019.)

### 2.3.2 External analysis

David Parrish (2019) described external analysis as “an objective assessment of the changing world in which an enterprise operates, in order to have an ‘early warning system’ for identifying potential threats and opportunities”. (Parrish 2019.)

In order to analyse external environment PEST analytical tool is widely used. PEST stands for political, economic, social and technological. This analytics method helps a company to understand the external factors that might affect its business. Political analysis shows how the government affects the economy of the country. Such factors as taxes, labour laws, and political stability are considered. While evaluating the economic environment the company has to take such factors as inflation, GDP, economic growth into consideration. Social factors include all the indexes connected to population and culture, while during the technological analysis such factors as R&D, technological advancement and automation are evaluated. (Post 2018.)

## 2.4 Global marketing research

In this study, three main areas cover the global marketing research: the economic environment, the political environment and the sociocultural environment.

### 2.4.1 The economic environment

The economic environment of the organisation is a mix of the economic factors including GDP, inflation, wages, interest rates etc. (WebFinance 2019.)

Before analyzing the economic environment of the host markets, the legal/political environment of the home country needs to be considered, since some barriers can occur due to trade regulations or internal policies of the country (see Figure 9).

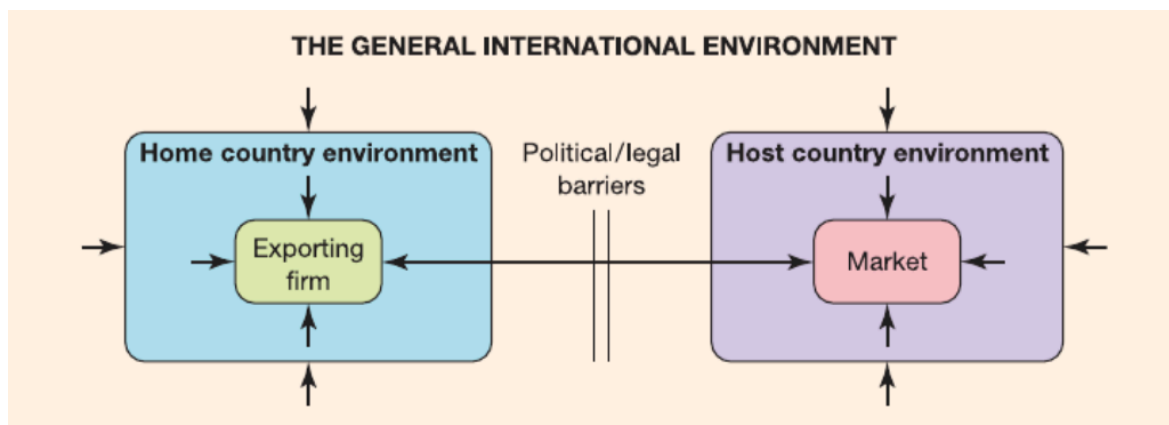


Figure 9 Barriers in the economic environment (Hollensen 2011, 190)

The Figure 9 above shows the importance of considering the environments of both home and host countries. Even though the country might have free export policies, it can still face obstacles entering another market because of its regulations. The main risks the host country can face while trading abroad include political risks such as import restrictions, tax controls, price controls, market control, nationalization etc. that have to be considered before deciding which markets to enter.

### Political environment

The international trade control systems exist in every country, however, the degree of this control varies significantly from country to country. When the company analyses the political environment of the foreign country, it has to carefully analyse the country's political concerns. It is essential for a company to systematically monitor and evaluate the political risks. (Hollensen 2011, 287.)

The international political environment nowadays is considered the most complicated in the modern history due to global trends such as severe transformation in politics happening since the end of the Cold War (1991), modernization in supply chain, and technological revolution. Firstly, the end of the Cold war changed the political background dramatically, therefore making the political environment more crowded and uncertain. Secondly, the companies became more sensitive to the interruptions in the remote places due to longer supply chains. Thirdly, with the rise of technology, the cost of public collective action decreased, making it easier for people with the same ideas and beliefs gather together despite long distances. (Rice & Zegart 2018.)

There are ten main types of political risks that firms can face listed in the Figure 10 below. The risk of climate change is excluded from the list, because it affects all political actions



and is considered more as an enhancer rather than a separate political risk. (Rice & Zegart 2018.)

Table 1 Types of political risk (Rice & Zegart 2018)

Risk	Causes
Geopolitics	Interstate wars, great power shifts, multilateral economic sanctions, and interventions
Internal conflict	Social unrest, ethnic violence, migration, nationalism, separatism, federalism, civil wars, coups, and revolutions
Laws, regulations, policies	Changes in foreign ownership rules, taxation, environmental regulations, and national laws
Breaches of contract	Government renegeing on contracts, including expropriations and politically motivated credit defaults
Corruption	Discriminatory taxation and systemic bribery
Extraterritorial reach	Unilateral sanctions and criminal investigations and prosecutions
Natural resource manipulation	Politically motivated changes to the supplies of energy and rare earth minerals
Social activism	Events or opinions that go viral, facilitating collective action
Terrorism	Politically motivated threats or violence against persons and property
Cyberthreats	Theft or destruction of intellectual property; espionage; extortion; and massive disruption of companies, industries, governments, and societies

Nowadays, companies are very sensitive to the changes in the political scene, and any kind of political actions can cause an affect to their operations in either negative or positive way. Firms that aim to have a competitive advantage need to learn to flexibly respond to any political risk they face. (Rice & Zegart 2018.)

### **Economic environment**

The economic environment determines market potential and opportunities. The term economic environment combines all the external economic factors that can affect the consumer buying behavior and business, consequently influencing the company's performance. These factors are usually cannot be controlled by the company, the company can only choose how to response to those factors. The economic environment factors are divided into two categories: macro- and micro- factors. Macro, or large-scale,

factors include income rates, inflation, unemployment rates etc., whereas micro factor are such factors as competition, availability of suppliers, market demand etc. (Business Development Bank of Canada 2019.)

