



MASTER THESIS

To attain the academic degree of

Master of Arts in Business

from the

Degree Programmes

International Marketing & Sales Management

of CAMPUS 02 University of Applied Sciences

Market Entry Concept for the US Beauty & Personal Care Market on the Example of Luxury Cosmetics Ltd

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Declaration of authenticity

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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

First and foremost, I would like to express my sincere gratitude to my supervisor, Mag. (FH) Cornelia Stumptner. For her continuous support of my master thesis and research, for her guidance, valuable insights and motivation.

Besides my supervisor, I would like to express my gratitude to the rest of my thesis committee: MSc, DI DR. Martin Duque, Prof. Dr. Thomas Angerer and Dr. Ursula Haas-Kotzegger, for their valuable insights and questions.

My deepest gratitude goes to Dijana Čuzela for providing me with the professional expertise I require for my master thesis.

Furthermore, I would like to express my gratitude to my colleagues in the International Marketing programme, Claudia Neureiter, Thomas Holzer, Jasmin Bašić, Ulrike Stadler, Saskia Schwab, Christina Lerch, Daniela Hackinger, who provided me with professional support, and for the stimulating discussions.

I would also thank all the interviewees who participated in the primary research and shared their expertise and knowledge.

Last but not least, I would like to thank Vlasta Zajec, Vedrana Vranešić, Nenad Vranešić, who supported me through the whole process and had faith in me.

Valentina Zajec

Summary

The theoretical and practical aspects of the internationalisation of small companies and the market entrance into the American Beauty and Personal Care industry are presented in this thesis. This thesis aims to create a market entry concept for Luxury Cosmetics Ltd, a Croatian beauty company based in the coastal city of Rijeka. The company hopes to grow its operations outside of Europe using the sugar paste brand called Cleopatra Professional. As a result, the concept focuses on the beauty and personal care industry in the United States and the internationalisation of small and medium-sized enterprises. Additionally, the aim of the thesis is to select the most appropriate market entry mode and communication activities that accompany the entry mode. To acquire further information, a secondary and primary research were conducted based on the literature. In the primary research, eight experts in the field of internationalisation and seven experts in the field of communication participated in the study. The market entry concept is based on the literature and findings of the primary and secondary market research. It follows the phases that are established in strategic marketing and provides recommendations on the chosen market entry mode and the communication activities. The findings in this thesis show that the most appropriate market entry mode would be direct export in form of distributors.

Abstract

In dieser Diplomarbeit werden die theoretischen und praktischen Aspekte der Internationalisierung kleiner Unternehmen und des Markteintritts in die amerikanische Schönheits- und Körperpflegeindustrie dargestellt. Das Ziel dieser Diplomarbeit ist es, ein Markteintrittskonzept für Luxury Cosmetics Ltd., ein kroatisches Kosmetikunternehmen mit Sitz in der Küstenstadt Rijeka, zu erstellen. Das Unternehmen strebt an, seine Aktivitäten mit der Zuckerpastenmarke Cleopatra Professional außerhalb Europas auszubauen. Daher konzentriert sich das Konzept auf die Schönheits- und Körperpflegeindustrie in den Vereinigten Staaten und die Internationalisierung kleiner und mittlerer Unternehmen. Darüber hinaus ist das Ziel der Diplomarbeit, den am besten geeigneten Markteintrittsmodus und die den Eintrittsmodus begleitenden Kommunikationsaktivitäten auszuwählen. Um weitere Informationen zu erhalten, wurden anhand der Literatur die Primär- und die Sekundärforschung durchgeführt. Im Rahmen der Primärforschung nahmen acht Experten aus dem Bereich Internationalisierung und sieben Experten aus dem Bereich Kommunikation an der Studie teil. Das Markteintrittskonzept basiert auf der Literatur und den Ergebnissen der primären und sekundären Marktforschung. Es folgt den Phasen, die im strategischen Marketing anerkannt sind, und gibt Empfehlungen zum gewählten Markteintrittsmodus und den Kommunikationsaktivitäten. Die Ergebnisse dieser Diplomarbeit weisen darauf hin, dass der direkte Export in Form von Distributoren der am besten geeignete Markteintrittsmodus wäre.

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List of abbreviations

B2B	=	Business-to-Business
B2C	=	Business-to-Consumer
B2G	=	Business-to-Government
BC	=	Business Categories
CBP	=	Customs and Border Protection
CIF	=	Cost, Insurance and Freight
COVID-19	=	Coronavirus Disease 2019
DHC	=	Degree of Hierarchical Control
DMC	=	Desired Mode Characteristics
DVCF	=	Delegated Value Chain Functions
EF	=	External Factors
EMC	=	Export Management Company
EPRG	=	Ethnocentrism, Polycentrism, Regiocentricism, Geocentricism
EU	=	European Union
FDA	=	Food and Drug Administration (U.S.)
FDI	=	Foreign Direct Investment
FI	=	Financial Risk
FOB	=	Free on Board
IF	=	Internal Factors
IMC	=	Integrated Marketing Communication
KPI	=	Key Performance Indicator
LC	=	Luxury Cosmetics
ME	=	Market Entry
MEM	=	Market Entry Mode

MER	=	Market Entry Rapidity
MNCs	=	Multinational Companies
PC	=	Product Characteristics
PM	=	Proximity to the Market
PR	=	Public Relations
ROI	=	Return on Investment
R&D	=	Research and Development
SME	=	Small and Medium-sized Enterprise
TSF	=	Transaction-specific factors
UVA	=	Utility Value Analysis
US	=	United States (of America)
WOM	=	Word-of-Mouth
WOS	=	Wholly Owned Subsidiary

1. Introduction

This master thesis aims to develop a market entry (ME) concept for the Croatian company Luxury Cosmetics (LC) in the United States (US) market. This chapter contains the company's profile, initial situation, challenges, objectives, and frame of reference.

1.1 Luxury Cosmetics Ltd

The following section will provide an overview of the company's profile and its brand characteristics.

1.1.1 Profile

Luxury Cosmetics Ltd. is a Croatia-based company that offers a wide range of international cosmetic brands in the field of colour cosmetics, skincare, haircare, and personal care to professional and non-professional consumers (cf. Ćuzela 30.09.2020). Additionally, the firm manufactures natural and organic hair removal products, and it has established itself in the Croatian and European business-to-business (B2B) and business-to-consumer (B2C) market with its sugar paste brand Cleopatra Professional (cf. Ćuzela 30.09.2020). Currently, the firm is present in eight European countries and has the ambition to expand to the United States (US) market (cf. Ćuzela 30.09.2020). In 2020, the total value of exported goods was 132,600.00 EUR (cf. Poslovna 2021).

In addition to their e-commerce platform, the company holds a wholly owned subsidiary (WOS) based in Rijeka, a specialised store of professional cosmetics, accessories and equipment for hairdressers and makeup artists (cf. Ćuzela 30.09.2020). In 2020, the company had eight employees, a total income of 433,300.00 EUR and capital assets of 510,360.00 EUR. Thus, it is classified as a micro-enterprise (cf. Poslovna 2021)

1.1.2 Brand characteristics

As already stated, LC's leading brand is a hair removal product in the form of a sugar paste for conducting a temporary hair removal treatment known as sugaring or oriental epilation (cf. Ćuzela 30.09.2020). At first, sugaring was practised in Ancient Egypt, and it was widespread across the Middle East as a bridal custom (cf.

Morris/Brown 2006, p. 16). Hence, the brand identity revolves around the Ancient Egyptian culture, as it can be seen in the brand name, logo, and the product formula (cf. Ćuzela 12.12.2020). Generally, the main ingredients of the paste are sugar, lemon juice and water (cf. Lim et al. 2016, p. 660). However, the firm innovated the paste by adding medicinal herbs and an enzyme-rich papain extract (cf. Ćuzela 05.05.2020). The paste is applied in the hair growth direction, and removed in the opposite direction (cf. Lim et al. 2016, p. 660).

In 2011, LC obtained medals, prizes and awards for its brand for innovation in cosmetics at two innovation fairs, Palexpo in Switzerland and Kiwie in South Korea (cf. Ćuzela 05.05.2020). Additionally, the brand has Ecocert, which confirms that the composition of the product is 95% organic and 99.99% natural; Halal, which ensures the absence of alcohol; and cruelty-free and vegan, which confirms that the product has not been tested on animals and does not contain animal ingredients (cf. Ćuzela 05.05.2020).

As illustrated in Figure 1, the product line comprises seven product variations that differentiate themselves through outside temperatures, ingredients, paste consistency and hair removal method (cf. Ćuzela 05.05.2020). Strong-Epil is the most popular variation due to its paste consistency and higher resistance to warmer temperatures (cf. Ćuzela 05.05.2020).



Figure 1: Product line: Intimate – Epil, Chamomile and Argan Oil, Mixed – Epil, Soft – Epil, Strong – Epil, Tropical – Epil and Chocolate Edition (based on Cleopatra international n.d.)

Cleopatra Professional is distributed to the professional customer group (i.e., licensed beauticians, beauty salons, and spas) at the retail price of 24.68 EUR for

the quantity of 700 grams (cf. Cleopatra international n.d.). Additionally, a uniform pricing strategy is utilised, and the brand is positioned as a mid-price range option on the European market (cf. Cúzela 08.10.2020).

1.2 Initial situation

The US market was selected for developing a ME concept due to its demography and consumer behaviour (cf. Cúzela 30.09.2020). Additionally, the focus is solely on Florida (cf. Cúzela 12.12.2020). Florida was selected due to its warmer climate, as there is a correlation between more frequent hair removal usage in warmer months (cf. Cúzela 10.04.2021; Muzumdar et al. 2020, p. 3). Additionally, US consumers are willing to experiment with new services and products (cf. Cúzela 30.09.2020).

Nonetheless, since LC is classified as a micro-enterprise and has restricted resources, especially finance and human resources, it is vital to find a market entry mode (MEM) with lower investment risks (cf. Cúzela 30.09.2020). Furthermore, LC aims to enter the US market through a smaller B2B segment. Thus, beauty salons and spas are the main target groups (cf. Cúzela 30.09.2020). In 2020, the market size of beauty salons was valued at 39.68 billion USD, which represents a decrease of 40% compared to 2019 (cf. Statista 2021 A). The decline occurred due to the reduced demand and the economic impact of the Coronavirus disease 2019 (COVID-19) pandemic on small and medium-sized enterprises (SMEs) (cf. Statista 2021 A).

Focusing solely on the smaller B2B segment, LC wants to examine the market environment before entering well-known retail chains (cf. Cúzela 12.12.2020). Thus, the initial entry into the US market would be seen as an opportunity to test the market before indulging in business deals with higher commitments and risks (cf. Cúzela 12.12.2020). However, LC is not inclined to significantly invest in the US market or participate in complicated and time-consuming marketing activities in the first entry year (cf. Cúzela 10.04.2021).

1.3 Challenges

According to Hollensen (2019), there are three MEMs from a manufacturer's perspective: (1) export, (2) intermediate, and (3) hierarchical (cf. Hollensen 2019, p. 313). Additionally, LC only has experience with exporting to subsidiaries in Europe

and has never developed a systematic ME concept (cf. Cuzela 30.09.2020). Therefore, due to the lack of experience with other MEMs, lack of market knowledge of the US market, risk aversion, and lack of having a systematic approach, this represents a challenge for selecting the most appropriate MEM that would support the company's objectives.

Secondly, in connection to the first challenge, there are vast differences between the domestic and the host market. Those distinctions can be identified in many areas, including technical, economic, political, cultural, and social ones (cf. Fernandes et al. 2019, p. 125). Market entries into the US market fail due to poor or inadequate communication, cultural misunderstanding, slow-moving supply chain, incorrect service attitudes, management style, lack of resources and commitment, and risk aversion (cf. Drews/Lamson 2016, p. 23 – 62). Furthermore, due to the lack of information about the US culture in terms of values, habits, behaviour, business etiquette, as well as the legal and the economic system, this is a challenge since it can have a detrimental effect on forming business partnerships if certain aspects are unknown.

Thirdly, COVID-19 substantially impacted the target customers since they were indicated as "non-essential" businesses and were prohibited from working, which led to bankruptcies (cf. Diment 2021, p. 31). The economic obstacles narrow down the potential possibilities in the US when it comes to reaching B2B customers.

Another effect of the COVID-19 pandemic is the end-consumers' purchasing behaviour change. For example, instead of purchasing "in-salon" treatments, "at-home" treatments were preferred (cf. Diment 2021, p. 9). Additionally, this pandemic marked a visible reduction in spending on services that require in-person physical contact in the US (cf. Alexander/Karger 2020, p. 2). Therefore, if there is a lack of end-consumers, businesses (i.e., beauty salons and spas) may be less inclined to introduce new cosmetic treatments.

Lastly, there is a lack of personnel skilled in sugaring since it is a relatively unknown treatment in the US (cf. Cuzela 30.09.2020). Even though some target customers offer in-house training, attracting and retaining skilled personnel was one of the most critical challenges in the beauty salon and wellness industry over the last five years (cf. Pocketsuite 2020; Ristoff 2021, p. 12). Therefore, the lack of skilled personnel

minimises the number of potential customers that offer sugaring as a hair removal treatment.

1.4 Objectives

The company objectives, as well as the thesis goals, are presented in this chapter.

1.4.1 Company objectives

The main objective of LC is to enter the US Beauty and Personal Care market in the niche of organic hair removal products with its brand Cleopatra Professional in the second quarter of 2023. For the success of the main objective, it is necessary to achieve the following aims:

The number of B2B customers (i.e., beauty salons and/or spas) from the US (i.e., Florida) must be 50 by the end of 2023.

The overall revenue should increase by 50,000.00 EUR through the ME to the US by the end of 2023.

1.4.2 Thesis objectives

The thesis aims to provide a ME concept for a Croatian micro-enterprise in the US service Beauty and Personal Care market, focusing solely on MEM selection and accompanied communication activities. To have a clear framework structure, it is necessary to define the non-objectives. Firstly, this thesis will not address the entire marketing mix, and thus product policy, pricing policy, and distribution policy will not be elaborated. Lastly, implementation and control of the ME concept will not be executed.

1.5 Frame of reference

The major aspects of this thesis are depicted in Figure 2.

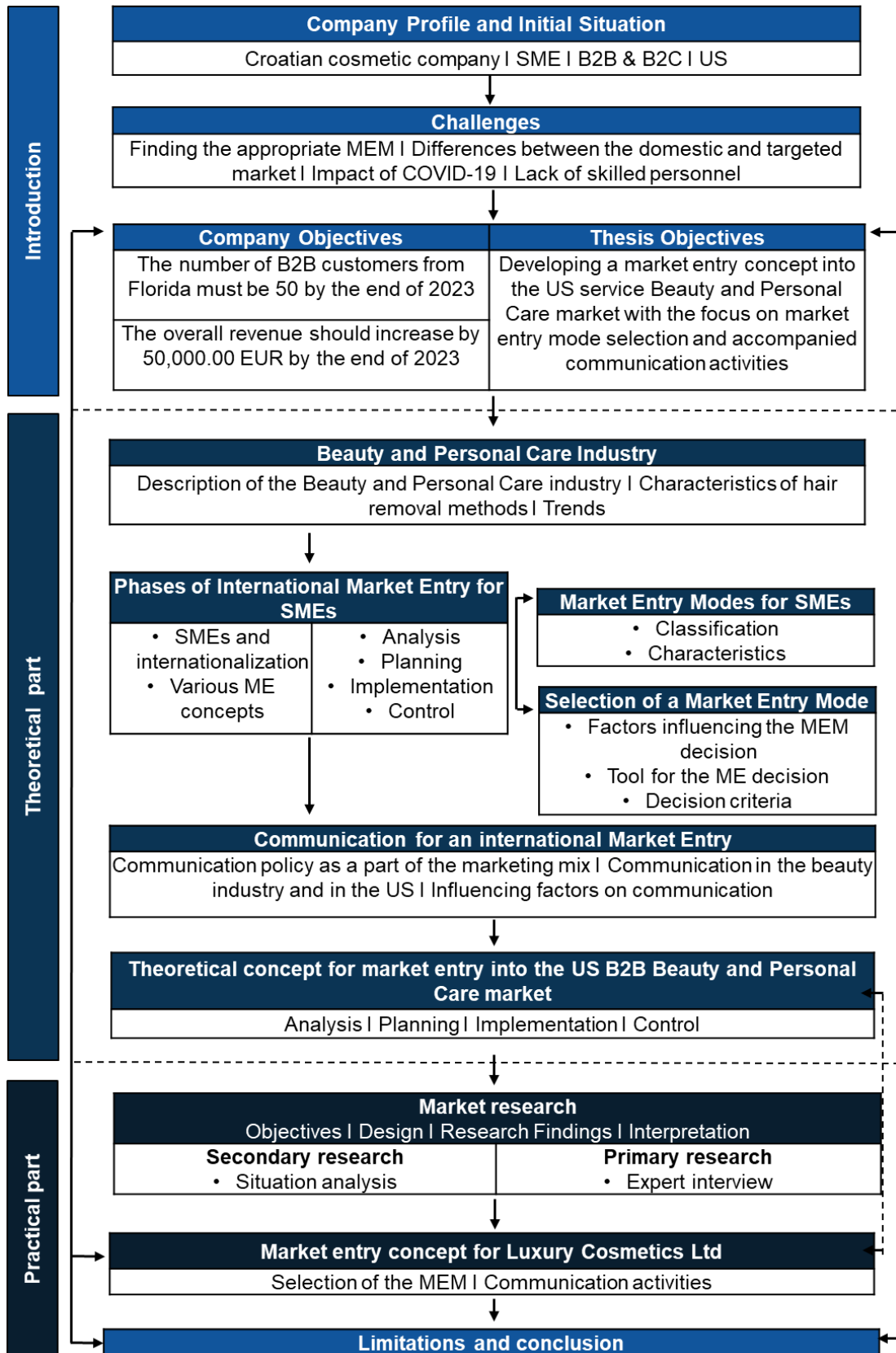


Figure 2: Frame of reference (own presentation)

2. The beauty and personal care industry

This chapter focuses on the description of the Beauty and Personal Care industry, the characteristics of the hair removal products and the most prominent trends in that product category.

2.1 Description of the beauty and personal care industry

In the US, "cosmetics" refers to consumer goods used for cleansing, beautifying, enhancing physical features, or changing one's appearance (cf. Food & Drug Administration 2022; Statista 2021 F). On the contrary, the term "drugs" refers to a product used in a treatment or in the prevention of an illness (cf. U.S. Food & Drug Administration 2016). Thus, the term "personal care products" is a broader term and can refer to a wide range of consumer goods that can be regulatorily categorised either as cosmetics (e.g., deodorant), drugs (e.g., lip balm) or meet the criteria of both above-mentioned categories (e.g., moisturiser with a sun protection factor) (cf. U.S. Food & Drug Administration 2016). Additionally, a product can be categorised as a medical tool (e.g., specific permanent hair removal devices), dietary supplement, or a consumer product (cf. U.S. Food & Drug Administration 2016).

The Beauty and Personal Care industry entails several segments, such as skin care, makeup, fragrances, and personal care products (cf. Statista 2021 F). Additionally, it intersects with other similar and creative industries, such as beauty salons or cosmetic surgeries, fashion, and advertising (cf. Jones 2011, p. 886). Cosmetic products are marketed as premium or mass products based on their reputation, pricing strategy, and the number and importance of intermediaries involved in delivering the products to the end-consumers (cf. Łopaciuk/Łoboda 2013, p. 1080). The most prominent international beauty manufacturers globally are L'Oréal, Unilever, The Estée Lauder Cos., Procter & Gamble Co., Shiseido Co, Coty, Hennessy Louis Vuitton, Beiersdorf, Chanel LTD and L Brands (cf. Statista 2020, p. 18f.). Many of these companies associate themselves with France and the US as a symbol of prestige and innovativeness, but when it comes to the specific regions, the Asian Pacific region dominates the global cosmetic market with the highest market share of 40%, whereas North America has 25% and Europe 18% (cf. Jones 2010, p. 2; Statista 2020 B, p. 8). Thus, Asia Pacific, North America and Europe are the most significant contributors to the introduction of the latest developments (cf. Statista 2020 B, p. 8).

As illustrated in Figure 3, the global industry is prospering and was valued at 500 billion USD in 2019 (cf. Statista 2020 B, p. 5). Despite the COVID-19 pandemic, the predictions favour a global expansion of 4.76% by the end of 2026 (cf. Statista 2021 F).

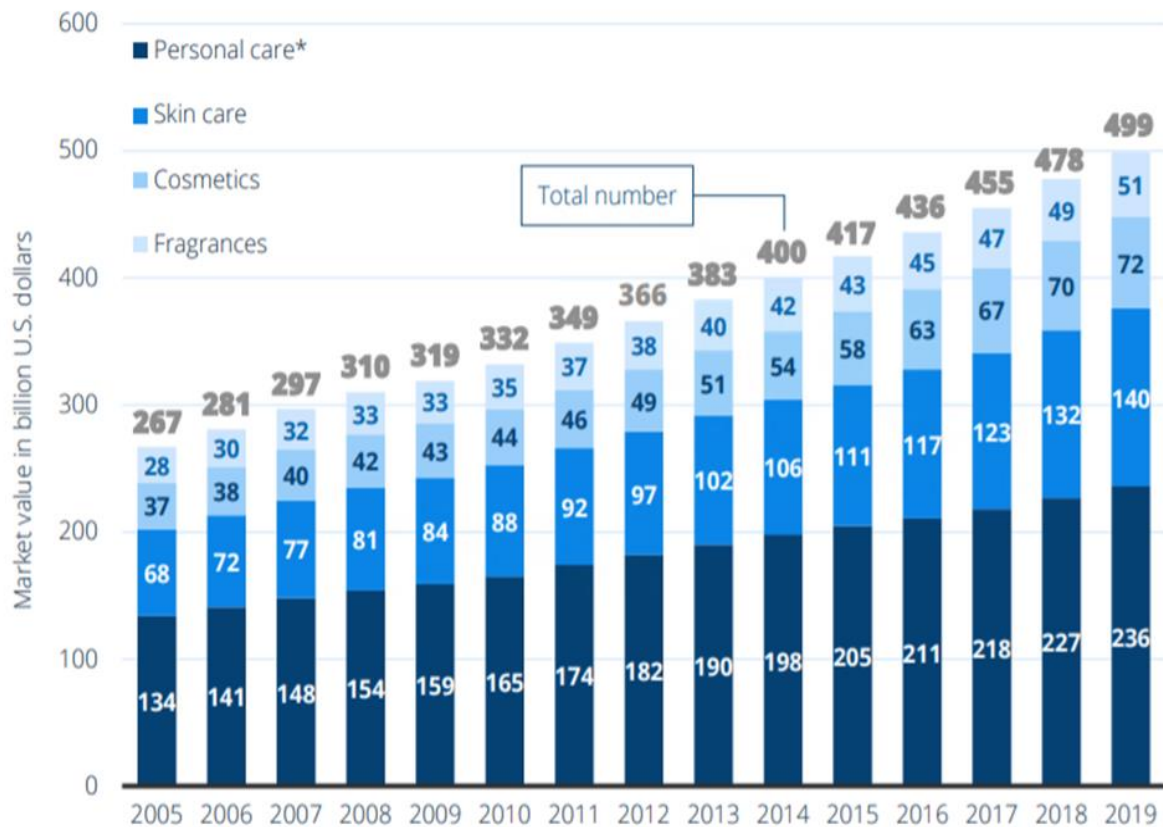


Figure 3: The global beauty and personal care industry (Statista 2020 B, p. 6)

Several factors contribute to the mentioned growth, but in essence, they are based on an increase in per capita spending and marketing efforts. These factors are as follows:

- an **increase in per capita spending** on cosmetics, especially in the premium, natural and sustainable segment,
- there is a worldwide **growth in the online channel** sales share - since the COVID-19 pandemic, the usage of e-commerce has risen by 7% worldwide (i.e., 25.4% in 2022) and by 11.3% in the US (i.e., 32.8% in 2022),
- due to the growing popularity of **social media platforms**, the demand for cosmetics is increasing,

- cosmetic companies are **targeting** more **diverse customer groups** than ever before – including people of all races, sexes, and ages (cf. Statista 2020 B, p. 5; Statista 2021 F).

2.2 Characteristics of hair removal methods

This thesis deals with the product category of personal care products in the niche of hair removal; thus, the focus of this chapter is on that segment.

The hair removal service industry is defined as an industry in which consumers can, at specialised facilities, get hair removal treatments in the form of depilatory, waxing, threading, tweezing, and laser treatments (cf. IBISWorld 2021). As summarised in Table 1, various techniques connect with temporary and permanent hair removal methods. Some techniques were excluded since they are outdated, banned or not widespread in the US. Most of these techniques can be practised as an at-home treatment, while others can be conducted at beauty salons and clinics (cf. Cúzela 05.05.2020).

Methods	Techniques
Depilation (Temporary)	<ul style="list-style-type: none"> • Shaving • Trimming • Chemical depilatories, gels
Epilation (Temporary)	<ul style="list-style-type: none"> • Sugaring (oriental epilation) • Waxing • Tweezing • Threading • Epilation devices
Permanent hair removal	<ul style="list-style-type: none"> • Electrology • Flash lamps • Laser treatment

Table 1: Hair removal methods and techniques (based on Morris/Brown 2006, p. 105 - 189; Lim et al. 2016, p. 660; Herzig 2015, p. 219; Thomas 2021, p. 17)

The main temporary hair removal methods are depilation and epilation (cf. Lim et al. 2016, p. 660). The former entails the removal of the hair shaft without destroying the hair follicle, while the latter removes the whole follicle (cf. Morris/Brown 2006, p. 2; Lim et al. 2016, p. 660). Thus, the effects of temporary hair removal are short-term, but it is an inexpensive, less time-consuming, and less invasive treatment (cf.

Thomas 2021, p. 16). The third method inhibits hair growth for more than a year; thus, it is called the permanent hair removal method (cf. Thomas 2021, p. 17).

Furthermore, shaving is the most well-known hair removal technique, practised as an at-home treatment due to its affordability and applicability (cf. Muzumdar et al. 2020, p. 3). However, the most common techniques offered at beauty salons are waxing, threading, sugaring, and laser treatment (cf. Ćuzela 10.04.2021). Waxing, threading and sugaring are considered "mass plucking" hair removal epilation techniques since they remove a large amount of hair at once (cf. Morris/Brown 2006, p. 106).

