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INTERNATIONAL MARKET ENTRY CONCEPT USING THE EXAMPLE OF "BOLAO" ENTERING THE ISRAELI MARKET

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Graz, 14th of September 2021

Declaration of authenticity

I hereby certify that I have written the present thesis independently and without help from any third parties. I have not used any sources other than those which are clearly indicated and have duly provided details of the sources of both direct and indirect quotations.

The present piece of work and parts thereof, have to date not been presented to this or any other examination board in the same or similar form, nor have they been published. The present version is the same as the electronic version submitted.

Thomas Holzer

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Graz, 14th of September 2021 Thomas Holzer

Principle of Equality

For readability purposes, gender-specific formulations have not been used in the present piece of work. It is, however, hereby expressly stated that when the masculine form is used to denote people, both sexes are being referred to.

Acknowledgement

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Summary

Due to increasing globalisation and the growing trade volume associated with it, many companies are forced to develop internationally and enter new markets. An international market entry can lead to the desired success of many companies. However, this is associated with risks and costs. Especially for small companies, this step is very daring and presents them with great challenges due to their lack of international experience. Therefore, it is crucial to plan an international market entry well and to develop a systematic market entry concept, which includes a detailed analysis and planning phase, as well as a subsequent implementation and control phase. In the context of this master thesis, a market entry of small and medium-sized enterprises into the clothing market, both in theory and practice, is examined. The aim is to develop a market entry concept for the FoF OG, which wants to enter the Israeli market with the clothing brand Bolao. After the most important findings for developing a market entry concept have been presented by means of extensive literature research, the practical part is based on a qualitative market analysis. For this purpose, 15 expert interviews were conducted with experienced people in the Israeli clothing industry, by companies that have already entered the Israeli market, and with representatives of Footvolley Israel. The experts confirmed the theoretical findings that for a small company like the FoF OG, with few financial and human resources, as well as a lack of access to the Israeli market, direct exporting via a local distributer is the most advisable market entry mode. In this context, it is relevant to find a trustworthy partner in the Israeli market on a long-term basis. In addition, due to increasing competition, it is important to enter the Israeli market as soon as possible in order to position Bolao right in the market and to increase the brand awareness in Israel. For this purpose, a partnership with a footvolley school should be established and a cooperation with local footvolley teams should be started. To achieve the company’s objectives, the branding of a footvolley arena, the translation of Bolao’s website into Hebrew and the targeting of potential customers via social media should be realised. Furthermore, it is a major goal to establish the Bolao Bonus programme on the Israeli market.

Abstract

Durch die steigende Globalisierung und das damit verbundene wachsende Handelsaufkommen sind viele Unternehmen dazu gezwungen, sich international weiterzuentwickeln und neue Märkte zu erschließen. Ein internationaler Markteintritt kann zum gewünschten Erfolg vieler Unternehmen führen. Dies ist jedoch mit Risiken und Kosten verbunden. Vor allem für kleine Unternehmen ist dieser Schritt sehr gewagt und stellt sie auf Grund mangelnder internationaler Erfahrung vor große Herausforderungen. Daher ist es enorm wichtig, einen internationalen Markteintritt gut zu planen und ein systematisches Markteintrittskonzept, welches eine detaillierte Analyse- und Planungsphase, sowie eine weiterführende Implementierungs- und Kontrollphase, umfasst. Im Rahmen dieser Masterarbeit wird ein Markteintritt von kleinen und mittleren Unternehmen in den Bekleidungsmarkt, sowohl in Theorie als auch Praxis, untersucht. Das Ziel ist es, ein Markteintrittskonzept für die FoF OG zu entwickeln, die mit der Bekleidungsmarke Bolao in den israelischen Markt eintreten möchte. Nachdem die wichtigsten Erkenntnisse, ein Markteintrittskonzept aufzubauen, mittels umfangreicher Literaturrecherche dargelegt wurden, basiert der Praxisteil auf einer qualitativen Marktanalyse. Dazu wurden 15 Experteninterviews mit erfahrenen Personen der israelischen Bekleidungsindustrie, von Firmen, die bereits in den israelischen Market eingetreten sind, sowie mit Vertretern von Footvolley Israel, durchgeführt. Die ExpertInnen bestätigen die theoretischen Erkenntnisse, dass für ein kleines Unternehmen, wie die FoF OG, mit wenig finanziellen und personellen Ressourcen, sowie mangelnden Zugang zum israelischen Markt, ein direkter Export mit einem lokalen Distributionspartner die sinnvollste Markteintrittsform ist. Dabei ist es relevant, einen möglichst vertrauensvollen und langfristigen Partner am israelischen Markt zu finden. Zudem ist es auf Grund des steigenden Wettbewerbes bedeutsam, den israelischen Markt möglichst rasch zu erschließen, um Bolao am Markt richtig zu positionieren und die Bekanntheit der Marke in Israel zu steigern. Dazu sollte primär eine Partnerschaft mit einer Footvolley Schule aufgebaut und eine Kooperation mit lokalen Footvolley Teams gestartet werden. Um das Ziel eines erfolgreichen Markteintritts zu erreichen, sollte das Branding einer Footvolley Arena, das Übersetzen der Website von Bolao ins Hebräische und die gezielte Ansprache potenzieller Kunden über Social Media realisiert werden. Des Weiteren ist es ein großes Ziel das Bolao Bonus Programm am israelischen Markt zu etablieren.

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List of Abbreviations

EFVL = European Footvolley League

LSEs = Large-scale enterprises

SMEs = Small and medium-sized enterprises

1 Introduction

1.1 Initial Situation

The FoF OG is a company based in Graz that was founded in 2017. The company is focused on spreading the sport of footvolley to a broad audience through the organisation of footvolley events and the distribution of textiles with the brand Bolao. The FoF OG plays an important role in the growth process and the professionalisation of footvolley, especially in Europe. Furthermore, with the clothing brand Bolao, the company is an official supplier of the main European footvolley competitions and provides their customers the best footvolley equipment possible. Over the years, footvolley has become a popular sport all over the world. As a result, the market potential is very high, which opens up new market segments. Since one of the biggest goals of the FoF OG is to increase sales and raise awareness of the clothing brand Bolao, the company wants to internationalise and enter new markets. One of the most attractive markets for this intention is the Israeli market. Within the last couple of years, the Israeli footvolley market has grown by multiple thousand players wherefore the market potential and the attractiveness for a market entry is high for Bolao. Also, there are not many competitors in the market that cover the whole sales potential for Israeli customers.

Through growing trade, the globalisation of goods and services as well as the internationalisation of companies**,** the relevance of market entry and its related theories in the past decades gained significantly in importance. An international market entry begins with the plan of a company to enter a new foreign market or market segment (cf. Dehnen 2012, p. 90).

For the internationalisation process a company therefore needs to consider different dimensions like the market entry strategy, which defines amongst others, which entry mode should be used. Moreover, the target market strategy shows which target markets the company should internationalise. The timing strategy shows when the target market should be approached to develop the market at the right moment (cf. Schmid 2018, p. 7f.).

In international marketing there are two different strategies during an internationalisation process:

- **Market Entry Strategy:** Market entry strategies show ways in which foreign markets can be approached. These strategies determine the form of engagement and the form of market presence for a longer period. These are important strategic decisions made by management. Furthermore, they can be divided into strategies, where the market development of the foreign market is not carried out by the company itself and those where the market development is also carried out by the company.
- **Market Development Strategy:** Market development strategies build on market entry strategies and shape the strategic use of marketing instruments in a market. The sales aspect corresponds to the distribution policy on national markets (cf. Bruns 2003, p. 94f.).

For an international market entry, the right choice of entry mode is essential to establish a successful market entry and is a structural agreement that helps a company to implement its product market strategy in a new market (cf. Parietti 2017, p. 59). The demand and supply model of the new market needs to be analysed to further develop the market strategy, which is an important factor in microeconomics (cf. Piros/Pinto 2013, p. 2f.).

The entry mode is a crucial decision that drives performance and is difficult to change once it is established. Moreover, the market entry shows the direction, where future strategic decision can lead, which is relevant for the development of a company or brand (cf. Elsner 2014, p. 41). International development is one of the biggest growth strategies for a company. It is a long process and the operations of the company need to be adapted to the international environment. This environment can be very diverse and brings cultural challenges (Dominguez 2018, p. 5f.). In international business and negotiations, it is crucial to effectively manage cross-cultural differences which influences business operations and decision-making processes. Especially the communication process is essential for a company to establish itself internationally. Due to the globalisation certain business standards developed that influence international sales and purchases (cf. Khan/Ebner 2019, p. 6f.).

1.2 Challenges

To successfully enter a new market, companies face multiple hurdles that need to be mastered. There are especially a lot of uncontrollable forces a company will meet when internationalising. Those are difficult to assess and need a suitable business strategy (cf. Hopkins 2017, p. 10f.). A huge uncertain factor within the fashion industry is the unpredictability of demand, since fashion products do not need to be purchased on a regular basis and the products change with different seasons and trends (cf. Jin/Cedrola 2016, p. 6).

Furthermore, the sport industry is one of the fastest and largest growing industries in the world which needs a lot of entrepreneurship to manage. It can form whole businesses and has a huge impact on entrepreneurial decisions (cf. Ratten 2018, p. 19). As the sport industry develops further a lot of companies see the opportunity to commercialise certain sports and grow their own business out of it, which can bring new financial revenues (cf. Beech/Chadwick 2013, p. 6).

Currently the FoF OG is distributing the products of Bolao mainly to the European market with a relatively small target group of customers. Since the customer demand for footvolley and hence also for footvolley clothing is very high in other countries like Israel, the FoF OG wants to seize new market opportunities. Therefore, the company wants to develop a detailed international market entry concept for Bolao, with a special focus on the Israeli market. The problem though is that the right expertise and strategy on how to successfully enter such a market and how to handle the regulations of the Israeli market are still missing in this company.

1.3 Objectives

According to the challenges that arise from the initial situation, specific company objectives and master thesis objectives are represented within this chapter.

1.3.1 Company Objectives

The aim of the FoF OG is to enter new international markets within the next few years and especially target the Israeli market. Therefore, the company has specific objectives that should be achieved:

- The main company objective is to generate a turnover of at least 50 000 € from new customers of the Israeli market in 2022.
- Furthermore, at least 2000 new customers from the Israeli market will register for the "Bolao Loyalty Programme" by the end of 2023.

1.3.2 Thesis Objective

The objective of this master thesis is a market entry concept for the clothing industry by the example of Bolao to successfully enter the Israeli market.

1.4 Frame of Reference

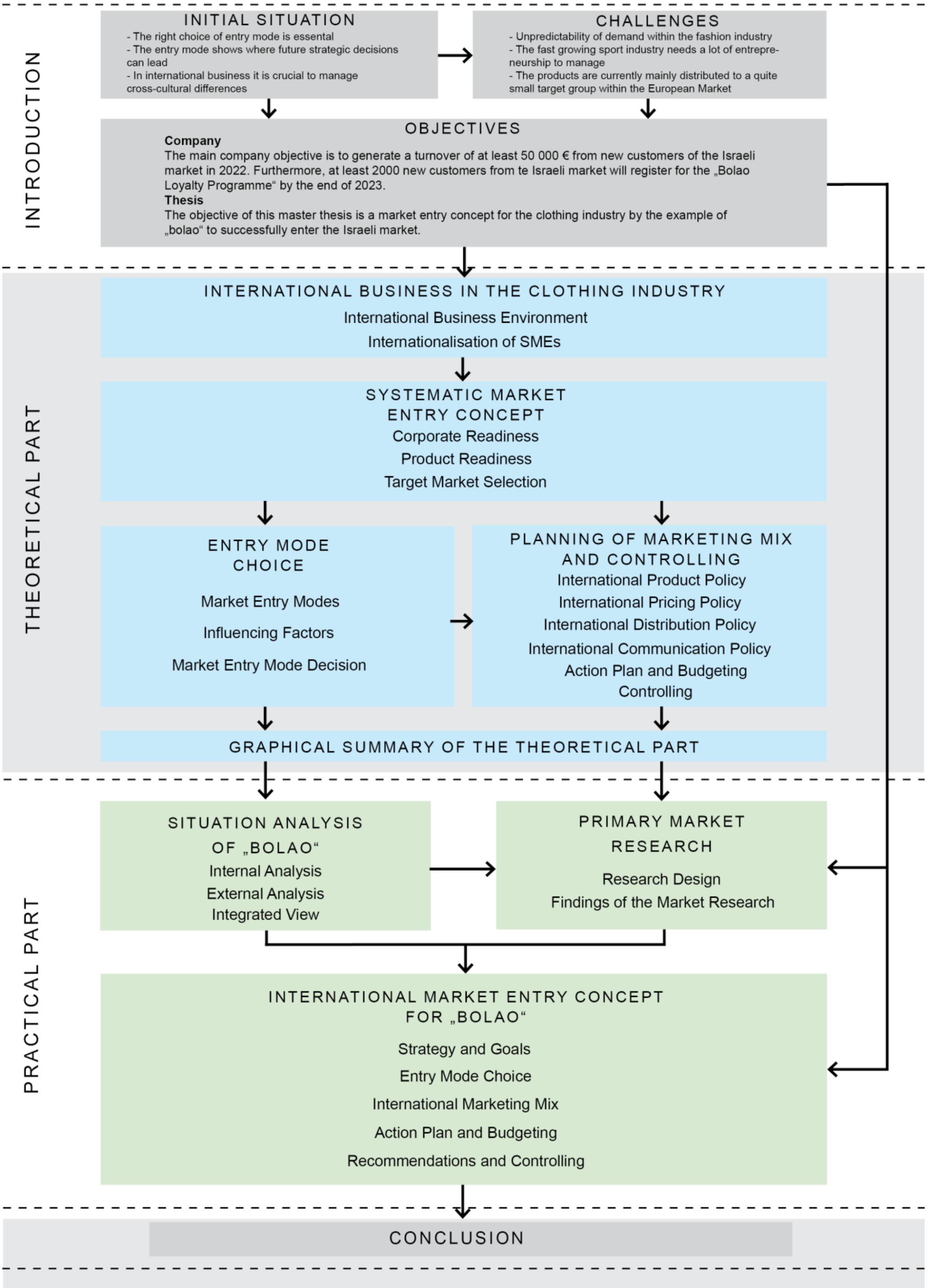

Figure 1: Frame of Reference (own presentation)

2 International Business in the Clothing Industry

International business is described as any domestic business transactions and activities that are conducted over international boundaries. These international markets differ environmentally from the domestic markets in characteristics like infrastructure, politics, customs, religion, language and other cultural differences (cf. Albaum/Duerr/Josiassen 2016, p. 27). A key success factor for companies within the clothing industry is the development of a strong fashion brand that creates value for the company to overcome the challenges of the hard-contested international business environment of the clothing industry (cf. Igelbrink 2020, p. 22).

2.1 International Business Environment

The rapid growth of the international business environment that has emerged during the last decades has changed the clothing industry massively and will continue to have a huge impact on strategic decisions of international companies. There are five major changes that companies need to consider for internationalising:

- The technological development and the enhancement of information networks led to a massive change in the way companies are doing international business. New technologies and software are directly connected to e-commerce and provide new possibilities for companies to advertise, interact with their customers and use further sales channels.
- The consistent improvement of supply change management and logistics also opens new possibilities for companies to transport goods with high efficiency and lower costs in international trade.
- Since there is an increased focus on innovation, there are a lot of new business models and information resources available that can help companies to be ahead of time and to gain competitive advantages.
- Due to the cultural diversity in different countries, new market segments and whole niche markets emerged. This generates great chances and opportunities for small companies to expand their business internationally.
- The decrease of investment, governmental and trade barriers further advanced the industrial development of countries like China and India, which brought massive change to international trade and manufacturing. This leads to a much higher international competition but also promotes additional international strategies (cf. Albaum/Duerr/Josiassen 2016, p. 6f.).

2.1.1 Characteristics of today's Clothing Industry

The structure of today's clothing industry is a result of the globalisation of the international business environment and the influencing changes that were just mentioned. Especially the innovation-driven technical development of the supply chain of producing textiles and clothing affects the strategy of companies regarding their manufacturing, design and marketing. Therefore, it is crucial to be aware of the state of the art of the clothing industry to handle the challenges and develop a suitable business plan (cf. Shishoo 2012, p. 3). The clothing industry is a big part of the overall fashion industry and is focused on manufacturing clothing from different textiles. From these textiles, clothing articles like t-shirts are produced for international markets. If different types or articles of clothing become socially popular, they develop into fashion and influence whole markets. Fashion reflects on the culture of a society and forms today´s clothing industry. Clothing articles have a very short lifespan and are not designed to be popular for a long time. This so-called planned obsolescence makes the clothing industry challenging (cf. Reilly 2014, p. 12f.).

The global clothing market is a fast-growing market that increased in value from about 1.3 trillion dollars in 2015 to approximately 1.5 trillion U.S. dollars in 2020. There is also a consistent increase in demand for clothing around the globe, especially within the three biggest regions of clothing markets, the European Union, China and the United States of America. The highest growth rate of demand is currently visible in the Asia Pacific region with a growth rate of about 4 percent from 2015 to 2020 (cf. Statista 2020a).

As illustrated in Figure 2, the retail sales of the global clothing market consistently grew from 1.7 trillion U.S. dollars in 2017 to 1.9 trillion dollars in 2019 and are expected to reach about 3.3 trillion dollars in 2030. This means a sales growth rate from 2019 to 2030 of about 174%. This shows that for retailers the global clothing market is very attractive and is assured for a good future and high sales potential for international companies (cf. Statista 2020b).

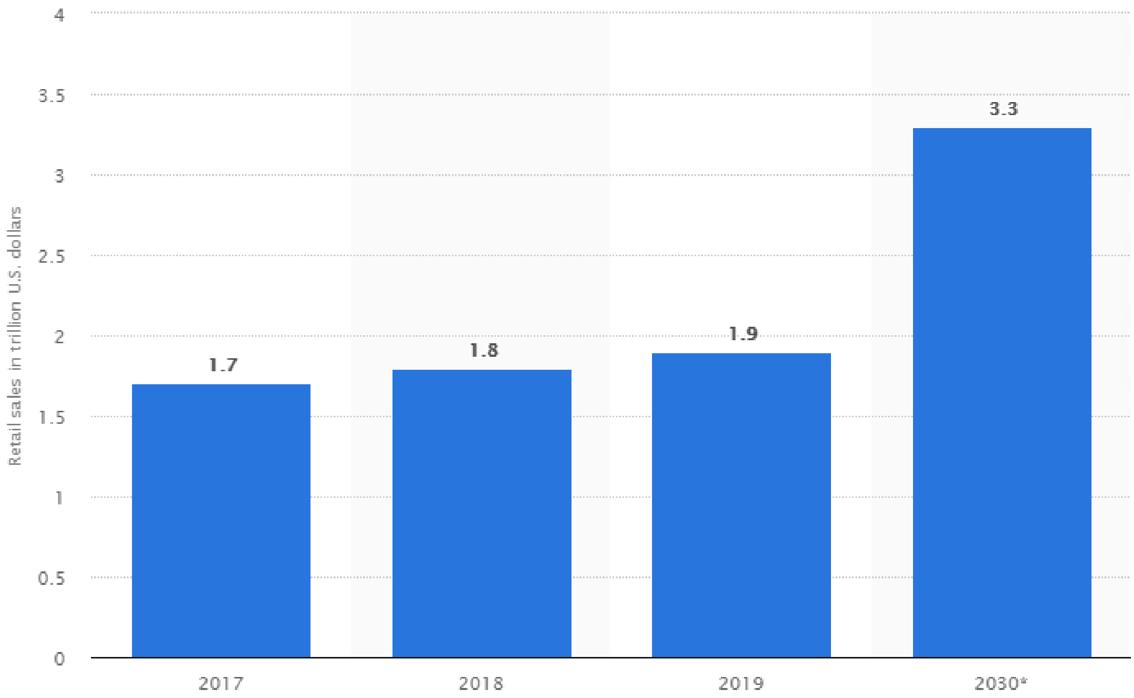

Figure 2: Retail Sales of the global Clothing Market from 2017 to 2019, with a Forecast for 2030 (Statista 2020b)

The situation for retailers in the clothing industry is however also challenging since globalisation led to financial short-term thinking regarding sales and profits. Companies need to sell a higher number of products to increase their sales turnover to stay competitive on the market. This is only possible with an increasing number in gross buying. This makes the retail prices lower and forces companies to manufacture their clothing in developing countries to keep their margin high. This again leads to very low labour rates in certain regions around the globe and reflects badly on the overall image of the clothing industry. Furthermore, many retail brands buy low quality textiles from suppliers in developing countries, where bad working conditions are common practice. Therefore, it is crucial to improve the overall standard of the industry again and pay attention on current and future trends like sustainability (cf. Shishoo 2012, p. 32f.).

2.1.2 Sportswear Market

The overall clothing market is divided into the four main product subcategories menswear, womenswear, childrenswear and sportswear. Within these market categories the sportswear market is one of the fastest growing and most important markets for the fashion industry. In 2019 it was valued at over 265 billion dollars and is expected to grow by approximately 80% by the year 2025. The United States and

China generate the highest revenue from the clothing market, followed by India and Japan which also shows the significance of emerging markets from Asia in manufacturing textiles and clothing (cf. Statista 2020b).

The sportswear market can be further divided into individual sectors by leisure wear and sporting pursuit and is expected to grow strongly as fashion and function develop. The different sportswear sectors are as follows:

- Sportswear for outdoor pursuits like snow sports, hiking or cycling
- Running sportswear
- Fitness and aerobics sportswear
- Swimwear
- Racket sportswear
- Golf sportswear
- Team sportswear for sports teams like in footvolley or football
- Leisure wear from sportswear brands which is also a sector Bolao sells its clothes in besides team sportswear (cf. Hayes/Venkatraman 2016, p. 3f.).

The sportswear market is like the overall clothing market, vitally changing due to globalisation and is more mainstream than ever, which is a huge chance for sports clothing brands that want to expand internationally. Sportswear guarantees professional and hobby sportsmen the best performance possible. This can be achieved, if the sportswear is functional, comfortable and fulfils safety aspects for the specific sport that is targeted. Moreover, sportswear is for most people in the world a whole lifestyle that they also present in their leisure time, by wearing sportswear of their favourite sports brand or sports team (cf. Hayes/Venkatraman 2016, p. 2).

2.1.3 Trends within the Clothing Industry

Due to the increasing demand for clothing articles accompanied by the advanced growth of the world population and the big challenges of today´s clothing industry, it is crucial for companies to look out for current and future trends to be competitive in the market. Therefore, they need to be very innovative regarding technological standards, produce high performance and well-designed products that are made from environmentally friendly materials. Also, new textile technologies have the potential to evoke synergetic effects with other industries like biotechnology, where close partnerships can bring huge benefits to companies for increasing their innovation level within the clothing industry (cf. Shishoo 2012, p. 73f.).

The most important trend of the clothing industry nowadays is sustainability. One future goal is that today's fast fashion industry will be replaced by classic slow fashion again, because customers demand more eco-friendliness. To achieve a better sustainability level, clothing manufacturers need to save natural resources by reducing their footprint on the environment, economy and society (cf. Radhakrishnan 2020, p. 70f.). To fit into the markets of the future, companies also need to generate innovative business models that integrate the importance of environmentally friendly thinking towards sustainability. Therefore, additional value creation processes are needed, to persuade customers to buy more sustainable clothing. Companies need to add future-oriented values like sustainable consumption and production to the core value of their products. Clothing articles gain additional value especially through product innovations. There are three different levels in which innovations can exist, which are raw materials, styles and product development. The first level includes the usage of raw materials of a higher quality, like seamless weaving or micro-fibres. On the second level, styles can be innovated towards new trends and adopted to different product seasons. Lastly, for innovative product developments, new technologies help to satisfy customer and environmental needs. Important leverages are waste reduction and increasing efficiency along the supply chain (cf. Jin/Cedrola 2018, p. 5f.). Through advanced technologies, new ways of production can be developed that can help to produce clothing faster, create new products, increase stock availability and make clothing more affordable (cf. Reilly 2014, p. 104).

Another important fashion trend is individualisation and the uniqueness of clothing. For a lot of customers, it is very important to satisfy their personal needs and expectations, which various clothing articles should fulfil to express their personality. This often means that most of the customers do not want to dress the same and want to avoid wearing current fashion trends. For those people it is crucial to offer individual designs and the possibility to create their own clothing style. The craving for not following a fashion trend is called anti-fashion. If the clothing market becomes saturated with a certain trend or fashion style, people often start a new trend because they want to be different. This can lead to a whole new fashion trend if people start to recognise it and take on the new way of dressing. For companies within the clothing industry, it is necessary to regularly observe upcoming fashion trends from different markets and customer groups to be recognised on the international market (cf. Reilly 2014, p. 31).

2.2 Internationalisation of SMEs

The clothing industry is one of the most complex manufacturing industries worldwide, which is vastly pressured by the effect of globalisation. Especially the liberalisation of textile trade and an increasing competitiveness from emerging countries, forces European countries to develop international market strategies to successfully enter new markets. In order to stay competitive on the international market, small or medium-sized companies need, a masterly entrepreneurial performance to reduce costs of production, increase the product value and position in the right market segment (cf. Gil-Pechuan/Exposito-Langa/Tomas-Miquel 2013, p. 50). A small firm size means a much more difficult internationalisation process, because of the scarcity of resources and lack of international experience. If smaller companies decide on internationalisation, they need to be aware of the risk factors an international market entry constitutes. They need to gather a lot of information and constantly promote learning processes to successfully develop internationally (cf. Musso/Francioni 2014, p. 308f.).

2.2.1 Characteristics of SMEs

The European Commission defines SMEs (small and medium-sized enterprises) by their staff headcount and either by the balance sheet total or annual turnover. Companies are categorized as small, if they have less than 50 employees and the annual turnover or balance sheet total amounts less than 10 million euros. Whereas medium-sized companies have less than 250 employees and either less than 43 million euros balance sheet total or less than 50 million euros annual turnover. In the EU, SMEs represent approximately 99% of all firms (cf. European Commission 2020).

In comparison to LSEs (large-scale enterprises), which are mostly multinational firms with a lot of financial resources with a lot of market experiences, SMEs feature their own characteristics. Some of these characteristics can be used as advantages for the internationalisation process whereas others are high-risk factors. One of the most obvious characteristics, which is at the same time a huge disadvantage is, that SMEs have very limited financial resources, referable to a lower equity base that becomes relatively fast depleted. The lower the capital put into the business by the owners, the more difficult and riskier it is to internationalise the company. Another sensible characteristic is that the managers of SMEs are often lacking the right expertise in certain business administration fields to successfully undergo international business practices. Managers are often technical experts in a certain field like product development and are closely involved in distribution and sales. This means for SMEs that they need to outsource certain business areas like the production to be all set up for internationalisation. SMEs however are more flexible than LMEs because of mostly flatter hierarchies. Finally, the business motives of SMEs are rather funnelled on short-term means and their risk-taking behaviour is depending on their financial situation and the availability of information on the market environment (cf. Hollensen 2019, p. 7f.).

