

MARKET ENTRY STRATEGY TO THE RUSSIAN MARKET

Case Company: FREENDS Headphones

Abstract

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	Number of pages 39 pages	3 pages of appendices
Title of publication MARKET ENTRY STRATEGY TO THE RUSSIAN MARKET Case company: FREENDS Headphones		
Name of Degree Bachelor's Degree Programme in International Business		
<p>In the modern world full of innovations and technology every person has electronic devices, especially headphones and earphones to utilize in the daily routine. However, most consumers are used to purchase headphones produced by leading electronics companies.</p> <p>The main objective of the research study is to define the most effective entry mode strategy to the Russian market for the case company, FREENDS Headphones. To achieve its primary goals, the author of the study presents an insightful analysis of the target market for the case company.</p> <p>The thesis conducted deductively, and qualitative approach method is used to develop the market entry strategy. Primary data is collected by interviewing the CEO of the case company and people related to the headphone industry. Also, the author uses his own experience gained during five months of internship in the case company. Secondary data is gathered from the literature books related to the subject and online internet materials.</p> <p>The study is identified as the international market entry strategy for the case company based on the theory of the global marketing strategy and target market process. The study consists of theoretical parts to examine different market entry modes. As well as this, the author uses external and internal analysis tools to support the findings mentioned in the empirical section.</p> <p>The results of the study show the steps the case company has to consider entering the foreign market and finalize it with the answer on the central question of the survey whether the case company should come to the target market or not.</p>		
Keywords Russian market, innovations, headphones, market entry strategy, international marketing strategy		

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1 INTRODUCTION

The following chapter provides the reader with the framework of the thesis. Firstly, it presents the research background and describes the main objective, research questions, and limitations of the study. Further, it follows by the theoretical framework that shows the theoretical foundation. The final part of the chapter represents the research methodology, data collection method and thesis structure that are used to implement the study.

1.1 Research Background

Nowadays, headphones and earphones industry plays an essential role in the life of every person. This electronic device helps us to escape from the real world and dive into thoughts. In the last decades, the demand for earphones and headphones market rapidly grows worldwide.

The increase of the headphones industry was caused by the rapid growth of smartphones as well as the constant innovation of the technologies.

According to Aritzon Market Intelligence Statistics, the forecast shows that in 2018 more than 1 million headphones were sold per day and it is expected to increase twice by 2024 (Aritzon Advisory & Intelligence 2019).

Headphones industry has a vast competition level, as every big corporation such as Apple, Sony, Samsung, etc. attempt to compete in electronic and headphone industries by not letting the small and medium-sized companies enter the world of innovation and technology.

One of the companies that aspire to become the international seller of headphones is the American brand FRIENDS Headphones that sells the fashion luxury wired and wireless headphones around the world. The central concept of the company is to show the world that there are no barriers between fashion and technology. Every electronic device could be the accessorize for the daily woman's outfit. One of the main objectives for the company is to evaluate all risks and possibilities to become popular in a different foreign market. (FRIENDS Brand Book 2019.)

As an example, FRIENDS Headphones aim to boost their sales by entering the Russian market that seems very appealing and interactive to build a strong marketing strategy. The fundamental aim of the study is to help the case company to enter the Russian market.

1.2 Thesis Objectives, Research Questions, and Limitations

Thesis Objectives

Defining the thesis objective is very significant issues to cover before starting the study as it helps to answer research questions. Research objectives are used to show how specifically the study should be structured and provide the main directions of steps to implement the answer to the research questions. (Saunders, Lewis & Thornhill 2016, 44-46.)

The main objective of this thesis is to investigate the entry strategy to the Russian market. This research is a case study that focuses on FREnds Headphones company, its products, and Headphones Industry. It is also aimed to cover such topics as:

- Analysis of the current situation of Headphones Industry in the Russian market
- Study the business opportunities and threats for the case company in the Russian market

Research Questions

Establishing research questions is also a critical factor that has to be done when commencing the study process. Research questions are aimed to clarify the problem of the study and help to achieve the primary purpose of the topic as well as it provides the reader with a better comprehension of the research. (Saunders et al. 2016, 42-44.)

The main question and sub-questions are formulated to make the research more structured and achieve the objective of the study:

The main research question of the study is:

- How should FREnds Headphones enter the Russian market?

The sub-questions of the study are:

- What is the main competitive advantage of FREnds Headphones?
- Who are the target customers of FREnds Headphones in the Russian market?
- What is the brand awareness of FREnds Headphones in the Russian market?
- How should FREnds Headphones operate to survive in the Russian market?

Limitations

In every research project, there are always some limitations. The main limitations of this study are:

Geographic limitation: This study concentrates on the analysis of the Russian market as it is the target market to enter for the case company. However, the vast area of the target market does not allow to make a full analysis of the target market. The market study will be based on the research of only principal big cities.

Industry limitation of the target market: This study is about the headphones industry in the Russian market. However, due to lack of electronic and paper sources of headphones industry of a particular market the author presents only the general information.

1.3 Theoretical Framework

The primary goal of the thesis is to define how FREEDS Headphones should enter the Russian market with its luxury women headphones. This research concentrates on the analysis of market entry strategy, demand and industry study. To study the market and reach the objective of the study, the author decided to use Hollensen's Five Stage Decision Model and Marketing Strategic Tools, such as PEST analysis, SWOT Analysis, and Porter's Five Forces.

Furthermore, the internal factors such as case company analysis with a full description of products are presented in the research to specify the current situation of the company and its competitiveness in comparison with other headphones brands. As well as this, the analysis of the Russian market is studied to show the current situation of the headphones market and represent the opportunities for the case company.

1.4 Research Methodology and Data Collection

There are several research methodologies and data collection methods that can be applied to the study. The primary objective of the thesis is to define the most suitable research approach that can be deductive or inductive. Deductive reasoning is the approach that concentrates on the study of the hypothesis based on the theory and it moves from generalized ideas to the specific interpretation, while the inductive approach moves from principles to the broader conclusions. (Saunders, Lewis & Thornhill 2009, 124-126.) In the thesis, the deductive method is chosen to conduct the research. The main objective is to formulate the conception of the study and identify the research strategy based on the theory.

The next step is to identify the research method. Two main research methods are qualitative and quantitative. The qualitative approach is exploratory research that is aimed to provide insights into the problem and build the theory based on the foundation. The main questions of this research method are “How,” “What,” and “Why” and all data is collected by personal observations, interviews, and group discussions. (Saunders et al. 2009, 480-482.)