In waxing, hot, warm or cold wax is applied to the skin and then swiftly removed with a stripe in the opposite direction of the hair growth (cf. Morris/Brown 2006, p. 106). The wax can be made from beeswax, honey, or glucose syrup and typically contains additional chemical ingredients (cf. Morris/Brown 2006, p. 106; Wanitphakdeedecha/Alster 2008, p. 393). It is also the most widespread technique in beauty salons (cf. Ćuzela 05.05.2020). In threading, a thread is used for twisting and pulling unwanted hair (cf. Herzig 2015, p. 127). This technique is widely used to enhance eyebrows and eliminate excessive facial hair (cf. Laughter et al. 2020, p. 347). As already stated, the main product of LC is a sugar paste, and its characteristics were stated in the previous Subchapter 1.1.2 "Brand characteristics". The main advantage of this technique is that it reduces skin traumatisation, scarring, hair breakage, and irritation. Additionally, it can be applied to shorter hair than in waxing (cf. Lim et al. 2016, p. 660).

Lastly, only electrolysis is approved by the U.S. Food and Drug Administration (FDA) as a permanent hair removal technique in the US (cf. Thomas 2021, p. 17). Nonetheless, laser hair removal remains one of the most popular treatments in the United States, with one million treatments performed in 2016 (cf. Moradi Tuchayi et al. 2019, p. 229). Due to technological breakthroughs, it has become more accessible and less expensive (cf. Thomas 2021, p. 17). The treatment success depends on the number of sessions needed (up to six sessions) and the skin's pigment characteristics and hair type. It is advised for individuals with darker hair and a lighter skin complexion (cf. Fodor/Ullmann 2020, p. 79).

2.3 Trends in the hair removal market

There have been several trends in the hair removal industry in recent years.

1. **Seasonality** – Hair removal treatments are facing challenges with seasonality. The interest in hair removal methods is higher during the summer months than in the winter (cf. Muzumdar et al. 2020, p. 3).
2. **Organic and natural beauty products** – Natural and organic cosmetics and personal care products started to gain more acceptance worldwide due to the increasing recognition of the side effects of artificial and chemical components, such as preservatives or heavy metals, that are commonly found in cosmetics. Therefore, a beauty product will be labelled as "organic" regarding used substances and the manufacturing process. The global market value for natural and organic beauty products is expected to increase to 54.5 billion USD by 2027 (cf. Ecocert n.d; Zulaikha/Norkhadijah Syed/Praveena 2015, p. 7; Statista 2020 B, p. 3.).
3. **Environmental awareness** – Due to the rising governmental restrictions, higher environmental awareness and sustainability movements that are led by Millennials (1980 – 1994) and Generation Z (1995 – 2012), more companies promote themselves as sustainable. Sustainability is achieved by promoting eco-friendly, cruelty-free and vegan products and/or switching to recyclable containers and eliminating harmful ingredients (cf. Professional Beauty 2021; Diment 2020, p. 16; Statista 2021 B).
4. **Hygiene awareness** – End-consumers became aware of cross-contamination and opted for products with antibacterial and antiseptic ingredients (cf. Professional Beauty 2021).
5. **Hot wax** – End-consumers favour hot wax over traditional strip waxing for intimate and facial areas. It is less painful, thus suitable for first-timers, and performs well for short and robust hair (cf. Professional Beauty 2021).
6. **Cosmetic grade glitter** – Adding glitter to waxing products has no practical benefits for the skin; it solely focuses on aesthetics (cf. Professional Beauty 2021).

7. **Upselling** – A sales technique for convincing existing customers to buy additional or more expensive services and products. Therefore, beauty salons may offer services, such as intimate waxing for pregnant women and charge it at higher prices (cf. Kurian 2013, p. 282; Professional Beauty 2021).
8. **E-commerce** – Due to lockdowns and governmental restrictions, e-commerce platforms are experiencing an increase in demand for grooming products (cf. Fortune Business Insights 2020).
9. **Threading** – A new hair removal service for the facial area is becoming more popular in the US due to its suitability for sensitive skin (cf. Diment 2021, p. 12).

3. Phases of international market entry for small and medium-sized enterprises

This chapter provides an overview of the general characteristics of SMEs, various ME concepts and phases in the international ME concept.

3.1 Definition of a small and medium-sized enterprise and internationalization process

As illustrated in Table 2, a company's SME status (i.e., medium-sized, small, or micro-enterprise) is determined by the staff headcount and either by annual turnover or annual balance sheet total (cf. European Commission 2020, p. 11). Consequently, SMEs are defined as "enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million" (Official Journal of the European Union 2003, p. 4).

Enterprise category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Table 2: Classification of small and medium-sized enterprises (based on European Commission 2020, p. 11)

Based on the above-mentioned definition, vital funding, such as research or innovation, can be accessed through EU support programs and State Aid (cf. European Commission n.d.; cf. European Commission 2020, p. 6). However, if the firm has substantial extra resources, such as a larger company in its ownership structure, it may be ineligible for the SME classification; thus, ineligible for the funding (cf. European Commission 2020, p. 6).

3.1.1 Internationalization orientation and internationalization goals

When entering international markets, an Ethnocentrism, Polycentrism, Regiocentrism, Geocentricism (EPRG) framework may be utilized as a model to identify a company's philosophy and orientation (cf. Shoham/Rose/Albaum 1995, p. 9; Schmid 2018, p. 2). The framework depicts four stages of the internationalization process and the company's present situation (cf. Shoham/Rose/Albaum 1995, p. 9). It also serves for the market orientation and defines the fundamental principles of the company's strategy, internal organization, and management process (cf. Shoham/Rose/Albaum 1995, p. 10; Schmid 2018, p. 2). The four international orientations are as follows.

- 1. Ethnocentric (home country orientation)** - Foreign markets are chosen based on their similarities to the local market and whether or not the domestic market's experience may be translated to the intended foreign market. Export as a MEM is often utilized in this approach, but it does not rule out the option of establishing a subsidiary that the headquarters would tightly manage because of its position as the primary decision-maker (cf. Bruns 2003, p. 92; Hollensen 2019, p. 15; Schmid 2018, p. 3).
- 2. Polycentric (host country orientation)** - The firm examines the unique characteristics of each international market and strives to adapt to them. As a result, country-specific manufacturing and marketing plans are devised. Foreign market representatives frequently lead subsidiaries, having the ability to control operational and strategic decisions (cf. Bruns 2003, p. 92; Hollensen 2019, p. 15; Schmid 2018, p. 3).
- 3. Regiocentric (country group orientation)** - Countries are grouped as a part of various regions, such as Europe or North America. As a result, the corporation creates and implements a marketing plan for each region based on

shared characteristics such as language or consumer behaviour (cf. Bruns 2003, p. 92; Hollensen 2019, p. 15).

- 4. Geocentric (global orientation)** – Because of the standardised products offered, countries are viewed uniformly, and decisions may be made together by the headquarters and subsidiaries, or they can be delegated. Specific product adaptations, on the other hand, may be carried out. Geocentric companies use an integrated marketing approach, resulting in unit cost advantages (cf. Bruns 2003, p. 92; Schmid 2018, p. 3; Hollensen 2019, p. 15; Shobam/Rose/Albaum 1995, p. 11).

The fundamental characteristics of each orientation are listed in Table 3.

	Ethnocentrism	Polycentrism	Regiocentrism	Geocentrism
Control	Top down	Bottom up	Negotiated	Negotiated
Culture	Home market	Host market	Regional	Global
Structure	Product divisions	Area divisions	Matrix	Network
Product strategy	Based on home market needs	Based on host market needs	Based on needs within regions	Based on global needs
Mix: Adaptation or Transference	Transferred	Adapted	Transferred regionally, adapted locally	Transferred globally, adapted locally

Table 3: EPRG orientation (based on Shobam/Rose/Albaum 1995, p. 11)

The company becomes international when it expands beyond its domestic market and aspires to attain its short-term and long-term economic goals outside the domestic market (cf. Albaum/Duerr/Josiassen 2016, p. 84). However, companies should not internationalize if it is considered a final aim; they should have clear goals that offer solutions for entering, remaining in, or expanding into new overseas markets (cf. Schmid 2018, p. 3).

As illustrated in Table 4, these goals can vary, for example, from resource and procurement to over sales, towards achieving efficiency or implementation of an international strategy in the desired market (cf. Neubert 2013, p. 16). However, the

primary motivator of all companies must be to maximise their return on investment (ROI) (cf. Collinson/Rugman/Narula 2017, p. 56).

Resources and procurement	Sales
<ul style="list-style-type: none"> • Access to raw materials • Access to knowledge and experts • Access to (cheap) capital 	<ul style="list-style-type: none"> • Acquiring new profitable customers in new markets • Retaining current customer relations • Extending the life cycle of existing products
Efficiency	Strategy
<ul style="list-style-type: none"> • Practicing cost advantages • Risk diversification • Expanding cost leadership 	<ul style="list-style-type: none"> • Implementation of corporate vision • Reacting to the competitors • Establishing competitive advantages

Table 4: Examples of internationalization goals: resource and procurement, sales, efficiency, and strategy (based on Neubert 2013, p. 16)

The company’s key motivators dictate the internationalization approach, either by only one or a combination of several (cf. Schmid 2018, p. 4). As a result, gaining access to raw resources requires a different internationalization approach than obtaining new profitable customers in distant markets (cf. Schmid 2018, p. 4). Thus, resource and procurement-oriented goals are primarily used in capital-intensive industries or for certain corporate operations that can be delegated to other countries with greater expertise in the desired operations, whereas sales-oriented goals are the most common goal for export businesses in a variety of industries and sectors (cf. Neubert 2013, p. 17). Furthermore, efficiency-oriented goals are concerned with maximizing cost advantages and risk diversification, particularly in wages, energy expenses, and investment costs, whereas strategic objectives are typically concerned with maximizing competitive advantages and becoming the leading company in the market (cf. Neubert 2013, p. 17).

3.1.2 Barriers to internationalization

The term “entry barriers” refers to “are anything that makes it difficult for a new entrant to break into a market” (Zekiri/Angelova 2011, p. 579). Entry barriers are used to safeguard existing domestic enterprises or ensure that foreign companies obey existing trade agreements (cf. (Zekiri/Angelova 2011, p. 579). The most prevalent internal and external entry barriers for SMEs have been identified by the Organisation for Economic Co-operation and Development, which are summarized in the table below.

Internal		External	
Sources	Examples	Sources	Examples
Informational	Limited information Untrustworthy data	Procedural	Unfamiliar bureaucracy Legal system
Human resources	Inadequate quantity Untrained personnel	Governmental	Absence of assistance Transparency problems
Financial	Scarce funds Scarce insurance	Customer and competitor	Different attitudes Keen competition
Product and price	Production capacity Development problems	Business environment	Currency exchange risk Language differences
Distribution, promotion, logistics	Obtaining reliable foreign representation; supply problems	Tariff and non-tariff	High tariff barriers; limiting health, safety and technical standards

Table 5: Internal and external barriers (based on OECD n.d.)

Furthermore, SMEs frequently face financial constraints, particularly in research, innovation, and compliance with environmental standards (cf. European Commission 2020, p. 7; Hollensen 2019, p. 8). Shortages in human resources, management and internationalization competence, or market knowledge, along with unaccustomedness towards foreign business processes, distinct languages, cultures, legal systems, and currencies (cf. European Commission 2020, p. 7; Hollensen 2019, p. 8; Hill/Hult 2019, p. 464). However, some of these barriers can be eliminated by gathering data from domestic and foreign trade associations, government agencies, and commercial banks. Also, some barriers can be overcome with the assistance of various intermediaries and learning from MNE's founders and managers (cf. Hill/Hult 2019, p. 466 - 468).

3.2 Various market entry concepts

Theoretical literature provides insight into various concepts and ideas that can serve as a foundation. The author will provide a brief overview of three concepts.

3.2.1 International market entry strategy according to Roots

Root (1998) proposed a market entry concept that is constructed as an iterative process. Thus, the process must be continually improved as new information derives (cf. Root 1998, p. 1 – 4). The author emphasizes the importance of developing a market entry strategy, which includes selecting a MEM and creating a marketing plan for each good or service in each new market (cf. Root 1998, p. 5). The decisions that shape the basis of Root's international market entry strategy are illustrated in Figure 4.

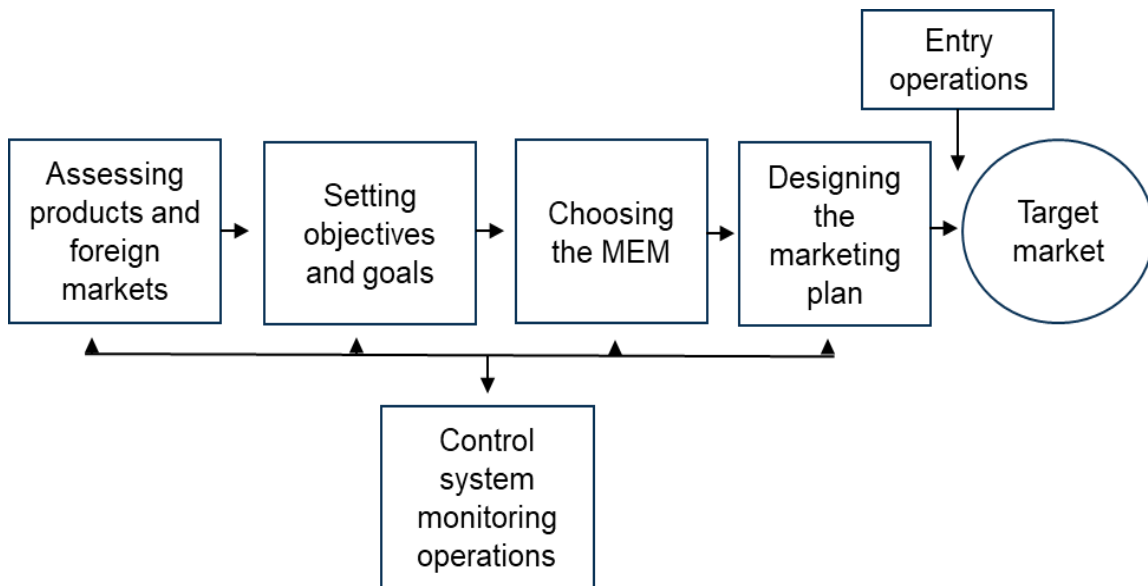


Figure 4: Elements of an international market entry strategy (based on Root 1998, p. 4)

3.2.2 Five stages of a systematic market entry approach according to Fuchs and Apfelthaler

Fuchs and Apfelthaler (2009) identified two approaches to ME: practical and systematic. Both rely on the company's management abilities and international experience. Companies often use the practical approach. One major drawback of this approach is that insufficient time is dedicated to planning and analysing new markets and entry modes. In this approach, no prior market research is conducted, and a variety of subjective factors affect the decision of whether to enter the desired market and how to execute it (cf. Fuchs/Apfelthaler 2009, p. 270f.; Hollensen 2019, p. 171).

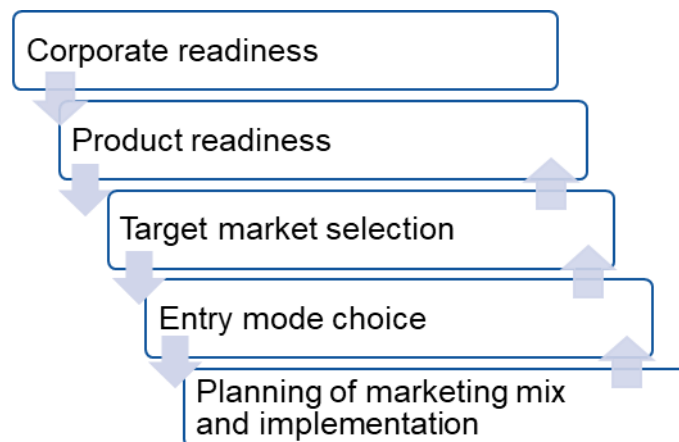


Figure 5: The stages of systematic international market entry (based on Fuchs/Apfelthaler 2009, p. 270)

As illustrated in Figure 8, the systematic conducts a methodological analysis of all factors that influence the decision-making process (cf. Fuchs/Apfelthaler 2009, p. 272f.). The systematic approach is similar to F. Root's (1998) approach, which argues that the ME should be organised as an iterative process. This entails that each step can be reworked, as new information regarding external and internal factors becomes accessible. In the decision-making process, previous decisions in each step are being analysed, changed, or reworked continuously (cf. Fuchs/Apfelthaler 2009, p. 272f.).

3.3 Phases of an international market entry concept

3.2.1 Analysis phase

As a first step, short- and medium-term objectives are developed to support the company's vision in the target market (cf. Neubert 2013, p. 12f.). Subchapter 3.1.1 "Internationalization orientation and internationalization goals" outlined four groups of objectives that the companies typically pursues in international markets. Based on the aforementioned goals, it can be inferred that LC is pursuing sales-oriented goals since it wants to acquire new customers in the US. Afterwards, the company formulates a specific market-oriented problem and examines its initial situation to its strategic objectives and the market situation (cf. Sternad/Höfferer/Haberp 2020, p. 112; Bruhn 2019, p. 43). The initial situation is examined with the help of a situational analysis, in which the company's external and internal factors are examined (cf. anon 2015, p. 30). Situational analysis is a part of secondary market research, and it helps to identify the needed information for the primary market research (cf. Perreault/Cannon/McCarthy 2015, p. 182). The external analysis focuses on identifying opportunities and threats in the environment, as well as identifying factors that contribute to the success (cf. Blackwell/Eppler 2014, p, 85). It typically analyses the following factors:

- the competition,
- the political and legal environment,
- the economic environment,
- technology, and
- natural resources (cf. anon 2015, p. 31 - 38).

On the other hand, the internal analysis focuses on identifying the company's strengths and weaknesses (cf. anon 2015, p. 31). Generally, strengths are the company's internal resources that vary from financial, physical, legal, human, organizational, informational, and relational (cf. Blackwell/Eppler 2014, p. 83; Hunt 1997, p. 64). Weaknesses are characteristics that are not prioritised enough and can influence the company's success (cf. Blackwell/Eppler 2014, p. 83).

3.2.2 Planning phase

This stage consists of selecting appropriate strategies. It is essential to have an organised approach toward the long-term selling of a product or a service in the desired market, as that is the purpose of market planning (cf. Hollensen 2019, p. 6; 171; Ghauri/Cateora 2014, p. 202).

In general, any internalization strategy has to incorporate the elements of the market entry strategy, target market strategy, timing strategy, allocation strategy, and coordination strategy (cf. Schmid 2018, p. 7; Albaum/Duerr/Josiassen 2016, p. 28). Thus, the following table summarizes the key questions to be answered.

Internationalization strategy
Market entry: Which MEM will be used?
Target market: In which target markets will the company expand into?
Timing: What-time related difficulties should be examined?
Allocation: What is the plan for dealing with centralization and decentralization, as well as standardization and adaptation?
Coordination: How will the company coordinate the international activities?

Table 6: The internationalization strategy (based on Schmid 2018, p. 8)

The market entry strategy entails which MEM to select regarding the market and which internal and external factors influence that decision are considered (cf. Schmid 2018, p. 9f.). Further explanation of the market entry strategy is further explained in Chapter 4 “Market entry modes”, and Chapter 5 “Selection of a market entry mode”. The target market strategy entails the selection of the foreign market and its market segments while considering the company’s abilities and resources (cf. Schmid 2018, p. 10). In general, the company has to consider the potential risks,

entry barriers and the attractiveness of the foreign market and market segments (cf. Schmid 2018, p. 12). In order to analyse, checklist and portfolio tools can be used (cf. Schmid 2018, p. 12). The target market selection will not be conducted since LC previously selected the US market, focusing on Florida.

Furthermore, "market entry timing" refers to "the decision of when to enter a new or existing market" (Green/Barclay/Ryans 1995, p. 4). Additionally, it is a question of the company's role in being a pioneer or a late entrant and the strategy behind the entrance of multiple international markets (cf. Schmid 2018, p. 13). Further explanation of the timing strategy is described in Subchapter 5.1.5 "Market entry timing".

The allocation strategy questions which value chain functions will the company centralise or decentralise (cf. Schmid 2018, p. 15). Additionally, it is a question of the degree of standardization and localization (cf. Schmid 2018, p. 16). The term "standardization" refers to incorporating domestic characteristics of the product or service into the overseas markets, whereas the term "localization" refers to altering those characteristics to the foreign customers' needs (cf. Medina/Duffy 1998, p. 230 - 232). Various aspects of the product can be changed, including additional attributes, such as the communication itself (cf. Schmid 2018, p. 16). Lastly, the coordination strategy focuses on developing the company's structure, managing and integrating the workforce, and coordinating cross-border projects and financial plans (cf. Schmid 2018, p. 17).

3.2.3 Implementation phase

In the implementation stage, actions are specified which would support the market entry strategies (cf. Kotler et al. 2020, p. 672). When specifying certain actions, the implementor has to focus on the questions of "who, where, when, and how" (Kotler 2002, p. 432).

3.2.4 Control phase

Marketing control is defined as "measuring and evaluating the results of marketing strategies and plans and taking corrective action to ensure that objectives are achieved" (Armstrong et al. 2018, p. 55). Usually, the primary control mechanisms are based on planned activities and budgeting (cf. Hollensen 2019, p. 7). Regarding budgeting, control entails evaluating actual costs compared to estimated costs (cf.

Hollensen 2019, p. 7). If the cost difference is acceptable, no control activity is implemented (cf. Hollensen 20019, p. 7). On the other hand, performance is monitored and evaluated based on the projected (based on an annual plan and average industry results) and factual performance (cf. Armstrong et al. 2018, p. 55; Hollensen 2019, p. 7). In the internationalization context, it is examined whether and to what extent the strategic and tactical-operative targets were met in the target market (cf. Berndt/Fantanie Altobelli/Sander 2016, p. 24). Therefore, there is a distinction between operating control and strategic control. Operating control focuses on achieving sales, profits, and other goals, whereas strategic control focuses on tailoring strategies to the market environment and the opportunities (cf. Armstrong et al. 2018, p. 55). Table 7 summarises the most common key performance indicators (KPIs) that measure the success of exports but could also be applied in other MEM.

Performance measures	
Sales related	Export sales ratio Export sales growth Export sales efficiency Export sales volume Export sales ratio growth
Profit-related	Export profitability Export profitability growth
Market share	Export market share growth Export market share
Product	New products exported
Market related	Rate of new market entry Export country number
Generic	Achievement of export objectives Perceived export success

Table 7: Control phase: Performance measures (based on Katsikeas/Leonidou/Morgan 2000, p. 498; Sousa 2004, p. 9 – 10)

Additionally, the listed KPIs are the most frequently mentioned measures found in the literature (cf. Katsikeas/Leonidou/Morgan 2000, p. 498; Sousa 2004, p. 9 – 10). Their usage depends on the company's objectives and the degree of the company's involvement in the export process (cf. Katsikeas/Leonidou/Morgan 2000, p. 506; Sousa 2004, p. 14). Thus, beginner-exporters utilise more export sales or profit, while advanced-exporters emphasize market-share related KPIs (cf. Sousa 2004, p. 15). Furthermore, these KPIs should be systematically and regularly monitored

with a set of indicators that are the same as in ratio analysis (cf. Katsikeas/Leonidou/Morgan 2000, p. 506).

4. Market entry modes

The term “market entry mode” refers to several types of strategies that companies undertake to enter overseas markets (cf. Brouthers/Hennart 2007, p. 395). Thus, the internationalization of a company can occur through several MEMs described in the following sections.

4.1 Classification of the market entry modes and definitions

According to Brouthers and Hennart (2007), the literature specifies sixteen possible MEMs (cf. Brouthers/Hennart 2007, p. 397). In essence, managers face a dilemma of which MEM to select long-term regarding the unique set of characteristics of different modes and volatile environment conditions of the host and home market (cf. Pedersen/Petersen/Benito 2002, p. 325). For example, the degree of equity, commitments and flexibility, operation control, risk exposure, ROI, and the location of value-added activities differ amongst the MEMs (cf. Peng/Meyer 2011, p. 386; Pan/Tse 2000, p. 535; Glowik 2020, p. 83; Hollensen, 2019, p. 313). Therefore, their advantages and disadvantages are evaluated according to various determinants explained in the following sections.

Equity-based modes, such as WOS or equity joint ventures, involve a financial investment by a company into the foreign market to create a foreign entity which results in higher commitments (cf. Peng/Meyer 2019, p. 342). In contrast to the non-equity-based modes, such as export and contractual agreements, financial investments are lower; thus, the commitments are lower (cf. Peng/Meyer 2011, p. 386f.). In general, MNEs favour equity-based modes since complete ownership provides internationalization advantages, such as decreasing risk and expenses, whereas for SMEs who have limited resources, it is unlikely to improve their market position by opting for acquisition (cf. Peng/Meyer 2019, p. 342; Peng/Meyer 2011, p. 322).

However, suppose the company succeeds in the foreign markets and gains more expertise over time. Under such circumstances, the initial entry barriers regarding the selection of a MEM tend to become more insignificant, and companies may convert to a new MEM with higher commitments (cf. Pedersen/Petersen/Benito 2002,

p. 325 – 327). Therefore, MEMs should be designed flexibly in terms of contract obligation, especially for SMEs (cf. Peng/Meyer 2011, p. 349). Additionally, a possibility of merging certain features of multiple entry modes does exist. As a result, a coherent solution to a given case will result (cf. Lin/Ho 2018, p. 32; Freeman/Edwards/Schroder 2006, p. 60).

As illustrated in Figure 6, the chosen classification for this thesis is based on Hollensen (2019). The author divided the MEMs into three groupings:

1. export modes,
2. intermediate modes, and
3. hierarchical modes (cf. Hollensen 2019, p. 313; Pegan/Vianelli/De Luca 2020, p. 24).