2.2.2 Risk Factors and Opportunities in Internationalisation for SMEs

During an internationalisation process companies try to avoid as many risks as possible and to keep uncertainty factors as low as possible. In addition to the various motives behind the internationalisation of SMEs, managers need to weigh up multiple risk factors that can occur in comparison to the opportunities that they can exploit. These risk factors might slow down the internationalisation process, change the direction of it or in the worst case even stop it completely. Therefore, it is crucial to strategically analyse and approach these factors and to learn from decisions and outcomes in order to adopt to the foreign market environment the best way possible (cf. Liesch/Welch/Buckley 2011, p. 868f.).

The most frequent reason for a failed market entry into a foreign market of SMEs is that risk factors are incorrectly predicted or are not considered when trying to internationalise a business. Therefore, it is crucial for managers to identify potential risks of a market beforehand by setting up strategic risk management. Companies need to be agile and react flexible and fast to environmental changes of a market. The identification of specific risks is difficult for managers of SMEs due to the lack of financial resources and limited access to external information and data about foreign markets (cf. Kubíčková/ Toulová 2013, p. 2385).

Typical types of risks that occur for SMEs besides financial risks while entering new markets are:

- **Supply chain risks:** For SMEs it is important to have a reliable supply chain, especially in the clothing industry where the production is often outsourced. The supplier needs to be trustful and produce high quality products in time. It often helps to be familiar with local producers to prevent errors in the supply chain. A common mistake is, that managers are not choosing their suppliers wisely and due to trust issues, do not share relevant information with them.
- **Cyber risks:** Since most of the international business takes place online, there is a lot of fraudulent acts and cyber-crime. Cyber risks are very difficult to manage since internet technology is changing so fast and providing security is highly complex. Hence, SMEs need to be careful about money transactions and other fraudulent acts of business partners.
- **Growth risks:** For SMEs it is difficult to grow internationally. They have difficulties to differentiate their products from the competition’s products, have wrong brand strategies or cannot address the right market segment or customer group. Therefore, the right market entry strategy is indispensable to prevent such risks while internationalising.
- **Company-internal risks:** Lastly, risks can also arise in a company internally. If the relationship and communication between the management and the employees is incompatible, it is difficult to react flexibly to environmental changes. To reach its objectives and to expand internationally, the company needs a good workflow and a flexible team (cf. Crovini 2019, p. 49 - 52).

If SMEs are aware of the risks of an internationalisation process and they have good risk management implemented, they can use foreign market opportunities to grow their business internationally. Besides expanding the company, it is also possible to gain valuable knowledge from international activities, develop certain strategies and improve the overall business performance. Especially, new products and innovative concepts are huge opportunities to grow sales and employment international (cf. Boermans/Roelfsema 2016, p. 292f.). Growing one´s business within the clothing industry is very difficult for SMEs nowadays. Therefore, it is crucial to use every internationalisation opportunity that is given and plan the internationalisation process thoroughly to successfully enter foreign markets (cf. Gil-Pechuan/Exposito-Langa/Tomas-Miquel 2013, p. 52 - 54).

3 Systematic Market Entry Concept

An international market entry usually takes place gradually over several stages. International market entry decisions depend on the choice of market entry mode and on the time of market entry. Moreover, the conditions of the target market and the company's internal objectives and resources are important components that need to be considered. The more important the international market entry is for a company, the more willing it is to take risks and invest in certain market entry activities (cf. Büter 2017, p. 141f.).
To expand a business internationally, companies need an appropriate market entry concept. When they decide on an internal market entry, they need to consider their plan and mission, how they want to develop on a long-term perspective and create a strategy to reach their objectives, such as higher sales and profits (cf. Dinu 2018, p. 20). One of the key factors during an international market entry is the right choice of entry method going alongside an intensive market orientation on the foreign market that will be entered. Market orientation is crucial because of the high complexity and environmental differences of foreign markets and can increase the international market performance of a company (cf. Fernandes et al. 2020, p. 125). The market entry activities of companies are also dependent on various factors of foreign markets. Especially industry-specific factors like manufacturing costs, trade barriers or cross-border trade make international market entries very difficult. Managers need to take decisions carefully to exploit arising strategic opportunities. Therefore, it is crucial for companies to develop a strategic concept for their international market entry. This chapter focuses on an international market entry concept that should help companies to enter international markets systematically and successfully (cf. Glowik 2016, p. 21).

An international marketing concept is defined as *"…the overall marketing framework which an international enterprise adopts to design, introduce, distribute, promote and maintain its products in the global arena"* (Swamidass 2000, p. 256). A marketing concept is a specific planning method that is integrated into the overall marketing strategy and follows the proposed marketing objectives that derive from the normative or strategic business level of a company. Parts of a marketing concept are market analysis, marketing strategies, product developments, marketing tools and marketing controlling (cf. Bieger 2019, p. 53f.).

When companies plan to enter new foreign markets, a specific international market entry concept needs to be developed by managers through the whole market entry process. This increases the long-term success and the persistence of a company on international markets. Therefore, companies need to analyse customer needs of the target market, adapt and develop products according to their expectations, establish strategic marketing policies like distribution channels and design a cost-effective budgeting plan. This demands managers to have the right market orientation and find a realistic balance between the implementation costs and the resulting benefits of market entry activities to successfully enter international markets (cf. Root 1998, p. 171f.).

Fuchs and Apfelthaler developed the systematic market entry concept, which can help companies to increase the success of their market entry through systematic planning. It is essential that companies undergo an honest internal analysis to determine their international intentions. Also, they need to review their strategy and show whether the available resources and products are suitable for the targeted market. In addition, markets need to be systematically selected and companies should not ignore certain entry modes. This applies especially to SMEs, as they often deter from alternative forms of market entry. This master thesis uses their theoretical concept as it is beneficial for companies that are looking to enter new international markets because it is less ideal than other approaches and rather practical to use. Figure 3 shows the five different stages of the systematic market entry concept (cf. Fuchs/Apfelthaler 2009, p. 272f.).

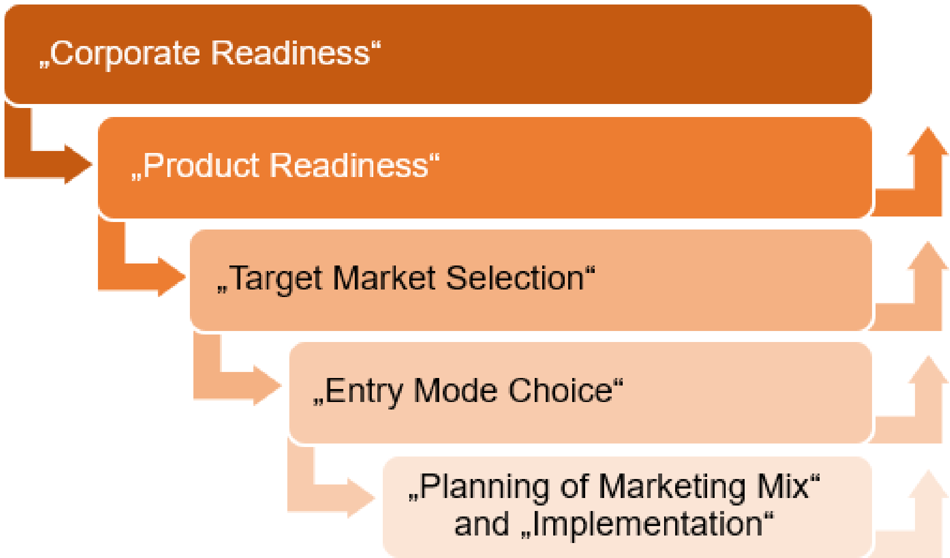

Figure 3: Systematic Market Entry Concept (based on Fuchs/Apfelthaler 2009, p. 270)

At the first stage "Corporate Readiness" (chapter 3.1) of the market entry concept, the internationalisation decision is made based on an internal potential analysis and potential planning of the company's ability to operate successfully on international markets. In the second stage “Product Readiness” (chapter 3.2), the product decision takes place. A product, which is competitive in the international market, is selected. The next stage is "Target Market Selection" (chapter 3.3) which, after a precise analysis of the relevant market factors, presents the market decision for one or more target markets. The result of the fourth stage, "Entry Mode Choice" (chapter 4), is the selection of the optimal market entry mode that suits the strategy of the company and the circumstances in the target market. In the final stage of the market entry concept "Planning of Marketing Mix" and "Implementation" (chapter 5), the goals and strategies are formulated and the planning and implementation steps for the international market entry are determined. It is important to mention that the individual stages of the systematic market entry process are not to be understood sequentially, but rather that it is a circular process. Due to a lack of information and other external factors, some decisions are often made early on before new information helps to change and improve decisions that are already made. A systematic market entry process means returning several times to previous stages to make the entire market entry as successful as possible (cf. Fuchs/Apfelthaler 2009, p. 273f.).

3.1 Corporate Readiness

Corporate readiness is the first stage of the systematic market entry concept, which describes the international readiness of companies to enter new foreign markets. The starting point of an internationalisation process is often not planned through and results from adaptations to the constantly changing environment. This means that companies often expand to international markets without having a detailed plan. They often base decisions on their willingness to lose a certain amount of investment instead of weighing the potential risks of an internationalisation process and try to minimise the costs. However, it is crucial to carefully analyse the international environment and conduct detailed research on direct competitors. It needs specific information about the foreign country and a strategic business plan a to successfully enter a foreign market (cf. Kalinic/Sarasvathy/Forza 2014, p. 635f.).

Managers should carry out a potential analysis at least once a year to systematically assess the utilised and unused potential of the company. The first step is to determine the most important criteria, such as the ability to deliver, product and service quality or the sales program, to successfully operate on an international market. In the next step, the criteria needs to be compared to the market leader (cf. Vollmuth 2008, p. 357 - 360). After comparing the market criteria, the potential analysis assesses the current and future requirements and resources of a company for the development of certain country markets and certain target groups. The gap between the capabilities of the competition and the company shows strengths that should be expanded and weaknesses that should be reduced (cf. Bruns 2003, p. 86).

An internal potential analysis helps to determine whether a company has the potential to successfully accomplish the planned internationalisation process. Therefore, important aspects like internationalisation motives, or the strategic orientation of the company need to be analysed to evaluate the overall readiness for the planned market entry activities (cf. Fuchs/Apfelthaler 2009, p. 277).

3.1.1 Internationalisation Motives

At a certain time, managers often realise that there is a possibility for their business to be recognised on international markets. It makes sense to have a global vision rather than just focus on the domestic market, because products and services can be sold on a much bigger marketplace with a greater sales potential and new customers (cf. Gerschewski/Rose/Lindsay 2015, p. 572). In general, there are two main categories of motives for managers for the internationalisation of a company. The first category, which entails the most common motive, implies that the manager wants to access new foreign markets with beneficial conditions for the company to increase the revenue and grow the business. The second category is all about the avoidance of difficult situations within the domestic market that hinders the company in their success and efficiency due to high costs and legislations. Both dimensions are crucial for international business and are the foundation for competitive advantages. On one hand companies need to reduce disadvantages of their domestic market and on the other hand they need to seek advantages on foreign markets. The combination of the two different categories creates four different internationalisation motives (cf. Cuervo-Cazurra/Narula/Un 2015, p. 30):

- **Sell more:** The first internationalisation motive is foreign expansion to access larger markets to increase revenues. Resources that bring competitive advantages in the domestic market are transferred to foreign markets to generate additional sales. Also, economies of scale effects can be utilised through higher sales quantities and better conditions in foreign markets. Companies can sell additional products and services to their domestic sales.
- **Buy better:** The second motive describes that manager decide to reduce domestic business operations and focus more on foreign markets. This motive often results from competitive disadvantages and problematic situations on the domestic market that promotes managers to make use of their existing resources and transfer it to new foreign markets.
- **Upgrade:** The third internationalisation motive implies that a manager expands the business internationally to gain knowledge and better capabilities to improve the competitive level of the company. Competitive advantages that can be created in foreign markets are used to upgrade the business operations and the advantages in the domestic market again.

- **Escape:** The fourth motive is to expand abroad and is very similar to the "buy better" motive. Managers also want to avoid bad domestic market conditions and strive to enter new foreign markets. The difference is those existing resources are not transferred to foreign markets, but the objective is to increase the company's efficiency by exploring new and advanced business sources abroad (cf. Cuervo-Cazurra/Narula/Un 2015, p. 30 - 32).

Further internationalisation motives are profit-seeking motives like cost savings through production outsourcing to low-wage countries or corporate-securing motives like internationalising due to a saturation of the market or following competitors. Also, growth-oriented motives like the presence in emerging markets or other motives like following customers or organisational learning effects can be reasons for companies to enter foreign markets (cf. Fuchs/Apfelthaler 2009, p. 278).

3.1.2 Strategic Orientation

Another important component that is crucial at the beginning of a market entry process is the strategic orientation of a company. In general, there are four different strategic internationalisation orientations, which originate from Howard Perlmutter. The orientation of a company can either be ethnocentric, polycentric, regiocentric, or geocentric. An ethnocentric orientation means to focus on the retention of strategic business practices of the domestic market and to transfer them unmodified to the foreign market. A polycentric orientation focuses rather on the external environment of the foreign market with the willingness to change the existing identity and business practices of the company according to the demand of the foreign market. The regiocentric orientation means that similar regions are clustered to standardise market strategies for certain regions. Lastly, geocentric orientation means that a company does not differentiate between the domestic market and the foreign market and tries to find a global strategic orientation that fits all markets. The basic strategic orientation of a company needs to be considered within an international market entry process before making product decisions and selecting target markets (cf. Fuchs/Apfelthaler 2009, p. 281f.).

3.2 Product Readiness

Additional to the corporate readiness for an international market entry, the readiness of the products of a company is another important stage of the systematic market entry concept. Managers need to evaluate if there are suitable company products that have the chance to bring success in a foreign market. Although, there is no specific knowledge about a specific market available, it is already possible to make first assessments about the readiness of products. In general, products need to fulfil attributes that are relevant for the customers in foreign markets, like the satisfaction of customer needs, to generate novelty value and which are competitive (cf. Fuchs/Apfelthaler 2009, p. 287f.).

Therefore, managers need to screen the products of a company beforehand to find the most suitable one for expanding to international markets. Often, promising products with a high profit potential and foreign market acceptance can address market segments through clear competitive advantages. These advantages can either be price advantages or distinctive attributes like the quality or design of the product. If products seem to have competitive advantages over foreign companies, it is possible to obtain a good position on the international market. During the product screening process, managers need to find out the strengths and weaknesses of the product in the home market and what unique sales proposition the product brings to customers. Moreover, it needs to be evaluated if the product can be marketed in the same way to foreign markets or if it needs to be adapted. Product adaptations are often necessary to reach customer acceptance in a foreign market and to meet their expectations. Product adaptation can either be on the physical level of the product which indicates how the product is presented to the customers or on the service level. To find out which attributes are relevant to adapt, foreign markets need to be analysed precisely through market research (cf. Root 1998, p. 26 - 29).

3.3 Target Market Selection

Choosing the right market for an international market entry is essential for the success of the overall internationalisation process of a company and influences the marketing mix that needs to be established for the target market. Moreover, it implicates how international business can be managed due to the geographical location of the market. The further the distance and the higher the diversity of the foreign market is in comparison to the domestic market, the more difficult it is for companies to coordinate the market entry process. Especially for SMEs, which have a lack of international experience, targeting markets which are similar and physically close to the domestic market reduces the risk of failure (cf. Hollensen 2019, p. 262f.). The results of the company's potential analysis and the product analysis are integrated in the target market selection. Furthermore, they should help to assess which markets and products fit together and how the company will strategically approach new foreign markets (cf. Fuchs/Apfelthaler 2009, p. 305). Before entering new markets, companies need to select the target country as well as the market segment within the market. The selection principle indicates a reduction from a coarse selection to a very fine selection in the end. The main requirement is a quick analysis of the international determinants to be able to estimate which countries are potential candidates to target to narrow it down with a detailed analysis to specific target markets and customer segments. The target market selection is essential for the right international marketing strategy to be able to choose the right market entry mode and to plan the international marketing mix (cf. Bruns 2003, p. 71).

3.3.1 Market Entry Barriers

Choosing the right target market though is dependent on various market entry barriers of foreign markets. Market entry barriers make it difficult or even impossible for companies to become part of a relevant market. These barriers result primarily from different market entry times and protect regional products, industry sectors and entire markets. They determine the attractiveness of the market as they influence risk and capital requirements of an international market entry. Companies need to consider these market entry barriers when selecting the right target market. Following market entry barriers can appear when companies try to enter foreign markets (cf. Bruns 2003, p. 125):

- **Economies of scale effects:** A new provider on a foreign market will have much higher unit costs than existing providers, this is due to lower production and sales volumes. However, entering the market with high sales volumes involves great risks.
- **Product differentiation:** In most markets there are already strong brands that make it difficult for new companies to reach foreign customers as there is often a lack of knowledge about the customers' demands of the foreign market and missing financial resources for product adaptations.

- **Capital requirements:** In many industries, a high working capital is required to follow certain sales systems like leasing, which is especially difficult for small companies.
- **Access to sales channels:** Desired sales channels are often occupied by established providers through contractual ties with sales agents. This barrier can usually only be circumvented through payments to the sales intermediary or through the development of new sales channels.
- **Absolute cost advantages of established providers:** Absolute cost advantages can be, for example, products protected by patents, exclusive access to raw materials, state subsidies or low capital costs.
- **Strategic barriers of established providers:** Providers with high market power can set up strategic barriers that are making it more difficult for new companies to enter the market. They can either strengthen existing barriers or set up price reductions below the entry limit price to make the market entry unattractive for new providers.
- **State policy:** State monopolies or tariff measures such as customs duties or non-tariff measures such as norms or regulations can also make it difficult for new companies to enter the market (cf. Bruns 2003, p. 126f.).

3.3.2 Market Segmentation

Besides the need to consider market entry barriers, there are further determinants that are relevant for the right choice of target market such as firm characteristics and environmental characteristics. Environmental characteristics show how the industry is structured in different countries and host country attributes like the market potential or the competition are considered. Firm characteristics on the other hand determine the internationalisation objectives, the type of business or the international experience of a company. Taking these two determinants into account is crucial to select the right target market for an international market entry. The following market-screening model shows how a suitable international market can be selected through segmentation (cf. Hollensen 2019, p. 264).

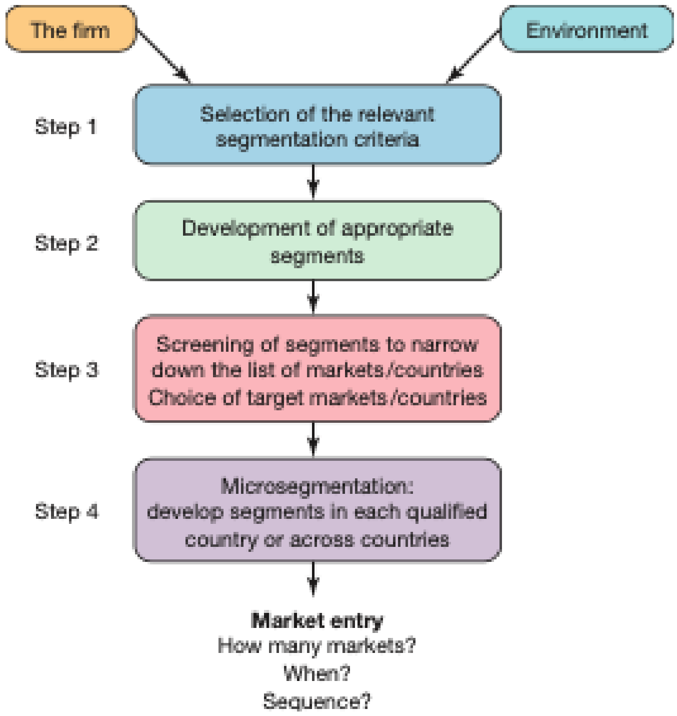

Figure 4: International Market Segmentation (Hollensen 2019, p. 265)

In the first step, managers need to select relevant segmentation criteria for the development of appropriate segments. For the selection process, various parameters need to be considered. The segmentation criteria need to be relevant to reveal information about the attractiveness of a market and should help to reduce the number of potential markets in a fast manner. Moreover, the selection criteria need to be measurable and the same data about every market should be available to increase comparability. In the second step, managers need to find potential countries that can be targeted for their international market entry. In the third step of the segmentation process, countries are executed with the consideration of the selected segmentation criteria and the adjustment to the data of the internal potential analysis (cf. Fuchs/Apfelthaler 2009, p. 309f.). The screening process is divided into preliminary screening and fine-grained screening. At the preliminary screening stage, the number of potential markets is reduced based on specific market criteria like population size, export restrictions or the gross national product. At the fine-screening stage, the list of potential markets is further reduced by screening the different market segments with more industry and product specific criteria which fit to the core competencies of the firm (cf. Hollensen 2019, p. 268f.). In the last step of the market-screening model, the micro segmentation phase, company specific attributes are considered for the final choice on the right target market to enter (cf. Fuchs/Apfelthaler 2009, p. 311).

3.3.3 Market Targeting and Positioning

In each qualified market for the international market entry, companies need to define subsegments according to variables like demographic factors, buying behaviour, lifestyles, or customer motivation to cluster the target market into customer segments (cf. Hollensen 2019, p. 272). After defining market subsegments and evaluating them, companies need to decide on how many segments should be targeted. A specific target market consists of a group of customers that share common interests, characteristics and needs (cf. Kotler/Armstrong 2018, p. 222).

Beyond defining which market segment a company targets, also the value proposition for the right positioning on the market needs to be elaborated. Within the marketing strategy a company defines how they can differentiate from the competition to create value for the targeted customer segment. Additionally, it is crucial to find the right product positioning in the minds of customers relative to the competition. Only by offering greater value to the customers, by either more benefits or lower prices, competitive advantages on the target market can be reached (cf. Kotler/Armstrong 2018, p. 228 - 230).

3.3.4 Market Entry Timing

After selecting a target market that should be entered and finding the right positioning, companies need to decide on the right market entry timing strategy. Choosing the right timing strategy has a significant influence on the overall market entry strategy of a company (cf. Kotabe/Helsen 2010, p. 317f.). The management needs to decide whether a foreign market should be entered fast or rather delayed. On one hand it can be beneficial to enter markets very early, if for example the product of the company is innovative and fits a fast-growing market or market entry barriers are quite low. On the other hand, it is often the case that companies enter foreign markets too early, which can have dramatic effects on their economic survival on the market. Therefore, the management needs to decide on the right market entry timing strategy. Factors that influence the decision are the arising advantages of the different strategies, the competitive intensity on the market and the financial risks of entering a foreign market (cf. Glowik 2016, p. 201f.).

The competitive advantage of companies does not solely depend on the market performance but also on the right market entry timing. Therefore, companies need to develop a strategy on when they enter a specific foreign market. In general, it is possible to distinguish between two different types of market entry timing strategies. There are country-specific timing strategies and transnational timing strategies, which are illustrated in the following figure 5 (cf. Dehnen 2012, p. 115 - 118).

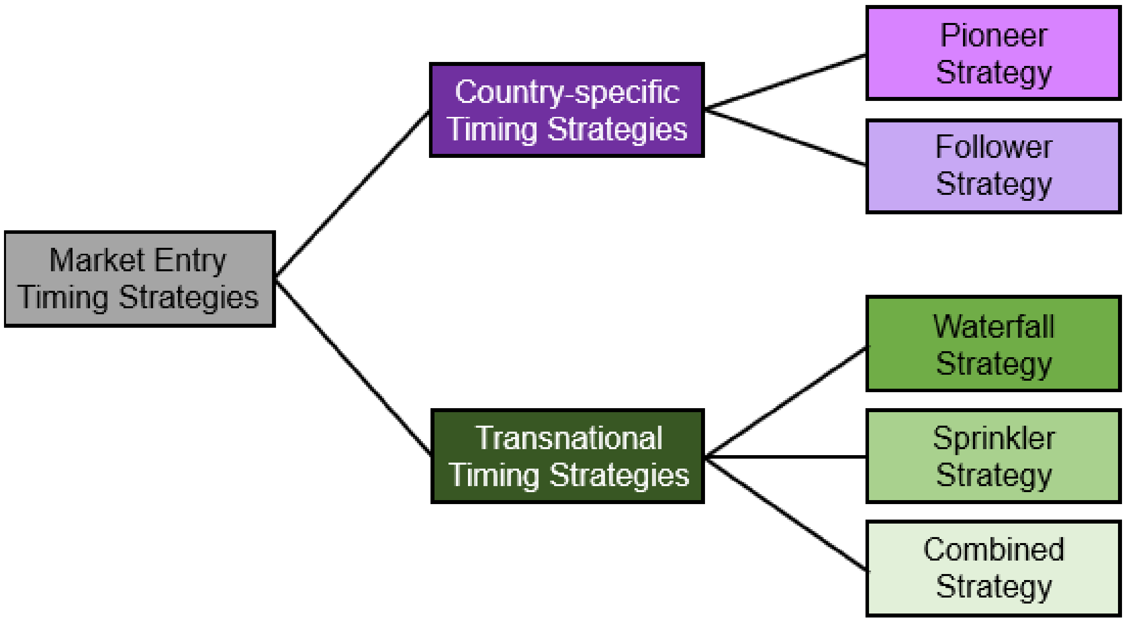

Figure 5: Market Entry Timing Strategies (own presentation)

3.3.4.1 Country-specific Timing Strategies

There are two options regarding country-specific timing strategies, where either one specific country is entered as a pioneer or is entered as a follower. This means that the most important aspect of country-specific timing strategies is the market entry timing in relation to the competitors (cf. Dehnen 2012, p. 115).

Pioneer Strategy

The pioneer strategy implies that a company enters a specific foreign market as the first, before all other international competitors. The advantage of being a pioneer is that market entry barriers over potential competitors can be established and that brand awareness will be high. Furthermore, business networks in the foreign markets can be built and exclusive contracts with manufacturers and customers can be negotiated (cf. Dehnen 2012, p. 116f.).

Pioneering can lead to long term success and benefits on the market but could in the short-term result in lower profitability (cf. Mitchell/Skrzypacz 2015, p. 1599).

Follower Strategy

The characteristic of the follower strategy is that companies enter a foreign market after other international companies that have already entered the target market. Market followers must be differentiated between early followers and late entrants. The later companies follow the pioneers on the market the less performance potential they have on the market (cf. Dehnen 2012, p. 117f.). Being an early follower on the market can bring an incremental increase in market performance in contrast to late entrants and makes it still possible to reach a dominant position on the market. Followers can learn from the mistakes of the pioneers, but it is also difficult to compensate the experience advantage of the pioneer (cf. Ahlbrecht/Eckert 2013, p. 654).