#### 2.4.2 The sociocultural environment

The sociocultural environment represents the beliefs and behaviour within different cultures. Culture is one of the most obvious sources of definition between markets. (WebFinance 2019.)

##### High- and low- context cultures

The definition of high- and low- context cultures, suggested by Hall (1977) helps to get familiar with cultural differences of the countries.

Low-context cultures are considered strict and need every rule to be followed. They mostly take what people say and write into account, and not consider body language for example. There cultures are simple in communicating. The high context cultures are complex in the communication and getting the element around the message. So, for low-context cultures verbal communication is the key, while for high context cultures non-verbal communication is important. (Hollensen 2011, 247.)

The Figure 10 below presents the examples of high- and low- context cultures.

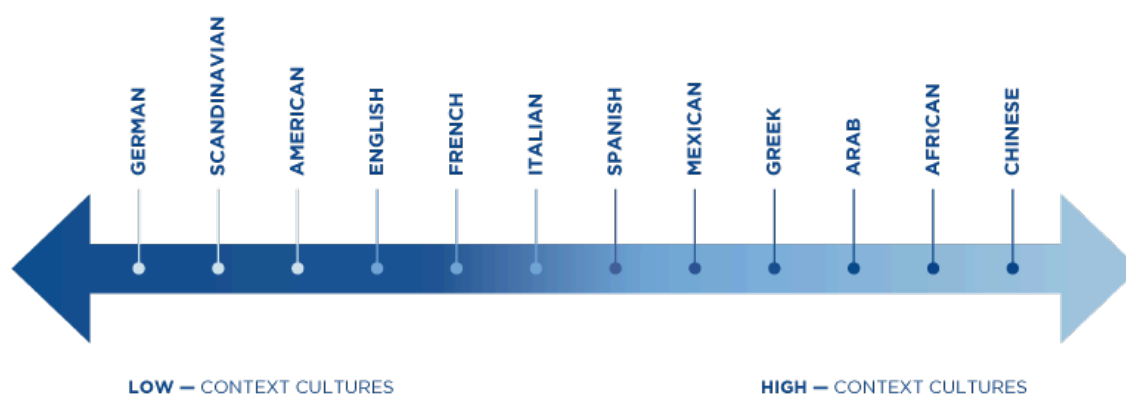


Figure 10 Examples of low- and high- context cultures (Hollensen 2011, 247)

High- and low- context cultures also perceive time from the different perspectives: polychronic (used in high context cultures) and monochronic (used in low context cultures). Polychronic people can put their attention to many things at a time and are good

in multitasking. Monochromic people do one thing at a time, and prefer to plan things in advance instead of being spontaneous. (Sorrels 1998.)

## 2.5 International market selection process

The Figure 11 below describes the international market selection more precisely.

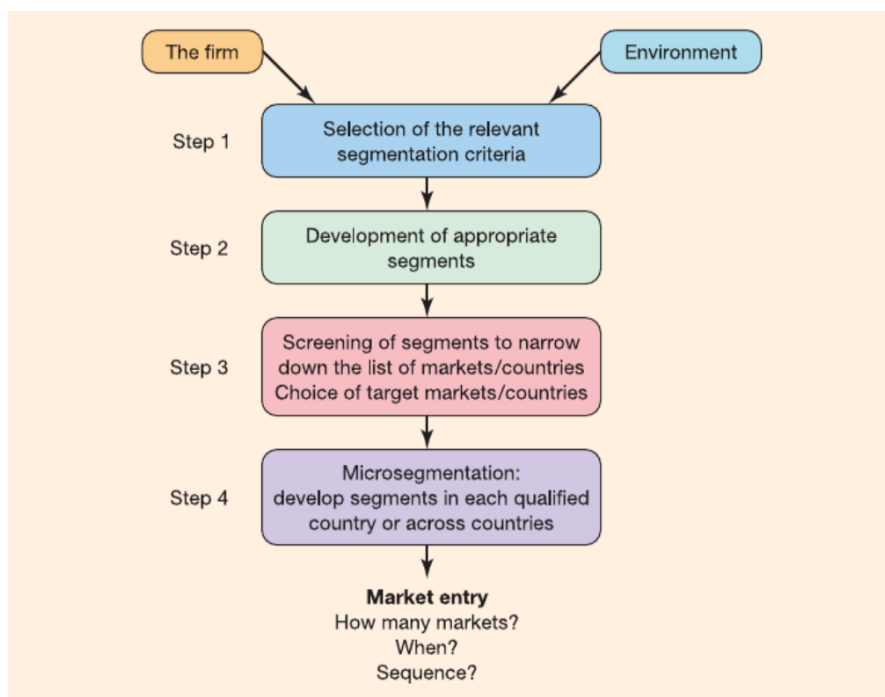


Figure 11 International market segmentation (Hollensen 2011, 289)

As a result of international market segmentation process relevant amount of markets to enter, the timings, and sequence of each country's market entry is determined.

During steps one and two criteria are defined and segments are developed. The relevant criteria are defined using the PEST approach that was introduced previously in this chapter. Step three of the international market segmentation model includes the screening process of the appropriate segments in order to exclude the countries and markets that do not match the criteria. During the fourth stage the micro segmentation is implemented. The company has to develop segment in each selected country or across the countries.

The author of this research paper is focusing mostly on the step three of the market segmentation model. The screening process includes two steps: preliminary screening and fine-grained screening. During the preliminary screening the external factors, such as state of the market, are usually analyzed, while in the fined-grained screening the firms competitive power is evaluated. (Gaston-Brenton & Martin 2011, 6.)

## 2.6 Summary of the market screening process

The Figure 12 below illustrates an example of the international market segmentation/screening process presented by Hollensen (2011) in his study. It guides the reader to the empirical part of the research. The model represents the market segmentation process that the author uses in order to find out the most sufficient potential markets and market entry strategies for IPro sport.