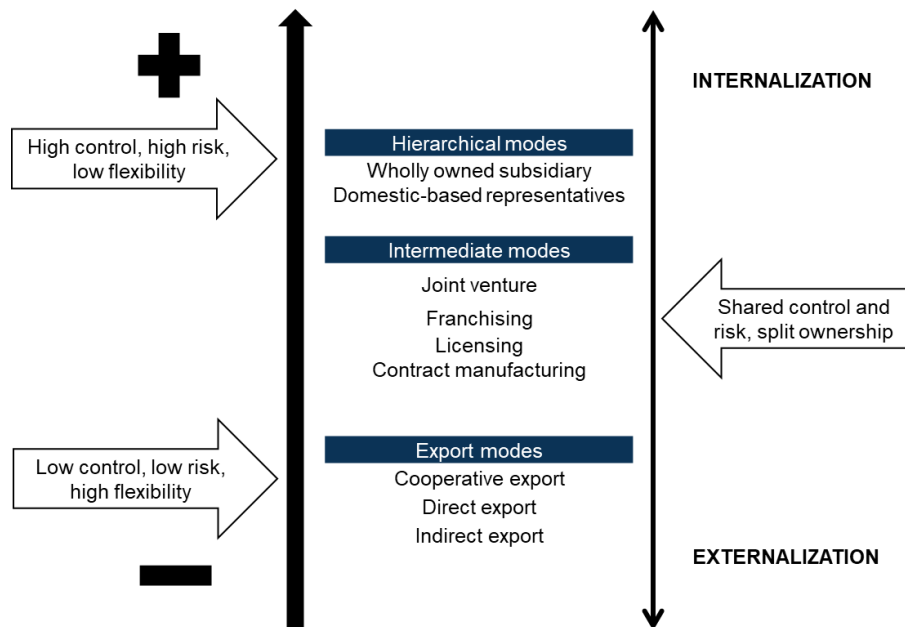


Figure 6: The chosen classification of MEM (based on Hollensen 2019, p. 313; Pegan/Vianelli/De Luca 2020, p. 24)

4.2 Overview of export entry modes

Worldwide, over 90% of all companies, including a variety of SMEs and MNEs, prefer exporting as a way of an entrance as it implies low commitments, and it is a way to screen markets before more complicated foreign-based operations develop (cf. Hill/Hult 2019, p. 462; Hollensen 2019, p. 336; Albaum/Duerr/Josiassen 2016, p. 16).

Export entry modes entail that the manufacturing process of products or services is conducted in the home market, then transported and sold to the overseas market (cf. Hollensen 2019, p. 333, Peng/Meyer 2019, p. 576). Thus, exporters and importers are terms used in international trade to describe sellers and purchasers (cf. Peng/Meyer 2019, p. 307). Additionally, exporting is a form of a contractual agreement between the parties that defines the needed operations and activities for international trade (cf. Glowik 2020, p. 68f.). Moreover, the manufacturer controls certain value chain functions in the domestic market, such as research and development (R&D), production, and often marketing. At the same time, sales and services are transferred to an intermediary (cf. Hollensen 2019, p. 334).

Compared to other MEMs, the financial risk and commitments are substantially lower (cf. Glowik 2020, p. 68). But it also lowers the control over overseas operations (cf. Hollensen 2019, p. 335). An example of financial risk is the exporter's risk of not being paid for the shipment by the importer (cf. Glowik 2020, p. 68). To avoid such situations, a letter of credit, which is a financial contract that stipulates the importer's bank to compensate the exporter upon delivery, is usually used as the primary means of securing payment (cf. Albaum/Duerr/Josiassen 2016, p. 35; Peng/Meyer 2019, p. 308). Other payment methods are pre-payments before delivery and a commission fee that ranges from 2 – 15% of the contract value (cf. Glowik 2020, p. 69). Additionally, suppose the export agreement is to be terminated. In that case, the terminating party (i.e., the exporter) must pay the other party (i.e., the agent) one to two years' worth of lost commission fees (cf. Hollensen 2019, p. 322).

The manufacturing company must select which value chain functions will be handled by an intermediary and which will be handled by the firm directly (cf. Hollensen 2019, p. 333). The choice between different forms is primarily triggered by the degree of vertical integration (i.e., control) (cf. Albaum/Duerr/Josiassen 2016, p. 306). The term “vertical integration” is referred to as a “process whereby a company extends its business interests into all stages of its production and distribution” (Kurian 2013, p. 286). Additionally, that decision takes two types of costs into account:

1. the expenses of executing essential functions,
2. transaction costs that are associated with an organizational activity or in a contractual agreement (cf. Albaum/Duerr/Josiassen 2016, p. 306).

Thus, based on the costs above, the manufacturer can select two main export types are indirect and direct (cf. Hollensen 2019, p. 333; Albaum/Duerr/Josiassen 2016, p. 306). According to Hollensen (2019), cooperative export is also a third type. However, other authors identify that as a form of indirect export mode (cf. Albaum/Duerr/Josiassen 2016, p. 318). This MEM represents a hybrid of indirect and direct exporting modes (cf. Albaum/Duerr/Josiassen 2016, p. 318).

Due to e-commerce-based interactions and perks of modern technology, various products or services with different degrees of tangibility and consumer interaction demand can be exported (cf. Glowik 2020, p. 70; Hill/Hult 2019, p. 462). This entails that the manufacturer does not necessarily require an intermediary or to be physically present in the target market (cf. Glowik 2020, p. 70). Nowadays, companies can use a combination of different modes of transportation, such as via air, water, or land transport, that can significantly overcome some supply challenges, such as costs or distance (cf. Hill/Hult 2019, p. 462). However, exporting is unaffordable for large items and distant foreign markets due to possible challenges in supply, transportation costs, and the quality of the after-sales service (cf. Glowik 2020, p. 70).

4.2.1 Indirect export modes

Indirect export occurs when a manufacturer sells its product to a domestic-based intermediary who sells it to customers in other countries (cf. Bruns 2003, p. 95; Peng/Meyer 2019, p. 577). The intermediary can also be located in a third nation (cf. Bruns 2003, p. 95; Hollensen 2019, p. 335).

The intermediary oversees the whole export process, the sales and marketing operations and the identification of possible purchasers, such as importers (cf. Peng/Meyer 2019, p. 309; Hollensen 2019, p. 333). In other words, the intermediary serves as a "middleman", connecting sellers and purchasers while also bearing the risk (cf. Bruns 2003, p. 95; Hollensen 2019, p. 333; Peng/Meyer 2019, p. 310).

This entry mode is appropriate for a gradual market entry, testing new markets, or when the resources are limited, such as when the SME is too small to have an in-house export section (cf. Bruns 2003, p. 95; Hollensen 2019, p. 335). It is also appropriate for SMEs with little or no foreign trade experience since they do not have to deal with various socio-cultural barriers and can rely on others' market knowledge, marketing operations, and contacts to reduce any information gaps (cf. Hollensen

2019, p. 333 – 348; Glowik 2020, p. 69; Peng/Meyer 2019, p. 310). Indirect exporting can also be used when there is a temporary surplus of goods (cf. Bruns 2003, p. 95; Hollensen 2019, p. 335).

Even though this entry option allows SMEs to tap into others' resources and knowledge, the manufacturer has hardly any contact with the target market or control over the exporting process and its product in overseas markets (cf. Hollensen 2019, p. 335). As a result of the lack of interaction and knowledge about the target market's potential, sales are restricted (cf. Hollensen 2019, p. 335; Bruns 2003, p. 95). However, compared to other MEMs, an only small amount of time and financial investment is required (cf. Hollensen 2019, p. 348). Additionally, it is a preferred option for risk-averse SMEs as it implies a minimal market and political risk (cf. Hollensen 2019, p. 348).

Furthermore, indirect exporting can be further divided into the following types.

1. **Trading companies** might be utilised in direct and indirect exporting (cf. Albaum/Duerr/Josiassen 216, p. 310).

They are more concerned with following changes in market demand than accommodating the customer or the producer (cf. Albaum/Duerr/Josiassen 216, p. 310).

Table 8 lists the most common services provided by trading companies.

Services offered by trading companies
<ul style="list-style-type: none"> • Shipping and warehousing • Technology transfer • Planning resource, construction and regional development • Insurance, consulting, real estate and deal-making • Finance (e.g., guaranteeing of loans, financing of both accounts receivable and payable, issuing of promissory notes, foreign exchange transactions, equity investment, direct loans) • Manage counter-trade activities

Table 8: Services offered by the trading companies (based on Hollensen 2019, p. 337; Albaum/Duerr/Josiassen 216, p. 310)

2. **Export management companies (EMC)** are specialized service providers that function as a manufacturer's export department (cf. Hollensen 2019, p. 336; Haigh 1994, p. 66). EMCs function as agents for each manufacturer they work with and do business on their behalf (cf. Hollensen 2019, p. 336). They are a cost-effective solution for all businesses, regardless of size, due to fewer administrative and

transportation costs (cf. Brasch 1987, p. 70; Hollensen 2019, p. 336). They split the costs among a number of non-competing businesses they represent (cf. Brasch 1978, p. 70; Hollensen 2019, p. 336). They are advantageous if the export responsibilities are difficult or if the manufacturing organization lacks competence and specific market knowledge (cf. Brasch 1978, p. 70; Haigh 1994, p. 66). EMCs are frequently utilised to enter new country markets, but less so to enter new product markets (cf. Haigh 1994, p. 68f.). In order to break into the worldwide market, most firms employ the services of several EMCs (cf. Brasch 1978, p. 70).

Table 9 lists the most common services provided by EMCs.

Services offered by EMCs
<ul style="list-style-type: none"> • Identifying and characterizing foreign markets • Traveling overseas to meet customers • Assessing distribution methods • Making arrangements with foreign distributors or commission agents • Exhibiting products at trade shows • Adapting advertising and promotional activities • Preparing correspondence in different languages • Negotiating shipping arrangements with carries • Handling export declarations, shipping and custom documentation, insurance and special instructions for packaging and labelling • Making sure that payments are made for the product and handling letters of credit • Providing advice on patent and trademark protection

Table 9: Services offered by EMCs (based on Haigh 1994, p. 68)

3. Export buying agent (export commission house) is a practical approach with a minimal credit risk due to immediate payment, easy delivery of the products in the domestic market and precise specification (cf. Hollensen 2019, p. 336; Rosenbloom/Larsen 2008, p. 240). Any potential cultural or linguistic barriers are eliminated since the agent serves the interests of foreign purchasers in the home country (cf. Albaum/Duerr/Josiassen 216, p. 313; Hollensen 2019, p. 335; Rosenbloom/Larsen 2008, p. 240). Their task is to identify the sellers and negotiate the price and the conditions on the buyer's behalf (cf. Hollensen 2019, p. 336; Albaum/Duerr/Josiassen 216, p. 313). They act as a domestic buyer since they scour the market for the desired products and deliver the requirements to the suppliers, who are invited to bid (cf. Hollensen 2019, p. 335f.; Album/Duerr/Josiassen 2016, p. 313). As a result, orders are frequently won by the lowest bid (cf. Hollensen 2019, p. 335; Album/Duerr/Josiassen 2016, p. 313). In general, domestic buyers are

“foreign buyer's long-term representatives” (Rosenbloom/Larsen 2008, p. 240). However, the exporter does not influence the promotional aspect of the product (cf. Hollensen 2019, p. 336; Albaum/Duerr/Josiassen 2016, p. 313).

4. Export/import broker is another form of a domestic-based agent (cf. Albaum/Duerr/Josiassen 2016, p. 313). Their main task is to connect the purchaser and seller (cf. Hollensen 2019, p. 336). Thus, they act as an intermediary on behalf of a business partner, either the purchaser or a seller (cf. Sternad/ Höfferer/Haberp 2020, p. 68). Therefore, they perform a contractual function exclusively and are not responsible for handling the products. Moreover, they specialise in a particular industry or product category (cf. Hollensen 2019, p. 336). Additionally, another form of a broker is a **customs broker** that assists businesses in avoiding problems in customs procedures, such as in the legislation and paperwork requirements (cf. Hill/Hult 2019, p. 469).

4.2.2 Direct export modes

In direct exporting, the producer sells its products directly to the target market's importer (cf. Albaum/Duerr/Josiassen 2016, p. 321). Thus, the manufacturer conducts the whole exporting process (cf. Albaum/Duerr/Josiassen 2016, p. 321; Hollensen 2019, p. 333). Compared to indirect exporting, the main benefits of this MEM are that it allows to collect customers and evolve better market knowledge, but at a greater cost in terms of financial investment, time, and commitment (cf. Hollensen 2019, p. 348; Glowik 2020, p. 69; Peng/Meyer 2011, p. 334).

Direct exporting can be done with the help of a sales agent or a distributor (cf. Hollensen 2019, p. 339). In both cases, it is expected that they will promote the manufacturer's product since they profit from it (cf. Albaum/Duerr/Josiassen 2016, p. 332). Thus, the marketing aspect is not solely in the hands of the manufacturer (cf. . Albaum/Duerr/Josiassen 2016, p. 332). The fundamental distinction between the two forms is that sales agents are paid in a commission, whereas distributors trade on their risk and are the producer's customer (cf. Peng/Meyer 2011, p. 335; Albaum/Duerr/Josiassen 2016, p.331). Table 10 lists the main differences between a distributor and an agent.

Differences between distributor and agent		
	Distributor	Agent
Compensation	Markup	Commission
Title	Owner	Not owner
Risk of loss	On distributor	On seller
Price control	Cannot control	Can control
Credit risk	On distributor	On seller
Task liability in foreign country	On distributor	On seller if agent has a given authority to accept orders or if distributor maintains inventory for local delivery

Table 10: Legal differences between distributor and agent (based on Johnson/Bade 2010, p. 108)

Distributors (importers) purchase products from the manufacturer and then resell them in the foreign market (cf. Johnson/Bade 2010, p. 107). They profit from the price difference between the purchase and sale price (cf. Johnson/Bade 2010, p. 107; Hollensen 2019, p. 339). As they import manufacturer's goods into certain sales zones, distributors have the exclusive right to represent the manufacturer (cf. Hollensen 2019, p. 339). Manufacturers typically engage with a single distributor per market (cf. Hollensen 2019, p. 339). Moreover, distributors select their customers and negotiate the transaction's terms and conditions (cf. Hollensen 2019, p. 339). Wholesale and retail facilities, warehouses, and repair and service centres are often owned by distributors (cf. Hollensen 2019, p. 339). The order quantity, delivery dates, and pricing are specified in the distribution agreement (cf. Johnson/Bade 2010, p. 107).

An **agent's (representative)** main role is to identify potential customers and collect offers on behalf of the manufacturer (cf. Johnson/Bade 2010, p. 108). For their services, agents are usually paid in a commission (cf. Johnson/Bade 2010, p. 108). Thus, the manufacturer can influence the pricing since they do not purchase the manufacturer's product (cf. Johnson/Bade 2010, p. 108). Agents can also provide after-sales services (cf. Johnson/Bade 2010, p. 108). At the same time, financing, shipment and marketing arrangements are made between the exporter and the purchaser (cf. Hollensen 2019, p. 340; Albaum/Duerr/Josiassen 2016, p. 331). Additionally, the agent does not store the products (cf. Albaum/Duerr/Josiassen 2016, p. 331).

Agents are classed according to the property rights they are entitled to, and they might be confined to a specified sales territory (cf. Hollensen 2019, p. 339). They come in three varieties: exclusive, semi-exclusive, and non-exclusive (cf. Hollensen 2019, p. 339f.). In the first instance, they have exclusive rights to represent the manufacturer in a given region, and they are the most prevalent sort for the market entry (cf. Hollensen 2019, p. 339f.). In the second instance, agents handle non-competing items, whereas agents that manage a variety of commodities that may compete are in the third instance (cf. Hollensen 2019, p. 339f.).

4.2.3 Cooperative export modes

When SMEs interact with other SMEs with the goal of carrying out the export process, cooperative export modes emerge (cf. Hollensen 2019, p. 347). It has characteristics of indirect exporting since the specific cooperative organization is not organizationally a part of the manufacturing firm. On the other hand, the manufacturer may exert some influence over the cooperative organization's operational rules, and there is a perception of direct export occurring (cf. Albaum/Duerr/Josiassen 2016, p. 318). Table 11 lists the most common services provided by export marketing groups.

Services offered by export association
<ul style="list-style-type: none"> • Exporting under the association's name • Cost negotiating and transport organisation • Conducting market research • Assigning a selling agent in overseas markets • Establishing export prices • Debt collection and credit information • Drafting contracts and sales conditions

Table 11: Services offered by export association (based on Hollensen 2019, p. 347)

The goal is to take advantage of a chance to sell a complementary product to a broader consumer base. It is a frequent strategy employed by first-time-export SMEs with lower management and marketing abilities (cf. Hollensen 2019, p. 347). The partnership might be casual or close. Individual firms sell their products via the same agent in the first case, whereas companies that are members of an export organization do so in the second. In other words, the association serves as a mode of entry, providing a unified representation and a method of achieving economies of

scale (cf. Hollensen 2019, p. 347). SMEs may anticipate consistent rates and lower expenses with these services. (cf. Hollensen 2019, p. 347).

Piggybacking is a form of cooperative exports, and it occurs when a less-experienced firm (i.e., rider/supplier) sells its goods in foreign markets using the distribution network of a more-experienced company (i.e., carrier) (cf. Albaum/Duerr/Josiassen 2016, p. 318; Ghauri/Cateora 2014, p. 218; Hollensen 2019, p. 337). The carrier has experience in the target market and may use its sales divisions and distribution networks to reach out to customers (cf. Hollensen 2019, p. 338). The rider can pay the carrier a commission or sell their goods. In the first situation, the carrier will operate as an agent, but in the second, it will act as an independent distributor, branding and marketing the items as they want (i.e., manufacturer's label, private label or their own label) and extending its product range and increasing sales (cf. Hollensen 2019, p. 338; Ghauri/Cateora 2014, p. 218f.; Albaum/Duerr/Josiassen 2016, p. 318). Piggybacking is primarily used for industrial, non-competitive and complementary products with identical market segments (cf. Hollensen 2019, p. 338; Ghauri/Cateora 2014, p. 218; Hill/Hult 2019, p. 469). This MEM is frequently used to explore new markets and is especially useful for SMEs with little resources due to shared transportation expenses and low risks (cf. Ghauri/Cateora 2014, p. 219; Albaum/Duerr/Josiassen 2016, p. 320). However, the rider does not control the marketing activities (cf. Albaum/Duerr/Josiassen 2016, p. 320). Instead, he will begin its exporting procedure when they see the market potential and increase its market understanding (cf. Ghauri/Cateora 2014, p. 219).

4.3 Overview of intermediate entry modes

Intermediate modes of entry aim to share experience, technical skills, ownership and risk among partners to generate foreign revenue and meet corporate goals (cf. Hollensen 2019, p. 355; Fatehi/Choi 2019, p. 217f.). Businesses may choose to coordinate their value chain activities with other companies due to rising costs of operations in foreign markets and the associated uncertainty in the market environment (cf. Fatehi/Choi 2019, p. 217). For the purposes of this thesis, licensing, franchising, contract manufacturing and joint venture are explained.

4.3.1 Contract manufacturing

In contract manufacturing, production activities are delegated to a foreign-based external partner (i.e., contract manufacturer) (cf. Hollensen 2019, p. 355). According to the costs, client's requirements, and quality standards, the contract manufacturer designs and manufactures the items (cf. Fatehi/Choi 2019, p. 220; Glowik 2020, p. 70). On the other hand, the brand manufacturer retains control over R&D, marketing, distribution, and sales, as well as some degree of flexibility, since they may choose a different manufacturer if the quality or standards are not satisfied (cf. Hollensen 2019, p. 335; Glowik 2020, p. 70). In some cases, a company may utilize many contract manufacturers throughout the world (cf. Glowik 2020, p. 70). The main reasons for this MEM are summarized in Table 12.

Reasons for contract manufacturing
<ul style="list-style-type: none">• Restricted capital• Unwillingness to establishing a manufacturing plant• Taking advantage of low-cost areas• Avoidance of import taxes and quota restrictions• Complying with the needs of local customers• Focus on other value chain activities

Table 12: Reasons for contract manufacturing (based on Hollensen 2019, p. 335; Glowik 2020, p. 70)

4.3.2 Licensing

Licensing and franchising are a form of a contractual agreement in which manufacturers can earn revenues without being involved in the production of goods in foreign markets (cf. Peng/Meyer 2011, p. 337). In a licensing agreement, the licensor hand-over the needed know-how to the licensee located in domestic or foreign countries (cf. Glowik 2020, p. 72). Furthermore, the licensor's intangible assets, such as patents, know-how, design, processes, and trademarks, are made accessible for a specified timeframe (i.e., usually from five to seven years with a possibility of being renewed) to the licensee under specific terms and conditions (cf. Glowik 2020, p. 72; Hill/Hult 2019, p. 440; Rugman/Collinson 2012, p. 42; Peng/Meyer 2011, p. 337f.). In return, the licensor acquires fees or royalties (based on two to 5% of sales) (cf. Glowik 2020, p. 72; Rugman/Collinson 2012, p. 42). Production, marketing, and sales are often delegated to the licensee, while R&D remains in the licensor's realm (cf. Hollensen 2019, p. 356). As a result, the licensee bears the entrepreneurial risk

in the above-mentioned value chain functions (cf. Glowik 2020, p. 72). Lastly, it is often used for standardised products and in industries with brief product life cycles (cf. Rugman/Collinson 2012, p. 42; Glowik 2020, p. 73).

4.3.3 Franchising

Franchising occurs between two separate companies, the franchisor and the franchisee (cf. Zentes/Morschett/Schram-Klein 2019, p. 146). Franchisors typically license their entire concept, which consists of production systems, quality and control procedures, marketing strategies, intellectual property rights, products and services (cf. Fatehi/Choi 2019, p. 221; Douma/Schreuder 2017, p. 215; Zentes/Morschett/Schram-Klein 2019, p. 146; Peng/Meyer 2011, p. 338).

The franchisor enrolls into a partnership with several franchisees (i.e., SMEs), who are permitted to use the franchisor's concept, under the condition that they oblige to the franchisor's requirements regarding product and service quality (cf. Zentes/Morschett/Schram-Klein 2019, p. 146). In return, the franchisee must pay signing fees and royalties (around 5% of gross sales for the use of the franchisor's business activities and commercial, logistical, and technical support (cf. Fatehi/Choi 2019, p. 221; Glowik 2020, p. 73; Zentes/Morschett/Schram-Klein 2019, p. 146). The franchising approach as a MEM combines the advantages of R&D, marketing and economy of scale with insights into the regional market and its culture (cf. Glowik 2020, p. 73). It enables a quick penetration into the target market without financial limits (cf. Glowik, p. 73; Zentes/Morschett/Schram-Klein 2019, p. 148). However, "free-riding" is an incident that may occur when the franchisee does not offer the optimal quality of products and services but profits from the franchisor's brand (cf. Douma/Schreuder 2017, p. 216). Thus, it is critical to establish a supervision system of the franchisee's business activities to prevent it (cf. Fatehi/Choi 2019, p. 221; Douma/Schreuder 2017, p. 216).

4.3.4 Joint venture

A joint venture is established when two firms decide to form a partnership to create a new business in which they both have the ownership and control rights over it (cf. Douma/Schreuder 2017, p. 213; Glowik 2020, p. 77). Both firms function as a parent company towards the joint venture (cf. Douma/Schreuder 2017, p. 213; Glowik 2020, p. 77). A joint venture aims to achieve the strategic agreed objectives through

the newly founded company while sharing risks (cf. Zentes/Morschett/Schram-Klein 2019, p. 146).

In addition, there is a mutual responsibility to contribute, such as in financing, human resources, knowledge, operational capacities, expertise, and customer networks accordingly to the equity share (cf. Glowik 2020, p. 78; Rugman/Collinson 2012, p. 260). Thus, joint ventures are classified as the majority, minority, or equal ventures (cf. Glowik 2020, p. 77). These groupings depend on the equity share arrangement (cf. Hill/Hult 2019, p. 442). Consequently, equity share affects the degree of control, risk, and earnings (cf. Hill/Hult 2019, p. 442). For instance, in the majority joint ventures, one company with more than 50% ownership has higher authority in imposing decisions (cf. Glowik 2020, p. 77; Hill/Hult 2019, p. 443). The main reasons for this MEM are summarized in Table 13.

Reasons for joint venture
<ul style="list-style-type: none">• Government prohibition of foreign ownership (developing countries)• New locations when the market knowledge and brand recognition are low and socio-cultural and political differences are high• Access to partner's local knowledge• Both parties have performance incentive• Control over operations

Table 13: Reasons for joint venture (based on Glowik 2020, p. 78; cf. Hollensen 2019, p. 393, Zekiri/Angelova 2011, p. 577)

4.4. Overview of hierarchical entry modes

In hierarchical entry modes, the company has complete control and ownership over the other company that is located in the overseas markets (cf. Hollensen 2019, p. 386). Hierarchical MEMs provide the most extensive degree of control and require substantial financial resources, but they provide extensive market knowledge cf. Glowik 2020, p. 80; Pegan/Vianelli/DeLuca 2020, p. 34). For this thesis purpose, only two types of hierarchical modes will be briefly explained as possible options for SMEs.

4.4.1 Domestic-based representatives

Sales representatives are based in the company's home country and travel to overseas markets to connect with the customers and sell the products (cf. Hollensen 2019, p. 387). This MEM provides greater oversight of the selling aspect that has

been conducted (cf. Hollensen 2019, p. 387). The utilization of the company's sales force demonstrates a greater level of loyalty and commitment to the foreign customer that would lack in the case of direct exporting (cf. Hollensen 2019, p. 387). Therefore, this MEM is mainly used in the B2B, business-to-government (B2G), and retail markets due to continuous customer collaboration and a larger scale of orders (cf. Hollensen 2019, p. 387). In the instance that the volume of orders cannot excuse the overseas travel, or if a simple commodity is sold, the e-commerce channel will be an alternative (cf. Hollensen 2019, p. 387).

4.4.2 Wholly owned subsidiary

WOS is a form of market entry that is completely owned by the parent company (cf. Hill/Hult 2019, p. 444). Furthermore, there are two types: greenfield ventures and acquisitions (cf. Hill/Hult 2019, p. 444). In the first instance, all needed operations are developed from the beginning, whereas acquisitions are used for acquiring foreign existing companies, often rivals but may also be companies from different sectors (cf. Hollensen 2019, p. 394; Zentes/Morschett/Schram-Klein 2019, p. 149). The main benefits of WOS are that it minimises the risk of losing control over a company's competitive advantage and its international market activities (cf. Hill/Hult 2019, p. 444). Additionally, the acquisition provides a faster market entry since the existing operations, knowledge and customers are established (cf. Zentes/Morschett/Schram-Klein 2019, p. 150). However, the main drawback is that it is the most expensive way of entering new markets; thus, it carries the highest risk (cf. Hill/Hult 2019, p. 444). Additionally, the employees might see acquisitions unfavourably, resulting in a significant loss in human resources (cf. Zentes/Morschett/Schram-Klein 2019, p. 150).

4.5 Cross-border e-commerce

With the usage of the Internet, many options are available that assist an international market entry, and it has made possible a more rapid market expansion and internationalization of SMEs by allowing a direct link between the customer and the seller (cf. Fernandes et al. 2019, p. 24; Sinkovics/Sinkovics/Ruey-Jey 2012, p. 148). In exporting, the Internet is used for advertising, as a communication tool with the importers and suppliers, and as a processing tool for orders (cf. Peng/Meyer 2011, p. 348).