3.3.4.2 Transnational Timing Strategies

In contrast to country-specific timing strategies transnational timing strategies consider the market entry in multiple foreign markets. Through the point in time of the market entry, three different transnational timing strategies can be distinguished, which are the waterfall strategy, the sprinkler strategy, and a combined strategy (cf. Dehnen 2012, p. 118).

Waterfall Strategy

The waterfall strategy describes a sequential market entry in multiple foreign markets. This has the big advantage that the risk of further market entries is reduced by observing buying decisions of prior customers, as well as evaluating the overall market entry strategy over a longer period. The main objective of this timing strategy is to prevent entry failures and to only enter new foreign markets successively (cf. Dehnen 2012, p. 118f.). Also, revenues of already entered markets can be used for further market entries, which is crucial for smaller enterprises with lower financial assets. Disadvantages of this timing strategy are that market trends could be missed, there will be no surprise effect to competitors and entry strategies are often wrongly transferred to new foreign markets (cf. Bhalla 2013, p. 139).

Sprinkler Strategy

The sprinkler strategy is a simultaneous market entry in multiple foreign markets within a short period of time. It is a geocentric market orientation without any temporal differentiation of planned market entries. The advantage is that immediate revenue from different markets is generated and fixed costs can be amortised faster (cf. Dehnen 2012, p. 120). Furthermore, key markets can be exploited at the same time and a company can reach pioneer advantages over competitors. Disadvantages are, that learning effects of prior customers are missing and high resource commitment is needed (cf. Bhalla 2013, p. 139).

Combined Strategy

The last transnational timing strategy is a combined strategy of the waterfall and the sprinkler strategy. At first a company enters foreign markets with the waterfall strategy, followed by the sprinkler strategy and if it is successful again with a waterfall-similar strategy. The combined strategy is especially suitable if companies lack in resources or see too high risks in the foreign market entry. This strategy is suitable, if similar countries should be entered simultaneously at a certain time (cf. Dehnen 2012, p. 121).

4 Entry Mode Choice

“An international market entry mode is an institutional arrangement that makes possible the entry of a company's products, technologies, human skills, management, or other resources into a foreign country” (Root 1998, p. 5).

When entering a new foreign market, companies need to decide on a market entry mode, that suits their specific situation. This choice depends on various factors that are relevant for the specific case of a company, like the situation on the foreign market, efficiency motives or the number of resources that are available for the market entry. It is very common and possible to combine different entry modes to conduct an even better and more successful market entry (cf. Grünig/Morschett 2012, p. 123).

4.1 Market Entry Modes

This chapter provides an overview of the different international market entry modes that are available for companies that decide on entering foreign markets. Generally, international market entry modes are categorised into the three main categories, export entry modes, contractual entry modes and investment entry modes. These three categories are further divided into sub-modes with different entry forms and possibilities which are illustrated in the following figure 6 (cf. Root 1998, p. 6; Hollensen 2019, p. 313; Morschett/Schramm-Klein/Zentes 2015, p. 324).

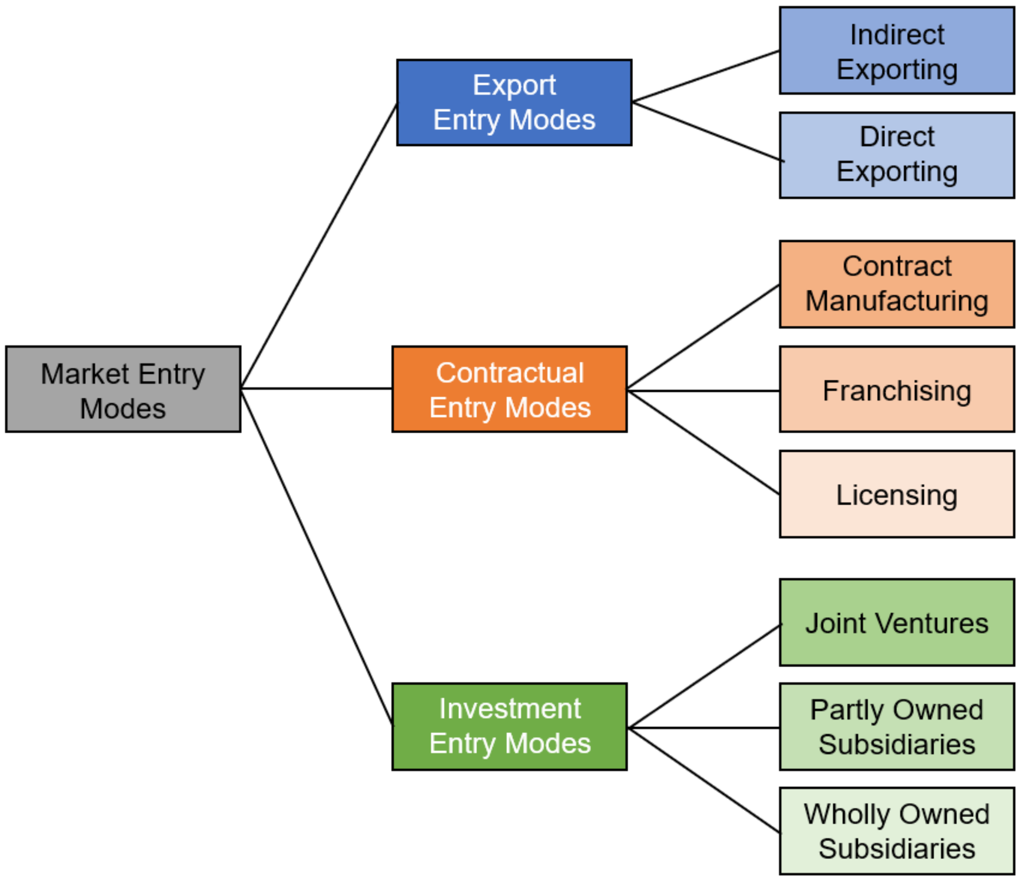

Figure 6: International Market Entry Modes (own presentation)

4.1.1 Export Entry Modes

Research about the contingency theory of strategic alignment to the internationalisation of SMEs by Howard Rasheed confirmed that the choice of market entry mode in combination with various environmental factors has a direct influence on the international growth rate of SMEs. It also indicates that companies have a higher international revenue growth rate when choosing export entry modes given that they operate in a growing domestic market (cf. Rasheed 2005, p. 50). A recent study that is also based on the contingency theory adds that the main drivers for the export performance of a company depend on internal factors like product-related features and on external factors like export market characteristics. Furthermore, the export performance is notably fortified by a company's business strategy on the right export entry mode (cf. Safari/Saleh 2020, p. 647).

Export entry modes mean that a product is manufactured in one country and then sold in another country or when a service is offered across borders. It can be differentiated between direct or indirect export entry modes, depending on whether there is a direct contractual relationship between business partners from different countries or if there are trade intermediaries in the country of origin. The different forms of export entry modes are illustrated in the following figure 7 (cf. Sternad 2013, p. 62).

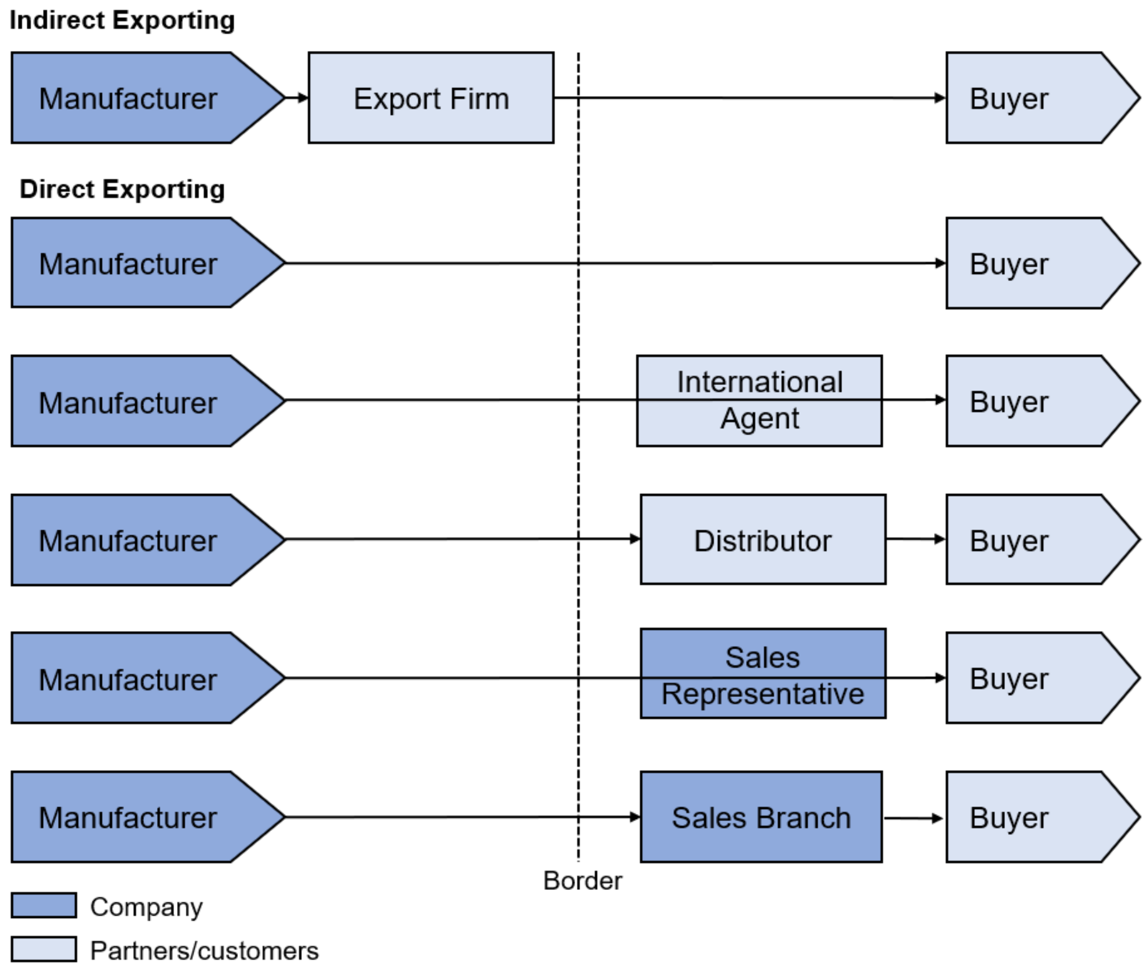

Figure 7: Different alternatives within Exporting (based on Grünig/Morschett 2012, p. 124)

4.1.1.1 Indirect Exporting

This type of exporting proceeds between the exporting manufacturer and an independent export firm which is in the home country of the producer (cf. Albaum/Duerr/Josiassen 2016, p. 308). Specialised export firms purchase products from the manufacturer, sell it in foreign markets and conduct necessary cross-border activities. Manufactures do not have to worry about foreign trade and sell the product in the domestic market (cf. Grünig/Morschett 2012, p. 125).

Often the producer also has a dependent export department that is not actively involved in international activities but works together with the independent export firm and helps to coordinate export activities (cf. Albaum/Duerr/Josiassen 2016, p. 308). Indirect exporting is a good option for smaller businesses because only few resources and little specialisation are needed. This market entry mode is suitable, if the number of products that are sold in a certain foreign market is relatively low and hence need to be sold in different countries (cf. Grünig/Morschett 2012, p. 125). A disadvantage associated with this market entry mode is though, that the international expansion possibility is limited since the company uses middlemen. These middlemen hold most of the control on how products or services are distributed and marketed in the foreign market, which can have effects on the image of the company. In addition, only little information which would be useful for strategic decisions and for competitive advantages will be gained (cf. Hollensen 2019, p. 335).

Indirect exporting can be categorised further into five different sub-modes: export buying agents, broker, export managing companies, trading companies and piggybacks (cf. Hollensen 2019, p. 335).

Export buying agent

An export buying agent purchases goods in the exporters’ domestic market and works for foreign companies as an overseas representative. He negotiates the buying condition for the overseas buyer and gets a commission for the proceeding. For exporting manufacturers, it is a easy way to sell products abroad since they are not directly involved in the sales process and all the exporting processes are done by the export buying agent with little financial risks (cf. Hollensen 2019, p. 335).

Broker

A broker is similar to an export buying agent that brings the seller and the buyer together and gets a commission of approximately 5% for the service. The only difference is that a broker does not handle the movement of the products but is very specialised in the products he is selling. The broker works as an agent either for the seller or for the buyer (cf. Hollensen 2019, p. 336).

Export management company

Export managing companies operate in the name of a manufacturer and undertake all negotiations and contracting with foreign buyers. These companies are useful when markets are difficult to export to since they have specialised knowledge regarding market regulations and other local business practices. With their help, manufacturers can sell their products much easier to a broader customer group in the foreign country with lower costs. Still, manufacturers need to choose their export management companies wisely and should not oversee the possibility to involve in international marketing as sales grow. Otherwise, they become too dependent on the external company (cf. Hollensen 2019, p. 336f.).

Trading company

Trading companies are usually big transnational companies that involve greatly in domestic business activities and distribution processes. They have an affecting role in vital areas like warehousing, shipping, regional development or financing. Most of all, the financial services differentiate these companies from other trading companies. They help for example with financing accounts, execute foreign transactions and guarantee loans (cf. Hollensen 2019, p. 337).

Piggyback

Piggybacking is a special form of indirect exporting that helps small and unrelated companies to distribute their hardly competitive but marketable products. A larger company that is experienced in exporting acts as a carrier and helps a smaller and inexperienced company, the so-called “rider”. The carrier has gaps or additional capacities for the exporting and integrates the products of the rider into the product range to enlarge it and sell additional products. The advantage for the rider is that the company can export its products to foreign markets without establishing a new distribution system. Furthermore, they can learn from the experience of the carrier and overtake the exporting process as soon as they have the resources needed (cf. Hollensen 2019, p. 337f.).

4.1.1.2 Direct Exporting

Direct exporting takes place when a manufacturer directly sells or exports to a buyer or importer from a foreign market. Direct exporting often occurs when companies get more experienced after exporting indirectly and have the resources to undertake their own exporting activities. This demands a lot of market research, foreign networking, documentation and most importantly the handling of transportation processes (cf. Hollensen 2019, p. 339). Cross-border transactions are either directly handled by the manufacturer, by a dependent organisation that is directly connected to the manufacturer or by a marketing organisation within the foreign market (cf. Albaum/Duerr/Josiassen 2016, p. 321).

As it can be seen in figure 7 there are five different ways in conducting direct exporting. The exporting process can be handled by an external partner or directly by the exporting manufacturer. The two possible direct exporting modes that are executed by external partners are direct exporting via an agent and direct exporting via a distributor (cf. Grünig/Morschett 2012, p. 124).

Direct exporting via an agent

Direct exporting can be proceeded via independent companies that act as agents and sell the products of the manufacturer to a foreign market. These agents do not purchase or stock the products of the exporter but sell them directly to retailers and wholesalers in a foreign market and ship the products to local customers. Often those agents are familiar with the targeted market and have exclusive rights for specific sales areas or regions (cf. Hollensen 2019, p. 339f.). They also have good relationships with business partners in the foreign market and try to sell the products fast, because the commission system is directly related to their number of sales. Often the export agents want to be integrated in the long-term planning of a company since they could be replaced of sales subsidiaries after some time (cf. Grünig/Morschett 2012, p. 128).

Direct exporting via a distributor

Direct exporting via a distributor means that a distributor is the exclusive representatives of the exporting manufacturer. Distributors purchase attractive products from a company for a determined price and stock them in the target country to be more flexible with the delivering process. They then make profit from the sales margin that accrues from the difference in buying and selling price (cf. Hollensen 2019, p. 339f.). Distributors have exclusive rights and are familiar with the foreign market and its customers. They often own retail and wholesale channels or whole organisations that deliver the products to their own customers and sales conditions (cf. Grünig/Morschett 2012, p. 126).

There are also three direct export entry modes where a company uses its own sales force to export to foreign markets. These entry modes are direct exporting to the final customer, direct exporting with sales representatives and direct exporting with a sales branch (cf. Grünig/Morschett 2012, p. 124).

Direct exporting to the final customer

Direct exporting to the final customer means that the manufacturer sells a product directly to a customer of a foreign country. This is a simple way of exporting and can be the initial spark to start foreign sales in a target market and build the first customer base to later reach the market. The advantage of this type of exporting is that there is no external middleman who receives a commission for the exporting process (cf. Grünig/Morschett 2012, p. 125f.).

Direct exporting with sales representatives

The second possibility is to use sales representatives that sell directly to foreign customers. The advantage of having own sales representatives for a foreign market is that the specific foreign market can be targeted more precisely due to less limitations and freedom on how to market products on the market. There are two different types of sales representatives, the resident sales representatives that are committed to the specific market and domestic-based sales representatives that travel to the foreign markets for sales negotiations. However, companies need to consider that fixed costs for sales representatives are relatively high. Hence, employing them should only be considered if the sales volume is high. Otherwise, it is recommended to use sales agents or distributors for exporting to a foreign market (cf. Grünig/Morschett 2012, p. 130f.).

Direct exporting with a sales branch

The last type of direct exporting is to establish a sales branch additionally to sales representatives or to sell products in the foreign market to local customers. Sales branches are organisational units in the foreign market that are additional business units of the parent company but are not separated as a legal entity (cf. Grünig/Morschett 2012, p. 131). They comply to the objectives of the parent company but focus on the customers of the foreign market. Usually, the employees are natives since they have deeper knowledge on how to sell products to the local customers and which business standards are common in the foreign market (cf. Hollensen 2019, p. 388).

4.1.2 Contractual Entry Modes

The second category of market entry modes are contractual entry modes which describe cooperative relations with foreign manufacturers and partners. In contrast to export entry modes, contractual or intermediate entry modes transfer skills and knowledge between domestic and foreign business partners to generate sales. Usually control and ownership are shared between the parent company and the local partner company. By entering a foreign market with contractual entry mode companies can achieve a competitive advantage through a better access to resources (cf. Wach 2014, p. 140). Contractual entry modes include market entry forms of contract manufacturing, franchising and licensing, which are explained in the following chapters 4.1.2.1 - 4.1.2.3 (cf. Hollensen 2019, p. 355).

4.1.2.1 Contract Manufacturing

The first form of the contractual entry modes is contract manufacturing, which is the outsourcing of manufacturing processes to external companies. It is a great possibility to make a contract with foreign manufacturers to arrange the production or assembling of the products of the company that wants to enter the foreign market. A lot of costs can be saved due to the manufacturing outsourcing to countries with labour cost advantages. Furthermore, economic and political risks can be minimised for the international firm and marketing still stays within the company's control (cf. Kotabe/Helsen 2010, p. 305).

Contract manufacturing does not force companies to make a final commitment to a market, because it does not need to invest in a foreign sales branch. Instead, the products are manufactured by a local specialist that has the right technologies and production facilities according to the foreign market standards. Hence contract manufacturing gives a firm the opportunity to find the right time to fully commit to a market and to allocate the necessary resources for a long-term settlement on the market. The payment to the foreign manufacturer is on a pay per unit basis and gives the contracting company more flexibility on the market. Through a local manufacturer the company is much closer to the foreign customers and transportation to the customer is also much faster and cheaper (cf. Hollensen 2019, p. 355f.). One thing that is crucial with this market entry mode though, is that foreign manufacturers need to be monitored to secure product quality, fulfil additional orders and guarantee delivery times and standards. One risk however is that the foreign manufacturer acquires the knowledge on the product details and then become a competitor. Therefore, the contractual partner needs to be trustful, which is often difficult (cf. Albaum/Duerr/Josiassen 2016, p. 385).

4.1.2.2 Franchising

The next market entry form within the category contractual entry modes is franchising. International franchising is a contractual agreement between two international companies that are financially and legally separated from each other. The two partners of the franchise agreement are called the franchisor and the franchisee. The franchisor gives the franchisee, which is in most cases a small company, for example intangible property rights to use business systems and trademarks (cf. Morschett/Schramm-Klein/Zentes 2015, p. 393 - 395). Also, the franchisee can profit from the experience of the franchisor and gets managerial business advice. Often these franchise systems are owned by large corporations that provide essential business structures and management advice. Within the franchise system, good relationships between the franchise members are essential to guarantee the functioning and growth of the franchise system. Two different international franchising possibilities exist: direct franchising and indirect franchising (cf. Lawrence/Kaufmann 2011, p. 299).

Direct Franchising

A direct foreign franchise structure implies that the franchisor of the home country directly coordinates and controls the activities of the franchisee in the host country. Different partners from various markets sign a contract with the franchisor to get the allowance to conduct the franchise business in their region or market (cf. Morschett/Schramm-Klein/Zentes 2015, p. 395). This gives the franchisor access to local resources and adapt better on the foreign market (cf. Hollensen 2019, p. 360).

Indirect Franchising

An indirect foreign franchise structure on the other hand is distinguished by an intermediate in the form of a master franchisee that establishes its own franchise subsystem within a certain region. Indirect franchising is a mixture between an ownership strategy and a contractual alliance between business partners of a foreign market (cf. Morschett/Schramm-Klein/Zentes 2015, p. 395). For franchisors it is difficult to monitor the activities of the master franchisee. If so, the danger of competing against each other arises (cf. Hollensen 2019, p. 360).

Not every kind of business is suitable for a franchise system. Franchises need to be affordable and the products must meet customer expectations on the foreign market. Moreover, the operating systems need to be easily transferred and well developed. Also, the brand must be strong enough to be identified internationally and have high profit potential to convince managers to invest in the franchise (cf. Parboteeah/Cullen 2018, p. 264).

4.1.2.3 Licensing

Licensing is a contractual agreement where a company of one country gives another international company the right to use certain properties (cf. Hollensen 2019, p. 357). Within a licensing agreement the licensor arranges with the licensee to add value to a foreign company in the form of usage rights in exchange for payment and business performance (cf. Albaum/Duerr/Josiassen 2016, p. 381). The subject of licensing agreements are intangible assets in the form of industrial property rights. Following industrial property rights exist:

- **Patents:** Patents grant an inventor a time-limited exclusive right for the use and exploitation of commercial inventions against payment of patent fees.
- **Special designs:** Special designs are smaller patents if they are registered as industrial property rights. The subject matter are features and design peculiarities of commodities, which particularly shape their appearance.
- **Brand names:** Brand names concern signs to distinguish the products from one company to another and reserve exclusive right to the owner.
- **Copyrights:** Copyrights relate to individual literary, scientific or artistic creations.
- **Other legally protected technical and commercial know-how:** These kinds of industrial property rights relate to certain trade and business secrets

like know-how. However, the protection is regulated very differently internationally (cf. Büter 2017, p. 97f.).

Depending on the field a company is operating in and on their value chain, the following types of licence agreements exist:

- **Process Licensing:** Process licensing means that a licensee is granted to use production technologies from the licensor, mostly in the form of patents.
- **Product Licensing:** Product licensing gives a licensee special right to manufacture a product according to its processes, procedures and formulas.
- **Distribution Licensing:** With a distribution license the licensor grants the right to market and distribute certain products to a specific market.
- **Brand Licensing:** A brand license gives a licensee the right to use brand names or use trademarks for other products than the licensors products (cf. Morschett/Schramm-Klein/Zentes 2015, p. 392f.).

Licensing is especially suitable for smaller companies that do not have a lot of resources to invest in facilities on foreign markets. In comparison to export entry modes, it is easier to deal with market entry barriers and get access to certain markets which are closed for importers or to avoid high tax rates. In some cases, entering cross-license agreements with foreign companies, which allows both companies to use patents of the other firm, are recommendable. Cross-licensing permits to transfer technology as well as monetary assets. This helps companies to either produce goods at lower costs or to sustain higher prices due to high per-unit licence fees (cf. Kotabe/Helsen 2010, p. 301f.). However, companies need to be careful, that revenues which come from a license agreement are at least equal to the income that could have been generated from other entry modes. Moreover, licensors should not transfer too much knowledge to a licensee, otherwise the risk of strengthening a future competitor arises (cf. Jeon/Lefouili 2018, p. 656f.).

4.1.3 Investment Entry Modes

Foreign direct investment is a large capital flow source to foreign countries that can lead to a large economic growth, if foreign companies are attracted to set up their business there (cf. Wach 2014, p. 141). Moreover, technology, knowledge and managerial skills can be transferred to the local market. Investment entry modes favour the constant physical presence of companies in international markets. This helps to reduce the overall production costs and produces close relationships to the local market (cf. Naanwaab/Diarrassouba 2016, p. 408). Investment entry modes have the huge advantage that a lot of market control is generated through the ownership of foreign subsidiaries. Additionally, due to the ownership-base of these entry modes, the overall performance and effectiveness of the market entry can be increased, which can lead to long term success and survival of foreign business. Especially, subsidiaries influence the performance level positively because of the improved access to the market. Different forms of investment entry modes are joint ventures and foreign subsidiaries (cf. Zhao/Ma/Yang 2017, p. 676).

4.1.3.1 Joint Ventures

When at least two companies from different countries jointly agree on business practices together it is called an international strategic alliance. There are two different forms of strategic alliances in foreign business. The most more common type of strategic alliance is an international joint venture that is equity-based and requires foreign direct investment. A separate venture is set up in the foreign market where the ownership is proportioned to the companies involved. The most common way is an equal ownership, but it is also possible to agree on unequal ownership where a company has the majority share of the venture (cf. Parboteeah/Cullen 2018, p. 265f.).

To form a joint venture, the first step is to establish business objectives and conduct a cost-benefit analysis, which is to see if it makes sense to invest into the foreign partnership. Secondly, the right partners need to be chosen and a business plan needs to be developed. Finally, to start the joint venture, a binding contract on the agreement of the business plan needs to be signed that assigns parts and clarifies ownership, liabilities and field of duties. There are a lot of reasons why companies profit from foreign joint ventures to enter international markets. On one hand the business partners of the foreign market can contribute their managerial skills as well as new technologies to the overall market entry process and the speed of the market entry can be increased and the overall administrative and operation costs can be lowered. On the other hand, partners of the joint venture can collaborate along the value chain either upstream-based or downstream-based. Upstream-based collaborations mean that the partners collaborate on production, research and development. Downstream-based collaborations describe sharing competencies in marketing, sales and distribution. Such collaborations can bring a lot of benefits to the market entry process, like the adaptation of products and services to the local market and further access to local resources like distribution networks to increase competitive advantages (cf. Hollensen 2019, p. 365 - 368).