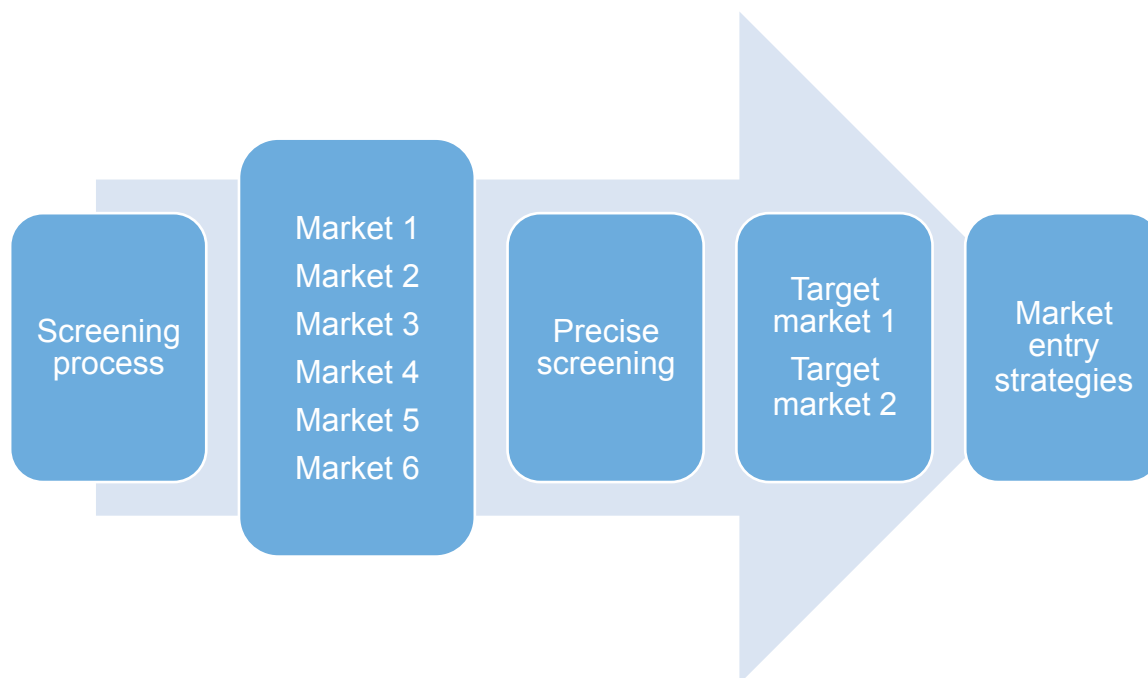


Figure 12 The international market screening process (adapted from Hollensen 2011)

The figure displayed above covers a part the international market screening process. Prior to the screening process stage, the macro screening has to be made in order to choose the region to operate. Since the case company EuropeActive Agency is operating only in Europe, the regional scope is a priori Europe. The screening process includes the macro screening of the potential countries, followed precise screening of the selected markets, and resulting in developing market entry strategies. The objective of the research is to find the most potential markets to enter, given the scope available. The customer group is defined as well as potential countries, which make the process less complicate. The purpose is to define the markets with the best competitive advantage and to define entry strategy to enter those markets.

### 3 PRESENTING THE CASE COMPANY

The aim of this chapter is to make reader familiar with the case company and its activities. The author of the research took the information used in this chapter while she was working in the case company from September 2017 till August 2018.

#### 3.1 Fitness industry in Europe

European health and fitness market is the largest in the world and, had a total revenue of 26.3bn EUR in 2016. In comparison the USA market accounted to 23.3bn EUR in 2015. The European market is growing, and in 2017 the revenues were 26.6bn EUR. This figure includes 28 European countries, Russia, Norway Switzerland, Turkey and Ukraine. The revenues of the fitness market in Europe are higher then those for the European football market that was equal to 24.6bn EUR in 2015/2016 season. (Rutgers et al 2017)

Therefore, the fitness market is considered as the main market to consider while entering the European countries.

#### 3.2 Case company background

In 2018 the marketing agency called EuropeActive Agency signed a contract with sport drink brand iPro Sport and got the rights to sell it in the six countries: Finland, Netherlands, Germany, Portugal, Spain and Russia (EuropeActive 2018).

EuropeActive Agency is marketing/communication agency with a focus on the fitness and health industry. It develops strategic business opportunities for the sport consumers and sports-industry. EuropeActive Agency manages the commercial partnerships of EuropeActive (former European Health and Fitness Association). Since the sport market is growing, the sport nutrition market is growing respectively generating new opportunities as well as new threats.

EuropeActive represents the whole European health and fitness sector, therefore, it actively participates in the discussion on the sugar reduction in Europe. iPro Sport, as a sugar-free drink, supports healthy and active lifestyle. It contributes a financial investment from every bottle sold in continental Europe back to EuropeActive in order to support development of European health and fitness sector. (EuropeActive 2018.)

### 3.3 Product analysis

This sub-chapter introduces the reader to the product that the research is concentrating on and its main characteristics.

iPro Sport is the British brand of sport drinks. It is one of the leading suppliers of the isotonic drinks to the sports field. It is currently sold in the United Kingdom, Cyprus, Australia, and in the Middle East. It aims to expand globally, and in order to do so it partners with a number of international associations and organizations to fulfil the local markets. (iPro Sport 2019.)



Image 1 iPro Sport bottles (iPro Sport 2019)

iPro sport is an isotonic drink and is naturally sweetened with stevia, a substitute of sugar, which contains zero calories (iPro Sport 2019).

*Isotonic drink is a drink containing essential salts and minerals in the same concentration as in the body and intended to replace those lost as a result of sweating during vigorous exercise. (Oxford Dictionary 2019.)*

Apart from electrolytes and minerals, the drink also includes carbohydrate, sodium, and vitamins as its ingredients. Moreover, the drink does not contain any artificial flavours, colours or sweeteners. (Oxford Dictionary 2019.)

It is important to position the product in the target markets consciously, since the risks are high due to the competition with other segments of the drinks market. Therefore, this

research might be applicable not only to the case company, but to other market players as well.