Another research method is a quantitative research method that is used to formulate facts with statistical tools and numerical data. The main questions are “How much/many” and “How often.” However, it is applicable to use both qualitative and quantitative methods in the research to answer the main questions. (Saunders et al. 2009, 414-416.) In this research, both qualitative and quantitative methods are applied due to the reason that the main goal is to analyze the current situation of the Russian market and build entry plan for the case company based on the theory and statistical data.

The final step to formalize the research is to determine the data collection method. There are two main approaches to collect the data that are primary and secondary sources. (Saunders et al. 2009, 288-345.) In this study, the primary quantitative data is gathered from the face-to-face interview of the CEO of FREENDS Headphones to comprehend better the company’s profile and formulate the key objectives of the company in the Russian market. The author uses his existing knowledge of the company’s products because the researcher made an internship in the marketing and sales department of the case company. Additionally, the other way of primary data collection method was used that is the interviews. Several persons including famous blogger, headphone’s users were interviewed face-to-face to determine their viewpoints of the study and analyze the brand awareness of FREENDS in the Russian market.

Secondary data is collected through the written materials and internet-based information to support the primary data collected.

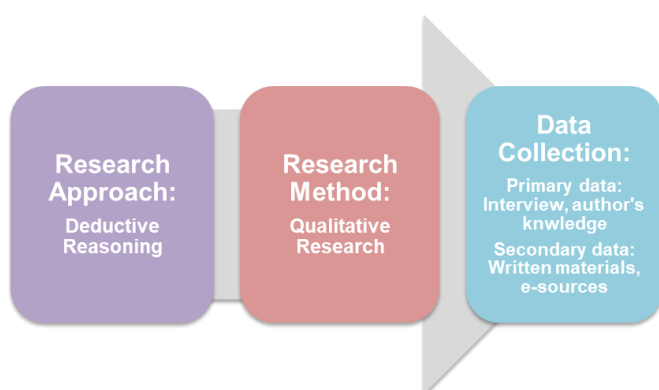


Figure 1 Research Methodology

To sum up, all information mentioned above, Figure 1 represents the chosen research approach (deductive), research method (qualitative research), and data collection methods (primary and secondary sources).

1.5 Thesis Structure

The thesis consists of eight main chapters, which are situated below in Figure 2, to answer the main question and sub-questions of the research.



Figure 2 Thesis structure

The first part of the thesis provides the reader with the primary objective of the study and its framework to identify the importance of the research. Additionally, it gives information on why the author decided to conduct this research.

The second and third chapters describe the theory of various market entry modes and analyze the profile of the case company. The fourth chapter presents the examination of the target market to identify the current situation of the target market with its opportunities.

Further, empirical research and data analysis parts are introduced to present the more detailed information of the research based on the interview and market survey. These are followed by the comprehensive plan of the most current market entry plan to the Russian market. The final parts of the thesis are conclusion, suggestions, and summary of the research that gives a brief answer to the main research questions and summarize the critical points of the study.

2 ENTERING NEW MARKET

This chapter presents a detailed explanation of Hollensen's Five Stage Decision Model to define what steps should be done to analyze the new market and how to make the final decision before internationalization. As well as this, the internal and external analysis including SWOT Analysis, PEST Analysis, and Porter's Five Forces are represented to define the research of the current situation of the company and market.

In the face of globalization and an increasingly interconnected world many firms attempt to expand their sales into foreign markets. International expansion provides new and potentially more profitable markets; helps increase the firm's competitiveness; and facilitates access to new product ideas, manufacturing innovations and the latest technology (Hollensen 2008).

By Hollensen's words, readers can realize that nowadays companies are willing to operate internationally and open borders of new markets as a result of a massive number of opportunities and advantages for firms. However, there are also many risks and threats that have to be considered before entering the new unknown market.

2.1 Hollensen's Five Stage Decision Model

Hollensen's Five Stage Decision Model helps to develop an effective international marketing plan for companies and identify companies' opportunities to operate on a global level. In addition to it, it aims to estimate the most appealing market for the companies to enter in with all risks and advantages. (Hollensen 2012, 5-6.)

The decision model includes five main steps that are described in this chapter. However, taking into consideration that FREEDS Headphones have not to make a final decision about entering the Russian market, only the first three steps are researched for the company.

Stage 1: The decision to internationalize

The first stage aims to identify the company's abilities to enter the unknown market. During this stage, a company estimates its internal activities and defines the current position in the operating market by determining its strength and weakness, and its competitive advantage compared with the other competitors. As well as this, it is significant to find out the international competitiveness of the company on the global level. (Hollensen 2012, 11-15.)

Stage 2: Deciding which markets to enter

The second stage helps the company to evaluate the target foreign markets by profoundly analyzing the environment of countries with external inputs. The fundamental issues are the political/legal, economic, and sociocultural environment. Those factors are unchangeable and uncontrollable environmental factors that a company has to adapt by operating with this market or select another foreign exchange. (Hollensen 2012, 119-121.)

Stage 3: Market entry strategies

After the company estimates its internal operations and choose the target market, the next step is to select the appropriate market entry strategy. There are three types of entry modes that are export, intermediate, and hierarchical modes. Due to uncertain risks, firms often use the combination of different entry modes to enter the international market. (Hollensen 2012, 216-217.)

Stage 4: Designing the global marketing programme

This stage takes a deeper understanding of the comprehensive marketing programme. The company ought to indicate its 4Ps marketing mix strategy that includes price, promotion, product, and place. The main objective of this step is to define how the company will build brand awareness of its products/services for potential customers in the targeted market. However, to implement a more effective marketing strategy, it is necessary to include to 4Ps marketing mix the additional options from Booms and Bitner's 7Ps mix: participants (people), physical evidence, and process. (Hollensen 2012, 311-314.)

Stage 5: Implementing and coordinating the global marketing programme

The last step of the decision model aims at the profound control and successful implementation of the previously selected strategy. During this stage, the company should cooperate with different cultural backgrounds of its partners, target clients, and itself on the foreign market to show the profitable results. (Hollensen 2012, 441-443.)

2.2 Implementation of Hollensen's Model

This chapter provides the reader with the internal and external analysis based on Hollensen's Model to settle entering a foreign market. However, as it was stated on the previous chapter, the main objective of the study is to define the need for the case company to enter the Russian market, only the first three steps have to be analyzed to answer the central question of the research.

2.2.1 Internal Analysis

On the first stage of Hollensen's Five Stage model, the company should decide to internationalize to the foreign market by complete estimation of its internal environment. The level of a firm's effectiveness depends on its main objectives and missions, finance, value system and ability to perform the work experience in world business operations. All the mentioned facts are the critical reason for the company to assess all marketing activities during a specific period. (Hollensen 2012, 5-6.)

The author presents the SWOT Analysis as a useful tool to measure the internal activities of the case company.