4.1.3.2 Partly Owned Sales and Production Subsidiaries

Other investment entry modes are partly owned sales and production subsidiaries. **Sales subsidiaries** describe an entry mode where a company owns and runs parts of a local company in a foreign market. The parent company has an important role regarding central marketing decisions but other activities like the sales processes are completely regulated and executed by the sales subsidiary. The sales subsidiary purchases the products of the parent company and sells them to foreign customers at retail or wholesale prices. The sales subsidiaries work autonomously and are able to target local customers more effectively because of their deep knowledge about market segments and the customer needs (cf. Grünig/Morschett 2012, p. 131f.). A further advantage for the parent company is that the risk level is decreased since the sales subsidiary has the control and responsibility of business operations. A reason to invest in such sales subsidiaries are tax advantages. On the one hand it is mandatory in certain foreign countries to operate with separate legal entities on a market and on the other hand it is beneficial to decide on a sales subsidiary because profits are taxed in the foreign market, which might promote tax savings (cf. Hollensen 2019, p. 388).

Sometimes, countries have the perception that a sales subsidiary of foreign companies brings no value to the local. Therefore, it is often demanded that a local **production subsidiary** is set up. If a company sees long-term potential in a foreign market, it can be profitable to partly own foreign production facilities that produce parts of their product or undertake final assembling processes in the host country. This gives the parent company more control and better access to the sales market to sell their products to potential customers. Moreover, production subsidiaries help to avoid possible import restrictions of the foreign government and save transportation costs for example of raw materials. However, this entry mode is very costly and time consuming (cf. Hollensen 2019, p. 389).

4.1.3.3 Wholly Owned Subsidiaries

The final investment market entry possibility for a company is wholly owned subsidiaries. This means that companies have full ownership over subsidiaries in the foreign market and refers to wholly owned production factories. Products are produced within an own factory instead of having to pay license fees to external manufacturers. It gives companies full control over production outcomes like the quality of products and gives further benefits to sales processes in the foreign market. It facilitates the adaptation to changes according to the needs of customers, increases local commitment and improves the overall service performance. If a company decides on investing in a wholly owned subsidiary, there are two possible ways: acquisition and greenfield investment (cf. Grünig/Morschett 2012, p. 137).

Acquisition

Acquisition in the context of wholly owned subsidiaries means that existing companies of a foreign market are fully acquired. This enables domestic companies a fast market entry to external markets and gives them exclusive control to distribution channels. It brings the additional benefit to acquire existing customer bases, reputations and experience of the local market. Even if markets are saturated, this entry mode gives companies the possibilities to gain market share. There are different acquisition forms, which are vertical, horizontal, conglomerate, or concentric. Vertical and horizontal acquisition describes either if companies acquire similar markets and product lines or if they integrate forward or backwards to the acquired firm as customers or suppliers. Conglomerate acquisition means that firms that are in a different industry are acquired and concentric acquisition means that firms that use different technology or are operating on different markets are acquired (cf. Hollensen 2019, p. 394).

Greenfield Investment

In contrast, greenfield investment means that companies establish their own business operations by foreign direct investments. This can result in logistic benefits, increase export performance and productivity (cf. Hollensen 2019, p. 394). It makes it easier to integrate certain business activities and processes across different countries and exploit governmental benefits. Moreover, it guarantees the use of the newest technology rather than changing existing business practices (cf. Moghadam et al. 2019, p. 746f.).

4.2 Factors Influencing the Market Entry Choice

The choice on a specific market entry mode or on a combination of different entry modes is influenced by various internal factors such as company capabilities and external factors that arise from the business environment. It is important to evaluate which factors are expected to contribute most to the profit of the company and which are most relevant for specific foreign markets. The following figure 8 shows the different internal and external factors (cf. Hollensen 2019, p. 318).

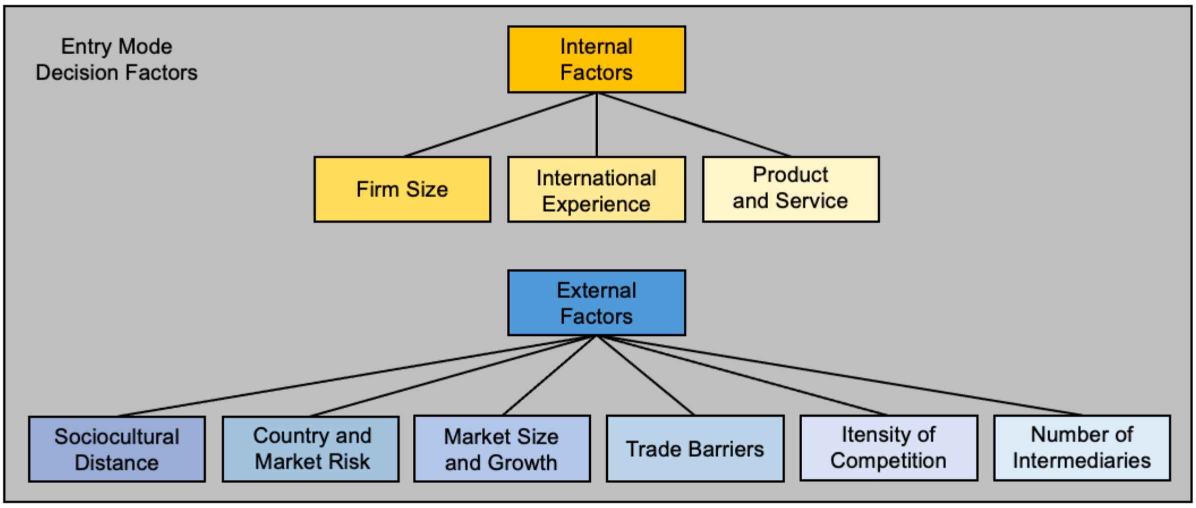

Figure 8: Entry Mode Decision Factors (based on Hollensen 2019, p. 318)

4.2.1 Internal Factors

Firm size

For the international market entry process a company needs to have a good organisational structure to manage foreign activities effectively. Therefore, the firm size is an important indicator for competitive advantages regarding financial or human resources. For larger enterprises it is often easier to decide on investment entry modes, whereas SMEs often do not have the financial resources to choose certain entry modes. Export entry modes are the right choice when little resource commitment is necessary (cf. Lin/Ho 2019, p. 33).

International Experience

Another internal influencing factor is the international experience managers or companies have. International experience from past operations can help to reduce uncertainties and risks of entering new foreign markets (cf. Hollensen 2019, p. 319).

Also, managers with international experience are willing to invest more of the company's resources to foreign markets and are not deterred from direct investments to international markets. Companies with a lot of international experience already have a better perception of market risks which increases the potential for success of a new market entry (cf. Lin/Ho 2019, p. 34).

Product and Service

Characteristics of products can internally influence the market entry decision. For example, very expensive products are mostly suitable for direct exporting, since managers want to retain the control over the production process. Other products might be too complex to work together with intermediaries because they cannot handle the service demands for the product. Therefore, managers need to check if their products and services are qualified for a certain market entry mode (cf. Hollensen 2019, p. 319f.).

4.2.2 External Factors

Sociocultural Distance

Different norms and cultures that vary between the home country and the host country can evoke difficulties in choosing the right entry mode and make it more challenging to cope with the market entry process (cf. Morschett/Schramm-Klein/Swoboda 2010, p. 61). The governance of the host country can also limit the level of control companies can achieve in the foreign market. This might be for example a factor for choosing contractual entry modes, when the business partner already has market control (cf. Chang et al. 2012, p. 1160f.).

Country and Market Risk

Country risks or market risks like demand uncertainty are external influencing factors. Different markets of foreign countries are usually riskier to enter than the domestic market. Planning an international market entry requires a risk analysis of the market as well as the entry mode (cf. Lu/Karpova/Fiore 2011, p. 65). The unpredictability of the economic and political environment increases the demand uncertainty. In this case, entering the market might not be profitable. If the country risk is high, companies favour market entry modes with less resource commitment, like export entry modes (cf. Obadia/Bello 2019, p. 179f.).

Market Size and Growth

The larger a market and the higher the market potential and growth the more resource commitment is needed (cf. Hollensen 2019, p. 321). For a better control on the market, investment entry modes like partly or wholly owned subsidiaries are preferable If markets are not so fast-growing, they can be managed from the home country, which makes exporting and licensing favoured market entry modes (cf. Obadia/Bello 2019, p. 172f.).

Trade Barriers

Quotas or high tariffs on import goods are external indicators for companies to choose investment entry modes, for instance in the form of production subsidiaries to save costs. Other trade barriers like product regulations encourage companies to enter the market through contractual entry modes and arrange partnerships with local ventures to establish well-functioning distribution channels (cf. Hollensen 2019, p. 321).

Intensity of Competition

If the competition in a foreign market is already high, companies should evaluate to enter this market thoroughly. A highly competitive market is a risk factor, since it needs a lot of resource commitment to gather market share and the profit potential is low (cf. Hollensen 2019, p. 322).

Number of Intermediaries

Few intermediaries on a market indicate that the bargaining power is low because of a concentrated market for example through monopolists. This means that only few intermediaries are available to conduct export activities with, wherefore the market is rather eligible for other entry modes. Therefore, the market is rather eligible for entry modes like sales or production subsidiaries (cf. Hollensen 2019, p. 322).

4.3 Market Entry Mode Decision

After evaluating the different market entry modes, the company needs to decide on the most suitable one. Every market entry mode has advantages and disadvantages that need to be compared and weighted for the specific business situation to reach the objectives of the international market entry. It is difficult to find the optimal market entry mode because it depends on multiple factors, like amount of market knowledge or financial assets to invest in different entry modes. Crucial aspects that need to be considered for the market entry decision process are the geographical and cultural distance of the home and the host country and market entry barriers which are described in chapter 3.3.1 (cf. Grünig/Morschett 2012, p. 144f.).

4.3.1 Decision Making Process

Decision making processes are critical success factors for strategic management decisions within the internationalisation process of a company. The more rational a decision, the more probable the success of an international market entry. Thus, a lot of different steps need to be covered within the decision process. These are the definition of relevant objectives, the gathering of relevant information, the comparison and evaluation of alternatives and finally the implementation and controlling of the process (cf. Ahi et al. 2017, p. 2f.).

There are two different perspectives regarding international decisions, namely the descriptive approach and the normative approach. The descriptive approach indicates that most of the decisions that affect the performance are not made during the planning process but rather spontaneous and adaptive. The normative approach in contrary, is a planning process that helps to find solutions to a specific problem. One of the most important decision-making processes within international marketing is the choice of the right entry mode when entering international markets. The best-case scenario for a company would be to use both approaches simultaneously (cf. Nemkova et al. 2015, p. 42).

According to Root there are three different rules that decision-makers of a company need to consider when picking a strategy for the entry mode selection. **The Naive Rule** says that decision-makers ignore the market conditions of a specific foreign market and implement the same entry mode to every foreign market that is entered.

The Pragmatic Rule indicates that a decision-maker uses different entry modes for different markets. In the beginning low-risk entry modes are selected and they are only changed if they are not profitable for the international business. Lastly, **The Strategic Rule** is the most systematic decision-making process, where decision-makers compare and evaluate every possible market entry mode before entering foreign markets. This process is the most appropriate one for a strategic and successful market entry decision and should be the basis for the market entry decision (cf. Root 1998, p. 159f.).

4.3.2 Selection of the right Market Entry Mode

Finding an optimal market entry mode that fits to every objective of a company is not possible, because different dimensions create conflicting forces. Hence, companies need to find compromises between the benefits of internal modes that give the company more control and external modes that result in higher costs through external resource acquisition. Following six dimensions need to be considered for the selection of the right market entry mode (cf. Grünig/Morschett 2012, p. 143f.):

- **Control:** Having the control over decision making processes is very important for companies to determine the direction of the internationalisation process. Market entry modes with full ownership bring a lot of benefits but demand good decision-making, while a cooperative arrangement reduces autonomy.
- **Resource commitment:** The resource commitment determines how many resources companies need to raise and invest in foreign markets. Using distribution agents lowers the resource commitment and foreign direct investments increases the required resources. The riskier the target market environment is, the better it is to reduce its own resource commitment and start contracts with foreign partners for example.
- **Flexibility:** The level of flexibility of strategic changes is directly connected to the resource commitment to the foreign market. The less resources are tied to the foreign market, the better a company can react to market changes and adapt its strategy. Export entry modes offer the highest level of flexibility (cf. Grünig/Morschett 2012, p. 143f.).

- **Costs:** Another important dimension are the costs that need to be covered for a certain market entry mode. Setting up a production side in the host country for example might reduce the costs considerably and help to overcome certain tariffs. Whereas other strategies or partnerships can be more profitable regarding sales potential or income from license royalties.
- **Partner resources:** Having contacts to local partners can also bring valuable resources to the market entry process. They have a lot of market knowledge and existing distribution networks that can be used to sell to local customers.
- **Knowledge dissemination:** Knowledge transfer to foreign manufacturers and other cooperative partners is a high-risk factor. The more knowledge is transferred to other companies the higher the probability that new competitors emerge. Especially the outsourcing of the production process generates high risks. Companies need to either protect their knowledge by contracts or keep the production side in the home country (cf. Grünig/Morschett 2012, p. 143f.).

Since the selection of the right market entry decision is a very complex decision, a systematic approach is needed that compares the different market entry modes. Root developed a systematic decision approach that follows the strategy rule. The approach aims to maximise the profitability of the market entry and makes it possible to strategically plan resources, weigh risks and contribute to the non-profit objectives of the company. The first step of the approach is to compare all the different market entry modes regarding their feasibility, the company's commitment and resources and to the situation in the foreign target market. This is a form of negative screening where the company starts to rule out market entry modes that are not possible due to internal and external factors. The second step is to compare the feasible market entry modes in a scoring model along the different dimensions that specifically characterise them. For a more detailed entry mode decision, also the contribution to the profit, the risks and non-profit objectives should be analysed separately. The results contribute to the overall comparison that helps to rank the entry modes and find the most appropriate. Table 1 shows a comparison matrix that should help companies to find the right market entry mode (cf. Root 1998, p. 162f).

Evaluation Criteria	Weight (W) ∑ = 100	Market Entry Modes																	
		Export Entry Modes				Contractual Entry Modes						Investment Entry Modes					
		Indirect Exporting		Direct Exporting		Contract Manufacturing		Franchising		Licensing		Joint Ventures		Partly Owned Subsidiaries		Wholly Owned Subsidiaries	
		Score (S)	S x W	Score (S)	S x W	Score (S)	S x W	Score (S)	S x W	Score (S)	S x W	Score (S)	S x W	Score (S)	S x W	Score (S)	S x W
High Control																	
Low Resource Commitment																	
High Flexibility																	
Low Costs																	
High Partner Resources																	
Low Risk of Knowledge Dissemination																	
Score ∑			∑		∑		∑		∑		∑		∑		∑		∑

Table 1: Comparison Matrix for Entry Modes (based on Root 1998, p. 163)

The evaluation of the comparison matrix works like a scoring model. First, the determined evaluation criteria need to be weighted according to their relative importance for the company. The sum of the individual weights needs to be 100%. Second, the individual market entry modes are evaluated regarding their respective criteria fulfilment. This happens by assigning point values (scores) per entry mode and evaluation criterion, for example from one to five. Finally, the overall evaluation of an entry mode is carried out with the help of the weighted total score (score x weight). This allows a final ranking of the individual entry modes that potentially come into question for a market entry (cf. Berndt/Altobelli/Sander 2020, p. 141). In the end managers can see which market entry mode is most suitable for a specific foreign market and can start to plan the international marketing mix (cf. Root 1998, p. 167).

5 Planning of Marketing Mix and Controlling

After finding the right entry mode the next step in the market entry process is the planning of the international marketing mix. The international marketing mix consists of the international product policy, international pricing policy, international distribution policy and international communication policy. These strategies are directly referable to the traditional "4P marketing mix" composed of product, price, place and promotion, which are controllable variables to influence consumer behaviour (cf. Morschett/Schramm-Klein/Zentes 2015, p. 484). Managers need to establish the international marketing for a strategic planning period of three to five years. Due to constantly arising changes in the target market, this task is highly difficult. Also, the different elements of the marketing mix cannot be seen separately and need to be integrated together (cf. Root 1998, p. 172).

5.1 International Product Policy

The first element of the marketing mix is the international product policy, which is all about the optimisation of the product design to reach the sales target of a company in an international target market. Therefore, managers need to make fundamental decisions about the relative positioning on the market and try to find ways to satisfy the needs of foreign customers. Moreover, managers need to decide on whether and to which extent adapt and standardise their products (cf. Fuchs/Apfelthaler 2009, p. 392).

For the penetration of foreign markets companies need to choose between three different product strategies. The first strategy is to transfer an existing product policy and transfer it as an extension to the new foreign market. Since the adaptation of products is costly, small companies with little resources prefer this product strategy. This strategy, however, is risky because foreign customers often have different needs and expectations due to factors like their cultural background. The second strategy is an adaptation of existing products to particularly satisfy the needs of local customers of the target market. Often these adaptations are just minor changes to the product like different names or packaging that are marketed with a communication strategy similar to the one on the domestic market. Sometimes, companies also add local brands to their product portfolio when considering contractual entry modes. The third possible product strategy is the establishment of product inventions, where products are newly developed for a specific target market. These products are developed to fit global markets with considerations of international market conditions (cf. Kotabe/Helsen 2010, p. 332f.).

5.2 International Pricing Policy

International pricing decisions have a huge impact on the overall marketing mix and a direct influence on revenues and profitability. The price of a product or service determines among others the overall quality and the positioning. Different target markets are very different regarding price setting possibilities, which influences the decision on a target market price. Factors that limit the scope of pricing are for example the distribution structure of a market, price maintenance, taxes or price elasticity. The international pricing police deals therefore with the price setting for international markets under the consideration of local market determinants (cf. Fuchs/Apfelthaler 2009, p. 396).

In general, there are two different pricing strategies for companies when entering new markets. Skimming pricing on the one hand means that a product is launched to a market with an initially high price, which is then marked down over time according to the demand potential and new market entries on the market. The goal is to utilise the purchasing power of different customer groups and to reach high unit contribution margins. Penetration pricing on the other hand is a pricing strategy where products are launched with low prices in the beginning to exploit as much market potential as possible to tie existing customers and to oppose low unit contribution margins with a high sales volume. To secure the positioning on the market the price needs to be adjusted over time according to the customer demand. The chosen pricing strategy of a company needs to be planned on a long-term view and is defined by the demand, the costs and the competitive situation on a foreign market. Wrong predictions of demand and the competition of the target market are increasing the risk of failure (cf. Bruns 2003, p. 200 - 203).

5.3 International Distribution Policy

The international distribution policy deals with all decisions that a company needs to take after entering a new market in order to make a product or service available to buyers in a foreign market. As part of the international distribution policy, companies which are planning to enter the foreign market are encouraged to deal analytically with the environment in the foreign target market. The aim of the distribution policy is to develop a distribution strategy for making products or services of a company available to the customer at the right time, in the right place and in the right quality and quantity (cf. Bruns 2003, p. 257). From these objectives two important tasks derive for companies. The acquisition distribution on the one hand includes the design of sales channels, decisions that affect the design of the sales organisation and decisions about the use of sales assistants. The physical distribution or marketing logistics on the other hand deal with the infrastructure for the implementation of the acquisition decisions (cf. Berndt/Altobelli/Sander 2020, p. 442). This essentially comprises planning the means of transport, planning the size and location of warehouses and planning packaging units. Furthermore, with an international distribution strategy, companies try to overcome the physical distance to a foreign market, by looking for standardisation opportunities and process adaptations, so that international sales targets can be achieved (cf. Fuchs/Apfelthaler 2009, p. 400).

When it comes to distribution channel decisions in foreign trade, there are many criteria and interrelationships that need to be considered. Concrete decisions can only be made on a case-by-case basis according to the specific foreign market conditions. Standardising a company's distribution policy is very difficult and only favourable if the respective target market has a comparable structure with the domestic market. Moreover, the company's internal requirements need to be given for international engagement. Only sales systems with high sales loyalty such as franchising systems or in-house distribution intermediaries like branch offices contain comparatively high standardisation potential. Depending on the available information and data, various decision-making strategies such as cost comparison calculations, point evaluation procedures, or market forecasts underpin decisions for a successful distribution strategy. A widespread method in distribution policy is the cost comparison calculation based on a break-even analysis. This helps to evaluate whether it is financially more suggestive to hire an internal sales manager that travels to the foreign market or to pay a foreign sales intermediary a commission to sell the goods in the target market. Since in the short to medium term distribution policy decisions can only be revised to a limited extent, the distribution strategy needs to be chosen carefully to avoid wrong decisions and hence failure. Therefore, international market research is required to gather information about the target market for a successful market entry (cf. Büter 2017, p. 180 - 182).

5.4 International Communication Policy

The last element of the international marketing mix is the communication policy, which defines the different methods of a company to transfer information and communicate with existing or potential customers of a foreign market. There are many cross-cultural factors like language differences or cultural differences that influence the way companies need to communicate to the customers of a target market. Communication measures include advertising, public relations and personal selling (cf. Morschett/Schramm-Klein/Zentes 2015, p. 489).

Like in the product policy, international communication can either be standardised or market specific. A standardised communication policy means that communication measures are consistently arranged throughout international borders. This makes sense if the cross-cultural target groups of different countries are very similar. In most cases though, companies need to differentiate their communication to the specific circumstances of the target market. Also, the country-of-origin effect has an influence on the buying decision of foreign customers. Companies need to label their products where they origin from. If the product is made in a country with a good image, it is a sign of quality, which can increase the image of the whole company. Therefore, it makes sense to carefully consider, where the product is manufactured, because it can have an influence on the success of the communication policy measures. The success of the communication policy is often not monetary measurable and should be measured using non-economic measurements instead. For example, the level of awareness of a product, customer loyalty or the image of a product and serve as the basis for the success assessment (cf. Büter 2017, p. 187).

5.5 Action Plan and Budgeting

As a result of the international marketing planning, defined strategies need to be implemented into the operational marketing planning and translated into concrete measures. While in strategic planning long-term objectives are defined, the task of the operational planning is to develop a concrete action plan for certain functional areas of the company such as production or marketing. It needs to be defined which measures, at which time, with which resources, from which person and how exactly are realised to reach the pre-defined objectives for a specific target market. Moreover, the budget for the operational measures needs to be determined. The budgeting shows at which costs the defined measures of the action plan will be implemented and makes the international planning process more valid (cf. Berndt/Altobelli/Sander 2020, p. 243 - 245).

5.6 Controlling

Controlling is a sub-task of the management, which includes the goal-oriented coordination of planning and control and serves additionally as an important source of information. Controlling makes it possible for companies to cope with environmental changes through target-oriented planning and to adapt by performing necessary control tasks. Therefore, it needs to be ensured that the international marketing-related activities are adequately included in the controlling system of the company. As part of the control phase, it must be checked to what extent the defined strategic and operational targets for the individual country markets have been fulfilled. Parts of marketing controlling are the results of the country-specific marketing strategies and market policies. A target-actual comparison is conducted with a special focus on country-specific control parameters like market share, sales, or profit (cf. Berndt/Altobelli/Sander 2020, p. 487f.).

6 Graphical Summary of the Theoretical Part

The following figure 9 illustrates a graphical overview of the findings based on the literature review of this thesis, which are relevant for the subsequent secondary and primary research in order to develop a systematic market entry concept for Bolao to enter the Israeli market. To reach this anticipated output, information about the clothing and sports industry as well as an internal and external situation analysis help do develop a successful market entry strategy. By comparing potential market entry modes and considering influencing factors, the right entry mode can be chosen. Moreover, the international marketing mix, including product, pricing, distribution and communication policies, can be planned. Lastly, the market entry concept is completed by action planning and budgeting as well as controlling measures.

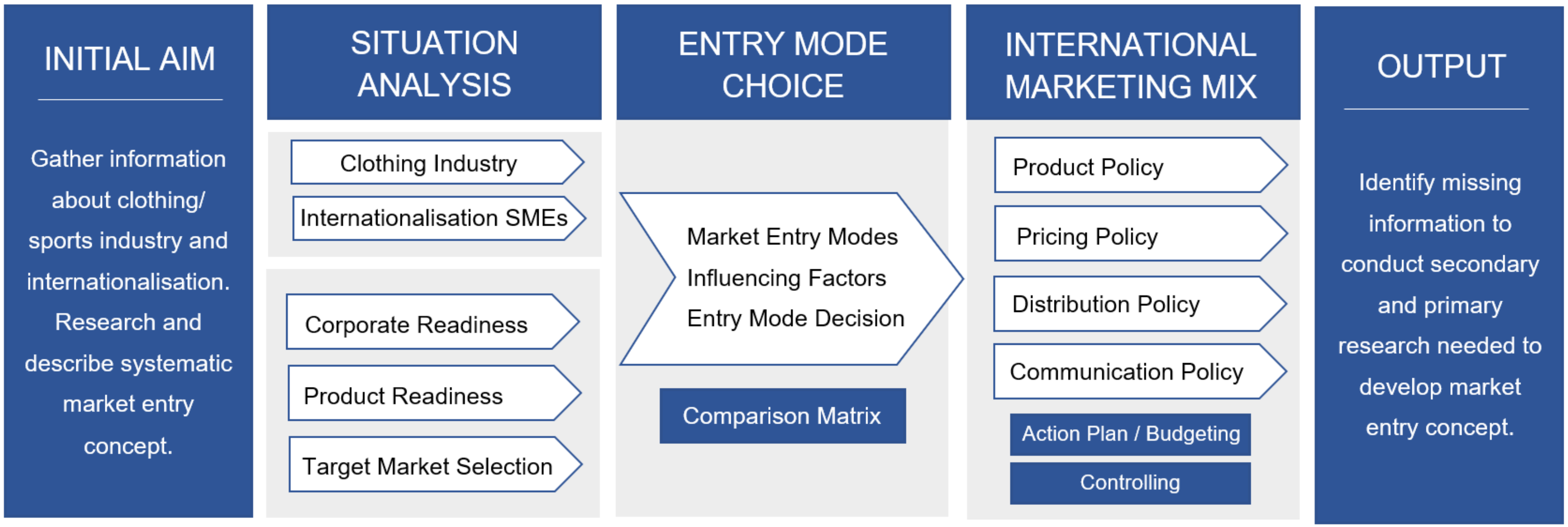

Figure 9: Graphical Summary of the Theoretical Part (own presentation)

7 Situation Analysis of Bolao

The practical part of this master thesis complements an internal and external situation analysis as well as primary market research to the findings of the theoretical part, to develop a systematic market entry concept for the Austrian sports clothing brand Bolao which is described and analysed in the following chapter.

Bolao is a brand of the FoF OG that specifically targets players, fans and community members of the sport Footvolley. Footvolley is a mixture between football and beach volleyball without the usage of a person's hands and is played in teams of two. The sport originates from Rio de Janeiro in Brazil in 1965 and was invented at the Copacabana Beach since playing football was legally not allowed near the beach back then. In the 1970s footvolley started to spread all over Brazil and in the 1980s the sport arrived in Europe via Portugal (cf. Footvolley Europe 2021a). Since the 2000s it is popular all over Europe and in 2016 twelve national footvolley associations, including Footvolley Austria, merged and founded the European Footvolley League (EFVL). The EFVL has the mission to develop and further grow footvolley as an internationally recognised sport. Since 2016, the EFVL has been organising the annual European Championships in Footvolley. In 2018 the championships took place in Graz, where Bolao was the official clothing supplier for all players and staff (cf. Footvolley Austria 2021). Since 2018 the EFVL has 15 member countries with the latest addition of Footvolley Sweden and Footvolley Israel (cf. Footvolley Europe 2021b).