### 3.4 SWOT analysis

SWOT analysis is a part of company's internal analysis. This tool is used in order to determine strengths, weaknesses, opportunities and threats that are associated with business competition. Conducting SWOT analysis helps to establish firm's strategic plan. (Grant 2019.)

As illustrated in the Figure 13 below, a SWOT analysis includes four main parts: strengths, weaknesses, opportunities and threats. The SWOT analysis of the iPro Sport company is made from the company and sport drinks industry perspective.

<p style="text-align: center;"><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>- Social media presence</li> <li>- Collaboration with sport clubs</li> <li>- Products are considered healthy</li> </ul>	<p style="text-align: center;"><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>- Relatively expensive price</li> <li>- Limited availability</li> <li>- Lack of awareness</li> </ul>
<p style="text-align: center;"><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>- Target new countries</li> <li>- Sugar-reduction taxes</li> <li>- Advertising</li> </ul>	<p style="text-align: center;"><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>- High amount of competitors</li> <li>- Indirect competition</li> </ul>

Figure 13 SWOT Matrix of iPro Sport

Strengths and weaknesses are usually internal characteristics of the company, while opportunities and threats tend to be external. While analysing the organisation internally such factors as location, prices, and brand awareness are considered. During external analysis competitors and customers are evaluated. (Grant 2019.)

During the SWOT matrix the iPro Sport brand is analysed. The case company EuropeActive agency acts as a provider, while the main product analyzed is iPro Sport.

#### **Strengths**

Strengths of the brand are its advantages over competitors. Firstly, iPro Sport is considered as a healthy sport drink. This isotonic drink contains of natural ingredients and vitamins. Moreover, the drink certified as vegan, gluten-free, caffeine-free and halal, therefore, it is available for a broader consumer group. All of those characteristics separate iPro sport from the competition. iPro Sport is also approved by UK AntiDoping and many international anti-doping organizations, which makes it safe to consume both by amateur and professional athletes. Secondly, collaborations with sport clubs in the UK in such diverse fields as football, rugby, gymnastics, basketball, dancing, motorsports etc. helped iPro Sport to build a strong brand identity in the home country. The expertise in building such relations can help iPro Sport to better position itself on new markets. Finally, the company is active on social media platforms. It is using its website, blog, Twitter, Facebook and Instagram accounts in order to promote its products, healthy and active lifestyle, and to lead a discussion on the sugar reduction. What is more, through the wide network of brand ambassadors the company is ensuring its constant presence online and offline. (iPro Sport 2019.)

### **Weaknesses**

Weaknesses of the company are areas that need to be improved. One of the disadvantages of iPro Sport is the price. One bottle of iPro Sport costs on average almost twice as much as other isotonic drinks (Amazon.co.uk 2019). The drink is produced in the UK that leads to higher production costs, compared to other European countries; therefore the price is also higher (The Conference Board 2019). Moreover, iPro Sport is sold only in bulk and online. So, it does not have as strong brand identity as drinks sold in convenience or special sport nutrition stores yet.

### **Opportunities**

Opportunities are external factors that can help company to establish itself better in the market. First, most of iPro Sport activity is concentrated in the UK. The brand has many successful collaborations and brand awareness is rising (iPro Sport 2019). When the company shows high sale volumes and profits in the home market, it usually starts considering whether it has to internationalize. So, in the case of iPro Sport brand, there are many opportunities to go international and apply previous experience in the foreign markets. Second, the EU Member States are actively introducing policies aim to lower sugar consumption in the EU. Many international organizations and research institutions have issued policy recommendations that aim to cut down the consumption of sugar (European Commission 2019). The iPro Sport is a low-sugar beverage; therefore, it has an advantage over it high-sugar competitors. Finally, new ways of advertising a product



helps to introduce it to the broader audience. Methods of advertising, which iPro Sport can use in order to gain competitive advantage include TV advertising, online paid advertisements, radio advertising, promotional campaigns with free samples and printed advertisement.

## Threats

Threats are external issues that can interrupt company from achieving its goals. The main threat of almost each firm is competition. The competition for sport drinks is considered indirect.

*Indirect competition is the conflict between vendors whose products or services are not the same but that could satisfy the same consumer need (Rouse 2019).*

Apart from isotonic beverages of other brands, competitors of iPro Sport include energy drinks, powder mix, juices and carbonates (Pietka & Korab 2019). However, in order to have a successful strategy only the closest competitors have to be taken into account. There are many companies in the market that offer similar products. The iPro main competitors are those brands that offer sugar-free sport drinks, since iPro is contributing to sugar-reduction discussion in Europe.

The table below shows characteristics of iPro Sport and its main competitors in Europe among the drinks that recognized as low-sugar sport drinks.

Table 2 Low-sugar sport drinks (EuropeActive 2018)

Per 100ml	Carbs	Sugars	Sweetener
iPro Sport Berry Mix	6.0g	2.8g	Natural Stevia
iPro Sport Orange & Pineapple	6.0g	2.6g	Natural Stevia
iPro Sport Citrus Blend	6.0g	2.8g	Natural Stevia
Lucozade Sport Orange	6.5g	3.6g	ASPARTAME, ACESULFAME K
Lucozade Sport Brazilian Guava	6.5g	3.6g	ASPARTAME, ACESULFAME K
Lucozade Sport Raspberry	6.4g	3.6g	ASPARTAME, ACESULFAME K
Powerade Berry & Tropical	3.9g	3.9g	SUCRALOSE, ACESULFAME K
Powerade Orange	3.9g	3.9g	SUCRALOSE, ACESULFAME K
Powerade Cherry	3.9g	3.9g	SUCRALOSE, ACESULFAME K
Gatorade Orange	6.0g	6.0g	SUCRALOSE
Gatorade Lemon	6.0g	6.0g	SUCRALOSE
Gatorade Fruit Punch	5.8g	5.8g	SUCRALOSE
Emerge Mixed Berry	6.6g	4.4g	ASPARTAME, ACESULFAME K
Emerge Tropical Berry	4.6g	3.9g	SUCRALOSE, ACESULFAME K
Emerge Citrus	6.6g	4.4g	ASPARTAME, ACESULFAME K

As illustrated in the Table 2, iPro Sport has a competitive advantage over the similar market leaders. However, marketing strategies, a customer base, price policies are also have to be taken into account while analyzing the competitors.