Furthermore, the Internet provides an opportunity to either supplement or replace the traditional intermediaries (cf. Sinkovics/Sinkovics/Ruey-Jey 2012, p. 148). However, the outcomes vary. In some cases, e-commerce can enhance the export capabilities, but also it does not contribute automatically to the higher export performance (cf. Sinkovics/Sinkovics/Ruey-Jey 2012, p. 148). Thus, e-commerce should be seen as an additional distribution channel that provides an opportunity to acquire market knowledge and as a customer service instrument that enables advertisement, and not as an easy option for a market entry (cf. Sinkovics/Sinkovics/Ruey-Jey 2012, p. 148; Cassia/Magno 2021, p. 279; Goldman et al. 2020, p. 17;).

SMEs should invest and develop essential information technology skills to successfully exploit cross-border e-commerce (cf. Cassia/Magno 2021, p. 279). However, e-commerce abilities are crucial, and they are becoming a vital part of the new export marketing strategy that has adjusted communication and distribution aspects (cf. Gregory/Ngo, Liem/Karavdic 2017, p. 8).

It is essential to consider which e-commerce platform to use since it will impact the company's reputation, the pricing strategy and the margins (cf. Cassia/Magno 2021, p. 279). Additionally, e-commerce, digital marketing tactics and social media platforms contribute to a higher export performance due to communication advantages (cf. Alarcón-del-Amo/Rialp-Criado A./Rialp-Criado J. 2018, p. 10; Goldman et al. 2020, p. 17; Gregory/Ngo, Liem/Karavdic 2017, p. 8).

4.5 Summary of market entry modes

The following Tables 14, 15, and 16 summarize relevant strategic decision determinants in terms of market entry rapidity (MER), the degree of hierarchical control (DHC), financial risk (FR), proximity to the market (PM), delegated value chain functions (DVCF), and business categories (BC) (cf. Glowik 2020, p. 88 - 92; Hollensen 2019, p. 334 - 386). Additionally, the tables act as a guideline that indicates when a MEM is advisable for an SME and which potential risks are involved.

Type	Mode	MER	DHC	FR	PM	BC	Forms	DVCF	Recommended if	Risks	Suitability for SMEs
E x p o r t	Indirect	High	Low	Low	Low	Standardized products with basic after sales services; services	Trading companies	Sales and services	Saturated home markets	Dependency on intermediary	With no experience in foreign trade
							EMC		High market potential	Commission fee and royalties	
							Export buying agent		Intermediator deals with the export process	Transportation risk and costs	
							Broker		Information asymmetric	Trade barriers	
	Direct	High	Low	Low	Low	Standardized or more complex products with basic after sales services; services	Agent	Sales and services	Saturated home markets	Negotiation skills and language barriers	With less experience in foreign trade
							Distributor		High market potential	Trade barriers	
									Smaller number of customers	Unfamiliar market environment	
									Goal: gaining market knowledge	Transportation risk and costs	
	Cooperative	High	Low	Low	Low	Standardized/industrial /niche products with basic after sales services	Piggybacking	Sales and services, marketing	Shared costs and transportation	Loss of individuality	With no experience in foreign trade; testing the market
									Complementary product categories	Choice of partner	
									Shared transportation		
									Unified representation		

Table 14: Summary of export modes (based on Hollensen 2019, p. 333 - 348; Glowik 2020, p. 87 – 88; Pegan/Vianelli/DeLuca 2020, p. 31 - 35; Hill/Hut p. 439)

Type	Mode	ER	HC	FR	PM	BC	Forms	DVCF	Recommended if	Risks	Suitability for SMEs
I n t e r m e d i a t e	Contract manufacturing	Medium	Low - medium	Low	Medium	Goods & services	None	Production	Entry in markets that are protected by trade barriers	Los of manufacturing involvement and quality control	Production is outsourced if there aren't resources or the will to invest
									Focusing on other value chain activities	Reputation damage	
									Flexibility	Knowledge transfer	
									Restricted capital	Potential rival	
	Licensing	High	Low	Low	Low	Services (tacit knowledge)	Stand alone Licensing plus	Production marketing, sales and services	Lack of resources	Reputation damage	Applicable only for some sectors
									Goal: fast market entry	Partner selection	
									Short product life cycle	Risk of copying	
									FDI is risky	Potential rival	
	Franchising	High	Low	Low	Low	Services (concept implementation)	Financial investment Management driven Retail store	Production, sales and services	Goal: fast market entry and penetration desired	Relying on the entrepreneurial capabilities of the franchisee	Applicable only for some sectors
									Limited resources	Reputation damage	
									Sales of proven concept	Risk of copying	
										Partner selection	
	Joint venture	Medium	Medium	Medium	Medium	Innovative goods	Majority Equal Minority	Shared	Entry in markets are protected by trade barriers	Partner selection	Combines strenghts and is more suitable for developing countries
Access for partners knowledge									Knowledge transfer		
Control over operations									Opportunistictis behaviour		

Table 15: Summary of intermediate modes (based on Hollensen 2019, p. 333 - 348; Glowik 2020, p. 87 – 88; Pegan/Vianelli/DeLuca 2020, p. 35; Bruns 2003, p. 95; Hill/Hut p. 439; Sherman 2004, p. 13)

Type	Mode	ER	HC	FR	PM	BC	Forms	DVCF	Recommended if	Risks	Suitability for SMEs
H i e r a r c h i c a l	Domestic-based sales representative	High	High	Low	Low	Good and services	None	None	Protecting sales activities	Travel expenses	Access to markets in the region
									Close connections to B2B and B2G	Not suitable for distant markets or low order	
	Wholly owned subsidiary	Low - medium	High	High	High	Goods and services	Greenfield investments	None	Goal: higher control over all value chain functions	Management of foreign workforce	Not suitable for SMEs that lack resources
									Acquisitions	Goal: gaining market knowledge	

Table 16: Summary of hierarchical Modes (based on Hollensen 2019, p. 333 – 348; Glowik 2020, p. 80; Pegan/Vianelli/DeLuca 2020, p. 34)

5. Selection of a market entry mode

This chapter provides an overview the selected factors that influence the MEM decision and their indicators.

5.1 Factors influencing the market entry mode decision

A combination of internal and external factors, desired mode characteristics and the market entry timing constitute the elements that determine the MEM decision and the internationalization strategy (cf. Hollensen 2019, p. 318). In addition, that decision combines considerations regarding the advantages and disadvantages of each MEM and the characteristics of the company, the product and the market (cf. Fuchs/Apfelthaler 2009, p. 380).

5.1.1 Internal factors

Internal factors, also known as company-specific factors, are used to evaluate a company's internal forces, such as strengths and weaknesses, in connection to a specific foreign market (cf. Berndt/Fantanie Altobelli/Sander 2016, p. 53). These factors are as follows.

1. Firm size and resource availability

The availability of resources influences the company's selection of the target markets (cf. Koch 2001, p. 354). For example, SMEs are likely to select a MEM with limited commitments due to the limited financial resources, such as exporting or licensing (Koch 2001, p. 356; Fuchs/Apfelthaler 2009, p. 385). On the other hand, if the company has substantial resources and prefers a higher degree of control, then a hierarchical entry mode would be advised (cf. Glowik 2020, p. 85). Thus, financing needs and the number of employees are the leading indicators for this factor (cf. Fuchs/Apfelthaler 2009, p. 385; Glowik 2020, p. 85).

2. International experience

For the companies that have never had experience in the overseas market, a preferable option would be exporting. This is because those companies are more likely to be taken advantage in an entry mode that requires a higher degree of commitment (cf. Glowik 2020, p. 85 - 88). On the other hand, companies with international experience tend to select the MEM that provides possible alterations of the initial MEM or have established a preferred MEM (cf. Swoboda/Elsner/Olejnik 2015, p. 515 - 516). Thus, the indicator for this factor is the number of overseas markets that they currently serve or had served (cf. Katsikeas/Leonidou/Morgan 2000, p. 498).

3. Product complexity

Products differ in their characteristics, brand name, usage, production, advertising, selling conditions and possible consumer preferences (cf. Hollensen 2019, p. 320f.; Glowik 2020, p. 86). For example, products classified as consumer goods and expensive usually go through direct exporting (cf. Hollensen 2019, p. 320). For standardized products, export is also advised (cf. Glowik 2020, p. 86). Additionally, for a specific technology, brand and intangible assets or a significant amount of product adaptations are required, equity modes (i.e., joint ventures and WOS) are preferred over contractual agreements (i.e., indirect and direct export, licensing, franchising, contract manufacturing) (cf. Peng/Meyer 2011, p. 369; Glowik 2020, p. 86; Fuchs/Apfelthaler 2009, p. 386). Lastly, the distance between the domestic and target market has to be considered since it affects transportation. In that case, licensing, subsidiaries or joint venture are advised (cf. Fuchs/Apfelthaler 2009, p. 386). Thus, the indicators for this factor are distance and technology Fuchs/Apfelthaler 2009, p. 386).

5.1.2 External factors

External factors evaluate the market's environment to identify potential opportunities and threats (cf. Berndt/Fantanie Altobelli/Sander 2016, p. 27).

1. Socio-cultural distance between the home country and host country

The wider the socio-cultural divide in business practices, institutions, and values between the target and home markets, the greater pressure is to select direct exporting, joint venture or licensing (cf. Hollensen 2019, p. 320; Fuchs/Apfelthaler 2009, p. 386). Thus, the degree of distance that is measured according to the Hofstede Cultural Dimensions model and CAGE Comparator is used as an indicator (cf. Hollensen 2019, p. 320).

2. Country risk

Risk occurs when there is uncertainty regarding the venture's success and estimated profit and when natural or social circumstances cannot be predicted (cf. Kurian 2013, p. 240). Companies will select a lower commitment option if the country's risk (i.e., political and economic) is too high; thus, FDIs are excluded (cf. Obadia/Bello 2018, p. 13; Hollensen 2019, p. 321; Fatehi/Choi 2019, p. 18). In addition, there are three different risks - ownership risk (expropriation), operating risk (currency exchange and price control) and transfer risk (cf. Kock 2013, p. 356). These risks will be the indicators and the results on Global Edge and Doing Business.

3. The intensity of the competition

Less profitable markets are characterized by fierce rivalry. Thus, due to their minimal resource contribution, export modes are recommended (cf. Hollensen 2019, p. 322). Moreover, an intermediate mode is more applicable in industries with low margins since fixed costs are lower than in hierarchical modes (cf. Glowik 2020, p. 86). Local rivals may lower their average prices to create a ME barrier for foreign companies. Therefore, intermediate entry modes with a local partner may be beneficial (cf. Glowik 2020, p. 87). Additionally, in highly saturated markets, companies will profit minimally (cf. OECD 2021, p. 22). Thus, profit can be the indicator of a competitive market.

4. Market size and growth

Smaller markets can be accessed by exporting or licensing agreements. This allows resources to be directed toward more lucrative markets (cf. Obadia/Bello 2018, p. 14; Hollensen 2019, p. 321). In large economies and industries, a WOS or a majority-owned joint venture are recommended due to potential investments and developments. In the case of more optimistic projections for a foreign market (indicated by market volumes and growth rates), establishing a local presence is preferable rather than engaging with the market from afar (cf. Glowik 2020, p. 86).

5. Trade barriers

In the instance of tariff or non-tariff trade barriers, hierarchical modes, such as local manufacturing or assembly activities, and intermediate modes in the form of licensing and franchising are recommended (cf. Fuchs/Apfelthaler 2009, p. 386; Hollensen 2019, p. 321). However, with preventive product/trade regulations and governmental and consumer preferences for the local companies, an intermediate entry mode with a domestic company, such as a joint venture or contractual arrangements (i.e., licensing and franchising), are preferable (cf. Hollensen 2019, p. 321).

5.1.3 Desired mode characteristics

1. Risk-aversion

A “risk-averse” company opts for safer prospects and investments than those with a higher risk of loss or low returns (cf. Kurian 2013, p. 240). If a company is risk-averse, export or intermediate modes are recommended as a MEM since resource commitments are minimal (cf. Hollensen 2019, p. 322f.). Hierarchical modes are favoured in instances of technology protection and where the volume and growth of sales are vital corporate objectives since the company has total control over the

outcome and operations (cf. Glowik 2020, p. 84 – 86; Hollensen 2019, p. 319; Pedersen/Petersen/Benito 2002, p. 327). Thus, risk-aversion will be indicated by the company's subjective judgement of itself.

2. Control and flexibility

Modes that are high in control, such as WOS, increase the potential risks but at the same time increase the potential profitability, whereas modes that are lower in control do not bear the financial risk nor the potential profitability but are high in flexibility (cf. Hollensen/Dyhr/Boyd 2012, p. 8). On the other hand, where there is a low level of resource commitment, there is little to no control over how the product is marketed, as in indirect exporting (cf. Hollensen 2019, p. 322f.). Thus, it is a decision whether to have a higher control or lower degree of control over the value chain functions (cf. Glowik 2020, p. 85). Furthermore, flexibility is defined as an “ability to adapt to change, maneuver in troubled waters, and take advantage of new opportunities quickly” (Kurian 2013, p. 116). In other words, it is a question of whether the MEM can be altered to adapt to new conditions of the environment quickly (cf. Albaum/Duerr/Josiaseen 2016, p. 321; Pedersen/Petersen/Bonito 2002, p. 326). Thus, export modes are characterised high in flexibility since they can be terminated quickly and are less expensive (cf. Hollensen 2019, p. 322f.).

5.1.5 Market entry timing

Due to the unfamiliar nature of overseas economies, SMEs are prone to enter foreign markets in sequential order and may need to limit the number of overseas markets they service (cf. Agndal/Chetty/Wilson 2008, p. 663). One of the most critical considerations to consider when entering a market is whether the firm intends to be a pioneer, early follower, or late entrant (cf. Lilien/Yoon 1990, p. 596; Robinson 1998, p. 87; Bruns 2003, p. 128). A company is considered a “pioneer” if they first market a new product or a service in a foreign market, therefore starting the product life cycle process (cf. Robinson 1998, p. 87; Bruns 2003, p. 128). An “early follower” follows the pioneers’ path in a growing and unsure market, while the “late entrant” enters when the market matures (cf. Robinson 1998, p. 87; Bruns 2003, p. 128). The following table summarizes the main advantages between the pioneer and the follower.

Advantages	
Pioneer	Follower
<ul style="list-style-type: none"> • Lead in profile and image • Acquire early experiences for adapting to the circumstances • Close relationships with suppliers • Establish ME barriers • Creates local customer base • Set standards • Achieve profits 	<ul style="list-style-type: none"> • Opportunity to learn • Take control of previously established standards • Has reliable information • Situates in a stable environment • Benefit from the pioneer's investment • Cost saving • Possibility to win against the pioneer

Table 17: The advantages between a pioneer and the follower (based on Schmid 2018, p. 13)

Due to potential time delays, export or licensing may be preferable over greenfield manufacturing when the product is easily copied and the firm wishes to reach the market as soon as feasible (cf. Glowik 2020, p. 83). Furthermore, contract manufacturing and licensing are applicable when non-tariff barriers exist (cf. Glowik 2020, p. 83). Lastly, several factors influence the decision on the market entry timing, such as the necessity to follow a significant customer or a rival in another country. Other factors, such as the product replacement, market saturation and competition, all impact the decision. In a high level of competition, a fast market entry is required (cf. Glowik 2020, p. 83). Finally, selecting an acceptable partner might be time-consuming; consequently, a slower approach may be recommended (cf. Glowik 2020, p. 85).

5.2 Tool for market entry decision and the decision criteria

There are various qualitative and quantitative tools for evaluating different MEMs and selecting an appropriate one. However, in this thesis, Utility Value Analysis (UVA) is used in choosing the most appropriate MEM. UVA is used as a decision-making instrument in complex marketing situations, in which there is a need to evaluate multiple aspects of a particular problem (cf. Kühnapfel 2019, p. 1 – 3).

In general, it is used in several situations, such as in the high number of different aspects, aspects of different nature (e.g., qualitative or quantitative), if the ranking of those aspects is not possible, or if the decisions cannot be made on previous experience (cf. Kühnapfel 2019, p. 1 – 3). The procedure of the utility analysis consists of the following steps.

1. **Organization of the work environment** - Between the moderator and the participants, there is a defined hierarchy of duties and responsibilities. A

minimum of three persons and a maximum of twenty people are involved. Furthermore, a suitable time period of several hours has been set out for the analysis (cf. Kühnapfel 2019, p. 5).

2. **Defining the problem** - The analysis is used for issues concerned with selection and prioritization. An interval scale is created, on which the ranking and the scores between options become recognizable (cf. Kühnapfel 2019, p. 6)
3. **Selection of alternatives** - The goal of the analysis is to identify or rank different options. It is preferable to know what possibilities are accessible before starting the analysis (cf. Kühnapfel 2019, p. 8).
4. **Collection of decision criteria** - It is necessary to consider all sides of the problem. A total of 10 to 20 choice criteria is ideal. Therefore, a list of relevant criteria should be constructed to tackle the problem objectively (cf. Kühnapfel 2019, p. 8).
5. **The weighting of the decision criteria** - Each criterion is expressed in a ratio and thus weighted through an objective weighting method. The sum of all criteria is 100%. Firstly, participants need to relate the criteria with one another. Secondly, the criteria must be classified based on the school grades system from 1 ("very important") to 6 ("unimportant"), a scale from 1 to 10, or a scale from 1 to 100 (cf. Kühnapfel 2019, p. 10).
6. **Evaluation of the decision criteria** is based on a scale (cf. Kühnapfel 2019, p. 16).
7. **Calculation of utility value** - The determined criteria value is multiplied with the criteria weights. The result is criteria point values, and what remains is the sum of all criteria point values for each alternative. The sum is called the "utility value" ((cf. Kühnapfel 2019, p. 19).
8. **Sensitivity analysis** is used for evaluating how practicable the results are. In this step, criteria weights and criteria ratings are being assessed. This step is recommended if the moderator is judged for the practicability of the results (cf. Kühnapfel 2019, p. 20).

As shown in the table below, the criteria for weighting the MEM decision are based on Chapter 4. "Market entry modes" and the Subchapter 5.1 "Factors influencing the market entry mode decision".

Nature of the factor	Factors	Indicators	Influence on the selection of the MEM
Internal	Firm size and resources	Financing needs Number of employees	High financing needs and low number of employees: exporting
	International experience	Number of overseas markets	Low number of overseas markets: exporting
	Product complexity	Distance Technology	Long transport time: subsidiaries, joint venture, exporting High-technology: subsidiaries
External	Socio-cultural distance	The degree of distance that is measured according to Hofstede Cultural Dimension model and CAGE Comparator (e.g., language, culture, institutions, values)	Wide gap: direct exporting, joint venture, licensing
	Country risk	Ownership risk, operating risk, transfer risk and the results on the Global Edge and Doing Business	High risk: intermediary or export
	The intensity of competition	Market saturation	High: export Industries with low margins: intermediate
	Market size and growth	Market size and growth rate	Small: exporting or licensing agreement Large: WOS or joint venture
	Trade barriers	Tariff entry barriers Non-tariff entry barriers	Tariff: licensing, franchising, subsidiaries, joint venture Non-tariff: licensing, subsidiaries, joint venture
Desired mode characteristics	Risk-aversion	Risk-aversion of the company	High: export or intermediate Technology protection and growth of sales: hierarchical
	Control	Resources DVCF	Low resources and many DVCF: exporting or intermediate High resources: hierarchical
	Flexibility	The time needed to enter and withdraw from the agreement and conducting changes on a MEM	High: exporting Low: hierarchical

Table 18: Evaluation criteria for UVA (based on Fuchs/Apfelthaler 2008, p. 385 – 386; Hollensen 2019, p. 318 – 23; Koch 2001, p. 354 – 356; Glowik 2020, p. 85 – 88; Katsikeas/Leonidou/Morgan 2000, p. 498; Peng/Meyer 2011, p. 369; Fatehi/Choi 2019, p. 18; Obadia/Bello 2018, p. 13 - 14; OECD 2021, p. 22)

6. Communication for an international market entry

This chapter emphasizes the importance of communication activities while entering new markets. The term “communication” is defined as a “process whereby commonness of thought is established and meaning is shared between individuals or between organizations and individuals” (Andrews/Shimp 2018, p. 27). Any communication policy’s major purpose is to impact the company’s target groups using a variety of communication measures in order to achieve communication goals that are derived from marketing objectives (cf. Bruns 2003, p. 300; Meffert/Burmann/Kirchgeorg/Eisenbeiß 2019, p. 633). The knowledge about the target groups and the target country’s requirements forms the basis of various communication measures (cf. Sternad/Höfferer/Haberp 2020, p. 148). Thus, this chapter will outline the elements of a communication strategy, the influencing factors on communication and the characteristics of communication in the beauty industry, as well as in the B2B sector.

6.1 Communication as a part of the marketing mix and the communication process

As illustrated in Figure 7, the marketing mix, which includes product, pricing, communication, and distribution, consists of all of these components, which are referred to as marketing instruments. The marketing mix is usually planned up to a year and numerous changes throughout the year should be avoided (cf. Tomczak/Reieche/Kuß 2018, p. 171f.).

Product	Price	Communication	Distribution
Quality	(List) price	Advertising	Territory
Packaging	Conditions	Sales promotion	Channels
Range	Discounts	Sales	Organs
Branding	Distribution financing	(Product) PR	Logistics
Customer service			
Supply policy			

Figure 7: Marketing mix (based on Tomczak/Reieche/Kuß 2018, p. 172)

In terms of communication, it is critical to determine the following steps:

1. who will convey the message (i.e., the firm),
2. what will be the message's essence,
3. under what conditions will the message be designed (i.e., environmental, competitive),
4. through which channels the message will be delivered,
5. who will be the recipient of the message,
6. where will the recipient receive the tailored message,
7. how will the sender calculate the communication expense and the desired outcomes (cf. Lasswell 1967, p. 178; Meffert/Burmann/Kirchgeorg/Eisenbeiß 2019, p. 633; Tomczak/Reieche/Kuß 2018, p. 191).

6.1.1 Target groups in an international market entry

When it comes to acquiring support, resources, or attracting stakeholders, small and international enterprises cannot rely on their corporate image or brand awareness due to numerous difficulties (cf. Veilleux/Haskell/Pons 2011, p. 118 - 122). Thus, SMEs prefer to engage in sharing information, data, and ideas with various stakeholders in order to decrease risks that are connected to market entrance and market knowledge (cf. Agndal/Chetty/Wilson 2008, p. 663; Tomczak/Reieche/Kuß 2018, p. 191). For example, partners are the most important stakeholders for companies who are engaged in creating R&D collaborations and those that use licensing as a MEM (cf. Veilleux/Haskell/Pons 2011, p. 118 – 122). The partnership must be built on mutual confidence, commitments, collaborations, shared interests, and a single goal (cf. Hollensen 2019, p. 333f.). Furthermore, customers are the primary target group for companies that use exporting as a MEM (cf. Veilleux/Haskell/Pons 2011, p. 118 - 122). Their success is based on identifying and fulfilling customer requirements (i.e., distributors, wholesalers, and consumers) (cf. Veilleux/Haskell/Pons 2011, p. 118 - 122). Also, customers are vital to companies that implement any form of hierarchical MEM (cf. Veilleux/Haskell/Pons 2011, p. 127f.).

6.1.2 Communication objectives in an international market entry

The purpose of communication objectives is to “inform, persuade and remind” target groups and to influence their behaviour (cf. Kotler/Pfoertsch 2006, p. 106;

Tomczak/Reieche/Kuß 2018, p. 191). The communication objectives in the B2C and B2B segments are different. In the former, the goal is to generate awareness and emotional experience, whereas the latter focuses on usefulness and practicality (cf. Kotler/Pfoertsch 2006, p. 106). If the goal is to attract various stakeholders, communication objectives should focus on raising awareness and reputation, as well as increasing the credibility (cf. Veilleux/Haskell/Pons 2011, p. 122). However, the ultimate objective of a ME should be to persuade investors to invest, or persuade partners to form an alliance, as well as to appeal to all stakeholders that they support the company's growth. Depending on the level of internationalization of the company, objectives may change (cf. Veilleux/Haskell/Pons 2011, p. 122).

Furthermore, the main communication objectives in the B2B segment focus on the usefulness and pragmatism. Therefore, communication mode should focus on expressing the advantages of the product, specific technical information, and solutions to the problems that the product solves regarding costs, time, quality, or productivity (cf. Kotler/Pfoertsch 2006, p. 106; 120). However, B2B segment can be influenced by emotions, especially if the key messages are around "trust, security, and peace of mind" (Kotler/Pfoertsch 2006, p. 106). Therefore, emotional incitement can be seen as a prerequisite for successfully communicating the functional and technical characteristics (cf. Kotler/Pfoertsch 2006, p. 106).

6.1.3 Communication – localization or standardization

Some companies advertise the same product differently in different cultural settings regarding social norms, values, and consumer needs (cf. Woodward-Smith/Eynullaeva 2009, p. 133f.). Specific manufacturer's messages are shaped to be socially acceptable in a particular culture by copywriters or translators of the targeted market (cf. Woodward-Smith/Eynullaeva 2009, p. 133f.). On the other hand, standardization is more noticeable in the beauty industry, and a standardized message is being transmitted across markets (cf. Karlíček et al. 2013, p. 138).

Excessive localisation in communication can lead to higher costs and concerns with the centralization and decentralisation and the brand image (cf. Alshoabi 2021, p. 18). On the other hand, excessive standardization leads to inactivity and dullness of the brand (cf. Alshoabi 2021, p. 18). One way to overcome is to consider the characteristics of the target group, adapt the product to their expectations, and use a

“glocalization” strategy that unites the characteristics of both strategies (cf. Alshoabi 2021, p. 18f.).

6.1.4 Communication modes and communication platforms

Communication can be achieved by establishing solid connections with target groups through various platforms (cf. Kotler/Keller 2016, p. 581f). Thus, a combination of paid (i.e., firms need to pay for advertising), owned (i.e., the media that the firm controls) and earned (i.e., consumers generate the communication) media is often used (cf. Kotler/Keller 2016, p. 581f.; Kotler/Pfoertsch 2006, p. 110; Tomczak/Reieche/Kuß 2018, p. 193). Depending on the aims of the market entry, mass marketing strategies, such as public relations, advertising, and sponsorship, or personal communication modes, for example events or direct communication, are often used (cf. Veilleux/Haskell/Pons 2011, p. 122). Furthermore, there are several marketing communication modes, which are the following.