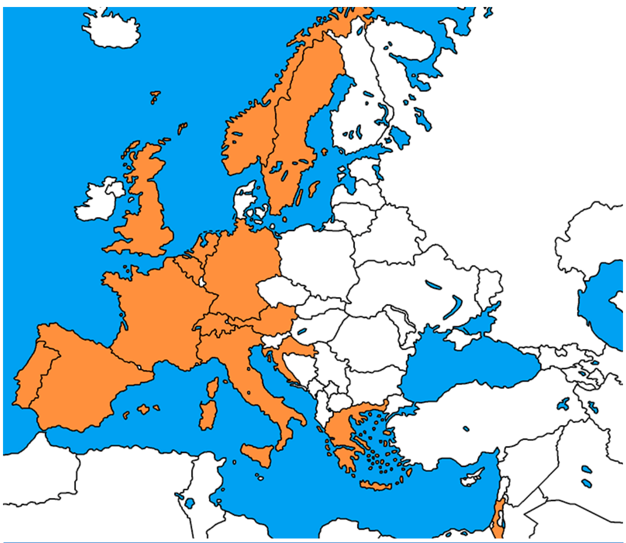

Figure 10: Members of the European Footvolley League (Footvolley Europe 2021b)

Israel became an especially crucial market for footvolley within the last few years, because of its huge player base that is growing every year and the opening of multiple footvolley schools at the beaches of Tel Aviv. Moreover, the demand for footvolley clothing has increased in Israel, which leads to a higher market potential, wherefore more and more brands want to enter the market. Since other companies also realise the market potential the FoF OG should enter the market as soon as possible to be present and build up brand awareness (cf. FoF 2020). As already mentioned in chapter 3.3.4 it is crucial for Bolao to find the right market entry timing strategy for the Israeli market. Since it has a significant influence on the market entry strategy it needs to be evaluated which kind of timing strategy is most suitable.

7.1 Internal Analysis

As derived from the systematic market entry concept of Fuchs and Apfelthaler (chapter 3), the internal analysis is the first step of an international market entry. The first part of the analysis focuses on the corporate readiness to operate on the Israeli market. Therefore, an internal potential analysis is used to evaluate the strengths and weaknesses of the FoF OG. The second part of the internal analysis is a product screening of the clothing of Bolao to evaluate the readiness of the products for the Israeli market. For the internal analysis the author merged the findings from an existing market analysis conducted by the FoF OG as well as an assessment of the current situation by Mr. Hofmann-Wellenhof, CEO (cf. FoF 2020; Hofmann-Wellenhof 27.05.2021).

7.1.1 Potential Analysis (Corporate Readiness)

To analyse the company's readiness to enter a new international market like Israel, an internal potential analysis together with the CEO of the FoF OG was conducted to evaluate the current strengths and weaknesses of the company in comparison to “Sand Walk” the strongest competitor on the Israeli market. Sand Walk is a Brazilian company that is specialised in footvolley clothing. Sand Walk is a much bigger company that has already entered the Israeli market and started selling clothes there in big quantities. This means, that from a market entry timing perspective, Sand Walk has an advantage over the FoF OG and could already gain important market share. Therefore, it is crucial for the FoF OG to focus on the strengths and advantages over Sand Walk and try to eradicate the weaknesses and disadvantages that exist to rectify a later market entry.

For the comparison of the two companies, important dimensions (potentials) were defined that are seen as relevant for successfully entering the Israeli market. For the evaluation of these dimensions, a numerical rating scale was chosen, ranging from -3 (very bad) to +3 (very good). This analysis helps to evaluate which potentials are weaknesses (negative rating) and which are strengths (positive rating). The results of the potential analysis are visualised in the following graphical profile (Figure 11).

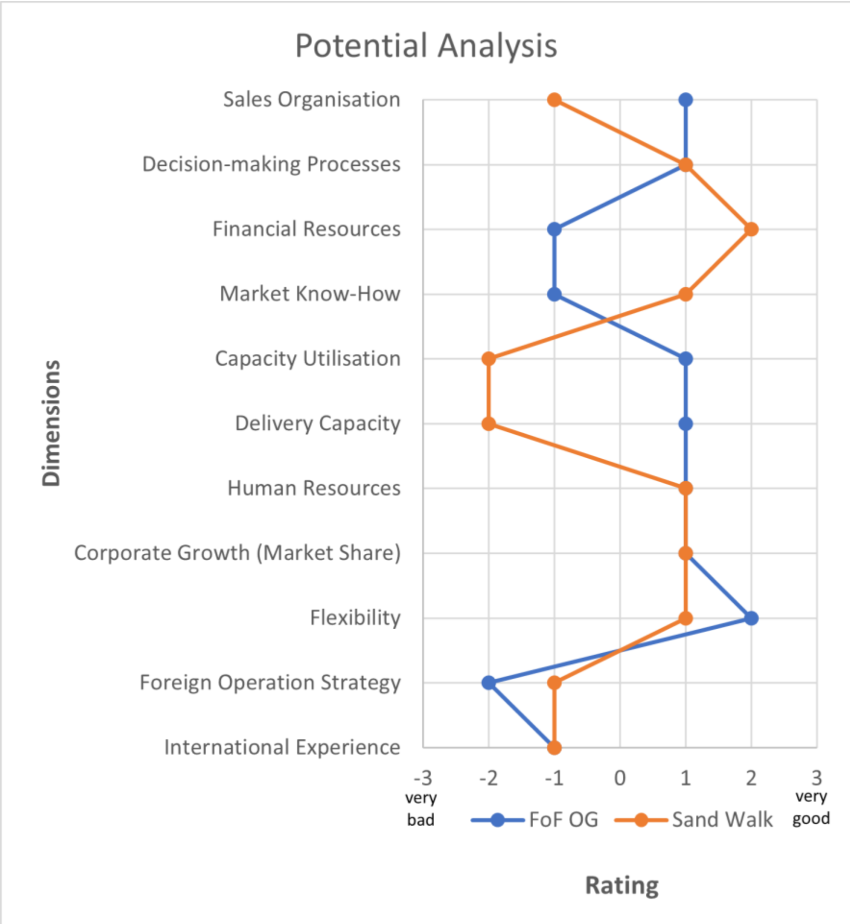

Figure 11: Potential Analysis (own presentation)

The first dimension that is evaluated is the sales organisation of the two companies. It shows that the FoF OG has an advantage over Sand Walk, because products are mainly sold via an established online shop and the sales manager directly communicates with customers and advises them with their inquiries, whereas Sand Walk sells a lot of clothing privately. Also, the ordering process tends to be much longer at Sand Walk and customers need to wait up to multiple months to receive their products. The decision-making process on the other hand seems efficiently in both companies and they make progress in expanding their brands internationally.

Two dimensions that are rather weak within the FoF OG and Sand Walk has the biggest advantages on the market, are financial resources and market know-how. Financial resources are much lower in the FoF OG, because the company has just started to focus a lot more on its clothing brand and is still in its growth stage. On the contrary, Sand Walk is a much bigger company that has a lot of customers in Brazil and therefore can generate more revenue for further investments for its business expansion. Also, Sand Walk has more detailed market know-how regarding footvolley clothing than the FoF OG. Mainly because they are directly in touch with thousands of players in Brazil to gain insight into customer needs and already have existing connections to distributors and producers from Israel.

There are also two dimensions where the internal analysis shows that the FoF OG has advantages over Sand Walk that can be used as a competitive advantage. These are capacity utilisation and delivery capacity. Since Sand Walk has a lot of customers in Brazil, they have a higher capacity utilisation in their domestic market and often do not have the capacity and resources to deliver to European countries. Especially the fact that they need to organise and distribute everything from Brazil is adverse. The FoF OG on the other hand sells to a relatively small domestic market in Austria and has the potential to sell a higher quantity to additional international markets like Israel. Moreover, the FoF OG is with its central location in Europe closer to Israel and therefore their delivery capacity is better and brings advantages.

The dimensions of human resources and corporate growth in terms of realising market share are seen as good and equal within the two companies. Both have a lot of helpers and supporters that assist with the international awareness of the sport footvolley. That helps both companies to attain more market share and attract more customers every year. The biggest strength of the FoF OG is the level of flexibility regarding individual customer solutions. This includes custom designs, short-term adaptations and a huge variety in value-added services like the organisation and sponsoring of tournaments. For Sand Walk this is not feasible in other countries except Brazil because of the physical distance.

The biggest weakness of the FoF OG that arises from the analysis, is the missing foreign operation strategy to enter new international markets. Similar to Sand Walk, also long-lasting international experience in the clothing industry is missing.

Therefore, export knowledge and professional advice are needed to successfully develop an international market entry strategy. In summary, the FoF OG has strengths that can be utilised, but also has weaknesses and potential that need to be improved. Overall, the internal potential analysis shows that the FoF OG needs a strategic concept for an international market entry. Besides a lack in financial resources and market know-how, the FoF OG has equal potential than Sand Walk, the strongest competitor on the Israeli market.

7.1.2 Product Screening (Product Readiness)

After analysing the potentials of the FoF OG the second step of the internal analysis is to make a product screening of the clothing brand Bolao in comparison to Sand Walk to elaborate competitive advantages and analyse the strengths and weaknesses of the products itself.

The clothing of Bolao is available for men and women and can be divided into the two main categories: performance wear and lifestyle wear. The performance wear is designed for the players to have better comfort while playing to reach the best performance possible. Since footvolley is mostly played during the summer on hot days on the beach, the performance wear of Bolao is manufactured to be light and breathable. The products range from shorts to t-shirts, long sleeve shirts, singlets and so-called ‘sungas’ which are also made for swimming. Moreover, the brand targets footvolley clubs and offers individual designs in the club’s logo, colours and special patterns. The lifestyle wear of Bolao is a more casual clothing for the everyday life that should represent the overall lifestyle behind the brand. It consists of tank tops, t-shirts, pants, shorts, sweaters, zip hoodies and jackets. Furthermore, Bolao has accessories like beach bags, caps and balls in the product offerings.

For the product screening, again multiple dimensions were defined and compared to the products of Sand Walk. The results of the screening are illustrated in the graphical profile below (Figure 12).

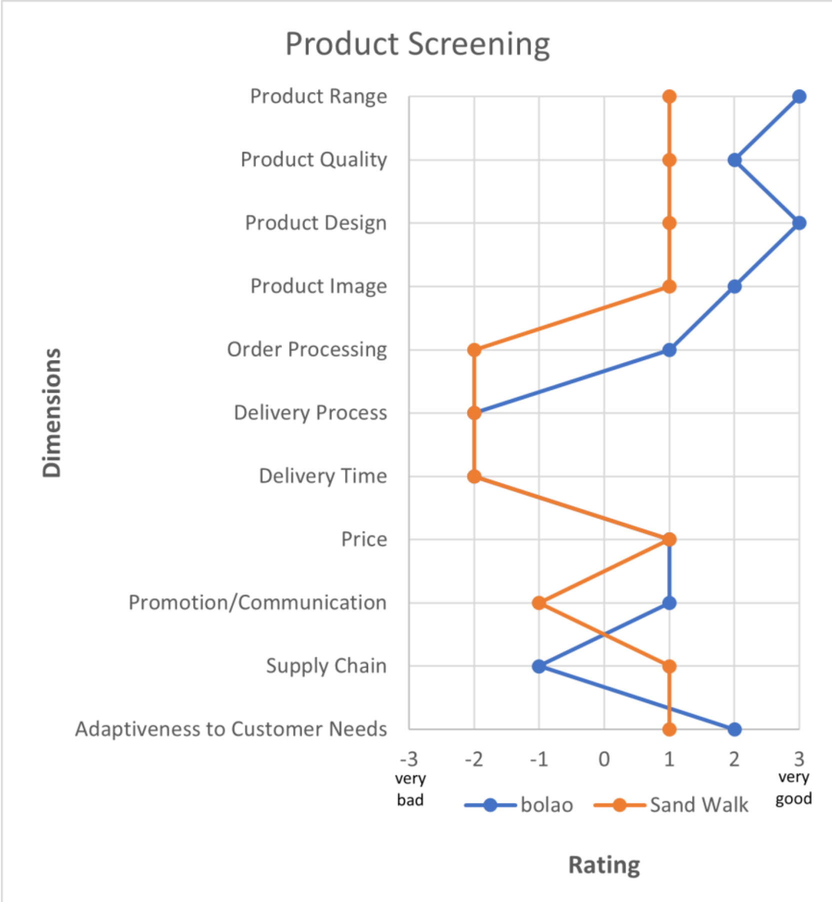

Figure 12: Product Screening (own presentation)

As can be seen in the graph above, the clothing products of Bolao score higher than the products of Sand Walk. Especially regarding the product range, product quality, product design and product image Bolao is very strong. This is attributed to the fact that the products of Bolao are all produced in Europe and need to pass strict quality controls. The manufacturer of the product sends product samples of new collections and adaptations are made to improve the quality of the product before ordering the clothes and accessories in stock. Moreover, Bolao offers a wide range of different products in many different colours and patterns. Sand Walk on the other hand mainly offers performance wear and has no lifestyle collection. This product variety is an advantage of Bolao and helps them to attract more customers with their clothing. In addition, Bolao has an exclusive deal with “Mikasa”, which is the producer of the official ball used in footvolley. Also, customers have more opportunities regarding custom designs of the clothes in comparison to Sand Walk. Since Sand Walk only offers performance wear the products can only be compared within this product category. Although Sand Walk is a Brazilian brand, Bolao accomplishes better designs that transfer the Brazilian vibe of footvolley. The colours and patterns are well-conceived and can be aligned to the style guides of footvolley clubs or even for individual team wear.

Further crucial dimensions for the product screening are the order and delivery potential of the products. As it is visible in Figure 12, Sand Walk has a lot of weaknesses regarding the order processing, the delivery process and the delivery time of the products. This is related to the fact that all products of Sand Walk are processed and delivered from Brazil and it often takes of time until products are available and delivered. The order processing for Bolao's products is a lot better because everything can be ordered via an online shop and individual inquiries are handled centrally from the office. With Sand Walk, products can just be ordered in high quantities or via partner clubs in small, selected cities. Even though the order processing is more flexible for the products of Bolao, the delivery process and delivery time is not ideal, because in the past there were some problems with the reliability of the suppliers and a high dependence exists on them.

One dimension that is in an equilibrium when screening the product-related potentials of both brands is the price. Still, Bolao offers a higher quality for the same price which is a big advantage. Also, one of the companies has either advantages in promotion or with the supply chain of the products. The promotion of the products and the communication to the customers is very similar, but for Bolao everything is promoted in English, which is internationally better than Portuguese, like Sand Walk promotes its products. On the contrary the supply chain of Sand Walk is better since they already have better connections to suppliers and distributors. One last dimension that Bolao is strong in and better than Sand Walk is the adaptiveness to customer needs, especially regarding individual design in smaller quantities. Overall, the products of Bolao are ready for new markets.

7.2 External Analysis

The Israeli market is selected as the target market for Bolao. Therefore, an external analysis in form of secondary research is conducted to gather relevant market knowledge about the Israeli macro- and microenvironment.

7.2.1 Macroenvironmental Analysis

For the analysis of the Israeli macroenvironment the PESTEL framework is applied to evaluate the macroenvironmental factors that are relevant when entering the Israeli market. Therefore, the political, economic, social, technological, environmental and legal factors of the external environment are analysed.

Political Factors

Israel is currently situated in a political crisis. In the last two years, after failing to form a functioning government, four elections took place. Moreover, the Israel-Palestine conflict is ongoing. Tensions and conflicts with Israel's neighbouring countries like Iran make travelling and cross-border activities very difficult or even impossible (cf. Santander Trade 2021). These geopolitical tensions can have extreme shocks on the Israeli economy, especially on its growth. Geopolitical instability can lead to higher uncertainty and decrease the domestic and foreign demand, which has negative budgetary effects. Also, an increase in military spending either forces the government to raise taxes or to lower productive spending (cf. OECD 2020, p. 20).

Economic Factors

As the COVID-19 crisis is a huge influencing factor on the economic situation and the economic data during the pandemic does not describe the normal situation, the author decided to evaluate the economic factors before the crisis happened. In 2019 the economic growth of Israel increased by 3,3%. Before the crisis, an increase of 7,1% in 2021 was expected. In general, Israel is a stable growth market with the high-tech sector as the main driver of economic growth. Nevertheless, Israel is still behind many leading western European countries regarding its gross domestic product. However, Israel is the eighth most expensive country in the world, when for example considering living (cf. AußenwirtschaftsCenter Tel Aviv 2020, p. 4 - 6).

SMEs can benefit from the strong economic growth of Israel related to market growth and opportunities. This has a positive correlation to the GDP growth of the country and the increase in productivity (cf. OECD 2016, p. 80). In 2019 the Austrian-Israeli trade volume accounted for 568 million euros with a surplus for Austria of 245,6 million euros. Moreover, the Austrian exports of goods to Israel increased by 9,4% (cf. AußenwirtschaftsCenter Tel Aviv 2020, p. 10). The exports of textiles and textile articles from Austria to Israel were, however, in 2020 only worth 962,4 million dollars, which was only 1,92% of the total exports to Israel (cf. AußenwirtschaftsCenter Tel Aviv 2021).

Socio-cultural Factors

In 2020 the population of Israel was 9,22 million people with an annual growth rate of about 1,9% referable to the high birth rate of about 3 children per woman. The urbanisation is, with 92,5% in 2019, very high in Israel and compared to other countries worldwide one of the highest (cf. Statista 2020c). The biggest cities in Israel are Jerusalem with 936.425 inhabitants, Tel-Aviv-Jaffa with 460.613 inhabitants and Haifa with 285.316 inhabitants (Status October 2020) (cf. Statista 2020d). Furthermore, most of the population is either corresponding to the Jewish or the Muslim religion. In 2020, 6.360.200 Jews and 1.730.000 Muslims lived in Israel (cf. Statista 2020e).

Technological Factors

Nowadays, Israel is predestined for its high-tech sector with over 500 multinational companies from 35 different countries. About 55% of these companies are from the USA, 27% from Europe and 15% from Asia. The business areas of these companies are technology, financial services and communication and media. Moreover, the trend for open innovations emerged. Since 2014 there the focus lies on investment-driven and partnership-based open innovation models. The capital raising for the Israeli high-tech industry reached a total of 8,3 billion euros, with investments especially in the software sector. Moreover, the European Institute of Innovation & Technology (EIT) opened an innovation centre in Tel Aviv to further strengthen the high-tech industry in Israel. Also, the transport infrastructure improved over the last few years and since September 2019 a high-speed train connects the two biggest cities, Tel Aviv and Jerusalem (cf. AußenwirtschaftsCenter Tel Aviv 2020, p. 6f.).

Ecological-geographic Factors

Israel is a country that is located in the Middle East, directly bonded to the Mediterranean Sea. It is a small country with a diverse landscape that has a huge influence on the climate situation of the country. Generally, it is divided into four different geographic regions. In the north and central regions there are highlands, running from north to south on the eastern border is the Great Rift Valley, in the south there is the Negev desert and, in the west, is the Mediterranean coastal plain. The coastal plain is a 185km long shoreline that includes many beaches especially around the city areas of Tel Aviv and Haifa. Due to the different regional areas the climate conditions vary. In general, Israel has two distinctive seasons, which is a mild and rainy winter from October to April and a very hot and dry summer from May to September, as visualised in figure 13. Moreover, at the coastal areas around the Mediterranean beaches, sea breezes often occur during the summertime (cf. Britannica 2021a).

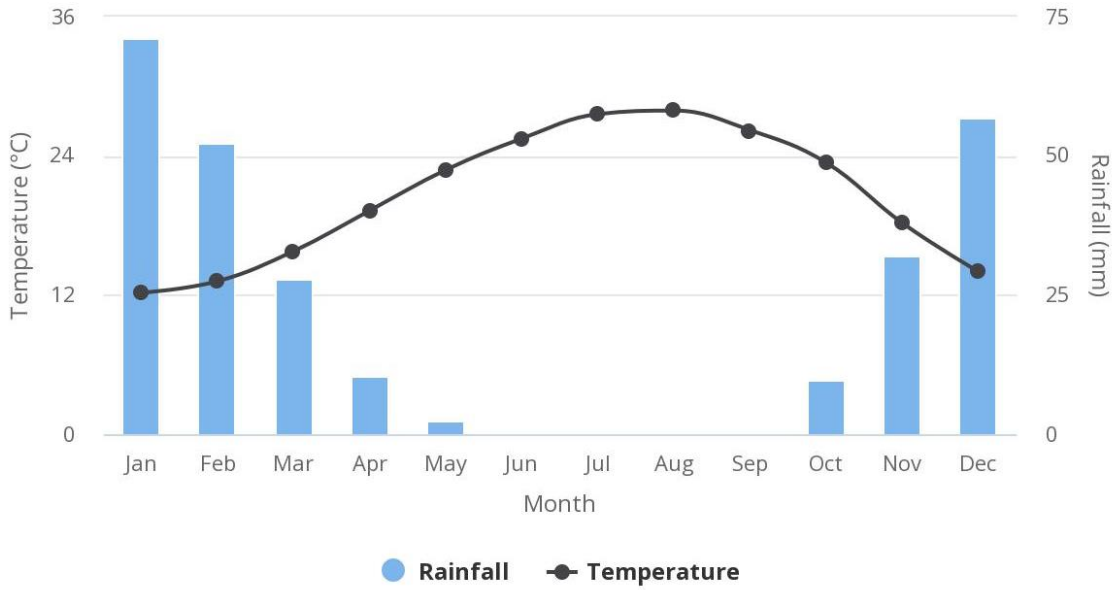

Figure 13: Average Monthly Temperature and Rainfall in Israel from 1991-2020 (World Bank Group 2021)

The northern part of Israel has a typical Mediterranean climate which is much wetter and colder than the hot and arid southern part of the country. Still, the main temperatures throughout the year are above 12 degrees Celsius and during the hottest month in July and August the temperatures are around 28 degrees Celsius. Therefore, the climate is much warmer compared to countries in Europe and besides the rainfalls during the winter months the weather is rather consistent (cf. World Bank Group 2021).

Legal Factors

Israel is a democratic republic with a parliamentary system of government led by the prime minister who is responsible for the main policymaking of the country. The law-making in Israel is, in contrast to Austria, not based on a written constitutional framework but on a system of basic laws that are reinforced with legislations, parliamentary decisions and executive orders. The law-making is mainly defined by the Knesset which is a legislative assembly with 120 elected members. The six different districts, Central, Haifa, Jerusalem, Southern, Northern and Tel Aviv, are regulated by the laws of local governments (cf. Britannica 2021b).

Regarding import and export regulations, there is an association agreement between Israel and the European Union. In this agreement is regulated that no import or export duties or charges with equivalent effect would be levied on industrial goods. Also, most of the goods can be imported duty-free. Regarding restricted imports, import licenses are issued in the name of the importer who handles the import and is then liable to the authorities. Textiles and leather goods are only subject to labelling. Moreover, samples with no value are duty-free and can be imported with no further tariff regulations. In the case of postal services, a customary declaration and an invoice are required in the package. A customs invoice is not required, only if it is requested by the importer (cf. WKO 2021).

7.2.2 Microenvironmental Analysis

After analysing the macroenvironment it is crucial to look at the external factors of the microenvironment of Bolao like the competition and customers. Therefore, the Porter's Five Forces analysis is implied to get further insights of the relevant market environment and for determining the profitability of the market and the intensity of competition. For a better strategic planning of a market entry, companies need to understand their industry along the five forces, which were developed by Porter in 1979. He defined the five forces as the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products or services and the rivalry among existing competitors. If the forces within an industry are intense, like for example in the clothing industry, it is very difficult for companies to earn high returns on investment (cf. Porter 2008, p. 79f.).

As a result, the FoF OG needs to analyse its microenvironment precisely to find the right positioning for Bolao on the Israeli market.

Threat of new Entrants

Since footvolley is booming in Israel and the market size increases, more and more companies try to enter the market and sell their own footvolley clothing. Therefore, as described in chapter 3.3.4, it is important for Bolao to choose the right entry timing strategy. Since the footvolley market is fast-growing and entry barriers are low, it is important to enter the market as soon as possible to raise the brand awareness and to build own entry barriers for market followers. A big threat can be though that a big clothing brand like Nike or Adidas decides to start producing footvolley clothing because their brands are already successful on the Israeli market (cf. FoF 2020).

Bargaining Power of Suppliers

The bargaining power of suppliers is relatively high. There are not many suppliers that have specific knowledge in producing footvolley clothing. Still, most of the existing suppliers are smaller manufacturers that will not claim high prices but also lack in international experience. The big sports clothing suppliers have, in contrary, a higher bargaining power but more experience and can reduce the overall market risk for Bolao. Therefore, it is crucial for the FoF OG to find the right supplier that can deliver the products in a good quality and fast to Israel. Long delivery times are a huge problem when ordering footvolley clothing because many products are made in Brazil. Hence, it makes sense to cooperate with multiple suppliers in case that one supplier cannot deliver or starts offering non-acceptable terms (cf. FoF 2020).

Bargaining Power of Buyers

Israeli footvolley players and fans are the main buying groups for Bolao and need to be approached in the right manner. Footvolley Israel is a very big and open community with people from different religions, beliefs and genders. For 15 years the player base has been steadily increasing by thousands of players and spectators every year. The main goal of this community is to develop footvolley in Israel and spread it all over the world. The Israeli customers are welcoming and demand a lot new footvolley clothing and designs (cf. Footvolley TLV 2021).

Nevertheless, the bargaining power of buyers is moderate within the Israeli footvolley market. This is because customers order rather small quantities and they are not price sensitive, because the market supply is low. A big challenge for the FoF OG is to manage the sociocultural distance to Israel and to overcome the language barrier, since not all Israeli customers speak English and are used to websites that are available in Hebrew (cf. FoF 2020).

Threat of Substitute Products or Services

In the case of Bolao, there is no threat of substitute products or services because Bolao’s product portfolio is more versatile than possible substitutes. Furthermore, the FoF OG has a lot of service experience in organising footvolley events, which other companies do not have. The only market risk that might arise in the future is, that a company creates much better performance wear with special fabrics or integrated technological features. To overcome this threat, it is crucial to constantly monitor the sports clothing industry and upcoming trends on the market (cf. FoF 2020).