SWOT Analysis

SWOT Analysis is a strategic marketing tool that is used to oversee and examine the external and internal marketing activities of the company. The study includes four different segments: strengths, weaknesses, opportunities, and threats. (Kotler & Keller 2009, 48.)

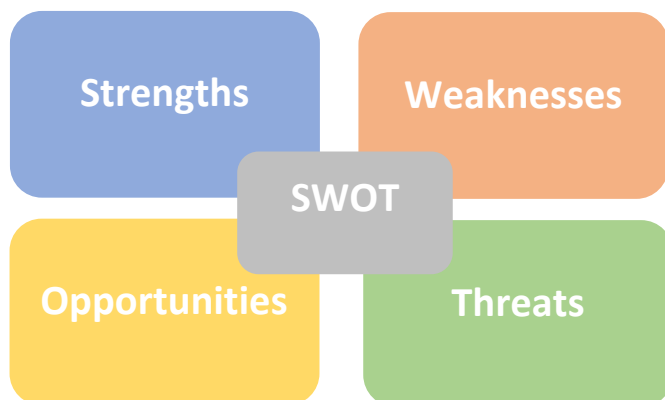


Figure 3 SWOT Analysis (Kotler & Keller 2009)

SWOT demonstrates the situational analysis of the firm. Strengths and weaknesses are internal components of the company that define the key advantages and disadvantages of the company, its financial position and resources, and connections and alliances. Whereas, opportunities and threats are external factors showing the analysis of the operations in the market mainly. (Blythe 2005, 24.)

SWOT Analysis, and profile of the case company are presented in the next chapter to show the current environment of the case company.

2.2.2 External Analysis

After settling the decision to internationalize by analyzing the internal operations, the company must complete the estimation of the external environment of targeted markets. As it was mentioned before, there are vital factors such as political/legal, economic, and sociocultural forces that impact the selection of the right international market.

Those factors are beyond the control and divide into two groups: macro-environmental and micro-environmental sectors influencing the market. The macroenvironmental dimension shows the current situation of the country with all uncontrollable opportunities and risks that the company should adopt in case of the selection of the market.

The microenvironmental factors indicate the competition level of specific industries in the country and define the similarity of the home country market and target market.

(Hollensen 2009, 116-162.)

In this subchapter, the most effective marketing tools such as PEST Analysis and Porter's Five Forces are used to analyze the macro and micro-environment of the target market.

PEST Analysis

PEST Analysis is a planning tool that researches the current situation of the country and measures the possible difficulties and effects before it could occur. The analysis includes the examination of political, economic, social, and technological factors.

(Kotler & Armstrong 2014, 96.)

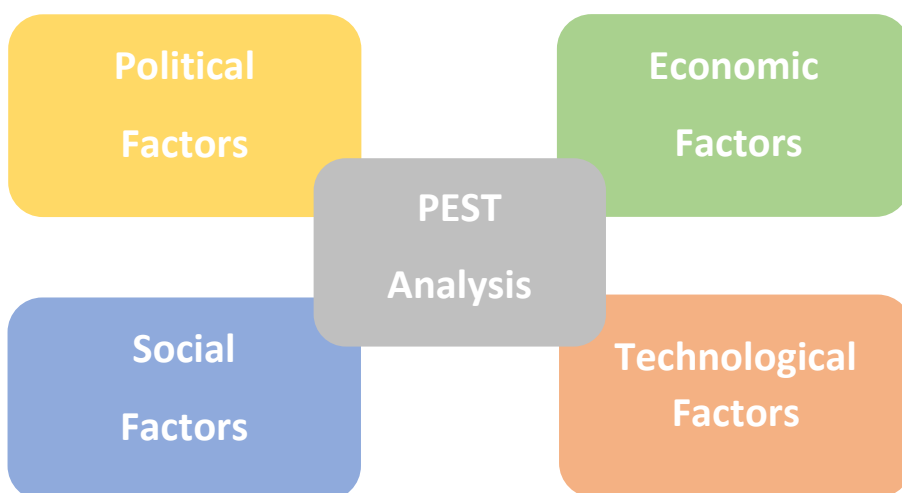


Figure 4 PEST Analysis (Kotler & Armstrong 2014)

The author selected to use this marketing tool as it helps deeply examine the influence of external factors and manage the risk assessments. PEST Analysis of the case company for the target market is represented in the next chapters.

Porter's Five Forces Model

Porter's Five Forces is a crucial strategic source to identify the level of competitiveness and shows the possible effects of profitability of the company in the market. The analysis includes five primary forces that are buyer power, the threat of new entry, supplier power, the threat of substitution, and industry rivalry. (Porter 1985, 5-6.)

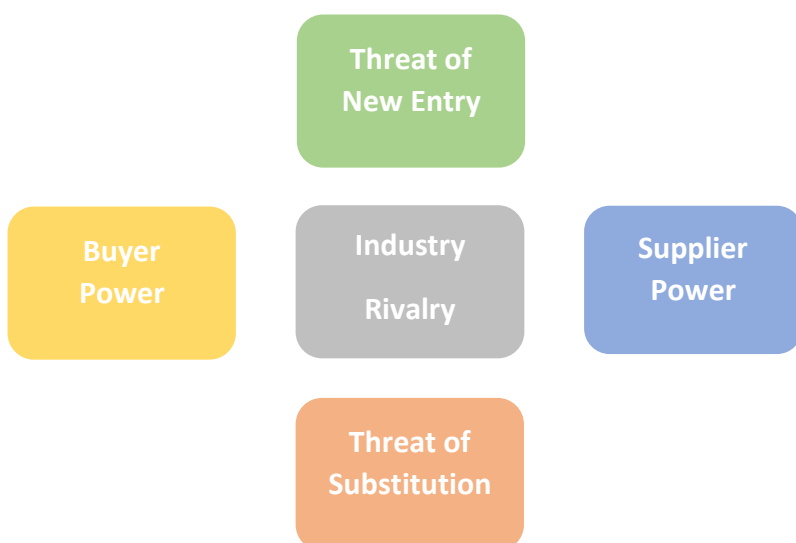


Figure 5 Porter's Five Forces Model (Porter 1985)

Porter's Five Forces Model will be done for the case company to analyze the competition level of the industry in a selected market and develop the business strategy for the case company.

2.2.3 Market Entry Strategies

After the internal and external analysis, the next step is to choose how enter to the new foreign market. The process of selecting the entry strategy might be problematic due to the uncertainty, risks, and commitment of resources. (Hollensen 2012, 117.)

Market entry strategies are divided into three separate groups that can be found below in Figure 6. Every entry mode has its different characteristics and factors that are described in this subchapter.