1. Advertising is any paid form of impersonal and one-sided presentation of ideas, products, or services by an identified sponsor via direct and indirect communication channels. The advantage is that many potential consumers can be addressed at the same time, with lower overall costs. However, there are only limited behavioural consumer effects due to a possible negative perception. Pervasiveness, intensified expressiveness, and control over the aspects that are communicated about the brand are the main characteristics (cf. Kotler/Keller 2016, p. 582 - 596; Kotler/Pfoertsch 2006, p. 118; Tomczak/Reieche/Kuß 2018, p. 195f.).

2. Sales promotions are short-term incentives to generate purchases or trials of a product among consumers and retailers. Additionally, there are three different types, depending on the primary audience – trade, retailer and consumer promotions. The advantages are quick attainment of attention, incentives that provide value to the customer, and an invitation to buy immediately (cf. Kotler/Keller 2016, p. 582 – 596; Kotler/Pfoertsch 2006, p. 122; Tomczak/Reieche/Kuß 2018, p. 196).

3. Event marketing is focused on company-induced activities intended to generate daily or unique brand-related interactions with customers. Therefore, it is essential that those activities are relevant, engaging, and have implicit nature towards selling (cf. Kotler/Keller 2016, p. 582 - 596; Tomczak/Reieche/Kuß 2018, p. 196).

4. Trade shows and exhibitions are essential in the B2B environment. They provide a chance for companies to increase brand recognition, knowledge, and interest

in one location at a time. They also give consumers access to many potential suppliers in a short time at a lower cost (cf. Kotler/Pfoertsch 2006, p. 114).

5. Sponsoring is the promotion of individuals or organizations to generate income, build partnerships, boost awareness, improve image, and attract consumers (cf. Kotler/Pfoertsch 2006, p. 117; Tomczak/Reieche/Kuß 2018, p. 196).

6. Product placement is paid usage or display of a product as a part of a storyline in a film or a television show (cf. Tomczak/Reieche/Kuß 2018, p. 197).

7. Public relations (PR) and publicity are various programs directed towards stakeholders to promote or protect the image or product communications. PR and publicity have to have a high level of credibility in their stories, ability to reach new prospects who avoid mass media, and use dramatization in their stories to engage the reader (cf. Kotler/Keller 2016, p. 582 – 596; Kotler/Pfoertsch 2006, p. 113).

8. Online and social media marketing are activities and programs meant to engage consumers or prospects to promote awareness, boost image, or prompt sales. Therefore, messages and posts should be abundant, interactive and up-to-date (cf. Kotler/Keller 2016, p. 582 – 596).

9. Mobile marketing is a type of online marketing delivered via consumers' cell phones, smartphones, or tablets. This kind of marketing is timely, influential and pervasive (cf. Kotler/Keller 2016, p. 582 – 597).

10. Direct and database marketing utilizes mail, telephone, fax, email, or the Internet to interact directly with particular customers and prospects to generate a reaction or discussion from them due to its personalization, proactiveness and complementarity (cf. Kotler/Keller 2016, p. 582 – 597; Kotler/Pfoertsch 2006, p. 112).

11. Personal selling is a form of face-to-face interaction with potential buyers to present offerings, answer questions, obtain orders, and achieve sales objectives. Building long-term relationships is the focus through personalized communication and direct response. It is considered the most expensive communication mode since few buyers can be contacted at a specific period. Its effectiveness depends on the sales force's characteristics (cf. Kotler/Keller 2016, p. 582 – 597; Kotler/Pfoertsch 2006, p. 110f.; Tomczak/Reieche/Kuß 2018, p. 195).

These modes serve as brand-building communication tools that do not differ in the B2C and B2B markets (cf. Kotler/Pfoertsch 2006, p. 110f.). Although, personal selling is more emphasised when communicating with a B2B customer or conducting

industrial goods marketing (cf. Kotler/Pfoertsch 2006, p. 110f.; Tomczak/Reieche/Kuß 2018, p. 196).

Furthermore, Table 19 summarizes different platforms for each communication mode.

Modes	Platforms
Advertising	Print and broadcast advertisement, packaging, motion pictures, brochure and booklets, posters, leaflets, directories, reprints of advertisements, billboards, display signs, point-of-purchase displays, audio and visual material, symbols and logos, videotapes
Sales promotion	Contests, games, sweepstakes, lotteries, premiums, gifts, sampling, fairs and trade shows, exhibits, demonstrations, coupons, rebates, low-interest financing, entertainment, trade-in allowances, continuity programmes, tie-ins, trade promotions
Event marketing	Sports, entertainment, festivals, art, causes, factory tours, company museums, street activities, anniversaries, new product launches
Sponsoring	Public events
Product placement	Television shows, movies, music videos, social media
PR and publicity	Press kits, speeches, seminars, annual reports, donations, publications, community relations, lobbying, company magazines
Online and social media marketing	Web sites, e-mail, search ads, display ads, company blogs, third-party chat rooms, forums, blogs
Mobile marketing	Text messages, online marketing, social media marketing
Direct and database marketing	Catalogues, mailings, telemarketing, electronic shopping, television shopping, fax
Personal selling	Sales presentations, sales meetings, incentive programs, samples, fairs, trade shows, telephone, online channels

Table 19: Communication modes and platforms (based on Kotler/Keller 2016, p. 583; Kotler/Pfoertsch 2006, p. 122; Tomczak/Reieche/Kuß 2018, p. 194 – 197)

6.1.5 Defining the communication budget and key performance indicators

Based on the budget, appropriate strategies and activities are determined. The budget aims to determine the necessary financial investment for the planned communication activities (cf. Kotler/Keller 2016, p. 596; Bruhn 2016, p. 48). In general, the budget corresponds with the strategic marketing goals and related tasks (i.e., tactical marketing) and is allocated over modes of communication (cf. Bruhn 2016, p. 48; Kotler/Keller 2016, p. 596; Hollensen 2019, p. 7). Furthermore, it is essential to measure the communication measure's impact (i.e., the outcomes and revenues, inputs and expenses) after the implementation phase. For example, concerning a specific advertisement, identification or a recall of the message, numbers of views, feelings, past and present views of the brand are questioned (cf. Kotler/Keller 2016, p. 599). According to Kotler and Armstrong (2020), there are several methods for formulating a budget.

1. The Affordable/Percentage-of-sales method calculates the budget for advertising costs and specific financial measures (e.g., profit or sales). The main idea is that the company creates an affordable budget. The benefit is that expenditure is based on affordability, while the drawback is that it relies on past performance indicators (cf. Kotler et al. 2020, p. 432f.; Hollensen 2019, p. 594).

2. Competitive-parity-model calculates the budget according to the promotional activities of the competitors. However, inconsideration for a specific initial situation of the competitor (e.g., resources, opportunities, goals), as well as the inability to monitor all competitor's activities, are the main drawbacks (cf. Kotler et al. 2020, p. 432f.; Kotler/Keller 2016, p. 594; Hollensen 2019, p. 594).

3. The objective-and-task method specifies objectives, tasks and predicted costs in the budget. It includes a cost-benefit analysis since it relates tasks to the objectives and considers the costs, exposure levels, trial rates, and regular usage. However, a decent market knowledge is a prerequisite (cf. Kotler et al. 2020, p. 432f.; Kotler/Keller 2016, p. 594; Hollensen 2019, p. 594).

The list of KPIs in communication are summarized in the following table.

Examples of KPIs in communication
Advertising effectiveness by type of media (e.g., awareness levels)
Actual audience/target audience ratio
Cost per contact
Number of calls, enquiries, and information requests by type of media
Sales per sales call
Sales per territory relative to potential
Selling expenses to sales ratio
New accounts per time period
Lost accounts per time period

Table 20: KPI communication (based on Hollensen 291, p. 71)

6.1.6 Managing the integrated communication process

Integrated marketing communication (IMC) interacts with a single individual by delivering a specific message across specific media platforms (cf. Blakeman 2018, p. 4). The objective is to establish a long-term relationship between the customer and seller by immersing the individual in a two-way communication activity (cf. Blakeman 2018, p. 4). To achieve brand awareness, brand loyalty, and successful communication measures, online and offline communication modes must be integrated with each other and with other elements of the marketing mix (i.e., product, price, distribution) (cf. Shimp/Andrews 2018, p. 31). Additionally, the integration needs to go through all target groups and across all economic levels (cf. Sternad/Höfferer/Haberp 2020, p. 153). Thus, messages utilized in the campaign must be customized to meet the requirements of a specific target group (cf. Blakeman 2018, p. 4). Finally, integration must be coordinated in real-time (cf. Tomczak/Reiche/Kuß 2018, p. 197).

6.2 Factors influencing the international communication process

As illustrated in Figure 12, the international communication process is governed by several factors that affect the delivery of the right message to the correct recipients in the international environment (cf. Ghauri/Cateora 2014, p. 406).

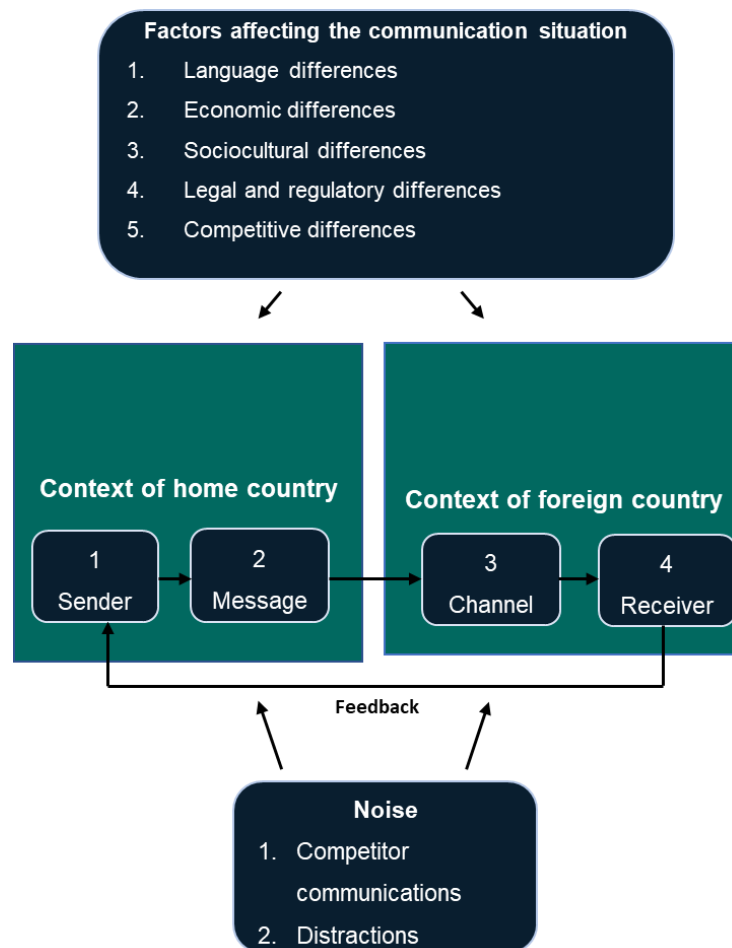


Figure 8: Elements of the international communication process (based on Hollensen 2019, p. 589)

Some of these factors are prominent language differences that influence sales presentations and advertisement material (cf. Hollensen 2019, p. 590). Different languages and dialects can be troublesome in advertising due to the possibility of diverse meanings or misinterpretations (cf. Ghauri/Cateora 2014, p. 410). Therefore, these barriers are often overcome by adapting the material to the national variations of the language that is used in the targeted market (cf. Hollensen 2019, p. 590; Shamina/Ryabukhina/Myaxhinskaya 2018, p. 432). Furthermore, economic differences among countries and target groups influence the selection of the most appropriate communication medium (cf. Hollensen 2019, p. 590). Socio-cultural differences influence the actions and mindset of the key stakeholders, as well as the whole negotiation process, and the success of a market entry mode (cf. Albaum/Duerr/Josiassen 2016, p. 128; Kumar/Kumari 2022, p. 312). As a result, communication can be challenging in multicultural societies due to many variables that determine the message's perception. Thus, it is crucial to know the meaning behind specific symbols, colours, trends, customs, rituals, values, heroes to avoid

misunderstandings and failures (cf. Ghauri/Cateora 2014, p. 410; Sternad/Höfferer/Haberp 2020, p. 153; Kumar/Kumari 2022, p. 312). Furthermore, legal and regulatory conditions vary and affect the marketing strategy (cf. anon 2015, p. 45). In general, most laws ban deceptive advertising, regulate labelling, branding, promotional text and the terms and the conditions of promotional activities, as well as advertising in certain industries, such as casino (cf. anon 2015, p. 45). Schiffman/Wisenblit 2015 p, 352). Lastly, competitive differences can be beneficial for developing a promotional strategy since competitor's information can be used, and timing efforts can be more precisely planned (cf. Hollensen 2019, p. 590).

7. Concept for the market entry into the US B2B Beauty and Personal Care market

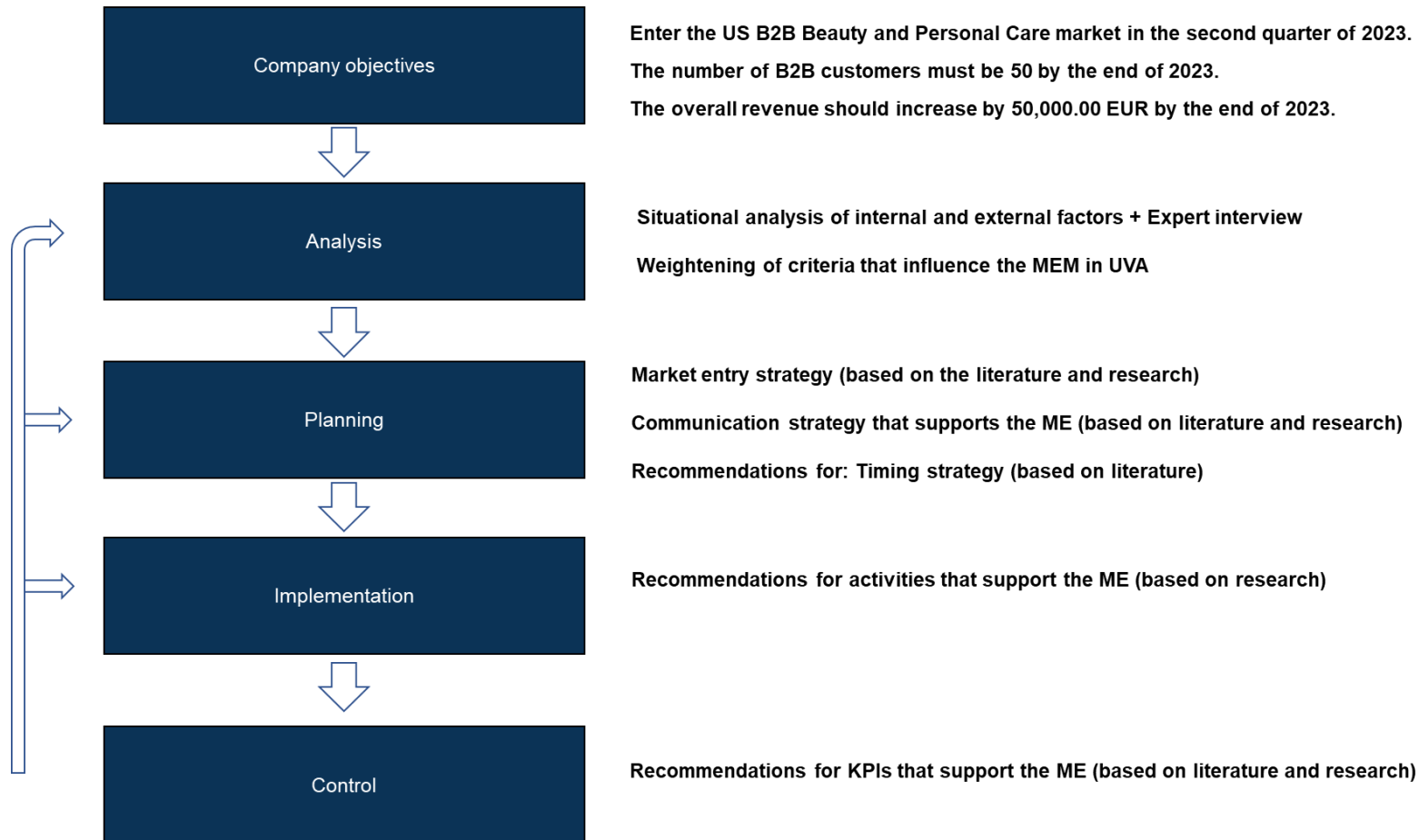


Figure 9: Concept for the market entry into the US B2B Beauty and Personal Care market (own presentation)

8. Market research

The term “primary research” entails that the data is gathered for the present research problem, whereas the term “secondary research” entails that the data was gathered for a different problem and then applied in the research (cf. Hair/Ortinou/Harrison 2021, p. 49). Consequently, this chapter provides insights into the secondary and primary market research.

8.1 Secondary market research

This chapter states a situational assessment of the internal and external factors. The internal and external analyses are conducted by observing the company's internal reports, the company's website, the meetings with the company's mentor, the industry market research data, and the countries' data. Moreover, the aforementioned criteria from Subchapter 5.2. “Tool for market entry decision and the decision criteria” serve as a foundation for internal and external analyses. Lastly, this analysis provides information for the primary market research.

8.1.1 Internal analysis

1. Firm size and resource availability

LC is classified as a micro-enterprise since it had eight employees, a total income of 433,300.00 EUR and capital assets of 510,360.00 EUR in 2020. Additionally, the total value of exported goods was 132,600.00 EUR (cf. Poslovna 2021). However, the current COVID-19 pandemic has influenced LC to minimise the number of personnel, and the value of exported goods has decreased (cf. Poslovna 2021).

Furthermore, seven employees work in the manufacturing department. Thus, only one employee and the CEO distribute marketing, sales, and management activities between themselves (cf. Čuzela 30.09.2020). Thus, the biggest weakness that the company is facing is the financial and human resources challenges and time constraints. The number of employees is low, and their skills and knowledge are not applicable for analysing and evaluating marketing strategies or internationalisation strategies. However, the biggest strength that the company possesses is its CEO's dedication to promoting the brand and having a relatively successful patented product and reliable business partners.

2. International experience

As illustrated in Figure 10, the product is exported to Serbia, Bosnia and Herzegovina, Slovenia, Italy, Switzerland, Austria, The Czech Republic, and Slovakia. The countries coloured in orange represent markets where the brand can be found in retail, such as drugstore chains (e.g., dm-drogerie markt and Bipa), retail pharmacies, and the beauty service sector (i.e., wellness centres and beauty salons). The countries that are marked in green represent the retail beauty sector solely. Additionally, the highest export rate is towards Austria (cf. Ćuzela 30.09.2020).



Figure 10: Entered markets (own presentation)

Generally, LC enters a new market with a reliable export partner and low investment costs. Therefore, exporting was used as a MEM via various exclusive and non-exclusive distributors. The non-exclusive distributors are usually more prominent in their size and offer a competing product at a lower price and of poorer quality (cf. Ćuzela 18.03.2022). In addition, the exclusive distributors operate in certain sales regions or by the country (cf. Ćuzela 18.03.2022). The common characteristic is that they are also educators of the sugaring technique. However, not all distributors-educators can explain the technique well, which represents a problem (cf. Ćuzela 18.03.2022).

Furthermore, the brand is present in 2,000 retail stores (cf. Ćuzela 08.10.2020). In addition, the company has a stationery store located in Croatia that sells directly to the B2B and B2C sectors. Before 2013, LC had a stationery store in Slovenia. Thus,

except for exporting, LC had also had experience with wholly owned subsidiaries in foreign markets (cf. Čuzela 30.09.2020).

3. Product complexity and differentiation

It is a highly standardised and simple cosmetic product. The product line consists of seven product variations that differentiate between ingredients, paste consistency, and hair removal methods (cf. Čuzela 05.05.2020). Additionally, branded accessories, such as spatula, nitrile gloves, strips, skin cleanser, towel, wet towel, talcum powder, and professional heater, are marketed together with the paste. However, they are not mandatory (cf. Čuzela 05.05.2020). The product is easily transported due to its simplicity, smaller size, and longer shelf life. LC can manufacture 500 pastes per day, which is deficient (cf. Čuzela 30.09.2020). Therefore, its production capacity can be a challenge for distribution if the demand is high.

Furthermore, the product is patented due to added ingredients, and as already stated, it has several certificates and awards, which confirm that the product is natural, cruelty-free and halal. These certifications also prove that LC is following the newest trends in the cosmetic industry. However, due to its simple ingredients, it is convenient to make the product by following the recipes that can be found online (cf. Čuzela 08.10.2020). Thus, the simplicity is actually a risk to the company since it affects the numbers of their end-customer base and potential sales. However, it takes effort and time to find the right paste consistency (cf. Čuzela 05.05.2020). On the other hand, the application process of the product is relatively complicated for a beginner that is not a licensed beautician compared to other hair removal methods (cf. Čuzela 08.10.2020). Therefore, beginners tend to avoid this method.

4, Risk aversion

LC is not prone to significantly invest in the market due to limited resources, such as human, financial, knowledge and time (cf. Čuzela 30.09.2020). Additionally, The income from sales has dropped significantly by 23% in 2020 (cf. Poslovna 2021). Despite having several market entries into countries with a similar socio-cultural background, the most preferred market entry mode has always been direct exporting (cf. Čuzela 30.09.2020). Consequently, LC is characterised as a risk-averse company that follows an already known path for conquering new markets through an existing or a new network of distributors and agents instead of experimenting with new entry modes.

5. Degree of hierarchical control

LC would not highly intervene in the marketing and is less occupied with how the brand is perceived in the US for the first market entry year. The only control that LC wants is control over the manufacturing process. However, LC would suggest a recommended retail price and would assist in the promotional activities of that brand (cf. Ćuzela 30.09.2020).

4. Degree of flexibility

Due to its size and hierarchy in the company, the decisions in the company are made fast. However, it can be that decisions are made without complete information. This is related to previous market entries with no structured ME concept but rather an “ad hoc” activity following the opportunity. In addition, due to its resources, the company cannot easily remonstrate from business deals that are characterised by a higher degree of risks and commitment due to long-term ramifications of financial and legal nature (cf. Ćuzela 05.05.2020). However, if the business partner’s performance is poor and the company’s reputation is harmed, LC will swiftly terminate the contract and quickly find another partner (cf. Ćuzela 05.05.2020). Additionally, LC has a quicker market entry and more flexibility when working with small-sized beauty salon distributors than retail stores (cf. Ćuzela 05.05.2020). However, when it comes to the US market, the company is more in favour of quickly withdrawing from the market if company objectives are not met (cf. Ćuzela 05.05.2020).

6. Current communication channels

LC prioritizes digital marketing channels, mainly social media channels focusing on content creation and influencer marketing. The main aim of these channels is to educate the target groups about the sugaring technique and the brand. It uses social media platforms like Facebook and YouTube, e-commerce platforms, its website, and display ads. Additionally, it focuses on personal selling in terms of participation in European and Croatian trade fairs, sampling, and directly contacting the potential business partners via e-mail or phone. It has a brochure in English in which different paste types are described (cf. Ćuzela 08.10.2020). The following figure provides an example of the page in the brochure of the best selling product.



Figure 11: Brochure: Best-selling product (Luxury Cosmetics 2022, p. 4)

Furthermore, the Cleopatra Facebook page was established in 2011 and has been the main source of communication with the mainly female audience (16 – 40). Postings of the content are not regularly conducted (the last post was for 24.12.2021 – holiday post). Despite irregular postings, the Facebook page has accumulated over 19.900 followers. Additionally, it is informative and provides answers and links about the brand and the sugaring technique. It has incorporated chatbots and call-to-action buttons. There is a combination of own content, such as videos and graphics, and memes. Communication is easy and precise. The main languages are Croatian and English.

The YouTube platform contains videos about the brand from different channels in English, Croatian, and Bosnian. They are mainly educational videos about the usage of the paste and review videos (e.g., Dragana Popov with over 75,000 views and Kreten Domaćica with over 87,000 views). The B2B English-speaking channel Cleopatra has five highly professional videos filmed in a professional beauty salon setting with a native American speaker voice over. Two videos provide an overview of the sugaring procedures on different models, male and female. Another video

explains variations of the product and accessories. The communication is focused on expressing the advantages and the ways of usage. In addition, the potential problems that may occur during the treatment and how to fix them were discussed, which is highly appreciated in the B2B setting. The content is highly informative, short (2 – 5 minutes) and aesthetically appealing.

Also, the company has its e-commerce website Diviana Cosmetics Web Shop, which is both for the B2B (i.e., Diviana Pro) and B2C sectors. Diviana Pro offers a variety of equipment for the beauty salons. However, the website does not highlight specifically the brand Cleopatra Professional. In addition, the brand does not have an Instagram page, but it is promoted through the Diviana Cosmetics page, which has over 2.900 followers. Compared to other sites and online activities, the brand's official website is relatively poor in design, content and user-friendliness. However, it is available in five languages and links to the webshop.

LC has a solid online presence in the Croatian and regional communities. The main goal of the communication is to educate the consumer, which is implemented highly successfully through content creation. Therefore, the only recommendations are to improve the brand's website and provide more content in English.

8.1.2 External analysis

1. Socio-cultural distance between the home market and the targeted market

Based on the CAGE Comparator, Croatia ranked at the 62nd place out of 158 concerning the socio-cultural, administrative, economic, and geographical distance toward the US market (cf. Globalization Explorer 2021). Moreover, there is no common language, no colonial linkage, no trade agreement, no regional bloc, no common border and the physical distance is 8,369 kilometres (cf. Globalization Explorer 2021). Due to that fact, it can be concluded that Croatia is not the most favourable market to the US when importing. To evaluate the cultural differences between Croatia and the US, it will be advantageous to reference the Hofstede Cultural Dimensions.

Cultural Dimension	Croatia	US
Power Distance	73	40
Individualism	33	91
Masculinity	40	62
Uncertainty Avoidance	80	46
Long-Term Orientation	58	26
Indulgence	33	68

Table 21: Cultural dimension (based on Hofstede Insights 2021)

Croatia has a higher power distance index than the US, meaning a larger gap between levels of authority. This can be seen through centralised decision-making in Croatia, while the hierarchy structure is based on approachability in the US. Also, the level of individualism is higher in the US. The US culture is defined as masculine and abides by the premise “the winner takes all”. On the contrary, Croatia is described as a feminine culture, implying the “working in order to live” belief. Furthermore, Croatian society is inclined to avoid uncertainty. Thus, unconventional actions and views face resistance when they conflict with existing rules and ideas. On the contrary, Americans are inclusive of novel concepts. When it comes to long-term orientation, Croatian society is pragmatic, which implies a certain level of adaptability to newly formed changes. On the contrary, US society is normative (cf. Hofstede Insights 2021). Regarding indulgence, Croatia is characterised as a restrained country. Conversely, the US is represented as an indulgent society with contradicting beliefs and behavioural patterns (cf. Hofstede Insights 2021). The results imply that the higher-socio cultural distance does exist, and it will have an effect on the business relationships and the negotiating process.