## 4 MARKET SELECTION PROCESS

This chapter introduces the research related to market selection process. It aims to answer the research question “What are the most potential markets for the case company to enter?” This chapter illustrates the prerequisites for the target market selection, preliminary- and in-depth-screening, as well as market entry strategies.

The author of the research applies theories and marketing tools presented in previous chapters. The source of data used in the research is mostly secondary, so the desk research dominates in the empirical part of the study. Reliable public statistics sources such as World Bank and Organisation for Economic Co-operation and Development (OECD) are utilised in this chapter.

### 4.1 Prerequisites and country identification

iPro Sport is a growing company that currently operates in the United Kingdom, Cyprus, Australia, and in the Middle East. However, most of its marketing efforts are concentrated on its country of origin – the United Kingdom (iPro Sport 2019). The decision whether to internationalise was made by the case company together with iPro Sport prior to this research. The target countries were also identified prior to this study. The countries were chosen internally and reasons for such identification were not disclosed. The author aims to analyze chosen countries and choose which markets should be entered at the first place and which strategies suit the best.

The market screening process was presented in the Chapter 2 of this research and is illustrated in the figure below.

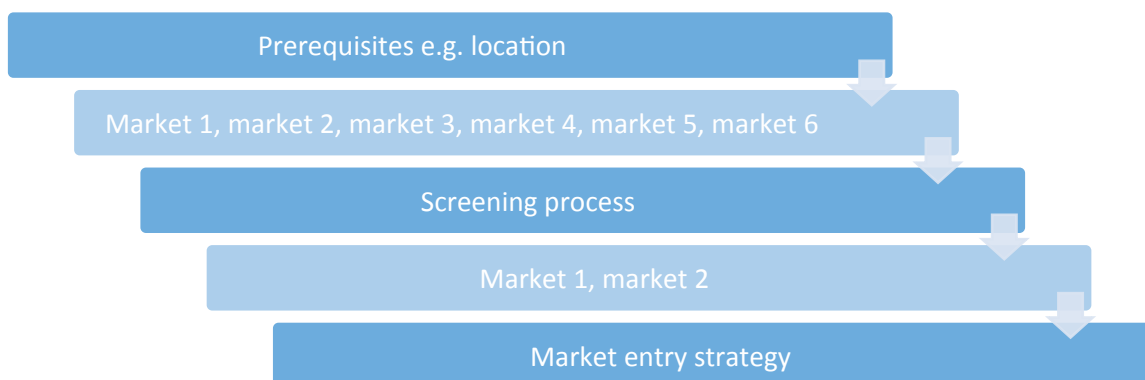


Figure 14 The international market screening process (Adapted from Hollensen 2011)

The screening process includes preliminary screening and fine-granted screening. The map below highlights the potential markets of iPro Sport that are analysed during preliminary screening.



Image 2 Target markets for iPro Sport

The countries identified by the case company are Finland, Netherlands, Germany, Portugal, Spain and Russia. The author led negotiations with the case company, and agreed to determine two markets that are the matter to fine-granted screening and are to be entered at the first place.

#### 4.2 Preliminary screening

The aim of the preliminary screening is to determine the most potential markets and exclude the least potential ones. According to Hollensen (2011) the preliminary screening criteria usually include the general characteristics with high degree of measurability and accessibility. During the stage of preliminary screening such countries as Finland, Netherlands, Germany, Portugal, Spain and Russia are considered. The case company chose those countries prior to this research.

The preliminary screening in the research is based on the following criteria:

- Economic environment
- Sociocultural environment

- Political environment

### Economic environment

In the research the author analysed the economic environment of the countries based on the following criteria: gross domestic product (GDP) per capita, working age population (population aged 15-65), unemployment rate, household disposable income growth rate and inflation rate.

Gross domestic product (GDP) is a total monetary value of everything produced in the country. The author used GDP per capita for the analysis, because the target countries have different population. Working age population is the population aged 15 to 65. This index includes both employed and unemployed population. The author chose to use this parameter instead of the “active population” index, as it includes all segments of population, such as students and housewives that are excluded from the “active population” index. Unemployment rate indicates the number of unemployed people as a percentage of the workforce. The index also includes self-employed population.

Household disposable income is defined as the sum of household final consumption expenditure and savings, minus the change in net equity of households in pension funds. Household disposable income growth rate is used in the empirical research since the dynamics rather than the amount are more important in the research. Inflation rate is determined by consumer price index (CPI) and is defined as a change in the average price of a basket of goods and services (OECD 2019). All the results are taken for 2017, despite the GDP that is shown as for 2016 (the latest available year).

Table 3 Economic environment analysis (OECD 2019)

Country	GDP per capita	Working age population	Unemployment rate	Household disposable income (growth rate)	Inflation rate
Germany	52,574	53,797,375	3.70%	1.7%	1.5%
Netherlands	54,423	11,043,550	4.80%	1.2%	1.4%
Portugal	32,554	6,620,940	8.90%	2.6%	1.4%
Russia	10,743	98,569,896	5.20%	-1%	3.7%
Spain	39,087	30,531,400	17.20%	0.2%	2%
Finland	46,344	3,434,125	8.60%	0.1%	0.8%

As illustrated in the Table 3, statistical data is shown for six target countries. Figures marked in green show the highest result among countries, while number marked in red

show the lowest index. The author evaluated the potential of each country by analysing each economic factor and the ranks countries had.

Germany shows the highest GDP among chosen countries, while Russia has the lowest. Germany's GDP per capita is almost equal to the Netherlands' one. GDP shows country's prosperity, so people in countries with high per capita GDP are able to spend more on goods and services (Chappelow 2019).

Russia has the largest amount of working age population, whereas Finland's population aged 15-65 is more than 30 times less than in Russia. However, taking the household disposable income dynamics into account, the overall buying power is lower (World Bank 2019).