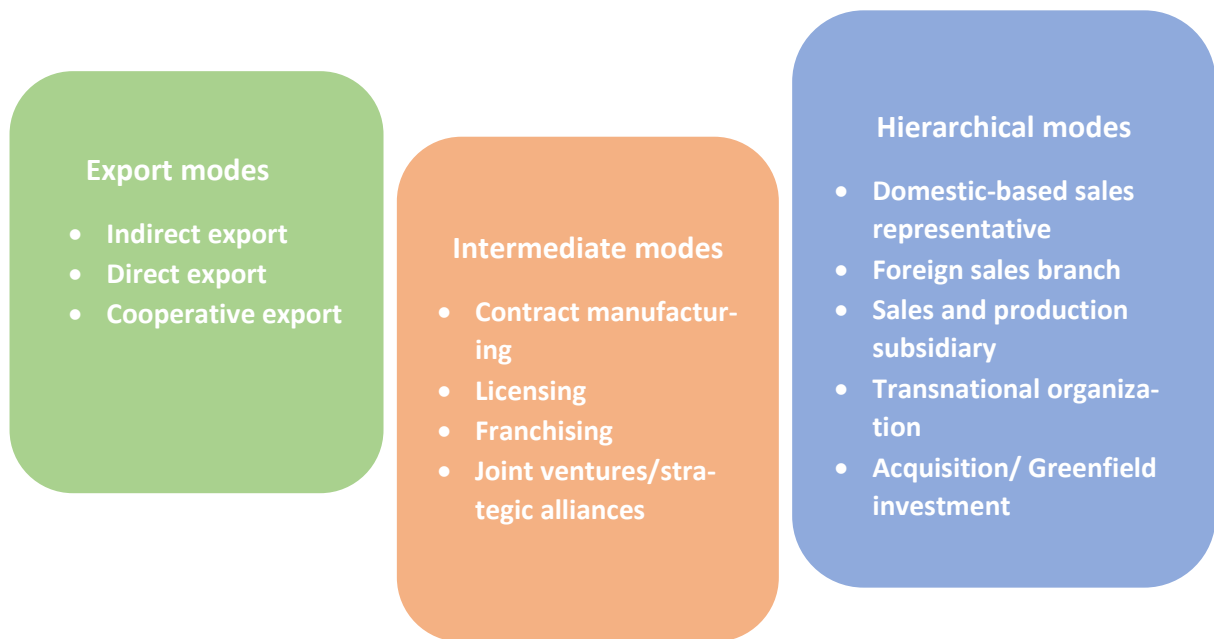


Figure 6 Market Entry Modes (Hollensen 2012)

Export modes

The main principle of the export mode strategy is to have the local agent to control the company's operations in the host market. The firm manufactures its products in the domestic market or third countries. Further, it transfers directly or indirectly produced goods to the host market where all responsibilities have the agent of the foreign exchange. Additionally, the local partner is dealing with sales and marketing activities in the host market. Following, Hollensen's decision model, it is stated that the export entry strategy has low control, low risk, and high flexibility. (Hollensen 2009, 216.)

Export entry strategy consists of the following types:

Indirect export

This strategy shows that the producing company is not responsible for transferring manufactured products to the market and does not deal with the intermediate parties. In this case, the company ought to use the independent organization such as trading companies to prosecute the exportation process and handle with the intermediaries of the market. There are usually five entry modes of indirect exporting that are export buying agent, broker, export house, trading company, and piggyback. (Hollensen 2009, 218-221.)

Direct export

This export strategy mode shows that the manufacturer straightly sells and participate in the export activities with full responsibilities for the delivery, documentation, and distribution of good. The firm must choose agents, importers or distributors at the targeted local market. (Hollensen 2009, 222-226.)

Cooperative export/ export marketing groups

This is when the small or medium-sized companies having their separate production collaborate by having a joint liaison at the foreign market. The main objective of this collaboration is to boost sales and expand the number of potential clients. (Hollensen 2009, 222-225.)

Intermediate modes

This entry strategy has shared control and risk and split ownership. Companies usually utilize this entry mode in case if they are not able to manage their competitive advantage or if there is an intensification of resources to find it out and use it successfully. (Hollensen 2009, 228.)

Intermediate entry strategy can be divided by the following group:

Contract manufacturing

A company can have production in foreign markets by other parties without involvement. In other words, the local firms make the contract with the manufacturer to produce goods under the label or brand of the company. Contract manufacturing enables companies to be involved in the distribution, sales and marketing activities of their own label/brand. (Hollensen 2009, 228-230.)

Licensing

This is an agreement between the licensor (local company) and licensee (national company) that enables the licensee to produce and sell certain goods on the market under fixed rules. Licensing is a more long-term agreement than contract manufacturing, and this type of entry strategy does need any capital investments. (Hollensen 2009, 230-232.)

Franchising

This is the type of the business cooperation between parties when the franchisor transfers a right to the franchise to utilize the production technologies, sales of goods, the

trade/brand mark, business concept by receiving the payments from the franchise. (Hollensen 2009, 232-234.)

Joint ventures/ strategic alliances

Joint ventures are the partnership agreements between two or more firms based in different countries to pool their funds to achieve common objectives. The establishment of the collective agreement can guarantee the success for the small and medium-sized companies as well as for corporations due to the high cost of new projects; the agreement allows both parties to share risks and finally resulting profit. (Hollensen 2009, 237.)

Hierarchical modes

In hierarchical mode, the company responsible for its own exporting and producing goods to the host market. This entry strategy includes a considerable amount of investments to be done and has a high risk, and low flexibility. Usually, the company establishes offices in the selected target country and have full control of all activities. (Hollensen 2009, 242.)

Hierarchical modes can be grouped by:

Domestic-based sales representative

The domestic-based sales representative strategy is when the sales representative of the company travels to the target market and directly implement product sales. (Hollensen 2009, 243.)

Resident sales representatives/foreign sales branch/ foreign sales subsidiary

In this case, the sales function is transferred to the international market. Foreign branch allows the company to open the branch office by employing the local employees. Further, in the case of the positive and successful results of market sales, the firm can develop a wholly-owned sales subsidiary. (Hollensen 2009, 244-245.)

Sales and production subsidiary

This type of hierarchical entry mode is ideally fit for firms considering the long-term perspectives relationship with the target market. The company ought to decide to open the manufacturing production of goods in the target country. The main advantage of having sales and production subsidiary is the ability to avoid the government restrictions of imports, gain new business and support existing business. (Hollensen 2009, 245-248.)

Transnational organization

Companies try to erase the boundaries of different foreign markets. In other words, the main objective of this strategy is to combine various aspects of different markets to establish a global marketing strategy with a high level of competitiveness and international brand awareness. (Hollensen 2009, 249.)