2. Government controls and regulations in the hair removal industry

The most common restrictions are in advertising, consumer protection and franchising (cf. Thomas 2021, p. 31). However, these restrictions can vary at the federal and state level (cf. Thomas 2021, p. 31). For example, some states, such as California, have hair removal facilities regulated as medical facilities. Thus, permits from the national health authorities must be required (cf. Thomas 2021, p. 31). When it comes to COVID-19 measures, these measures may vary from state to state but usually include rules on mask mandate and disinfection of the area (cf. Thomas 2021, p. 31; Diment 2021, p. 12).

2. Country risk

The US is organised as a federation and has fifty states, and each has its regulations and different court system (cf. Euler Hermes 2017, p. 3). The country is ranked with an A3 score at the Global Edge's country risk rating (cf. Global Edge 2021). This implies that it is categorised as a "very low risk" country. However, it is also going through a turbulent political and economic climate, which may affect the business of SMEs and MNCs (cf. Global Edge 2021). Additionally, it ranked at the 6th place out of 190 countries with the Doing Business score of 84.0% in 2020 (cf. World Bank Group 2020, p. 4). It was also categorised by an A1 score, implying a steady business climate and effective institutions (cf. Global Edge 2021). Additionally, the expropriation risk and transfer risk are low (cf. Global economy n.d. A; Global economy n.d., B). However, there is a currency exchange risk since the US dollar can become even stronger towards the kuna. Despite favourable rankings, there are certain business practices by the local companies and the government that are unfavourable. Firstly, the national businesses tend to indulge in late payments, thus, the growth and the development of the company is jeopardized (cf. Euler Hermes 2017, p. 1). In general, the companies are late by five to ten days. In specific situations, it can be between 90 and 120 days (cf. Euler Hermes 2017, p. 4). Secondly, the court system is highly complicated at the federal and state level and does not provide fast and inexpensive legal proceedings (cf. Euler Hermes 2017, p.1).

3. Trade Barriers

According to ACESS2Markets, there are no trade barriers for the LC's product category (cf. European Commission 2021). However, U.S. Customs and Border Protection may deny entrance of foreign cosmetics that are contaminated or misbranded (cf. FDA n.d.). Furthermore, imported and domestic cosmetics have to abide by the same rules – safe for the consumer and proper labelling (cf. FDA n.d.).

4. Market size and growth

The US is the leading economy worldwide with the third-largest population and has the highest number of contract manufacturers of personal care products (315) (cf. Allianz Trade 2021 n.d.; Statista 2020, p. 5). Furthermore, it is estimated that there were 338.452 beauty salons in the US in 2021 (cf. Diment 2021, p. 7).

Temporary hair removal services generated 44.4% of industry's revenue in 2021 (cf. Thomas 2021, p. 10f.). In the past five years, this segment's share has been increasing. The COVID-19 pandemics had a subtle positive effect since the consumers shifted from permanent hair removal services towards the temporary ones (cf. Thomas 2021, p. 16). However, the more significant consequence of COVID-19 is a decrease in demand due to work prohibitions of non-essential businesses and reduced consumer expenditure (cf. Thomas 2021, p. 18). Additionally, the end-customers favoured the "at-home" hair removal services from drugstores rather than the "higher-value" services, which significantly reduced the profit of these businesses (cf. Diment 2021, p. 23). This relates to findings that only 1.99 million consumers have tried it four or more times in the last six months professional hair removal services (cf. Statista 2021 C).

For the past five years, the number of beauty salons has increased by 4.3% each year (cf. Diment 2021, p. 25). As a result, the competition between the beauty salons is very high, and most of them compete at the local level in high-traffic locations, which is a very similar strategy to one of the spas (cf. Diment 2021, p. 22; Ristoff 2021, p. 22). Franchise businesses that operate across the country exist, such as European Wax Centre (775 locations), Regal Nails, Salon & Spa LLC (800 locations) and Waxing the City (120 locations) (cf. Diment 2021, p. 27). Correspondingly, in the wellness industry, the expansion has been primarily facilitated by franchise establishments, such as Massage Envy Franchising LLC (1,150 locations) and The Woodhouse Spas (cf. Ristoff 2021, p. 12). As illustrated in Figure 12, the highest concentration of businesses that specialise in hair removal services is in the Mid-Atlantic, Western and South-East regions (cf. Diment 2021, p. 20). Similarly, the highest concentration of businesses specialising in spa services is in the Mid-Atlantic, Western, South-East and Great Lakes regions (see Figure 11) (cf. Ristoff 2021, p. 20).

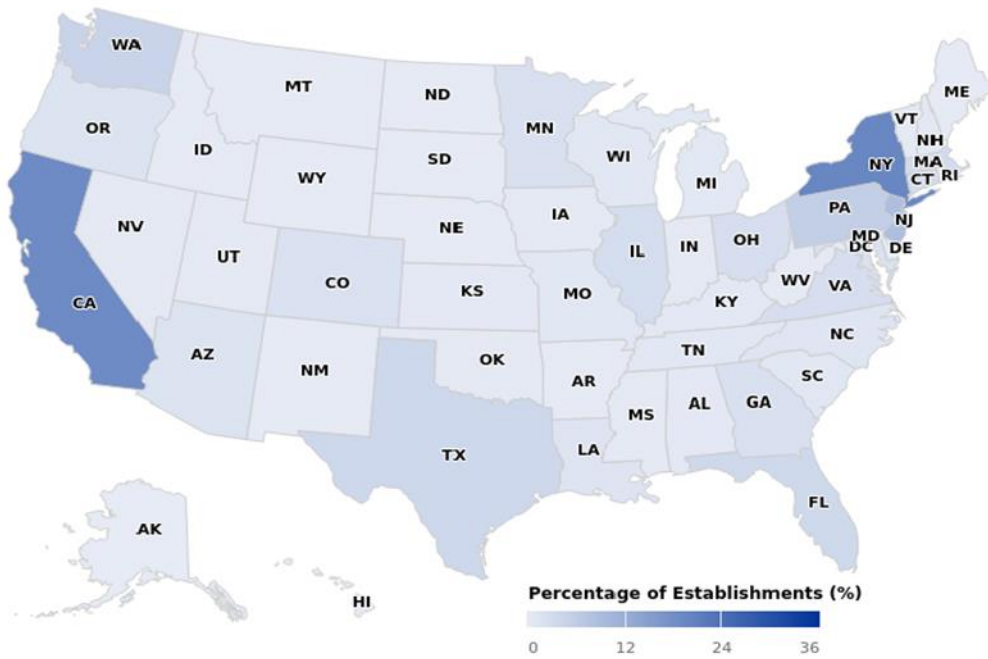


Figure 12: Business concentration of the beauty salons in the US (Diment 2021, p. 20)

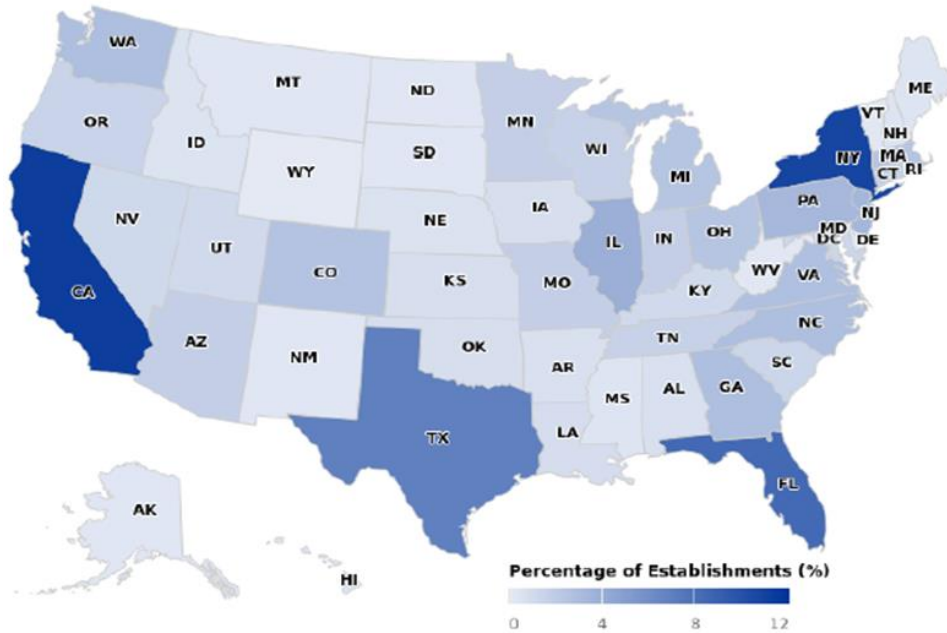


Figure 13: Business concentration of the spas in the US (Ristoff 2021, p. 20)

For both industries, the distribution is primarily based on population concentration. Consequently, salons and spas are positioned in more urbanised areas (cf. Diment 2021, p. 20; Ristoff 2021, p. 20). The South-East region has approximately 25.7%

of the total US population, and it is estimated to grow due to migrations (cf. Diment 2021, p. 21). The region holds 20.8% of total beauty salons and 24.1% of total spas in the country (cf. Diment 2021, p. 21f., Ristoff 2021, p. 21). Additionally, Florida has the largest concentration of beauty salons (7.2%) and spas (8.4%) (cf. Diment 2021, p. 21f.; Ristoff 2021, p. 20). Furthermore, it is anticipated that revenue from aesthetic services in Florida will amount to 2.377,7 million USD by 2024 (cf. Statista 2020). These findings all confirm that the hair removal industry (i.e., temporary and permanent) is in its growth life cycle stage (cf. Thomas 2021, p. 8).

Intensity of competition

As a hair removal technique, most end-consumers used creams (10.72 million), wax (9.21 million), lotion (4 million), gel (2.3 million), and bleach (1.58 million) in 2020 (cf. Statista 2021 E). The most popular home-use brands were Nair (9.81 million consumers), Sally Hansen (5.17 million consumers) and Veet (2.67 million consumers) (cf. Statista 2021 D). Thus, it is a highly competitive market, and it has many substitute products and hair removal methods. The characteristics of different hair removal methods were previously described in chapter 2.2. – Characteristics of Hair Removal Methods. The beauty salon and wellness industry get their products from professional beauty, cosmetic and fragrance stores, toiletry wholesalers and e-commerce platforms (cf. Ristoff 2021, p. 6; Diment 2021, p. 6; 24). Additionally, cosmetic manufacturers are second-tier suppliers in the beauty salon industry (cf. Diment 2021, p. 6). It is a highly competitive market the list of potential competitors is in the Appendix A-25.

8.2 Primary market research

In this section, the primary research design and the results are explained.

8.2.1 Research objective

The central problem of this master thesis is to determine the most appropriate MEM for a Croatian microenterprise that has limited resources but desires to enter the US market. Therefore, this thesis focuses on weighing the criteria for selecting the most appropriate MEM based on the primary research results conducted through UVA.

In addition, it aims to identify what kind of international marketing communications activities are necessary for the market entry's success.

8.2.2 Methodology

Words, tales, observations, photos, and sounds are all examples of qualitative data (cf. Sarstedt/Mooi 2019, p. 30). The benefit of qualitative data is providing extensive insights into participants' views, feelings, and desires. Their disadvantage is that data might be interpreted in various ways (cf. Sarstedt/Mooi 2019, p. 30). A qualitative approach was selected for this market research since the author wants to identify and comprehend the market characteristics, MEMs and accompanied communication activities. The main research subjects are individuals that are classified as experts. Therefore, qualitative research in the form of expert interviews was conducted. Furthermore, two guidelines were constructed in the Croatian and English languages. Two guidelines were selected due to the two separate research objectives. In general, guidelines tend to structuralise a conversation accordingly to specific topics. Nevertheless, enough flexibility must be ensured to obtain the experts' opinions (cf. Bogner/Littig/Menz 2009, p. 118). Therefore, a semi-structured interview was carried out. Expert interviews effectively identify specific and tacit knowledge and information for a specific industry (cf. Bogner/Littig/Menz 2009, p. 8). The criteria for choosing an expert interview partner in communication and internationalization are listed in Subchapter 8.2.3 "Sample collection".

8.2.3 Sample collection

A purposive sampling method for identifying interviewees was used. This method is based on the premise that the interview partners have specific knowledge and experience (cf. Merriam/Tisdell 2016, p. 96). Thus, the interview partners were selected solely for that reason, based on the predefined selection criteria. In total, 15 expert interviews were conducted within the primary market research. In addition, the author identified two expert groups based on the research objectives. Thus, there were eight interviews with experts on the topic of internationalization and seven interviews with experts on communication for the mode of entry. Perspectives of fifteen experts, who meet the following criteria, were examined.

Selection criteria	
Internationalization experts	Communication experts
• Professional activity or occupation within the field of international marketing, management or business	• Professional activity or occupation within the field of international marketing or marketing in the US
• A minimum of two years in experience within the mentioned fields of occupation	• A minimum of two years in experience within the mentioned fields of occupation
• Experience with market entries into the US or with US customers	• Experience with market entries into the US or with US customers
• Preferable knowledge in cosmetics or consumer goods	• Preferable knowledge in cosmetics or consumer goods

Table 22: Expert selection criteria (own presentation)

8.2.4 Survey instrument and planned fieldwork

Data collection involves several phases. Firstly, a personalised e-mail and a rough topic framework are sent to interviewees in the initial phase. The e-mail highlighted the importance of participation in the research in the context of Croatian SMEs. Moreover, a time frame was proposed to complete the interview and confidentiality was assured. The interviews were conducted online due to possible physical distance and health concerns. However, six interviews were written, and one interview was in person. A pre-test of the interview was conducted with the company's mentor to collect their opinions on the structured questions and topics. The realisation of the pre-test was conducted in the calendar week 30, 2021. Based on the pre-test feedback, some questions and topics were modified. Selecting and gathering the final experts happened in the calendar weeks from 32 to 40, 2021. The realisation of the interviews followed in the calendar week from 35 to 42, 2021.

8.2.5 Evaluation of the data

For the primary research, the majority of interviews were recorded with the permission of the interviewees and then transcribed, except for six which were written. The thematic analysis of the data will be conducted using the MAXQDA Analytics Pro 2022 software. Kuckartz and Rädiker framework is used for coding, evaluation, and theming (cf. MAXQDA n.d.). Kuckartz and Rädiker framework consist of the following steps:

1. based on the research question, define the goal of category building,

2. define the sort and the amount of abstraction of those categories,
3. decide on the extent of the content to be coded,
4. sequentially process the content and construct categories when working with a text, assigning either new or existing categories,
5. sort the generated codes and arrange the category system while ensuring that categories form a coherent whole,
6. arrange the category system (cf. Kuckartz/Rädiker 2019, p. 100).

Additionally, the MEM decision was based on the UVA, which was executed in Microsoft Excel.

8.2.6 Research findings

The following subchapter provides an overview of the main findings of the primary market research. The evaluation of the primary research was conducted using the MAXQDA 2022 based on the categories and subcategories that can be found in the appendix (cf. Appendix p. A-18). The list of respondents and the interview guidelines used is in the appendix (cf. Appendix A-3; Appendix A-4 – A-11). As illustrated in Figure 14, the data analysis was based on four main categories for the market entry and three main categories for communication. In addition, the findings from both expert groups were summarized together since the guidelines followed similar topics.

The US	General characteristics	General characteristics	The US
	Situation in the B2B and/or Beauty and Personal care market	Situation in the B2B and/or Beauty and Personal care market	
	Challenges or barriers	Challenges or barriers	
ME process	Important steps	Recommendation	ME
	Measuring the success	Mode and platform	Communication
MEM	Recommendations	KPIs	
	UVA analysis	Budget calculation	
Communication	Essential measures	International communication factors	
	Recommendations		

Figure 14: The analysis of the market entry (left) and the communication (right) (own presentation)

A) The US Beauty and Personal care market

As summarized in Figure 14, the first category deals with the characteristics of the United States, the B2B and/or Beauty and Personal Care markets in the United States, and the most typical problems that businesses encounter when entering the market. The most common responses are concerned with the preferences of end-consumers towards buying organic, cruelty-free, eco-friendly, sustainable, and niche-indie brands which refers to the importance of labels and ingredients (5 mentions). Secondly, high competition between domestic and foreign cosmetic brands exists. In this context, the respondents stated that most foreign cosmetic products are made in Taiwan or China. Consequently, there is a patriotic movement toward buying products that are made in the US. However, end-consumers value European products more due to the perceived higher quality standards than in the US and the diminished trust in the FDA.

Four respondents stated that e-commerce was the leading distribution platform and that the retailers are responding to that trend by improving their omnichannel presence (two mentions). In addition, several respondents stated that the retail stores are “gigantic”, especially Walmart and Sally Hansen, which attract makeup professionals, beauticians and beauty salons. Concerning hair removal products, permanent hair removal treatment has been growing as a trend. With reference to the US market, answers are listed by the following characteristics:

1. A shift in mentality regarding cosmetic products - organic, cruelty-free, eco-friendly, sustainable, and niche-indie brands,
2. E-commerce as the leading distribution platform,
3. Gigantic retail stores,
4. Permanent hair removal treatment is growing as a friend,
5. Highly diversified market with many cultural differences, especially between larger cities on the East and West coast,
6. The US litigation culture,
7. The impact of the COVID-19 pandemic on imports, transportation costs and the rise of protectionism.

Additionally, it was highlighted that the product has to have all necessary documentations for import and sales in the US market. The most two important documents are safety data sheet and the liability insurance.

B) The market entry process and the market entry mode

As summarized in Figure 14, the second category deals with the most important steps that need to be taken into consideration during the market entry process, whereas the third category deals with the UVA analysis and the recommended MEM. Several respondents stated that a market analysis phase is vital since the pricing strategy is based on the market and the competitors and the decision whether the desired market is necessary for the firm's success. Additionally, the pricing strategy is crucial when it comes to cosmetics. The US consumer will prefer a product that costs more since they identify a higher price as a symbol of quality. Therefore, the worst situation for the brand would be that it is presented as a middle-range option. Three respondents stated that product alterations would probably be needed to meet the customer's needs.

Consequently, respondents stated that it is vital to have the ability to select the correct information that is important to the company. For example, the company needs to assess if it can handle a higher demand with its production capacity. One respondent stated that monitoring the market should last minimally one year. In case company objectives are not met, withdrawal of the market would follow, or a change would be necessary, such as finding another distributor or sales representative

One respondent stated that the most crucial step is the identification of relevant MEMs. Thus, screening and evaluation of those MEMs need to be conducted. The evaluation can be conducted quantitatively while considering the MEM decision factors. However, during this process, the main question for the decision-maker should be: "What is the best MEM for your company to choose?". Also, it is a question of what kind of control and marketing activities the company will do and what kind of product it is selling (cf. Respondent 1 15.09.2021). As illustrated in Figure 16, the following activities were highlighted.



Figure 15: Activities for market entry (own presentation)

According to the experts in internationalization, the most prioritised factors that influence the ME decisions in the UVA analysis were the socio-cultural distance, the intensity of competition, market size and growth, firm size and resource availability, and international experience. Additionally, respondents favoured export, such as direct exporting via a distributor, agent, or cooperative exporting. Their opinion also corresponds with the UVA, which concluded that direct exporting should be the selected entry mode. Additionally, several respondents highlighted the importance of e-commerce, but it was not included in the UVA. Finally, when it comes to measuring the market entry's success, the following KPIs were mentioned: market share, revenue, profit, the number of products sold, and inventory turnover.

Furthermore, two respondents stated that it is crucial to find highly motivated people who would work exclusively for the company and who have knowledge about the product and the market. Thus, it was stated that acquiring local expertise is a necessary step to succeed in the foreign market. In addition, one respondent mentioned that an immigrant distributor who has ties to Eastern European countries would be the perfect solution. Since they share a similar socio-cultural background, speak a similar language, and have a positive attitude towards the brand. Furthermore, its settling location could be an indicator of where the company should start in the US due to a probable preference for Croatian products.

C) Communication activities

It was mentioned that the most critical aspect of the communication policy is to have the right strategy. In other words, to know what to communicate and to whom. Therefore, the selection of the communication mode should depend on the needs of the targeted group and the communication goal. In B2B communication, it is essential to communicate transparently and highlight the other party's benefits of a potential business deal. Also, the importance of delivering transparency in communication and PR was mentioned.

“Consider your messaging from your consumers' perspective. It's a matter of figuring out how you can connect with their needs and what would be a win-win situation for both of you. Rather than merely promoting for the sake of advertising, include proof to back up your statements.” (Respondent 3 14.09.2021)

Furthermore, specific communication modes were highlighted that accompany the ME, which are: trade shows, online and social media marketing, personal selling, direct and database marketing, PR, and advertising. Also, all interviewees stated that networking is critical in the B2B sector. In addition, networking can be achieved through offline events from different associations, and that Miami has a large quantity of them for any business. Several respondents emphasized networking at trade shows since the newest trends, products, and prices can be seen. Additionally, they are helpful in establishing connections with potential business partners, and promotional activities at trade shows should be conducted. For example, free samples could be given. Furthermore, most respondents agreed that LinkedIn is also an essential tool for establishing first connections and can be helpful in cold approaching. Additionally, all interviewees stated that that is important to have a solid digital presence and a digital footprint.

Furthermore, when meeting a potential business partner, it is vital that the first meeting is at their headquarters. Thus, business trips are necessary for establishing a cooperative connection and similar partner mindshare. Also, it is essential to discuss the communication measures with the potential partner to exchange communication activities, ideas, market knowledge and valuable input. In general, the manufacturer

needs to provide enough content for the business partner. Furthermore, in the B2B market, it is essential to maintain personal contact with the customers.

Packaging is an essential way of communication, and most retailers will look at the company's packaging design when deciding to distribute their product. Besides that, retailers inspect the company's social media presence in terms of numbers of followers and engagement. In other words, the company should have a strong presence on all social media platforms, such as Instagram, Facebook, YouTube and reach out to new platforms that are popular in the US, such as TikTok, Twitter or Reddit. It was stated that influencer marketing could contribute to a faster market entry. However, it can be an expensive form of advertising in the US and can impact on-time delivery if the company does not have its products in stock, which can be detrimental to the company's reputation. Additionally, localising the online presence can also contribute to market entry. It entails adjusting or creating new social media platforms and using SEO in the targeted language.

The vast majority of experts in communication have agreed that the best budget calculation method is the objective-and-task approach since the budget is based on specific tasks and predicted costs. However, only one interviewee stated that they favour the affordable approach. Furthermore, the most important factors influencing the communication process were language differences, socio-cultural differences, and legal and regulatory conditions. Two interviewees that have experience with Florida stated that language differences play a crucial role in business. For example, Florida is a bilingual state, where English and Spanish are spoken, with Portuguese as a possible third language. Also, some communities do not speak English. Thus, most marketing activities, networking, and packaging must be conducted in Spanish and/or English. Therefore, marketing efforts need to consider various values, cultures, and preferences due to the different communities. Lastly, as previously stated, it is essential to abide by the regulations regarding labelling and marketing the product to avoid any litigation process.

9. Market entry concept for Luxury Cosmetics Ltd in the US

The following chapter represents the ME concept for LC into the US Beauty and Personal Care market that is based on the previously described theory and market research.

9.1 Analysis phase

The analysis was previously described in Subchapters 8.1 and 8.2. Generally, the vital aspect to consider when entering the US market are the cultural and language differences between Croatian and the US market, labelling and packaging, having all the needed documents for export and selling in the US market, focus on improving your digital footprint and overall online presence. It is important to track competitors and the general market conditions. When it comes to communication with the B2B segment, it is vital to highlight the benefits of your product and provide them with a solution. The B2B channels that are most often used are a mix of online and offline channels, such as trade shows, online activities, direct marketing, and personal selling. Most business partners will look at the company's online presence since it affects the sell results. Thus, the company has to provide content to them and to the end customers.

9.2. Planning phase

The planning phase focuses on the entry, target market, timing, allocation, and coordination strategies.

9.2.1 *The entry and timing strategy and further recommendations*

The most appropriate MEM for LC was selected based on the four-way step process that is illustrated in the Figure 16.



Figure 16: Process of selecting the MEM (own presentation)

As a first step, less suitable MEM types were eliminated based on the requirements of the LC. The main LC's requirements were: (1) does not require substantial financial resources, (2) that enables collecting market knowledge, (3) enables control over the production capabilities, and (4) that the promotional expenses should be minimally required for the first year of entry. Thus, wholly owned subsidiaries, contract manufacturing and joint ventures were eliminated. Thus, only certain types of export, intermediary and hierarchical modes, were considered. Furthermore, a UVA was applied based on the suggested criteria from the Chapter 6.2, which LC previously approved. The comparison of the MEM was conducted by weighing and rating eleven factors that influence the ME entry. Experts executed the weighting of the criteria for the MEM. Additionally, findings from the theoretical part and market research form the basis for the rating of MEMs conducted by the author. A scale was used for rating from one to five points (1 = The criterium is insufficiently fulfilled, 2 = The criterium is sufficiently fulfilled, 3 = The criterium is satisfactorily fulfilled, 5 = The criterium is excellently fulfilled). The greater the number, the more valuable it is in terms of influencing the final choice.