The unemployment rate is the highest in Spain (17.2%), and the lowest in Germany (3.7%), followed by Netherlands with 4.8% unemployment rate.

The biggest increase of household disposable income is noticed in Portugal with 2.6% growth, whereas in Russia the household disposable income declined by 1% in 2017. Moreover, this index accounted to the decline of 7.1% in 2015 for Russia, so on the longer timeline the drop is even bigger (OECD 2019).

The highest inflation rate in 2017 was in Russia with 3.7% and lowest in Finland with 0.8%. Germany, Netherlands and Portugal had almost the same inflation rate in 2017.

To sum up, on the average Germany and Netherlands showed the highest results based on these parameters, so they are a matter to in-depth screening. Moreover, Germany and Netherlands are the neighbour countries, which makes leading marketing strategy easier.

### **Sociocultural environment**

As introduced in the chapters before, there are a number of differences between high- and low- context cultures. The cultures differ in such aspects as communication, perception of time, work ethic, and values.

Among the six potential markets there are both high- and low- context cultures are presented. Russia, Spain, and Portugal are considered high-context cultures, while Germany, the Netherlands and Finland represent the low context cultures. The home market of the iPro Sport, UK, is also considered as a low context culture. (Sorrels 1998.)

Therefore, taking the culture differences into account, entering markets in Finland, Germany and the Netherlands would be easier for the case company, since way of communication and doing business are similar.

## Political environment

Political risks are usually has to be taken into account while conducting the screening process of the potential markets. The main political risks of the 21<sup>st</sup> century were described in the theoretical part of the research. Since five of six potential market are the parts of the European Union, there political risks are relatively the same, so this is not a matter to comparison. Russia has several political risks. However, these risks are reflected in the economic indexes of the countries. So, in the case of iPro sport there was no need to conduct the analysis of the political environment.

### 4.3 In-depth screening

During the in-depth screening the countries left after the preliminary screening are evaluated. The area that is evaluated on this stage is fitness market. During the screening Netherlands and Germany are analysed.

The in-depth screening evaluates disposable income, amount of population engaged in physical activity, population with fitness club membership, fitness clubs revenue and average membership fee in the fitness clubs.

#### 4.3.1 Germany as a potential market

After preliminary screening Germany was chosen as a potential market for the further research.

The figure below illustrates the amount of population with fitness club membership and population that is engaged in physical activity as a proportion of total population.

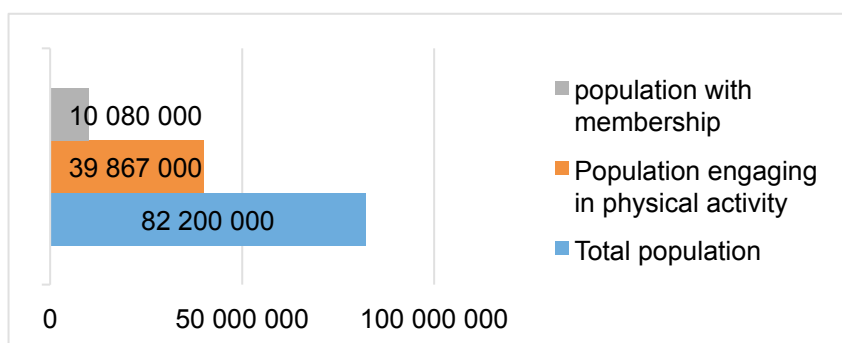


Figure 15 Population with fitness club membership in Germany in 2016 (Ruthers et al 2017)

German fitness market is the biggest in Europe, which means a lot of opportunities, but at the same time high competition. Population engaged in physical activity accounted 39,867,000 people (48.5% of population) in 2016. 10,110,600 people had fitness club

membership in Germany in 2016 that is almost 14 times more than in Finland and 2 times more than in Spain, which had the second biggest fitness market among countries of study in 2016.

Disposable income in Germany was also the highest among the countries of the research in 2016 equating to 28,231 EUR. However, the average membership fee as percentage of disposable income was only 1.9% in 2016, and showed 4.9% drop compared to 2015. This decrease means that fitness membership became more affordable for Germans in 2016. Fitness market in Germany produced the revenue of more the 5bn EUR in 2016, which is 4.6% (22mln EUR) more than in 2015. In general, Germany showed increase in all benchmarks, such as income (3.9%), number of fitness clubs (4.2%) and number of members (6.6%).

Market share of leading operators (clubs) is 19%, while market share of leading operators (total members) accounts 31%. The micro club operators are the leading by the number of clubs, but low-cost operators such as McFIT Group, clever fit, FitX and EASYFITNESS were fastest growing in 2016 in absolute terms. Premium and upper-class fitness operators include Migros (INJOY & ELEMENTS), Kieser training, Fitness First and Pfitzenmeier Group.

The normal VAT rate for Germany is 19%, there are no discount rates for fitness in Germany.

#### 4.3.2 Netherlands as a potential market

Based on preliminary screening, the Netherlands is considered as a prosperous country with developed infrastructure. So, it has a lot of prospects as a potential target market.

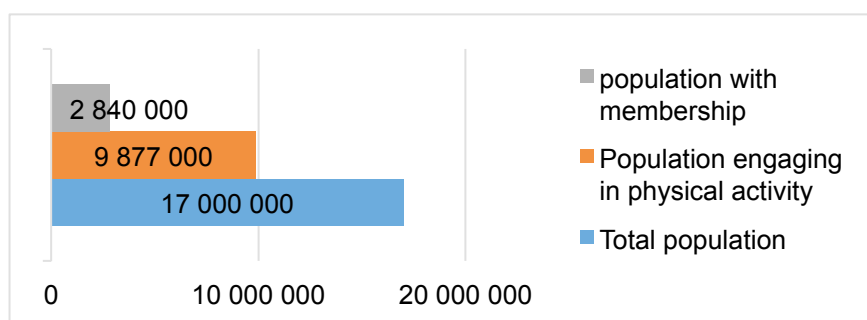


Figure 16 Population with fitness club membership in the Netherlands in 2016 (Ruthers et al 2017)

The Netherlands has the highest percentage of population with membership (16.7%) in Europe equating to 2,839,000 people having fitness club membership in 2016 and the

highest number of members per club – 1456, which is 34.8% more than EHFMR average (1087 members/club). This country has also very high rate of people doing any kind of physical activity – 58.1% in 2016, which equals to 9,877,000 active people.