Acquisition/ Greenfield investment

The acquisition is the business process that enables the company to enter the new market by purchasing already existing firm in that market. The main advantage of this is the current management strategy that will help to adopt the environment of the local market. As well as, greenfield investment is the type of the market entry plan where companies invest in the new projects at the target market. (Hollensen 2009, 249-250.)

3 CASE COMPANY

On this chapter, the author will present the general information about the case company and goes through the current situation and product portfolio of FRIENDS Headphones.

3.1 Company Overview

FRIENDS Headphones is the American based brand that was formed in 2006 by a group of professional snowboarders. The founders of FRIENDS supposed that the fashionable appearance and elegant sports outfit are the fundamental guarantees for the productive snowboarding ride. Furthermore, the unique headphones could help to make the trip more enjoyable as exactly the favorite music help people to distract from the daily routine and enjoy the time-spending. The central concept of the company was to establish a great vision of the sports activities for professionals. The original products were headphones only for males who do the snowboarding. FRIENDS started to be famous across the USA and Europe by collaboration with the famous clothes brand Dehnam. (FRIENDS Press Clippings 2018.)

However, despite the success in the markets, FRIENDS Headphones changed its business concept and its main products. The idea to commence the sales of the women headphone came to one of the founders when he decided to gift the headphone for his wife and realized that there were not any attractive electronic devices for females. Since 2011, FRIENDS started to position themselves as the women headphones brand and opened the head office in Amsterdam. The key idea was to connect a personal style with everyday life by offering the unique fashionable electronic accessories. (FRIENDS Press Clippings 2018.)

Nowadays, FRIENDS has strong relationships with customers from different international markets and deliver headphones worldwide. Also, FRIENDS has collaborated with famous luxury brands such as Dolce & Gabanna, Swarovski, Zadig & Voltaire, etc. and was published in various fashion magazines and started to position themselves as the luxury women brand. (FRIENDS Press Clippings 2018.)

FRIENDS does not have its own brand shops, and all purchases are made on the official website. At the end of 2018, FRIENDS started selling both innovative and ultra-fashionable Wireless headphones that had a significant demand among existing customers.

FRIENDS's main intention is to position themselves as the producer of luxury bespoke women's headphones and aspire women to combine the fashion, music and daily routine. To succeed in the goal, FRIENDS offers potential clients the different colors and sizes of

headphones. Additionally, FREnds has benefits for customers such as changeable multicolored caps for headphones to be suitable for any clothes and the small labeled black pouches gifted to every customer, and one-year free warranty of products.

3.2 Current Situation

Currently, FREnds Headphones operates in such markets as Europe, UK, USA, Canada, Latin America, Asia, and Australia. FREnds has the leading warehouses that directly deliver the products via delivery services to customers. The head office is in the Netherlands; also, there are branch offices in Asia and Australia. (FREnds Press Clippings 2018.)

The market position of FREnds is going stronger yearly. Now, FREnds Headphones is trendy brand among female gender with age of 16-30 years old around the world. The sales increase has been affected by the active participation in fashion events and the entering new marketing campaign. The main objective of the campaign is to attract fashion bloggers to the FREnds world and be actively involved in the digital world. (FREnds Press Clippings 2018.)

Additionally, FREnds aims to integrate the best wireless technology to the existing models and work on the establishment of new unique products that will be released soon. (FREnds Brand Book 2019.)

3.2.1 Partners

FREnds Headphones has collaborated with various fashion brands that enabled to start positioning themselves at the luxury fashion segment. The most known collaboration was with the ultra-luxury brand Dolce & Gabbana. The headphones were produced in Italy and decorated with the Swarovski crystals and pearls, leather and fox fur. This collaboration was the new stage for FREnds as Dolce & Gabbana X FREnds Headphones were presented on the fall 2015 runway show. Also, one of the most famous female celebrity wore this model of headphone causing a full sold out in 24 hours. (FREnds Brand Book 2015.)

Furthermore, other significant cooperation of FREnds were with Zodig & Voltaire, Swarovski and De Galluchat fashion brand. The partnerships with those brands lead to open the additional line of products that are more concentrated on the customers with high income. (FREnds Brand Book 2019.)

3.2.2 Distributors

As it was mentioned in the previous chapter, FREnds Headphones deliver products with the delivery services. All orders are made on the official website or the retailer's websites.

The representatives of the warehouse in Rotterdam and the employees of the head office in Amsterdam deals with the orders around Europe and the UK. The USA warehouse is responsible for the delivery headphones to Canada, Latin America and across USA cities. The orders from Asia and Australia are delivered from the warehouses located in those countries. (FREnds Brand Book 2019.)

Also, FREnds distributes headphones to online retailer Amazon and sells goods to the small and medium-sized fashion boutiques around Europe.

3.3 Product Portfolio

FREnds Headphones produces and sells different types of headphones. The main intention is to have a large variety of headphone's models as every fashion woman has her preferences and tastes. The basic models of headphones are Taylor and Layla FREnds Headphones. There is a various color dimension such as gunmetal, rose and gold, black and gold. Also, there are wired and wireless headphones. However, FREnds only plans to enter the basic model that Taylor and Layla Headphones to the Russian market. (FREnds Brand Book 2019.)

3.3.1 Taylor Headphones

FREnds Taylor is the original model of wired headphones with the premium 40 mm driver. The model is made from the vegan leather and has the removable caps. The headphones have the cord with three-button microphone with volume, music and phone controls.

The Taylors have various model with different colors:

- Taylor Gold & Black
- Taylor Rose Gold & White
- Taylor Gunmetal & Black
- Taylor Oil Slick Gold & Black



Image 1 Taylor Oil Slick Gold & Black (FREENDS 2019)

3.3.2 Layla Headphones

FREENDS Layla is the model of wired headphone with the 30mm driver. The model is made also from vegan leather and has removable caps. The headphones have the cord with a three-button microphone with volume, music and phone controls.

Layla Headphones have the following models:

- Layal Rose Gold & White
- Layla Gold & Black
- Layla Gunmetal & Black
- Layla Oil Slick Gold & Black



Image 2 Layla Rose Gold (FREENDS 2019)

3.3.3 Wireless Taylor Headphones

Taylor Wireless Headphones were released in the beginning of 2018. It is absolutely wireless headphones with three button volume, music and phone controls on the headset. Additionally, it includes the detachable 120 cm cable and charger.

There are the following wireless models:

- Taylor Wireless Gunmetal & Rose Gold
- Taylor Wireless Rose Gold & White
- Taylor Wireless Gold & Black
- Taylor Wireless Gold & Black Oil Slick



Image 3 Taylor Wireless Gold & Black Oil Slick (FREND'S 2019)

3.3.4 Taylor Bundles Headphones

FREND'S also started to sell Taylor Bundles Headphones with new removable caps at the beginning of 2018.