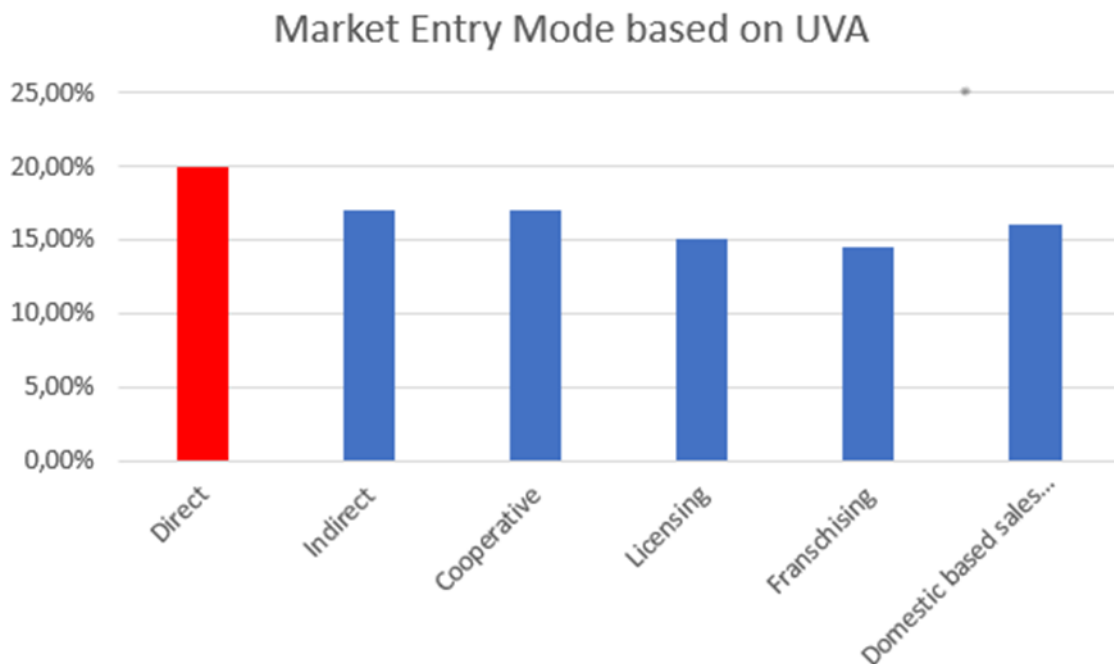


Figure 17: Market entry mode based on UVA (own presentation)

Evaluation Criteria	Weight (W) $\Sigma = 100$	Market Entry Modes											
		Export entry modes						Intermediate				Hierarchical	
		Indirect		Direct		Cooperative		Licensing		Franchising		DB Representatives	
		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
Socio-cultural distance	14,72	2	29,44	4	58,88	3	44,16	5	73,6	5	73,6	1	14,72
Country risk	5	3	15	3	15	3	15	1	5	2	10	4	20
Intensity of competition	14,2	3	42,6	3	42,6	3	42,6	3	42,6	3	42,6	3	42,6
Market size and growth	13,25	5	66,25	5	66,25	5	66,25	4	53	3	39,75	2	26,5
Trade barriers	5,11	2	10,22	3	15,33	4	20,44	5	25,55	3	15,33	3	15,33
Firm size and resource availability	12,68	5	63,4	4	50,72	5	63,4	2	25,36	1	12,68	5	63,4
International experience	9,65	5	48,25	5	48,25	5	48,25	1	9,65	2	19,3	4	38,6
Product complexity	6,25	4	25	5	31,25	5	31,25	1	6,25	1	6,25	2	12,5
Risk aversion	7,87	3	23,61	4	31,48	4	31,48	2	15,74	4	31,48	5	39,35
Degree of control	7	2	14	3	21	3	21	4	28	3	21	4	28
Degree of flexibility	5	4	20	3	15	3	15	3	15	3	15	4	20
Score $\Sigma = 1980,9$			337,77		395,76		339,67		299,75		286,99		321
Position			3 (17,04%)		1 (19,94%)		2 (17,14%)		5 (15,09%)		6 (14,48%)		4 (16,20%)

Table 23: UVA analysis (own presentation)

As illustrated in Table 22, the UVA shows that export modes are generally favoured for LC. With a utility value of 395.76, direct export represents the most suitable way to enter the US Beauty and Personal Care market. The primary influencing factors for this selection are risk aversion, international experience and product complexity. It should be noted that several experts stated that entering a market through e-commerce could also be a viable option. However, e-commerce was not evaluated since the author followed Hollensen's classification of MEMs.

It is important to enter the market as soon as possible since the market has already heavy competition from other types of permanent and temporary hair removal products. However, the company needs to be aware that it will bear the consequences of being a “late entrant”, which entails that it is difficult to establish a customer base since other companies are already established on the market. Due to the competition in the market, the company can try to provide different product offerings to at least match the product offerings from the competition

Further recommendations are concerning allocation and coordination strategy. Localization of communication is recommended. It is important to directly address the end-consumers and consumers in the way that they are typically accustomed, which entails using certain phrases in online and offline channels. Other product elements are not discussed since that is not the goal of this thesis. Moreover, coordination of international activities should be conducted with the help of the business partner. Since direct exporting was selected, the question is if the company should enter the market via the distributor or the sales agent. Based on the fact that the company is risk-averse and is usually entering foreign markets via the distributor, it is also advised to enter the US market in the same way since it is aware of the procedure.

9.2.2 Communication activities for the market entry

The following section provides the communication goals, target groups, and communication design.

Definition of relevant communication goals

Company goals for the US market have been previously defined in Subchapter 1.4.1. “Company objectives”. Conversely, as this thesis focuses on communication activities, only communication goals are defined. Since Cleopatra Professional is an unknown brand in the US market, it is essential to build brand awareness. However, the main objective is to persuade potential business partners to collaborate. In order to persuade, it is necessary to be transparent about the needs and the objectives, as well as develop a mutually beneficial collaboration. Therefore, it is essential to establish the same partner mindshare so that both parties succeed in the endeavour. This entails establishing mutual trust, commitments, collaborations, interest, and a common purpose for the market entry.

Selection of the target group

The leading target group is potential business partners, distributors familiar with the US Beauty and Personal Care market, who are also educators in performing sugaring as a hair removal technique.

Design communication

The communication measures should be designed by positioning the message around the price and quality features towards the distributors. However, it is essential to mention the benefits and expected revenues that potential business partners can make. Additionally, the CEO should mention its involvement in the marketing process and how it would help the other party by providing promotional material and other services, such as training to beauty salons and spas. It is crucial to give examples of success in the past. Thus, the CEO's and LC's international experience efforts should be mentioned.

Channels

Online and offline channels are advised, such as participation in trade shows (Appendix A23 – A-24), online or offline. Also, social media presence is important, and that presence needs to take place on the platforms that are popular in the US, such as TikTok, Twitter or Instagram. In addition, LinkedIn provides a perfect solution for networking. Moreover, the focus should also be set on PR and database marketing.

9.3 Implementation phase

In this phase, actions that support the internationalization strategies are listed.

9.3.1 Recommendations

1. Monitor the market environment

As illustrated in Table 23, the following information sources provide reliable data.

Information sources regarding the market entry	
Industry studies	
Studies/Agencies	Website
Statista	www.statista.com
IBISWorld	www.ibisworld.com
Nielsen	www.global.nielsen.com
Research and markets	www.researchandmarkets.com
eMarketer	www.emarketer.com
Deloitte	https://www2.deloitte.com/us
Pew Research Centre	www.pewresearch.org
Gartner	www.gartner.com
Think with Google	www.thinkwithgoogle.com
McKinsey	www.mckinsey.com
Fortunate Business Insights	www.fortunebusinessinsights.com
US companies that assist in a market entry	
Lamson Consulting	www.lamsonconsulting.com
US Market Access Centre	www.usmarketaccess.com/
Kadence international	www.kadence.com
US organizations	
Organizations	Website
Bureau of Economic Analysis	www.bea.gov
Bureau of Justice Statistics	www.bjs.ojp.gov
Bureau of Labour Statistics	www.bls.gov
Bureau of Transportation Statistics	www.bts.gov
Census Bureau	www.census.gov
Economic Research Service	www.ers.usda.gov
Internal Revenue: Statistics	www.irs.gov/statistics
U.S. Chamber of Commerce	www.uschamber.com
U.S. Customs and Border Protection	https://www.cbp.gov
International Trade Administration	www.trade.gov
Export–Import Bank of the United States	www.exim.gov
United States International Trade Commission	www.usitc.gov
U.S. Food and Drug Administration	www.fda.gov

Table 24: Information sources regarding the market entry (own presentation)

The US market is rapidly evolving and is highly competitive, particularly in terms of new fashion trends and new brands. As a result, it is critical to regularly examine the macro and micro market environment. This includes analysing technological, cultural, demographic, environmental, economic, and legal changes among suppliers, customers, competition, and distributors. Therefore, specialised national and industry studies should be read, as well as online and offline networking within the industry. Additionally, as summarized in Table 24, it is also vital to obtain information from the domestic market and international organizations.

Sources of information regarding the market entry	
Croatian organizations	
Organization	Website
Croatian Chamber of Commerce	https://www.hgk.hr/
Croatian bank for reconstruction and development	https://www.hbor.hr/
International organizations	
Organization	Website
Access2Markets	https://trade.ec.europa.eu/access-to-markets/
The Organisation for Economic Co-operation and Development	https://www.oecd.org/
World Trade Organization	https://www.wto.org/

Table 25: Croatian and international sources of information regarding the market entry (own presentation)

Furthermore, an additional source of information are cosmetic trade publications, such as:

1. American salon,
2. Cosmetics & Toiletries,
3. Global cosmetic industry,
4. Modern salon,
5. Salon today.

Additional source of information is the leading competitors' websites and social media platforms. To get further information on the competitors' online activity, the company can use the Semrush platform, which provides an overview of the online analytics of the company and others. Lastly, the company can gain further market

knowledge from the trade associations and professional associations regarding the cosmetic industry.

US trade associations and professional associations	
Organizations	Website
American Health and Beauty Aids Institute (AHBAI)	www.ahbai.org
American Society for Testing and Materials (ASTM) International	www.astm.org
Cosmetic Industry Buyers and Suppliers (CIBS)	www.cibsonline.com
Independent Beauty Association	https://independentbeauty.org/
Indie Business Network	www.indiebusinessnetwork.com
Personal Care Products Council	www.personalcarecouncil.org

Table 26: US trade associations and professional associations (own presentation)

2. Select direct exporting and/or cross-border e-commerce as a MEM for entering the US market

Based on the literature and the primary and secondary research, the optimal MEM is a combination of direct exporting and e-commerce. This entry option keeps the costs down and requires a small number of resources. Therefore, this MEM would be an optimal option since the degree of resources and commitment are relatively low compared to other MEM. In addition, LC will be involved in the exporting process and gather more market knowledge.

3. Gather information on the documentation and steps for exporting

The three most important steps for shipment of the products are the following:

- 1) acquire EORI number from the customs,
- 2) prepare the needed documentation,
 - proforma account
 - commercial invoice
 - certificate of origin – EUR1
 - customs declaration CN22/CN23
 - packing list
 - disposition of the shipper
 - bill of lading

- transport insurance and product insurance
 - safety data sheet
 - air Waybill
 - order confirmation
- 3) payment of the import duties and taxes according to the Incoterms (cf. Eurosender n.d.).

4. Find a reliable distributor and discuss the distribution agreement

Finding a trustworthy local business partner with extensive industry knowledge and an established business network is critical for the success of the ME. It is an ongoing process that involves several topics. Firstly, it is necessary to identify opportunities to meet potential candidates. One option could be to connect with distributors through LinkedIn or their website. Another option is to follow the news and participate in the events organised by the U.S. Department of Commerce International Trade Administration, such as trade fairs and “matchmaking” events (cf. Johnson/Bade 2010, p. 19). Furthermore, it is essential to have in-person meetings with potential candidates at their headquarters. First, for the successful outcome of the meeting, it is necessary to understand the end-user needs (i.e., beauty salons and wellness centres) and prepare documents and a presentation about the company and the brand. Secondly, in the appendix, a list of topics is provided that should be discussed with potential candidates. The list acts as a guideline for the interview and helps to discuss all parts of the distribution agreement (cf. Appendix A-27). Also, it is vital that the potential candidates provide their credit reports that would help in evaluating them (cf. Johnson/Bade 2010, p. 19). Lastly, since Florida is a bilingual state, it would be advised that the partner knows English and Spanish, or even a distributor that is somehow connected to the East European region.

4. Adapt the product and the price

It is critical to adapt the total marketing mix to the needs of the US customers. For example, the following actions could be considered.

- **Product**

LC can offer a product service, such as virtual training to the end-customers (i.e., beauty salons and spas) on how to perform sugaring. In this way, LC will be connected to the customers and, at the same time, promote sugaring as a hair removal technique and its brand. Additionally, based on the analysis of the competition,

several competitors offer virtual or in-person training. Furthermore, packaging, labelling, and user manual should be adapted in English and should be adjusted for export, which entails an adjustment per legal regulations. The following rules apply to labelling:

- 1) all labelling has to be conducted in English,
- 2) an identity statement that indicates the product's name and intended usage,
- 3) product's quantity,
- 4) distributor statement,
- 5) material facts,
- 6) warning and caution statements,
- 7) ingredients (cf. U.S. Food & Drug Administration 2022).

Another consideration about the product's characteristics is the quantity. Again, LC should question if the current quantity is appealing to the end consumers.

- **Price**

Determining the final price is an essential element of the marketing mix. The price can be conducted based on the demand, estimated costs and the analysis of the prices and offers of the competitors. Since LC's product is a European product that possesses valuable certificates, the used pricing method can be the one that is slightly above the price level of the competition. However, LC should consider challenges due to inflation and currency changes and the cost advantages of the local competitor, which would require adjustments to the pricing strategy. However, since distribution is selected as a MEM, LC will not be able to influence the price that the distributors sell the product.

6. Participate in trade shows

Trade shows provide a complete understanding of available products and services and different prices and market trends, which will only assist LC in staying competitive in the US and European markets. In addition, valuable cooperative relationships with other businesses can be made. Therefore, LC can consider participating in international trade shows that can be found in Europe or participating in trade shows that can be found in the US. Whichever option LC decides, the main goal is to promote the brand and to find a potential candidate for the distributor in the US. The list of US trade shows is in the Appendix A-26 – A-27.

7. Localise the brand

The question of localisation or standardization depends on the LC's agreement with the distributor. However, promotional material and the website should be adapted to American English and Spanish as a first step. During this process, LC should identify certain keywords that are used by the end-consumers, as well as by the distributors. Additionally, LC should adapt or create a new website specifically for the US market. For example, some competitors provide e-commerce through their websites, others have put interactive maps with their distributors worldwide, and some provide educational content.

9.3.2 Action plan and budgeting

For this phase, it is necessary to develop a list of recommended activities for 2022 and 2023. Table 27 provides information on required activities and costs associated with the entry. The costs that were considered are only related to activities with economic value. Thus, activities that require non-economic resources were not considered. Additionally, the table provides an overview of the timeframe and the responsible person for conducting those activities. As illustrated in Table 27, the main costs are related to the market and event marketing observation, while the total costs for the ME in the US Beauty and Personal Care market amount to 358,973.00 HRK (47,863.06 EUR). However, the location and personnel costs were excluded. Additionally, Table 26 provides an overview of "must" and "nice-to-have" activities.

Action plan	
Must actions	Nice-to-have actions
1. Observation of the US market	1. Participation in the US trade shows
2. Linguistic adaptation of the promotional material	2. Influencer marketing
3. Adaptation of the e-commerce site to match the competitor's website	3. In-person meeting with the distributors
4. Search for distributors	
5. Shipment of product samples	
6. Gathering important documents	

Table 27: Action plan: Must actions and nice-to-have actions (own presentation)

No.	Steps	Timeframe	Responsibility	Costs in HRK
1.	Observation of the US Market			29,250.00
1.1.	Collecting up-to-date Market Research Reports	Starting from September 2022	CEO + Marketing Assistant	29,250.00
1.2.	Monitoring the Current Beauty Trends			Personnel Costs
1.3.	Monitoring the Competitors			Personnel Costs
2.	Adaptation of the Promotional Material			10,000.00
2.1.	Linguistic Adaptation on U.S. English and Spanish - Packaging and User Manual	Starting from November 2022	External Partner + Marketing Assistant	6,000.00
2.2.	Adaptation in accordance with the regulations			4,000.00
3.	Adaptation of the E-commerce Site			4,000.00
3.1.	Linguistic Adaptation on U.S. English and Spanish	Starting from November 2022	External Partner + Marketing Assistant	4,000.00
3.2.	Website Copy			Personnel Costs
3.3.	Selection of other E-commerce Sites			Personnel Costs
4.	Gathering Important Documents			Personnel Costs
4.1.	Learn about the taxes and regulations	Starting from September 2022	CEO + Consult a tax lawyer (if needed)	Personnel Costs
5.	Online Marketing			13,000.00
5.1.	Creation of the U.S. Facebook, Instagram, TikTok Page	Starting from December 2022	Marketing Assistant	Personnel Costs
5.2.	Hire Influencers			13,000.00

6.	Event Marketing			281,000.00
6.1.	Participation on Virtual Cosmetic Fairs	Starting from September 2022	CEO + Marketing Assistant	8,000.00
6.2.	Participation on Cosmetic Fairs			273,000.00
6.3.	Networking			Personnel Costs
7.	Search for Distributers and Importers			520.00
7.1.	Participation in Trade Fair Organizations	Starting from September 2022	CEO + Marketing Assistant	Personnel Costs
7.2.	Creation of the Company PowerPoint Presentation			Personnel Costs
7.3.	Search on LinkedIn			520.00
7.4.	Contact Potential Partners			Personnel Costs
7.5.	Networking			Personnel Costs
8.	Meetings with Partners			250.00
8.1.	Phone/Online Meetings with Partners	Starting from October 2022	CEO	250.00
8.2.	Personal Meetings Twice per Year			Location Costs
9.	Additional Costs			19,240.00
9.1.	Product Samples	Starting from October 2022	Marketing Assistant	18,000.00
9.2.	Shipment of Product Samples			1,240.00
Total Costs (Excluding the personnel costs and location costs)				353,260.00

Table 28: Action plan and budgeting (own presentation)

9.4 Control phase

For the controlling of the ME concept and the recommended actions, the following KPIs measure the success of ME into the US market with the brand Cleopatra Professional. The KPIs were selected based on the literature and the primary market research. By measuring the following KPIs, LC can monitor the outcome of decisions and achieve critical changes in the execution to reach the company's objectives. Table 28 represents a list of essential KPIs to monitor Cleopatra Professional's performance, as well as the recommended reporting frequency.

	Key performance indicators	Frequency
Sales related	Export sales volume	Monthly
	Revenue	Monthly
	Inventory turnover	Quarterly
Profit-related	Export profitability	Monthly
	ROI	Semiannually
Market share	Export market share	Annually
Market related	The number of customers	Quarterly
Online	Social media metrics	Weekly
	Website traffic	Once per week
Generic	Perceived export success	Quarterly
	Progress of planned activities	Weekly
	Measure the budget	Weekly

Table 29: Recommended KPIs (own presentation)

In addition, it is critical to monitor the progress of the planned activities, as well as the budget. Thus, the costs and the progress are characterised as KPIs. Further recommendation is that the company should also communicate with its end-customers to find out the level of customer satisfaction with the service or the product. Also, it is important that the management knows acceptable values for their industry of the above-mentioned indicators.

10. Limitations and conclusion

Luxury Cosmetics Ltd is a Croatian beauty company with an ambition to conquer a new market outside of Europe. Thus, it intends to enter the US market. The company's goal is to enter the Floridian market in the second quarter of 2023. In addition, by the end of 2023, there should be 50 B2B customers in the form of beauty salons and wellness centres, and the overall revenue should increase by 50,000.00 EUR. In order to support the company's goal, this thesis developed a market entry concept that was described in Chapter 7 "Theoretical Concept for the Market Entry Into the US B2B Beauty and Personal Care Market". This thesis revealed that the most suitable market entry mode is exporting, in the form of distribution. Additionally, this outcome supports the company's initial market entry mode requirements, which are: an entry mode (1) that does not require substantial financial resources, (2) that enables collecting market knowledge, (3) in which the control over the production capabilities is in the hands of the company, and (4) the promotional expenses of which should be minimal for the first year of entry. Additionally, the literature and the research revealed that the company should work on its e-commerce and social media activities, which are supporting activities to the initial mode and have an impact on the export performance. However, the challenges that come with the selected mode are not easy to overcome, since the market is distant in the sense of proximity, and there are certain socio-cultural differences to keep in mind. Therefore, the company has to be cautious regarding the potential supply challenges, since the production is in the control of the company.

Furthermore, this master thesis has several limitations. Firstly, the data collected in the primary research is not entirely applicable to the Beauty and Personal Care market since the experts were from various industries, including various consumer goods industries, as well as capital goods industries. Secondly, the thesis followed the proposed classification of market entry modes according to Hollensen (2019). Some types of entry modes do not exist in that classification, for example, cross-border e-commerce. Thus, cross-border e-commerce was never initially listed in the UVA analysis. Additionally, the "domestic sales based representatives" market entry mode is listed as a hierarchical entry mode, while other authors disagree. Lastly, it is hard to predict that the first company goal will be achieved since it depends on the company's negotiations with the distributor.

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1. Interview partners

Interview partners for internationalization						
No.	Institution	Job title	Name	Business field	Type of interview	Country
1.	University of Southern Denmark	Professor	Svend Hollensen	Research	Online	Denmark
2.	vidaXL	Senior Business Developer	Iva Petrić	Slow-moving consumer goods, B2C	Online	Croatia - Netherlands
3.	Xylon	CEO	Davor Kovačec	IT and automotive industry, B2B	Online	Croatia
4.	Easelink	CEO	Hermann Stockinger	Automotive industry, B2B	In person	Austria
5.	Anonymous	Distributer	Anonymous	Cosmetics, B2B	Written	Croatia - US
6.	Anonymous	Marketing consultant	Anonymous	Consulting, B2C	Online	US
7.	Anonymous	Senior marketing analyst	Anonymous	E-commerce, B2C	Written	Ukraine - US
8.	Anonymous	Senior marketing manager	Anonymous	Marketing, B2B and B2C	Online	United Kingdom

Table A-1: Interview partners for internationalization (own presentation)

Interview partners for communication						
No.	Institution	Job title	Name	Business field	Type of interview	Country
1.	IDM	Marketing executive	Miriam in der Mühlen	Entertainment & beauty, B2C	Online	Croatia - US
2.	SOBA	CEO	Jose Miguel Sanchez	Cosmetics, B2B and B2C	Online	US
3.	Anonymous	Marketing specialist	Anonymous	Digital marketing, B2C	Written	Ukraine - US
4.	Anonymous	Social marketing manager	Anonymous	Digital marketing, B2C	Written	Austria
5.	Firebelly Marketing	Marketing manager	Anonymous	Digital marketing, B2C and B2B	Online	US
6.	Yellow Box	Social media manager	Anonymous	Digital marketing, B2C	Written	US
7.	Anonymous	Freelancer	Anonymous	Digital marketing, B2C and B2B	Written	Slovakia

Table A-2: Interview partners for communication (own presentation)

Overview of the interview partners

Fifteen interviews were conducted within the primary market research. The interviews mainly were conducted via an online platform, such as Zoom, MS Teams or Google Hangouts, whereas six interviews were conducted in a written format and only one interview in person. The duration of online and in person interviews was between 20 and 40 minutes. The years of experience of the expert's range from 4 to over 40 years.

In addition, each expert had first-hand expertise with the US market, whether it was in the B2B or B2C segment. All internationalization specialists in their lifetime worked for European corporations that exported to the US market or had/have their own company that exported to the US market (in total three experts), or they have a subsidiary in the US (in total one expert).

2. Interview guidelines in English

Interview information:

1. Date
2. Name of the interview partner
3. Industry
4. Company/Institution
5. Position in the company

Interview procedure:

1. Welcoming the interviewee and introduction to the topic
2. Opening questions
3. Interview on detailed topics
4. Closing (open questions of interviewee)

Introduction

Dear Mr./Ms. XY,

thank you for taking the time to participate in my market research. As I've previously mentioned, I'm currently writing my master thesis within the master degree programme of International Marketing at the Campus 02 University of Applied Sciences in Graz, Austria.

This thesis aims to develop a market entry concept for a Croatian cosmetic micro-enterprise into the US market. The interview will take approximately 30-45 minutes.

Before I start with the more specific questions, I would like to present the company in order for you to have a better understanding of the situation.

The company is a privately owned cosmetic company located in Croatia (EU). The firm manufactures organic hair removal products, and it operates as a retailer and wholesaler of cosmetics. The company is present on the B2B and B2C market in eight other European countries. The firm does not have any experience with markets outside the European continent and has limited resources. Its objective is to enter the US market through a smaller B2B segment, such as wellness centres and beauty salons.

Before starting with the interview, I would like to ask for your consent to record our conversation as this would facilitate the interview analysis and interpretation.

Thank you for your collaboration. Do you have any questions, or do you require any further information before we start with the interview?

If not, then we shall start. *(Start recording)*

2.1 Interview guidelines for communication experts

Category 1: General Information

First of all, I would like to start with some general questions about you and your company/the company that you are working for.

- 1) How long have you been working in Marketing? *(Closed question)*
- 2) Could you please briefly describe the main tasks of your institution/organization and your area of responsibility? *(Open question)*

Main Questions	Subtopics
Category 2: The US Beauty & Personal Care Market	
<p>3. In your opinion, what characterizes the US B2B/B2C beauty and personal care market?</p> <p><i>(Open question)</i></p>	<p>Consumer preferences (e.g., buying behavior, prestige versus mass, organic, local vs foreign)</p> <p>Florida</p> <p>Beauty salons and wellness centers</p>

	Hair removal products
4. Are there any challenges or barriers for a European (i.e., Croatian) SME entering the US market? (Open question)	Trade barriers Taxes Regulations and politics Country risk COVID-19
Category 3: Market Entry Mode	
5. For a small SME, with limited resources and production capacity, which market entry mode would you recommend? (Closed question)	Direct exporting Indirect exporting Cooperative exporting Licensing Franchising Contractual manufacturing Joint venture Domestic based sales representatives
Category 4: The Development of Communication Policy	
6. Which communication mode do you think is essential for a beauty micro-enterprise regarding the US B2B market? 6.a Which platform? 6.b Why? (Open question)	Advertising PR and publicity Sales promotion Event marketing Direct marketing Online and social media marketing Personal selling Word-of-mouth
7. Which key performance indicators in communication are used the most when entering a new market? 7.a Why?	Advertising effectiveness Actual audience/target audience ratio Cost per contact

(Open question)	<p>Number of calls, enquiries and information request</p> <p>Sales per sales call</p> <p>Selling expenses to sales ratio</p> <p>New accounts per time period</p> <p>Lost accounts per time period</p>
<p>8. Which budget calculation method for marketing expenses would a small company in the US use?</p> <p>8.a Why?</p> <p>(Open question)</p>	<p>Affordable approach (budget based on what is affordable)</p> <p>Competitive-parity-model (budget based on competition)</p> <p>The objective-and-task (budget based on specific objectives, tasks and predicted costs)</p>
<p>9. How do the international communication factors influence the marketing campaigns in the beauty and personal care market across the country?</p> <p>(Open question)</p>	<p>Language differences</p> <p>Economic differences</p> <p>Sociocultural differences</p> <p>Legal and regulatory differences</p> <p>Competitive differences</p>
Category 5: Closing Questions	
<p>10. Lastly, what is the most vital communication aspect to consider when entering the US beauty and personal care market in the B2B area?</p> <p>10.a Why? In what way?</p> <p>10.b Tips?</p> <p>(Open question)</p>	
<p>11. Do you have any further suggestions or any questions?</p> <p>(Open question)</p>	
<p>Thank you for taking the time to do this interview.</p>	

Table A-3: Interview Guidelines for communication experts (own presentation)

2.2 Interview guidelines for internationalization experts

Category 1: General Information

First of all, I would like to start with some general questions about you and your company/the company that you are working for.