Rivalry among existing Competitors

Although the market is relatively small, the degree of rivalry among competitors is relatively strong.On the one hand, there are big global sports clothing brands on the market like Nike, Adidas, Reebok and Footlocker. These brands are dominating the market within the sports clothing sector and are the biggest threat for Bolao especially if they decide to produce footvolley clothing in the future. Then the capital requirements would be too high for the FoF OG to successfully enter the Israeli market and to compete with those global players. On the other hand, there are already four existing brands on the market that specialise in footvolley clothing, which are Sand Walk, Athleta, La Pelota and La Bola. These brands are direct competitors of Bolao on the Israeli market. The differences between the competitors are not very significant. Most of them have exclusive partnerships with Israeli footvolley schools. On the following page, the existing and potential competitors are described briefly (cf. FoF 2020).

Sand Walk is the biggest competitor on the market and has a market share within the Israeli footvolley clothing market of approximately 80%. As already mentioned in chapter 7.1.1 it is a Brazilian brand with lots of experience in producing footvolley clothes and is the best-known footvolley brand in the world. The biggest weakness of Sand Walk is that the delivery process from Brazil to Israel takes plenty of time (cf. FoF 2020).

Athleta is also a well-known brand from Brazil that has a longstanding history in producing football shirts for the Brazilian national team and is popular within footvolley communities around the globe. Recently it started a cooperation with one of the biggest footvolley schools in Tel Aviv and is therefore also a direct competitor for Bolao. Athleta has the same problem as Sand Walk regarding long delivery times (cf. Athleta 2021).

La Pelota is an Israeli apparel brand that is focused on the footvolley market but rather on lifestyle clothing, swimming trunks and beach accessories. They just opened the first clothing store in Israel that is specialised in footvolley clothes. Moreover, La Pelota is selling footvolley balls and nets which completes their versatile product portfolio. Also, they are sponsoring many footvolley tournaments in Israel (cf. La Pelota 2021).

La Bola is a new footvolley clothing brand from Israel that imports footvolley performance wear from Brazil and acts as a distributor for Sand Walk but also creates their own custom designs for Israeli players. The brand is relatively small with little experience, but it has the advantage of being very close to the Israeli customers (cf. La Bola 2021).

Other footvolley clothing brands that could be potential competitors for Bolao in the future when entering the Israeli market are for example the German brand **Claw**, the Brazilian brand **Planeta Futevôlei** or the Italian brand **Play Footvolley**, which recently started a partnership with **Umbro**. That is, as already mentioned, the main reason why Bolao should enter the market soon and set up additional entry barriers (cf. FoF 2020).

7.3 Integrated View of Internal and External Analysis

After conducting an internal and external situation analysis as part of this market entry concept the results need to be merged. Hence, the following SWOT analysis presents an integrated view on the strengths and weaknesses of Bolao as well as the opportunities and threats for entering the Israeli market. The strengths and weaknesses for the following analysis are derived from the internal potential analysis. The impact of possible opportunities and threats for the FoF OG on the other hand is rated by the author (1 = low, 2 = medium, 3 = high) and should be further supplemented by the experts of the subsequent primary market research.

Market and environment development	...meets a strength or weakness in the company				...which leads to an opportunity or threat			...and implies following action
	☺	☹	Strength/Weakness	Reasons	☺	☹	Opportunity/Threat	To-Do/Aim
Political crisis / geopolitical instability		3	Long-term planning	It is difficult to guarantee a good future planning due to the unpredictability of political changes		2	Uncertainty of law regulations and potential trade embargo	Seek further advice from the "Außenwirtschaftscenter Tel Aviv"
Strong competition on the market		2	International experience and human resources	Unprepared team and lack of international experience especially in entering new foreign markets		3	Entering the market with a bad strategy and underestimate the influencing factors that arise from the environment	Good planning of the market entry and decision on right entry mode
Strong economic growth / booming high-tech industry		2	Financial resources	Small company with low financial resources compared to bigger companies on the market	2		Become the market leader in a niche market and gain the acceptance of local customers	Monitor trends on the market especially in the clothing industry
Great cultural differences and language barriers		1	Cultural understanding and language skills	No personnel that speaks Hebrew and missing knowledge about the Israeli culture		1	Even though most of the Israelis speak English, few customers might downgrade the online shop if it is not available in Hebrew	Translation of the website into Hebrew and search for a local expert that helps with promotional activities and business contracts
Warm Mediterranean climate	3		Capacity Utilisation	Since the main business is in Austria during the summer, the company has a lot of free capacities for the winter business	3		Products can be sold in Israel all-season long since footvolley is also played during the winter	Look out for improved fabrics for the warm summers and adjusted products for the winter in Israel
☺ = Strength/Opportunity ☹ = Weakness/Threat Degree of Impact: 1 = low, 2 = medium, 3 = high								

Table 2: SWOT Analysis Part 1 (own presentation)

Market and environment development	...meets a strength or weakness in the company				...which leads to an opportunity or threat			...and implies following action
	☺	☹	Strength/Weakness	Reasons	☺	☹	Opportunity/Threat	To-Do/Aim
Fast-growing footvolley market	3		Experience in the footvolley industry	Company with a lot of experience in the field of footvolley, especially in organizing events and close contacts to international players	3		Potential of growing in the same pace as the market	Enter the market as soon as possible and set up entry barriers for market followers for example with exclusive partnerships with athletes
High demand for lifestyle clothing	3		Product portfolio and quality	Better product range and quality than other brands on the market	3		High sales potential especially for lifestyle clothing, demanded by the Israeli customers	Focus on lifestyle products to gain competitive advantage over direct competitors
Only few suppliers / long delivery times	2		Supply chain	Faster and more efficient supply chain than the current competitors	3		Faster market breakthrough	Make long-term profitable contracts with trustful supplier that can guarantee fast delivery times
Only small quantities required from customers	2		Flexibility	Due to the size of the company it is possible to adapt to customer needs and offer individual designs even for small quantities	2		Trend of personalisation can be used to increase the sales volume and acquire new customers	Increase the brand awareness through a promotional focus on personalised clothing
Increasing competition	1		Promotional activities	Professional website and better communication of the brand than the competition	1		Increase the order volume per customer over time through acquiring major customers like footvolley schools	Offer sponsoring and event organisation for footvolley schools in Israel
☺ = Strength/Opportunity ☹ = Weakness/Threat Degree of Impact: 1 = low, 2 = medium, 3 = high								

Table 3: SWOT Analysis Part 2 (own presentation)

8 Primary Market Research

8.1 Research Design

This chapter covers the methodical approach of the practical part and gives detailed information about the design of the market research of this master thesis. It includes the subject of this market research, the methods of investigation, the research sample and the survey instrument. Additionally, the research design addresses how the field work is conducted and how the data is analysed.

8.1.1 Research Subject and Targets

The main subject of this market research is to explore the peculiarities of the Israeli clothing market, especially regarding sports clothing, and related factors, that need to be considered to develop a successful market entry concept for Bolao. The FoF OG has little information and knowledge about market regulations in the Israeli clothing industry and no concept for entering this market. Hence, this market research should add information to the findings of the theoretical part and has the following targets:

- Gather information about the characteristics of the macroenvironment for a market entry into the Israeli market
- Collect knowledge about relevant target groups and their needs
- Gain empirical values from the experts about possible market entry modes for the Israeli clothing industry
- Get expert insights on the requirements of the marketing mix
- Obtain opinions about significant obstacles and barriers for a market entry into Israel
- Attain information about critical factors that are relevant for entering the Israeli market

8.1.2 Methods of Investigation

Primary research approaches can be distinguished in three different methods of investigation which are qualitative, quantitative and mixed methods. Qualitative research focuses on the understanding and exploration of meanings of groups or individuals to reduce a social problem. This approach is less generalised and more flexible and therefore gives freedom for interpretation. Moreover, the focus of qualitative research is to find important aspects of the given situation to solve the research problem. Quantitative research on the other hand is an approach where theories are tested and quantified by the examination of relationships between different variables. The structure of the final report is set and there is no room for inductive questioning or interpretation. Lastly, the mixed methods research is a combined approach that collects qualitative as well as quantitative data to get additional insights which are not possible to get from only one methodology (cf. Creswell J. W./Creswell J. D. 2018, p. 3f.). Since the FoF OG is missing the right knowledge on how to successfully enter the Israeli clothing market and information and detailed market insights are missing, a qualitative exploration in the form of guideline-based expert interviews is chosen for this master thesis. This type of interview is structured and aims to identify meaningful facts that are difficult to obtain from other sources. This provides the necessary information about relevant factors which need to be considered to strategically enter the Israeli market and on existing market regulations (cf. Kaiser 2014, p. 35).

8.1.3 Research Sample

When conducting qualitative research, it is common to use non-probability sampling techniques. Moreover, sample sizes are relatively small. Thus, this type of research is not statistically representative. However, representativity should be generated through the information content of the research method. This means that the right interview partners with specific expertise and knowledge need to be chosen (cf. Oberzaucher 2017, p. 39, 45f.). The sample size of qualitative research studies is mostly between ten and 100 probands, sometimes even less than ten (cf. Steffen/Doppler 2019, p. 34).

For the sample selection the deductive sampling method was chosen, because criteria for choosing the expert could be deducted from the theoretical part. Deductive sampling has the advantage that the previous knowledge can be used to identify experts that match the sampling plan and can provide a maximum range of information (cf. Reinders 2016, p. 119).

For this master thesis a sample size of 15 probands was chosen, since the Israeli clothing market for footvolley is still small and there are not many experts that can give deep market insights. To be an expert for this master thesis one of the following criteria need to be fulfilled:

- The proband have experience withing the Israeli clothing industry or
- Have already been involved in a market entry to Israel or
- Are familiar with the footvolley market in Israel.

Experts in the Clothing Industry in Israel			
Interview Partner	**Company**	**Responsibility**	**Experience**
Haim Zennou	Self-employed	Business consultant and entrepreneur	Former GM Nike Israel; more than 20 years in the world of sport, commerce and textile
Henry Majngarten	Intag Ltd. International Agency for Professional Football	Player agent	Graduated engineer for textile machines; former manager of six huge sport clothing manufacturing facilities for over 30 years
Kobi Amran	Team Sport (Nike Swim)	Brand manager	Expert in fashion and sporting goods trading for about 20 years
Meir Meirovich	Self-employed	Retail, wholesale, and retail transformation expert	CEO with 30 years of experience in the apparel and fashion industry
Moshe Sinai	Hyfit	General manager	Former manager at adidas and GM of Reebok; 20 plus years of experience in the sporting goods and lifestyle industry
Pinhas Misgav	Maroccanoil	Retail design director	Commerce and fashion consultant with a focus on innovation for fashion trading companies
Sivan Rahav	M.G.S Sport Trading Ltd.	Former designer and design team leader	Adapting and developing international brand's collections for the Israeli market
Yael Pedro	Speedo Israel	Brand manager and former head of design	Senior lecturer at the Shenkar College of Engineering & Design in the department of fashion design

Table 4: Interview Partners - Experts Clothing Industry (own presentation)

Experts in Internationalization into Israel			
Interview Partner	**Company**	**Responsibility**	**Experience**
Marcus Hauser	Anonymous	Business development manager	Responsible for market entries of the company; project leader for the market entry to Israel
Lenka Neuhold	Knapp AG	Head of sales system solutions	Specialized in Eastern Europe; support of the Israeli market since 2013
Rudolf Hansl	Knapp System-integration GmbH	Executive vice president	Director for food retail solutions of Knapp Israel
Keren Tenenbaum	Prime Lab Scientific Instruments LTD	CEO & Sales manager	Expert in distributing advanced scientific and laboratory instruments in the Israeli market
Experts in the Footvolley Market in Israel			
Interview Partner	**Company**	**Responsibility**	**Experience**
Din Shaked	Arena Club	Owner	Owner of one of the biggest footvolley schools in Israel
Mor Haviv	Sport – Bridge to Education	Aquatic and sport therapist	Owner of a footvolley school in the villages of kids in risk
Yuval Katz	La Bola	Owner	Owner of a footvolley brand that creates and imports footvolley clothing for the Israeli market

Table 5: Interview Partners - Experts Internationalisation & Footvolley Israel (own presentation)

All the interviewed experts listed above gave their consent during the conducted interviews, to be named within this master thesis.

8.1.4 Survey Instrument

The chosen survey instrument for the market research of this master thesis is an interview guide which helps to elaborate relevant aspects through personal discussions with the experts. At the same time, specific knowledge is queried to fulfil the research targets. An interview guide is suitable for qualitative survey methods, as the research problem is translated into specific interview questions, the interview situation is structured in advance (cf. Kaiser 2014, p. 52f.).

8.1.5 Field Work

In qualitative research a pre-test of the interview guide is not conducted due to the high flexibility of questioning and the remarkable effort of the testing (cf. Oberzaucher 2017, p. 73). For the present market research, no pre-test was run, but the interview guide was checked for optimisation and intelligibility with the CEO of the company. The expert interviews were carried out from 22nd March to 7th May. Because of the geographical distance to Israel, it was not possible to conduct the interviews in person and hence were performed via video calls to still provide a personal interview atmosphere. The interviews lasted between 30 - 45 minutes each and were recorded as audio files for the subsequent transcription.

8.1.6 Data Analysis

For the data analysis of the transcribed expert interviews, the thematic qualitative text analysis, described by Udo Kuckartz, is used. This approach is especially suitable for guideline-oriented and problem-focused expert interviews and is one of the most approved analysis methods for qualitative research. The process of the thematic text analysis is characterised in seven main steps:

1. Initial text work – highlighting of important passages and writing of memos.
2. Development of main thematic categories, which can be derived from the interview guideline.
3. Coding the data along the main categories.
4. Compilation of the passages which need to be assigned to the main categories.
5. Determination of sub-categories – further development and differentiation.
6. Second coding of the entire data set – contrasting and comparing the sub-categories.
7. Category-based analysis and presentation of the results of the market research (cf. Kuckartz 2014, p. 69f.).

The analysis of the qualitative data was conducted with the computer program MAXQDA.

8.2 Findings of the Market Research

The following chapter outlines the most important findings of the primary market research and the results of the qualitative expert interviews to complement the secondary research and to fulfil the research target. Furthermore, by the help of the findings the market entry concept for Bolao to enter the Israeli market will be developed.

8.2.1 Characteristics of the Israeli Macroenvironment

All the interviewed experts are highly familiar with the Israeli market and can therefore give additional input regarding the macroenvironmental factors that need to be considered Regarding the political situation in the country, most experts stated that the political situation is tense and that Israel is an isolated market. Political factors that can have an influence on doing business in Israel are for example more precise import controls. The experts also confirmed that it is not possible to do cross-border activities, since Israel is not doing business with its neighbour countries. Moreover, the experts described the political situation as safe, but some pointed out that it could take a sudden turn, especially in certain areas of conflict. An economic factor of the macroenvironment that the experts highlighted is the high growth rate of the Israeli market due to the high disposable income of the population. Respondent 1 explained there is a high purchasing power available in Israel, in contrast to the surrounding regions which are relatively weak in economic development. European companies might underestimate that at first (cf. Respondent 1 22.03.2021). However, in Israel there are high labour costs, which makes local production unremarkable, particularly within the textile industry.

The high living costs of the country also reflect the socio-cultural factors of the Israeli market. Some experts depicted that many young people that live in the country are very oriented towards the European market and are seeking for new products. Moreover, most of the experts stated, that from a cultural perspective, like already broached within the secondary analysis, different religions come together that shape the norms and values of the Israelis. In Israel the people do have different credos and tastes but are often limited in what they are allowed to wear or which products they can use. Three experts also mentioned the nature of the Israelis, that they have a quite unusual discussion culture in contrast to European countries makes it difficult to become comfortable with each other in the beginning.

Furthermore, the experts confirmed the technological advancement of the Israeli market, especially in contrast to the size of the country and compared to neighbouring countries. Moreover, COVID-19 was a huge impact factor to develop even further, mainly relating to e-commerce. Regarding ecological-geographic factors of the macroenvironment, the experts also mentioned the climate in the country, which is very warm. Hence, clothing products need to be adapted to the weather conditions. Lastly, the majority of exports share the opinion that legally the Israeli market is protected, for example with tariff regulations. Only Respondent 5 has the opinion that it is from a legal perspective not an issue for a European brand to start operating on the Israeli market (cf. Respondent 5 05.04.2021).

8.2.2 Relevant Target Groups and their Needs

Since the aim of this thesis is to develop a market entry concept for the Israel clothing industry within the footvolley segment, the experts were asked about their opinion on the peculiarities of this special market. In general, most of the experts stated that the Israeli clothing market is a very small market with many peculiarities. Also, they emphasised that from the overall clothing market the share of sports apparel is huge. Moreover, the experts gave a lot of input about special customer characteristics and the competition on the market. First, most of the experts talked about the willingness of Israeli customers to buy a lot of new clothing and that they are oriented towards well-known brands. Second, the clothing industry is highly influenced by the US market, regarding the way people are dressed as well as their shopping habits. People tend to wear casual clothing and sports clothing for any occasion. This is also related to the high temperatures throughout the year especially during summer. Still, the quality of the products is crucial and the people like to buy premium brands. Also, Israeli customers often buy their clothing online as well as in physical stores and shopping malls. Due to the small market size and the aforementioned customer characteristics, the Israeli clothing market is very competitive and most of the big international sports clothing brands already exist on the market. Brands that are especially ruling the Israeli sports market are according to the experts Nike, Adidas, Footlocker and Decathlon. Those brands are mainly distributed via two big Israeli fashion retailers which are called Mega Sports and Fox

Group. Respondent 8 highlighted, that it can be very difficult for smaller companies to enter the Israeli clothing market, because retail prices are only attractive if large quantities are bought but due to the small market size and the diversity of the people it often is not possible to bring large quantities to the market (cf. Respondent 8 08.04.2021). Therefore, it is also difficult to find the right market segment within the potential market and it needs a lot of research for the right market entry strategy. Some experts added that trends within the Israeli clothing industry are quite similar to European trends but there is now a focus on technological sportswear for example that can track your performance combined with sports fashion.

Since Bolao wants to enter the Israeli clothing market within the footvolley segment, three experts were interviewed that could give deep insights about this niche market. Also, some other experts were familiar with footvolley and reported their perspective on this special market. The footvolley market is small but has grown a lot during the last four to five years, especially in Israel. The experts could not give an exact number of people that play footvolley, but they mentioned that multiple thousand people play, who are therefore potential customers to buy Bolao clothing. The sport is meanwhile well-known in Israel and mainly played at the beaches of Tel Aviv. The majority of players, around 90 -95%, are male (cf. Respondent 7 06.04.2021).

Footvolley clothing is now mainly sold via different footvolley schools in Israel. Respondent 4 mentioned that there are six or seven big footvolley schools that exist in Israel, where especially young people are playing (cf. Respondent 4 04.04.2021). The biggest school in Israel is Arena Club which is located at Tel Aviv Beach. All the experts that were familiar with the Israeli footvolley market mentioned, that footvolley schools like Arena Club mainly sell clothes from Sand Walk, Bolao's biggest competitor on the market. There are not many Israeli footvolley brands on the market and the clothing is not available in normal sport shops. They also mentioned that it takes up to six months until the products are delivered and high quantities need to be ordered. Therefore, respondent 7 mentioned, that schools like Arena Club are looking for new partnerships with a footvolley brand that can deliver footvolley clothing with the same quality as Sand Walk but faster (cf. Respondent 7 06.04.2021). Also, there are not many products for kids available and until now, Sand Walk only sells performance wear in Israel. Moreover, it was stated that people often ask for footvolley lifestyle clothing and accessories like bags and caps and hence, has a huge market potential. Additionally, it was mentioned that footvolley already replaces beach volleyball and therefore, people want to buy footvolley clothes. Lastly, the experts tried to give a future lookout and different scenarios where mentioned. Either footvolley clothing will be available in the big sports clothing market in the future or big brands will enter the market in this segment or the niche is too small for this to happen.

8.2.3 Possible Entry Modes for the Israeli Clothing Industry

As it is already described in in chapter 4, it is crucial to make the right entry mode choice when a company plans to enter a new foreign market. Since there are many different entry modes, companies can choose from, with the interviews expert opinions are gained about the most recommended entry mode of the Israeli clothing industry. One factor that every expert mentioned was that it is indispensable to look for a local partner that supports the market entry. Therefore, majority of experts talked about either export entry modes or contractual entry modes to enter the Israeli market. Indirect exporting was not mentioned at all as a possible entry mode and respondent 1 underpinned that it is an unnecessary step to look for an intermediary in Austria that exports to Israel, because still another partner in Israel would need to be integrated into the distribution chain (cf. Respondent 1 22.03.2021).

The experts also evaluated different criteria (chapter 4.3.2) that are relevant for making the right market entry mode decision. The experts confirmed that an investment entry mode brings the most control over decision making processes but also results in costs that need to be covered by the company. For a low resource commitment for the entry process, it is reasonable to look for a local partner that saves a lot of time and preparations. The level of flexibility is, according to the experts, the highest with investment entry modes but not as many partner resources, like already built distribution channels, can be used. Regarding the danger of knowledge transfer to distribution partners respondent 3 highlights that especially with licensing a company needs to be aware that products might be copied. Therefore, it is crucial to find a local partner that can be trusted (cf. Respondent 3 25.03.2021).

Moreover, most of the experts stated that it depends on the size of the brand which market entry mode makes the most sense. For that reason, none of the experts considered contract manufacturing or franchising as a possible market entry mode for Bolao. Respondent 5 highlighted that franchising can be a good opportunity to gain market share too, but it needs a well-established brand with a huge product line. In his opinion this market entry mode is rather an option for the future when the brand gets bigger on the market (cf. Respondent 5 05.04.2021).

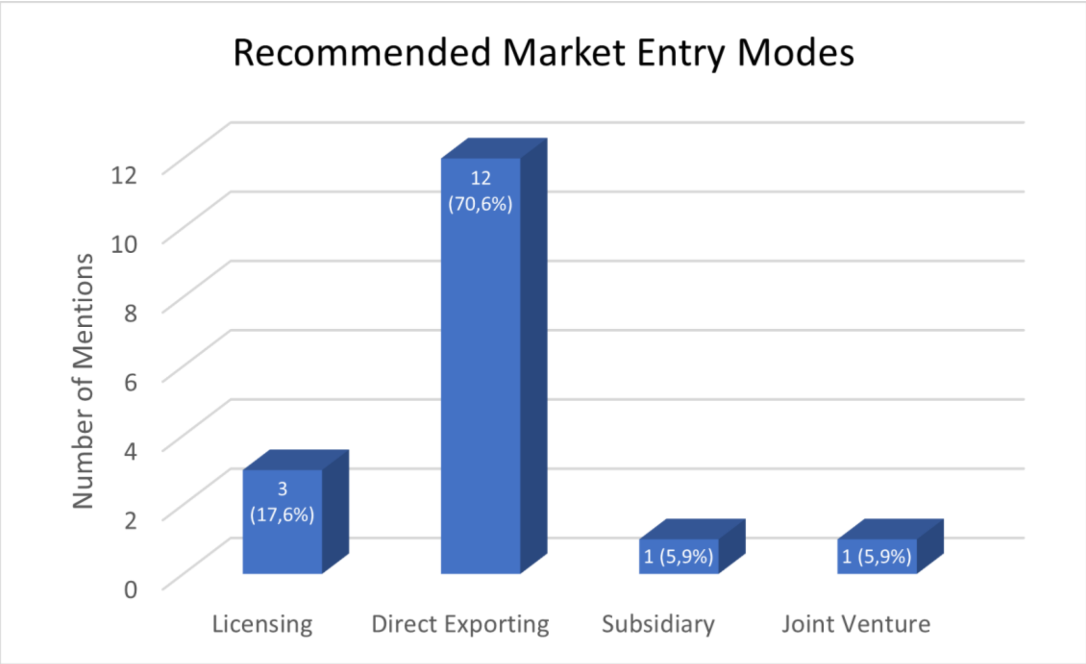

Figure 14: Recommended Market Entry Modes based on the Primary Market Research (own presentation)

According to the opinions of the experts, figure 14 shows that direct exporting via a local Israeli partner is the most recommended entry mode for the Israeli clothing industry. This means that it is crucial for a foreign company that plans to enter the Israeli clothing industry, to find a partner that is very familiar with the market and can help with distributional activities. One expert summarised: *“I think that if you work with outside companies that try to enter to the market, I think that the best strategy is to find a local distributor or local representative. I don't think that a company can deal with the Israeli market…if they start bringing a, I call it a foreign manager”* (Respondent 10 19.04.2021). Another possible entry mode according to the opinion of three experts is licensing. One expert specifically stated: *“So, if I look at strategic planning for any brand, I think it's maybe first better to licensing your brand to check the water because then the risk is on the owner. … So, a lot of the Israeli types of business that have been done is by licensing”* (Respondent 8 08.04.2021).

Other two experts substantiated this argument and mentioned that with this entry mode a local partner can best help a company like Bolao, to successfully operate on the market. Entering the market with a subsidiary or via a joint venture was only mentioned once. According to respondent 5, operating directly in the country with a subsidiary is probably the best option, but also the most expensive one and therefore not suitable for Bolao (cf. Respondent 5 05.04.2021).

8.2.4 Opinions on the International Marketing Mix

After giving their opinion on possible market entry modes, the experts gave some valuable input and advice for the planning of the international marketing mix which will be part of the market entry strategy for Bolao to enter the Israeli market. Regarding the product strategy for entering the Israeli market, according to the experts, it is important to bring performance wear to the market that is very breathable during hot days. Moreover, it is crucial to produce small sizes for the products and further focus on lifestyle clothing. The next crucial strategy to think about is the pricing of the products. One expert highlighted that the price is a very important aspect, because if a new product is sold for the same price as already established brands on the market, the customers have no reason for buying the new product unless it brings more value for money (cf. Respondent 12 03.05.2021).

A good distributional strategy is dependent on the choice of entry mode. Though, all the experts agreed that it is indispensable to look for a local partner that helps with distributional activities. Therefore, the right partner selection is the key factor to build up a good sales network. The experts provided many suggestions on how the right partner can be found. One strategy is to look for the industry leaders of the market and try to connect with them or try to network via LinkedIn or trade shows. Another option is to ask for advice at the Austrian centre of commerce in Tel Aviv. Finally, the experts stated their opinion about promotional activities that can help to successfully penetrate the Israeli clothing market with a special focus on the footvolley niche. Figure 15 illustrates the most significant statements that were mentioned during the expert interviews.