The following models are below:

- Taylor Gunmetal & Black + Black Fibonacci Bundle
- Taylor Gunmetal & Black + Black Vortex Bundle
- Taylor Rose Gold & White + White Vortex Bundle
- Taylor Rose Gold & White + White Fibonacci Bundle

- Taylor Rose Gold & White + Rose Gold Battered Metal Bundle
- Taylor Gold Battered & Black + Oil Slick Bundle
- Taylor Rose Gold & White + Oil Slick Bundle



Image 4 Taylor Gold Battered & Black + Oil Slick Bundle (FREENDS 2019)



Image 5 Taylor Gunmetal & Black + Black Vortex Bundle (FREENDS 2019)

4 RUSSIA AS A TARGET MARKET

FRENDS Headphones aspire to extend the sales of the headphones in the Russian market as this country is very appealing marketplace for the case company. This chapter examines the perspectives of the Russian market for the case company.

Firstly, the analysis of marketing tools such as PEST Analysis and Porter's Five Forces are done to define the inherent characteristics of the market and specify the competitive features of the Russian market. Further, the examination of the headphones industry is presented as well as the market segmentation and competitive level of the headphones industry.

4.1 PEST Analysis

As mentioned in Chapter 2, PEST Analysis is the strategic marketing tool that enables to evaluate the macro-environment factors for the company that impacts on the future business operations. It consists of political, economic, social and technological factors that are studied in this chapter (Kotler & Armstrong 2014, 96).

Political Factors

Russia, also known as the Russian Federation, is the largest country in the world by the area and the ninth most populated country (Statista 2019).

Russia is bordered with sixteen countries that are the following: North Korea, China, South Ossetia, Norway, Finland, Poland, Abkhazia, Lithuania, Latvia, Estonia, Azerbaijan, Georgia, Belarus, Ukraine, Mongolia, and Kazakhstan (Kiprop 2018).

Sales and corporate tax rate are fixed at the rate of 20 percent from the beginning of 2019 year (Trading Economics 2019).

Economic Factors

The unemployment rate in Russia is 4,7 percent according to the statistics on April 2019, whereas the employment rate is 59,10 percent (Statista 2019).

Main Russian exports are gas, oil and petroleum, metals, minerals, rolled steel. Russia import foodstuffs, machinery, equipment, etc. The export rate was 30142 USD millions and the import was 16496 USD millions in January 2019. (Trading Economics 2019.)

Social Factors

In Russia there are more than 185 different ethnic groups. The largest groups are Russian citizens, Tartars, Ukrainians, Bashkirs, Chuvashs, and Chechens. The main religion is Orthodox Christianity. (World Population Review 2019.)

The statistics show that the total number of populations is 143.99 million people (Statista 2019).

Technological Factors

Since 1990, the technological market is still on the middle level, as only 1 percent of GDP is dedicated to the research and development (Forbes 2018).

4.2 Porter's Five Forces Analysis

Porter's Five Forces Analysis is the strategic tool helping to identify the competitiveness level of the company on the market. It contains the following factors: supplier power, the threat of substitutes, buyer power, the threat of new entrants, and industry rivalry. (Porter 1985, 4-5.)

Supplier Power: Moderate or Low

Threat of Substitutes: Low or Moderate

Buyer Power: High

Threat of new entrants: High

Industry rivalry: High

5 EMPIRICAL RESEARCH AND DATA ANALYSIS

This chapter of the study provides readers with information regarding the foundation of empirical researches and data analysis. Firstly, the research method that was selected for the study is introduced; further, the data collection and data analysis methods are presented.

5.1 Empirical Research Design

As it was mentioned in the first chapter of the project, there are two types of research methods that are qualitative and quantitative. The qualitative research method was selected for the study because this research method is more useful to find out the main research questions and objectives.

The empirical part includes a personal author's experience that he gained during the internship in the case company. During the research process, the CEO of the company was interviewed to receive a piece of full detailed information about the overall company structure, its primary goals, and expectations from the Russian market. All questions were fully prepared to identify the critical objective of entering the Russian market. The interview was done face-to-face during the author's internship.

As well as this, thirty people were interviewed face-to-face. Interviews were based on the necessary data regarding the headphones industry, the main reasons for purchasing decisions, and brand awareness of the case company. All gathered answers were written straightly after interviews and is considered as the ultimate source of information without the need for the additional researches.

5.2 Data Collection

Data collection process started in March 2018, when the author was doing the internship in the case company. All significant data about the company was received from March to May 2018. However, the emails letters with the CEO were also exchanged during the study to support all needed sources.

The interviews with people related to the Russian market and headphone industry were done in December 2018 and January 2019. As well as this, all collected information from the interviews was written in January 2019.

The writing process of the theory started in February 2019 due to the reason that the author tried to gather all relevant information to select the most appropriate theoretical part for further researches. Further, the author commenced to study the potential market

and analyze all opportunities and threats that the case company could face in the future by entering the Russian market.

5.3 Data Analysis

This subchapter will show how the data was gathered and analyzed to utilize it as the primary source of information.

5.3.1 Company Interview Analysis

Interview and conversations with the CEO of the case company enable the author to take an in-depth look at the company profile and find out the main competitive advantage of the case company. As well as this, the principal expectations and goals that case company are expected to have by operating in the Russian market. The interview with the CEO was done face-to-face for three months, but the author still contacted the CEO by e-mails to update the previously received information.

All questions were prepared before the interview and were written immediately after the conversation. Received answers are used as the fundamental aspects of the examination of the Russian market and the development of the entry market plan.

5.3.2 Interview with future potential customers

Twenty-six females at the age of 19-23 years old were interviewed during the study. A specific group of people was chosen because this group of females could be the potential customers for FRENDS due to the high interest in both headphone and fashion. The objective of the study was to identify the main factors influencing the purchasing decision, the headphones preferences and the interest in the fashion world.

The questions for the interview were prepared before, and the conversation was done face-to-face.

Females who study in the universities participated in the interview because, in general, the target group of customers of the case company is women with the age of 19-23 years old.

Additionally, the author interviewed two people from electronic shops by asking the same questions. The intention was to recognize the main motives of their purchasing decision due to the involvements to the electronics industry.

All answers were very similar to each other. It was founded out the most popular brand headphones, the reason for choosing those brands particularly. Additionally, interviewed

people presented the answer that the most crucial thing motivating to buy headphone are price, quality, and brand name. All information was collected and used to establish the comprehension of the Russian headphone industry and create the relevant market entry plan for the case company.