Comparing data for 2015 and 2016, The Netherlands shows the 2.4% increase in population with membership accounting to 68,000 new members in 2016. The number of fitness clubs raised by 2.6%, and revenue increased by 2.5%.

Basic-Fit is the market leader. While low-cost fitness operators are leaders in the market, the mid-market and premium segments continue to grow. Fit20 is a boutique fitness club which increased its number of clubs from 66 in 2015 to 84 in 2016. However, there are only 8,600 members in Fit20, which is still a small amount. There was around 102 members per Fit20 club, whereas the European average is 1,087 (10 times more). The standard VAT is 21%; the VAT for fitness services is 6%.

#### 4.4 Comparison of the potential markets

Despite both German and Dutch markets have high potential, they differ in some aspects. German fitness market is 3,5 times bigger than the market in the Netherlands. This leads to broader opportunities in Germany as well as higher competition. The countries are located close to each other, but fitness market leaders are different. Some fitness club operators exist in both Germany and Netherlands, such as BasicFit, for example, however the most popular are still unique in each country. The population in both countries is highly engaged in physical activity, with around 50% of population engaged in sports and fitness. Germany had an average of 1,161 members per fitness club in 2016, while there were 1,456 members per club in the Netherlands. Despite these figures differ quite significantly; they are still the highest among the European countries. In comparison, the average number of members per club in Portugal is 538, for example.

To sum up, both Germany and the Netherlands showed high results while conducting in-depth screening. The markets are quite identical, which makes the process of defining market entry strategy easier.

#### 4.5 Market entry strategy

Market entry strategies were precisely described in the chapters below. There are three main markets entrance strategies including waterfall, sprinkler and wave strategies. Since the product will be introduced in six target countries, the author suggests using the wave strategy, so entering the groups of countries consequently: one group after another. The



author decided to pair countries in such way, because operating in the markets that are physically close to each other at the same makes it easier to control the business.

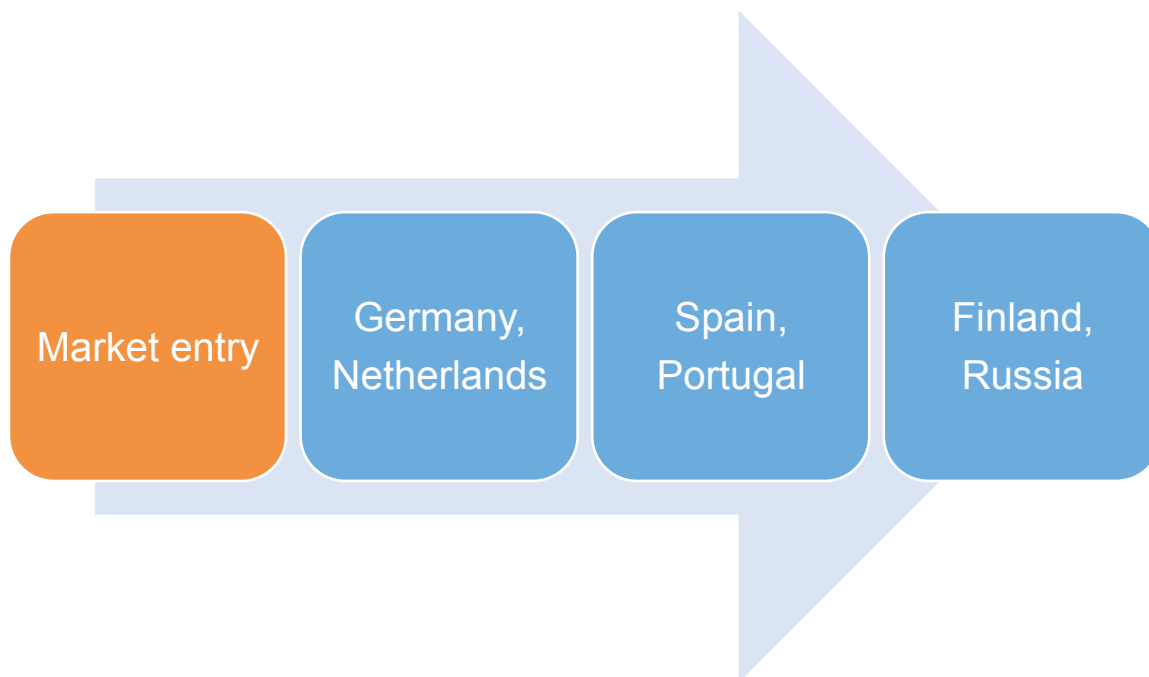


Figure 17 Wave market entry strategy for iPro Sport

First pair of countries to enter is the Netherlands and Germany. The results of precise and in-depth screening of those countries show that countries' characteristics are analogous despite the different sizes of the markets. Both Germany and the Netherlands have high GDP, low unemployment rate, and relatively similar household disposable income growth rate. Both countries are low context cultures. Moreover, taking fitness market characteristics into account, the share of population engaged in physical activity is the same, as well as the percentage of people with fitness club membership. The last but not the least, the EuropeActive Agency that is responsible for creating and implementing the marketing strategy for iPro sport is registered and located in the Netherlands, so taking control over the implementation of the operations and marketing plan will be easier due to absence of language barriers and the ability to solve any problems, which might occur, as soon as possible due to small distances to both locations.

After that, iPro Sport can be introduced to Spain and Portugal. The author united those countries into one group, since they are located in the same area and are high context cultures, so the marketing strategies for those countries might be similar in some context, however it is a matter for the further research.