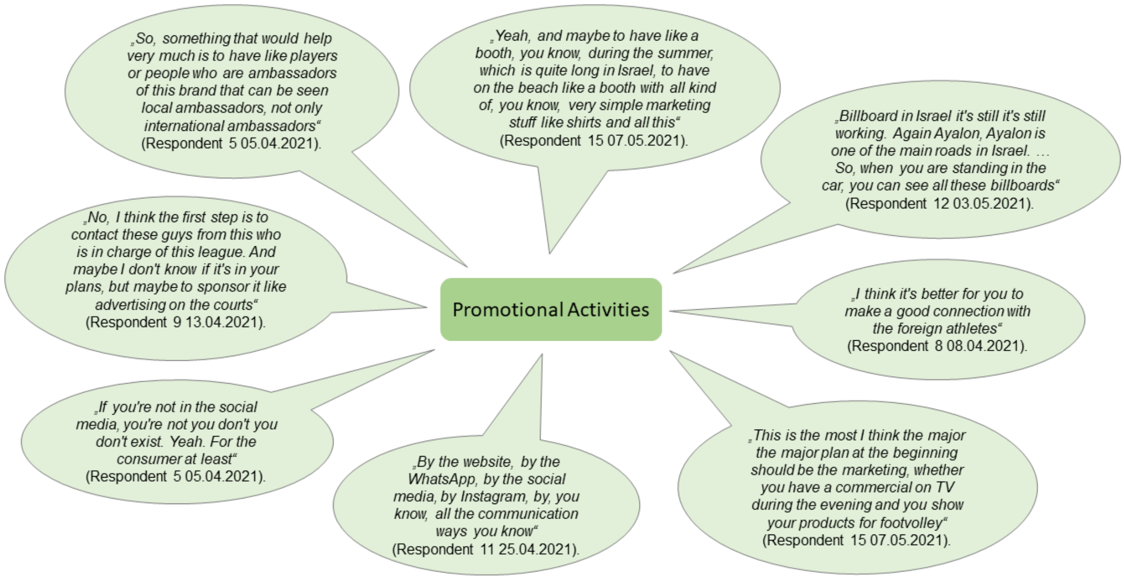

Figure 15: Significant Statements regarding Promotional Activities (own presentation)

One promotional strategy that should be considered is to start partnerships with players that act as ambassadors for the brand and to sponsor footvolley events. Moreover, it can bring success to have a booth near the beach where shirts and other products are sold. Also, it is important to show presence and promote products on social media. Some experts stated that promotions via television or on billboards could be a good strategy for generating additional media penetration.

8.2.5 Significant Obstacles and Barriers for a Market Entry into Israel

The experts of the Israeli market as part of the primary market research also asked about their opinion about existing obstacles and entry barriers of the Israeli market. Figure 16 illustrates the biggest obstacles and possible entry barriers for foreign companies when planning to enter the Israeli market. The size of the words thereby indicates how often an obstacle respectively entry barrier was mentioned by the interviewed experts.

Figure 16: Obstacles and Entry Barriers for foreign Companies (own presentation)

An obstacle that was discussed the most is the language barrier for foreign companies. All the interviewed experts that live in Israel have the opinion that the language difference is not a problem at all, whereas the experts in internationalisation that entered the market as a European company stated that the language could be a problem. They pointed out that most people speak fluently English, but for promotional activities some adaptations need to be made. According to the experts, another obstacle is the fact that the Israeli market is very isolated from its surrounding countries. This means that it is difficult to travel between those countries and that cross-border activities are rarely possible. Another factor that can be an entry barrier especially for smaller companies is that in Israel retail prices are much higher than in other countries which can be problematic for a brand. According to respondent 8 the costs to ship to Israel are relatively because it is located far away from a country like Austria (cf. Respondent 8 08.04.2021).

Other obstacles that can be an entry barrier and that the experts mentioned are for example additional import requirements, the uncertainty of the political situation in the country or the fact that Israeli customers would rather look for well-known brands on the market. Lastly, COVID-19 was mentioned as an obstacle since the market changed fundamentally and companies need to adapt their e-commerce strategy. Nevertheless, it can also be a chance for smaller companies that bring innovative products to the market.

8.2.6 Critical Factors that are relevant for entering the Israeli Market

The last target of the primary research was to explore critical success factors for entering the Israeli market. First, the experts evaluated the general chances for an Austrian SME like Bolao to successfully enter the Israeli clothing Industry. Most of the experts mentioned that it is very difficult for an SME to enter the Israeli market, because there are a lot of strong competitors and without being a successful and well-known brand abroad, it will be challenging to succeed within the fashion industry. Nevertheless, respondent 14 stated that in the case of Bolao it can work to be successful, because a specific niche market is targeted for a sport that has just started to grow. Also, it should be possible to quickly generate high brand awareness and together with the right marketing strategy it has a lot of market potential (cf. Respondent 14 07.05.2021).

After evaluating the chances for SMEs to enter the Israeli market, the experts gave their opinion about critical success factors that the company need to consider. Figure 17 shows the different success factors that were mentioned by the experts. The number of mentions indicates how often a specific factor was mentioned from different experts.

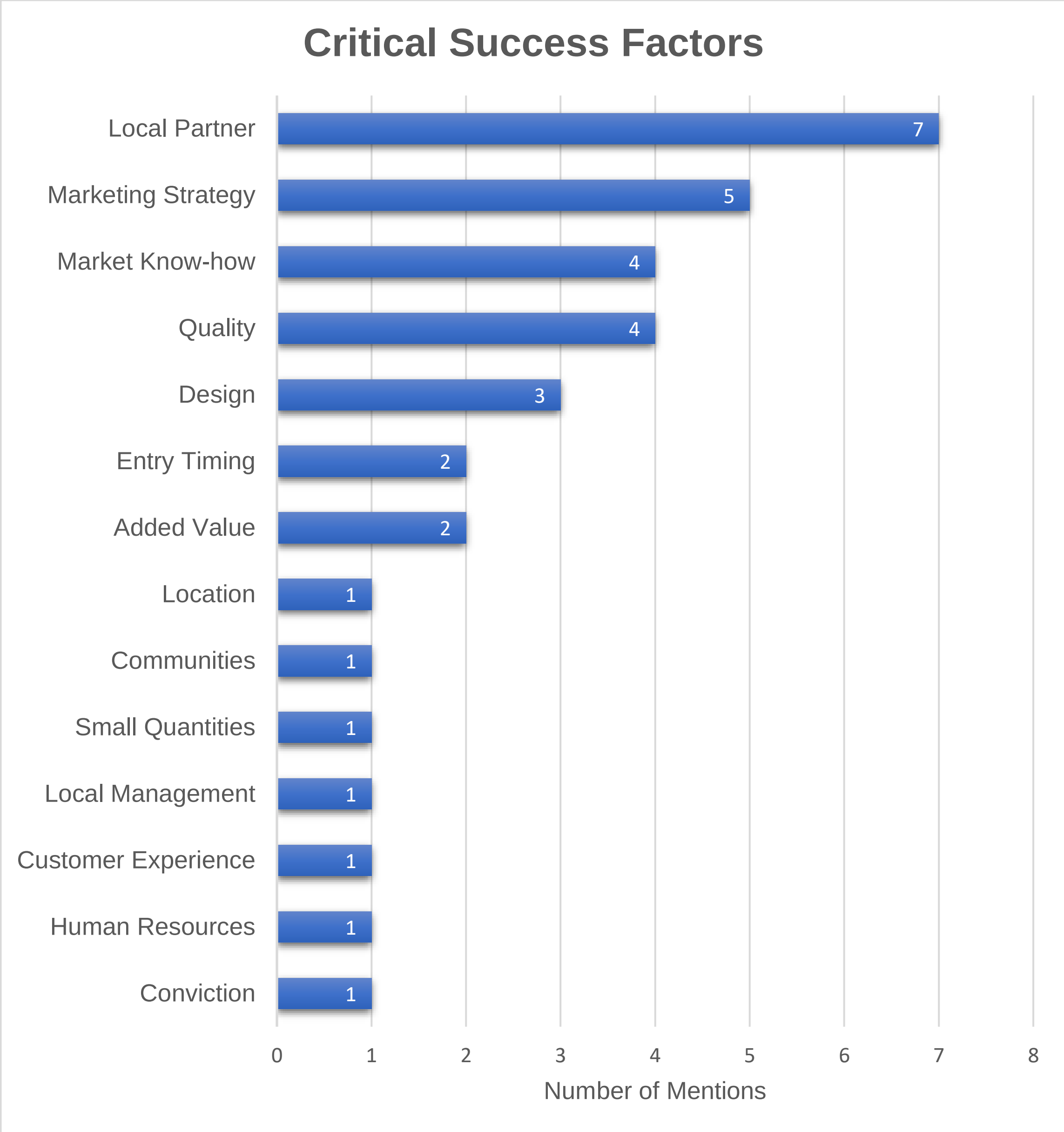

Figure 17: Critical Success Factors for entering the Israeli Market (own presentation)

The most critical success factor that was mentioned is to have a local partner that has a lot of experience in the Israeli market. The second most important aspect according to the experts is to have a good marketing strategy. Also, a high amount of market know-how and the product attributes quality and design are very important. The right entry timing and a high added value are further success factors that should be considered within the market entry strategy. Other factors that were only mentioned once are for example to choose the right location, the possibility to order smaller product quantities or having a good and motivated team for the market entry.

At the end of an interview every expert was also asked to share the most important aspect that needs to be considered when entering the Israeli market. Figure 18 illustrates the most important aspects, whereby the bigger the words are, the more often an aspect was mentioned.

Figure 18: Most important Aspects for entering the Israeli Market (own presentation)

As shown, according to the experts, the most important aspect when entering the Israeli market is to look for a local business partner, followed by the right quality and price of the products. Moreover, it was stated that a unique selling proposition is crucial. Other factors that are significant and need to be considered are the weather and diversity of people, a strategic marketing plan, showing local presence and using the brand power combined with publicity to create the right atmosphere for the potential customers on the market.

9 International Market Entry Concept for Bolao

The following chapter represents the market entry concept for Bolao, including strategy and goals, the choice of entry mode and the planning of the international marketing mix. Moreover, an action plan and budgeting as well as recommendations and measures for the implementation and controlling of the market entry are part of the concept.

9.1 Strategy and Goals

Following the systematic market entry approach of Fuchs and Apfelthaler, the next step after evaluating the corporate readiness and product readiness (chapter 7.1) is to select the right target market and to define strategic and operational goals as the basis of the international marketing plan.

9.1.1 Target Market Selection

After gathering specific insights from the external and internal analysis as well as from the primary market research about the Israeli market, it is crucial to define which market segment and target group Bolao wants to reach with its clothing brand. As the clothing of Bolao is classified into two different categories, two different target markets can be addressed. Since the performance wear of Bolao is designed for playing footvolley, the main target group are Israeli footvolley players. In Israel, footvolley is mainly played at Tel Aviv Beach and therefore this is the most important location to be present on the market. The results of the market research show that primarily young men are playing footvolley and will therefore be the main customers for performance wear. Still women and kids demand footvolley clothing because not many products are available on the market yet. The second product category, the lifestyle clothing of Bolao has an even bigger market potential. Not only footvolley players can be targeted, but also fans of the sport and people that are generally enjoying the product design. This means, that for the performance wear Bolao should try to target footvolley players directly and for the lifestyle clothing also focus on the broader clothing market to increase brand awareness and use further growth potential.

9.1.2 Strategic and Operational Goals

To be able to successfully enter the Israeli market in the footvolley segment and to reach the target customers, also strategic and operational goals need to be defined. The main company objectives are described in chapter 1.3. Since this market entry concept includes strategic planning of the marketing mix, further goals need to be fulfilled. Not only should new customers be acquired from the Israeli market, but also the general brand awareness of Bolao should be increased. Moreover, the Israeli market should be the first market that will be entered in the future. Therefore, a big operational goal is to roll out the new Bolao loyalty programme and establish it on the Israeli market. Most of all, since the footvolley market is growing and the competition is increasing, an important aspect is to enter the market as soon as possible and set up additional entry barriers for followers.

9.2 Entry Mode Choice

For being able to reach the right target market and to achieve the market entry goals of the FoF OG, a crucial part of the market entry concept is to choose the most advantageous entry mode. For the selection of the entry mode the systematic approach of Root (as described in chapter 3) is applied, where the possible entry modes are compared in a matrix. Following the strategy rule, the first step is to rule out market entry modes that are not viable for the FoF OG due to internal or external factors (chapter 4.2). The findings of the literature part of this thesis as well as the findings from the primary market research help with this decision. The internal potential analysis (chapter 7.1.1) showed that the FoF OG doesn't have a lot of international experience and is lacking on financial resources, as well as on a good foreign operation strategy. Since all these attributes are vital for types of investment entry modes, they are not feasible and can be excluded in the case of Bolao. The two remaining types, exporting entry modes and contractual entry modes are compared in a scoring model to find the most appropriate market entry mode for Bolao. The dimensions were weighted internally by the level of significance for the FoF OG for entering the Israeli market. Next, the different entry modes were valued with a score from 1 to 5 and were then multiplied with the weight of each dimension. The entry mode with the highest value after adding all scores together is the most suggested market entry mode for Bolao and is the basis for the subsequent marketing mix strategy.

Evaluation Criteria	Weight (W) ∑ = 100	Market Entry Modes									
		Export Entry Modes				Contractual Entry Modes					
		Indirect Exporting		Direct Exporting		Contract Manufacturing		Franchising		Licensing	
		Score (S)	S x W	Score (S)	S x W	Score (S)	S x W	Score (S)	S x W	Score (S)	S x W
High Control	12,5	1	12,5	3	37,5	2	25	2	25	3	37,5
Low Resource Commitment	17,5	5	87,5	5	87,5	4	70	4	70	5	87,5
High Flexibility	15	4	60	5	75	2	30	2	30	4	60
Low Costs	30	3	90	4	120	2	60	3	90	3	90
High Partner Resources	17,5	2	35	4	70	3	52,5	4	70	4	70
Low Risk of Knowledge Dissemination	7,5	4	30	4	30	1	7,5	2	15	2	15
Score ∑ = 1640 (100%)			315		420		245		300		360

Table 6: Scoring Model for the Entry Mode Choice (own presentation)

Table 6 shows that the highest-ranking entry mode after the comparison along the most significant dimensions, is direct exporting followed by licensing. This means that the most suitable market entry mode for Bolao to enter the Israeli clothing industry is direct exporting. This corresponds with the suggestions of the experts. Therefore, the FoF OG should look for a trustworthy distributor or agent on the market that can support the market entry with a lot of market knowledge and an already established sales and distribution network. The best-case scenario would be if this local partner has good connections to the footvolley market in Israel and can connect the FoF OG with existing producers, suppliers and buyers from the different footvolley schools. However, the final decision for the right market entry mode needs to be made by the CEO of the FoF OG. For a more detailed entry mode decision, it is advised to conduct a separate profit contribution analysis, a comparative risk analysis and an analysis for non-profit objectives that will then be supplemented to the overall comparison matrix.

9.3 International Marketing Mix

After selecting the market entry mode for Bolao, the next step within this market entry concept is the planning of the international marketing mix. This chapter includes recommendations for the product strategy, the pricing strategy, the distribution strategy and the communication strategy for the Israeli market. The strategy for the marketing mix is mainly derived from the SWOT analysis (chapter 7.3) as well as from the findings of the qualitative market research (chapter 8.2.4).

9.3.1 Product Strategy

As stated by the Israeli footvolley experts, people are specifically looking for high-quality performance clothing that also fits the vibe and the atmosphere of this market segment. Due to the high temperatures especially during the summer months, the fabrics of the performance wear need to be breathable. Therefore, the FoF OG should finetune the products together with their producer and use different fabrics to further improve the product quality. In addition, the company needs to focus on adjusted products for the winter months because due to the climate it is off-season in Austria and there is a lot of delivery capacity available to supply the Israeli market. Especially, long sleeve shirts should be produced. Moreover, Israeli customers are demanding lifestyle clothing and accessories, which Sand Walk does not supply. This is a huge opportunity for Bolao to gain additional market share and to have a competitive advantage. For the winter months for the most part sweatpants and hoodies should be sold to the Israeli market. Furthermore, with lifestyle clothing a bigger target group can be reached and the brand can further grow within the overall clothing industry in Israel. Especially, since there is hardly any footvolley clothing for kids and women available, these products can bring a lot of new customers. Moreover, research showed that Israeli customers mainly buy footvolley clothing from Sand Walk. The product screening (chapter 7.1.2) however shows that Bolao has advantages over Sand Walk regarding design, quality and the range of products. Bolao also offers individual design on request, which can be a huge chance to attract new customers or whole clubs in Israel. Bolao should therefore adapt their product colours and patterns to fit the Israeli vibe and offer special designs. Another opportunity is to not only target the footvolley market but also other sports segments that are popular at Tel Aviv Beach like volleyball or surfing. A potential future product development for a breakthrough on the market could be to focus on high-tech performance clothing, which for example tracks fitness data while playing footvolley. Maybe a cooperation with an Israeli high-tech company can be started.

9.3.2 Pricing Strategy

For the pricing of the products the research showed that the general costs for living are much higher in Israel than in European countries for example. Also, people have comparatively a higher buying power than most European customers. However, Israeli customers can easily compare product prices online and demand standard prices. Therefore, the advised pricing strategy for Bolao to enter the Israeli market is penetration pricing. The products should be launched on the market with a relatively low price, similar to the prices of the competitors, but Bolao should offer better product quality to exploit as much market potential as possible. Moreover, a good strategy is to offer value added services like the Bolao loyalty programme. After buying clothing for Bolao or booking a training camp, customers get bonus points within their account on the website. After a certain amount of bonus points, they then receive special offers and discounts for future purchases. This does not only satisfy the customers but also brings advantages to Bolao. Not only that the customer’s loyalty is promoted but additional customer data can be tracked for further improvements of the overall marketing strategy. On top of that, special price deals for footvolley schools should be offered to provoke a potential partnership.

These schools should get a discount if they order large quantities. Altogether, the pricing strategy for Bolao needs to be planned on a long-term perspective. To be able to secure a good positioning on the market, product prices need to be adjusted depending on the demand, change in competition and increasing costs.

9.3.3 Distribution Strategy

Since direct exporting via a distributor or an agent is suggested as the right market entry mode for Bolao, it is crucial to find a trustful local partner that can help with distributional activities. The distribution partner needs to be familiar with the Israeli clothing industry and have an already established sales network that can be used for the products of Bolao. As the footvolley market is still small and customers purchase footvolley clothing mainly at their footvolley school, the best strategy is to start an exclusive partnership with one of the schools. A great opportunity is to negotiate with Arena Club, since the owner mentioned in an interview that he is already looking for a new clothing supplier, because of too long delivery times of the current supplier. Therefore, the most important aspect is to guarantee fast delivery times by negotiating long-term contracts with the supplier and distribution partner of Bolao. Moreover, it makes sense to look out for a local sales representative in Israel. The FoF OG should stay in contact with the Austrian centre of commerce in Tel Aviv and get advice on who to contact. After the brand is established on the market, Bolao could sell clothes directly at Tel Aviv Beach at a booth or small store. Especially for lifestyle clothing it could be a great chance to connect to a local store that adds some of the products into its product line.

9.3.4 Communication Strategy

The primary market research showed that the Israelis are looking for well-known brands when buying clothes. Therefore, it is crucial to increase the brand awareness of Bolao through promotional activities. As a result, a great opportunity is to start an exclusive partnership with two or three footvolley teams from Israel that help to promote the brand Bolao within their community. They will be part of “Team Bolao”, a category within the online shop, where individual designs of brand partners are sold. This brings the advantage that the top teams are role models for other players, are locally known and already have a high level of trust. Members of Team Bolao should act as brand ambassadors to increase the brand awareness and further support sales through references. Moreover, it is crucial to reach the Israeli customers via targeted posts on social media. Here, local players can play a significant role since they can promote the products on their channel in Hebrew to overcome the language barrier for Bolao. Also, the online shop should be translated into Hebrew for Israeli customers. Moreover, a communication plan should be developed that predefines main promotional focuses. For example, the communication should be different during certain seasons. In the summer it is vital to promote performance clothing and lifestyle wear for the beach. In the winter, mainly lifestyle clothing, like hoodies as well as long sleeve shirts need to be promoted. A promotional focus of Bolao should be on personalised clothing and the opportunity for footvolley schools and teams to order individual performance wear.

Bolao should consider sponsoring footvolley tournaments in Tel Aviv or the footvolley league as mentioned by one expert. That would increase the local brand awareness significantly. Due to the expertise of the FoF OG in organizing footvolley events, they could also promote an all-inclusive sponsor package to the footvolley clubs, where the event organization is included. The best-case scenario would be if Bolao has a fixed contract with a footvolley school and in return, one of the footvolley arenas will be named after Bolao with banners that are permanently installed. Through banners, shirt sponsoring and other advertising surfaces like beach flags, chairs and umbrellas, people will be aware of the brand and buy more products from Bolao. The branding will not only be seen at the arena itself but also during live streams and on pictures that are used for social media and public relations in Israel. This would offer, in the long run, the chance for Bolao to increase its brand awareness and position well on the Israeli market. If the marketing budget increases, the brand could be further promoted via television or billboards that are rented near the beach areas in Tel Aviv.

9.4 Action Plan and Budgeting

The following table 7 illustrates an overview of the required actions and costs for the market entry of Bolao into the Israeli market. All costs provided in the table are gross estimations and need to be aligned with the existing budget for the market entry. Furthermore, recommendations regarding the responsible person for the planned actions and the timing of the actions are presented.

No.	Recommended Action	Description	Estimated Costs in €	Responsible Person(s)	Period
1	Observation of Israeli clothing market and competition	Recording of market development & observation of competitors (~240 hours à 25€ personnel costs) Country and industry reports (1000€)	7 000 €	Marketing employee	Start from September 2021; ongoing
2	Get in touch with the Austrian centre of commerce in Tel Aviv	Get a list of potential distributors & ask for further market information (~80 hours à 25€ personnel costs)	2 000 €	Marketing employee	Start from September 2021; ongoing
3	Get in touch with potential business partners	Contact distribution partners & contact owners of footvolley schools (~80 hours à 25€ personnel costs)	2 000 €	Marketing employee	October 2021
4	Translation of the website	Translation of the online shop into Hebrew (~0,40€ / word)	4 000 €	External Agency	October 2021
5	Production of clothing products	Production of 500 additional products (à ~9€ / piece) for the inventory that can be shipped to Israel	4 500 €	Supplier	October 2021
6	Business trip to Tel Aviv	Visiting potential business partners Travel expenses x2 (520€) Hotel x2 (980€) Product samples (100€)	1 600 €	CEO and Int. Manager	November 2021
7	Branding of a footvolley arena	Banners in the stadium, flags, umbrellas & beach chairs	5 000 €	Footvolley school	December 2021
8	Social media postings	Specifically targeted posts to Israeli customers	400 €	Marketing employee	December 2021; ongoing
9	Launch the Bolao loyalty programme	Programming for the website (~100 hours à 25€ personnel costs)	2 500 €	Internal programmer	From October to December
Estimated total costs			29 000 €		

Table 7: Action Plan and Budgeting (own presentation)

As table 7 shows, the main costs that arise for the market entry into the Israeli market are the production of additional products, the branding of a footvolley arena in Tel Aviv and the translation of the website into Hebrew. Moreover, a business trip to Israel is indispensable, where all the details with potential business partners should be negotiated and the actual market situation on the spot should be checked. Therefore, it is planned that the CEO of the FoF OG and one employee, that is responsible for the market entry, travel to Tel Aviv. Overall, the estimated total costs add up to an amount of 29 000 €. The exact costs however need to be calculated after the company decides on the exact market entry strategy.

9.5 Recommendations and Controlling

Since the implementation and controlling of the market entry concept is not part of this master thesis and needs to be executed by the FoF OG, the following chapter only provides recommendations for further actions based on the results of the theoretical part and the primary market research.

9.5.1 Recommendations

Based on the developed market entry concept for Bolao, in the following recommendations for further actions are listed:

1. **Constantly observe the market environment and the competition**
   The Israeli market is very fast changing, especially regarding technological changes. Therefore, it is important to constantly monitor the Israeli macroenvironment and the marketing strategies of the direct competitors. A marketing employee of the FoF OG should start to further observe the Israeli clothing market and the competition in more detail starting at the end of September 2021. Also, specific country and industry reports should be purchased.

2. **Choose direct exporting for entering the Israeli market**
   The research of this master thesis comes to the result that in Bolao's business case direct exporting via a distributor is the most suitable market entry mode. This entry mode saves a lot of costs and the resource commitment is quite low. The final decision however should lie at the CEO of the FoF OG.

3. **Find a trustful distribution partner**

   For a successful market entry with direct exporting, it is crucial to find a trustful local distribution partner that has a lot of market knowledge and an established business network. The first step is to get in touch with the Austrian centre of commerce in Tel Aviv in September 2021 and get a list of potential distributors that will be contacted by a marketing employee of the FoF OG. For Bolao it makes most sense to look for a partnership with a footvolley school, which sells the products directly to the Israeli customers. Therefore, also the owners of all footvolley schools in Israel need to be contacted by one of the employees. This should be done by a marketing employee in October 2021.

4. **Enter the Israeli market as soon as possible**

   Since the market is fast growing and the competitions increases, it is crucial to enter the Israeli at the latest by the beginning of next year. Bolao should choose the waterfall strategy and use the Israeli market as a door-opener to other markets. To achieve this goal, it is crucial to enter the market before other competitors to negotiate exclusive contracts and set entry barriers for following companies. The FoF OG should also consider appoint an internationalisation manager, that is responsible for the whole market entry process to Israel and consecutive for other international markets.

5. **Adapt the marketing mix to local needs**

   It is very important to adapt the overall marketing mix to the needs of the Israeli customers. The FoF OG should search for a local during the planned business trip in November, who can help with promotional activities for a better customer acquisition. Moreover, it is advised to translate Bolao’s website into Hebrew. Since the online shop is the easiest possibility to sell to Israeli customers, the translation should be commissioned by an external agency in October 2021.

6. **Choose the right products and price for the Israel market**

   To fulfil the customer needs on the market, especially breathable performance wear for the summer and lifestyle cloths for the winter should be sold to the Israeli market. Therefore, Bolao’s supplier needs to produce

500 additional products in October 2021. For the pricing of the products, Bolao should penetrate the market with a moderate price in the beginning but with high-qualitative products and an additional focus on personalised clothing. This could again be area of responsibility by the internationalisation manager.

7. **Sponsor local footvolley schools and teams**

   To target Israeli customers precisely, a local footvolley school should be branded to increase brand recognition and to gain additional media coverage in live streams and public relations. This should be done by the footvolley school in December 2021 after the contract details were negotiated during the business trip to Tel Aviv.

8. **Increase Bolao's brand awareness**

   The interviewed experts pointed out that Israeli customers are brand oriented. Therefore, it is crucial to increase Bolao's brand awareness and be as present on the market as possible. Therefore, local footvolley teams should become members of the so-called "Team Bolao" (described in chapter 9.3.4) and act as brand ambassadors. This programme will be promoted further on the website and via specifically targeted posts on social media in December 2021.

9. **Launch the Bolao loyalty programme on the Israeli market**

   To increase customer loyalty and to track the data of Israeli customers the new Bolao loyalty programme (describe in chapter 9.3.2) should be launched on the Israeli market in the first quarter of 2022. Therefore, it needs to be programmed and added to the website by an internal programmer of the FoF OG from October to December 2021 at the latest. Customers can then register on the website and collect bonus points for future purchases and receive special offers. The loyalty programme will help to measure the number of generated customers and hence to control if the company's objective of reaching 2000 new customers from the Israeli market is achieved.