5.3.3 Interview with bloggers

The final interview was done with two fashion bloggers of the social platform. The reason for choosing this group of people is the tendency and high impact on decision making of bloggers in the Russian market.

All questions were planned, and the interview was done face-to-face. The main goal of the discussion was to identify the brand awareness of FREENDS Headphones among famous bloggers as well as Russian people.

It was found out that decision making depends on the brand name, quality, and price. Also, it was surprising to recognize that most of the Russian females start to purchase products/services only after the promotions made by a famous person on the social platform. To sum up, the interview with bloggers showed that the brand FREENDS Headphones is slightly known in the Russian market.

6 MARKET ENTRY STRATEGY TO THE RUSSIAN MARKET

The primary goal of the research is to estimate the Russian market and establish the entry strategy for FREENDS Headphones. The development of the entry plan based on the previous study of theoretical framework and analysis of the target country and the case company is presented in this chapter. Firstly, SWOT Analysis of the case company is created to show the real opportunities and threats for the case company. Furthermore, it is followed by the explanation of the selected entry modes strategy for the Russian market. As well as this, the final steps of this chapter are the detailed overview of the potential customers and customer engagement process for Russian customers.

6.1 SWOT Analysis

As explained in Chapter 2, SWOT Analysis is the strategic marketing tool that enables to evaluate the company's strengths, weaknesses, threats, and opportunities. Moreover, it helps to develop the marketing strategy as it includes internal and external factors affecting the company's operations.

This SWOT Analysis presents the information about the strengths, weaknesses, opportunities, and threats of FREENDS Headphones. The given data in the analysis is based on the own author's knowledge, the empirical and theoretical researches, interviews of CEO and people related to this industry.

Strengths:

- High-quality products
- Fashion electronic devices
- Collaboration with luxury brands
- High popularity among famous people

FREENDS Headphones have a lot of advantages to the Russian market. First of all, the headphones are high-quality products with an innovative stereo and microphones system. The second strength is that headphones are brilliant electronic devices and are used as part of accessories for the outlook. This means that on the Russian market there are many companies selling headphones for women. The popularity among famous people can serve as the inner strength of FREENDS in the Russian market because nowadays there is a significant tendency in purchasing products/services after the famous person's promotion. Finally, FREENDS Headphones collaborated with renowned luxury brands meaning that Russian customers can trust FREENDS.

Weaknesses:

- Brand awareness
- High price level
- Shortage of Russian native speaking personnel

The first weakness is brand awareness. In spite of the collaboration with international companies, FREnds is an entirely unknown brand in the Russian market. Being the partners with luxury brands and operating worldwide, FREnds Headphone sells headphone with the price above average. The problem is that most of the Russian customers are not able to invest money on expensive products due to the unstable economic situation. The final weakness is the shortage of Russian native speaking personnel in FREnds. In case, FREnds decides to enter the Russian market, and there will be the need to translate the details of the products, the website, etc. on the Russian language due to a small number of English-speaking people.

Opportunities:

- Growing markets
- A huge number of population
- Brand tendency

Producing high-quality products and being popular among famous people can lead to the success of the company. Even despite the high-level price products, Russian people still will continue to show the society their fashion way of expression. The most important opportunity is the number of populations as Russia is one of the largest countries in the world with a huge number of inhabitants, there will always be clients. Russian customers especially females depend on the brand name, thus, after entering to Russia and building the relationship with potential customers, FREnds can become popular in the Russian market as their brand is already famous in the world.

Threats:

- High competition
- Economic and political restrictions
- Long time delivery and extra tariffs for the delivery

The primary threat is the high competition level. In the modern world, there are a significant amount of companies offering high-quality headphones during a long period. Therefore, the question is appearing whether the Russian customer stops to use their previous headphone to buy the new ones with a high price. There is an unstable political and economic situation that may lead to any restriction for foreign companies operating in the Russian market. Finally, due to the broad area of the country, the time of the delivery from one city to another or from the warehouse to Russia may be long. Also, due to the reason that Russia does not have an open border, there might be extra taxes and tariffs to import goods.

6.2 Entry Modes Strategy

Like mentioned in the previous chapters, there are different entry modes strategy for the company to select. The final decision depends on the company's main expectations and objectives to achieve by operating in the foreign market.

In this subchapter, the author decides the most appropriate entry strategy for FRIENDS Headphones basing on the country analysis.

The objective of FRIENDS Headphones is to commence its operations in the Russian market, as there is no need to start the manufacture of headphones. Taking into consideration, previously analyzed entry modes, it becomes evident that hierarchical modes and intermediate modes do not accord with the objective of the case company. The elimination of those modes means that the best entry strategy is the export entry mode.

As described before, the export entry modes divide into the following types: indirect export, direct export, cooperative export. The author should also eliminate the collaborative entry strategy since this mode is the entry strategy where companies make collaborations by having a joint liaison at the foreign market. Therefore, comparing the indirect and direct export modes, it is worthy of mentioning that direct export modes are more suitable for the case company.

Considering that FRIENDS Headphones have considerable experience in the development of the relationship with distributors, it will not be difficult to find the distributors in Russia. Additionally, the direct export mode is appropriate for FRIENDS as the case company does not aim to send daily or weekly products to Russia due to the high price for the delivery.

To sum up all the stated information, it should be noted that the author selected the direct entry mode by attracting local agents to sell headphones accordingly with the objectives of the case company.

6.3 Target Customers in Russia

The case company must identify the target group of customers to perform effectively in the market. As it was mentioned before, the targeted customers of FRIENDS Headphones are the female gender with age 16-30 years old. Also, the case company positions themselves as the luxury women brand meaning that the target group is females with medium and high-income level.

However, FRIENDS Headphones aim to save its authenticity and strength more existing strong relationship with potential clients, the group of target customers in the Russian market remains the same as at the company's strategy.

6.4 Customer engagement

Another step of the research is to understand how and what actions FRIENDS Headphones should do to get the connection with potential clients in the Russian market. It is worthwhile to mention that the level of brand awareness of the case company is deficient in the current market. Therefore, all actions should be taken into the force to develop the engagement strategy with the customers. All ideas for the plan are based on the author's knowledge and the interview with people related to this topic.

FRIENDS Headphones should not establish the promotion strategy for Russia as the direct entry mode was selected and there is no need to relate to products in the market as this is the role of local agents. However, it is still essential to increase brand awareness. The main idea is to concentrate mostly on the development of social media platforms for the Russian auditorium.

First, FRIENDS must cooperate with the most influential Russian bloggers to show the target group the existence of FRIENDS brand. The headphone's promotion by different bloggers will assist in connection with clients due to the involvement and interest in their life, services/products used by famous people.