- 1) In which industries do you have international experience? (Closed question)
- 2) Could you please briefly describe the main tasks of your institution/organization and your area of responsibility? (Open question)

Main Questions	Subcategories
Category 2: The US Beauty and Personal Market	
3. In your opinion, what are the main characteristics of the US beauty and personal care market? (Open question)	Consumer preferences (e.g., buying behavior, prestige versus mass, organic) Florida Hair removal products
4. How would you describe the situation in the B2B market of cosmetic products in the US? (Open question)	Any unwritten rules Differences between the US and Europe
5. Are there any challenges or barriers for a European (i.e., Croatian) SME entering the US market? (Open question)	Trade barriers Taxes Regulations and politics Country risk COVID-19
Category 3: The Market Entry Process	

<p>6. In your experience, which steps within a market entry process are the most important in order to succeed?</p> <p>(Open question)</p>	
<p>7. If you think of a Croatian micro-enterprise (with limited resources and production capacity), which has the aspiration to enter the US market but has only international experience in the European market, which market entry mode would you recommend?</p> <p>7.a Why?</p> <p>(Open question)</p>	<p>Direct exporting</p> <p>Indirect exporting</p> <p>Cooperative exporting</p> <p>Licensing</p> <p>Franchising</p> <p>Contractual manufacturing</p> <p>Joint venture</p> <p>Domestic based sales representatives</p>
<p>8. Additional to the previous question, which activities would be necessary for the selected market entry mode?</p> <p>(Open question)</p>	
<p>9. How would you measure the market entry success for an SME into the US market?</p> <p>(Open question)</p>	
<p>Category 4: The Development of the Communication Policy</p>	
<p>11. Which communication measures do you think are essential for a market entry into the B2B US market?</p> <p>11.a Why?</p> <p>(Open question)</p>	
<p>12. Are there any communication platforms that are more effective than others in the B2B market entry?</p> <p>11.b Why?</p> <p>(Open question)</p>	
<p>Category 5: Utility Value Analysis</p>	

<p>For the next question, your task will be to rank these factors in terms of relevance for the market entry for a Croatian SME to the US market.</p> <p>13. Please rank each of the following factors on a rating scale of 1 – 11, “1” being “very important” and “11” being “not at all important”.</p>		<p>Scale from 1 to 11:</p> <p>1 = not at all important</p> <p>11=very important</p>																								
<table border="1"> <thead> <tr> <th>Factors that influence the market entry mode decision</th> <th>Ranking (1 = not at all important; 11 = very important).</th> </tr> </thead> <tbody> <tr><td>Socio-cultural distance</td><td></td></tr> <tr><td>Country risk</td><td></td></tr> <tr><td>Intensity of competition</td><td></td></tr> <tr><td>Market size and growth</td><td></td></tr> <tr><td>Trade barriers</td><td></td></tr> <tr><td>Firm size and resource availability</td><td></td></tr> <tr><td>International experience</td><td></td></tr> <tr><td>Product complexity</td><td></td></tr> <tr><td>Risk-aversion</td><td></td></tr> <tr><td>Control</td><td></td></tr> <tr><td>Flexibility</td><td></td></tr> </tbody> </table>	Factors that influence the market entry mode decision		Ranking (1 = not at all important; 11 = very important).	Socio-cultural distance		Country risk		Intensity of competition		Market size and growth		Trade barriers		Firm size and resource availability		International experience		Product complexity		Risk-aversion		Control		Flexibility		
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Product complexity																										
Risk-aversion																										
Control																										
Flexibility																										
13.a) Why did you rank them in that order?																										
Category 6: Closing Questions																										
<p>14. To summarize, what is the most vital aspect to consider when entering the US market?</p> <p>14.a Why? In what way?</p> <p>(Open question)</p>																										
<p>15. Do you have any further suggestions or any questions?</p> <p>(Open question)</p>																										
Thank you for taking the time to do this interview.																										

Table A-4: Interview guidelines for internationalization experts (own presentation)

3. Interview guidelines in Croatian

Informacije o intervjuu:

1. Datum
2. Ime partnera na intervjuu
3. Industrija
4. Tvrtka/Institucija
5. Položaj u poduzeću

Postupak intervjuja:

1. Pozdrav sugovorniku i uvod u temu
2. Uvodna pitanja
3. Intervju o detaljnim temama
4. Završno (otvorena pitanja sugovornika)

Uvod

Poštovani gospodine/gospođo XY,

hvala vam što ste odvojili vrijeme za sudjelovanje u mom istraživanju tržišta. Kao što sam već spomenula, trenutno pišem svoj magistarski rad u okviru magistarskog programa Međunarodnog marketinga na Campus 02 University of Applied Sciences u Grazu, Austrija.

Ovaj diplomski rad ima za cilj razviti koncept ulaska na tržište za hrvatsko kozmetičko mikro poduzeće na američko tržište. Intervju će trajati otprilike 30-45 minuta.

Prije nego što krenem s konkretnijim pitanjima, želio bih predstaviti tvrtku kako biste bolje razumjeli situaciju.

Tvrtka je privatna kozmetička tvrtka sa sjedištem u Hrvatskoj (EU). Tvrtka proizvodi organske proizvode za uklanjanje dlačica i posluje kao maloprodaja i veletrgovac kozmetikom. Postoji prisutnost na B2B i B2C tržištu u još osam europskih zemalja. Nažalost, ne postoji iskustvo s tržištima izvan europskog kontinenta te osim toga su ograničeni resursi za kompliciranija ulaganja. Cilj joj je ući na tržište SAD-a kroz manji B2B segment, kao što su wellness centri i kozmetički saloni.

Prije početka intervjuja, želio bih vas zamoliti za pristanak za snimanje našeg razgovora jer bi to olakšalo analizu i tumačenje intervjuja.

Hvala Vam na suradnji. Imate li pitanja ili trebate dodatne informacije prije nego što počnemo s intervjuom?

Ako ne, onda ćemo početi. *(Počni snimati)*

3.1 Croatian interview guidelines for communication experts

Kategorija 1: Opće informacije

Prije svega, želila bih početi s nekim općim pitanjima o vama i vašoj tvrtki/tvrtci u kojoj radite.

- 1) Koliko dugo radite u marketingu? (Zatvoreno pitanje)
- 2) Možete li ukratko opisati glavne zadaće vaše institucije/organizacije i vaše područje odgovornosti? (Otvoreno pitanje)

Glavna pitanja	Pod teme
Kategorija 2: Američko tržište ljepote i osobne njege	
<p>3. Po vašem mišljenju, što karakterizira američko B2B/B2C tržište ljepote i osobne njege?</p> <p>(Otvoreno pitanje)</p>	<p>Potrošačke preferencije (npr. kupovno ponašanje, prestiž naspram masovne proizvodnje, organska kozmetika)</p> <p>Florida</p> <p>Kozmetički saloni i wellness centri</p> <p>Proizvodi za uklanjanje dlačica</p>
<p>4. Postoje li izazovi ili prepreke za europsko (tj. hrvatsko) malo i srednje poduzeće koje ulazi na tržište SAD-a?</p> <p>(Otvoreno pitanje)</p>	<p>Trgovinske barijere</p> <p>Porezi</p> <p>Propisi i politika</p> <p>Rizik zemlje</p> <p>COVID-19</p>
Kategorija 3: Način ulaska na tržište	
<p>5. Za mali MSP, s ograničenim resursima i proizvodnim kapacitetom, koji način ulaska na tržište biste preporučili?</p> <p>(Zatvoreno pitanje)</p>	<p>Izravan izvoz</p> <p>Neizravni izvoz</p> <p>Zadružni izvoz</p>

	<p>Licenciranje</p> <p>Franšizing</p> <p>Ugovorna proizvodnja</p> <p>Zajednički pothvat</p> <p>Lokalni prodajni predstavnici</p>
Kategorija 4: Razvoj komunikacijske politike	
<p>6. Što mislite, koji način komunikacije je bitan za mikro-poduzeće za ljepotu u odnosu na američko B2B tržište?</p> <p>6.a Koja platforma?</p> <p>6.b Zašto?</p> <p>(Otvorena pitanja)</p>	<p>Oglašavanje</p> <p>PR i publicitet</p> <p>Unapređenje prodaje</p> <p>Marketing događaja</p> <p>Direktni marketing</p> <p>Online marketing i marketing na društvenim mrežama</p> <p>Osobna prodaja</p> <p>WOM</p>
<p>7. Koji se ključni pokazatelji uspješnosti u komunikaciji najviše koriste pri ulasku na novo tržište?</p> <p>7.a Zašto?</p> <p>(Otvorena pitanja)</p>	<p>Učinkovitost oglašavanja</p> <p>Stvarni omjer publike/ciljane publike</p> <p>Cijena po kontaktu</p> <p>Broj poziva, upita i zahtjeva za informacijama</p> <p>Prodaja po pozivu prodaje</p> <p>Omjer troškova prodaje i prodaje</p> <p>Novi računi po vremenskom razdoblju</p> <p>Izgubljeni računi po vremenskom razdoblju</p>
<p>8. Koju bi metodu proračuna za marketinške troškove koristila mala tvrtka u SAD-u?</p> <p>8.a Zašto?</p>	<p>Pristupačan pristup (proračun koji se temelji na onome što je pristupačno)</p> <p>Model konkurentskog pariteta (proračun temeljen na konkurenciji)</p>

(Otvoreno pitanja)	Cilj i zadatak (proračun koji se temelji na specifičnim ciljevima, zadacima i predviđenim troškovima)
9. Kako međunarodni komunikacijski čimbenici utječu na marketinške kampanje na tržištu ljepote i osobne njege diljem zemlje? (Otvoreno pitanje)	Jezične razlike Ekonomске razlike Sociokulturne razlike Pravne i regulatorne razlike Konkurentne razlike
Kategorija 5: Završna pitanja	
10. Na kraju, koji je najvažniji aspekt komunikacije koji treba uzeti u obzir pri ulasku na tržište ljepote i osobne njege u SAD-u u B2B području? 10.a Zašto? Na koji način? 10.b Savjeti? (Otvorena pitanja)	
11. Imate li dodatnih prijedloga ili pitanja? (Otvoreno pitanje)	
Hvala vam što ste odvojili vrijeme za ovaj intervju.	

Table A-5: Croatian interview guidelines for communication experts (own presentation)

3.2 Croatian interview guidelines for internationalization experts

Kategorija 1: Opće informacije

Prije svega, želila bih početi s nekim općim pitanjima o vama i vašoj tvrtki/tvrtci u kojoj radite.

- 1) U kojim industrijama imate međunarodno iskustvo? (Zatvoreno pitanje)
- 2) Možete li ukratko opisati glavne zadaće vaše institucije/organizacije i vaše područje odgovornosti? (Otvoreno pitanje)

Glavna pitanja	Potkategorije
Kategorija 2: Američko tržište ljepote i osobnosti	
3. Koje su po vašem mišljenju glavne karakteristike američkog tržišta ljepote i osobne njege? (Otvoreno pitanje)	Potrošačke preferencije (npr. kupovno ponašanje, prestižna naspram masovne proizvodnje, organska kozmetika) Florida Proizvodi za uklanjanje dljučica
4. Kako biste opisali situaciju na B2B tržištu kozmetičkih proizvoda u SAD-u? (Otvoreno pitanje)	Bilo kakva nepisana pravila Razlike između SAD-a i Europe
5. Postoje li izazovi ili prepreke za europsko (tj. hrvatsko) malo i srednje poduzeće koje ulazi na tržište SAD-a? (Otvoreno pitanje)	Trgovinske barijere Porezi Propisi i politika Rizik zemlje COVID-19
Kategorija 3: Proces ulaska na tržište	
6. Prema vašem iskustvu, koji su koraci u procesu ulaska na tržište najvažniji za uspjeh? (Otvoreno pitanje)	
7. Ako mislite na hrvatsko mikropoduzeće (s ograničenim resursima i proizvodnim kapacitetom), koje ima težnju za ulazak na tržište SAD-a, ali ima samo	Izravan izvoz Neizravni izvoz

<p>međunarodno iskustvo na europskom tržištu, koji način ulaska na tržište biste preporučili?</p> <p>7.a Zašto?</p> <p>(Otvorena pitanja)</p>	<p>Zadružni izvozi</p> <p>Licenciranje</p> <p>Franšizing</p> <p>Ugovorna proizvodnja</p> <p>Zajednički pothvat</p> <p>Lokalni prodajni predstavnici</p>		
<p>8. Uz prethodno pitanje, koje bi aktivnosti bile potrebne za odabrani način ulaska na tržište?</p> <p>(Otvoreno pitanje)</p>			
<p>9. Kako biste izmjerili uspjeh ulaska na tržište za MSP na američko tržište?</p> <p>(Otvoreno pitanje)</p>			
Kategorija 4: Razvoj komunikacijske politike			
<p>11. Koje komunikacijske mjere mislite da su ključne za ulazak na tržište B2B SAD-a?</p> <p>11.a Zašto?</p> <p>(Otvoreno pitanje)</p>			
<p>12. Postoje li komunikacijske platforme koje su učinkovitije od ostalih na B2B tržištu?</p> <p>11.b Zašto?</p> <p>(Otvoreno pitanje)</p>			
Kategorija 5: Analiza vrijednosti korisnosti (troškova).			
<p>Za sljedeće pitanje, vaš će zadatak biti rangirati ove čimbenike u smislu relevantnosti za ulazak hrvatskog malog i srednjeg poduzetništva na tržište SAD-a.</p> <p>13. Molimo rangirajte svaki od sljedećih čimbenika na ljestvici ocjenjivanja od 1 do 11, "11" je "vrlo važno", a "1" "uopće nije važno".</p> <table border="1" data-bbox="245 1912 963 2047"> <tr> <td data-bbox="245 1912 606 2047">Čimbenici koji utječu na odluku o načinu ulaska na tržište</td> <td data-bbox="606 1912 963 2047">Rangiranje (1 = uopće nije važno; 11 = vrlo važno).</td> </tr> </table>	Čimbenici koji utječu na odluku o načinu ulaska na tržište	Rangiranje (1 = uopće nije važno; 11 = vrlo važno).	<p>Skala od 1 do 11: 1 = uopće nije važno 11 = vrlo važno</p>
Čimbenici koji utječu na odluku o načinu ulaska na tržište	Rangiranje (1 = uopće nije važno; 11 = vrlo važno).		

Socio-kulturna distanca		
Rizik zemlje		
Intenzitet konkurencije		
Veličina tržišta i rast		
Trgovinske barijere		
Veličina firme i dostupnost resursa		
Međunarodno iskustvo		
Složenost proizvoda		
Nesklonost riziku		
Kontrola		
Fleksibilnost		
13.a) Zašto ste ih poredali tim redoslijedom?		
(Otvoreno pitanje)		
Kategorija 6: Završna pitanja		
14. Ukratko, koji je najvažniji aspekt koji treba uzeti u obzir pri ulasku na američko tržište?		
14.a Zašto? Na koji način?		
(Otvoreno pitanje)		
15. Imate li dodatnih prijedloga ili pitanja?		
(Otvoreno pitanje)		
Hvala vam što ste odvojili vrijeme za ovaj intervju.		

Table A-6: Croatian interview guidelines for internationalization experts (own presentation)

4. Category system of qualitative market research

Main category 1: Introduction of the interview partner

Subcategory 1A: Years of experience in international marketing

Subcategory 1B: Years of experience in international business

Subcategory 1C: Current company or organization

Subcategory 1D: Experience in which industries or sectors

Main category 2: Characteristics of the US beauty and personal care market

Subcategory 2A: General characteristics

- Hair removal products
- Beauty salons and wellness
- Florida
- Consumer preferences

Subcategory 2B: Situation in the B2B market of cosmetic products

Subcategory 2C: Challenges or barriers for an EU SME

Main category 3: The market entry

Subcategory 3A: Mode

- Recommendation for a market entry mode
 - E-commerce
 - Hierarchical
 - Domestic based sales representatives
 - WOS
 - Intermediate
 - Licensing
 - Franchising
 - Contractual manufacturing
 - Joint venture
 - Exporting
 - Cooperative
 - Indirect

- Direct
- Activities for the recommended mode

Subcategory 3B: Process

- Measuring the entry success
- Most important steps

Main category 4: The utility value analysis

Main category 5: The development of the communication activities

Subcategory 5A: Communication platforms

Subcategory 5B: Essential communication measures

Subcategory 5C: International communication factors

- Competitive
- Sociocultural
- Economic
- Language

Subcategory 5D: Budget calculation method

- The objective and task
- Competitive-parity-model
- Affordable approach

Subcategory 5E: KPIs

- Other
- Lost accounts per time period
- New accounts per time period
- Selling expenses to sales ratio
- Sales per sales call
- Number of calls, enquires and information request
- Cost per contact
- Actual audience/target audience ratio
- Advertising effectiveness

Subcategory 5F: Essential communication mode

- Other
- WOM
- Personal selling
- Online and social media marketing
- Direct marketing
- Event marketing
- Sales promotion
- PR and publicity
- Advertising

Main category 6: Recommendations

Subcategory 6A: Further suggestions for market entry

Subcategory 6B: Further suggestions for communication

Subcategory 6C: Vital market entry aspect

Subcategory 6D: Vital communication aspect

5. Additional information on the beauty salon and wellness industry in the US

This chapter focuses on the US's beauty salon and wellness industry, as these businesses are crucial to LC

Generally, beauty salons provide hair care, manicures and pedicures, eyebrow and eyelash tinting, makeup application, tanning, massages, facials, and other skincare treatments (cf. Diment 2021, p. 17f.). Similarly, firms that operate in the wellness industry, such as spas, resorts and hotel spas, provide various massages and bodywork treatments, skincare treatments, salon services and other services (cf. Ristoff 2021, p. 5 – 18).

As already stated, the market size of beauty salons plummeted significantly in the US due to the closure of companies during the COVID-19 pandemic (cf. Statista 2021 A). Additionally, it has plummeted more rapidly than the entire US economy (cf. IBISWorld 2021). In the same way, the wellness industry has experienced similar difficulties during the COVID-19 pandemic, including the impact on earnings and the number of visits, which decreased by 35% (cf. Ristoff 2021, p. 9f.; International Spa Association 2021). Nevertheless, it is estimated that the beauty salon market will grow by 7%, which is about 42.8 billion USD, by the end of 2021, while the wellness industry sales will grow at a 4.8% annualised rate to 22.1 billion USD in 2026 (cf. Statista 2021 A; Ristoff 2021, p. 14).

For both industries, the primary growth factors are the business sentiment index and consumer expenditure (cf. IBISWorld 2021). However, the changes in disposable income, consumer sentiment, and the employment rate affect the industries (cf. Diment 2021, p. 11; Ristoff 2021, p. 9f.). Consumer spending is expected to increase and their leisure time (cf. Ristoff 2021, p. 10). Currently, consumers tend to spend 97.50 USD per spa visit (cf. International Spa Association 2021).

Beauty and spa services are considered discretionary services in the US (cf. Diment 2021, p. 9). Thus, the receipt is subjected to additional charges to compensate for the service provided by the provider (cf. Collins Dictionary n.d.).

In the past several years, wellness companies have extended their service, such as laser hair removal treatments (cf. Ristoff 2021, p. 9). However, massage and bodywork treatments are responsible for more than half of industry revenue, and demand

will only increase (cf. Ristoff 2021, p. 17). Furthermore, skincare treatments contribute 8.8% of industry revenue, following salon services (10.8%), retail (9.5%), and others (12.7%) (cf. Ristoff 2021, p. 17f.). On the other hand, 55% of beauty salons offer personal waxing as a service, and it is estimated that personal waxing contributes to 2.6% of industry revenue, while they profit the most from nail care services (97.3%) (cf. Diment 2021, p. 12 - 18).

The most significant market segmentation of the end-consumers for beauty salons is women aged 45 to 54 (cf. Diment 2021, p. 18). Following that, women aged 36 – 45 (21.3%) are the largest consumers (cf. Diment 2021, p. 19). They spend approximately 100 USD more on personal care products and services than other US consumers (cf. Diment 2021, p. 19). Additionally, they are more likely to buy luxurious services and regularly indulge in waxing services (cf. Diment 2021, p. 19). Lastly, men as a customer group are becoming more conscious about grooming and physical appearance; thus, they represent a minor market segment for beauty salons (5.4%) and account for 33.2% of spa visits (cf. Diment 2021, p. 19; Ristoff 2021, p. 18).

6. Industry relevant trade fairs in the US

The following trade fairs can serve LC as an opportunity to find partners and promote its brand.

1. PREMIERE ORLANDO (Florida, US)

According to the Trade Show News Network, Premiere Orlando is the largest beauty exhibition in the United States. Premiere Orlando offers a variety of tools, newest methods, trends, and products. In addition, it offers professional workshops and the opportunity to know various cosmetic distributors and cosmetic professionals. It covers trends from various cosmetic salons, from nail salons to day spas. It is projected that it will attract 60,000 visitors. The top US states attending this trade are Florida, Georgia, Alabama, South Carolina, North Carolina and Pennsylvania (cf. Premier Orlando n.d.)

The next exhibit: 04. - 06.06.2022

Website: <https://premiereorlandoshow.biz/>

2. COSMOPROF NORTH AMERICA (Nevada, US)

The Cosmoprof North America is a B2B trade show in cosmetics. The event brings the whole beauty industry together to network, form new contacts, and create cooperation. The trade show is known for its rapid development and specific activities. In 2019, over 40,000 people interacted with 1,435 exhibitors from 43 countries. Forming critical contacts with top industry professionals and merchants, as well as discovering innovative brand launches, product developments, packaging, production, and new distribution methods, are the main advantages of this trade show.

The next exhibit: 12. – 14.07.2022

Website: <https://cosmoprofnorthamerica.com>

3. INTERNATIONAL ESTHETICS, COSMETICS & SPA (Florida, US)

This trade show offers an opportunity to purchase products and see the latest trends in the spa industry. Additionally, it provides workshops, business seminars and product-focused education. It attracts various people, from salon and spa owners to distributors, skincare specialists and cosmetologists.

Website: <https://www.iecscflorida.com/>

4. CENTRAL FLORIDA BEAUTY, FASHION & BUSINESS EXPO (Florida, US)

Attracts professionals from all across the country to display their businesses and talents. Additionally, it provides fashion shows, art exhibitions, business lectures, and beauty workshops.

Website: <https://cfbeautyfashionexpo.com/>

5. INTERNATIONAL BEAUTY SHOW (Florida, US)

A beauty trade show that is dedicated to promoting multiculturalism in the industry. Typically, it has over 500 exhibitors, and it offers a variety of products, services, beauty equipment and masterclasses.

The next exhibit: 27. – 29.08.2022

6. INTERNATIONAL BEAUTY EXPOSITION (Nevada, US)

This trade show was established in the 1980s, and it is known for connecting professional beauty distributors and manufacturers. It offers an opportunity to learn about the latest beauty products and network with industry professionals.

Website: <https://www.internationalbeautyexposition.com/>

7. THE ULTIMATE WOMEN'S SHOW (Florida, US)

The ultimate women's show is a trade show that has been over 30 years and 590 expos. It guides women in choosing the best products, services, and resources for their homes, businesses and families.

The next exhibit: 08. – 09.04.2023

Website: <https://lawomensexpo.com/>

7. List of US competitors

Company	Website	Professionals or non-professionals	E-commerce	Provides sugaring certification
SugaringNYC	www.sugaringpaste.com	Both	Yes	No
Sweet & True Sugaring Co	www.sweetandtruesugaring.com	Both	Yes	Yes
Sugardoh	www.sugardoh.co	Non-professionals	Yes	No
SugarMeSmooth	www.sugarmesmooth.com	Both	Yes	Yes
Sugaring Factory	www.sugaringfactory.com	Professionals	Yes	No
SugaringLa	www.sugaringla.com	Both	Yes	No
Tamara's Sugar	www.tamaraprofessionalbody-sugaring.com	Both	Yes	Yes
Sugar Shop	www.mysugarshop.ca	Professionals	Yes	Yes
Jessa Skincare + SugarLove Sugaring	www.jessaskincare.com	Professionals	Yes	Yes
Coco Jojo	https://cocojojo.com/	Both	Yes	No

Table A-7: List of competitors (own presentation)

8. List of topics to discuss with the distributor

<ul style="list-style-type: none">1. Appointment<ul style="list-style-type: none">a) Appointmentb) Acceptancec) Exclusivityd) Subdistributors2. Territory3. Products4. Sales activities<ul style="list-style-type: none">a) Advertisingb) Initial purchasec) Minimum purchased) Sales increasese) Purchase ordersf) Distributor's resale pricesg) Direct shipment to customersh) Product specialisti) Installation and servicej) Distributor facilitiesk) Visits to distributor premisesl) Reportsm) Financial conditions5. Prices<ul style="list-style-type: none">a) Initialb) Changesc) Taxes6. Acceptance of orders and shipment<ul style="list-style-type: none">a) Acceptanceb) Inconsistent terms in distributor's orderc) Shipmentsd) No violation of U.S. lawse) Passage of title, risk of loss	<ul style="list-style-type: none">7. Payments<ul style="list-style-type: none">a) Termsb) Letter of creditc) Depositsd) Payments in dollarse) No setoff by distributorf) Security interest8. Confidential information9. Sales literature<ul style="list-style-type: none">a) Advertising literatureb) Quantitiesc) Mailing lists10. Patents, trademarks and copyrights; Agency registration11. No warranty against infringement12. No consequential damages13. Product warranty, defects, claims, returns14. Relationship between parties15. Effective date and duration<ul style="list-style-type: none">a) Effective date and termb) Early termination<ul style="list-style-type: none">o Breacho Insolvencyo Prospective breacho Change in ownership or managemento Foreign protective lawo Unilateral on agreed notice
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Table A-8: List of topics to discuss with the distributor (1) (based on Johnson/Bade 2010, p 110f.)

16. Rights and obligations upon termination

- a) No liability for the seller
- b) Return of promotional materials
- c) Repurchase of stock
- d) Accrued rights and obligation

17. Non-competition

18. No assignment

19. Government regulation

- a) Croatian law
- b) US law
- c) US corrupt practices act

20. Force majeure

21. Separability

22. Waiver

23. Notices

- a) Written notice
- b) . Oral notice

Table-9: List of topics to discuss with the distributor (2) (based on Johnson/Bade 2010, p 110f.)