9.5.2 Key Performance Indicators

For the controlling of the recommended actions, the FoF OG should monitor following key performance indicators to measure the success of the market entry to the Israeli market with the brand Bolao. By measuring the KPI's, Bolao can detect deviations from the target value early and react to changes in a fast manner. The following table 8 shows the essential KPI's to track Bolao's performance and the suggested reporting frequency.

Measure	Reporting Frequency
Sales volume	Monthly
Turnover with products	Monthly
Return on investment	Yearly
Number of acquired customers	Monthly
Market share	Yearly
Brand awareness/image	Every 2 years
Customer satisfaction index	Every 2 years
Members of the loyalty programme	Monthly
Website traffic	Monthly
Social traffic	Weekly

Table 8: Key Performance Indicators (own presentation)

10 Conclusion

The conclusion of this master thesis represents the challenges and obstacles the author of this thesis had to deal with during the writing as well as the key learnings.

First, there is a lot of literature available that deals with internationalisation and market entries. Still, there are many different opinions on how to categorise the different market entry modes. Moreover, it was not easy to find a systematic market entry approach that can be applied for smaller companies with little international experience. Regarding the findings of the literature research, the approach of Fuchs and Apfelthaler was very helpful to develop a market entry concept for Bolao. Especially for the Israeli market the most recommended market entry mode is direct exporting via a local distribution partner that can help the FoF OG with existing market knowledge and an already built distribution network.

Secondly, the business case of Bolao is challenging because a special niche market is targeted. Therefore, finding experts for the primary market research was challenging. However, in the end the experts shared a lot of valuable experience and knowledge that was used, together with the findings from the theoretical part to develop a market entry concept. Also, the market research showed that the Israeli customers like to buy clothing products, especially if the products have a good quality and the brand is well known. Moreover, the footvolley market has been growing extremely throughout the last four to five years. This development provides promising opportunities for companies like Bolao to enter the market. However, it is crucial to enter the market as soon as possible since the competition is steadily increasing. With strategic planning and the right marketing mix Bolao will be able to reach the company objectives described in 1.3.1.

Finally, the author of this thesis hopes that the market research, as well as the developed market entry concept and recommendations can contribute to a successful market entry of the clothing brand Bolao into the Israeli market.

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Appendix

Appendix: Table of Contents

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1 Work Breakdown Structure

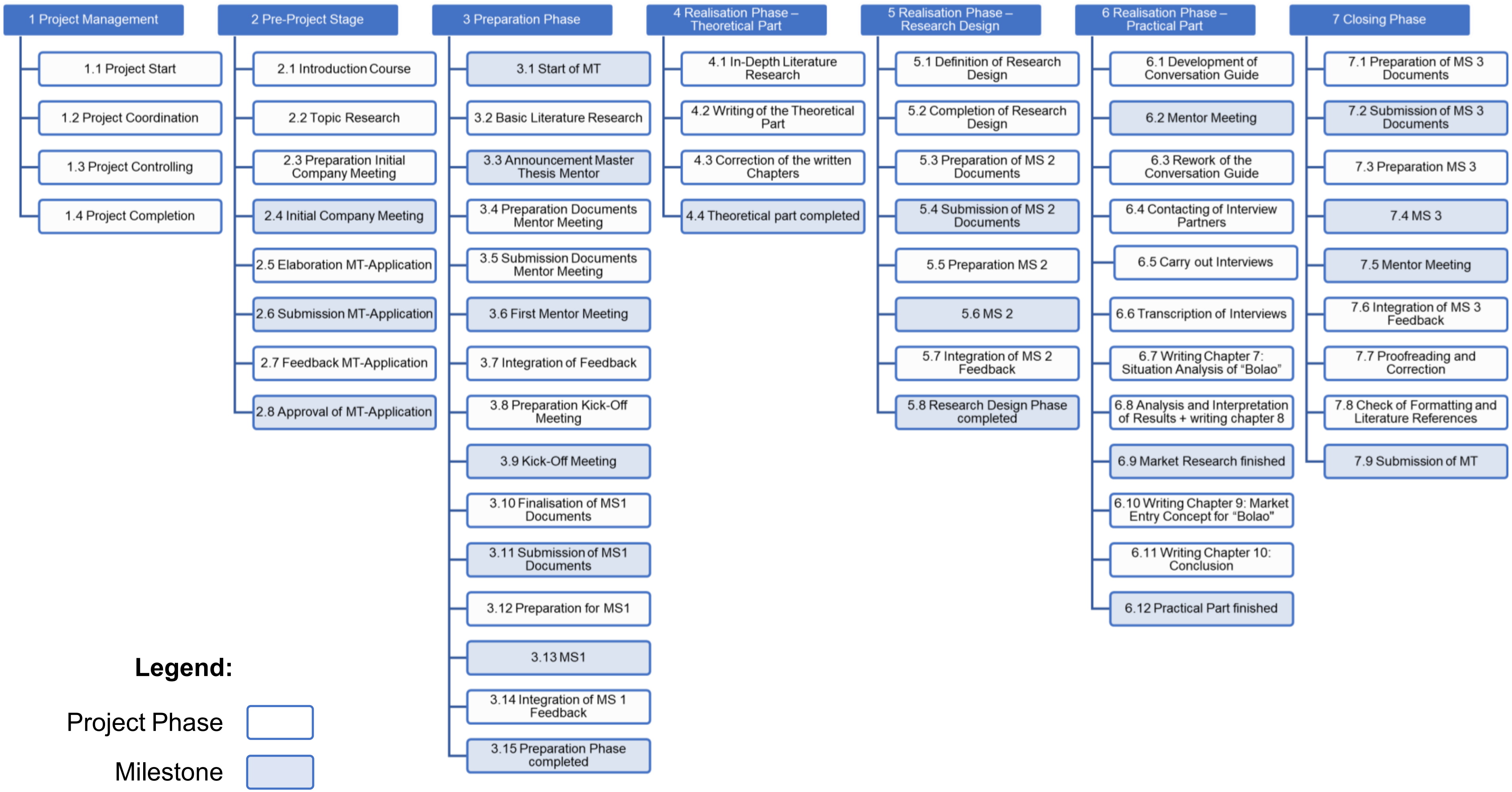


Figure A - 1: Work Breakdown Structure (own presentation)

2 Master Thesis Project Plan

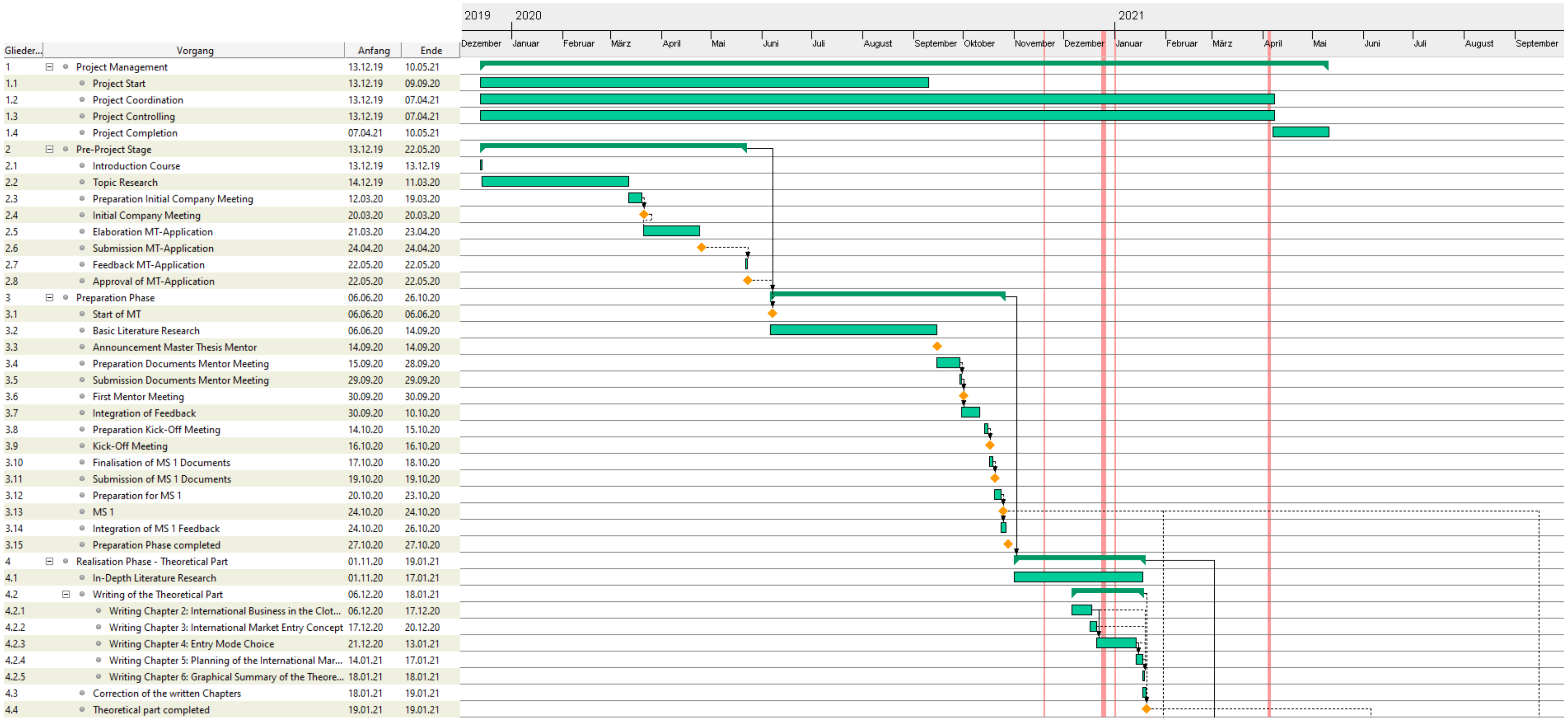
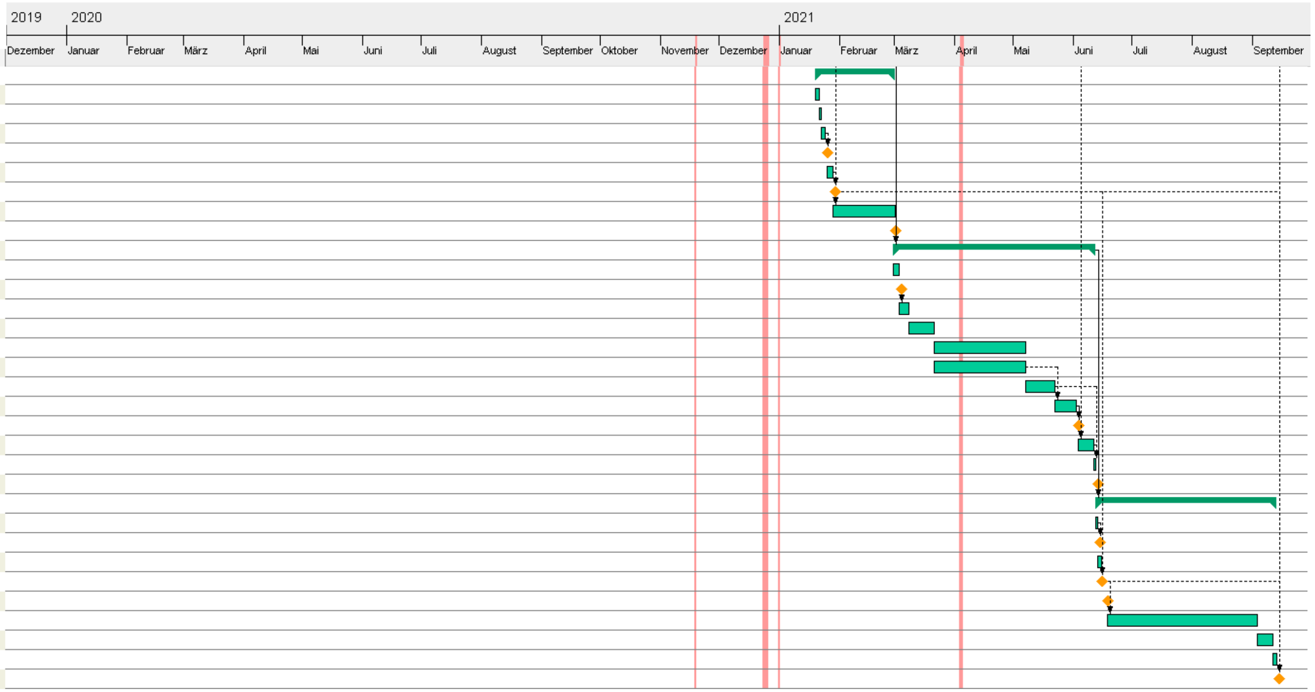


Figure A - 2: Master Thesis Project Plan - Part 1 (own presentation)

Glieder...	Vorgang	Anfang	Ende
5	Realisation Phase - Research Design	20.01.21	01.03.21
5.1	Definition of Research Design	20.01.21	21.01.21
5.2	Completion of Research Design	22.01.21	22.01.21
5.3	Preparation of MS 2 Documents	23.01.21	24.01.21
5.4	Submission of MS 2 Documents	25.01.21	25.01.21
5.5	Preparation MS 2	26.01.21	28.01.21
5.6	MS 2	29.01.21	29.01.21
5.7	Integration of MS 2 Feedback	29.01.21	01.03.21
5.8	Research Design Phase completed	01.03.21	01.03.21
6	Realisation Phase - Practical Part	01.03.21	12.06.21
6.1	Development of Conversation Guide	01.03.21	03.03.21
6.2	Mentor Meeting	04.03.21	04.03.21
6.3	Rework of the Conversation Guide	04.03.21	08.03.21
6.4	Contacting of Interview Partners	09.03.21	21.03.21
6.5	Carry out Interviews	22.03.21	07.05.21
6.6	Transcription of Interviews	22.03.21	07.05.21
6.7	Writing Chapter 7: Situation Analysis of "Bolao"	08.05.21	22.05.21
6.8	Analysis and Interpretation of Results + writing chapter 8	23.05.21	02.06.21
6.9	Market Research finished	03.06.21	03.06.21
6.10	Writing Chapter 9: Market Entry Concept for "Bolao"	04.06.21	11.06.21
6.11	Writing Chapter 10: Conclusion	12.06.21	12.06.21
6.12	Practical Part finished	13.06.21	13.06.21
7	Closing Phase	13.06.21	13.09.21
7.1	Preparation of MS 3 Documents	13.06.21	13.06.21
7.2	Submission of MS 3 Documents	14.06.21	14.06.21
7.3	Preparation MS 3	14.06.21	15.06.21
7.4	MS 3	15.06.21	15.06.21
7.5	Mentor Meeting	18.06.21	18.06.21
7.6	Integration of MS 3 Feedback	19.06.21	03.09.21
7.7	Proofreading and Correction	04.09.21	11.09.21
7.8	Check of Formatting and Literature References	12.09.21	13.09.21
7.9	Submission of MT	14.09.21	14.09.21



Legend: Holidays Milestone Dependences Work Packages Tasks

Figure A - 3: Master Thesis Project Plan - Part 2 (own presentation)

3 Master Thesis Milestone Plan

WBS Code	Milestone	Planned Date	Actual Date
2.4	Initial Company Meeting	20.03.20	20.03.20
2.6	Submission MT-Application	24.04.20	24.04.20
2.8	Approval of MT-Application	22.05.20	22.05.20
3.1	Start of MT	06.06.20	06.06.20
3.3	Announcement Master Thesis Mentor	14.09.20	14.09.20
3.6	First Mentor Meeting	30.09.20	30.09.20
3.9	Kick-Off Meeting	16.10.20	16.10.20
3.11	Submission of MS 1 Documents	19.10.20	19.10.20
3.13	MS 1	24.10.20	24.10.20
3.15	Preparation Phase completed	27.10.20	27.10.20
4.4	Theoretical Part completed	19.01.21	19.01.21
5.4	Submission of MS 2 Documents	25.01.21	25.01.21
5.6	MS 2	29.01.21	29.01.21
5.8	Research Design Phase completed	01.03.21	10.03.21
6.9	Market Research finished	15.03.21	07.05.21
6.12	Practical Part finished	07.04.21	12.06.21
7.2	Submission of MS 3 Documents	16.04.21	14.06.21
7.4	MS 3	23.04.21	15.06.21
7.5	Mentor Meeting	26.04.21	18.06.21
7.9	Submission of MT	10.05.21	14.09.21

Table A - 1: Master Thesis Milestone Plan

4 Interview Guidelines

4.1 English Guideline

Interviewee Information

Date:
Name of interview partner:
Company/Institution:
Position in the company/institution:

Interview Procedure

1. Welcoming and introduction to the topic
2. Opening questions
3. Topic 1: „General information about the Israeli market“
4. Topic 2: „Market entry into the Israeli market“
5. Topic 3: „Israeli clothing market“
6. Closing questions and acknowledgement

Welcoming and introduction to the topic

Dear Mr./Mrs. XY,

Thank you very much for taking the time to be available as an interview partner for the market research for my master’s thesis within my master’s program in “International Marketing” at FH Campus 02.

The aim of my master's thesis is to create a concept for a sportswear company to enter the Israeli market. The survey is structured into the three main topics “General information about the Israeli market”, “Market entry into the Israeli market” and “Israeli clothing market” and will take about 40 minutes.

Before we can start the interview, I must ask you if it is okay for you that our conversation will be recorded? The recording is only used for later analysis and is intended to simplify the interpretation of what has been said. Is it okay if you are mentioned by name in my master's thesis or do you prefer to remain anonymous? Do you have any questions before we start the interview?

Opening questions

At the beginning of the interview, I will ask you a few general questions about yourself and your company/institution.

1) Can you please introduce yourself?

- In which company/institution employed
- Position in the company/field of work
- International experience

2) How does your company relate to the Israeli market?

- Products and services
- Branch of the company
- Positioning on the market

Topic 1:
General information about the Israeli market

The first main topic of this interview has the purpose of covering general information about the Israeli market.

3) What are the characteristics of the Israeli market?

- Market size and segments
- Market profitability and potential
- Particularities of the market

4) How would you describe the macro-environment of the Israeli market?

- Political factors
- Economic factors
- Socio-cultural factors
- Technical factors
- Ecological-geographic factors
- Legal factors

Topic 2:
Market entry into the Israeli market

The second main topic has a special focus on a market entry into the Israeli market.

5) **In your opinion, what obstacles and success factors are there to enter the Israeli market and why?**

- Opportunities as an Austrian SME
- Market entry barriers
- Critical factors of success

6) **What market entry mode would you recommend for the Israeli market and why?**

- Focus on the clothing market
- Export entry modes
- Contractual entry modes
- Investment entry modes

7) **Which market entry modes do you recommend especially for small companies with little international experience and why?**

- Focus on Bolao (special market, low budget, etc.)
- Advantages and disadvantages of the market entry mode

8) **In your opinion, which forms of market entry fulfill the following decision criteria best or worst for entering the Israeli market?**
Please explain your decision.

- High control over important decision-making processes
- Little resource commitment for the market entry
- Flexibility in terms of strategic adjustments
- Low costs that need to be covered by the company itself
- Availability of external partner resources such as sales networks
- Little knowledge transfer or loss to competing market participants

Topic 3:
Israeli Clothing Market

The last main topic of this interview has a special focus on the Israeli clothing market.

9) What are the characteristics of the Israeli clothing market?

- Competitive situation
- Market trends
- Product range - sportswear
- Price structure
- Distribution channels and sales networks
- Communication channels

10) Can you tell me something about footvolley in Israel?

- Market needs and customer needs
- Competitive situation
- Possible distribution partners
- Supplier network

Closing questions

11) In summary, what do you think is the most important aspect to consider when entering the Israeli market?

12) Do you have any further questions, suggestions or comments on the topics discussed?

Thank you very much for your participation and the valuable input!

4.2 German Guideline

Informationen zur befragten Person

Datum des Interviews:
Name des Interviewpartners/der Interviewpartnerin:
Unternehmen:
Position im Unternehmen:

Ablauf des Interviews

1. Begrüßung und Vorstellung des Themas
2. Eröffnungsfragen
3. Themenblock 1: „Generelle Informationen zum israelischen Markt“
4. Themenblock 2: „Markteintritt in den israelischen Markt“
5. Themenblock 3: „Israelischer Bekleidungsmarkt“
6. Abschlussfragen und Danksagung

Begrüßung und Vorstellung des Themas

Sehr geehrter Herr XY/sehr geehrte Frau XY,

vielen Dank, dass Sie sich dazu bereit erklärt haben und sich die Zeit nehmen, um als Interviewpartner/Interviewpartnerin für die Marktforschung meiner Masterarbeit innerhalb meines Masterstudiums „International Marketing“ an der FH Campus 02, zur Verfügung zu stehen.

Das Ziel meiner Masterarbeit ist die Erstellung eines Konzepts für den Markteintritt einer Sportbekleidungsfirma in den israelischen Markt. Die Befragung ist in die drei Themenblöcke „Generelle Informationen zum israelischen Markt“ „Markteintritt in den israelischen Markt“ und „Israelischer Bekleidungsmarkt“ aufgebaut und wird ungefähr 40 Minuten in Anspruch nehmen.

Bevor wir mit dem Interview starten können, muss ich Sie fragen, ob es für Sie in Ordnung geht, dass ich unser Gespräch aufzeichne? Die Aufnahme dient später lediglich zur Analyse und soll die Interpretation des Gesagten vereinfachen. Ist es in Ordnung, wenn Sie in meiner Masterarbeit namentlich erwähnt werden oder bleiben Sie lieber anonym? Haben Sie noch irgendwelche Fragen bevor wir mit dem Interview starten?

Eröffnungsfragen

Zu Beginn des Interviews werde ich Ihnen ein paar allgemeine Fragen zu Ihrer Person beziehungsweise Ihrem Unternehmen stellen.

13)Können Sie mir etwas über Ihre Person erzählen?

- In welchem Unternehmen tätig
- Position im Unternehmen/Tätigkeitsbereich
- Internationale Erfahrung

14)Welchen Bezug hat Ihr Unternehmen zum israelischen Markt?

- Produkte/Service des Unternehmens
- Branche des Unternehmens
- Positionierung in Israel

Themenblock 1:
Generelle Informationen zum israelischen Markt

Kommen wir nun zum ersten Themenblock, welcher den Zweck hat, generelle Informationen über den israelischen Markt abzudecken.

15)Welche Charakteristika weist der israelische Markt auf?

- Marktgröße und Marktsegmente
- Marktprofitabilität und Marktpotential
- Besonderheiten des Markts

16)Wie würden Sie die Makroumwelt des israelischen Markts beschreiben?

- Politische Faktoren
- Wirtschaftliche Faktoren
- Sozio-kulturelle Faktoren
- Technische Faktoren
- Ökologisch-Geographische Faktoren
- Rechtliche Faktoren

Themenblock 2:
Markteintritt in den israelischen Markt

Kommen wir nun zum zweiten Themenblock, welcher einen speziellen Fokus auf den Markteintritt in den israelischen Markt legt.

17)Welche Hindernisse und Erfolgsfaktoren gibt es ihrer Meinung nach, um in den israelischen Markt einzutreten und warum?

- Chancen als österreichisches KMU
- Markteintrittsbarrieren
- Kritische Erfolgsfaktoren

18)Welche Markteintrittsform würden Sie für den israelischen Markt empfehlen und warum?

- Fokus auf Bekleidungsmarkt
- Formen des Exports
- Vertraglichen Markteintrittsformen
- Direktinvestitionen

19)Welche Markteintrittsform empfehlen Sie speziell für kleine Unternehmen, mit wenig internationaler Erfahrung und warum?

- Fokus auf Bolao (spezieller Markt, geringes Budget, etc.)
- Vorteile und Nachteile der Markteintrittsform

20)Welche Markteintrittsformen erfüllen Ihrer Meinung nach, folgende Entscheidungskriterien am besten bzw. am schlechtesten in Bezug auf den israelischen Markt? Bitte begründen Sie Ihre Entscheidung.

- Hohe Kontrolle über wichtige Entscheidungsprozesse
- Geringe Ressourcenaufbringung für den Markteintritt
- Flexibilität in Bezug auf strategische Anpassungen
- Geringe Kosten die vom Unternehmen selbst zu tragen sind
- Verfügbarkeit externe Partnerressourcen wie Vertriebsnetzwerke
- Geringer Wissenstransfer bzw. Verlust an konkurrierende Marktteilnehmer

Themenblock 3:
Israelischer Bekleidungsmarkt

Kommen wir nun zum dritten Themenblock, welcher einen speziellen Fokus auf den israelischen Bekleidungsmarkt legt.

21)Wie würden Sie den Bekleidungsmarkt in Israel beschreiben?

- Wettbewerbssituation
- Trends am Markt
- Produktangebot - Sportbekleidung
- Preisstruktur
- Distributionskanäle und Vertriebsnetzwerke
- Kommunikationskanäle

22)Können Sie mir etwas zu Footvolley in Israel berichten?

- Marktbedarf und Kundenbedürfnisse
- Wettbewerbssituation
- Mögliche Vertriebspartner
- Lieferantennetzwerk

Abschlussfragen

23) Zusammenfassend, was ist Ihrer Meinung nach der wichtigste Aspekt, den es bei einem Markteintritt in den israelischen Markt zu berücksichtigen gibt?

24) Haben Sie noch weitere Fragen beziehungsweise Anregungen oder Kommentare zu den besprochenen Themengebieten?

Recht herzlichen Dank für Ihre Teilnahme und den wertvollen Input!

5 Potential Analysis

Dimension	Rating					
	-3	-2	-1	+1	+2	+3
Company Potential						
Sales Organisation	O	O	O	O	O	O
Decision-making Processes	O	O	O	O	O	O
Financial Resources	O	O	O	O	O	O
Market Know-How	O	O	O	O	O	O
Capacity Utilisation	O	O	O	O	O	O
Delivery Capacity	O	O	O	O	O	O
Human Resources	O	O	O	O	O	O
Corporate Growth (Market Share)	O	O	O	O	O	O
Flexibility	O	O	O	O	O	O
Foreign Operation Strategy	O	O	O	O	O	O
International Experience	O	O	O	O	O	O
Product Potential						
Product Range	O	O	O	O	O	O
Product Quality	O	O	O	O	O	O
Product Design	O	O	O	O	O	O
Product Image	O	O	O	O	O	O
Order Processing	O	O	O	O	O	O
Delivery Process	O	O	O	O	O	O
Delivery Time	O	O	O	O	O	O
Price	O	O	O	O	O	O
Communication	O	O	O	O	O	O
Supply Chain	O	O	O	O	O	O
Adaptiveness to Customer Needs	O	O	O	O	O	O

Table A - 2: Dimensions for the Potential Analysis