The author of the study suggests entering Finland and Russia as a group at the last place. The countries border each other. However, they have many cultural differences. What is

more, five of six potential markets are located in the European union so special trade laws might apply. Russia is not a part of the European Union, therefore policies are different. After gaining experience in the positioning itself in both high- and low- context cultures, iPro Sport will be able to apply in while entering Finland and Russia at the same time.

## 5 CONCLUSIONS

In this chapter conclusions of the current research and suggestions for the future are presented. This chapter answers the research questions and sub-questions, and discusses the matter of validity and reliability.

### 5.1 Outcome of the research

During the research the potential markets were analyzed. The main goal was to define the most potential markets and develop the market entry strategy. The economic and socio-cultural environment was evaluated during the preliminary screening process. The aim was to choose two potential countries. The countries differ from each other, so the author conducted evaluation based on the economic indexes mentioned earlier in this chapter. Germany and the Netherlands were the leaders after this analysis, so they proceeded to in-depth screening during which they were evaluated in the context of the fitness market. They showed similar characteristics. The market in Germany is bigger in terms of revenue and population, but in the percentage terms both countries showed similar results.

The result of fine-grained screening allowed developing the market entry strategies. It was decided that the wave market entry strategy would be used. Since Germany and the Netherlands are geographically close to each other and have related general and specific characteristics, they can be entered at the same time. This is also supported by the fact that the case company EuropeActive Agency is located and registered in the Netherlands and already has a broad client base. Spain and Portugal also border each other and both are low context cultures, so entering them at the same time is also a good opportunity for the case company. The last pair of countries to enter was Russia and Finland. They are close to each other, but, however, have different culture types. So, after the entry strategies are made, the marketing plan for potential countries has to be built, which is a matter of further research.

### 5.2 Answers to the research questions

The research questions and sub-questions were presented in the introduction chapter. Since the sub-questions help to find an answer to the main research questions they are answered first.

- **What criteria should be considered in the screening process of potential markets?**

The marketing tools presented in the study have two types of criteria: general and specific ones. Preliminary screening was implemented based on general criteria such as GDP per capita, working age population, unemployment rate, household disposable income growth rate and inflation rate. Moreover the type of culture was considered: high- or low- context culture. The specific criteria included disposable income, population engaged in physical activity, population with fitness club membership, fitness clubs revenue and average membership fee in the fitness clubs.

- **What is the outcome of the preliminary screening?**

During the stage of the preliminary screening six markets were analysed including Finland, Germany, the Netherlands, Russia, Portugal and Spain. After the preliminary screening there were two countries proceeded to the further analysis: Germany and the Netherlands. They had the highest macro economic indicators and the context of the culture similar to the home country of the iPro Sport. Therefore, they were chosen as a result of the preliminary screening.

- **Which market entry strategy iPro Sport should use in order to enter potential markets?**

The entry strategy the iPro sport should consider using while entering the foreign markets is a wave strategy. The author suggested entering countries in three rounds: entering Germany and the Netherlands at first, then going to Spain and Portugal, and lastly position itself in Finland and Russia.

- **What are the most potential markets for the case company to enter?**

According to the external and internal analysis made the most potential markets are Germany and the Netherlands. They have the best economic characteristics among analysed countries; fitness market revenue is very high. Moreover, the population engagement rate in physical activity stands at 50%. All of those factors make these countries the most potential markets for the company to enter.

### 5.3 Validity and reliability

Reliability and validity are two concepts that help to define and measure the bias of the research.

Research reliability can be described as an extent to which sufficient results are produced by using a particular research method (Dudovsky 2019, 5.)

Research validity refers to how applicable the tools and the research data are. It is a degree at which the study measures elements that requires to be measured. (Leung 2015, 325.)

The secondary data that is used in the study is gathered from the reliable sources, such as noted literature and official statistics. The author implemented the research with close supervision of the management the case company. Moreover, only widely recognized theories and methods were used be the author in the theoretical part of the research. , So the research and its results are considered valid and reliable.

#### 5.4 Suggestions for future research

The aim of this research was to find the most potential markets for the company to enter. The author put the emphasis on the screening process, determining two most potential markets and defining market entry strategy. The further broad marketing strategy has to be developed in order to usefully establish itself on the chosen markets. The author recommends to make a further research concerning the exit of the UK from the European Union before, creating and implementing marketing plan. Since the iPro Sport drink brand is a company registered in the UK, the analysis has to be made in order to successfully face the challenges the exit might lead.

## 6 SUMMARY

The purpose of the research was to conduct a market analysis of potential target countries and to provide market entrance suggestions for iPro Sport drink based on theory, empirical research and data analysis. The first chapter showed precisely the thesis background, research methods, thesis objectives, questions, and the theoretical framework. Moreover, it presented the structure of the research.

The second chapter aimed to illustrate the main theories and marketing tools used in this research. Since the objective of the study was to determine the most potential markets, this part introduced the Waterfall, Sprinkler, and Wave strategies as well as market analysis and market selection key concepts.

Theoretical concepts presented in the second chapter aim to guide the reader to the empirical part of the study that started in the third chapter by introducing industry background, analysing the case company, and presenting the product portfolio. The fourth chapter showed core subject of the research, and market selection process. Secondary data, which was gathered from the state websites and official market reports, was mostly used in this chapter. The selection process was introduced as a market preliminary and in-depth screening. The four least potential countries were eliminated during the preliminary screening. Two most suitable markets were analysed during in-depth screening, based on which the market entry strategy was chosen.

The last chapter concluded the research and answered the research question and sub-questions. The issues of reliability and validity were presented, and the recommendations for the further research were introduced.

The answers to the research question and sub-questions were given, so the goals of the research were achieved. As a result of market selection process, German and Dutch markets were selected as the most potential ones for the iPro Sport to enter at the first place. The Wave strategy was chosen as the market entry mode. The study illustrated the considerable economic and sociocultural differences among the analysed markets, which excluded the least potential markets. However, the further research on marketing strategy and deeper analysis of the domestic market is recommended.

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