Another option is to adopt all press releases, social platforms and official website to the Russian language. The main reason for this option is the lack of English knowledge. As well as this, according to the interview, it was defined that the promotional information is better perceived in the native language.

Those two options are the primary steps that should be done to show the target customers a significant interest in the Russian market particularly in building a relationship with Russian customers.

6.5 Conclusion of the market entry strategy

To sum up, the market entry plan described in the chapters above, it must be mentioned that the author concluded to use the direct export strategy to enter the Russian market. SWOT Analysis of the case company FRIENDS Headphone was given to show the fundamental opportunities and strengths, as well as weaknesses and threats, were presented to avoid possible risks and uncertainties. Furthermore, the author described the target group of potential customers who are female with the age of 16-30 years old with medium and low-income level. Finally, the ideas of connecting strategy with potential customers were generated to build brand awareness in the Russian market.

In case, if the case company targets new objectives or the changes in the market are occurring, the additional analysis and estimation may need to be completed. In spite of this, in the author's opinion, the chosen strategies are the best options for the case company FRIENDS Headphones to enter the Russian market.

7 CONCLUSIONS AND SUGGESTIONS

This chapter presents the main findings of all collected information during the study. The author provides with the answers to research questions that are followed with the validity and reliability of the study. Suggestions for further researches are introduced to finalize the examination of the subject.

7.1 Answers to Research Questions

The thesis emphasizes on the Russian market mainly on the current situation of the headphones industry in Russia. The case company aims to increase its sales by entering the new foreign market.

The main question of the research is: How should FREnds Headphones enter the Russian market?

The sub-questions of the study were created to support the answer to the main question of the research.

What is the main competitive advantage of FREnds Headphones?

Based on the information gathered from the interviews and the author's experience, the main competitive advantage of FREnds Headphones is the unique approach to combine the fashion design model and high-quality products. Another competitive advantage is the collaboration with different fashion brands that enables customers to select FREnds Headphones precisely.

Is there potential for FREnds Headphones in the Russian market?

The Russian market is a very prospective market for FREnds Headphones. This decision is based on the demand of the headphones in the Russian market. Additionally, the potential for FREnds is high due to the involvement of the fashion and brand world that Russian females try to follow.

What is the brand awareness of FREnds Headphones in the Russian market?

According to the interviews, FREnds Headphones has a low level of brand awareness in the Russian market. This is the objective for further study to succeed in the market.

How should FREENDS Headphones operate to survive in the Russian market?

Based on the collected information and considering the low level of brand awareness, FREENDS Headphones ought to concentrate objectives in the development of the promotional strategy to familiarize target customers with their products.

How should FREENDS Headphones enter the Russian market?

The author studied the theory of market entry modes and evaluated the target foreign market to answer the central questions of the study. Also, the review of the case company with a full description of its product portfolio and current situation in markets were introduced to examine the level of relevance to operating in the foreign exchange. By collecting all essential data, the author decided that FREENDS Headphones should enter the Russian market by utilizing the direct export modes, selecting the local agents in the target market. Additionally, the ideas of increasing brand awareness of the case company were introduced to perform in the future.

7.2 Validity and Reliability

The main goal of the research is to present the answers to the research questions and achieve the research objectives. Primary data was collected through the interpretation with the CEO of the case company and interviews with people related to the specific industry of the studies. As well as this, the author used its own experience to present detailed information about the case company. Secondary data was gathered from official books related to the study topic and internet-based sources. The author was able to give a clear answer to the main questions and sub questions. Taking all of this into account, the research can be considered reliable and valid.

7.3 Suggestions for Further Researches

Due to the reason that this study only concentrates on the development of the entry strategy for FREENDS Headphones to the Russian market. It might be useful to analyze deeply how to survive in the target market and how to build a strong relationship with the potential customer across the country.

Also, it will be a good idea to make the entry strategy for the case company to the different market and find out the differences and similarities of completed entry strategy to the Russian market and the entry strategy to another foreign exchange.

8 SUMMARY

The fundamental objective of the study was to show the case company how to create a market entry strategy to the foreign market and how to implement this strategy.

Additionally, another purpose of the research was to show the Russian headphone industry for the case company.

The researches commenced with the general information about the study and its essential steps. The theoretical part of the various market entry modes and marketing tools were presented. Further, the author introduced the detailed information of the case company showing its primary operations, products and objectives.

As well as this, the strategic marketing tools such as SWOT Analysis, PEST Analysis, and Porter's Five Forces were used to analyze the target market, its level of competitiveness and the case company.

The empirical studies included the look of the Russian market especially the estimation of the headphones industry. Interviews were done to support the existing knowledge of the author gained during the internship. Furthermore, the evaluation of the competitive market level was done to show the case company their potential competitors to develop a definite competitive advantage. Also, market segmentation was presented to find out how are potential clients of the case company in the market.

The final chapter included the market entry plan for the case company made by the author. The market entry plan based on the theory introduced in Chapter 2 and the development of this plan was formed by collecting the data from primary and secondary data sources.

To conclude, it is worth to mention that the primary factors of purchasing decision of headphones are price, quality and brand name. On the final stage of the research, the author presented the direct export mode strategy and answered the central question of the study.

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Interviewees 3, 2019. Social media bloggers of Instagram. Interview 15 January 2019

APPENDICES

APPENDIX 1. Interview with the CEO of the case company

1. Tell the history of FREnds Headphones
2. What motivations did you have to change the concept of FREnds Headphone by starting to produce headphones only for females?
3. What is the uniqueness and competitive advantage of FREnds?
4. Does FREnds collaborate with different companies? If yes, what are the companies?
5. Do you plan to release new products in the coming months?
6. What are the main models of FREnds Headphones that you would like to concentrate on by entering the Russian market?
7. What are the main objectives of FREnds to enter the Russian market?
8. What is the current situation of FREnds on the market?

APPENDIX 2. Interview with the headphone's users

1. What are the main issues when you consider buying headphones?
2. What is your favorite headphone brand?
3. Do you try to follow fashion trends?
4. Does the technological description of headphones play a key issue for you?
5. Would you like to use FREENDS Headphones?
6. Where do you get information about new products and services?
7. Is it essential for you to have labeled clothes, shoes and accessories?

APPENDIX 3. Interview with the social media blogger

1. What are the main issues when you consider buying headphones?
2. What is your favorite headphone brand?
3. Do you try to follow fashion trends?
4. Does the technological description of headphones play a key issue for you?
5. Would you like to use FREENDS Headphones?
6. Where do you get information about new products and services?
7. Do your followers start to purchase the products that you promote? If yes, do they begin to follow back the pages you help too?
8. Is it essential for you to have labeled clothes, shoes and accessories?